

Thoughts on a biblical economic worldview or Godonomics

By Graeme Leach

This sixth extract continues consideration of '10 thoughts on a biblical economic worldview' concentrating on the ninth and tenth principles.

Biblical government is focussed entirely on negative rights

According to Moreland¹, the biblical function of the state is to '... preserve a stable peaceful social order by punishing wrongdoing that involves the violation of people's negative rights ... the state is to be responsible under the Natural Moral Law.'

In terms of Romans 13:1 the state has specific ministry; ministry of justice, not ministry of social justice. Justice is the central concern of the state, with the punishment of evil works. The biblical doctrine of civil government is set out in Romans 13:1-7. This denies that the state has any right to represent the people. Rather, its task is to represent God and its central purpose is justice and Godly order, not social justice and re-distribution. To do otherwise usurps God's own rightful position.

Art Lindsley² states that: 'To borrow a term from political theory, the Government that punishes evil in Romans 13:4 is playing a negative role. Government plays a negative role when it protects a citizen in his or her own pursuit of something legitimate; by punishing evil, the government plays a negative role because it is protecting a citizen's own pursuit of private property, health and life ... if Romans 13:1-7 and 1 Peter 13-14 are to be our guide, then government should be limited to the negative: punishing evil'.

The obvious response to this is that just because scripture does not command a positive role for government, it does not forbid it either. However, this possibility is surely ruled out by all the other biblical evidence in favour of a radically small state, evidenced here.

In a rich irony, the huge Leviathan which is the modern interventionist state in the UK (with total public spending projected to be almost £850 billion in the 2019-20 financial year), still struggles to provide adequate justice for those who fall through the cracks in the provision of legal aid. Many would also argue that defence expenditure is less than it should be, because more politically sensitive areas of public spending suck resources away from the MoD. These

¹ *A Biblical Case for Limited Government*, J.P. Moreland.

² P28, *Free Indeed, Living Life in Light of the Biblical View of Freedom*, Art Lindsley, Institute for Faith, Work & Economics, 2016.

core areas of responsibility for government, as stated in the Bible, suffer from too little not too much intervention. Every other area of public spending suffers from the reverse problem.

The free-market is good stewardship of God's creation

Scripture tells us that we must be good stewards of God's creation. And the lesson of economic history is that good stewardship is surely maximised by the efficiency of a free-market economy. The free-market is the most powerful instrument for wealth creation that exists. It is a gift from God to help us be good stewards of His creation. Good stewardship arguments revolve around what works best, and there is powerful empirical evidence that what works best is a free-market economy. It is the greatest mechanism for the alleviation of poverty in the history of the world³. Since the collapse of communism and the expansion of globalisation, more than one billion people have been lifted out of extreme poverty.

It is an utter fallacy that capitalism is all about the rich getting richer, and the poor getting poorer. Milton Friedman⁴ captured the truth when he wrote that: 'The great achievements of Western capitalism have rebounded primarily to the benefit of the ordinary person. These achievements have made available to the masses conveniences and amenities that were previously the exclusive prerogative of the rich and powerful'. This has been achieved even though what passes as capitalism today is a gross distortion of God's original intention for how perfect people would have operated a perfect market. As a result, contemporary capitalism is much less efficient and prosperous than intended, but remains God's economic model for mankind.

The stewardship case for minimal government is in large part empirical. Research⁵ over recent decades has shown a powerful negative relationship between the size of the state and economic growth. The research suggests a growing consensus that for a 10 percentage points of GDP reduction in the size of the state, the rate of economic growth is raised by 0.5 to 1.0 percentage points. This shows that you need to downsize the state in order to supersize the economy. For reference, the rule of 72 (72 divided by the growth rate) tells how long it takes for an economy to double in size. An economy expanding by 1% per annum takes just over 70 years to double in size, at 3% per annum 24 years. Fully pursuing God's rules for economic activity could

³ *The Industrial Revolution: Past, Present & Future*, Robert Lucas, Minneapolis Federal Reserve, 2003.

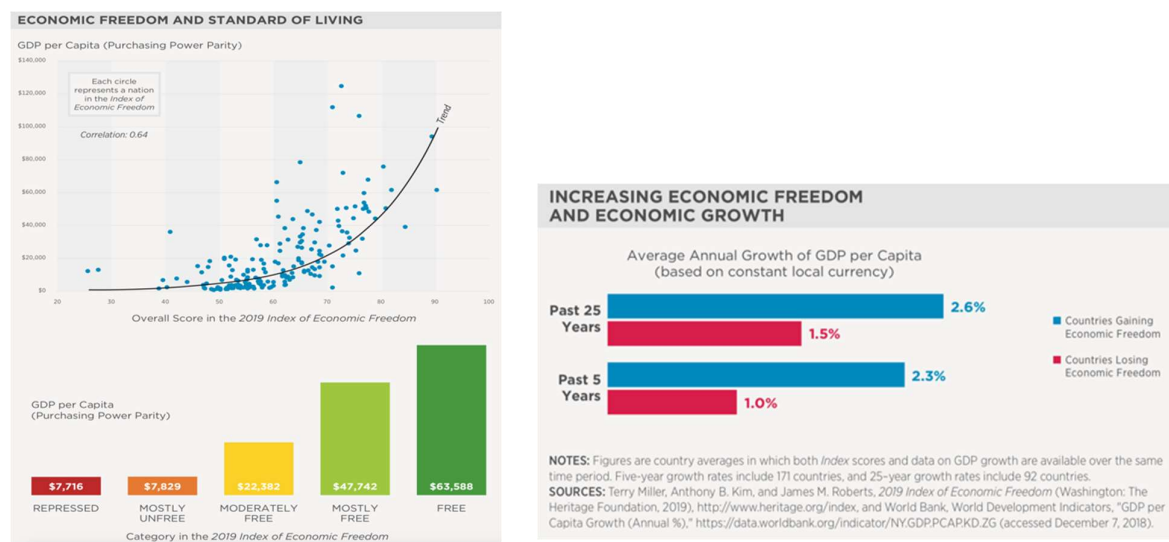
⁴ *Free to Choose: A personal statement*, Milton and Rose Friedman.

⁵ *Government Size and Implications for Economic Growth*, A. Bergh & M. Henrekson, AEI, 2010.

rapidly double the size of the economy much quicker than that. With 6 per cent growth the economy doubles in size every 12 years. With 10 per cent growth every 7 years. The closer you get to operating God’s rules, the more prosperous you will become.

More economic freedom leads to more prosperity. The Heritage Foundation’s Index of Economic Freedom affirms: ‘... the proven power of economic freedom in boosting growth and increasing prosperity ... the positive connection between economic freedom and long-term improvements in economic performance and overall development is unambiguous and robust. Citizens of countries with greater economic freedom live longer, have higher incomes, and benefit from elevated standards of living’.⁶

Charts 2.1 and 2.2 Economic freedom is good stewardship



Source: Index of Economic Freedom, The Heritage Foundation

There is no Nordic big government New Jerusalem. The Nordic economies are often quoted as an example of how large interventionist states are compatible with economic success – so-called Nordic exceptionalism. But the recent economic literature⁷ has challenged this view and shown that there is no Nordic exceptionalism. These economies are small homogenous societies which can get away with economic policy mistakes in a way, larger economies would

⁶ Heritage Foundation Index of Economic Prosperity, 2018.

⁷ See: Leach (2011) and (2015), Legatum Institute unpublished. Insert additional references.

not be able to. These economies also display much more economic freedom than people imagine e.g. some have school voucher systems. Most significantly, the Nordic economies are living on borrowed time, by depleting the social capital from the protestant work ethic inherited from previous generations.