

Christian Economics Reconsidered

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Poverty and Wealth: Why Socialism Doesn't Work, by Ronald H. Nash, (Richardson, Texas: Probe Books, 1986)

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A debate continues to rage within evangelical circles over the legitimacy of the capitalist economic system. Some charge it is based on greed and exploitation and, therefore, needs to be replaced with a more compassionate system. Others charge that it is man's heart that is evil and in need of reform and not the capitalist economic system. It is from the presuppositions of the second camp that Nash writes his book, *Poverty and Wealth: Why Socialism Doesn't Work* (initially issued by Crossway Books under the title *Poverty and Wealth: The Christian Debate Over Capitalism*). Nash, after spending twenty-seven years at Western Kentucky University, is currently a Professor of Philosophy and Theology at Reformed Theological Seminary in Orlando, Florida.

In debating capitalism it is important to define terms. Capitalism is not corporatism—government-granted privileges, such as trade restrictions, to corporations. Capitalism is not interventionism—government intrusions into labor markets, housing markets, agricultural markets, and so on. Capitalism is government-protected private property rights and the non-intrusion into the market process. Nash eloquently states his admiration for the efficiency of free markets, though he shies away from the obscure issues. For instance, this reviewer would be interested in Nash's views on the proper extent of government intervention into the illicit drug and prostitution markets. He never adequately explains to what, if any, extent the government needs to limit the freedom of the individual.

In the preliminary chapters, Nash more than adequately defines economic concepts for the layman. He devotes the entirety of Chapter 4 to the definition of the subjective theory of value. A basic comprehension of the principle is essential so as not to be deceived by Marxist interpretations. Briefly, this theory holds that value is not inherent in any commodity but that value is assigned to it subjectively by individuals. As I write this review, there is no drought in progress in northeast Tennessee. Consequently, a glass of water has little value to me. But if Captain Kirk should instantaneously beam me to the

Sahara my subjective valuation of that glass of water would then immediately increase. Economic analysis has been muddled by different theories of value. For instance, as Nash points out, Marx's view was that value was determined by the labor invested in making a commodity (i.e., the labor theory of value).

In Chapters 6 and 7, Nash defends capitalism from its critics. In Chapter 6, he points out that much of the criticism of the operation of the market is really criticism of the government intervention that exists. For instance, critics argue for more government housing because private markets underprovide. In reality, the criticism should focus on zoning laws, rent control, and so on. It is these government intrusions into the market that resulted in housing shortages in certain localities. In Chapter 7, Nash excellently defends capitalism from moral objections to it. These most common objections (and Nash's rebuttals) are 1) exploitation—Nash points out that poverty is rarely imposed externally but by one's own actions and decisions, 2) exchange is a zero-sum game (i.e. if someone gains from an exchange someone else must lose)—voluntary exchange will only take place if both parties expect to gain, 3) capitalism encourages selfishness and greed—these traits are the result of fallen man not his economic system (Is there no selfishness and greed in communist countries?), and 4) capitalism fosters competitiveness - again, competitiveness is a trait independent of the economic system and, as Nash notes, is channelled toward tyranny in centrally-planned economies and toward service in capitalist ones. He closes the chapter by stating that capitalism is the most moral economic system because it has, historically, been the system most likely to generate help for the masses, social cooperation, human dignity, and political freedom.

Nash turns his attention toward socialism in Chapters 8 and 9. He liberally quotes from Ludwig von Mises's criticisms of socialism. Nash masterfully explains the difficulty of resource allocations in a centrally-planned economy. Chapter 9 more narrowly focuses on Marxism. He writes: “Some evangelical sociologists criticize their society from a Marxist perspective, while some evangelical economics departments present socialism as the only option for thinking Christians.” (p. 94) For the sake of Christian parents about to send their children to Christian colleges, Nash could have specified the guilty schools, as he did in a few instances in *The Closing of the American Heart*. He accurately notes that the forms of human alienation which concern Marxists result from man's more fundamental alienation from God. This naturally turns his focus to Liberation Theology in Chapter 10. Nash details three tests that can be used to determine a true from a false liberation theology. This may be summarized: “In order for a system to qualify as an example of true liberation theology, it must be faithful to the Biblical content of the gospel, to Biblical evangelism, and must not subordinate the concerns of God's kingdom to secular ideologies.” (p. 113)

I especially appreciated Nash's analysis of the Great Depression in Chapters 12 and 13. He lists four myths of the depression. Myth one is that business cycles are caused by free markets. Here, Nash takes a decidedly Austrian view of the causes of business cycles; that they are a result of expansionary and contractionary monetary policies. Myth two is that the 1920s, a decade of unbridled capitalism, led to the Great Depression. Nash notes that

monetary expansion—the primary cause of the depression—is not inherent in capitalism nor is the Smoot-Hawley Tariff—which drastically reduced foreign trade. Myth three is that President Hoover was a staunch advocate of free markets when in fact he was not. And myth four is that Franklin Roosevelt led the nation out of the depression with his interventionist programs. Nash correctly notes that programs such as the NRA and AAA (subsequently ruled unconstitutional) actually increased unemployment and it was the advent of World War II that put Americans back to work.

Nash has the courage to attack the Social Security System in Chapter 14. His analysis of the potential (read inevitable) problems of a pay-as-you-go retirement program are accurate. However, to this reviewer's dismay, he does not question the morality of a coercive retirement program: “None of the criticisms made in this chapter are intended to challenge the concept of Social Security. The United States needed a program that would help provide for its elderly citizens.” (p. 152)

Chapter 15 is devoted to challenging the Jacques Ellul, Ron Sider, Tony Campolo, et. al. notion that wealth is evil. Nash correctly notes it is man's heat that is evil. And, as he points out, a Christian who wisely invests in a business (i.e. creates wealth) can actually help others by providing jobs as well as goods and services that people value.

The last two chapters are devoted to poverty; Chapter 16 to domestic poverty and Chapter 17 to third-world poverty. Nash is quick to point out that the non-poor have a responsibility to the just poor but are *not* responsible for their poverty. He quotes Edward Banfield's time horizon theory as explaining the primary cause of domestic poverty (i.e., the poor generally have a shorted time horizon and, therefore, are reluctant to sacrifice anything in the present for some greater gain in the future). Chapter 17 is devoted to refuting the idea that third-world poverty is the result of exploitation by the West. No amount of foreign aid will help these nations for their poverty results from cultural and institutional factors that must be changed from within.

Before closing this review, I must point out two major areas of disagreement with Dr. Nash. The first is his apparent pragmatic view of economic policy and lack of belief in a biblical norm. I offer a few quotes: “The book is not an attempt to produce a system of Christian economics. There is no such thing as revealed economics. There is no such thing as positive Christian economics.” (p. 12) “After all, the Bible is no more a textbook on economics than it is on astronomy or geology. There is no such thing as revealed economics.” (p. 59) “All that is necessary for this economic theorizing to be good in the positive sense is for the policy to work.” (p. 16) “He [the Christian] should try to clarify what capitalism and socialism really are; he should try to discover how each system works or whether it can work.” (p. 60) But then Nash makes statements like the following: “While the Bible contains no systematic teaching on economics, it does have some important things to say about economic matters.” (p. 164) “Capitalism should be regarded as a system of voluntary relationships within a framework of laws which protect people's rights against force, fraud, theft, and violations of contracts. 'Thou shalt not steal' and 'Thou shalt not lie' are part of the underlying moral constraint of the system.” (p. 66)

It appears Nash and I may be on the same page but I would prefer he be a little more adamant. Though the Bible does not explicitly spell out an economic system there are enough commands and principles to generate a biblical economic system. Government welfare programs are not bad because they, pragmatically, produce the wrong results but because they violate the Eighth Commandment against theft.

The second area of disagreement is in his analysis of the lack of economic growth in certain nations. “If a number of nations in the world could get the rate of population growth under control, they could begin to emulate the growth rate of nations like Japan.” (p. 185) He contradicts himself later in a table presented on page 197. He lists five nations with high growth rates of Gross Domestic Product (GDP) and five nations with low GDP rates. There is no correlation between these nations' growth rates of GDP and their population growth rates. For instance, Thailand (a high GDP growth rate) has a population growth rate of 2.45% (since 1965) while Uruguay (a low GDP growth rate) has a population growth rate of 0.53%. Population growth has nothing to do with economic growth. Economic growth is the result of a nation's cultural and institutional structures. The greater the conformity of these to biblical principles, the greater the economic growth rate.

Despite these two objections, the reader is well-advised to absorb this book; better to read this book than *Rich Christians in an Age of Hunger*. As an admonition on the virtue of capitalism let me close with some of Dr. Nash's own closing comments: “A capitalism that is cut loose from traditional values is a capitalism that is headed for trouble... Christians who want to help the poor need capitalism.... But, and let all friends of the market system pay heed, capitalism needs Christianity.”