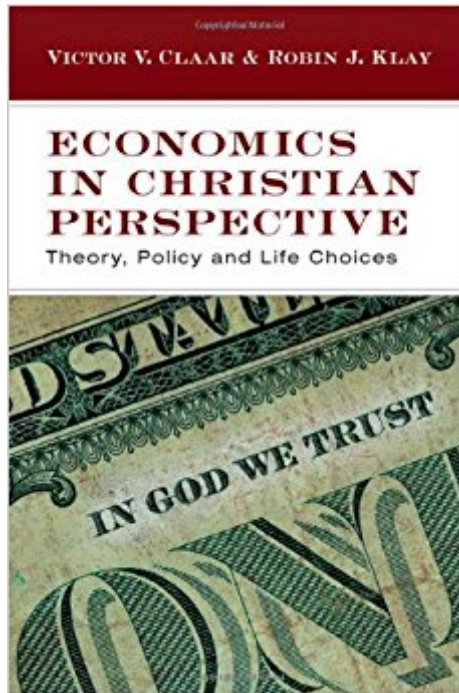




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# Economics In Christian Perspective: Theory, Policy And Life Choices



## Synopsis

Unemployment Environmental damage Poverty Economists Victor Claar and Robin Klay critically engage mainstream economic theory and policy recommendations to provide guidance for faithfully and responsibly addressing these and other important economic issues Affirming that a just and prosperous society depends for its continued success on maintaining the right balance of power among three principal spheres democratic governments market organized economies and strong moral and cultural institutions Claar and Klay demonstrate how Christian principles and values guide and undergird a flourishing and just economy Market Audience Students Professors Thoughtful laypeople Features and Benefits Written by two professors of economics who teach and also conduct research Covers the basic principles of economics Can be used by economics majors in conjunction with standard economics texts such as Microeconomics by Parkin and Foundations of Microeconomics by Bade and Parkin

## Book Information

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## Customer Reviews

"The book is full of insightful analyses of contemporary problems, which makes it feel a bit like the popular book Freakonomics. Claar and Klay's epilogue is worth the price of the book: There they give very practical life lessons taught by economics that are matters of common sense, yet are commonly ignored." (Scott B. Rae, Christian Social Thought, Spring 2008)"A worthwhile read which offers many useful insights to serious Christian thinkers and just about anyone else regarding basic economics and Christian responsibility." (John M. Cobin, Journal of Interdisciplinary Studies)"This balanced and well-written book not only explains Christian teaching and economic theory, but

relates them to the important economic issues of the day and the challenges they present to living out the Christian faith. The book covers a wide range of contemporary issues of importance to Christians and the wider public. The opening and closing chapters are especially valuable in offering a perspective on how Christian principles can complement the workings of markets." (Douglas O. Walker, *Religious Studies Review*, June 2008)"This book presents a view on the respective roles and responsibilities of governments, markets, and civil society for Christians seeking personal understanding and who are called to make a concrete difference in the world." (ARC Worldviews, June-July 2008)". . .readers of this book will find that the economics and concern for Christian principles blend together seamlessly--a rare feat indeed among texts of this genre." (Samuel Gregg, *Journal of Church and State*)". . .a useful and accessible introduction for Christians to a complex subject." (David McKay in *The Covenanter Witness*, February 2008)"It's a wonderful read. The writing style is engaging. If you have just a rudimentary grasp of some basic economic concepts the book should be intelligible. What is truly refreshing is the careful and respectful manner in which differing views are presented on some controversial topics even as the authors reveal their takes on issues. The book is neither a social justice harangue nor a libertarian manifesto, just solid Christian reflection on the implications of mainstream economic thought." (Michael Kruse, *Kruse Kronicle*, January 28, 2008)". . . An excellent introduction to economics for readers interested in understanding economics within a Christian worldview perspective. The authors combine clear explication of economic principles with passionate personal experience and advice." (John E. Anderson for *Faith & Economics*, Fall 2007)"This book by Victor Claar and Robin Klay is a valuable new contribution to a small but growing and important body of literature on economic thinking and Christian belief. The authors do not advance a unique 'Christian' economic theory, nor do they simply bless every mainstream economic concept with a biblical imprimatur. Instead, they carefully review current economic theory and policy perspectives in light of biblical Christian belief. At times Victor and Robin agree with mainstream economic ideas and at times they suggest thoughtful criticisms of the mainstream. They also take time to address important heterodox economic views in light of their interpretation of biblical principles that bear on each topic. Extended case studies draw the reader into economic and biblical ways of thinking about important public policy issues. The cases are drawn from everyday life so that the reader can move easily from what we experience in everyday economic life to those topics about which we know less but must render political and economic opinions. They address critical topics such as embracing or protesting market economies, designing effective programs for poor relief, addressing our growing global need for energy, restricting or encouraging economic development around the world, assessing the government's

monetary and fiscal macroeconomic policies, and choosing an optimal level of pollution control. Victor and Robin write with conviction about their firmly held economic views and with fair-minded care about those questions that remain arguable from several reasonable perspectives. Not every Christian will agree with their views, but most Christians would benefit from confronting their economic reasoning and biblical analysis of crucial issues." (Robert A. Black, Professor of Economics, Houghton College)"Claar and Klay ask how Christians with shared values can affect outcomes in a market-based democratic economy. They expand traditional economic analysis of self-interested consumers, profit-seeking firms and elected governments to include groups of individuals with common interests such as churches and faith-based organizations. They illustrate that the latter, by pooling resources, can influence the production and delivery of desired services such as feeding the poor, sheltering the homeless and healing the sick, locally, nationally and globally within established economic structures." (Robert H. Rasche, Michigan State University)"This short book has lofty goals. One purpose is to explain the economic process, emphasizing the benefits of free markets and voluntary choice. The second task is Christian reflection on economic involvement from an evangelical perspective. The result enriches economic and biblical understanding." (John Pisciotta, Associate Professor of Economics, Baylor University)"Victor Claar and Robin Klay provide thoughtful Christians a very useful introduction to the economic way of thinking that is lively, nuanced and challenging. Their description of economics presents the powerful ability of markets to creatively meet human needs within a Christian perspective that takes seriously the claims of Christ over his creation. It will serve as a valuable entry point to the world of economics for Christians eager to learn how markets, governments and institutions operate in the contemporary global context." (Dr. John E. Anderson, Baird Family Professor of Economics and associate dean, College of Business Administration, University of Nebraska-Lincoln, and former senior economist with the President's Council of Economic Advisers)"Claar and Klay combine Christian principles and economic principles in a useful manner so that readers will think better about these issues and look to better solutions than are currently being proffered. Demonstrating an impressive breadth of vision, they deftly move from the big picture and macroeconomics to the care for the individual and restoring hope for the least of these. Covering a wide range of issues, they deal with microeconomics, macroeconomics, public policy, personal behavior, market failure and government intervention. This is a much-needed book that I will use and think many of my colleagues in the Association of Christian Economists will want to use also." (Eric Elder, Professor of Economics, Northwestern College)"Books like this one are far too rare. Claar and Klay explore a broad range of compelling issues, write clearly and winsomely, think

from a well-reasoned historic Christian perspective, and above all else are seasoned mainstream economists who know what they are talking about. We seldom get a book that considers natural revelation and special revelation simultaneously, and does so with respect for those who come to different conclusions. While making their conclusions clear, Claar and Klay consistently explain their framework of thought in such a way that those who disagree can clearly identify why and where they disagree--a wonderful gift to a long conversation about faith and economic affairs that has too often been polarized and uncharitable." (Kurt Schaefer, Calvin College)"This book meets an important need for Christians who want to think carefully about economics. Claar and Klay combine sound economics and the moral demands of a lively Christian faith to create integrated, practical advice for all believers seeking to make a concrete difference in the world. This book is a great resource for any Christian trying to make sense of the many seemingly irreconcilable demands of Christian faith and economic analysis." (Andrew M. Yuengert, Professor of Economics, Pepperdine University)"This volume presents a balanced view of the respective roles and responsibilities of governments, markets and civil society within a perspective of reasoned hope that is clearly informed by the authors' Christian faith. The integration of Scripture and Christian reflection with economic analysis is careful and well reasoned, and also affirms the positive dimensions of the market process. The book is easily accessible to undergraduate students, and approaches the major stewardship issues of our time not only in terms of individual choice, but also from the standpoint of the family, the church and the broader communities to which we all belong. It makes creative use of a variety of examples, and addresses the primary economic challenges of our time." (Paul R. Koch, Professor of Economics, Olivet Nazarene University)"Victor Claar and Robin Klay have given us a sensible discussion of contemporary economic policy issues with some Christian commentary. They emphasize the usefulness of mainstream economics to Christians working in the world." (Paul Oslington, University of New South Wales and St. Marks National Theological Centre, Canberra)"Claar and Klay combine Christian teachings and modern economic analysis in a book that informs both the head and the heart. This book also affords an opportunity to incorporate material on values and social capital into a mainstream course in economic principles." (Kenneth G. Elzinga, Robert C. Taylor Professor of Economics, University of Virginia)

Victor V. Claar (Ph.D., West Virginia University) is professor of economics at Henderson, the public liberal arts college of Arkansas, where he specializes in teaching principles of economics courses. He spent the 2006-2007 academic year as a Fulbright scholar, giving graduate lectures and conducting research at the American University of Armenia. His research interests include

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I learned a lot from this book, but it wasn't easy going - and I studied Economics in University. Finally I understand what Keynesian economics are all about! The basics of economics are all covered here: Scarcity of resources, Supply and Demand, Markets, Macroeconomic fiscal policy and so on. They are all presented in ways that can be understood by someone who hasn't had much exposure to Economics. But beware there are still plenty of graphs and charts. They are unavoidable in economics. The authors favour free markets, democratic governments and strong moral and cultural institutions. They are also in favour of globalisation and free trade as the best way to alleviate systemic poverty. They swim against the tide of much popular sentiment that paints globalisation, as another form of tyranny against the poor. The book is also a healthy corrective to much radicalised Christian thinking on economics that sees markets as evil drivers of materialism, and greed. I was impressed with their clear level headed thinking with regards to issues like taxation, poverty, pollution, and the environment. They were cautiously optimistic and realistic with regards to how an economy works. The epilogue gives some good practical advice of how to apply economic principles in a Christian fashion. What was lacking from the book? Overall the book failed to convey a broad, holistic and distinctively Christian vision for economics. While it did offer some Christian ideas these tended to be "care for the poor" and "be good stewards of your resources". I wholeheartedly support those things, but they aren't the total picture. I would have preferred a look at economics through the lens of eschatology, that is through the lens of the new heavens and the new earth: What is God going to do with the world? What kind of society is he going to create? How can I anticipate that in my economic dealings with the world? The book was economically rich but theologically light. It also got a little dry in parts. It's also clear this book was written before the major GFC meltdown of 2008. I wondered how much the authors viewpoints would have changed, or what

they would have said about these things. Overall it wasn't bad, but could have been a lot better.

Reviewed by Michael J. Douma for [...] I picked up this book because the authors teach at my alma mater, Hope College, in Holland, MI. Although I have not met them, I was interested to see what they had to say about the relationship between Christianity and economics. The authors include an appropriate proverb, tucked away on page twenty-four. "Without freedom," they write, "there is no responsibility." They could have added that without responsibility there is no freedom. In the tradition of classical liberalism, they insist government's role in, most importantly, protecting property and enforcing contracts, but also in stabilizing the economy, and promoting positive, and discouraging negative externalities. The major thesis of the work is that democratic governments, free markets, and cultural institutions (i.e. the church) as separate spheres have their own responsibilities that come together like a tripod to provide the proper balance of support for society. While I assume the authors are aware of the Dutch Calvinist theologian Abraham Kuyper, and are certainly influenced by him, they make no mention of his works. This is an unfortunate omission because they share much of Kuyper's worldview. Kuyper's concept of "sphere sovereignty" first articulated in the late nineteenth century, has been influential in political thought in the Netherlands and among Dutch immigrants in America. Sphere sovereignty teaches that the church has responsibilities equal to those of the government and should not be disadvantaged by government interference. Like Kuyper, the authors believe that God had called his followers to be active in the world, and not to shun it. This is one reason why Christians should not deride the market, but come to understand its potential for making Christian change. Indeed, the model presented in this book allows society multiple angles to solve social problems, much in the way Kuyper envisioned. Markets, morals, and governments must operate with a common goal in mind. The authors are particularly adept in providing a Christian defense of the marketplace. Scarcity, the first law of economics, does not result from sin, they write, nor can generosity eradicate it. Markets can be used for good or evil, and will feed moral sin if allowed. But markets regulate overconsumption through prices, and provide new products through innovation. Dynamic markets can cause temporary job loss or dislocations but can alleviate them and provide gain and opportunity throughout. In the authors' view, the government should step in when markets fail, and "gently nudge" the markets to provide for the otherwise unmet needs of society. Cultural institutions, meanwhile, should serve to promote virtue, a public good which will direct the actions of individuals in the marketplace and in government. In macroeconomic policy, the authors favor Milton Friedman's monetarism, briefly understood as economic stabilization through long-term steady rates of inflation. They see the ideas of Friedman

as a new paradigm in the manner described by Thomas Kuhn in his book, *The Structure of Scientific Revolutions*. The authors label their views accordingly as "new classical." They make a standard but well-reasoned critique of John Maynard Keynes. Keynes thought there was a trade-off between inflation and unemployment. When government inflated the money supply, they created jobs, but when they held back on spending to decrease inflation the unemployment rate would rise. Claar and Klay argue that workers can not be easily manipulated, and the trade-off between inflation and unemployment, as shown in the Phillips curve, is not a direct relationship when workers are rational. In other words, people can anticipate inflation and react accordingly, and they won't work if their wages are worthless. Their Christian dismissal of Keynes may be a more novel approach. Keynesian discretionary spending policies are deliberately deceitful, the authors say, because they cause wide swings in the value of money, while the monetarist position is transparent and honest. The Federal Reserve, then, should make its policies clear in the long-term and avoid sudden jolts through fiscal controls. This begs the question whether any artificial increase in the money supply with resulting debasement of currency is not therefore also immoral. And if inflation is immoral, is it a necessary evil for macroeconomic stabilization? Perhaps the greatest shortcoming of the book is that it attempts to do too much. The authors discuss internet file-sharing, economic trade-offs, patents, the injurious effects of wage-rate laws, Christian environmental stewardship, Pigovian pollution taxes, and why human life can not be given an infinite value in cost-benefit analysis, among other topics. The best sections are some of the shortest. For example, in addressing the tithe, the authors explain that it was originally a rent paid on land, not on income, and that only in the past two centuries have churches stressed the doctrine of giving ten percent. Yet, while the authors cover extensive ground, they sometimes lose track of their audience. This work is certainly not light reading for a layman, and is best suitable for college-educated Christians who have taken a number of courses on economics. The authors make good use of stories related to Holland, Michigan, so that a local audience might also find the work additionally appealing. Ideologically, the authors appear right-of-center, but show an eclectic mix of influences. In asking how Christian morality should meet the marketplace, the authors appeal to the philosopher John Rawls to say that we should consider how our actions affect others, or rather, how our actions would affect us if we were in a different situation. Citing the Laffer Curve, they note that an increase in the tax rate does not always lead to an increase in tax revenue. Yet, they do not question the assumption of why government should attempt to maximize tax revenue in the first place. This book, whatever its minor faults, reminds us that economics is moral philosophy. This alone is an important message. Markets can go a long ways in helping people, and we must acknowledge this. But in addition, we learn that



Christians must recognize non-monetary incentives to act morally. We must also recognize the potential benefits of government while disparaging its evils. The authors' chapter on globalization provides a clear example of this philosophy at work. As Hernando De Soto explained in his book, *The Mystery of Capital*, it is the ability to turn property into capital that has allowed capitalism to succeed in the West and fail in the third world. Governments must protect private property rights to allow for capital to enter the market. That is, government can play a positive role. But government can also injure markets through excessive regulation or absurd tariffs. A caring Christian should recognize the ability of the market to alleviate poverty. But he should also support Christian organizations that have established long-term commitments to aid the poor.

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