Journal of Markets & Morality
Volume 8, Number 2 (Fall 2005): 513–519

What Bearing, If Any, Does the Christian Doctrine of Providence Have Upon the Operation of the Market Economy?

A Response to Michael T. Dempsey

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In our original article,[1] we tried to get theologians to reexamine markets as a way of organizing economic activity by suggesting that markets may be part of God's providential care of human beings. Professor Dempsey challenged our appropriation of *providence* to describe the market system. In our subsequent responses to each other, there has been some narrowing of the divide between us, but a wide gap remains. Given a limited amount of space, we will focus on three elements that still divide and must rely on the readers' access to the previous articles to fill in some gaps.

Does Providence Require Perfect Intentions?

Professor Dempsey says he has been made more aware of the ways people can engage in mutual service through market exchange but that we fail to acknowledge the shortcomings of markets. We fully recognize that markets are not perfect—unnecessary goods are produced, external costs generated, and the needs of the poor are often underrepresented. Markets are not perfect, but apparently they must be perfect to satisfy theologians' requirements for classifying something as within God's providential care. Dempsey states, "… only those economic relationships that approximate that model [i.e., of the divine economy] can be understood as reflective of God's providence. All other market motivations, such as those that entail greed and exploitation, not only must be distinguished from God's providential activity but must be condemned as repugnant to the faith."[2]

If this is the position of theologians, it does not appear to be the position of the biblical writers. Joseph was sold into slavery by his brothers, but God used Joseph in Egypt to alleviate starvation during a famine. He tells his brothers, "you meant evil against me; but God meant it for good, to bring it about that many people should be kept alive, as they are today."[3] God is seen throughout the historical and prophetic books as in control of history, regardless of the motives of the people who appeared to be making the decisions. By Dempsey's standards, these could not possibly be part of God's providential activity.

We believe that the doctrine of providence is one of the great Christian mysteries. God invites human collaboration with his kingdom purposes, but his grace and power cannot be defeated, even by our flawed motivations and weak responses. Dempsey's criteria places providence in the hands of human beings—and only those motivated by pure love—rather than in the hands of God.

Markets Are Successful at Reducing Poverty

We presume that Professor Dempsey would agree with us that it is better to find a way for someone to come out of poverty than to offer that person temporary relief through handouts. An examination of economic history illustrates the wealth-creating power of markets that have brought hundreds of millions of people out of poverty. The material well-being today of most people in the United States, Western Europe, Japan, Australia, and Canada and for growing numbers in Asia and Central and South America (compared to the well-being of their grandparents or great-grandparents) is amazing. There is no era in history that experienced a similar reduction of poverty. Instead of acknowledging this feat, critics concentrate on the fact that not everyone has been pulled out of poverty.

Economists have only begun to understand the process of economic growth, and do not have the power to initiate the changes in institutions and beliefs necessary to bring about more growth.[4] Nobel economist Douglass C. North argues that a combination of certain institutions and beliefs is necessary to generate economic growth, including property rights, markets, infrastructure that permits the exploitation of economies of scale, the rule of law, and a movement away from personal to impersonal markets. Such changes are achieved over long periods of time by incremental steps, not through rules imposed by Christians or economists.

As we noted above, markets are not perfect.[5] There are roles for government agencies, nongovernment agencies, churches, and others to help those who lack the skills or resources to participate fully in society. However, the formation of new firms and the expansion of existing firms do more to alleviate poverty through job creation than any of these other sources.

Information Problems Complicate Moral Choices in Impersonal Settings

Our third concern with Dempsey's arguments relates to something we mentioned in our first article and alluded to above—the move from personal to impersonal markets.[6] Personal markets have existed for most of human history. A village that was relatively self-sufficient and in which everyone knew everyone else is an example. The division of labor was very limited, so the potential for wealth creation was also limited. People knew the circumstances of the poor in their midst, as well as who was poor relative to everyone else. The knowledge needed to act in ways that could help the poor was generally available for the members of the community.

Modern industrial and postindustrial life is quite different. We live in towns and cities that are too large for people to know everyone else. We participate in economic activity in more specialized ways. A consequence is that economic life is much more impersonal. That is, we deal with people on a regular basis that we do not know; some of whom may live in other cities or countries. For example, a purchase of an automobile is possible only because the services of people in scores of countries utilizing thousands of production techniques and skills are combined to produce an automobile.[7] How is it possible to select a car on the basis of which auto firm treats all of these thousands of people the best? Who has that kind of knowledge? Similar questions could be raised about almost all products, even those products much less complex than automobiles.[8]

Dempsey discusses briefly two ideas that we think show a failure to account for information problems, where impersonal markets are important. He writes, "Thus, because God is the basis of all truth, and because Christians are to model their being and activity after the nature of that truth, the human economy should only be understood and structured in relationship to the divine economy, *and not vice versa*."[9] First, no one has structured the human economy. It has evolved slowly over centuries.[10] Second, God is omniscient, and we are not. God can know the effects of his actions in ways that we cannot. Good intentions, accompanied by faith in God, are always worth cultivating. They are not, however, sufficient to accomplish all that markets achieve through radically unorchestrated decisions by billions of people.[11] Further, the impersonal nature of modern life implies that we always lack sufficient information to ensure optimal results for all those affected by our actions.

Dempsey hopes for a time when Christian economists might, "learn from theologians and one day develop and implement a specifically Christian model of the marketplace."[12] We are not certain what he means by *model* here, for it seems to be different from the way the term is used by economists where it is a theoretical construct of how the economy operates. Economic models are not blueprints for how the economy should be structured. If Dempsey wants us to develop a practical way in which the human economy can mimic God's economy, we are incapable of doing so. We are not smart enough. No one is. Once again, God is omniscient and we are not.[13]

Dempsey argues that more can be done if we are freed from the sins of self-reliance and greed. He writes,

> Indeed, there are numerous ways that individuals and corporations can implement gospel values in the world, such as offering a decent living wage to all employees, making their products or services available to low-income families at a reduced rate, offering debt relief, providing loans either at low or no interest, and setting up college funds for workers and their children.[14]

This sounds good, but fails to consider the tremendous problems of knowledge and the impersonal nature of modern life. By offering a living wage to all employees, owners of firms may make it more difficult for the least productive members of society to ever get jobs.[15] Second, the various suggestions may be contradictory—high wages and low prices are difficult to have. Third, there are firms that engage in the type of price discrimination Dempsey mentions, but to do so they must be able to prevent the poor from buying extra and reselling products to others. That is, the process works only if some people continue paying the higher price.

If the nonpoor can disguise themselves and appear to be poor, they can obtain the lower price. If this happens too much, firms may not be able to stay in business. This is a painful complication for pharmaceutical companies offering to sell AIDs drugs at discounted prices in places such as South Africa because the arrangement creates strong financial incentives for corrupt officials to acquire large amounts of the drugs and resell them in high-priced markets abroad.

Again, the merchant in the small village knows who is and who is not poor. The modern merchant in New York City or even Holland, Michigan, may not have that information. Perhaps a more effective approach would be for concerned people to offer their goods and services at competitive prices and use some part of their income, whether as firm owners or workers, to fund ways to help the poor.

We offer one example that takes place today but with biblical roots. Farmers in ancient Israel were to leave the crops at the side of their land for the poor, as well as any grain that fell on the ground during harvest. Gleaning was permitted. The book of Ruth offers an illustration of the practice. Why do farmers not permit gleaning today? At least two differences exist from the time of Ruth and Boaz. First, owners of farmland may not know whether the people coming onto their land are actually poor. For every person who takes some of the crops who is not poor, there is less available for those who are poor. Second, modern farmers have expensive capital equipment. If someone came on their land and damaged the equipment, intentionally or unintentionally, the loss could be huge. Again, if the farmer were in a small village, he would know who was on the land and have a chance to know who would be responsible for any damage.

Organizations exist that make use of the practice of gleaning. Volunteers go on the land and do the gleaning activity, sell the crops, and distribute the money or food to the poor. Farmers believe the members of the organization are not likely to damage the equipment, but if damage does occur, they know the organization responsible and can seek redress. The modern form of gleaning recognizes the impersonal nature of economic life today, and adapts an old practice in ways that help the poor.[16] To condemn modern farmers as less charitable than their ancient counterparts would be to ignore important differences between modern life and life in antiquity.

Yes, Markets Are Providential, and Individuals Are Responsible

Market incentives link the needs and desires of hugely diverse consumers with the means of equally diverse producers. As a result, market systems produce amazing abundance while respecting the free choices of billions of individuals. They put food on the table and music on the air, cure cancer, and produce resources that end up funding humane outreach to those who remain needy.

Individually, and through voluntary collaboration with others, Christians are called to exercise gospel values in their lives as consumers, producers, and citizens. Well-motivated moral agency is critical to the operation of healthy markets and to the creation of societies that make room for the weak. Wherever markets function freely, and individuals imbue society with high values, the hand of Providence must be at work.

Notes

1. Robin Klay and John Lunn, "The Relationship of God's Providence to Market Economies and Economic Theory," *Journal of Markets & Morality* 6, no. 2 (Fall 2003): 541–64.
2. Michael T. Dempsey, "What Bearing, If Any, Does the Christian Doctrine of Providence Have Upon the Operation of the Market Economy? A Response to Robin Klay and John Lunn," *Journal of Markets & Morality*, this issue, 507.
3. Genesis 50:20 (NRSV).
4. See Douglass C. North, *Understanding The Process of Economic Change* (Princeton: Princeton University Press, 2005), as well as many other of his works. For an examination of increases in nutrition and health by another economic historian, see Robert William Fogel, *The Escape from Hunger and Premature Death, 1700–2100: Europe, America, and the Third World* (Cambridge: Cambridge University Press, 2004). North points out that it is impossible to ever know for certain how to generate economic growth because changing circumstances may generate different channels for growth than what had taken place historically.
5. Neither are governments, churches, NGOs, and so forth.
6. See Klay and Lunn, "The Relationship of God's Providence." Also, Peter J. Hill and John Lunn, "Markets and Morality: Things Ethicists Should Consider When Evaluating Market Exchange," paper presented at the Southern Economic Association Meetings, November 2004.
7. We are not just talking about the assembly plants or even the producers of the parts of engines or other important features of autos. We are also speaking of those who worked in mines that provided the iron ore used to make steel that is used in the car and the raw materials used in all of the other parts of a car.
8. See Milton Friedman and Rose Friedman, *Free to Choose: A Personal Statement* (New York: Harcourt Brace Jovanovich, 1980), 11–13 for an example involving the pencil. For a history of the pencil, see Henry Petroski, *The Pencil: A History of Design and Circumstance* (New York: Alfred A. Knopf, 2004).
9. Dempsey, "Response to Klay and Lunn," 507 (emphasis in original).
10. North, *Understanding*; and Douglass C. North and Robert Paul Thomas, *The Rise of the Western World: A New Economic History* (Cambridge: Cambridge University Press, 1973).
11. We acknowledge the assistance of Nathan Klay for his insights in editing this response.
12. Dempsey, "Response to Klay and Lunn," 506.

13. Dempsey never addresses the issue of how Christians are to structure an economy in a Christian manner when many who live in the society are not Christian.

14. Dempsey, "Response to Klay and Lunn," 508.

15. See Robin Klay and John Lunn, CSR. We note that many jobs are held by people who are not trying to support a family but are trying to make money for college or for many other reasons. Further, many want only part-time work.

16. These organizations find other ways to help the poor too. For example, picking up dented cans in grocery stores.