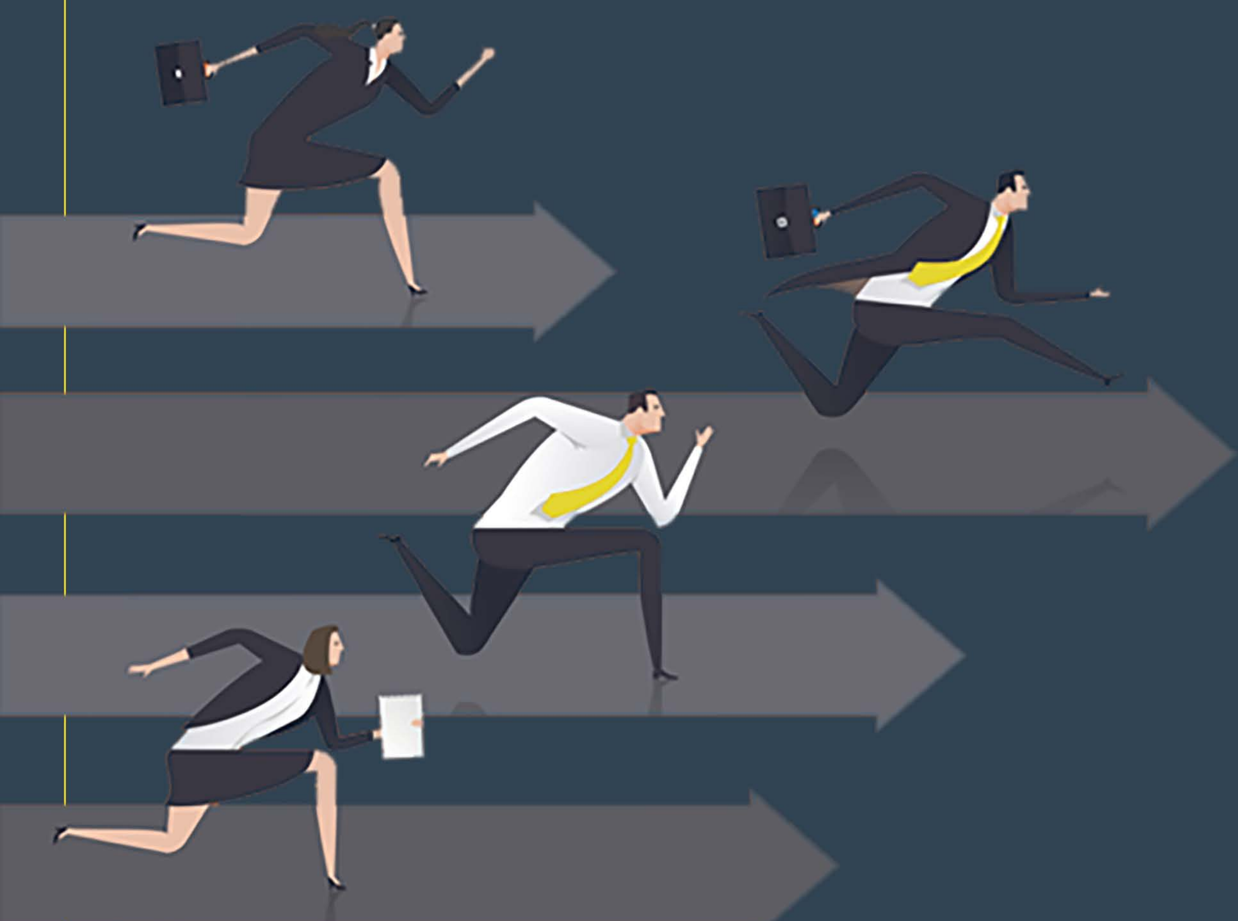
a CHRISTIAN CONCEPTION of MARKETS



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SEEDBED SHORTS
Kingdom Treasure for Your Reading Pleasure

PDF ISBN: 978-1-62824-267-6

Seedbed Publishing
415 Bridge St.
Franklin, TN 37064
seedbed.com

Cover illustration by istock / linetic
Cover & page design by Andrew Dragos

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I. Introduction

In the summer of 2014, the *New York Times* posted an array of essays exploring the relationship between Christianity and capitalism. To kick off the series, they wrote the following:

> *Jesus drove money changers out of the Temple, calling them "a den of thieves." Of the profit-centric world view, Pope Francis warned, "We can no longer trust in the unseen forces and the invisible hand of the market," to provide economic justice. Others call Christianity and capitalism inextricable.*

The introduction ends with the question: "Is contemporary capitalism compatible with Christian values?" The question is complex—and the essay authors seem to appreciate this complexity. This is in contrast, however, to the tidy, well-packaged narratives we often like to share when it comes to complex systems. In other words, the wind tends to blow in the direction of reductionism and simplicity. Economics has certainly not been immune to these forces, even within the faith tradition.

For example, some see the market as being deeply problematic, at best, and downright evil at worst. Criticizing the hyper-consumerism, power relationships, and inequality produced by markets, many people of faith have called for a total re-conceptualization of the economy by advocating for systems of distribution that close the gap between economic polarities. Some view this as an ecclesial task (e.g., Radical Orthodoxy tradition) while others demand more explicit state-interventionist strategies (e.g., Liberation Theology).

In contrast to claims that markets are evil, others from the faith community conceive of the market system as a biblical ideal. They claim that the free enterprise mechanism espouses freedom, rewards virtuous behavior such as honesty and prudence, and best creates wealth as a tool to fight poverty.

How do we best reconcile these contrasting views that either deify, or damn, modern capitalism? How can people of faith embrace the power, sophistication, and efficiency of markets while being mindful of their pitfalls?

First, I believe we need to make an important distinction. In 2002, *TIME Magazine* recognized Theologian Stanley Hauerwas as America's "best theologian." In response, Hauerwas simply noted that "best was not a theological category—faithful was." Best is an economic term. It is about maximization, efficiency, and optimality. Faithfulness is different. It may require doing what is sub-optimal or inefficient. The notions of best and faithful can most certainly be congruent, but that does not necessarily mean they are always the same.

Second, people of faith need to learn to embrace the complexity of capitalism, markets, and economics in general. Therefore, it is necessary to understand what markets do well (A sociology teacher at a faith-based school once shared that her class committed a significant amount of time to criticizing capitalism, but in the very next sentence she confessed that she had little understanding of economics or how markets worked). In addition to understanding what markets do well, it is equally important to understand the areas of concern that may arise with markets (their capacity for harm, and the nature of that harm).

Therefore, in light of this, the short chapters that follow reflect what I feel to be important considerations for Christians when considering the free market process. Naturally, volumes could be written here, but I want to focus on areas that should be of particular interest to people of faith. Specifically, my aim is to identify and describe five significant benefits provided by the market system as well as five areas of caution. While not exhaustive, it is my hope that these posts assist the faith community in appreciating the nuances of market systems so as to better conceptualize modern capitalism in a faithful way.

It was John Wesley who encouraged his listeners to "remember the kindred between man and man; and cultivate that happy instinct whereby, in the original constitution of our nature, God has strongly bound us to each other" (*Notes*, 10:37). I have always loved the thought that we are relationally constituted—attachment, connection, and association are in our DNA. If for no other reason, this anthropological conception of humans should deeply concern Christians with regard to markets.

However, markets are complex. While they provide great value, there is good reason for caution. As Christians, I believe we have a responsibility to embrace this complexity, understanding with both our heads and hearts.

II. Markets Create Value

If there is one mantra on which you are sure to find widespread agreement from all economists, it is this: Trade is good. But before we get into why, it is helpful to understand the key economic principles undergirding this common refrain.

First, economists believe that people are rational. This term can mean a lot of different things, but here I simply define it as a person who is "goal seeking." That is, a person who acts on purpose.

Second, we live in a world of scarcity. Scarcity, defined and described on the first page on nearly every economics textbook, is the problem of having infinite desires in a world of finite resources. Or, in more general terms, scarcity could be summarized by simply saying "there isn't enough to go around."

Third, and finally, if rational people find themselves in a world of scarcity, then they will prioritize their decisions. Because resources are limited, and people act on purpose, decisions will reflect the course of action that is best, or produces the most benefit (what economists call utility), given one's resourcees.

Trade and Utility

What does trade have to do with utility? Consider an exercise I like to share in my entry-level economics classes. Once everyone is seated, I provide each student with a random snack (1 per student). The snacks range from healthy (fruit, whole-grain chips, dried vegetables) to unhealthy (candy bars, 12oz. soda, gummy worms). On a scale of 1-10, each student is asked to rate their level of satisfaction with the snack they received (utility or "utils"). As I write their snack score on the board, I ask them to share their rationale. Some might say, "I gave it a '4' because raisins make me sick" or "I gave this sugar packet a '7' because I like my coffee sweet."

After this, the scores are summed to arrive upon a total utility score. As one might imagine, randomly distributing the various snacks to students without considering which snack they actually desire creates an inefficient, or suboptimal, arrangement. Some may like their snacks; others may not. So, after summing the scores, I ask: "What can be done to increase this score?" It only takes moments before someone inevitably blurts out the obvious: "Let us trade!"

Therefore, I create a second round of snack distribution. However, this time, each student is allowed to trade with one another for a specified period of time (usually 2 minutes). Students can keep their snack, or opt to exchange in mutually beneficial ways so as to increase their satisfaction numbers.

After trading, I calculate the new score and take the percentage difference between the new score and the old (after doing this exercise numerous times, I have found that the percentage increase is consistently in the 50% to 60% range). The conclusion follows: "So, by simply allowing you to exchange for mere minutes, I was able to increase our classroom satisfaction by over 50%."

Marketplace and Value

This is a very simple exercise, but it demonstrates an important principle in free-market economics: Trade allows for mutually beneficial exchange. A person would not enter in an exchange with someone else if they did not believe they would benefit from the transaction. So, when exchange occurs, new value is created. If people are acting rationally in the exchange, they are made better off. Whether it is trading gummy worms in a classroom, or trading wheat, tires, or cotton across an international market—trade creates value that did not exist prior to the exchange.

Naturally, for people of faith, the creation of value should appeal to us. An open marketplace affords individuals the opportunity to partner with one another through the exchange of products and services. In addition to creating additional benefit, it recognizes that others can be a source of value and fulfillment in a given social setting.

This does not mean that free trade is a "Christian slogan" as Theologian David Atkinson has warned. Moreover, conditions allowing for exchange relationships alone are not sufficient to bring about the Kingdom ends described in Scripture. However, it is important to recognize that free trade—properly positioned—creates new value through mutually beneficial interactions. Moreover, our creative action and productive work as humans created in God's image allows us to harness certain exchange and trade arrangements in a redemptive manner. John Wesley, for example, recognized the power of faithfully harnessing economic forces in order to achieve socially desirable outcomes.

On Wesley's perspective on economic activity, the production of money, and its rightful stewardship, Chris Armstrong writes:

> *Wesley was not averse to promoting economic work in the secular world as a means to promote human thriving. He taught his people that when well handled by Christians, money could become food for the hungry, drink for the thirsty, clothing for the naked, rest for the traveler, support for the widow and the orphan, defense for the oppressed, health for the sick, even life for the dying.*

So, trade is good. And when it comes to creating the conditions necessary to allow others to thrive, it is very good. Moreover, a free market allows for productivity, specialization, and open trade to occur. This naturally prepares the way for innovation and growth—market outcomes that people of faith can reasonably support.

III. Understanding the Long-Term and the Short-Term

B*ailout*. It was the 2008 *Merriam-Webster* word of the year. The word may have been popular, but the concept wasn't.

While it is typical for an economy to wax and wane, 2008 was different. Housing values sank, consumer confidence shrank, banks stopped lending and businesses began to prepare for the worst. In an effort to turn the economic tides and stabilize the marketplace, the US government aggressively invested in a number of industries. From banking, to auto, to government sponsored mortgage lenders like Fannie Mae and Freddie Mac—the Federal government spent unprecedented amounts of money on breathing life into firms that would have likely died otherwise; a "bailout." Ideally, this financial intervention on behalf of the government would restore jobs, spending, and overall confidence in the economy.

However, bailouts have a controversial dimension. In a correctly functioning free and open marketplace, when a business exercises reckless behavior, poor decision making, or production that doesn't reflect consumer preferences—feedback mechanisms like poor reputation, low sales, or even bankruptcy will likely follow. What does it say, then, if someone who would otherwise fail is given artificial life through a bailout?

Many have strong views on this—including economists. In a 2008 letter that was described as capturing the "consensus" view, leading US economists wrote to congress criticizing the bailouts based upon their lack of fairness (subsidizing a failing company/industry at taxpayer's expense), the ambiguity of the bailouts (terms, timeline, etc.), and the long-term negative consequences. Specifically, to the last point, they wrote the following:

> *If the plan is enacted, its effects will be with us for a generation. For all their recent troubles, America's dynamic and innovative private-capital markets have brought the nation unparalleled prosperity. Fundamentally weakening those markets in order to calm short-run disruptions is desperately short-sighted.*

We might say that these folks were taking the "long run view." In economics, this means something very specific. In the field often described as macroeconomics, the long run view—or the "classical view"—is the period of time in which prices adjust according to the state of the economy; what is referred to as the "market clearing price." In every market (products, suppliers, labor, etc.)—prices will naturally adjust to the point where the quantity supplied is equal to the quantity demanded.

So, to bring about the conditions that best allow people and places to prosper—it is necessary to take action (or inaction) that best allows markets to naturally adjust and to coordinate arrangements in a way that encourages productive behavior, creativity, entrepreneurship, and risk taking. For this reason, many people struggled with the idea of a bailout, because while providing us with a short-term fix, it harms us in the long run.

I will use my children and their homework as a simple example. Every child, at some point in time, has struggled with a homework assignment. It is natural for parents to try to step in and help. But, imagine that each time my child struggled with an assignment, I rushed in and did the work for them. What would happen over time? Among other things, I would reinforce to them that there is no consequence for not attempting difficult homework. Moreover, I would encourage (incentivize) them to not even try to do it (trying is hard and may produce so-so grades; not trying is easy and produces better grades because an adult does the homework for them). While this might seem like it is helping them in the short term, the long-term effects would be rather harmful.

Most people can appreciate this argument when it comes to economics: A little pain in the short-term is ultimately beneficial in the long-term. However, like so many other things, when it comes to complex market systems, the immediate answer may not be as simple as we would like to think. First of all, who is experiencing the "short-term" pain described above? How long will they experience it? What is the nature of that pain? These are important questions, and they should be particularly important to people of faith.

Let's look at each in turn.

First, while experiencing short term pain may be necessary in the long-run, it is important to ask: Do we all experience this uniformly? If not, what persons or groups are most vulnerable? An interesting example of this comes from an interactive graph posted in 2009 by the *New York Times*. In November of that year, the unemployment rate was a nasty 8.6%. However, unemployment is not experienced uniformly. If you were a white female college graduate over the age of 45, you only represented 3.7% of the total number of unemployed people looking for a job. Alternatively, if you were a black male without a high school degree between the ages of 15 and 24, you represented a whopping 48.5% of the total number of unemployed people. Unemployment is a type of pain present in a short-term transitional economy—but clearly, it is not a pain that is experienced equally.

Second, we may use the phrase "short-term," but that that does not necessarily mean a short amount of time. In economics, expressions around short-term and long-term have less to do with actual time periods and more to do with market characteristics. To provide an example, one of the reasons for fair-trade legislation in coffee production has to do with the fact that an overabundance of supply (a lot of countries producing a lot of coffee) has driven down the price. This can harm small farms when the price of coffee is lower than their costs to produce it. In a normal economy, farmers should decrease the amount of coffee they produce and shift their productive resources toward another good or service. However, the average coffee tree in countries like Colombia take five years to mature, which makes abandoning that crop and adopting another risky at best. In the long term, the marketplace will sort this out—but this could be a significant period of time, particularly for those whose livelihood is based upon coffee production and sales.

Finally, it is important to recognize the nature of the short-term pain we should experience for the sake of long-term benefits. Struggling with homework is one thing, but job loss, lack of insurance, foreclosures, or other damage occurring in the wake of a market bust is quite another. Bailouts were very unpopular, and they are no doubt a questionable policy tool when considering long-term economic sustainability, but many also agree that not taking action to provide bailouts and other attempts to stabilize the financial system would have been an international financial Armageddon.

To be clear, it is both important and necessary to think about the long-term stability of the economy. But when this outlook occurs at the expense of short-term action to get through what one famous economist called "tempestuous seasons"—we need to make a decision between trade-offs in the short-term (to help people in need) and the long-term (secure economic growth and sustainability).

As people of faith, we must think carefully to determine where we are willing to trade efficiency for something that seems more fair and equitable. This highlights an important attribute of economics. Economic reasoning can assist us in understanding certain actions, forces and their effects. Moreover, it can help us to forecast what may occur in the future. However, it cannot necessarily tell us what course of action we should take. This is a value judgment. So, whether deliberating over decisions in family, church, and community—or assessing policies and practices related to poverty, international aid, or development and growth—Christians can, and should, play an active role in evaluating what it means to be faithful in these circumstances. This, of course, requires an understanding of important principles (like economics), but it also requires us to bring our faith to bear on how we organize and live out our daily lives.

IV. The Price is (Always) Right!

Not long ago, my wife proudly announced that she had purchased a gallon of ice cream for a mere 75 cents. Great deal, right? There was one catch: it was "egg-nog ice-cream." If the sound of this doesn't scare you off, I can almost guarantee the taste would. After taking a sample bite, my wife proceeded to discard the entire gallon.

This story illustrates a very important principle in the economics of free markets: Prices convey information. If the price is "natural"—that is, if it is arrived upon through the contrasting forces of supply and demand in the open market-place—then it is telling us, or signaling to us, something about the market for the good in question.

In the egg-nog ice-cream example, a low price could mean a lot of things. Presumably, though, there was an over-supply of the ice-cream (more of it was produced than was actually desired). Prices adjusted to this oversupply, leading to a lower price (in this case, a VERY low price). Why was there an oversupply? Probably because many people had a visceral reaction to the idea of egg-nog ice-cream (like me), or a physical reaction to its actual taste (like my wife). Not only is the price conveying information to the consumer (i.e., you and I)—but it is saying something important to the producer, mainly, "Don't produce anymore egg-nog ice-cream."

Prices may seem like a convenience of the modern market system—but they also have a moral dimension that people of faith should seek to understand.

Consider, for example, the increase of hotel prices after Hurricane Katrina. It was reported that some hotel rates, in the wake of the Hurricane, were increased up to 3 or 4 times their original amounts. In addition to the laws created to prevent "price gouging" in the wake of a declared state of emergency, outraged citizens are likely to condemn this practice as a "scam", selfish, or an extreme form of greed. Charging higher rates to families whose homes were demolished from Katrina floodwaters seems heartless at best and exploitative at worst. As a result of instances such as this, many states have passed legislation to avoid price hikes in the wake of a disaster by placing a price ceiling upon hotels and other important resources during a specified period.

Most would agree that this is the "moral" thing to do. However, many economists disagree. Why? Because putting a cap on how much something can sell for (what we call "price ceilings") is not efficient.

This relates to a very basic principle of supply and demand: suppliers will supply more as the price for a good or service rises; consumers will demand more as the price for a good or service drops. Thus, if a price is low, the quantity demanded will be high. If the price is high, the quantity demanded will be low. Given this, if a hotel has a high price, then this can be a "signal"—or sign—of increased demand.

Why is this important? Because this signal, in effect, clears out the market in a way so that only those in an emergency situation (and willing to pay higher rates) can have the room.

To illustrate, consider the sale of ice in the wake of a natural disaster. After a disaster, many states will enact "price gouging" legislation—but is a price ceiling the best response to protect and preserve important resources in times of an emergency? Suppose ice regularly sells for $2 a bag. Given this, we can imagine who would buy ice at various price points. At its regular price ($2), regular demand for ice will occur, i.e., a group of guys who want to ice their beer before watching a big sports game on TV. Next, who would buy ice at, say, $6? Certainly less consumers will buy ice at this price point, but some will. We can refer to this group as the "in a pinch" group. They normally wouldn't buy ice at $6, but given their circumstances, they are willing to concede to this price as a one-time purchase. Finally, what about $12? Who would buy ice at 6 times its normal price? *Only people in an emergency*. These are the people who need ice for their baby formula, insulin, food preservation, or other necessary means of safety, health, and survival.

What we do know for sure is that people "in a pinch" or the "sport-watching beer drinkers" would not pay this much money for ice. Thus, the price mechanism effectively sorts the consumers based upon their immediate needs and preferences. However, when a price ceiling is put into place, this effectively collapses all consumers down to the original price point.

So, in a worst case scenario, we can imagine three people in line for ice at a convenient store. The first person in line is the beer-drinking sports fan, the second person needs ice for their nearby family camping excursion, and the third person, who has Type-I diabetes, needs ice for their supply of insulin to prevent it from going bad. Even worse, imagine that only two bags of ice are left when the three consumers get in line. The result? The person who needs ice the most, in this case, is the very person who doesn't get it. Furthermore, if ice cannot legally be sold for more than $2 due to a price ceiling, then suppliers have little to no incentive to produce more and more of it, further exacerbating the original problem of ice scarcity.

The above example might be a little unrealistic, but it illustrates an important point: Prices matter. Efficiency in the price system has moral implications, and to intervene with price signals is to risk creating sub-optimal consequences (like inefficient production and distribution of ice in the wake of a disaster). When we tamper with price, we change the nature of the distribution and risk having excess demand (not enough of what we want/need) or excess supply (too much of what we don't want/need).

However, it is important to point out that a natural price does not always lead to an outcome that Christians will be comfortable with. In the next post, we will explore the nature of prices in international supply chains.

V. Supply Chain Ethics

The last post praised the power of a natural price. Prices signal important information. Prices coordinate our activity in efficient ways. To summarize: Prices matter.

I have argued that we should appreciate the concept of a natural price, but it is human nature to appreciate the price itself—particularly when it is low. When prices drop, we purchase more of the goods and services that we love.

Yet the elegance of a naturally derived price does not make it immune to moral considerations. This is most evident when we consider our global supply chain. In the fall of 2014, I wrote a piece in Christianity Today highlighting the fact that the production of many of our goods occurs at the expense of others. The purpose of the article was to suggest that while markets do a lot of good, our role in markets should not be limited to the idea of a consumer.

For example, in April of 2013, the world stood outraged after a large building collapsed in one of Bangladesh's major garment districts. Over 1,100 workers were killed. However, this was no mere accident. Workers were crowded into an unsafe, unstable factory building. Once there, they were required to work long hours despite low pay and unsanitary working conditions.

Sadly, this is not the first tragedy in this district that has been linked to poor building conditions. In the fall of 2012, a fire swept through a production facility killing 100 workers. Months later, another fire erupted in the same area taking seven lives. Prior to this, between the years 2006 to 2009, the Clean Clothes Campaign (CCC) reported over 200 fires in the same area. The result? 414 garment factory workers were killed.

Why is it so dangerous to work in the garment industry in Bangladesh? Simple: Low prices. According to the Institute for Global Labour and Human Rights, the labor costs to make a denim shirt in Bangladesh are only $.22. Compare this to a cost of $7.47 in the US. What accounts for this difference? Why are labor costs over 3,000% less in Bangladesh?

Unfortunately, the low prices we love have a high cost. Often times, low prices mean low wages for workers, long working hours, and dangerous working conditions. The thought of paying a human being less than a dollar a day for working over 14 hours in an unsafe, unsanitary building is troubling. But if the ultimate goal is to lower the price of a product, then workers risk being viewed as "factors of production"—not human beings created in God's image and endowed with dignity.

It is important to note the economist's retort: These jobs, while occurring under seemingly reprehensible conditions, are the best options many of these individuals have when it comes to work. In other words, a garment job in Bangladesh, for example, is better than any of the alternative jobs (imagine if your choice was to work in a garment job or in prostitution?). Second, for many of these women, jobs like this (even with frightfully low wages) provide them with freedoms that they would otherwise never experience. Without freedom, many women are forced to marry out of sheer economic security, creating a host of other sub-optimal social consequences. Jobs like those found in a low-wage garment district can actually create the conditions for social progress not otherwise available. Finally, as mentioned in a separate post, the market system is still the best long-run mechanism to ensure productive growth, wealth creation, and wealth distribution in countries like Bangladesh.

True as these statements may be, that does not mean that our response should be to sit and wait for things to improve. As people of faith, we can work to play a role in shaping the very markets in which we participate. I constantly remind my students that "the economy" is not some machine that we prod, push, and pull to churn things out. Rather, we are the economy.

In addressing this complex issue, part of the answer, I believe, relates to the definition of an "informed" consumer. If you had a clearer understanding of what occurred within the supply chain for a particular good you typically purchase, how might that change what you buy or how much you spend?

The examples are infinite, but let me here provide one. I am an enormous fan of the company Saddleback Leather. When I finished my PhD work, my wife bought me a beautiful leather messenger bag from Saddleback (sometimes I literally sit and admire it from across the room). Saddleback is known for very high quality leather products, which is what allows them to boast a 100 year warranty (their slogan is "They'll fight for it when you're dead").

Several years ago, their president, Dave Munson, sent out a letter to everyone on their mailing list about Saddleback's rising prices. The letter sought to educate customers about the forces that have served to raise the market price of leather goods over time (input costs for suppliers; new demand for beef, which affects the availability of leather, etc.). But Dave ends his letter with an important statement about one particularly important determinant of price—employee wages:

> *We're committed to paying a fair and competitive wage to all the craftsmen and women who build our bags. Crafting my designs isn't always very easy work. The leather is really thick, and it takes a lot of training, experience, muscle and skill to work it. We hire the best, most skilled folks we can find and pay them accordingly. I refuse to do business at their expense. It just wouldn't be right.*

In other words, the market could likely command a lower wage for producing Saddleback's products, but they feel that it is important to trade efficiency for an arrangement they deem more equitable. Moreover, Saddleback deliberately shared this conviction with their customers and the wider consumer market. With this new information, how might we now conceptualize buying leather products from Saddleback? This does not dismiss the complexity of globalized supply chains or the very real threat that doing what seems to help might hurt in the long run. However, this letter (and the spirit behind it) recognizes that our consumption patterns here have an effect on those around the world—both good and bad. Moreover, it recognizes that we are first and foremost human beings—co-image bearers of a loving and creative

God—before we are calculated consumers seeking to maximize our own advantage without consideration of others.

Envisioning the type of world we want to live in requires that we reflect on what we desire and why we desire it. For instance, where are we willing to trade efficiency for an arrangement we deem more equitable? More ethical? Where are we willing to trade growth for something we see as being good? Would we pay more for certain products if we knew that it led to better working conditions and well-being for someone in another country? Would I pay more for my children's clothing if I knew it would help avoid another Bangladesh disaster? These are important questions, and luckily, the faith community is equipped to lead this conversation.

VI. Specialization

Several years ago I was informed by a doctor that I had to get an MRI. I was having severe back trouble and an MRI, claimed the doctor, was the only way he could appropriately diagnose me. Not wanting to pay the exorbitant costs associated with this test, I pathetically tried to plead with him. Unfortunately, he explained, I had no choice.

After leaving his office, I found the imaging center, walked to the desk, and blurted out, “Hi. How much is an MRI?” Confused, as if she had never been asked this before, the woman behind the counter retrieved a dusty manual, found the right page, and proceeded to tell me that it would cost around $3600 (with a few extra hundred for Physician’s comments).

Fortunately, after some searching, my wife found an alternative. She discovered a company that did one thing and one thing only: MRIs. They did not have doctors, ambulances, medicine cabinets, wheelchairs, cafeterias, or anything else typically associated with hospitals. Yet, because they specialized in the MRI procedure, they performed it very efficiently and effectively. I was in and out of the building in 15 minutes. Further, I was handed a CD of the MRI images and they emailed a digital copy my doctor. The final cost: $420 (over $3,000 less than the hospital quote).

My MRI experience is an example of what Adam Smith claimed would bring about the “Wealth of Nations” nearly 250 years ago: specialization. To understand why specialization is so important for economic growth and development, you need to understand two other economic concepts: opportunity cost and comparative advantage.

Opportunity Cost

An opportunity cost is the cost that you incur when you give up your next best alternative. Sound confusing? Remember, we are all subject to scarcity in some way, shape, or form. This means that you can't have it all; you must prioritize your activities, purchases, use of time, etc.

So, for example, my students must choose when it comes to attending my 8am class or staying in their warm beds. If they stay in bed, they miss the content of the class, have points deducted, and may fall behind. If they come to the class, they miss out on blissful sleep.

How do they evaluate what they should do? If they are rational, they will make the choice that minimizes their costs (their opportunity costs). Most likely, that will mean that they choose to come to class, since the costs would be greater if they stayed in bed.

Comparative Advantage

This leads us to a second concept related to specialization—what is called comparative advantage. We all have various skills, talents, and abilities endowed unto us by God. Moreover, the development of our creative capacities allows us to specialize in certain productive work (medicine, art, teaching, agriculture, etc.). When we maximize our skills and use them to their best and most productive potential, we are said to have what economists call comparative advantage.

To have comparative advantage for a specific skill or trade does not necessarily mean that I can do it better than anyone else. Rather, it means that my costs for doing it are less than someone else trying to do it.

To provide an example, imagine that I have a passion and skill for producing chairs, while my neighbor's giftedness concerns their ability to fish. Both of us can make chairs, and both of us can fish. Yet in one day's work, the number of fish I catch is far less than the number of chairs I can produce. My neighbor is the opposite: the number of fish he can catch is far greater than the number of chairs he can produce. We can each try to do both (since we both value chairs and fish)—but we each have comparative advantage in our respective areas. Further, as long as comparative advantage exists—that is, as long as specialization in productive activity differs among people in society—we can gain by trading with one another. In the example above, if I focus specifically on making chairs, and my neighbor devotes all of his time and attention to catching fish—we can trade with one another and gain much more of the chairs and fish we desire than we could if we tried to produce both ourselves.

Application: Gifts for the Common Good

Here's the point: specialization, coupled with trade, leads to growth. If we focus on doing the activity that minimizes our opportunity cost, then we can be made better off if we trade. I have given individual examples, but this also applies to organizations (i.e., MRI center), firms, and even countries (Belgium specializes in chocolate; Columbia specializes in coffee production, etc.).

Christians have long recognized that we are gifted in various ways. Moreover, from Paul to John Wesley to contemporary theologians, we are invited to think carefully about how our gifts can serve the common good. Specialization is not simply about doing the thing that reduces your opportunity costs (the thing you are most good at)—it is about offering your gifts in a wider context so that you can be of service and value to others.

This view also recognizes that humans are heterogeneous in our makeup, so not only is community ("the body") mutually beneficial—it is necessary! Harvard's Jennifer Hochschild makes what I think is a profoundly orthodox comment when she says, "[S]carce abilities or unconventional traits make people unique and of value to the community."[2]

History has certainly proven Adam Smith right: specialization and the dividing up of our work has led to great wealth. However, if we have the eyes to see it, the idea of specialization has also allowed us to find prosperity and progress outside of ourselves—a redemptive notion among those in the faith community.

VII. Markets and 'Higher Goods'

A Most Unique Auction

In the early part of 2010, a young New Zealander logged into an online auction website and posted an unusual item for bidding. What was for sale? Her virginity. To help bid up the price, she described herself as attractive, fit, and healthy with a trim physique and no medical conditions. As long as the buyer was willing to adhere to some basic safety requests, the young female—who referred to herself as *Unigirl*—was willing to sell her virginity to the highest bidder. After the auction, she assured a local newspaper that her decision was made with "full awareness of the circumstances and possible consequences."

Like many students today, Unigirl was cash-strapped and looking to find a more efficient way to pay for her college expenses. Unlike many students, her idea of efficiency was unconventional to say the least. Nevertheless, given her desired goal, the auction strategy was successful. The online advertisement was viewed by over 30,000 people and nearly 1,200 offers were made. The winning bid was $45,000 in New Zealand's currency (around $36,000 US dollars).

With few exceptions, many, at best, will find this transaction strange (or perhaps gross) or, at worst, they will condemn it as morally reprehensible. But what, exactly, is objectionable about the sale of one's virginity?

The Boundaries of Markets

Unigirl's auction and other similar examples raise an important question: How do we determine the boundaries between where we employ markets and market logic and where we do not? G.K. Chesterton once suggested that before removing a fence, it is worth pausing long enough to consider why it was put there in the first place. This is relevant advice because many areas of our life are governed by non-market norms. What are the risks, and the moral implications, of letting markets infiltrate these areas?

To be clear, this problem isn't new. It was Aristotle who made a distinction between "use value" and "exchange value." To live *the good life*—we must have the presence of the virtues. Yet, this requires the external goods necessary to realize those virtues. This is use value. Having chairs or cattle allows one to sit or to eat—important functions in order to flourish.

In contrast, exchange value occurs when we standardize goods into a common currency. So, for example, we can imagine someone asking, "How many chairs would a cow be worth?"

For Aristotle, this shift from use value to exchange value was a problem. Why? Can the full expression, interpretation, and understanding of all goods be captured in a standardized unit of currency? If we are talking about chairs and cattle, the answer would be "yes." However, and of most importance, if we are talking about more complex goods, then there is good reason to be skeptical. Complex goods may include time with children, honesty and ethics, educating our minds, or—as in the example above—even virginity.

Having a Market Economy versus Being a Market Society

Harvard's Michael Sandel has given a considerable amount of scholarly attention to the moral limits of markets. While recognizing that markets have numerous benefits (see some of my earlier posts for examples), he is keen to point out that many realms of our existence are corrupted or degraded when subjected to market forces.

Why? Because some goods, he writes, are "higher goods." In other words, they are goods that cannot be reduced to a dollar figure or anything that would make them eligible for commodification or cost benefit analysis. Very similarly, the famed philosopher Immanuel Kant suggested that every good has either a price or a dignity. Whatever has a price, he suggests, can be standardized into a common unit of currency (exchange value). However, he rightly points out that not everything has a price, and therefore those goods are said to possess dignity. They are "higher goods."

For example, I was once having a conversation with a friend who is an engineer for a major multinational corporation.

My interest piqued when he mentioned his pay structure. “I can technically work 24 hours a day from anywhere,” he said. Knowing that he was compensated quite well for each hour worked, I asked him how he decided between work activities and non-work activities. His response was interesting: “I put a dollar value on every activity.”

One example he gave related to mowing his yard. Even after paying someone to cut his grass, he could still earn more money working that hour (as opposed to using that time mowing the lawn). In economic parlance, working was the activity that minimized his opportunity cost.

This is good economic logic. However, what if instead of mowing his lawn, the activity was doing a puzzle with his daughter? Or spending time with his wife? Or reading scripture? Or doing volunteer work? How much do those activities cost?

The point is not that it is difficult to place dollar values on such activities (trust me, economists could find a way to do it). The point is that the very act of placing a dollar figure on time with children, time with God, or any other “higher good” would change the norms of the very activity itself, and thus degrade or corrode its very meaning.

There is a difference, Sandel suggests, between having a market economy and being a market society. Moreover, a market society is at risk of understanding human beings less as people of faith—or even citizens of everyday society—and more as consumers. This is indeed a threat to the Christian community if the latter identity occurs at the expense of the former.

Furthermore, because Christians believe there is an essence to our reality, it is worth heeding Chesterton's advice and thinking carefully about where we create boundaries for higher goods, lest we let the value of our most prized spiritual goods (relationships, virtue, etc.) be determined by mere market forces.

VIII. Market Freedom allows us to Act in Non-Market Ways

In 2012, Gordon College's journal, *Faith and Economics*, printed a most interesting issue titled, "What Theologians Wish Economists Knew, and What Economists Wish Theologians Knew." The very title suggests that these two groups have not always seen eye to eye when it comes to conceptualizing commercial activity and faith identity.

To provide an example, a common critique of capitalism from theologians goes something like this: "Competitive markets are driven by self-interested actors whose primary objective is to accumulate wealth. Furthermore, such wealth accumulation stands in contrast to the early Christian ethic of alleviating the burdens of others (e.g., Philippians 2:4)." For example, Thorsten Moritz writes, 'It is not only impossible to serve two masters at the same time, it is also a better reflection of Christ's values to use one's wealth for the benefit of those needier than oneself.' More bluntly, John Kavanaugh states that the demands of Christ are 'outright assaults upon commercial consciousness.'"[4]

Indeed, Moritz, Kavanaugh, and many others are right to point out that giving is very much antithetical to market principles of production, exchange, and merit. You might say that it is an economy centered on theological principles.

How so?

First, giving is not predicated on exchange—a bedrock for modern market value creation. This is because, as Daniel Bell has pointed out, God has given us his forgiveness. The root meaning of the word "forgiveness" is "to give excessively." Bell writes:

> *In this way, forgiveness opens up a path beyond the iron cage of economy. Recipients of the gift of Christ, we are liberated from all that would prevent us from giving, that would constrain the flow of divine plenitude that continues through our enactment of love.*[5]

Thus, in a theological sense, we are prompted to give not because we are receiving a tangible return (exchange), but because we have already been the recipients of the "gift of Christ."

Second, it allows us to continue to "vote with our dollar," but not in the traditional market-based way. When cosmetics, diet related products, lawn care, etc. comprise a large portion of our spending, it communicates that image is of great importance. Thus, giving is more or less an opportunity, in an ecclesial sense, to demonstrate where the church's concern lies and, moreover, to "store up treasures in heaven." Thus, when an offering is given to the church ministry, to the poor and needy both inside and outside the church, to overseas aid, to humanitarian work, and etc., a clear message is being communicated that "the least of these" is a priority in the Christian economy.

Third, giving is an other-centered activity. In contrast, consider that in 2006, America posted the first negative savings rate (income minus consumption) for the entire calendar year since the Great Depression. This statistic does not necessarily reflect a reduction of U.S. income, but rather, an exorbitant increase in consumption. It is little wonder that British sociologist and economist Alan Storkey declared that "Consumption has now become the dominant faith. It is the chief rival to God in our society."[6] Consumption stands in rivalry to faith in God because the radical mandates of Christ point us away from ourselves to those around us and often to those with less than us. Alternatively, consumer culture advances an insatiable quest for self-gratification.

How Shall We Then Give?

Described in these terms, there is merit to the idea of giving. Moreover, according to the logic above, we might say that the act of giving offers a radical alternative vision of how we might arrange ourselves economically.

But here's the catch—what this doesn't answer is how this vision is lived out. In other words, what conditions best allow for such a practice? How do we best arrange ourselves in order to give to one another?

In an ironic twist, the freedom afforded by markets and capitalism actually provide the best conditions by which to act in non-market ways. In other words, if giving is important to us, then a free market should be important to us as well.

Consider this: in order for a market to be a true market, there must be a notion of voluntary exchange. While free, creative, and voluntary actions are not the only requirements for markets to be effective, they are at the epicenter of the market mechanism. Yet, the same liberty that allows me to freely enter into economic arrangements also allows me to act in non-market ways. This includes the practice of unconditional giving.

Furthermore, if one is concerned with giving as a "theological intervention"—a term used by Theologian Kathryn Tanner—then they must equally be concerned with having something to give. It is for this reason that John Wesley, in his sermon on the use of money, called for people of faith to not only earn and save as much as they can, but to "give all [they] can." While Wesley was patently against the notion of earning all one can at any cost to their own health or at the expense of their neighbor, he was also a proponent of hard work and entrepreneurial activity in the marketplace. Indeed, for people of faith, earning all they could was their "bounden duty."

Kingdom Economy

To summarize, taking scripture seriously requires us to consider alternative visions of economic activity. I have used the practice of giving as an example. However, we must make a distinction between an economy of giving and giving that occurs within the economy.

The former, which places giving at the center of economic activity, is difficult to realize. Not only has Christian economist Victor Claar challenged this ideal as a "silly notion"—but Theologian Stephen Long has written that a noncompetitive market with unconditional giving as its primary function proves "exceedingly difficult, if not impossible" when it comes to applying such principles to economic exchange.[7]

We should not lose hope. We can still practice giving or other forms of non-market activity within the economy (more specifically, the market economy). It is the market economy that encourages us to put our gifts to work in order to gain from the value we create. Moreover, it is the same market economy that affords us the freedom to do with our gain as we please (e.g., unconditioned giving).

This is not at all meant to suggest that what we do with our time, talents, and treasure is of little importance in God's kingdom. Nor is it meant to imply that the faith tradition has little say on what I do with my resources, wealth included (Wesley's quote squelches such a worldly thought).

However, I do mean to imply here that being a good steward requires us to think carefully about the conditions that allow us to best embody these Kingdom values. If for no other reason, this should incite us to tactically align with market economies in order to practice Kingdom economics.

IX. The Moral Significance of Preferences

Eye of the Beholder?

There is a memorable scene from the classic comedy, "3 Amigos" with Chevy Chase, Steve Martin, and Martin Short. Prior to bed, and under the illusion of coming into great wealth, each amigo shares how they intend to spend their earnings:

> *CC: What are you going to do with your share of the money?*
> *SM: A car. A big, shiny, silver car. I'll drive all over Hollywood…what about you?*
> *CC: New York, maybe Paris. Lot of Champagne, parties. I'll be a big shot for a while. What about you Ned?*
> *MS: I'm going to start a foundation to help homeless children.*

Embarrassed, Chevy Chase and Steve Martin—in their own comedic fashion—quickly respond:

> *CC: That occurred to me to do that at one point too.*
> *SM: Well…I meant that I would do that first and then get a big shiny car…*

As this scene makes clear, we all have different aims in life—ideas about what is good for ourselves or even good for others. If some conceptions of the good life or the good society are better than others, then it is reasonable to conclude that some preferences are better or more morally appropriate than others. The more innocuous "3 Amigos" example aside, we need only to imagine preferences for a Ku Klux Klan rally, overly sexualized toddlers in children's pageants, dog-fighting, or violent video games.

Yet, is there a place in the economic discourse to recognize the moral significance of the things we prefer?

Economists want to increase utility—the benefit or satisfaction that we commonly seek out as humans. So, the question is asked: "What conditions are necessary to increase utility across a spectrum of individuals?" To answer this, it is important to first recognize three key economic assumptions:

1) The experiences that provide satisfaction vary from individual to individual
2) Individuals will rank their decisions in a way that maximizes their satisfaction
3) It is impossible to compare satisfaction across different people

Given these assumptions, an open marketplace is the best arrangement to allow individuals the opportunity to express and satisfy their preferences. Why? Because free markets don't force particular goods and services onto individuals. Rather, the market will facilitate the products that reflect the various tastes and preferences of its participants.

For economists, then, achieving, or increasing, welfare in society has come to be associated nearly exclusively with the satisfaction of preferences.

‘Pernicious’ Preferences

In many regards, this makes sense. In a world with competing interests and desires, it is logical that the best arrangement is the one that maximizes our total utility. Over a century ago, Economist Richard Ely defined utility as “anything that is capable of satisfying a human want.” However, he makes an important distinction:

> *Utility is the power to satisfy wants, not the power to confer benefits. Cigars are as useful in the economic sense as bread or books, for all three satisfy wants. Economic wants may be serious, frivolous, or even positively pernicious, but the objects of these wants are all alike “utilities” in the economic sense.*

A century later, much has changed in the field of economics. However, Ely’s differentiation between utility as something to satisfy wants and utility as a means to human flourishing (benefits) remains an important distinction. Moreover, economics, as a field, continues to be concerned with the satisfaction of utility (what we call “preference satisfaction”) with admittedly less inquiry into the nature of the preferences they aim to satisfy.

This makes sense if the preference bundle consists of innocuous choices between movies and concerts, trucks and sedans, or tea and coffee—all morally neutral pursuits (and the examples common to most economic textbooks). However, not all preferences share this attribute. Indeed, as Ely makes clear, some are "positively pernicious," implying a moral dimension to the goods from which we derive our utility.

Consider some examples:

Perhaps you have heard of the app Tigertext. This allows the sender to delete private texts sent from the recipient's phone, allowing users to "say what you want, when you want—while still keeping control and security over your texts." While some might praise such a program as innovative, it was designed to prevent scandalous or salacious texts from becoming public, or as one article put it, "It's perfect for cheating spouses, shady politicians, sexting teens, and people who send a lot of stupid texts while drunk."

What about a preference for cheating? Those in education will be particularly alarmed to come across a website promoting a surrogate "student" to take online courses for less-motivated students. "Wetakeyourclass.com" recruits experts who will take online classes and promise an "A" or "your money back." Their slogan summarizes their appeal:

"Life is too short to spend time on classes you have no interest in."

Related is "Ashleymadison.com," a website committed to the facilitation of adulterous affairs. Their slogan reads: "Life is short, have an affair." The company, which has an international presence, boasts over 42 million users. Founder Noel Biderman recognized that a "fling economy" already existed and therefore mobilized a website for individuals who desired an affair so they could satisfy demand in a more efficient way.

Desiring Well

In an interview, Libertarian Economist Steve Horowitz said that when he speaks to those who are skeptical of markets, he points out that no other system has achieved the growth and output per person in human history like the engine of capitalism. However, he also has a response for those who like markets but don't like the cultural change that comes with it: "You can't put that toothpaste back in the tube." He continues, "Once you've unleashed the dynamism of the marketplace, you're going to get dynamic cultural change."

In other words, the marketplace has no apparatus to parse out the moral significance of the very goods and services we desire. That has to be a function of the market participant.

Yet desire, and desiring well, has a fruitful history in the faith tradition. Rondey Clapp, in his book *Tortured Wonders*, writes: "For Christian spirituality, desire can never be considered apart from its object. A desire is known as 'good' or 'evil' only when we take account of what is desired—the object of desire."

This great quote provides insight into a key distinction: human welfare and flourishing are not simply a matter of having one's various preferences satisfied; it is a matter of desiring well, or "desiring the fulfillment of our human capacities," as ethicist Thomas Jensen puts it.

Markets are the engine for growth, and they are indeed dynamic. Yet, that should not preclude us as participants to think carefully and faithfully about what it is we prefer and why we prefer it. Moreover, this should draw us to the relevance of the church. As Methodist Bishop Will Willimon writes in *Shaped by the Bible*, "The church is a school of desire, teaching us what things are worth wanting, what desires are worth fulfilling."

X. New Opportunities

One of my favorite movie lines comes from the 1994 Robert Zemeckis classic "Forrest Gump." After learning that he had come into enormous wealth after being heavily invested in Apple (what he referred to as "some fruit company"), he casually remarks, "That's good. One less thing."

We can all appreciate Gump's simple-minded, naïve conception of money. But in reality, money is more than an uncomplicated task to be checked-off a list. This is particularly true when it comes to funding and resourcing various ministry and mission related efforts. Many ministry projects, for example, never make it off the ground unless they are properly resourced up front.

We have been told since we were kids that "money doesn't grow on trees." So, if funds are required to finance a trip, sponsor a family, create a program, bring clean drinking water, or fund a payroll, to where should we look for the means to fund such things?

Traditionally, many have considered the church as a means to funnel much needed financial support for mission-minded endeavors. However, economic fluctuations and other influential forces are beginning to change the funding landscape. As a result, many practicing Christians have decreased their charitable giving over the last several years, presenting resource challenges to various ministries.

New Opportunities, New Methods

The recent trend in charitable giving may seem discouraging. However, other trends hold the promise of hope. A recent Barna Group study found that 44% of practicing Christians under 40 years of age believe that they had a responsibility to solve global poverty (this proportion is higher than practicing Christians over 40). Interestingly, this same study asked participants how they intend to "help next year," presenting choices such as donations, lowering carbon footprint, volunteerism, advocacy, or prayer.

Undoubtedly, these are important initiatives for enacting positive social change. Furthermore, no person of faith is excluded from the Biblical mandate to love their neighbor by having a sensitive heart and a ready hand to assist those in need. Yet are these the only instruments in the Christian's tool bag available to express the love of neighbor both locally and globally? Are there other avenues to serve?

It is here that the ubiquity of the marketplace provides a way for the hopes of greater Christian service to the poor to be realized.

Mission & Market

The idea that markets can be harnessed for missional purposes is hardly new. However, using business as a mission mechanism is perhaps more prevalent than ever before. Business ventures creatively address rising problems in funding and access to people groups while providing a viable means to tackle pressing concerns in social justice across the world.

Let's look at a few applications.

First, there is the rise of bi-vocationalism. Ed Stetzer suggests that this approach needs to be seen as the preferred option for church planters. Stetzer, himself, was blowing insulation while he was planting his first church. Money aside, bi-vocationalism provides access to a network of people not readily available before. I once had a conversation with a church planter who was applying to Starbucks for employment. Side income was not his only motivation though: "As a church planter, I want to be at a place where I can meet and interact with people in the community on a daily basis."

Other applications of business for ministry include business startups created as an explicit funding mechanism for ministry. I recently heard an entrepreneur from Ghana describe how his various businesses (his largest being a hotel) were used to fund over a dozen church plants. Similarly, a friend recently launched a bistro whose profits will eventually be used to resource a non-profit center for drug addiction.

Finally, many businesses do not exist simply to fund a ministry, but to be the ministry. There are no shortage of firms (for profit; non-profit) whose *raison d'etre* is to shape culture, alleviate poverty, equip families, serve employees, educate the uneducated, or perform various other Kingdom-minded applications.

It is important to mention another important element that the business mechanism brings to the ministry mindset: sustainability. Understanding business principles and the creation of value within the marketplace not only allows a business or a ministry to operate, but helps to ensure that it thrives well into the future. Sustainability should be important to people of faith so as to safeguard the long-term growth and success of the vehicle that is driving their ministry.

To conclude, business is indeed a vehicle to make money (since most of us cannot describe access to money like Forrest Gump: "One less thing"). However, businesses—and the larger marketplace within which they operate—are avenues of service to others.

Our dynamic global marketplace has created an array of new challenges today. But new challenges bring new opportunities for ministry, many of which can be capitalized upon in the marketplace of commerce.

XI. Economics and Shadow Virtue

What Transforms?

Some time ago, I attended a faith-based institution's workshop related to peace and conflict transformation. For clarity, they defined peace at the onset: "Not the absence of conflict, but the presence of goodwill toward another" (which I believe is an outstanding definition). Shortly after, however, they described the conditions necessary to realize the peacefulness they had so eloquently defined: education, commerce, democracy, diversified labor force, investment, and infrastructure.

Now, there is little doubt these features make for a peaceful social arrangement. However, it is questionable whether such conditions can actually create peace that reflects what the presenters had described. Can democratic governance make me love my neighbor? Can economic prosperity force me to evaluate the violence in my own heart? Does education inevitably lead to shalom? Will outside investment make me selfless?

I am skeptical.

While these features may help to minimize conflict—they cannot create goodwill. In other words, achieving peace, as they define it, will require something more. At best, then, they may achieve what I call "shadow peace." It looks like the real thing, but upon closer inspection, it is found wanting. With this in mind, I want to look at markets and virtue. Can markets alone make me virtuous, or is it merely a shadow virtue?

Markets = Moral?

I once exchanged a series of emails with an important North American figure in Evangelical Christianity. We were discussing capitalism and faith, and how the church should understand the relationship between the two. While this person described capitalism as an amoral tool, they went on to write that it is the economic arrangement that "best encourages virtuous behavior by rewarding honesty, prudence, and thrift." For this and other reasons, they concluded that capitalism was not simply a potentially beneficial system, but a distinct moral imperative.

This idea is hardly new, and many advocate for capitalism and markets based upon similar rationale. To provide an example, consider a recent article which argues for capitalism because it fosters good manners, politeness, and other desirable virtues. The author writes:

"The reason why the shoe salesman is motivated to act with courtesy and deference toward us when we are in his store is precisely because he cannot force on us to buy a pair of the shoes he wants to sell. We can walk down the mall corridor and buy those shoes from another seller interested in winning our business, or we can just go home without buying anything that day."

To sell the shoe, so goes the logic, the salesman is encouraged to adopt a polite demeanor and treat the customer with respect. In this sense, "winning the business"—and ultimately making a profit—requires the salesman to adopt socially desirable behaviors such as courtesy and respect.

Even more recently, I attended an event where the speaker, a wealthy businessman, extolled the exercise of Christian values in the workplace because they create the best atmosphere by which to do business. According to this line of thinking, virtues of the faith complement business practice. As one *New York Times* article put it, "For some, the Bible is a kind of business manual you'd buy in an airport bookstore, offering timeless precepts that happen to maximize profits." For example, says the author, the virtue of trust—taught by Jesus himself—is "a precondition for an efficient marketplace."

Acting Good and Being Good

What are we to make of these assertions? I certainly agree that capitalism and the market system have inherent moral features. Furthermore, I agree that markets are an effective tool to alleviate a host of social ills, such as poverty. I would even agree with the statement that capitalism can, and does, reward certain virtuous behaviors.

So, from a moral standpoint, there are good reasons to welcome capitalism and markets. However, to suggest that we should embrace markets because they reward virtue is a dangerous proposition. Here's why:

First, notice that these arguments are made on inherently utilitarian terms. What does that mean? It means that the rightness of an action is bound up in the consequence it produces. So, if being honest, prudent, and thrifty produces a good outcome (e.g., higher profits)—then I am encouraged to adopt these attributes.

But what if it was the other way around?

What if conniving, cut-throat selfishness produced greater output? What if sabotaging another employee actually led to a promotion? What if deceit and corruption increased the bottom line? What if the propagation of fear incited greater productivity among workers? We build our argument on "sinking sand" when we link our moral behavior solely to the outcomes it is said to produce (particularly when those outcomes are expressed in rigid economic terms).

Second, market structures may incentivize virtuous behaviors, but this does not necessarily make me virtuous. Like the aforementioned expression of peace without the presence of goodwill, I may act good, but that does not mean I am good. Virtue that is expressed as a function of some other value is hollow; it is shadow virtue. At best, it is incentivized; at worst, coerced. It is a veneer—a kind of short-term posture—not a disposition. We do well to remember that Christ is less concerned with what we do, and more concerned with what we do as a function of who we are—our character.

Holiness as the "Fully Human Life"

There are many forces that ultimately determine our behavior. Whether it be peace, virtue, or any other character trait—we can imagine certain circumstances that call for us to act in a certain way.

Yet, it is important to recognize that being changed from the inside out is a function of spiritual transformation—not the right incentive scheme. Furthermore, we know that God desires truth "from the inside out" (Psalm 51:6; The Message). This is different from a system that rewards ethical action with little to no consideration of moral agency.

So, can markets *do* good? Yes. Can markets incentivize me to *act* good? Yes. Can markets *make* me good? No.

That occurs, as N.T. Wright puts it, under the vocation to holiness: "[T]he fully human life, reflecting the image of God, that is made possible by Jesus' victory on the cross and that is energized by the Spirit of the risen Jesus present within communities and persons."[8]

XII. Conclusion: Faithful People, Virtuous Markets

Markets are…Markets

In his book, *The End of Absence*, author Michael Harris writes, "Technology is neither good nor evil. The most we can say about it is this: It has come. Casting judgments on the technologies themselves is like casting judgment on a bowl of tapioca pudding. We can only judge, only really profit from judging, the decisions we each make in our interactions with those technologies."[9]

Well said.

Yet, when reading this, I couldn't help but think that you could replace the word "technology" with "markets"—and maintain the accuracy and importance of the statement. Markets have the capacity for help and harm. Moreover, under market systems, some prosper while some decline. Further, markets can facilitate virtue, but they can equally facilitate vice. To summarize, it is less helpful to say that markets are __________ ("great", "awful", etc.), and more fruitful to simply suggest that markets are.

With this in mind, I humbly submit that perhaps we should focus less on markets, and more on ourselves (though this is not always the case). We are, after all, the agents that make up the marketplace. *We are the economy*.

Recapping Market Caution

In this short book, I have attempted to highlight five areas of benefit and five areas of caution when it comes to conceptualizing markets in the faith community.

I would like to end by making some general comments on the five areas of caution which we, as people of faith, should be cognizant of when it comes to market activity. To do this, it is helpful to first briefly summarize each of those areas:

Short-Term vs. Long-Term Problem—policies that create positive long-term benefits still leave short-term problems in their wake. Are there circumstances that merit the trade of an efficient arrangement for an equitable arrangement?

Market Externalities/Supply-Chain Ethics—In a globalized economy, our consumption patterns have an effect on others throughout the world, with the potential of creating circumstances where I might benefit at another's expense.

Markets Leave Their Mark—Markets have the capacity to transform the nature of the goods they facilitate; this is particularly evident when we make "higher goods" eligible for trade.

Moral Significance of Preferences—Creating the conditions that best allow people to satisfy their preferences may produce more welfare, but this overlooks the fact that some preferences are “positively pernicious;” that is, there is a moral significance to the things we prefer.

Shadow Virtue—Markets may incentivize certain virtuous behaviors, but this does not necessarily make us virtuous. Incentives may nudge us toward certain behaviors, but they do not necessarily transform us.

Some Concluding Thoughts

So, in considering these areas of caution for those within the faith community, what does a faithful response look like? This is a large question. However, there are a few points that I want to emphasize.

1) First, note that these responses don’t necessarily require government intervention to fix (though in certain circumstances that may be the case). The exception may be the ‘Short-Term vs. Long-Term’ tension often evident in markets. However, many of the other concerns listed necessitate moral intervention on behalf of market participants—not necessarily policy prescriptions, etc.

2) Faithful activity requires an understanding of how an economy works. To provide one of several examples, many conscious consumers boycott companies that have questionable supply chains. This might seem like a statement against the company, but supply and demand tells us that it ultimately

harms the employee. If demand drops, the price will eventually adjust to a level where it is no longer financially feasible to operate for the company—leaving workers unemployed (and forced to assume alternative work that is far more dangerous or destructive—e.g., prostitution). Understanding and being informed are often the factors that determine whether a deliberate effort to assist actually helps or hurts.

3) An antecedent condition of markets is freedom; that is, the liberty to produce and exchange in accordance with incentive structures. This is good. However, this risks understanding freedom as the liberty to do whatever I want. While such a definition might fit well within the contours of the market, this is an impoverished definition of freedom for people of faith. In the Christian tradition, freedom is not being able to do whatever I want—it is being able to do what I know is *right*. It is the capacity for right action (the word "virtue" has an etymological connection to the word "power"). It is for this reason that H. Orton Wiley noted that "Discipline must ever precede liberty."

4) Finally, for Christians to desire a 'good' market, we must present a more robust idea of goodness itself. Steve Deneff, Pastor of College Wesleyan Church in Marion, Indiana, helpfully points out that "good," as it is defined in Genesis 1 and 2, is not necessarily a statement of morality. Rather, he says, "It is a statement of function: [God] is saying: 'It is doing the thing I created it to do. It is whole. It fits within the whole.'" Markets certainly have the capacity to produce flourishing,

but this is not a given. Rather, we must have a defined sense of what it means to flourish; what it means to live well, live complete, and live whole. If we start with what it means to be good—to "live out our God-created identity" (Matthew 5:48, *The Message*)—then we can appropriately gear markets in a way to assist us and others toward that end. Point to be made: markets will not do this on their own; we are required as active participants to create the arrangements that best promote the good we both advocate and seek. Naturally, this demands an account of goodness.

To summarize, a healthy garden will produce healthy plants. We should not confuse this with the belief that a plant will produce a healthy garden. By recognizing that we make up the economies in which we participate—as complex and multi-faceted as they are—we can creatively reflect on ways to fertilize the garden so that plants may thrive.

Like so many other areas of our lives, as we reflect on the complexities of markets, we are invited to reflect upon ourselves as a community of faith. Action is subsequent to identity. It is in understanding market dynamism that the faith community can best offer a faithful response.

Endnotes

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