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The Relationship of God's Providence to Market Economies and Economic Theory

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In this article, we examine the doctrine of providence to see if the market system used by the United States and many other industrial nations can be thought of as part of God's providential care. The doctrine of providence concerns the preservation and direction of the universe. Theologians discussing providence sometimes refer to examples from the natural sciences but not from the social sciences. However, economists since Adam Smith have used the idea of "spontaneous order" to describe the orderly function of market systems even when no human agency is directly responsible for its operation. We suggest that this can be thought of as a part of God's providential care of humanity.

We discuss the ideas of Smith and Friedrich Hayek relating to spontaneous order and then examine how the market system works. We focus on the impersonal and anonymous nature of many economic interactions today and how this differs from the more-personal relationships that characterized the economy of ancient Israel. The model of perfect competition can be thought of as a tool to analyze the workings of the economic system when no, one person has any conscious power over the plans of any other person. We conclude by examining whether Christians can argue for the market system when it is based on a notion of self-interest rather than on altruism.

Markets coordinate billions of individual decisions made daily by workers, businesses, and consumers. Some moral authorities vilify markets for the role that they are assumed to play in promoting greed, materialism, and inequality. Others extol the virtues of markets, such as their ability to create abundance while honoring the free choices of individual agents and groups.

Since the Jewish and Christian Scriptures were written before impersonal markets became a primary method for allocating resources, they provide relatively little guidance to believers about how such markets should be regarded. Of course, they do teach basic ethical norms and principles about acting justly in isolated transactions. For example, one is to pay a fair wage and charge a fair price, without coercion or fraud. However, much more is said about the sacred and secular roles of families, religious authorities, churches, nations, and governments than about markets. God intends the state, for example, to be his agent in maintaining order and justice (Rom. 13:1–5). And, the church is portrayed as the "body of Christ," knit together to live effectively into the kingdom of God.

In his book, *The Spirit of Democratic Capitalism*,[1] Michael Novak provides a profoundly Christian view of democratic capitalism, which is a social system based on capitalism, democracy, and strong moral-cultural institutions. He argues that by making use of practical wisdom, this threefold system provides for the flourishing of body and spirit. In so doing, it seems to "imitate Providence." In this article, we examine whether decentralized markets can be thought of as instruments of God's providential care of humanity.

To examine these questions, we first look at what some theologians say about providence. We examine some patristic thought, which actually uses the Greek word *oikonomia* as a term for providence, as well as the views of some writers in the Reformed and Catholic traditions. This examination will have to be brief, since the theological literature that can be utilized is immense. In the second part, we will look at aspects of Adam Smith's thinking that are relevant to providence, as well as some writings of other economists, including Friedrich Hayek. In the third part, we will offer some thoughts on the marketplace as a part of God's providential care. Finally, we will address a concern that many likely have, namely, whether it is reasonable to describe a process as providential that relies upon "self-interest."

The Doctrine of Providence

The Greek term *oikonomia*, from which we get the English word *economy*, did not have the same meaning as the English term. However, some of the concepts and associations are relevant to both economics and the idea of providence. In his study, *God in Patristic Thought*, G. L. Prestige examines the writings of the early Greek fathers on God and providence. He writes, "Since God is revealed in his works, it is a matter of some importance to consider the scope and manner of his providential ordering, or as the fathers called it, his 'economy' (*oikonomia*)."[2] Aristotle used the term to describe the overseeing of a large farm and household.[3] The meaning of *oikonomia* is to administer or oversee an office. It covered the administration of property. It also meant to "regulate or control" in a general sense, "… as the natural forces of the body 'economize' the function of animal life, or as spiritual beings 'economize' their life on selective and prudent principles."[4] Eventually the word came to be applied to penance and to the dispensing of alms.

Administration implies method; so, economy acquired the sense of plan as design. Design involves practical methods of execution; so, "economize" also meant "to arrange" or "to dispose." Prestige quotes Clement, "The mother's milk, '… is economized in connection with giving birth, and is supplied to the offspring.…'"[5] Prestige continues, "A word with such a range of associations was extremely apt for adoption as an expression of the providential order. It covers either such gifts as God sends and supplies in a providential manner, or such events as he designs and disposes."[6] For the Greeks, the noun *economy* had a variety of meanings, including charge, ministration, good management, business, occupation or function, arrangement, system, administration of alms, and discretion.

Prestige also quotes Maximus the Confessor: "We must assume three wills in God—that of purpose (*eudokia*), that of economy, and that of acquiescence (or concession)."[7] He illustrates the first with the call of Abraham, the second with the story of Joseph's life, and the third by the trials of Job. Finally, Prestige notes, "But divine economy is just as clearly manifested in the form of natural or spiritual law as it is in personal lives."[8]

We do not claim that these meanings of the Greek word must be identical to the meaning and connotation of the words *economy* and *economize* in modern usage. However, given this linguistic background, one might expect that theologians familiar with Greek would often discuss economic issues when they discuss providence, but we have not found this to be the case. The theological writings on providence are voluminous; so, we limit our discussion by ignoring many subtopics, such as the possibility of miracles and questions of theodicy.

Benjamin Wirt Farley offers a historical discussion of providence within the Reformed tradition in his book, *The Providence of God*. He writes:

> The providence of God in the Reformed tradition, specifically, may be defined as the conviction that God, in his goodness and power, preserves, accompanies, and directs the entire universe. This divine preservation,

> accompaniment, and direction pertains to all of God's creation: the physical universe, the biological world of organisms, plants, and sentient creatures, and, above all, the realm of history—human beings and nations.[9]

The threefold discussion of preservation, accompaniment, and direction comes from Karl Barth's *Church Dogmatics*.[10]

Barth claims that the term *providence* can be traced to Genesis 22:14, where Abraham is stopped from offering Isaac to God, and a ram is found to use for the sacrifice. The Hebrew is *Yahweh jireh* (Yahweh will provide), which was translated into Latin in the Vulgate as *Deus providebit*. The Latin verb *provideo* means "to provide for" or "to foresee," but Barth adds, "In this passage, 'to see' really means 'to see about.' It is an active and selective predetermining, preparing, and procuring of a lamb to be offered instead of Isaac. God 'sees to' this burnt offering for Abraham."[11]

According to Barth, the doctrine of providence is part of the doctrine of Creation, but providence is not identified as any continuous creation process. Creation refers to creation out of nothing, a process that stopped on the "seventh day." Providence refers to the preservation of the creation. Barth argues that from Colossians 1:17 we learn that, "… all things not only have their existence (v. 16) but also their consistence, their order and continued existence … in the Son.…"[12] Providence is a maintenance of the creation. The idea is that without God's continuing providential activity, creation would revert back to chaos.

Within the concept of providence, it is common to talk about the preservation of the creation. "God continues to see that the creation is maintained, that order prevails, and that life is sustained through, over, and above the species' divinely given power to propagate themselves."[13] Farley adds, "… God's preserving work is to be seen in the constancy of the orders and forms of nature, which are expressions both of the divine will and of God's faithfulness to his creation."[14] The laws of nature tend to be cited as examples of God's providence, although many Christian thinkers also argue that the laws of nature operate at God's will and pleasure.[15] Thus, God is not the god of deism who created things with certain laws and then stepped back from his work and is currently uninvolved.

The preservation of humanity is also included in the discussion of providence. "Old and New Testament alike ascribe the preservation of human life to the personal activity of God."[16] God also preserves the people of God. Donald Bloesch states that the biblical view is that God is actively engaged in shaping the destiny of his people. "The world is not out of his control but wholly within his purview and guidance … God does not act arbitrarily or irrationally but always in accord with his innermost purposes … steadfast love and righteousness."[17] Bloesch focuses on God's providence in leading his people toward a new order of existence. He writes, "Christian faith asserts against fatalism that all events are controlled by the providential hand of God, which does not override human freedom but establishes it. Providence is the divine direction of human destiny to new possibilities.…"[18] Bloesch notes that classical theologians tended to blur the distinction between fate and providence.[19]

Two other themes include the cooperation of God with all things, and the governance of God, which tend to focus on issues relating to history and a goal of history. While interesting and important, these themes are less-related to our question, and so will not be discussed. Further, we focus on general providence, which deals with creation and humanity in general, rather than special providence, which deals with special actions by God for one or a few individuals.

Theologians have discussed providence with respect to the natural sciences much more often than the social sciences, although the discussion tends to be vague. An exception is John Polkinghorne, who left his university position as a theoretical physicist to study theology. Polkinghorne[20] points to recent advances in physics that reject the mechanistic approach, which prevailed in the nineteenth and early twentieth centuries. He writes, "Once we consider complex dynamical systems, they exhibit a delicate sensitivity to circumstances that makes them intrinsically unpredictable. The future is no longer contained in the past; there is scope for real becoming."[21]

A more open universe encourages the theologian to consider God to be in continuous interaction with it. Polkinghorne makes much of the Anthropic Principle, which constrains theories of the origin of the universe to allow individual human existence. "The scientific counterpart to the reiterated statement of the creation myth in Genesis, that God saw that it was good, is the Anthropic Principle's recognition of the astonishing potentiality with which the laws of physics are endowed."[22] Very slight changes in the first few moments after the "big bang" would have made life, as we know it, impossible.

It is our impression that few theologians would put the "laws of economics" on the same level with the "laws of nature." We have not found many examples of theologians who discuss economic issues within the context of providence. Jacob Viner[23] examined the intellectual history of the role of providence in the social order and offered a couple of examples. In one example, Viner cites the idea that the necessities of life, such as water, are in abundance, while nonessentials, such as diamonds or pearls, are hidden in the land or the sea. According to Viner, the idea developed in ancient Greece and was picked up by some of the early Greek Christian theologians. The theme runs through the centuries, and Frances Hutcheson, a teacher of Adam Smith, wrote, "By the wisdom and goodness of Providence really important things are more abundant and cheaper than those that a wise man would regard of little use."[24] A second example given by Viner is the idea that exchange among nations is due to God's providence and has the purpose of encouraging universal brotherhood. Again, Viner finds the idea among pagan Greek and Roman writers. There are fewer examples of Christian theologians articulating this sense of providence than there are examples pointing to the relative abundance of necessities.

Instead of including economic relationships as part of God's providence, theologians tend to examine economic issues in sections of their works devoted to ethics. However, human beings are social beings and have developed highly complex social and economic arrangements. The preservation of the species involves more than propagation or the production of food. If food is produced but not transported and exchanged, people suffer. The ability of human beings to learn and understand economic relations, to create institutions that enable societies to produce, transport, and exchange goods and services, and to alter those institutions as the complexity and diversity of human society increases, would seem to be part of God's providence as well.

Thomas Aquinas and the *Catechism of the Catholic Church*[25] depict the work of providence as the ordering of all things toward God's ultimate ends for them. Unlike governments, however, God achieves his will for humanity not by fiat but by means that include the free choices of persons. Aquinas says that this approach flows from God's great goodness, thereby imparting the "dignity of causality … even to creatures."[26] We will argue that the social ordering of things through markets is simply one vehicle by which God achieves his ends while respecting free choice. Furthermore, any evil that remains in nature and markets does not negate God's providence, since both natural and economic orders constrain and punish some evil and because God alone is able to extract good from all types of evil.

In the next section, we examine some of the ideas of two, prominent economists—Adam Smith and Friedrich Hayek—to see how their ideas tie in with the doctrine of providence.

Reflections on the Work of Hayek and Smith in Relationship to Providence

In *Law, Legislation, and Liberty*,[27] the Austrian economist, Friedrich Hayek, provides a deep analysis of *spontaneous orders* in human society. His aim is to show the virtues of such orders and to explain why those virtues ought to be preserved against the tendency to seek control over the outcomes of human interactions. For our purposes, his attention to the market order (he prefers to call it "catallaxy") is most useful.

Hayek describes what all economists recognize: the marvelous way that markets coordinate independent decisions, involving millions of economic agents (both individuals and collective "persons," such as corporations and associations), thereby enabling the creation of material abundance. Each person is presumed to be seeking his own good, especially by using his physical and human capital in ways that provide income needed to acquire the means to achieve his own ends. Those ends are not typically "selfish," in the narrow sense but *are* ends most directly relevant to the welfare of those whom the individual knows best—self, family, village, association, co-workers (even co-religionists far away), et cetera.

Those writers who insist that some *guide* in society (e.g., government) be entrusted with ensuring that markets create specific outcomes for individuals and groups implicitly assume that it is possible for one mind or group to have all the necessary information. However, such a guide would have to be all-knowing in order to be able to predict the near and distant impacts of any decision made—to buy, to work, to produce, to save, and so forth. For example, what will be the impact on people living in a village in Cambodia if I choose to buy a shirt made in America in preference to one made there? That is a relatively simple connection, at least if many others join me in making a similar decision. What if, instead, the American company from which I will buy a shirt hires a worker of Mexican origin who regularly sends money home to his family in northern Mexico? Suppose the family, then, buys aluminum roofing made in Mexico, using bauxite imported from Chile. Or, perhaps, the family pools its resources with others in a local savings organization, another of whose members takes out a loan to buy a truck and uses it to bring produce into the city. He then spends some of his income on shirts made in Cambodia. Even this is a relatively simple case compared to billions of connections made daily via buying and selling of goods, services, and financial instruments throughout the world.

Hayek claims that market systems of exchange[28] are the only mechanisms known to humankind that can *peacefully*, and without coercion, coordinate billions of decisions in such a way that each decision-maker is left free to choose among various means, goods, and services to suit his or her own personal ends. After all, how could Sally, the buyer of an umbrella, who is fifty steps removed from Salim, the maker of umbrella parts in an Indian village, be expected to know that Salim is Muslim, and perhaps that he normally would not want to deal with Christians? Markets allow Muslims and Hindus, believers and secularists, vegetarians and cattle ranchers, athletes and artists, Haitians and Parisians to all serve each others' economic interests without the need to either convert the other or go to war.

Impersonal connections made through markets produce incentives for persons at remote distances from each other to investigate new opportunities to work, produce, and save. Ultimately, when most players of the market "game"[29] attend to the changing incentives, all members of society are likely to be better-off than before, each in terms of her *own* ends. This is because every one of the billions of actors uniquely possesses information about his or her own talents, drives, opportunities, commitments, and constraints. No person or group much beyond the local village level could have more than a passing acquaintance with this information—especially since it is always changing. As a result, it is in the interest of all players to have access to a system of markets that guarantee them the freedom to explore unique opportunities and to use their own resources (or those fairly acquired from others) to create goods and services.

This is not to say that *each* transaction benefits *all* others. Such could not be achieved, except by divine fiat. Surely, no government could regulate markets to accomplish this, because it would forever be acting behind an impenetrable veil of ignorance about distant persons, conditions, and times. Nevertheless, in moral reflection about markets—from the Bible up to the present—critics have worried about whether market prices are *fair* to buyers and sellers. Hence, the medieval Church called for setting maximum and minimum prices. In our day, the tradition of controlling some prices continues in the form of rent, minimum wage rate, and maximum interest-rate laws.

Since Adam Smith, economists have routinely pointed out that price controls are unnecessary, because voluntary exchanges between persons automatically produce benefits for both parties (although the benefits may not be equally shared). Hayek extends this observation to show that because markets provide incentives for each player to make the most of information known only to him, markets vastly enhance the possibilities for increased production, consumption, and exchange over any other coordination device (e.g., decrees).

At no time does Hayek say that moral decisions are not important. He does, however, identify the locus of moral decision-making in the individual, not in spontaneous orders, such as markets. He vigorously criticizes notions of *social justice*, which come down to insisting that the *outcomes* of actions within a spontaneous social network must be good; and that if not, all those even remotely involved are guilty of injustice. Because only God could possibly know those outcomes (except the ones closest at hand), it is within one's power to ensure that each and every choice will lead to some ultimate good. (It does not matter how that good is defined, e.g., in terms of a problematic summing up of marginal personal goods and *bads* across a group, or in terms of an end chosen by a supreme ruler).

Given the heavy veil that blocks from view distant repercussions of decisions made by every person, group, and government, it seems logical that the individual should be the primary locus of choice. Hayek asserts that many, if not most, of the moral and other rules that humans follow are so deeply embedded in our social history that often we are not even conscious of their existence.

Adam Smith, to whom Hayek pays frequent tribute, was the first to analyze thoroughly how human societies come to develop certain moral rules. In *Theory of Moral Sentiments*,[30] he explains how each person *learns* the rules (although not necessarily at the conscious level). First, I observe how others respond when a person does X or Y. I also take note of whether others exhibit approval or disapproval of me when I do X or Y. If it is approval that X garners in both cases, I conclude that this act is "good"; and if disapproval is registered when Y is done, I conclude that this act is "bad." In this description of how personal conscience is formed (what he calls the "impartial observer"), Smith does not set aside the importance of moral instruction (e.g., by the church) and laws, which help define what is good and bad. However, he holds that these social instruments primarily reinforce built-in inclinations to do good and to avoid evil. Thus, in the course of ordinary life, we eventually even desire to do what is praise*worthy*, although no one will ever know. Furthermore, much of Smith's work illustrates how competitive markets not only reinforce virtues such as hard work but also punish vices such as dishonesty—thereby enhancing the well-being of all participants.

Among the many virtues that humans naturally come to value, Smith pays special attention to prudence, justice, and benevolence. He writes: "Concern for our own happiness recommends to us the virtue of prudence; concern for that of other people, the virtues of justice and beneficence—of which the one restrains us from hurting, the other prompts us to promote that happiness."[31]

According to Smith,[32] the Author of the universe has built into us the capacity to recognize right and wrong. Religion, philosophy, and laws may make the natural moral sense more concrete and reinforce it with promises of reward and punishment, but they are not the *origin* of moral sensibilities and behavior.

Furthermore, Smith argues that there is no single, overarching virtue—such as prudence, according to certain philosophers, or benevolence, according to many Christian ethicists. Instead, each virtue has its proper place. It is the duty of individuals to balance different virtues in their daily lives. Thus, courage should not become rashness, or prudence a cold disposition to others, or promise-keeping an occasion for failing to take care of oneself. Smith gives the example of a thief who forces his hold-up victim to promise that he will hand over a certain sum of money at a later time. As Smith points out, most of us believe that such promises may be broken, for the sake of a greater good.

Smith writes, on the one hand, that

> … by acting according to the dictates of our moral faculties, we necessarily pursue the most effectual means for promoting the happiness of mankind, and may therefore be said, in some sense, to *cooperate with the Deity*, and to advance, as far as in our power, the *plan of Providence* [emphasis added].[33]

On the other hand,

> The administration of the great system of the universe … [and] the care of the universal happiness of all rational and sensible beings, is the *business of God* and not of man. To man is allotted a much humbler department but one much more suitable to the weakness of his powers, and to the narrowness of his comprehension—the care of his own happiness, of that of his family, his friends, his country; that he is occupied in contemplating the more sublime, can never be an excuse for his neglecting the more humble department … [emphasis added].[34]

Smith, like Hayek, urges that for lack of knowledge about the distant results of our actions, we should pay utmost attention to our responsibilities close at hand. Furthermore, humans must not presume to be able to act always according to the dictates of benevolence alone. The human task, as mentioned above, is to achieve a certain balance of virtues, in personal responses to diverse and changing circumstances.

Smith argued against his mentor in moral philosophy, Francis Hutcheson, who taught that each act undertaken should be held up to the standard that it must promote human happiness. Hutcheson also taught that when choices were made in view of the happiness of the *largest human community*, these were the most virtuous of all. Smith summarizes Hutcheson's idea by saying:

> The most virtuous of all affections, therefore, was that which embraces as its objects the *happiness of all intelligent beings*. The least virtuous, on the contrary, of those to which the character of virtue could in any respect belong, was that which aimed no further than at the happiness of an individual, such as a son, a brother, a friend.
>
> [According to Hutcheson], self-love was a principle that could never be virtuous in any degree.… [And furthermore,] those benevolent actions that were performed, notwithstanding some strong motive from self-interest, were the more virtuous upon that account [emphasis added].[35]

Smith counters:

> Benevolence may, perhaps, be the *sole principle of action in the Deity*, and there are several not improbable arguments that tend to persuade us that it is so. It is not easy to conceive what other motive an independent and all-perfect Being, who stands in need of nothing external and whose happiness is complete in himself, can act from. But whatever may be the case with the Deity, so imperfect a creature as man, the support of whose existence requires so many things external to him, must often act from many other motives. The condition of human nature [would be] peculiarly hard if those affections which, by the very nature of our being, ought frequently to influence our conduct, could, upon no occasion, appear virtuous, or deserve esteem and commendation from anybody [emphasis added].[36]

Smith, like Hayek, provides both rational (lack of information) and semi-theological (God's prerogative) arguments against humans seeking, above all, to achieve the "happiness of all intelligent beings."[37] In addition, Smith develops the argument that every virtue has its own proper reward, as well as its own domain. Thus, kindness begets gratitude, and honesty begets a good reputation for truthfulness.

However, many times humans collectively bemoan the fact that those who exhibit what Smith calls the "soft virtues" (such as kindness) sometimes find themselves penniless. Likewise, it often seems unjust when persons who lack much virtue are financially successful. Smith says that we create for ourselves unnecessary anxiety by making such distinctions. Material rewards rightly go to those who save, work hard, and build up new enterprises based upon innovative ideas. Each of these habits is related to a virtue or personal gift, such as prudence, courage in risk-taking, creativity, and so forth. It is only fitting that such qualities—which are extremely useful in the production of material wealth—should be rewarded through markets.

In general, markets reward what are commonly *under*esteemed values, such as prudence, inquisitiveness, attentiveness to small changes, and so forth. Samuelson[38] once quoted Sir Dennis Robertson, who said that economists "economize on love." He meant that markets allow humans to create great material abundance without burdening each actor with the need to operate exclusively on the basis of love. Thus, humans are free to employ love where it is best informed.

In a recently published book, *The Good of Affluence: Seeking God in a Culture of Wealth*,[39] John Schneider (a theologian), argues that the most relevant realm of moral choice is circumscribed by what he calls "moral proximity" to the person making the choice. By affirming "moral proximity" as a guide, Schneider does not rule out the possibility that I may be inclined (perhaps by God) to take into account the well-being of someone at a remote physical distance. I might, for instance, contribute to a ministry in Senegal that instructs farmers in new agricultural techniques, because I have heard about their work, and because three years spent in Cameroon make me feel connected to Africans. However, Schneider agrees with Hayek and Smith that distance makes the heart a less-reliable guide. What if a ministry is primarily dedicated to encouraging the development of local crafts in Honduras, of which I approve but am unaware that the potential market for those crafts is severely limited? Without more information about the ministry, its goals, methods, and so on, my contributions to that ministry could *fail* to help Honduran women who might otherwise have sought out training or longer-lasting employment.

According to Smith, those who deserve rewards and punishment often (though not always) do receive them in this life. One would expect nothing less of the Deity than that he would have arranged for virtues to be rewarded and vices punished by planting a capacity for moral discernment within human nature. Of course, some people die having enjoyed an apparently abundant life, although they have been morally corrupt on virtually all occasions. Others die in crushing poverty, though they have been extraordinarily kind. Smith argues that for this reason, most ordinary people cling to the hope that

> … the great Author of our nature will himself execute hereafter, what all the principles that he has given us for the direction of our conduct prompt us to attempt even here; that he will complete the plan which he himself has thus taught us to begin; and will, in a life to come, render to every one according to the works that he has performed in this world.[40]

Smith is rightly called a deist, and Hayek acknowledged that he was an agnostic. Hayek[41] rejected the existence of any form of God that, "… [is] anthropomorphic, personal, or animistic.… The conception of a man-like or mind-like acting being appears to me rather the product of an arrogant over-estimation of the capacities of a man-like mind." However, Hayek hoped that by being open about his agnosticism, his work would "help religious people more unhesitatingly to *pursue those conclusions that we do share* [emphasis added]."[42] Furthermore, he observed that the source of order in a spontaneous system (in which no part can oversee the whole) "may well concord with religious prohibitions against idolatry."[43]

As Christian economists, we agree with Smith about much of his reflection on human nature, including the existence of a built-in moral capacity (also suggested by Paul in the letter to the Romans, chapter 1, especially verses 14–15, and chapter 2:14–15). We are in agreement with both Smith and Hayek about the great benefits to be derived from a system that accords as much freedom as possible to all actors participating in the spontaneous order of markets. Their insistence on the need for moral choices, and their description of the order that markets create out of many independent personal decisions, correspond well with long-standing, common notions of providence. These writers also pay tribute to the Christian understanding that God creates us free to make choices.

By faith, we affirm that the foundation of freedom is in God's plan, so that each person made in his image, may be free to create, using the gifts and opportunities provided by God's providence. We also go beyond both Smith and Hayek by affirming that a personal God is at the beginning, middle, and end of all that is good.[44] Christian theological reflection on providence typically identifies several constituent parts. In the words of Braunius:[45]

> —He [God in his providential activity] preserves all things in their being and duration;

—He moves all things to their action by concurrence, in fact by precurrence;

—He steers and guides all things to the desired end to which they were appointed from eternity.

We are struck by how resonant these principles are with the workings of markets, as described by both Hayek and Smith. Smith attributes to God the providential roles of building into each person a moral sense; creating strong motivations to exercise virtue (related to the second point above), and by guiding each one by an "invisible hand," at work in markets. Thus, by pursuing their self-interest through markets, individuals can often contribute to the good of the whole society.

Although both Hayek and Smith assert a key role for the rule of law (regarding justice, property, freedom, et cetera), both also describe how much of our moral sense is built into us as we interact with others. Only subsequently do religion and the law further instruct us. Without the internal disposition to do good (though accompanied by temptations to do evil), and without reinforcement by various groups (including churches), decent societies would have to employ extremely detailed laws and invasive means to enforce them—to the detriment of both freedom and the creation of material abundance. Only recently have economists attempted to estimate empirically the value (including large cost-savings) to all members of society of voluntary organizations that build up moral and social capital.

These interlocking social organizations appear to serve as channels of God's providence—moving "all things to their action." Among them, the spontaneous market order is an example of one marvelous means by which God "steers and guides all things to the desired end."[46] For example, partially through the price system created by markets, God "preserves all things in their being and duration," including natural resources.[47] Furthermore, by conveying information about "needs" in diverse places around the world, market incentives help guide individuals toward their vocations—"to which they were appointed from eternity." Beyond this, the providence of God works in part through changing market opportunities that enable individuals to discover new ways to exercise their gifts or even to embrace new vocations.

The Marketplace As a Part of God's Providence

Clearly, the economic system of Israel in the time of the prophets or in the time of Jesus was not that of a modern market economy. The same is true for the economic life of Athens discussed by Aristotle.[48] Society apart from economics is also quite different now. A key difference is the impersonalism of modern society in Western democracies, compared to the greater importance of personal relationships in earlier times. If one were a part of a village in ancient Israel or a village in medieval Europe, one knew everyone in the area.[49] An individual knew the person from whom he purchased seed or from whom she bought a water jug. Economic relationships tended to overlap other types of relationships—family, tribe, friend, co-religionist, and so on.

When economic activity is limited to a small sphere, where everyone knows one another, and when the economy is relatively static, it is feasible to rely on tradition or command to allocate resources. A person can count on personal relationships, or on her role in the society, for some type of protection while making economic decisions. The ethical situation also differs between large and small societies. In a small society a person can be expected to know something about the situation of another with whom he is dealing. In a large market system, that is seldom the case.[50] Then how does an economic system function in a large impersonal society?

Smith's analysis of the emerging market system in his day is an early example of an attempt to answer this question. His is only one example of Scottish thinkers who looked at orderly systems that developed apart from the conscious direction of a few leaders. Hamowy[51] discusses how Smith and other members of the "Scottish Enlightenment" developed their theory of spontaneous order:

> The theory, simply put, holds that the social arrangements under which we live are of such a high order of complexity that they invariably take their form not from deliberate calculation, but as the unintended consequence of countless individual actions, many of which may be the result of instinct and habit. The theory thus provides an explanation of the origin of complex social structures, without the need to posit the existence of a directing intelligence.[52]

If we return to our earlier discussion of the meaning of the Greek term, *oikonomia*, it would be reasonable to expect discussion about economic systems to focus on administration. As noted, the noun could mean business, administration, good management, and so on. In Xenophon's *Oeconomicus*,[53] he focuses on management of a large, landed estate. This management involved conscious direction, command, and administration. Management and business classes today focus on similar types of things—administration, governance structures, monitoring agents, and so forth. Yet, when Smith examined the system as a whole, he did not look for an administrator or manager who kept the system functioning. Instead, he introduced notions of spontaneous order and the invisible hand. He saw order where one might expect to see chaos.[54]

Harold Demsetz[55] has argued that Smith was concerned with explaining how a decentralized system, with no chief administrator of the economy, could function.[56] Many thinkers in Smith's day likely presumed that formal administration was necessary to maintain an orderly operation of the economy. George Stigler[57] traces ideas about competition from Smith to development of the model of perfect competition, a model that has no competitive behavior in it. In this model, market participants are price-takers and have no individual influence on the market or on the price. There is no venue for competitive behavior—such as price competition or advertising. Demsetz argues that the model of perfect competition is better seen, "… as a tool for understanding the price system, and not for understanding competition … represent[ing] a natural evolution from, and vital capstone to, the central interests of the classical writers."[58] Smith and the other classical economists took competition for granted and assumed that competitive behavior provided, "… a pervasive restraint on the pursuit of self-interest."[59]

According to Demsetz, the power of the model of perfect competition is the conceptualization of a particular case of the coordination problem: "… *the complete absence of conscious control by anyone over the plans of others*."[60] In the model of perfect competition, institutions such as the household, the firm, and the government are treated as black boxes, and bear little resemblance to real-world firms, households, or governments. Demsetz continues, "The formulation of perfect decentralization *is* the accomplishment of the perfect competition model."[61] In fact, Demsetz goes on to rechristen the model of perfect competition as the *model of perfect decentralization*. The model relies upon individual consumers' and producers' making decisions based only on prices and price changes yet shows how the myriad of decisions can be coordinated through the price system. As Demsetz says, "It is a grand intellectual achievement, the only theory yet devised that is capable of imparting an understanding of how the price system integrates decentralized economic decisions."[62]

It is the reality captured by this model that we suggest can be thought of as part of God's providential care of humanity. If a tornado destroys the barn of an Amish farmer in Pennsylvania, the farmer's neighbors get together and help to rebuild it, but when a hurricane ravishes much of south Florida, people cannot count on the immediate help of neighbors. Those living in the area are *all* in need of rebuilding. People from other parts of the country may send help of some kind, but the coordinating and informational needs regarding what to send, to whom to send it, and so on are immense. Instead, an inevitable rise locally in the price of building materials encourages consumers of such supplies to economize on them and offers incentives to the producers of the materials to work harder to increase the amount available. The size, complexity, and impersonal nature of modern society make it impossible to rely primarily on the benevolence of others to meet one's needs. Thanks to the marketplace, we do not have to.

Hayek's discussion of the market system, as a method of providing an efficient way to economize on information, fits in with this discussion.[63] The price system permits people in the local situation to make the decisions needed to maintain order. A lumber mill does not need to know about the hurricane in Florida in order to make decisions that will help the people in Florida. The owner of the mill only has to observe the real price of lumber increasing, to make the correct decision.

To us as Christian economists, the price system is "miraculous" in its simplicity and efficiency. As the size and complexity of populations and societies increase, the coordination problem becomes more acute, but a system has developed that enables millions of people to obtain both the necessities of life and many goods and services beyond that, without relying on militaristic types of institutions. Through his providential care, God preserves all creation, including humanity. It seems that one way by which God preserves humanity is through specific gifts of human disposition, creativity, and vocation, such that markets produce and distribute goods and services throughout societies where no, one person or any region could be self-sufficient.

Can Anything Good Come from Self-Interest?

Instead of seeing the price system as an example of God's providence, many theologians decry the materialism and selfishness that, they say, are promoted in market economies, and claim that capitalism is unjust.[64] Paul Tillich said socialism "… is the only possible economic system from the Christian point of view."[65] How can Christians applaud a system that appears to be based upon greed and self-centeredness?

One response to such views is that an economic system, to be practical, must be built upon human nature as it is found in the world. Not all people are Christians and not all Christians behave selflessly all of the time. Further, as economists we are familiar enough with the concept of "unintended consequences" to know that attempts to do what is best for others often make the people we try to help worse-off, not better. The reasons for the unintended consequences include information problems and the failure to recognize that people tend to respond to the incentive structures they face.

A second response is that self-interest does not imply selfishness. As we have argued elsewhere, Christians likely see their self-interest in terms of trying to live a Christ-like life rather than in terms of materialistic values.[66] While many people may use the price system to enhance their acquisitions and wealth, others can use it to obtain an income that is then used to support mission activities or to provide resources to the poor. A market system permits much greater diversity of interests and activities than other types of economic systems allow.[67]

The impersonal nature of modern life is not due to the market system but to growing population, greater specialization of labor afforded by larger markets, and increasing complexity of modern societies. Engel's argument, that we cannot rely upon morality that is appropriate for an individual in personal relationships to direct us in the impersonal relations of modern economic life, is reasonable. The particular morality that Engel is discussing is promoting the welfare of others. In personal situations one can know the needs of another and behave accordingly. In impersonal situations, that information generally is not available. Furthermore, a society that presumes that government has the information needed to extract moral outcomes from countless impersonal interactions often finds itself with reduced welfare and less freedom.

Conclusion

In this article, we have argued that Christian teaching about God's providence should be expanded to embrace spontaneous social orders, as well as the physical laws of the universe. Specifically, we have emphasized that market systems have the capacity to elicit, coordinate, and reward millions of free economic acts. Together, these acts create rising material abundance that meets needs and wants, both near and far away.

We show that great economists, such as Smith and Hayek, have pointed to the market system as worthy of comparison with Christian notions of God's providence, by which, God is said to bless humankind. Just as God-given productivity of the soil, combined with human labor and ingenuity, blesses societies with abundant crops, so also does the productivity of gifted human beings bless all humanity through markets. The somewhat mysterious way in which markets accomplish this without any, one person directing it, suggests to us the providential hand of God at work.

As God hovered over the waters at the time of Creation, perhaps God's spirit also hovers over markets and their participants. His spirit provokes, inspires, and channels millions of free human acts of creation and self-giving, for our good and his glory. Such is the nature of spontaneous orders, like markets, that thrive under the care and preservation of God's providence. If so, Christian participants in market orders can discover deep meaning in what they do, and reason for unending praise, while trusting God with humanly unknowable, remote repercussions of their choices.

Notes

1. Michael Novak, *The Spirit of Democratic Capitalism* (New York: Simon and Schuster, 1982).
2. G. L. Prestige, *God in Patristic Thought* (London: S.P.C.K, 1959).
3. The translation of the term in a recent translation of Xenophon's *Oeconomicus* is "estate management."
4. Prestige, 58.
5. Ibid., 59.
6. Ibid.
7. Ibid., 63.
8. Ibid.
9. Benjamin Wirt Farley, *The Providence of God* (Grand Rapids, Mich.: Baker Book House, 1988), 16. In his commentary on the Heidelberg Catechism, Zacharias Ursinus defined providence as, "… the eternal, most free, immutable, wise, just and good counsel of God, according to which he effects all good things in his creatures, permits also evil things to be done, and directs all, both good and evil, to his glory and the salvation of his people." *Commentary of Dr. Zacharias Ursinus on the Heidelberg Catechism*, 2d ed., trans. G. E. Williard (Columbus: Scott & Bascom, 1852), 151.

10. Karl Barth, *Church Dogmatics: The Doctrine of Creation*, III.3, trans. G. W. Bromily and R. J. Ehrlich (Edinburgh: T.&T. Clark, 1960).
11. Ibid., 3.
12. Ibid., 34.
13. Farley, 32.
14. Ibid., 34.
15. "God is a God of order, not of disorder, even if order is not the supreme principle of the divine reality. Order is always neutral, not personal. Order is therefore the principle of the divine presence in the sphere of nature.…" Emil Brunner, *The Christian Doctrine of Creation and Redemption*, trans. Olive Wyon (Philadelphia: Westminster Press, 1952), 161.
16. Farley, 35.
17. Donald G. Bloesch, *God the Almighty: Power, Wisdom, Holiness, Love* (Downers Grove, Ill.: InterVarsity Press, 1995), 114.
18. Ibid., 212.
19. See also Wolfhart Pannenberg, *Basic Questions in Theology* (Philadelphia: Westminster Press, 1983), 2:165.
20. John Polkinghorne, *Science and Providence: God's Interaction with the World* (Boston: New Science Library, 1989).
21. Ibid., 2.
22. Ibid., 37.
23. Jacob Viner, *The Role of Providence in the Social Order: An Essay in Intellectual History* (Princeton: Princeton University Press, 1972).
24. Quoted in Viner, 28. The book was an outgrowth of lectures that Viner gave at Princeton in 1966, and it was published after Viner's death in 1970.
25. *Catechism of the Catholic Church* (Internet: www.ziplink.net/cgi_bin/egiwrap/kerygma/a.pl), par. 307, 321.
26. Thomas Aquinas, *Summa Theologica: A Concise Translation*, ed. Timothy McDermott (Westminster, Md.: Christian Classics, 1989), I.2.22.4. Calvin concurs, writing in the *Institutes*, 4.3.1, that God delegates work to human beings. Althusius cites Calvin, saying "For this reason God willed to train and teach men not by angels but by men," *Politica*, 23.
27. Friedrich A. Hayek, *Law, Legislation, and Liberty*, vol. 2, *The Mirage of Social Justice* (Chicago: University of Chicago Press, 1976).

28. The Greek word, *katallattein*, means "not only 'to exchange' but also 'to admit into the community' and 'to change from enemy into friend,'" Hayek, 108.
29. The word *game* is used by Austrian philosophers, like Wittgenstein, to mean "ordered interaction of individuals, such as in the 'language game.'"
30. Adam Smith, *Theory of Moral Sentiments* (Indianapolis: Liberty Classics, 1976), 203–7.
31. Ibid., 422.
32. In *Mere Christianity* (New York: Scribner, 1997), C. S. Lewis made a similar case but did so as part of his apologetic for the Christian faith, which was not on Smith's more limited, deist agenda.
33. Smith, 275.
34. Ibid., 378.
35. Ibid., 479f.
36. Ibid., 482f.
37. Ibid., 479.
38. Paul Samuelson, *Economics from the Heart: A Samuelson Sampler* (New York: Thomas Horton and Daughters, 1983), 10.
39. John Schneider, *The Good of Affluence: Seeking God in a Culture of Wealth* (Grand Rapids: Eerdmans, 2002).
40. Adam Smith, 279f.
41. Friedrich Hayek, *The Fatal Conceit: The Errors of Socialism* (Chicago: University of Chicago Press, 1988), 139.
42. Ibid., 39f.
43. Ibid., 140. It is interesting to note that Hayek severely criticized amoral luminaries, like Keynes, who trashed any common moral notion that, they thought, lacked complete *rational* justification. Instead, Hayek followed Wittgenstein's example, by pointing out the presumptuousness of intellectuals who frequently overlook the partially hidden social dynamics of rule-making, by which certain actions come to be understood as right or wrong.
44. Nothing in Smith or Hayek can be construed as support for rampant individualism. As we noted earlier, they both affirm the useful teaching role of religion. They also approve of the many other ways that individuals yoke themselves together in pursuit of shared goals, such as improving the environment, providing better schools, enhancing access to the arts, et cetera. What they oppose is any attempt by such groups to capture the power of government in order to impose their goals on the whole society.

45. Cited in Benjamin Wirt Farley, *The Providence of God*, 31.

46. See A. M. C. Waterman, "'Mind Your Own Business': Unintended Consequences in the Body of Christ," *Faith and Economics* 35 (Spring 2000): 5. Waterman makes a strong assertion that, "The Holy Spirit presides over the unintended consequences of our self-regarding acts to create all that is good in the 'spontaneous order' of human society." He believes that Christians should save themselves from an impossible moral burden, namely, to make economic and other choices that will assuredly bring in the kingdom of God. Instead, individuals should look to those matters they each know best—himself or herself and those in moral proximity—to inform their choices. The most relevant commandment, he says, is still Christ's call to "love your neighbor."

47. Economists do not claim that markets by themselves *always* adequately protect natural resources. However, the nature of prices is that they rise with the increased scarcity of any resource, thereby encouraging some combination of more efficient use, increased exploration, and the development of substitutes. Thus, as use of coal and oil has increased, the known reserves have actually kept expanding. In the case of coal, despite a thirty-one-percent increase in world consumption of coal from 1975 to 1999, coal resources are estimated to be sufficient "well beyond the next fifteen hundred years."

    Precisely because of such economic forces, there has been no long-term increase in the price of oil since 1871. See Bjorn Lomborg, *The Skeptical Economist: Measuring the Real State of the World* (Cambridge: Cambridge University Press, 2001), 123–27. See also Peter J. Hill, "Environmental Theology: A Judeo-Christian Defense," *Journal of Markets and Morality* 3 (Fall 2000): 158–73; and Terry L. Anderson and Donald R. Leal, *Free-Market Environmentalism* (San Francisco: Pacific Research Institute for Public Policy, 1991).

48. An interesting comparison of Aristotle's economics and that of the Jewish Mishnah can be found in Jacob Neusner, *The Economics of the Mishnah* (Chicago: University of Chicago Press, 1990).

49. Until the last couple of centuries, almost everyone's economic dealings involved people they knew. Most people worked in agriculture and lived in relatively small villages. See Peter Laslett, *The World We Have Lost: England Before the Industrial Age*, 2d ed. (New York: Charles Scribner's & Sons, 1973), 55ff, where he discusses life in villages of three hundred to five hundred people. "Through most of human history, most human beings have lived in small social settings marked by a plentitude of ongoing face-to-face contacts and by intense solidarity and moral consensus," writes Peter L. Berger, *Facing Up to Modernity: Excursus on Society, Politics and Religion* (New York: Basic Books, 1977), 60.

50. Günther Engel, "Wirtschaftsethik als ökonomische Theorie de Moral," Unpublished manuscript (University of Göttingen, 2002), argues that it is inappropriate to transfer a system of morality founded on small-scale societies and transform them straightforwardly to large, impersonal societies and systems.

51. Ronald Hamowy, *The Scottish Enlightenment and the Theory of Spontaneous Order* (Carbondale, Ill.: Southern Illinois University Press, 1987).

52. Ibid., 3.

53. Xenophon, *Oeconomicus: A Social and Historical Commentary*, trans. Sarah B. Pomeroy (Oxford: Clarendon Press, 1994).

54. Certainly there have always been people who did not see order but saw chaos in modern market economies.

55. Harold Demsetz, *Economic, Legal, and Political Dimensions of Competition* (Amsterdam: North-Holland Publishing Company, 1982).

56. The theme is developed further, especially in relation to the modern view of the firm that stems from Coase's *Market for Goods*; in Harold Demsetz, "The Theory of the Firm Revisited," *Journal of Law, Economics, and Organization* 4 (Spring 1988): 141–61; and in Demsetz, *The Economics of the Business Firm: Seven Critical Commentaries* (Cambridge: Cambridge University Press, 1997).

57. George J. Stigler, "Perfect Competition, Historically Contemplated," *Journal of Political Economy* 65 (February 1957): 1–17.

58. Demsetz, *Economic, Legal*, 5.

59. Ibid., 4.

60. Ibid., 8.

61. Ibid.

62. Ibid., 10.

63. Thomas Sowell, *Knowledge and Decisions* (New York: Basic Books, 1980), further develops the theme of economizing on information.

64. See, for example, Emil Brunner, *The Divine Imperative*, trans. Olive Wyon (Philadelphia: Westminster Press, 1937), 421ff. Paul Tillich supported socialism and criticized capitalism. See Paul Tillich, *The Socialist Decision*, trans. Franklin Sherman (New York: Harper and Row, 1977). Also see Betsy Jane Clary, "Paul Tillich on the Institutions of Capitalism," *Review of Social Economy* 52 (Fall 1994): 361–76.

65. As quoted in J. Philip Wogaman, *The Great Economic Debate: An Ethical Analysis* (Philadelphia: Westminster Press, 1977), 133.

66. See John Lunn and Robin Klay, "The Neoclassical Model in a Postmodern World," *Christian Scholar's Review* 24 (December 1994): 143–63.

67. See Aaron Director, "The Parity of the Economic Marketplace," *Journal of Law and Economics* 7 (October 1964): 1–10; and R. H. Coase, "The Market for Goods and the Market for Ideas," *American Economic Review* 64 (May 1974): 384–91.