

# *Christian Social Theory*

## *Workbook 2*

Note To Instructors: Remove Final Test from back of workbook before giving to student.

# Christian Social Theory

## Workbook 2

The Christian Social Theory Workbooks are designed to help you come to a solid understanding of how God designed His world to operate. After completing this course you will have a solid foundation to understanding the problems in our society today and what God's answers are. You can then dig in to greater details on your areas of special operation. To successfully complete this workbook you will need to:

1. Complete all the questions in a Section.
2. Score all questions before taking the related Review. Underline the answers in the text for any questions you got wrong.
3. Take the Review.
4. Score the Review. Underline the answers in the text for any questions you got wrong.
5. Go on to the next section and repeat.
6. Memorize selected Scriptures.
7. Before taking the Pre-Test make sure all questions in the Sections and Reviews are correctly answered.
8. Take the Pre-Test.
9. Score the Pre-Test. Underline the answers in the text for any questions you got wrong.
10. Take the Final Test.

Note 1: Not all questions on reviews or tests will be taken directly from previous questions. However, reviews and pre-tests will show how well you understand the material. If you do well on them you should have no difficulty with the Final Test.

Note 2: All Final Tests except the first one may include some random questions from previous workbooks to test how well the student is remembering the material.

Note 3: This workbook is copyrighted and may be copied and used only by active Joshua Club members. The conditions and restrictions are listed on the Joshua Club website: [www.joshua-club.com](http://www.joshua-club.com).

Write out and memorize Matt. 20:15 \_\_\_\_\_

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## WHAT IS ECONOMICS AND WHY IS IT IMPORTANT?

Economics is basically the study of how and why human beings make the decisions they make. Decision-making is part of being in the image of God. God chose to create the world, He chose to provide redemption. Of all of creation, mankind is the only one who intelligently evaluates information and makes decisions.

*According as he hath chosen us in him before the foundation of the world, that we should be holy and without blame before him in love...In whom also we have obtained an inheritance, being predestinated according to the purpose of him who worketh all things after the counsel of his own will... [Eph.1:4,11]*

Economics is a study of man's management of God's world. It looks at how mankind uses the resources God has entrusted to them. It also studies the way in which these resources are to be controlled or managed. Should governments, business, churches, families or individuals control the use of God's resources? Or should it be a combination of any or all of the above? Of course, the Christian will look for the answers in the Word of God. It is God's world, He designed it, He knows how it operates, and He has given His instructions on how it is to be run.

The word "economics" comes from a combination of two Greek words which mean "house" and "law" or "rule." So the root meaning has to do with managing a family. Of course, since then economics has expanded to include a lot more.

"Economics is the science that studies the production, distribution, and transfer of wealth." Collins Gage Dictionary, page 405

"The science of economics revolves around one central fact of life; available resources are scarce - be it time, labour or material wealth - and therefore man must use resources judiciously if he hopes to gain maximum benefit from them." Tom Rose, Economics: Principles and Policy, pg. 19

While economics is a science, it is also more than a science. When economics is simply studying data it is science; however, when economics is applied it moves from the realm of science to the realm of the moral/religious. For example, to study the effects of inflation is science, but to then interpret the data and come up with "solutions"

is a moral/religious problem based on one's world view. A Socialist Economist and a Free Market Economist can both view the same data, but come up with radically different solutions. Economists so often disagree on applications of their data that the standard joke is wherever there are five economists there will be six different opinions.

1. Decision-making is part of being in the \_\_\_\_\_ of God.
2. Economics is a study of man's \_\_\_\_\_ of God's world.
3. It is \_\_\_\_\_ world, He designed it, He knows how it operates, and He has given His instructions on how it is to be run.
4. The word "economics" comes from a combination of two \_\_\_\_\_ words which mean "house" and "law" or "rule."
5. When economics is simply studying data it is \_\_\_\_\_; however, when economics is applied it moves from the realm of science to the realm of the moral/religious.
6. A Socialist Economist and a Free Market Economist can both view the same \_\_\_\_\_, but come up with radically different solutions.

## WE LIVE IN A WORLD OF SCARCITY

We live in a world of scarcity. Even before Fall, Adam and Eve lived in a world of scarcity. It was an abundant world with more than enough to meet their desires and needs, but still they had choices to make. For example, time was scarce. Adam was limited to 24 hours a day just as we are. How should he spend his time? Should he allot a certain amount of time to naming the animals? If so, how much? The time spent in naming the animals could not be spent tending the garden, building a house, or inventing tools. He had to make decisions. He had to prioritize.

After the Fall, scarcity became much more dramatic. Now it would take a lot more time to meet basic needs. A lot more decisions with greater impact would have to be made. He couldn't have everything, so he would have to choose what was most important to him.

*And unto Adam he said, 'Because thou hast hearkened unto the voice of thy wife, and hast eaten of the tree, of which I commanded thee, saying, Thou shalt not eat of it: cursed is the ground for thy sake; in sorrow shalt thou eat of it all the days of thy life; Thorns also and thistles shall it bring forth to thee; and thou shalt eat the herb of the field; In the sweat of thy*

*face shalt thou eat bread, till thou return unto the ground; for out of it wast thou taken: for dust thou art, and unto dust shalt thou return. [Gen. 3:17-19]*

“Scarcity means that if every item were sold at zero price, there would be more demand than supply. So we put prices on items to limit demand.” Dr. Gary North, *Inherit The Earth*, pg. 17

Vital questions that confront the Christian are: Who is to control these scarce resources? Who will decide how they get used and for what purposes? Is it the Family, the Church, or the State? Who does God give the management of the earth to? Who gets to decide what is produced and when and how?

7. We live in a world of \_\_\_\_\_.
8. Even before the \_\_\_\_\_, Adam had to prioritize.
9. After the Fall, scarcity became much more \_\_\_\_\_.
10. Scarcity means that if every item were sold at zero price, there would be more \_\_\_\_\_ than supply.

## WHO OWNS PROPERTY?

The owners of property will control the market/economy. They will decide what gets produced and how much is produced. What is the Biblical system of property?

*For every beast of the forest is mine, and the cattle upon a thousand hills. [Ps. 50:10]*

*Mine hand also hath laid the foundation of the earth, and my right hand hath spanned the heavens: when I call unto them, they stand up together. [Is. 48:13]*

First, God owns it all. He owns it first by right of creation. He made it, it belongs to Him. When God told Adam not to eat of the Tree of the Knowledge of Good and Evil, He was asserting His property rights. He owned the Tree [as well as everything else] and had the right to say if he would allow someone else access to it or not. Adam, in the first act of socialism, violated God’s property rights. Adam thought his “rights” to knowledge were more important than God’s right to declare how His property was used.

Then God owns it all by right of redemption. God never lost His property rights; however, Adam gave the right of management of the earth to Satan. With His blood Christ won back the right of management of the earth. He came to destroy the works of the devil which includes everything the devil has corrupted. If Christ cannot restore [and

more] everything Satan destroyed then, in effect, Satan won. Christ won the victory at Calvary and we are currently in the process of implementing it in time/history.

*He that committeth sin is of the devil; for the devil sinneth from the beginning. For this purpose the Son of God was manifested, that he might destroy the works of the devil. [1 John 3:8]*

Second, God delegated to Adam, and through him to mankind, the stewardship of the earth. We are charged with looking after it and developing it under God. Man is a secondary owner [or manager] and can only use the earth subject to God's law and will.

*And God blessed them, and God said unto them, Be fruitful, and multiply, and replenish the earth, and subdue it: and have dominion over the fish of the sea, and over the fowl of the air, and over every living thing that moveth upon the earth. [Gen. 1:28]*

"The meaning of the verse [Gen. 1:28] is clear. Man is in economic control of the Lord's creation. He is the Lord's steward. He is to subdue [control] the earth in order that he may multiply, yet he is to replenish [preserve] its natural resources." Tom Rose, *Economics: Principles and Policy*, pg. 51

So to whom did God give the management of the earth? Adam received this commission as the head of a family and nowhere in Scripture is the responsibility to own/control property ever transferred to the Church or the State. These two institutions are to help and protect man in the use of his property, not control it, confiscate it, or tax it. Scripture does allow that both the Church and the State may own small amounts of property necessary to carry out their Biblical responsibilities. However, nowhere is the Church or State given the right to control large amounts of land or to declare how individuals will use their own land.

*Is it not lawful for me to do what I will with mine own? Is thine eye evil, because I am good? [Matt. 20:15]*

"There is no question concerning the Bible's affirmation of private property." Dr. Gary North, *Inherit The Earth*, pg 13

"God placed Adam and Eve under the terms of the dominion covenant as a family. He told them to be fruitful and multiply... It is certainly not a bureaucratic task given to the church or State. Families therefore are the primary owners of property because the family is the primary agency of dominion." Dr. Gary North, *Inherit The Earth*, pg. 24

“The most valuable property right a man has, from the viewpoint of economics, is the property right he has in his own labor. Men who don’t have this basic right of ownership are called slaves.” Tom Rose, *Economics: Principles and Policy*, pg. 58

11. The owners of \_\_\_\_\_ will control the market/economy.
12. \_\_\_\_\_ owns it all.
13. God owns it first by right of \_\_\_\_\_.
14. Adam, in the first act of \_\_\_\_\_, violated God’s property rights.
15. God owns it all be right of \_\_\_\_\_.
16. With His blood Christ won back the right of \_\_\_\_\_ of the earth.
17. Christ won the \_\_\_\_\_ at Calvary and we are currently in the process of implementing it in time/history.
18. Man is a \_\_\_\_\_ owner [or manager] and can only use the earth subject to God’s law and will.
19. Adam received this commission as the head of a \_\_\_\_\_ and nowhere in Scripture is the responsibility to own/control property ever transferred to the Church or the State.
20. Nowhere is the Church or State given the right to control large amounts of \_\_\_\_\_ or to declare how individuals will use their own land.
21. The most valuable property right a man has, form the viewpoint of economics, is the property right he has in his own \_\_\_\_\_.

## WHAT IS THE FREE MARKET?

Some people today loudly proclaim that the Free Market has failed. First, the Free Market has never really been tried. Second, they fail to understand what the Free Market is. They are still tied to the socialist idea that actions and consequences can be divorced.

“The ‘free market’ is the name given to describe the marketplace ecosystem when it is free from aggression.” Dr. Mary Ruwart, *Healing Our World*, pg 22.

“...the free market is a society in which all exchange voluntarily.” Murray Rothbard, quoted in *Healing Our World*, pg 22

“...the free market is a system based on both the private ownership and private control of the tools of production.” Dr. Gary North, *Inherit The Earth*, pg. 12

“What the free market social order does is encourage men to serve the wants and the desires of their fellow man, voluntarily, because of a unique combination of private property, self-interest, competitive bargaining, and personal responsibility.” Dr. Gary North, *Inherit The Earth*, pg. 56

“...a free market economy...is...an economy in which prices are free to fluctuate in response to the unrestricted buying and selling activities of free and self-responsible individuals...” Tom Rose

“In a free market economy everyone is free to ‘do his own thing’ as long as he leaves others free to pursue their own likes.” Tom Rose, *Economics: Principles and Policy*, pg. 164

The Free Market does not mean that everything is free! The law of scarcity that we talked about above requires that the vast majority of things have prices to limit supply. [Air is one exception - demand does not exceed supply at zero cost - although some may pay for certain forms of air.] The Free Market is simply the voluntary exchange of products or services between people. Nothing complicated. It means a buyer and a seller agree on what each considers to be a good deal and then they make the exchange. It is a win-win situation. Each voluntarily gives up something they value less for something they value more.

For example: Joe’s Shoe Store sells running shoes for \$50.00. If Bob wants the running shoes more than the \$50.00 in his wallet, then he goes into the store and buys the running shoes. This works to Joe’s favour as well, since he wants the \$50.00 more than he wants the running shoes. Both parties come out as winners.

22. The \_\_\_\_\_ has never really been tried.
23. The ‘free market’ is the name given to describe the marketplace ecosystem when it is free from \_\_\_\_\_.
24. The free market is a society in which all exchange \_\_\_\_\_.
25. In a free market economy everyone is free to ‘do his own thing’ as long as he leaves others free to \_\_\_\_\_ their own likes.
26. The Free Market is simply the voluntary \_\_\_\_\_ of products or services between people.



27. The Free Market is a \_\_\_\_\_ situation.

*In the year of this jubile ye shall return every man unto his possession. And if thou sell ought unto thy neighbour, or buyest ought of thy neighbour's hand, ye shall not oppress one another: According to the number of years after the jubile thou shalt buy of thy neighbour, and according unto the number of years of the fruits he shall sell unto thee: According to the multitude of years thou shalt increase the price thereof, and according to the fewness of years thou shalt diminish the price of it: for according to the number of the years of the fruits doth he sell unto thee. Ye shall not therefore oppress one another; but thou shalt fear thy God: for I am the LORD your God. Wherefore ye shall do my statutes, and keep my judgments, and do them; and ye shall dwell in the land in safety. [Lev. 25:13-18]*

In Old Testament Israel the land was not to be permanently sold. It was more like a rent or a lease. In year fifty the land returned to the owner. Notice the instruction that was given against oppression. The man who was leasing his land 10 years away from the Jubilee was not to expect the same price as if it was 40 years away from the Jubilee. And the opposite was also true, the buyer was not to try to get the land for a 10 year price when he would have it for 40 years. This is the principle for both the buyer and seller of full disclosure. Neither one was to try and take unfair advantage of the other. But what would be a fair price? Did God tell the civil government to set the price of the land? No. The price would be whatever the buyer and seller agreed was fair. No exact price could be set on the land. It would fluctuate on how many years until the Jubilee. It would also fluctuate on how desperate the "seller" was, i.e. if he wanted the money badly he might settle for a lower price or on what the "buyer" was going to use it for, i.e. if he was planting a high profit crop he might be willing to pay more than if he only wanted it for personal use. The vital point is that, without deception, both would work out at deal that was mutually beneficial for both of them.

In the New Testament we are no longer under the literal Jubilee system, but the principle of fair dealing and full disclosure with no government interference still stands.

*And I sent messengers out of the wilderness of Kedemoth unto Sihon king of Heshbon with words of peace, saying, Let me pass through thy land: I will go along by the high way, I will neither turn unto the right hand nor to the left. Thou shalt sell me meat for money, that I may eat; and give me water for money, that I may drink: only I will pass through on my feet; (As the children of Esau which dwell in Seir, and the Moabites which dwell in Ar, did unto me;) until I shall pass over Jordan into the land which the LORD our God giveth us. [Deut. 2:26-29]*

The children of Esau and Moab sold the Israelites food and water. They arrived at a deal to allow them to pass through their lands. Sihon refused to allow them to pass through his land and he refused to do business with them. Instead, he attacked them and was himself destroyed. The point being, the Israelites did not try to force others to meet their needs. They tried to work out a fair deal. They were willing to pay for the resources they used.

*And the foolish said unto the wise, Give us of your oil; for our lamps are gone out. But the wise answered, saying, Not so; lest there be not enough for us and you: but go ye rather to them that sell, and buy for yourselves. [Matt. 25:8-9]*

The foolish virgins tried to work out a deal with the wise virgins, but were unable to and so suffered loss. The wise virgins were not condemned for refusing to sell and no government was allowed to force them to sell or redistribute their oil “fairly.”

*He that withholdeth corn, the people shall curse him: but blessing shall be upon the head of him that selleth it. [Pr. 11:26]*

This is the case of a businessman who has extra grain in the time of shortage, but refuses to sell it because he knows he will get a higher price when the people are hungrier. Notice he is condemned for not being generous and kind [and nobody said he had to donate it], but for being selfish and greedy. The people will resent him for taking unfair advantage. However - very important - it does not say that the civil government should force him to sell or punish him for not selling. He will answer to God ultimately, and to the people in the good times when they shun his business for competitors. Such selfish and short term “profits” are usually lost in the long run.

In none of these cases does the Bible support interference with people’s free choices in the Free Market.

The Bible teaches that man is totally accountable for his actions. Our life is only on loan from God and He will judge how we use it. A Free Market system is based on this idea and allows people to make their own decisions and then to reap either profit or loss depending on the results of their decisions. It does not try to force all people into making what a few have determined that the “right” choice is. Interference in the Free Market restricts the right of people to make their choices before God.

*But I say unto you, That every idle word that men shall speak, they shall give account thereof in the day of judgment. [Matt. 12:36]*

*So then every one of us shall give account of himself to God. [Rom. 14:12]*

*Who shall give account to him that is ready to judge the quick and the dead. [1 Peter 4:5]*

The Free Market is a harsh place for those who make unwise choices. It forces them to face the consequences of their actions. If they made mistakes, misjudgments, or foolish choices, then they will suffer for it. There will be no bailouts. It also gives great opportunity for success and to recover after a failure. People who do not want to take responsibility for their actions or who want others to constantly provide for them will not like a Free Market system.

For example, Joe decides to open a shoe store in Histown. Histown is a small community, but he thinks it will support his business. If he is correct, people will come into his store and he will make a profit. If he is wrong, he will not sell enough shoes to cover his expenses. He will then suffer loss, have to close down, and perhaps be bankrupt. He has risked his time, finances, and other resources on this venture. It was his choice and the profit or loss will be his. No government or group of people are allowed to prevent him from trying or allowed to demand he get their permission first.

28. The price would be whatever the buyer and seller agreed was \_\_\_\_\_.
29. In the New Testament we are no longer under the literal \_\_\_\_\_ system, but the principle of fair dealing and full disclosure with no government interference still stands.
30. The children of Esau and Moab \_\_\_\_\_ the Israelites food and water.
31. The Israelites did not try to \_\_\_\_\_ others to meet their needs.
32. The wise virgins were not \_\_\_\_\_ for refusing to sell and no government was allowed to force them to sell to redistribute their oil "fairly."
33. Selfish and short term "profits" are usually \_\_\_\_\_ in the long run.
34. The Bible teaches that man is totally \_\_\_\_\_ for his actions.
35. Interference in the Free Market \_\_\_\_\_ the right of people to make their choices before God.
36. The Free Market is a harsh place for those who make \_\_\_\_\_ choices.
37. People who do not want to take responsibility for their actions or who want others to constantly provide for them will not like a \_\_\_\_\_ system.

## Review 1

1. Write out from memory Matt. 20:15 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
2. \_\_\_\_\_ is a study of man's management of God's world.
3. It is God's world, He designed it, He knows how it \_\_\_\_\_, and He has given His instructions on how it is to be run.
4. When economics is simply studying data it is science; however, when economics is \_\_\_\_\_ it moves from the realm of science to the realm of the moral/religious.
5. We live in a \_\_\_\_\_ of scarcity.
6. Even before the Fall, \_\_\_\_\_ had to prioritize.
7. After the Fall, \_\_\_\_\_ became much more dramatic.
8. The owners of property will \_\_\_\_\_ the market/economy.
9. God owns it \_\_\_\_\_.
10. God owns it first by right of \_\_\_\_\_.
11. God owns it all be right of \_\_\_\_\_.
12. With His blood \_\_\_\_\_ won back the right of management of the earth.
13. Christ won the victory at \_\_\_\_\_ and we are currently in the process of implementing it in time/history.
14. Man is a secondary owner [or manager] and can only use the earth \_\_\_\_\_ to God's law and will.

15. Adam received this \_\_\_\_\_ as the head of a family and nowhere in Scripture is the responsibility to own/control property ever transferred to the Church or the State.
16. Nowhere is the Church or \_\_\_\_\_ given the right to control large amounts of land or to declare how individuals will use their own land.
17. The free market is a society in which all exchange \_\_\_\_\_.
18. The \_\_\_\_\_ is a win-win situation.
19. In the New Testament we are no longer under the literal Jubilee system, but the principle of fair dealing and full \_\_\_\_\_ with no government interference still stands.
20. The Israelites did not try to force others to meet their \_\_\_\_\_.
21. \_\_\_\_\_ and short term “profits” are usually lost in the long run.
22. The Bible teaches that man is totally accountable for his \_\_\_\_\_.
23. Interference in the Free Market restricts the right of people to make their \_\_\_\_\_ before God.
24. The Free Market is a \_\_\_\_\_ place for those who make unwise choices.
25. People who do not want to take \_\_\_\_\_ for their actions or who want others to constantly provide for them will not like a Free Market system.

Score: \_\_\_\_\_ [Each blank 4 points]

## HOW DOES A FREE MARKET OPERATE?

A Free Market is exactly that. People come together and voluntarily trade with each other. Each person gives up something they value less for something they value more.

For a long time economists debated on how to determine the value of an object. Did the value depend on how scarce the item was? Was it how much labour went into making it? Or???

Karl Marx followed the theories of what are called the Classical economists who maintained that it was the amount of labour that went into an item which determined its value. That is the foundation on which he built his theory of labour exploitation.

This theory has been proven incorrect. Economists have discovered that value is not inherent but imputed. What that means is the value is not in the item itself, but people place a value on it in relation to how badly they want it. The cost of the labour and cost of the material itself are only of secondary importance.

For example, a baker could spend an hour making an apple pie and an hour making a grapefruit pie. The labour and material would cost about the same. So if the value was in the labour and/or materials [inherent] then both pies should sell at the same price; however, if customers place value on the pies [impute] then the apple pie would sell for more than the grapefruit pie - if the grapefruit pie sold at all!

So as we consider this, in a Free Market system, who controls the prices? Often it is assumed that the business owners set the prices and customers are helpless in their greed hands. Actually, the opposite is true. Consumers in general control the Free Market and set the prices. Customers [buyers] are king. You may have heard the saying: The customer is always right. The customer may not always be right, but they have an incredible amount of power and pleasing them is the only way to stay in business in a Free Market system. Your employer may also have told you that the customer pays your paycheck. This is true. No customer, no income, no paycheck.

1. In a Free Market, each person \_\_\_\_\_ something they value less for something they value more.
2. Karl Marx followed the theories of what are called the \_\_\_\_\_ economists who maintained that it was the amount of labour that went into an item which determined its value.
3. Value is not inherent but \_\_\_\_\_.
4. Consumers in general control the Free Market and set the \_\_\_\_\_.

Now you are thinking, when I go into a business to buy something I don't set the price. The business owner has a price on the product and I either take it or leave it. It doesn't sound like buyers set the price. Don't the sellers set the prices? Not really. In a Free Market system the consumer or buyer is in ultimate control.

For example: Joe's Shoe Store sells running shoes at \$50.00 each. Let's say he has to sell 100 pairs to stay in business. If in the first month only 10 people are willing to pay \$50.00 for a pair of shoes, Joe has a problem. He set the price of what he wanted to sell his shoes for, but not enough buyers agreed that it was a good price. What does Joe have to do? Lower his price - which also means he will need more buyers. So the next month he tries \$40.00, but he will need 125 customers [actually

more because the amount he makes on each sale is less]. That month he sells 50 pairs of shoes. Sales are up, but not enough. He is getting desperate and decides to drop the price to \$25.00 a pair, of course, now he will need 200+ buyers. In that month he sells 210 pairs of shoes. He has found the price the Free Market is willing to pay for his shoes. Now Joe has to figure out if it worth his while to be in business. If the shoes cost him \$30.00 and the Free Market is only willing to pay \$25.00 then he will go out of business - or find a less expensive supplier or find another option.

But back to the main point. In the long run, who set the price - Joe or the buyers? Joe started off with the price he wanted. The Free Market [buyers] said, "No, most of us value the \$50.00 more than we value your shoes." Joe then went searching for what the Free Market price was. At what price could he sell enough shoes to make it worth his while to be in business? So, while the individual buyer does not set the price, buyers in general did set the price.

One thing that is often misunderstood about the Free Market is the relationship of buyers and sellers. It is often assumed that sellers and buyers are in competition with each other each trying to get the best of the other. In fact, sellers are in competition with other sellers and buyers are in competition with other buyers.

For example, Joe's Shoe Store decides to offer 10 pairs of shoes at \$10.00 as a promotion. Are the buyers competing against Joe [seller]? The long line in front of the store before it opens testifies that they are competing against each other. In another case, assume that Joe only has 20 pairs of a special kind of shoe for \$50.00, but there are 30 people who want it. Buyers will compete against each other driving the price up until at \$75.00 a pair only 20 people want them. At that point supply and demand are equal because 10 people dropped out since they valued their \$75.00 more than they valued the pair of shoes. But again, we see that buyers were competing against each other and setting the price according to what was available on the market.

As we will look at in the next section on profits, the opposite is also true. Sellers compete against sellers. If Joe and Jane both own shoe stores in Histown they compete against each other to attract the customers they need.

Again, buyers and sellers are not in opposition to each other, instead buyers compete with buyers and sellers compete with sellers.

As we will see in the next workbook, the Bible restricts the responsibilities of civil government. Also, as we saw in the first Workbook on Biblical Law, whatever is not forbidden is permitted. Therefore, unless we can find in Scripture where the government - or anyone - is given the right to control the market we have the right to assume the Bible supports a totally free market in legitimate goods. The only time government is given access into the market is to stop sale of Biblically illegitimate goods and services or to punish evil doers.

5. Sellers are in competition with other \_\_\_\_\_ and buyers are in competition with other buyers.
6. The Bible \_\_\_\_\_ the responsibilities of civil government.
7. The only time government is given \_\_\_\_\_ into the market is to stop sale of Biblically illegitimate goods and services or to punish evil doers.

## HOW DO PROFITS OPERATE IN THE FREE MARKET?

Profits tell business people that they have made the right decisions in how best to serve the needs/desires of the buyers. A loss tells them that they misjudged the situation. Business people have to try to look into the future, decide what people are going to want, and then make plans and purchases accordingly in the present. If they are right, they win and earn a profit, if they are wrong they lose and perhaps go bankrupt.

For example, Joe's Shoe Store is the only shoe store in his community. He guessed that people in Histown would like to buy shoes locally rather than travel 50 miles to Yourcity. He found the market would buy his running shoes at \$30.00 a pair. His total cost per pair [purchase + wages + rent + utilities + etc] is \$15.00 a pair. He is happy with a profit of \$15.00 a pair - a 100% profit. Now, Jane sees how well Joe is doing in Histown so she decides to open her own shoe store. She assumes that Histown is big enough to support two shoe stores. Her cost is the same as Joe's cost. However, everyone is used to going to Joe's so she decides to lower her selling price to \$25.00 a pair - profit of 66% [ $\$25 \text{ selling price} - \$15 \text{ cost} / \$15 \times 100$ ]. Joe sees he is losing business and figures he can drop his price to \$20.00 a pair for a profit of 33%. Jane knows she can't beat \$20.00 and stay in business so she matches his price of \$20.00 and the market settles there. The consumers of Histown are the real winners as the sellers competed against the sellers. They now have greater selection and lower prices.

What really happened? Joe made a good guess about what the buyers of Histown would want in the future. He was the first one into the market. His risk was high because he did not know if he had guessed right or not, but because he did guess right, his profits were high. Jane had a lower risk. She knew, from watching Joe that the market could be profitable. But could she make it work for her? The competition lowered Joe's profit. Of course, if Jane guessed wrong and the market could only support one store then the customers would have voted by their purchases which store was going to succeed and which one was going bankrupt. The "odds" would probably have favoured Joe as the established business, but Jane could have upset him.

The profits were a signal to Joe that he was meeting a customer need [or desire]. It also signaled Jane that she might be able to meet some of those customer needs and reap some of the profit for herself. Now if Joe or Jane started taking a loss that would



be signal that they were not meeting customer needs well enough. It would cause them to examine their business closely, is their price too high? is the quality suspect? bad location? bad customer service? They would need to find out why the customers are waving the red flag of loss in front of them.

“The profit is the tangible sign of success in serving customer wants. A large profit means the entrepreneur has been very successful. He has not wasted resources which are now released into the market to serve other consumer preferences.” David Chilton, *Productive Christians*, pg. 125

“Those producer-entrepreneurs who meet consumer demands most efficiently are the ones who earn the highest rewards.” Tom Rose, *Economics: Principles and Policy*, pg. 135

“The realization of profits serves like a green traffic light. It tells the successful risk taker to continue in the future what he has been doing in the past. Losses, in contrast, are like red lights which advise him to stop and try some other way of pleasing the public.” Tom Rose, *Economics: Principles and Policy*, pg. 175-176

“The reason payment is needed to induce production is that people generally prefer enjoying leisure to submitting to the self-discipline, which is a necessary part of engaging in organized productive effort.” Tom Rose, *Economics: Principles and Policy*, pg. 123

“In a competitive economy a realized profit is evidence that prior service has been rendered to consumers.” Tom Rose, *Economics: Principles and Policy*, pg. 138

“He [businessman] must risk anew his accumulated wealth each time he attempts to earn a profit...and with each successful attempt, the long-run benefits of his profit-seeking ventures accrue to the general public in the form of lower prices and improved goods and services.” Tom Rose, *Economics: Principles and Policy*, pg. 176

As we said above, in the free market the consumer is king. Every dollar they spend is a vote for a product, a service, or a company. They reward the companies which serve them best with profits and the punish the ones who don't with losses. It really is just that simple.

*In all labour there is profit: but the talk of the lips tendeth only to penury. [Pr. 14:23]*

*For the kingdom of heaven is as a man travelling into a far country, who called his own servants, and delivered unto them his goods. And unto one he gave five talents, to another two, and to another one; to every man according to his several ability; and straightway took his journey. Then he that had received the five talents went and traded with the same, and made-*

them other five talents. And likewise he that had received two, he also gained other two. But he that had received one went and digged in the earth, and hid his lord's money.

After a long time the lord of those servants cometh, and reckoneth with them. And so he that had received five talents came and brought other five talents, saying, Lord, thou deliveredst unto me five talents: behold, I have gained beside them five talents more.

His lord said unto him, Well done, thou good and faithful servant: thou hast been faithful over a few things, I will make thee ruler over many things: enter thou into the joy of thy lord.

He also that had received two talents came and said, Lord, thou deliveredst unto me two talents: behold, I have gained two other talents beside them.

His lord said unto him, Well done, good and faithful servant; thou hast been faithful over a few things, I will make thee ruler over many things: enter thou into the joy of thy lord.

Then he which had received the one talent came and said, Lord, I knew thee that thou art an hard man, reaping where thou hast not sown, and gathering where thou hast not strawed: And I was afraid, and went and hid thy talent in the earth: lo, there thou hast that is thine.

His lord answered and said unto him, Thou wicked and slothful servant, thou knewest that I reap where I sowed not, and gather where I have not strawed: Thou oughtest therefore to have put my money to the exchangers, and then at my coming I should have received mine own with usury. Take therefore the talent from him, and give it unto him which hath ten talents. For unto every one that hath shall be given, and he shall have abundance: but from him that hath not shall be taken away even that which he hath. [Matt. 25:14-29]

The lord or businessman in the parable of Jesus very clearly expected to make a profit. He was very happy with 100% profit, he might have even accepted just interest payments, but he was not happy with zero profit!

What is an unjust profit? There is no such thing as an unjust profit in the Free Market. The price paid is voluntarily agreed to by both parties with no deception or fraud. Whatever they agree to is fine.

Unjust profits can only happen in a controlled situation where people are forced to pay more than they want to for an item or service - or even to support items or services that they have no interest in or object to.

“If we say that someone’s profits are too high, we mean one of two things. First, that the entrepreneur was too efficient...The second thing we might mean...is that he made too many people happy.” David Chilton, *Productive Christians*, pg. 128

“And entrepreneurial profits are always tending toward, but never reaching or staying at, zero.” Tom Rose, *Economics: Principles and Policy*, pg. 177

What is the alternative to the Free Market? A government [or church] controlled market. Someone is going to control the Market, the only question is who? Will it be free and self-responsible people voluntarily making choices of what they feel is best or will it be a government or church official[s] making choices according to what they think is best for others and trying to determine what others will want? Can government employees figure out what people are going to buy and how much they are going to pay in the future? Government market control is really people control. By rules, regulations, and licensing they try to herd people in the direction they want them to go. If people don’t do what the government wants to them to do, they can be sent to prison, pay higher taxes, or whatever form of force the government decides is necessary. Unlike businesspeople, government employees have very little to lose if they guess wrong - their paychecks keep on coming.

You will have faith in something. You will either have faith that, in the common grace of God, people can voluntarily work together bringing the greatest good to the great number of people, or you will have faith that an elite planning group knows what is best for everyone [and you assume their motives are pure] and is able to force everyone to work together for what the elite group feels is best. The Biblical Free Market assumes the sinfulness of man and requires him to control himself to gain the cooperation of others. The Controlled Market assumes the goodness of the controllers and their superior intelligence to know what is best in all situations present and future.

“The fact of man’s depraved nature is the very reason that social exchange must be voluntary if both parties to an exchange are to derive benefit [profit] from engaging in the exchange process. If man indeed has a depraved nature, it would be very dangerous to let him have control over his fellow men because there would be no brake on the evil motivations of the one in the place of power.” Tom Rose, *Economics: Principles and Policy*, pg. 42

To the degree that a market is controlled, to that degree the signals sent to business people are confused. They no longer have to consider just what the customer wants, but what effects the distortion of control is going to have on the customer actions.

For example, let’s say Joe figures that people are going to want running shoes with little lights in the heels and that he will be able to sell them for 20% more than regular running shoes. He orders in a supply of light-up running shoes.

- The government then says such shoes are a health risk because of the light rays given off. Now Joe has to destroy all the shoes and suffer loss that may not have been necessary.

- Or, on the other hand, the government may require all children to have lights in their shoes as a safety feature. Now Joe has under ordered for the sales and there will be shortages. Joe may triple his price since there is a shortage and people have to have them. Consumers are then forced to pay more than they normally would. The high price signals manufacturers to make more than they normally would; however, that produces an over supply of these shoes on the market and the price drops to get rid of them. The manufacturer goes bankrupt because the sale price is below his cost. Now there are no light-up shoes on the market and we again have a shortage. Because there is no supply the government decides it wasn't that important and changes the law. Unfortunately, the incorrect signals put a manufacturer out of business and Joe too - for he has no supplier now.

Either way the government is trying to control people and distorts the market [and the market price].

When the Free Market operates business people - who have everything to win or lose - make the guesses as to what people will voluntarily want to buy. It is true democracy at work. The majority decides what products will be available and at what price.

“...governmental interventions with the purpose of either limiting entrepreneurial profits or changing the incidence of profits only serve to place obstacles between the sovereign rule of consumers and the attempts of profit-seekers to serve consumer wants. Since someone must control production, there is only one entity in society to which that control will pass if it is shorn from consumers. This entity is the civil authority, composed of elected politicians and nonelected government bureaucrats.” Tom Rose, *Economics: Principles and Policy*, pg. 179

“There are only two ideal or basic types of economy. There are free economies in which exchange is voluntary. And there are controlled economies in which exchange is involuntary. The former type is consumer-controlled and -directed, whereas the latter is government-controlled and -directed; the former operates on the basis of rewards for mutually helpful cooperation, whereas the latter operates largely on the basis of punishment in the case of failure to comply,.” Tom Rose, *Economics: Principles and Policy*, pg. 200

8. \_\_\_\_\_ tell business people that they have made the right decisions in how best to serve the needs/desires of the buyers.
9. A \_\_\_\_\_ tells business people that they misjudged the situation.

10. Every dollar the consumer spends is a \_\_\_\_\_ for a product, a service, or a company.
11. There is no such thing as an \_\_\_\_\_ profit in the Free Market.
12. Unjust profits can only happen in a \_\_\_\_\_ situation.
13. Government market control is really \_\_\_\_\_ control.
14. Unlike businesspeople, government employees have very little to \_\_\_\_\_ if they guess wrong - their paychecks keep on coming.
15. The Biblical Free Market assumes the \_\_\_\_\_ of man and requires him to control himself to gain the cooperation of others.
16. The Controlled Market assumes the \_\_\_\_\_ of the controllers and their superior intelligence to know what is best in all situations present and future.

## SHOULD THERE BE A TOTAL FREE MARKET IN EVERYTHING?

Yes and No. There should be a total Free Market in all legitimate products and services. Many Libertarians would extent the Free Market to everything; however, Biblically there are goods/services which are illegitimate [example, prostitution and pornography]. Any product or service which is Biblically illegitimate needs to be made illegal with Biblical penalties imposed. All other products or services need to be allowed to be bought and sold on a Free Market.

*If a man be found stealing any of his brethren of the children of Israel, and maketh merchandise of him, or selleth him; then that thief shall die; and thou shalt put evil away from among you. [Deut. 24:7]*

*Thou shalt not commit adultery. [Ex. 20:14]*

## WHAT IS THE BLACK MARKET?

The Black Market is basically the Free Market of products or services that are either illegal or are restricted/controlled by the civil government. The price of items is increased due to the risk of punishment if caught but; nevertheless, both buyer and seller agree on the price or there is no sale. During prohibition alcohol was sold on the Black Market. In some countries, Bibles are sold on the Black Market.

Is the Back Market wrong? If its products/services are Biblically legitimate then there is nothing wrong with the Black Market. The fault lays with a corrupt government for interfering in the free choices of human beings. If its products/services are Biblically illegitimate then purchasing them on the black market is just as sinful as purchasing them anywhere else. There will always be a black market in this fallen world because there will always be some people who are willing to risk buying or selling items not allowed through normal channels.

To the degree of Government control, the Black Market will flourish.

17. There should be a total Free Market in all \_\_\_\_\_ products and services.
18. Any product or service which is \_\_\_\_\_ illegitimate needs to be made illegal with Biblical penalties imposed.
19. The Black Market is basically the Free Market of products or services that are either \_\_\_\_\_ or are restricted/controlled by the civil government.
20. To the degree of Government control, the Black Market will \_\_\_\_\_.

## MARKET PRINCIPLES

### Biblical Free Market Principles

1. Men are responsible for their decisions [Matt. 12:36, Rom. 14:12, 1 Peter 4:5].
2. Negative Law, which states that if the Bible doesn't forbid an activity [directly or indirectly] then it is permissible. The field is wide open for creative and inventive people.
3. Property should be privately held. [Ex. 45:8]
4. Man has a sin nature. It is because of this sin nature that he needs a Free Market system. A Free Market forces him to control his sinful desires in order to receive the voluntary cooperation of others. If he turns them off and they don't want to deal with him, he is in trouble. He must exercise self-control and self-discipline and give others what they want in order to get what he wants.

“The economist who is a Christian, if he reasons consistently from the Biblical revelation of man's depraved nature, will hesitate to recommend that arbitrary power be given to anybody, much less elected politicians and appointed bureaucrats, because he

accurately sees man's nature to be corrupt and untrustworthy in a power situation.”  
Tom Rose, Economics: Principles and Policy, pg. 41

5. Man is creative when he sees a benefit [2 Sam. 17:25-27]. If what we expect to achieve in the future is not greater than the expense of time and resources we have to use in the present, then there is no point in making the sacrifices necessary to get ahead.

“The appeal to self-interest, in fact, is the device - the motivational device - by which we, as individuals, gain the cooperation of our fellow man. It's a means, not of control over them, but of rewarding them.” Dr. Gary North, Inherit The Earth, pg. 41

6. The Government is only involved to prevent [or punish] force, fraud, and/or deception.
7. God is in ultimate control. Man does not have to control his fellow man, nor have a market system that is controlled by an elite ruling class.
8. Theft is wrong under all circumstances [Ex. 20:15, Pr. 6:30-31].

“The Bible sets forth social requirements that can only produce a capitalist economy.” Dr. Gary North, Inherit The Earth, pg. 134

#### Socialist Market Principles

1. Men are irresponsible and immature. They need the Government to look after them, provide for them, and protect them from the consequences of foolish actions. They need a father or “Big Brother” to watch and care for them from the cradle to the grave.
2. Positive Law, which means that if an activity is not permitted, it is forbidden. All of life then has to be regulated, licensed, or in some way controlled.
3. Property should be held or controlled by the Government.
4. Man is basically good. When all the greed and lust created by the evil “capitalist” system is done away with, men will work together happily for the common good. Until that time they need to be compelled to work for the common good. [It's amazing how much barb wire some countries need to keep men in their “heaven on earth!”]

“Most secular economists, being humanists, regard man as being inherently good.” Tom Rose, Economics: Principles and Policy, pg. 40

5. Man needs to be placed in the right environment to be creative and do right. The problem is man's environment. When man's environment is perfect, man will be perfect.
6. Government has the right to control the marketplace, the goods sold, the prices, the wages, the terms, etc.
7. Man is in ultimate control. The Government has the right to use whatever violence is necessary to ensure the common good as determined by the elitist planners.
8. There is nothing wrong with theft by Government for the common good.

"But in the twentieth century, men have lost faith in the power and importance of government-unregulated activities." Dr. Gary North, Healer of the Nations, pg. 17

"Do you know why one-fifth of the population consumes over 40 percent of the nation's income? Because one-fifth produces over 40 percent of the nation's income." Dr. Gary North, Is The World Running Down? pg. xxvi

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21. Property should be \_\_\_\_\_ held.
22. It is because of this sin nature that man needs a \_\_\_\_\_ system.
23. The Government is only involved to \_\_\_\_\_ [or punish] force, fraud, and/or deception.
24. God is in ultimate \_\_\_\_\_.
25. \_\_\_\_\_ is wrong under all circumstances.
26. Socialists see man as basically \_\_\_\_\_.
27. The Government has the right to use whatever \_\_\_\_\_ is necessary to ensure the common good as determined by the elitist planners, according to socialists.
28. \_\_\_\_\_ see nothing wrong with theft by Government for the common good.



## Review 2

1. In a \_\_\_\_\_, each person gives up something they value less for something they value more.
2. Value is not \_\_\_\_\_ but imputed.
3. \_\_\_\_\_ in general control the Free Market and set the prices.
4. Sellers are in competition with other sellers and \_\_\_\_\_ are in competition with other buyers.
5. The Bible restricts the responsibilities of \_\_\_\_\_ government.
6. The only time government is given access into the \_\_\_\_\_ is to stop sale of Biblically illegitimate goods or services or to punish evil doers.
7. Profits tell business people that they have made the \_\_\_\_\_ decisions in how best to serve the needs/desires of the buyers.
8. A loss tells business people that they \_\_\_\_\_ the situation.
9. Every \_\_\_\_\_ the consumer spends is a vote for a product, a service, or a company.
10. There is no such thing as an unjust \_\_\_\_\_ in the Free Market.
11. \_\_\_\_\_ market control is really people control.
12. Unlike businesspeople, \_\_\_\_\_ employees have very little to lose if they guess wrong - their paychecks keep on coming.
13. The Biblical Free Market assumes the sinfulness of man and requires him to control himself to gain the \_\_\_\_\_ of others.
14. The \_\_\_\_\_ Market assumes the goodness of the controllers and their superior intelligence to know what is best in all situations present and future.
15. There should be a total Free Market in all \_\_\_\_\_ products and services.
16. Any product or service which is Biblically illegitimate needs to be made illegal

- with Biblical penalties \_\_\_\_\_.
17. The \_\_\_\_\_ Market is basically the Free Market of products or services that are either illegal or are restricted/controlled by the civil government.
  18. \_\_\_\_\_ should be privately held.
  19. It is because of this \_\_\_\_\_ nature that man needs a Free Market system.
  20. The Government is only involved to prevent [or punish] \_\_\_\_\_, fraud, and/or deception.
  21. \_\_\_\_\_ is in ultimate control.
  22. Theft is \_\_\_\_\_ under all circumstances.
  23. Socialists see man as basically \_\_\_\_\_.
  24. The Government has the right to use whatever violence is necessary to ensure the common good as determined by the elitist \_\_\_\_\_, according to socialists.
  25. Socialists see nothing wrong with \_\_\_\_\_ by Government for the common good.

Score: \_\_\_\_\_ [Each answer 4 points]

## PRE-TEST

1. Write out from memory Matt. 20:15 \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. Economics is a study of man's management of God's \_\_\_\_\_.
3. It is God's world, He \_\_\_\_\_ it, He knows how it operates, and He has given His instructions on how it is to be run.

4. When economics is simply studying \_\_\_\_\_ it is science; however, when economics is applied it moves from the realm of science to the realm of the moral/religious.
5. We live in a world of \_\_\_\_\_.
6. After the \_\_\_\_\_, scarcity became much more dramatic.
7. The owners of \_\_\_\_\_ will control the market/economy.
8. God owns it first by right of \_\_\_\_\_.
9. God owns it all be right of \_\_\_\_\_.
10. With His blood Christ won back the right of management of the \_\_\_\_\_.
11. Man is a \_\_\_\_\_ owner [or manager] and can only use the earth subject to God's law and will.
12. \_\_\_\_\_ received this commission as the head of a family and nowhere in Scripture is the responsibility to own/control property ever transferred to the Church or the State.
13. Nowhere is the Church or State given the \_\_\_\_\_ to control large amounts of land or to declare how individuals will use their own land.
14. The free market is a society in which all \_\_\_\_\_ voluntarily.
15. The Free Market is a \_\_\_\_\_ situation.
16. Selfish and short term "profits" are usually \_\_\_\_\_ in the long run.
17. The Bible teaches that man is totally \_\_\_\_\_ for his actions.
18. Interference in the Free Market restricts the right of people to make their \_\_\_\_\_ before God.
19. The Free Market is a harsh place for those who make \_\_\_\_\_ choices.
20. People who do not want to take \_\_\_\_\_ for their actions or who want others to constantly provide for them will not like a Free Market system.
21. \_\_\_\_\_ is not inherent but imputed.

22. Consumers in general control the Free Market and set the \_\_\_\_\_.
23. Sellers are in \_\_\_\_\_ with other sellers and buyers are in competition with other buyers.
24. The only time government is given access into the market is to \_\_\_\_\_ sale of Biblically illegitimate goods or services or to punish evil doers.
25. \_\_\_\_\_ tell business people that they have made the right decisions in how best to serve the needs/desires of the buyers.
26. Every dollar the consumer spends is a \_\_\_\_\_ for a product, a service, or a company.
27. There is no such thing as an unjust profit in the \_\_\_\_\_.
28. Government market control is really \_\_\_\_\_ control.
29. The Biblical Free Market assumes the \_\_\_\_\_ of man and requires him to control himself to gain the cooperation of others.
30. The Controlled Market assumes the \_\_\_\_\_ of the controllers and their superior intelligence to know what is best in all situations present and future.
31. The \_\_\_\_\_ Market is basically the Free Market of products or services that are either illegal or are restricted/controlled by the civil government.
32. It is because of this \_\_\_\_\_ nature that man needs a Free Market system.
33. \_\_\_\_\_ is wrong under all circumstances.

Score: \_\_\_\_\_ [Each answer 3 points, 4 points for the Scripture]

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## FINAL TEST

1. Write out from memory Matt. 20:15 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
2. \_\_\_\_\_ is a study of man's management of God's world.
3. It is God's \_\_\_\_\_, He designed it, He knows how it operates, and He has given His instructions on how it is to be run.
4. When economics is simply studying data it is \_\_\_\_\_; however, when economics is applied it moves from the realm of science to the realm of the moral/religious.
5. We live in a \_\_\_\_\_ of scarcity.
6. The \_\_\_\_\_ of property will control the market/economy.
7. God owns it first by right of \_\_\_\_\_.
8. With His \_\_\_\_\_ Christ won back the right of management of the earth.
9. Man is a secondary owner [or manager] and can only use the earth subject to \_\_\_\_\_ law and will.
10. Adam received this commission as the head of a \_\_\_\_\_ and nowhere in Scripture is the responsibility to own/control property ever transferred to the Church or the State.
11. The free market is a society in which all exchange \_\_\_\_\_.
12. The \_\_\_\_\_ is a win-win situation.
13. The Bible teaches that man is totally accountable for his \_\_\_\_\_.
14. \_\_\_\_\_ in the Free Market restricts the right of people to make their choices before God.

15. The Free Market is a \_\_\_\_\_ place for those who make unwise choices.
16. Value is not inherent but \_\_\_\_\_.
17. \_\_\_\_\_ in general control the Free Market and set the prices.
18. Sellers are in competition with other \_\_\_\_\_ and buyers are in competition with other buyers.
19. The only time \_\_\_\_\_ is given access into the market is to stop sale of Biblically illegitimate goods or services or to punish evil doers.
20. Every dollar the consumer \_\_\_\_\_ is a vote for a product, a service, or a company.
21. Government market control is really \_\_\_\_\_ control.
22. The Biblical Free Market assumes the sinfulness of man and requires him to control himself to gain the \_\_\_\_\_ of others.
23. The Controlled Market assumes the goodness of the controllers and their superior intelligence to know what is best in all situations \_\_\_\_\_ and \_\_\_\_\_.
24. It is because of this sin nature that man needs a \_\_\_\_\_ system.

Score: \_\_\_\_\_ [Each answer 4 points]