

The Government's Role in Market Regulation and Economic Inequality

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In my book *Politics According to the Bible*, I examine the role of government regarding a nation's economic system—private property, business, taxes, and so forth. This article summarizes those discussions in very brief form, while more extensive explanation will be found in the book itself.

(I am grateful to the editor of *The Christian Lawyer* magazine for the opportunity to publish this article, though I realize that not all Christians nor even all Biblical scholars faithful to the Word of God, will agree with all of my views, and I understand that the editor might even decide to publish an alternative viewpoint in some future issue. I hope this article will stimulate thoughtful discussion of these issues. I would encourage men and women of faith to thoughtfully consider not only this article but also other views consistent with the clear teaching of Scripture. I have tried to follow Biblical principles where the implications are clear, but a good portion of this analysis is more in the realm of reasoned application of Biblical principles than the realm of explicit teaching or direct application of Scripture.)

On Free Markets and Regulation

All modern societies agree we need some laws to prevent fraud and injustice in business transactions. For example, government should enforce contracts, and also impose some health and safety standards on the sale of medicines, foods, and other products. Government should enforce health and cleanliness regulations on public restaurants, and regulate weights and measures.

Most people in modern societies would also agree that it works well for government to provide certain other goods that nearly everyone uses, such as roads, traffic regulation, an army and police force and a fire department, and perhaps a postal service.

Beyond that, there is a large difference of opinion. Some people favor a "free market" approach to the rest of the economy, while others favor government ownership and control of the means of production and even property. My own view is that several factors support the idea that the *free market* is almost always a better way of solving an economic problem than government ownership or control.

(1) The Bible's teaching on the role of government gives support to the idea of a free market, because I see nothing in the Bible's teachings that would give the government warrant to take over ownership or control of private businesses. The government is to punish evil and reward those who do good (1 Pet. 2:13-14) and enforce order in society. I do not think God intends it to own the property or businesses of a nation.

(2) The Bible gives warnings against a ruler who would use his power to "take" what rightfully belongs to the people, including their fields and vineyards (that is, their businesses; see 1 Sam 8:10-18).

(3) The Bible's teaching about protection of private property indicate that property rightfully belongs to individual people, not to the government (and businesses are one form of property). (Cf. Ex. 20:15; Lev. 25:10; 1 Kgs 21:1-29; Acts 5:4)

(4) The Bible's emphasis on the value of human liberty (Ex 20:2; Isa 61:1; 1 Cor. 7:21; Gal. 5:1;) also argues for a free market system which allows *individuals* to choose where they work, what they buy, how they run a business, and how they spend their money. A government-controlled economy makes these decisions for people.

(5) History demonstrates repeatedly that the free market brings better results than a government-controlled economy. What is meant by a "free market"? Here is my definition:

A wonderful, God-given process in human societies through which the goods and services that are *produced* by the society (supply) continually adjust to exactly match the goods and services that are *wanted* by the society (demand) at each period of time, and through which the society assigns a measurable value to each good and service at each period of time, entirely through the free choices of every individual person in the society rather than through government control. (But this process needs some government regulation to prevent wrongdoing such as theft, fraud, and breaking of contracts.)

When I say the free market brings "better results," I mean the following:

(a) A free market is better at producing goods and services. The economic "goods" the free market produces are of better quality, at a lower price, and are the goods people *actually want* rather than the goods some government agency tells them they *should* want.

(b) A free market allows people freedom to work at the jobs they choose, encourages people to get better training for the jobs they seek, and encourages people to perform better when they know they will be rewarded for better quality work.

(c) A free market gives an employer the benefit of being free *to hire* the employees he or she thinks are best-suited for the job, and *not* to hire (or else to fire) those whose work is not providing adequate value to the company. This process improves the economic productivity of individual businesses and the nation as a whole.

(d) A free market offers greater consumer satisfaction by producing the goods and services people actually want.

(e) A free market—unlike any government agency, no matter how large—is able to have enough information to predict accurately the economic wants of millions of people at any day in the future, at least to do so far enough in advance to plan effectively to meet those wants. The free market does this by itself, without anybody overseeing it. That is why I can go to a grocery store at any hour of the day or night and find the fresh milk and eggs that I came to get.

Governmental distortions of the free market mean market prices are no longer a good signal of consumer demands or producer supplies. Supply and demand will not match, and the market will not naturally “clear.” Overproduction and waste of some things and underproduction and rationing of other things necessarily result. Both are very costly to an economy. Waste costs the public more tax dollars and the freedom to spend those dollars. Rationing costs the public more time and personal freedom.

On Economic Inequality

The Bible does not *assume* that rich people have somehow gotten their wealth unjustly. Nor is there any suggestion that governments have the right to take money from wealthy people *simply because they are wealthy*.

The emphasis in Scripture is on treating both rich and poor *fairly and justly* (Ex 23:3, 6). If they have done wrong, they should be penalized, but if they have not done wrong, they should not be punished (Prov 17:26; 1 Pet 2:14). Yet, wealth or poverty do not by themselves accurately indicate the morality of a person’s conduct in society. It is unfair—and contrary to the teaching of Scripture—to stereotype all rich people as “evil” or “probably evil,” or to assume they have made their money in unjust ways.

What about the attitude that says that money should be taken from the rich because “they can afford it” or because “it won’t hurt them”? The teaching of Scripture is this: “You shall not steal” (Exod. 20:15). It is not right to steal from the poor, nor is it right to steal from the rich.

But should government try to *equalize* the amount of income or possessions that people have, or take actions that move in the direction of equality?

First, I think there is some need for government-supported welfare programs *to help cases of urgent need*. I also think it is appropriate for government to provide enough funding so that everyone is able *to gain enough skills and education to earn a living*. So with regard to some basic necessities of life (food, clothing, shelter, and some education) I think it is right for government to “take from everybody else and give to the poor.” This is justified by the Bible’s teaching that the civil authority is “God’s servant for your good” (Rom. 13:4). Surely doing “good” for society has to include seeing to it that nobody lacks such basic necessities as food, clothing, shelter, and the skills to earn a living. Such assistance can be provided from general tax revenues. But notice that these convictions are based on the purpose of government *to promote the general well-being of the society*, not on any vague instinct that it would be “more just” to reduce the differences between rich and poor.

Yet apart from these basic requirements, I cannot find any justification in Scripture for thinking that government, as a matter of policy, should attempt to take from the rich and give to the poor. In fact, when government attempts to equalize the differences between rich and poor in a society, significant harm is done to the economy and to the society.

I realize, of course, that sometimes people are poor because of oppression or injustice, or because of personal tragedy or misfortune. I think both the church and the government should give help to such people, and governments should punish injustice.

But apart from injustice and personal tragedy, in a free society, with no government confiscation of wealth, the amount of money people earn will still vary widely, because people have different abilities, different interests, and different levels of economic ambition. Therefore, *if people are free from government intervention*, some will become very wealthy, others will have a comfortable level of income,

and some will remain relatively poor. If the economic system is relatively free, this is simply going to happen.

And even if, through some kind of social experiment, everyone in some city were given \$100,000 cash to start with, after a few weeks some would have spent it all, some would have saved most of it, and some would have invested most of it in activities that produce more income. After a few months there would be significant inequalities all over again. This is inevitable *as long as people are allowed to be free*.

Then how could any government *force* people to have equal amounts of possessions? Only by continually redistributing money, taking from those who have been frugal and productive, and giving to many other people, including those who have been unproductive or who have wasted their money. In other words, equality of possessions could not be maintained apart from continually *penalizing good habits* and *rewarding bad habits*. The longer this continued, the more the society would spiral downward into poverty and despair. This has been the inevitable result in Communist societies.

It works in the same way, but to a lesser degree, when government attempts not to equalize possessions but to equalize differences in *income* levels. Governments can use their power to *impose* income equality on a population, but wherever this happens (as in Cuba, North Korea, or the former Soviet Union), it is brought about through severe restrictions on human freedom, and it traps most of the nation in the “equality” of poverty.

In such “equal” societies, even if people are equal in their *economic possessions*, they will inevitably be unequal in terms of *political power* and government-allocated *privilege*. If *economic inequality* is removed, it is simply replaced by *inequality in privilege* and vast benefits that come from high political power. It should not be the role of government to equalize income or possessions among people in a society.

Still, it is right to help the poor—several verses in Scripture command it (Rom. 15:25–26; Gal. 2:10; 1 Jn 3:17). However, we must remember that welfare payments that meet short term needs will never provide a long-term solution to poverty. If welfare payments become the only solution to poverty, these payments simply have to be repeated again and again, and the recipients are still poor. The only long-term solution to poverty comes when people have enough skills and discipline to get and retain *economically productive jobs*.

The government itself cannot provide people with economically productive jobs (except for some government-funded jobs such as police and fire protection, highway maintenance, and so forth). By far the largest number of *economically productive jobs*—jobs that actually contribute something new of value to a society—are found in the private sector. *Every successful business gives people economically productive jobs* for which they are paid, and in that way it contributes value to the society. The poor person working at such a job is paid according to that added value, and thus begins to climb out of poverty.

This should happen—God intends people to be economically productive. He put Adam in the Garden of Eden “to work it and keep it” (Gen. 2:15) before there was any sin or evil in the world—productive work is an essential part of how God created us as human beings. Therefore Paul could command the church in Thessalonica to work (1 Thess 4:11-12). God actually created us with a need for food to survive, at least in part because this provides an incentive to regular work (Prov. 16:26).

Therefore, for those who desire to help the poor and overcome the problem of poverty, their *primary goal* should *not* be to increase government handouts, but to provide incentives and appropriate conditions for privately-owned businesses to grow and thrive and thus provide the jobs that will be the only long-term solution to poverty and the only way for the poor to gain the dignity and self-respect that comes from supporting themselves.

Governments therefore should encourage the development and profitability of businesses. Such encouragement would include a free market with a functioning price system that guides the allocation of resources, a stable monetary system, effective punishment of crime, enforcement of contracts and patent laws and copyrights, and protection of private property. It would also include a fair court system, relatively low levels of taxation, an effective educational system, and a trustworthy banking system. When governments implement such factors, businesses can grow, thrive, and provide the jobs that alone will lift people permanently out of poverty.