

Foundations of Economics: A Christian View

Shawn Ritenour. 2010. Eugene, OR: Wipf & Stock. ISBN 978-1556357244, \$50.00.

Reviewed by K. Brad Stamm, Cornerstone University.

Foundations of Economics: A Christian View is both a text and a treatise combining various scriptures with the philosophical contributions of free market advocates such as Ludwig von Mises, Murray Rothbard, and Milton Friedman. For Shawn Ritenour, a free market, whose foundation is property rights as evidenced in the scriptures, provides the necessary framework for entrepreneurs to function and prosper. Ritenour sufficiently states his case for relatively unbridled, unregulated, unlicensed, and unencumbered markets while maintaining the realism necessary given the current economic and geopolitical environment.

Ritenour's "Christian" view of economics differs little topically from introductory texts such as Mankiw. Demand, supply, shortages, surpluses, elasticity, the water-diamond paradox, and accounting costs, are all described in typical fashion. Where the author does deviate significantly is in his exposition of and arguments against Keynesian economic theory in light of the scriptures. While most texts lack interesting narrative, Ritenour's is full of examples pertaining to the music industry, biblical figures, popular culture, and entertainment icons, in a readable style.

We view the world differently after 9/11, and differently still after the 2007 crisis followed by the 2008 market crash and recession. Ritenour's presentation of issues and ideas promoting a free and flexible market do not fit neatly into today's economic realities or into the consciousness of the millennial generation. So introducing an Austrian-Libertarian form of economics post-2007 will be conflicting to many students and readers alike in this new landscape of government-owned businesses, banks, and mortgages, where economic policy is driven by crisis. Those who remain intellectually open will, however, discover, rediscover, or at least subject themselves to an honest evaluation of those principles set forth by Ritenour.

For the most part Ritenour stands on the Austrian platform and critiques all others from that vantage point. Ritenour, as expected, attacks the empiricism of John Locke and David Hume, asserting that "all knowledge cannot be known as a result of experience" (p. 5). He continues arguing effectively against Kant's apriorism which he says leads to relativism and skepticism, and suggests the better path to economic truth is found in "God's revelation in both his creation and his written word" (p. 8).

Several times throughout the book Ritenour takes what J.P. Moreland (2004) calls either a "presuppositional view" or "practical application view" of the economics discipline. The former view involves theology's

tendency to support the presuppositions of another discipline, such as economics, and vice versa, and the latter view draws on theology to help one practically apply principles in another discipline and vice versa (Moreland, 2004). An instance of the “practical application view” is Ritenour’s explanation of the division of labor using Eve in the Genesis account (p. 51). “Presuppositional view” examples abound in regard to free enterprise and private property, with the author drawing theological support from both the Old and New Testaments.

Chapter 1’s objective is to lay the biblical foundations of economics. To do this adequately in a few pages is a challenge. Moreover, it is questionable whether it can or should be done without reference to those with different Christian views of the discipline.

In chapter 2 Ritenour makes an indirect attack on mathematical economics, and on empirical analysis in particular. This attack is justifiable, given the quasi-stranglehold of math on many areas of economics. According to the author, “the most realistic and meaningfully method of discovering economics is verbal logical deduction” (p. 18).

The author admits that “voluntary exchange does not guarantee ethical behavior” (p. 72), and then builds on this admission with the retelling of the Larpenteur story and its teaching of the importance of ethical constraint for a well-functioning market (p. 73). Ritenour does not sufficiently identify the source of this ethical restraint system. Moreover, it might be appropriate to include some teleology at this juncture, building from such notables as Os Guinness in his understanding of “calling” which Guinness says played a key role in the rise of modern capitalism, and is one of the few truths capable of guiding and restraining it now (Guinness, 2003, p. 129).

For Ritenour, “a free society is one in which people are able to use their property as they see fit, so long as they do not infringe on the same right of other people” (p. 74). He draws support from Clement of Alexandria, Augustine, and Aquinas, all endorsing private property, in addition to statements found in the Heidelberg and Westminster Longer Catechisms (p. 77). He links economic prosperity and private property, and this combination is then equated with economic freedom. While sufficient, this association between prosperity and economic freedom is not always necessary, for Ritenour appropriately “allows” God’s sovereignty to override economic formulas for success. He writes “As owner of all there is, God has the right to confer the use of property on whomsoever and under whatsoever restrictions he pleases.... he can work to make some more prosperous and others less prosperous” (p. 78).

Ritenour’s discussion of elasticity and planning horizons in chapter 6 is not decidedly different from that of other economists. A practical biblical application of elasticity could have been included depicting our fallen

nature as it relates to mankind's short-run view of life in which we are quite willing to mortgage our futures with the potential foreclosure on our souls due to our inelastic demand for temporal goods.

In chapter 7 Ritenour differentiates between "plain saving," the act of storing up consumer goods in the present to be consumed in the future, and "capitalist saving," which directly affects production by restricting consumption (p. 167). He proceeds to go head to head with the established view that our economy needs to be consumer driven in order for it to prosper when he says that "people often fall into the error of believing that the secret to economic expansion is to increase consumption spending" (p. 281).

Ritenour's view on wages is expressed in chapters 9 and 13. He begins by quoting Christ's words, "the laborer is worthy of his hire" (Luke 10:7), and in some ways defines a "Christian wage" by equating it with the "market wage" when he states, "those that are unemployed are not willing to accept the market wage" (p. 376). A more comprehensive discussion of Christian compensation for employees, executives, and shareholders is needed here.

In chapter 10 Ritenour shows little fear of the collusive power of cartels, the possible exploitation by monopolists, or the market distortions caused by labor unions, each requiring no regulation because market forces ultimately will work against such arrangements. Regarding cartels he says that "in the free market, cartels are fragile and fleeting" (p. 258). OPEC, however, is now in its fifty-first year of existence.

Chapter 11 concerns the macro economy, and the author rightly points out the over-extensive and often inaccurate use of GDP as a measure of income and standard of living (p. 301). However, Simon Kuznets himself provided his own disclaimer in his very first report to the U.S. Congress in 1934 when he said, "the welfare of a nation can scarcely be inferred from a measure of national income" (Kuznets, 1934). Ritenour might have turned to several heterodox methods of measuring poverty as alternatives to the use of GDP (Stamm, 2008).

It would seem that the number of Ritenour's adherents is growing in accord with statements such as "another more subtle form of monetary fraud occurs in the form of fractional reserve banking" (p. 334), and "because the money market, like any other market, can regulate itself, we do not need any central monetary planner such as the Federal Reserve" (p. 338), followed by "the real source of inflation is government intervention in the monetary system" (p. 354). The author levels one of his most severe criticisms on this same subject when he says, "not only is interventionism unhelpful in providing a net social benefit, it is an unethical means of doing so" (p. 341). What remains unanswered is how this differs from Muslim rule where, in theory, the Islamic monetary system provides an example

of full-reserve banking with banks adhering to a 100 percent reserve ratio.

Ritenour acknowledges that welfare programs are popular with many Christians, but goes on to say that “God does not make it clear that we are to help the poor” (p. 441). To him, charity is proprietary to individuals and the church, and should be considered off limits to the public sector. His assertion that poverty is a relative and not absolute measure is somewhat unfounded given that the World Bank uses the purchasing power parity (PPP) of \$1.25 per day to measure poverty, and the poverty level in the U.S. is established at roughly three times the cost of providing an adequate diet.

Contrary to Ritenour, some public transfer payments seem to have merit such as conditional cash transfers (CCT). CCTs give stipends and food to the poorest if they meet certain conditions, such as their children attending school or their babies being vaccinated. There is sufficient evidence that these reliable yet relatively inexpensive programs cut poverty and improve income distribution, especially in urban areas (“Give the poor money,” 2010).

Ritenour provides the kind of quality overview of communist ideology and history lacking in most economics texts. He boils socialism’s problems down to that of the incentive problem (shirking), knowledge problem (the idea of asymmetry), and the problem of economic calculation (p. 484). He then shows, using a handful of countries, a positive correlation between GDP per capita and the Index of Economic Freedom (p. 522). Along with economic freedom as an engine of growth, Ritenour puts forth the idea that “the Christian worldview provides the best philosophical basis for rapid and long-term economic expansion and development” (p. 526).

Ritenour seems to have followed Hotelling’s paradox in not being too different so as to destroy the differences from the conventional economics books. However, these differences are acute, important, revolutionary, and today, counter-cultural. He successfully attacks the status quo and reminds us of a land that once was, where stimulus packages, bailouts, regulation and re-regulation, were mere textbook theories all lacking supporting empirical evidence. As we move further away from a market-oriented economy, the likelihood of Friedrich A. von Hayek, Peter J. Boettke of George Mason University, or Shawn Ritenour, being vindicated, seems to be ever increasing. Finally, *Foundations of Economics* adds to the literature important concepts and applications that could assist Christian economists in developing a Christian economics taxonomy a la Lee Hansen’s proficiencies for economic education.

References

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