

***The Poverty of Nations: A Sustainable Solution* (Crossway, 2013)
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Introduction

- A. National focus
 - For excellent book on helping poor individuals, see: Steve Corbett & Brian Fikkert, *When Helping Hurts* (2009)
- B. Steps from within a nation (“Avoid Paternalism”) (28)
- C. Not a simple solution (increasing complexity: physics/ chemistry – biology – human sciences – economics)
- D. Written for ordinary readers, not economists
- E. Written to leaders, especially Christian leaders (incl. pastors), but also those who are not Christians
- F. Written for students
- G. Why don't economists agree on a solution to poverty?
 - 1. Some do agree with what we say here (33-34)
 - 2. Professional donors
 - 3. Pure economists
 - 4. Cultural equalizers
 - 5. Fatalists
 - 6. Socialists and other “planners”
 - 7. Summary: no consensus (36)
- H. Why should we help the poor? (Scripture on love for neighbor and help for poor, 38; the suffering of the poor, 39)
- I. The responsibility of leaders (Rom 13:4; 40)
- J. Material prosperity is a secondary issue (42; Luke 9:25; 12:15; 16:13; 1 Tim. 6:17-19)

Chapter One “The Goal: Produce More Goods and Services”

- A. What makes a country rich or poor?
 - 1. The standard measure of wealth and poverty: **per capita income**
 - a. Per capita income is calculated by dividing the total market value of everything produced in a nation in a year by the number of people in a nation.
 - b. Low-income nations (under \$3000/yr. per capita income)
 - c. Low-middle-income nations (\$3000-8000)
 - d. High-middle income nations (\$8000-20,000)
 - e. High-income nations (over \$20,000). (The United States per capita income is \$49,800.)
 - f. Per capita income does not tell us everything we need to know about a nation.
 - 1) Such as things not sold in the market (e.g. leisure time, religious faith, strong families)
 - 2) Nor does it tell us about distribution of income
 - g. But per capita income is the best numerical measure of whether a nation is rich or poor in an economic sense.
 - h. Increasing per capita income is very important.
 - 1) Correlated w/ things like longer life expectancy, ↓ disease, ↑ literacy, and healthier environment.
 - 2) If a country wants to move up the scale from “low-income” to “middle-income” to “high-income” it must increase the total amount of goods and services that it produces.
 - 2. The standard measure of what a country produces: **gross domestic product (GDP)**
 - a. The market value of all final goods and services produced in a country, usually in a year.
 - b. Goods—material things produced and sold (e.g. clothing, vegetables, books, cars, etc.)
 - c. Services—such things as classes taught by teachers, doctor examinations, car repairs, housecleaning, etc.
 - d. Market value—Goods and services must be sold legally in markets to be counted in GDP.
 - e. The size of a nation's GDP is the main factor that determines its wealth or poverty.
 - Per capita income is calculated by dividing GDP by the total population.
 - f. An example: Honduras' GDP in 2011 was \$36 billion, and its population was 8 million, which equals a per capita income of about \$4,500. If Honduras could double its GDP and still have a population of 8 million, the average person would be twice as wealthy (about \$9,000 per person).
 - 3. What will increase a country's GDP?
 - a. The answer is complex, involving as many as 79 factors.
 - b. Briefly put, the solution is the increased production each year of more goods and services that have enough value to be sold in the marketplace.
 - c. To succeed in this, a nation must examine its official policies, laws, economic structures, and cultural values and traditions to see whether they promote or restrain increases in the production of goods and services.
- B. Other goals have been suggested, but they don't solve the problem (more detail in next chapter – but see #7)
 - 1. More aid has not proven helpful in increasing GDP in the long run.
 - 2. Forcing more equal distribution of wealth does not change the amount of wealth a nation produces each year.

3. Increased production of natural resources is too narrow a focus and may actually hurt the conditions for building institutions that produce long-term growth.
 4. Debt forgiveness simply changes a loan into a gift and becomes foreign aid (see B.1. above).
 5. Better terms of trade theoretically increases the value of a country's exports and decreases the cost of imports, but no single poor nation is likely on its own to exert much of an effect on world prices of its goods.
 6. Restraining multinational corporations may actually hurt production within a nation.
 7. Urging customers to buy "fair-trade" coffee (etc.) – goal: trying to persuade most customers in the whole world to pay a higher price than world market price set by supply and demand, and to do so for more and more products, out of the goodness of their hearts. (but see A Smith, 208)
 - at best will affect only a very few. (1% - 2% of coffee in world)
 - (Will keep paying farmers a small premium as long as they keep producing the same products that have trapped them in poverty in the first place. Provides incentive to grow more coffee which then ↑ supply, ↓ price for all other producer.)
- C. The amazing process of creating value that did not exist before
1. Examples of the creation of products of value
 - a. A woman turning a \$3 piece of cotton into a \$13 shirt
 - b. A baker turning \$3 worth of flour etc. into a \$4 loaf of bread
 - c. A farmer turning seeds into a \$400 bean crop
 - d. Turning 5 cents worth of metal and 3 cents worth of raw plastic into a \$200 pair of glasses
 2. Transfers of goods from one person to another do not increase GDP
 3. Printing money does not increase GDP, because money is medium of exchange and not a product of value.
- D. Examples of nations that have become prosperous by producing more goods and services
1. Britain: cotton manufacturing and the Industrial Revolution
 2. Nations that have grown more prosperous today
 - a. Japan—cars, computers, electronic equipment, machine tools, steel, ships, chemicals, etc
 - b. China—small manufactured consumer products
 - It is important to remember that China's wealth has come after adopting significant free-market reforms.
 - c. India—the service of telephone help for owners of computers and other electronic goods
 - d. Taiwan—electronics, chemicals, machinery, textiles
 - e. South Korea—semiconductors, wireless phones, cars, computers, steel, ships, and petrochemicals
 - f. Malaysia—privatization of banking, media, and automobile companies, and exporting electronics, IT products, and agricultural goods
 - g. Thailand—high technology products, such as integrated circuits
 - h. Chile—privatization of businesses, copper mining, agricultural products
 - i. Hong Kong
- E. Biblical support for creating more goods and services (this is not just "materialism")
- a. The "excellent wife" of Prov. 31:10-31
 - v. 24 "She makes linen garments and sells them; she delivers sashes to the merchant."
 - She makes products and increases the GDP of Israel.
 - v. 13 "she seeks wool and flax, and works with willing hands"
 - She is productive
 - v. 16 "with the fruit of her hands she plants a vineyard"
 - She produces agricultural products.
 - v. 18 "she perceives that her merchandise is profitable"
 - She sells products in the marketplace.
 - b. God commanded Adam and Eve: "Be fruitful and multiply and fill the earth and subdue it, and have dominion over the fish of the sea and over the birds of the heavens and over every living thing that moves on the earth" (Gen. 1:28).
 - "subdue" (*kabash*) implies that Adam and Eve were to make the resources of the earth useful
 - c. The ability to create is part of what it means that God made us "in his own image" (Gen. 1:27).
 - We imitate God when we create things, such as goods and services.
 - d. God's ideal for us is not to barely survive but to prosper by discovering and developing the abundant resources that he has placed in the earth for our benefit and enjoyment.
 - Paul says that God is the one "who richly provides us with everything to enjoy" (1 Tim. 6:17).
 - e. Jesus' command: "You shall love your neighbor as yourself" (Matt. 22:39).
 - 1) Producing goods and services benefits others and is an expression of love of neighbor.
 - 2) Jesus himself worked as a carpenter for about 15 years (Mark 6:3).
 - 3) Paul worked as a tentmaker (Acts 18:3 2 Thess. 3:7-10).
 - 4) Peter and some of the other disciples worked as fishermen (Matt. 4:18).
 - f. Paul's epistles taught early Christians that they should work with their hands.

Eph. 4:28 Let the thief no longer steal, but rather let him labor, doing honest work with his own hands, so that he may have something to share with anyone in need.

1 Thess. 4:11 Aspire to live quietly . . . and to work with your hands, as we instructed you.

2 Thess. 3:10 If anyone is not willing to work, let him not eat.

- g. In the new heaven and new earth, it seems that the nations of the earth will continue to produce goods and services for others (compare 2 Chron. 9:9, 10, 24, 28 with Rev. 21:24-26).
- F. What goods and services can your country create?
 - a. The correct answer is not "Nothing."
 - b. There will always be something that each country can make that people within the nation and even people in other nations will want to buy.
 - 1) The principle of comparative advantage in economics says that no person and no country can make everything, so there will always be something that you can produce that will earn a profit.
 - 2) Human beings have limited needs but they have unlimited wants.

Audio recording of classes and these handouts are available on the class website: <http://www.christianessentialsbc.com>. See also waynegrudem.com