

**Marc Roby: We are continuing our break from studying theology to look at some current topics of great importance from a Christian perspective. We finished our background on Marxism and neo-Marxist ideologies last time. Dr. Spencer, what do you want to examine today?**

Dr. Spencer: I want to take a look at capitalism and, along the way, contrast it with socialism. But in order to explain why we, as Christians, should be concerned about this topic at all, and since the economic system of a country is a part of the form of government, I first want to remember a couple of things we have said about governments and the relationship Christians have to them.

In 1 Timothy 2:1-4 the apostle Paul wrote that “I urge, then, first of all, that requests, prayers, intercession and thanksgiving be made for everyone—for kings and all those in authority, that we may live peaceful and quiet lives in all godliness and holiness. This is good, and pleases God our Savior, who wants all men to be saved and to come to a knowledge of the truth.”<sup>1</sup>

**Marc Roby: That passage does a good job of illustrating what we have said before is the main purpose for which God ordained earthly governments; namely, to safeguard personal liberty. In other words, our ability to, as Paul wrote, “live peaceful and quiet lives in all godliness and holiness.”**

Dr. Spencer: And the purpose for our being able to do that is to shine the light of God’s gospel into this dark world so that people will be saved. As Paul wrote, God “wants all men to be saved and to come to a knowledge of the truth.” And that happens as a result of the witness of Christians. When we began this special series, in Session 161, I noted that God gives us our purpose, place and priorities in life. Our purpose is to glorify God.

**Marc Roby: Which mirrors God’s own purpose. We have noted a number of times that his purpose in creation is the manifestation of his own glory.**

Dr. Spencer: And we glorify God by doing the work he has given us to do; first and foremost, the work of sharing the gospel. In doing that we must know our place. Which means, first, that we are creatures and, second, that we are under authority.

**Marc Roby: And we have noted several times that there are three God-given spheres of authority: the family, the church and the state.**

Dr. Spencer: And we, as Christians, have different roles and responsibilities in each of these spheres, and our roles change over the course of our lifetime as well. And in all of our roles, God sets the priorities. We are his adopted children. We read in Philippians 3:20 that “our citizenship is in heaven. And we eagerly await a Savior from there, the Lord Jesus Christ”. We are, first and foremost, citizens of heaven. God alone is the ultimate King and we owe him our absolute

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unquestioning obedience. All earthly authorities are delegated authorities and have limited spheres of authority and limited scope of authority.

And one of the things that falls within the scope of authority of civil government is the economy. So with all that review in mind, I want to discuss capitalism. As Christians, we must evaluate any economic system by how well it supports God's priorities for his creatures.

**Marc Roby: Very well. Perhaps it would be good to start with a clear definition of what we mean by capitalism. According to Webster's dictionary, capitalism is "an economic system characterized by private or corporate ownership of capital goods, by investments that are determined by private decision, and by prices, production, and the distribution of goods that are determined mainly by competition in a free market."<sup>2</sup>**

Dr. Spencer: That's a good definition. And we see right away that it is a system that is, at the very least, consistent with Christian principles. It affirms two important biblical principles. First, the right to private property. The definition speaks about private ownership of property, either individually or collectively through a corporation.

**Marc Roby: And, as we noted before, the Bible consistently assumes and confirms the right to personal property. For example, by giving us the eighth commandment, "You shall not steal."<sup>3</sup>**

Dr. Spencer: Right. We aren't to steal the property of others, but as Christians we are also required to remember that God owns everything, we are really just stewards. We will talk about the implications of that in our next session. Secondly, the definition affirms human responsibility in making private decisions about what to invest in, about what to buy, and we could add that making free decisions about what we as individuals do for a living is also included. The right to make personal choices for which we can be justly held accountable is, again, a fundamental biblical principle.

**Marc Roby: Yes, I recall that we quoted Deuteronomy 30:19 before, where, after going over God's commands and his blessings for obedience and curses for disobedience, Moses told the people, "I have set before you life and death, blessings and curses. Now choose life, so that you and your children may live".**

Dr. Spencer: Yes, we quoted that verse in Session 165. If we disobey, we can be subject to punishment at times in any of the three spheres of authority, the home, church or state. But ultimately, as Paul tells us in 2 Corinthians 5:10, "we must all appear before the judgment seat of Christ, that each one may receive what is due him for the things done while in the body, whether good or bad." There are many sins for which none of these three earthly spheres of authority can hold us accountable. But God is able to judge "the thoughts and attitudes of the heart" as we learn from Hebrews 4:12. He can hold us accountable for example, for unkind and selfish thoughts and attitudes, for ungratefulness, greed and jealousy.

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<sup>2</sup> Webster's New Collegiate Dictionary, G. & C. Merriam Comp., 1979

<sup>3</sup> Exodus 20:15

**Marc Roby: All of which are things earthly authorities can only infer from outward words and actions.**

Dr. Spencer: That's true. Now remember that Marx viewed the possession of personal property as the fundamental problem plaguing mankind. But that is simply wrong. Property itself isn't the problem, sin is the problem. It is the fact that human beings are sometimes greedy, jealous, covetous and cruel, to name just a few sins. People are willing to steal and kill to gain the property of others. People are willing to take advantage of others in all sorts of ways. They cheat with dishonest scales for example.

**Marc Roby: Which is something the Bible speaks against in many places. For example, we read in Deuteronomy 25:15 "You must have accurate and honest weights and measures, so that you may live long in the land the LORD your God is giving you."**

Dr. Spencer: Yes. God will not be pleased if a merchant has one weight to use when buying something and another weight to use when selling.

**Marc Roby: Like the proverbial butcher's thumb on the scale!**

Dr. Spencer: That's true. So, the problem with capitalism is sin, not the right to own private property. And as we saw in Session 167, sin shows up in socialist systems as well. In that case it often shows up in bribery and other types of corruption, which people use to get ahead.

**Marc Roby: Well, people are always tempted to do what is best for them individually.**

Dr. Spencer: They are. And if you build a system that only works when everyone is completely selfless and dedicated to working their hardest for the benefit of others, even if they get nothing in return, you are building a system that is bound to fail. You are ignoring human sin. Humans *do* sometimes act in selfless and generous ways, but they will not *always* do so.

One of the reasons that capitalism has been so successful is the incentives that it establishes. When a business or individual does what is best for the business, that is also in general what is best for the overall economy, which means it is best for the prosperity of society as a whole. Let me give just one short example.

**Marc Roby: Please do.**

Dr. Spencer: This is taken from Thomas Sowell's excellent book *Basic Economics*. He tells of a delegation of American farmers who visited the old Soviet Union. He wrote, "They were appalled at the way various agricultural produce was shipped, carelessly packed and with spoiled fruit or vegetables left to spread the spoilage to other fruits and vegetables ... American farmers had no experience with such gross carelessness and waste, which would have caused somebody to lose much money needlessly in the United States, and perhaps go bankrupt."<sup>4</sup>

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<sup>4</sup> Thomas Sowell, *Basic Economics: A Common Sense Guide to the Economy*, 5<sup>th</sup> Ed., Basic Books, 2015, pg. 400

**Marc Roby: It sounds like they needed someone to monitor what was going on.**

Dr. Spencer: Well, Sowell considers that and points out that monitoring is not free, it wastes resources. In addition, the monitors would have incentive to accept bribes, so you introduce more corruption. In the end, having the farmer in charge of packing his own produce makes a much better system. His own self interest is to see that his fruit handled properly in order to maximize his own profit, but this also maximizes his output and the efficiency of the whole system, so everyone benefits.

**Marc Roby: There is always the possibility of the farming going out of business though.**

Dr. Spencer: Oh, that's true. The prospect of failure, either partial loss or completely going out of business, is an important part of a capitalist system. If you have the freedom to succeed, you also necessarily have the freedom to fail. And, as a result, there will be people who need help. Their failure may or may not have been their own fault. But a capitalist society will always need some safety net.

But socialism can't prevent crop failures due to floods, droughts, storms or whatever either. The real question we need to consider is, "Which system provides the greatest overall economic output and provides individuals with incentives to do what is right?" And the answer is that capitalism wins hands down. At each step along the line from production to purchase, the individual business has an incentive to do the job as well as possible and as efficiently as possible. The net result is much higher overall output and employment.

**Marc Roby: That's a valid point. And that explains why, for example, Communist China abandoned true socialism many years ago.**

Dr. Spencer: And Sowell uses that example, among others. Mao died in 1976 and China moved away from socialism soon after that. Sowell notes that "the subsequent freeing up of prices in the marketplace led to an astonishing economic growth rate of 9 percent per year between 1978 and 1995."<sup>5</sup> And he also notes that "In China, the number of people living on a dollar a day or less fell from 374 million – one third of the country's population in 1990 – to 128 million by 2004, now just 10 percent of a growing population."<sup>6</sup>

**Marc Roby: That is astonishing.**

Dr. Spencer: It truly is. And he gives many more examples in his book of countries like India, Ghana and the Ivory Coast, where creating or doing away with free markets have produced dramatic results; always in favor of free markets.

In addition to the lack of proper incentives, there is another very serious problem with socialism, and one of the many reasons it simply doesn't work; we don't all want the same things. We each buy different kinds of food, clothing, cars, houses and so on.

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<sup>5</sup> Ibid, pg. 25

<sup>6</sup> Ibid, pg. 6

**Marc Roby: I can't imagine anything that could be more obvious. All you have to do is look around to see the vast differences in what people want to buy.**

Dr. Spencer: And yet, in a socialist economy, choice is often done away with in the interests of efficiency. There may be only one kind of bread available. Or only one kind of TV, or car, or whatever. Because the state decides what is needed, not a free market. And history has taught us very clearly that the state often gets it wrong. In fact, given the complexity of a large economy in terms of the sheer number of items produced and all of the resources that go into producing them, it is simply beyond reason to think that central planning can work. Allowing supply and demand and free-market pricing to work solves the problem without central planning. Sowell again uses the old Soviet Union as an example and quotes from some Soviet economists to make his point. But I'll let interested listeners check the reference for that.<sup>7</sup>

And there is a second aspect of this same problem. Not only can central planners not determine how much of each commodity will be needed, but central planning of the economy removes individual choice in lifestyle. We don't all value the same things. Let me illustrate that with one of my former graduate students.

**Marc Roby: Alright. Please do.**

Dr. Spencer: I had many graduate students who were extremely driven and competitive. They were very driven to do research that would be highly regarded and valued, finish their PhD degrees and then go to work for companies that were well known for their high-pressure, long hours, but concomitant high pay. These students liked the technical challenge, the prestige and, yes, being able to drive a really nice car and so on. There is nothing inherently wrong with that. But I had others who made different choices. One in particular, who was very good and could certainly have taken the route I just described had he wanted to, chose not to go on for a PhD, but instead to graduate with a Masters degree and go to work in a manufacturing firm where he worked 8 to 5 Monday through Friday and even punched a time clock. His job was not nearly as technically demanding, he wasn't going to a bunch of publish papers and become well known, and it didn't pay nearly as much. But he didn't want to work 60- to 70-hour work weeks. He wanted to have his evenings and weekends free to pursue other activities and to live in a place he thought was nice to live. His choice was just as valid as the others, but different. That kind of freedom is not available in socialist countries with planned economies.

**Marc Roby: Yes, I see your point. But what about all of the evils people often associate with capitalism? For example, the income gap. Some people make a great deal more money than others do, and some of them make way more money than any one person could possibly need.**

Dr. Spencer: Well, that is certainly true. And before I address this issue directly, let me note that the Bible often speaks about the poor and commands us to be generous and to help those who are in need. God will hold the rich accountable for how they use their wealth. They may think the money is theirs because they worked hard to develop their knowledge and skills and then worked

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<sup>7</sup> Ibid, pp 16-17

hard to use them and earn the money, but the reality is that God gave them their skills and opportunities. Now, it's commendable if they did work hard and made good use of them, but ultimately, their riches come from God.

**Marc Roby: As one of many examples we could quote, Proverbs 21:13 says that "If a man shuts his ears to the cry of the poor, he too will cry out and not be answered."**

Dr. Spencer: Yes, that's a good verse. And, as you said, there are many more.

There is no doubt that we should help those who are poor. But there is also an issue of personal responsibility here. In Paul's second letter to the church in Thessalonica he wrote, in 2 Thessalonians 3:10, that "when we were with you, we gave you this rule: 'If a man will not work, he shall not eat.'" The poor should be helped locally, not by a distant federal government who has no idea *why* they are poor. They should be helped with education, medical care, food, shelter and other needs, but always with an eye to getting them to be self-sufficient. And capitalism has proven itself time and time again to be the very best system for creating an economy where a person can improve him or herself by working hard.

**Marc Roby: But not everyone has the ability or opportunity to be a PhD student in Electrical Engineering. So, going back to your example, not everyone has the choice your students had.**

Dr. Spencer: Well, that is absolutely true. And not every one of those PhD students had the ability or opportunity to start his own company and become exceptionally wealthy either. But we have to ask, "Is there something inherently wrong with that?" I never had the ability to play professional sports or to be a professional musician either, so is it wrong that others do have that ability and make much more money than I ever did? And is there somebody who's at fault?

There is a fundamental issue here. Call it ingratitude, or jealousy, or whatever, but if I am not happy with my lot in life, even after allowing for the ways in which I may have failed to properly make use of the abilities and opportunities I have been given, then I am, ultimately, unhappy with God. God decides what gifts and opportunities to give to each individual person. In Acts 17:26 the apostle Paul was speaking to the Athenians and said that God "made every nation of men, that they should inhabit the whole earth; and he determined the times set for them and the exact places where they should live."

**Marc Roby: I see your point. We can't all be the best no matter what system we have. People are not all equal in ability or how hard they work.**

Dr. Spencer: That's right, capitalism is not the problem. In fact, as we noted in Session 164, and as Sowell makes very clear in the book I quoted from earlier, capitalism has been the most successful economic system in history for bringing prosperity and freedom to the greatest number of people.

But free markets are competitive places and that competition is precisely the mechanism that makes them work so well. If I have a company, I can't sell my products or services for more than people are willing to pay. And if I look for a job, I can't sell my services as an employee for more than my abilities and experience will justify. An employer won't stay in business very long

if he pays me more than my labor is worth, nor will he stay in business very long if pays people too little, he won't be able to find employees. In both cases, the selling of a product and the selling of labor, a free market says that the price will be set by supply and demand.

**Marc Roby: In other words, any time there is a supply of some commodity that is larger than the demand, the price will drop. And, conversely, whenever the supply is less than the demand, that price will go up.**

Dr. Spencer: Exactly. And that feedback loop works extremely well to regulate the markets; both for goods and for labor. Whenever governments try to control these things the net result is virtually always a poorer economy, which means that everyone suffers.

**Marc Roby: Of course, in this kind of competitive system, there will always be winners and losers.**

Dr. Spencer: But when someone "wins" in capitalism we all get a better product or service for a lower price or in some other way society as a whole gains.

**Marc Roby: Yes, that's an important point.**

Dr. Spencer: And, in addition, the "losers" aren't punished or required to stay down. And those who start at the bottom don't have to stay there. If, for example, I am only capable of menial labor, then there are a lot of people who can do the same work, so the supply is large and for any given demand the wages I can get will be lower. But I always have the opportunity to work hard, learn, gain experience and move up to a higher-paying job. It requires that I have the right attitude and depends on *my* effort. The employer is not my enemy. He isn't trying to oppress me and get rich off of my labor, he's also governed by supply and demand. If he pays too much, then his products will be too expensive, he won't sell many of them, and he will go out of business and I will lose my job altogether. Sowell points out that the real minimum wage is always zero.

**Marc Roby: That's an interesting and obviously true way to look at it. But, of course, there have been situations where employers have taken advantage of employees.**

Dr. Spencer: Well, of course there have. People are sinners. And so some degree of government regulation is not necessarily wrong; but it must be done very carefully and sparingly.

**Marc Roby: Now I want to get back to the income gap. Isn't *that* a real problem?**

Dr. Spencer: Well, let me give a three-part answer to that. First, in Session 164 I gave an example of how a company can do very well and the owner, employees and customers *all* benefit even though the owner may benefit proportionally more. There is nothing fundamentally wrong with that and, in fact, it provides an incentive for people to pursue excellence, from which we all benefit. And their motivation doesn't have to be pure greed, it can simply be wanting to do something very well and the money is then, as a friend of mine once put it, like the grade you receive in a class. The more you make, the better you did. Now that may not be the most noble motivation in the world, but it isn't inherently sinful either.

**Marc Roby: Alright, what is the second part of your answer?**

Dr. Spencer: When people talk about the income gap, the implication always is that the poor are worse off than they used to be. But in Session 166 I gave a number of statistics to show that simply isn't the case. There are still truly poor people in this country and in other free-market nations as well of course, but capitalism has done far more to alleviate real poverty than any other economic system in history. You have to be careful how you define poverty. In general, the "poor" today are better off in many ways than the middle class was 60 years ago, and they are certainly better off than the average person was 150 years ago.

**Marc Roby: Very well. What is the third part to your answer?**

Dr. Spencer: That it is easy to tell a lie using statistics. All you have to do is use the wrong statistic. Sowell points this out in his book. He notes that "it is a widely publicized fact that census data show the percentage of the national income going to those in the bottom 20 percent bracket has been declining over the years, while the percentage going to those in the top 20 percent has been increasing"<sup>8</sup>. But you cannot conclude from that data that the rich are getting richer and the poor are getting poorer!

**Marc Roby: Now, why is that conclusion invalid?**

Dr. Spencer: Because people don't stay in the same brackets. A young person may start his career in the lower 20% bracket, but then move up during his career. And a person may be in a high bracket during the peak of his career and then come down. What you need to look at is what happens to specific individuals over time, and when you do that you find the exact opposite result.

Sowell writes, "A University of Michigan study found that, among working Americans who were in the bottom 20 percent in income in 1975, approximately 95 percent had risen out of that bracket by 1991 ... The largest absolute amount of increase in income between 1975 and 1991 was among those people who were initially in the bottom [20 percent] in 1975 and the least absolute increase in income was among those who were initially in the top [20 percent] in 1975."<sup>9</sup>

**Marc Roby: That is exactly the opposite of what you usually hear.**

Dr. Spencer: And it isn't just one study. The IRS also did a study and found similar results as did another study in Canada. Sowell also noted that "Among those Americans who were in the bottom 20 percent in 1975, 98 percent had higher real incomes in 1991 – and two-thirds had higher real incomes in 1991 than the average American had back in 1975"<sup>10</sup>. The bottom line is that while poverty is still a real problem, the statistics you hear about it are often wrong and capitalism is *not* the fundamental cause of the problem.

So, to conclude for today, capitalism is the best economic system ever developed for allowing human freedom and for providing prosperity to the largest number of people. It has built-in

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<sup>8</sup> Ibid, pg. 204

<sup>9</sup> Ibid, pg. 205

<sup>10</sup> Ibid, pg. 204

incentives that encourage people to do what is good, rather than what is corrupt. The problems we see with it are caused by human sin, not capitalism.

Marc Roby: That has been very enlightening. I look forward to continuing our discussion about societal issues next time, for now, let me remind our listeners that they can email their questions and comments to [info@whatdoesthewordsay.org](mailto:info@whatdoesthewordsay.org). We would love to hear from you.