

Book Reviews

Economics in Christian Perspective: Theory, Policy and Life Choices

Victor V. Claar and Robin J. Klay. 2007. Downers Grove, IL: InterVarsity Press. ISBN: 978-0-8308-2597-4, \$22.00.

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Victor Claar and Robin Klay have written a lively new book on economics in Christian perspective. The subtitle, “Theory, Policy, and Life Choices,” accurately reflects their approach. First, they present basic and important ideas from economic theory. Then they illustrate the policy implications that follow from theoretical insights. Finally, they draw implications regarding personal life choices for Christians in the marketplace. This is an excellent introduction to economics for readers interested in understanding economics within a Christian worldview perspective. The authors combine clear explication of economic principles with passionate personal experience and advice. The result is a compelling introduction to economics for Christians seeking to live their faith.

The book is written in a casual conversational tone, without the usual introductory textbook feel. Indeed, the authors clearly have in mind an audience other than the typical college or university course audience. As a result, the book can be recommended to lay people in the church and ministry professionals who are not trained formally in economics. Consequently, the book should find a wide audience in the church, among ministry organizations, and faith-based organizations.

Readers looking for a kind of sanctified principles of economics text will be disappointed. Claar and Klay clearly do not intend this book as a substitute for the typical principles text. Rather, they hope to introduce Christians to the economic way of thinking in various contexts of life. They do a nice job of blending the various economic considerations of markets, governments, and institutions. They do not lapse into the well worn territory of debating capitalism versus socialism or pursue methodological tangents (for the most part—although there are a couple of useful sojourns into the realms of rational expectations and monetarism). While not a principles of economics textbook, the Claar and Klay book would be an excellent supplementary volume alongside a conventional principles textbook for instructors teaching in a Christian college environment. The closest existing book on the market is Donald Hay’s *Economics Today: A Christian Critique*. The focus of Claar and Klay is not a critique of

economics, however. Rather, they emphasize the useful applications of economic theory to solve policy problems.

Topics covered range from the starting point of understanding the role of market mechanisms in resource allocation and the big picture view of macroeconomics, to the role of governments in providing public goods and services, stewardship and environmental care, monetary and fiscal policy, international relations and hope for the third world, issues of work and vocation, poverty and income inequality. The authors conclude with a chapter that goes beyond the conventional market economics approach to consider non-market solutions for renewing neighborhoods, reconciling people, and restoring hope.

The authors' approach to the role of markets and government intervention deserves comment since that is an important topic covering four early chapters of the book (chapters 1–4) and laying the foundation for much of what follows. They begin their foundation in chapter one by framing the issues of Christian faith in relationship to economic activity, placing focus on the rights and responsibilities of three primary social sectors: governments, markets, and private/voluntary organizations. In explaining their view of the important institutions involved they use the metaphor of a tripod with three supporting poles, each of which must be of the appropriate size and integrity to support thriving communities. In their view the three necessary poles are (1) democratic government, (2) a market economy, and (3) strong religious and cultural institutions. Theirs is a thoughtful and well-reasoned starting point, carefully justifying these poles and acknowledging alternative views.

In chapter two, where they discuss markets as mechanisms for creating good and exercising Christian responsibility, they reinforce their three-part view with a vision of a good society as one where democracy and market exchanges are undergirded by organizations and communities of faith. They present markets as powerful and dynamic mechanisms for providing goods/services and generating employment. As they move into a discussion of market interventions, they continue to be strong advocates for maintaining relatively free markets, stating that “no nation can achieve material, cultural, and moral greatness unless it offers extensive freedom of choice to workers, consumers, producers, and voters.” This view is tempered, however, by recognition of the necessity of government intervention in some cases.

In chapter three they move on to a more specific discussion of the role of government, holding that its essential role should be to improve on the outcomes of markets, where possible. The motivation for government that they provide at this point is inadequate, however. It would be helpful

to begin with a foundational discussion of the reasons for government (e.g., Adam Smith's three fundamental reasons for government) from an economic standpoint. Furthermore, they assert that "an obvious role for government, then, is to improve on the outcomes by encouraging more of the activities that generate positive external benefits." Again, at this point it would have been helpful if the authors had first explained the market efficiency standard more explicitly, then explained sources of inefficiency due to market failure (public goods, externalities, information asymmetry, etc.) and potential ways that governments can enhance market efficiency outcomes in those cases. Finally, in chapter four they discuss the role of government in our daily lives, contrasting extreme views of government as savior and government as leviathan. Ultimately, the authors reject the polar views of government and make a case for government activity in a number of situations that economists readily recognize as standard cases of market failure. As a frequent policy adviser to governments, where there are seemingly endless calls for government intervention in markets, I would have appreciated a bit more didactic exposition of (1) how to identify cases where government intervention may improve market outcomes, and (2) the economic way of thinking about the appropriate extent of government intervention, where it is justified.

We should ask two questions of a book that claims to provide an overview of economics within a Christian perspective: (1) do the authors get the economics right? and (2) do the authors get the Christian perspective right? Most readers will agree that the answer to both questions is yes. Their economic message is mainstream with due deference given to the power that markets have to efficiently allocate resources. They do acknowledge various sources of market failure and clearly delineate a role for government and social institutions to provide public goods in those cases. Their theology is mainstream Christian orthodoxy as well. They do not noticeably advance any particular theological view, but rather stress the redemptive work of Christ and its implications for Christians to be engaged in both their churches and their communities.

The authors blend applied economics with personal Christian reflection. Throughout the book the authors consistently challenge the reader to "undergird markets with faithful reflection, careful choices and loving action." They stress that, "in a market setting, the most powerful way to enact meaningful, lasting change is to work toward a renewing of the culture itself." This, of course, is what Christ's work of redemption is all about, making all things new and doing so via his called-out ones — faithful believers in the church.

One example of the way the authors blend applied economics with personal reflection occurs in chapter five, “Creation Care: Exercising Good Stewardship in the Garden.” After a presentation of standard economic arguments on how to think about approaches to environmental clean-up and global climate change, the authors provide some specific suggestions for Christians wanting to be good stewards. They suggest: (1) giving generously to nature conservancies in order to preserve critical land from development, (2) finding ways to make big impacts at low cost, such as by participating in an Adopt-A-Highway program, and (3) using financial resources to purchase and retire pollution permits where you live (citing examples of students at several colleges that do this regularly as part of their studies on this subject). While all of three of these suggestions are worth considering, it would have been more enlightening if the authors had applied economic analysis to the decision of whether to participate in each of these activities, and if so, to what extent. For example, rather than telling the reader to participate in funding a nature conservancy to preserve land from development, it would have been more useful to guide the reader in applying economic analysis in deciding whether a given parcel of land should be preserved. First, identify the market failure involved and explain the marginal external benefit that arises from land preservation. Then, explain how in circumstances where the marginal social benefit of land preservation exceeds the marginal private cost it makes economic sense to buy some development rights and set some (optimal) amount of land aside.

There are several added features of the book that make it especially useful. First, each chapter concludes with suggestions for further reading. The annotated bibliography provided is a very nice touch, giving interested readers an entrée into the larger literature. While the readings presented are a bit idiosyncratic, they are useful nonetheless in pointing readers to quality sources accessible to non-economists. Second, the book concludes with a chapter containing nine big ideas for the reader to take away after reading the text. This is a good feature, reminiscent of the innovation of Baumol and Blinder in their principles of economics textbook (ideas for beyond the final exam). Claar and Klay select ideas that are worthy of highlighting, yet they differ from the Baumol and Blinder approach. Baumol and Blinder select ten of the most important economic principles, while Claar and Klay select a combination of economic principles and personal life choice principles, consistent with the title of their book.

Victor Claar and Robin Klay provide thoughtful Christians a very useful introduction to the economic way of thinking that is lively, nuanced, and

challenging. Their description of economics presents the powerful ability of markets to creatively meet human needs within a Christian perspective that takes seriously the claims of Christ over his creation. It will serve as a valuable entry point to the world of economics for Christians eager to learn how markets, governments, and institutions operate in the contemporary global context.

References

- Baumol, William and Alan Blinder.** 2006. *Economics: Principles and Policy*, 10th ed. Mason, OH: Thomson South-Western.
- Hay, Donald A.** 2004. *Economics Today: A Christian Critique*. Vancouver, Canada: Regent College. ■