

Christian Ethics and Market Mechanisms of Profit: The Intersection of Scriptural Themes with Models of Market Structure

Harwood Hoover Jr.
Aquinas College

Using Scripture as a guide, Dr. Hoover demonstrates how Christian perspectives can be integrated into business, with special attention being given to the area of marketing.

Exchange activities, often considered under the academic headings of microeconomics and marketing, must have been common in biblical times, as the Scriptures have much to say about them. Today, as then, the Christian practitioner is immersed in a competitive international marketplace, wherein many business people may be indifferent or even hostile to the Christian message and its ethical teachings.¹ In this environment, the Christian will often be challenged to make important choices with little or no time for reflection. Such reflection is necessary, however, as the business world is full of buzzwords and cultural expectations which may not be easily translated to the terms of Scripture. The Christian who would live by Scripture must attempt the translation and engage in the reflection. Such an attempt

is made here, to be shared with the Christian academic and business communities as a vehicle for further reflection and eventual practical guidance. The focus is the firm in markets. This is understood through the microeconomic models of market structure as they are brought into the world of corporate practice through the discipline of marketing.

The approach is inductive. The scriptural themes used here were developed during a period of personal scriptural study. Individual Scripture passages have been collected into themes, and these have then been arranged as positive injunction, negative injunction, and governing perspectives. To isolate mechanisms of profit, the models of market structure are examined individually. This simplifies the translation into the terminology of marketing as well as into

human, technological, and ecological terms. Some preliminary reflections are then offered, as the scriptural themes illuminate the market mechanisms of profit.

Scriptural Theme Review: Positive Injunction

From Scripture it may be derived that a certain management or control of the earthly environment is expected of the human race. People have been given *dominion* over the earth (Genesis 1:28-30, 9:2,3). At the same time, this dominion is not to be abused, as people are expected to be careful stewards of what they are given (Genesis 2:15, Exodus 19:5, Leviticus 25:23, Psalm 24:1, I Corinthians 4:2, I Timothy 6:20). Importantly, as economic organization is considered, *freedom* is a part of scriptural tradition as well (Exodus 12:31-42, Psalm 119:45, Isaiah 61:1, Luke 4:18, Romans 8:21, Galatians 5:1). Positive expectations of people include the expectation that they are willing to work for what they receive. The *work ethic* is revealed in Genesis 3:19, Proverbs 6:6-11, 10:4, 12:24, 13:4, 14:23, 20:4, 24:30-34, 28:19, Ecclesiastes 10:18-19, I Thessalonians 2:9, and II

Thessalonians 3:8, 10 and 12 as well as in other Scripture.

Stewardship of *wealth* is *not negative per se* or in and of itself, as it is seen to be a blessing (Genesis 24:35, 26:12, 39:2, 39:23, Proverbs 13:21), but people are to take a balanced view of wealth and *place many things ahead of wealth in the selection of life's effort or work*. People are expected to place wisdom before wealth (Proverbs 4:7, 8:10 and 11), peace before wealth (Proverbs 17:1), friends before wealth (Proverbs 19:4, Luke 16:9), integrity before wealth (Proverbs 22:1, 28:6) and *practice moderation in the acquisition of wealth* (Proverbs 23:4), as the accumulation of *great wealth is unlikely to bring peace of mind* (Ecclesiastes 5:9-6:12). While some degree of *prudent frugality* can be expected in making provision against future hunger (Genesis 41:35 and 36; Proverbs 21:20; John 6:12), *faith in wealth should be renounced* for faith in the higher values of the kingdom of God (Matthew 6:19-34, 19:18-24, Mark 10:17-31, Luke 12:13-21 and 18:18-30).²

Care for employees is also a positive injunction in Scripture. The employer has a responsibility for employees (Genesis 16:6) and

is expected to pay fair wages (Genesis 29:15, Matthew 10:10, Luke 10:7). *Care for the poor* is a positive injunction as well. The poor are to receive preference in lending (Exodus 22:25), the use of fallow land (Exodus 23:11), the fallen harvest (Leviticus 23:22), and are to be cared for in a positive way (Leviticus 25:25, 35-54, Deuteronomy 15:7-11, 24:17-22, 26:12-13, Nehemiah 5:1-12, Proverbs 14:21, 31, 22:22). The New Testament sees the poor as blessed (Luke 6:20-26, James 2:5), and the poor are to be the object of much aid and hard work (Acts 20:30-35).

Voluntary restitution for gains made in unethical fashion is also a positive injunction in Scripture. Gains made through deception are to be restored (Leviticus 6:2-5), and injuries are to be repaid (Leviticus 24:18-21, Exodus 21:16-19, 33-36, Luke 19:8-9). The *private property* (or stewardship) of others *is to be carefully respected* (Exodus 22:1-5, 23:4-5, Deuteronomy 19:14, 22:1-4, Proverbs 22:28, Leviticus 25:23-34), and careful rules for inheritance, property allocation, and property transfer are set out (Leviticus 25:23-55, Numbers 26:52-56, 27:8-11, 33:50-54, 36, Deuteronomy 21:15-17, Ruth 4:1-8, Nehemiah 5:1-12).

Scriptural Theme Review: Negative Injunction

Exchange behavior is also subject to a substantial amount of *negative injunction* in Scripture. *Stealing* is prohibited (Exodus 20:15, Leviticus 19:11, Deuteronomy 5:19, Ephesians 4:28, Zechariah 5:3, Proverbs 28:24), as is bearing *false witness* (Exodus 20:16, Deuteronomy 5:20) and *coveting* the possessions of others (Exodus 20:17, Deuteronomy 5:21). There are also *prohibitions of greed* (Ephesians 5:3, Isaiah 57:17, Psalm 119:36), *faith in money* (Matthew 6:19-34, Luke 12:13-21, Ezekiel 18:18, Psalm 52:7, 62:10), and *love of money* (II Timothy 3:1-5, Hebrews 13:5, Matthew 6:19-20, I Timothy 6:3-10).

Some of the negative injunction in Scripture is very specific. *Deception is prohibited* (Leviticus 19:35-36, Deuteronomy 25:13-16), as in the *use of dishonest standards or measures* (Leviticus 19:35-36, Deuteronomy 25:13-16, Proverbs 11:1, 16:11, 20:10). *Taking advantage when selling is prohibited* (Leviticus 25:14-17) as well as *taking unfair advantage of the poor* or making gains at the expense of the poor (II Samuel 12:1-6, Deuteronomy 24:14-15,

Proverbs 22:16, Isaiah 3:14-15, Amos 2:6-7, 5:11-13; 8:4-6). *Unfair acquisition of property* (I Kings 21), *unfair representation in trade* (II Kings 5:20-27), and *bribery and usury* (Job 36:18-21, Psalm 15:5) are also subject to negative injunction.

The mode and motive of gain are important in Scripture. *Gains are not to be made at the expense of the worker* (Deuteronomy 24:14-15, Jeremiah 22:13-19, Matthew 10:10, Luke 10:7). Any *gain which is selfish* (Psalm 119:36), *involves sin* or is *otherwise ill-gotten* (Proverbs 1:19, 10:2, Micah 3:9-11) or *dishonest* (Proverbs 13:11, 21:6) *is also prohibited*. Slow and honest accumulation is a preferred means of gaining wealth (Proverbs 13:11)

Scriptural Review: Governing Perspectives

Beyond specific positive and negative injunctions which might apply directly to exchange activities, the Scriptures provide more general principles or directives which should be applied across a broad spectrum of behavior. Directives such as the Ten Commandments and the central teachings of Jesus may be seen as governing in this sense. They are to be applied to all of life's experiences and choices.

The Hebrew Scriptures set out the Decalogue, which includes *prohibitions of idolatry, profanity, murder, adultery, stealing, false witness, and covetousness* (Exodus 20:1-17). Jesus emphasized the commandments to *love God and neighbor* (Matthew 22:37-40), to include outsiders as neighbors (Luke 10:25-37), and even to *love enemies* (Matthew 5:43-48).

Jesus spoke to spiritual conditions as well. The Beatitudes bless *spiritual conditions* which may not always be reflected in business practice. Being humble, mournful, meek, merciful, and pure in heart are blessed conditions. Those who seek righteousness, are persecuted for righteousness, and those who make peace are also blessed (Matthew 5:1-12). New Testament teaching also identifies the critical importance of the *heart condition* (Matthew 5:21-22, 27-29) and the *identification of God with love* (II Corinthians 13:11, I John 4:8). Love is to be *reflected in action*, as the Golden Rule specifies treatment of others in terms of what one must do (Matthew 7:12, Luke 6:31). The expectation of visible action is also reflected in the manner of identifying Christians by fruits (Matthew 7:16) and in the

teaching that faith without works is dead (James 2:17).

Translation and Reflection: Major Focus

The Scriptures reviewed, while not comprising an exhaustive review, would appear representative of important themes, ideas, and imperatives that can be used to evaluate the firm in markets. No attempt has been made to edit the scriptural review in order to favor or detract from marketing practice. For its part, marketing will be considered in its broadest sense, as characterized by Drucker:

Marketing is so basic that it cannot be considered a separate function. It is the business, seen from the final result; that is, from the customer's point of view (Peter Drucker).³

The adoption of this broad definition of marketing will allow the fullest possible diagnostic use of the economic models of market structure. As the models of market structure are considered, they will be evaluated in the context of applicable scriptural themes, ideas, and imperatives as developed in the preceding section. Citation of specific individual Scriptures may then be

used to provide an additional idea or a particular emphasis.

Ethical Questions in Market Structure

Few markets will cleanly conform to an economist's idea of a specific market structure. At the same time, it is both possible and analytically useful to characterize real markets along a spectrum from the polar extreme case of monopoly to the polar extreme case of pure competition. Markets are not static, yet dynamic evolution in markets can be analyzed using comparative statics. For example, Schumpeter's creative destruction is a very dynamic concept. It postulates that a market economy incessantly revolutionizes its economic structure from within, destroying the old structure while creating the new.⁴ This dynamic and innovative process may be seen in terms of product life cycles as new innovations eclipse the old. A product life cycle may then be viewed as an evolution in market structure from monopoly or quasi-monopoly advantage through increasing degrees of competition. Viewed in this way, the power of market structure analysis allows the examination of the mechanisms of profit in real and dynamic markets. The

clean logic of the economic models allows the isolation of a particular mechanism of profit. Reduction or translation of this economic mechanism to human, business, technological, and ecological terms then allows its evaluation in scriptural terms.

Questions from the Model of Pure Competition

In pure competition, the products are seen to be homogeneous, and survival of the individual firm amidst the ebb and flow of commodity prices would be realized in the achievement of low costs. Often a real service to society, cost reductions may take forms which bring ethical questions. Several mechanisms may be employed. Improved production technology might be used, thus substituting capital for labor. Unit labor costs might be reduced by other productivity improvements as well. These could include process improvement as used in TQM, reduction in force through reengineering, or straightforward wage and benefit concessions. Raw and component material costs can also be reduced, as can the costs of distribution and waste treatment. Here, scriptural themes that would appear to apply might

include dominion, stewardship, the work ethic, care for employees, and gains at the expense of the worker.

In the themes of dominion and stewardship, it can be found that while the human race has a degree of control, the earth is the Lord's, and people are therefore stewards. People are to take the condition of the Lord's earth seriously, as we are the species responsible for it. Translating this theme into the terms of business and economics suggests that the concept of cost externalization is worthy of concern. A firm is considered to be externalizing costs when its accounting costs do not reflect the total social and environmental costs involved in its activities. The externalization of costs through pollution of the air, water, and ground, as well as

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the retrieval of renewable resources such as trees and fish in ways that allow those resources to be depleted over time should generate questions among Christians. People as stewards should question whether the

human race, through unthinking obedience to short term market incentive, is betraying its stewardship. If the answer is “yes” as this observer would suggest, it may then be tempting to leave the ethical burden with the individual business alone. “Raise prices to cover full costs” might become the argument. Here the economic model of pure competition becomes instructive. In accordance with this model, businesspersons who were asked to unilaterally recognize increased costs in a competitive commodity market would not be able to retrieve such costs through price increases. This would then put the conscientious individual Christian businessperson in a difficult situation.⁵ The model of the competitive market for an undifferentiated commodity does not allow pricing above competitors, and the real markets are often similarly price sensitive. Given an equivalency of technology, labor costs, and the other inputs to the economist’s cost curves (holding them constant for the sake of illustration), a cost advantage would go to the business that is willing to externalize cost by polluting the environment. What is the good Christian steward to do?

It is possible that enough economic advantage might be obtained through technological advantage or other means (now no longer held constant for the sake of illustration) to allow the Christian businessperson to unilaterally sustain the costs of holding tanks, stack scrubbers, and the like, thus internalizing or recognizing costs that the competitors externalize by polluting. While possible, this approach would logically reduce the profitability of the Christian business, perhaps threatening its long term viability.

Here the Christian businessperson may need to seek a solution in the greater community. If all industry members would agree to install the holding tanks, stack scrubbers, and so forth, the responsible stewards would not any longer be penalized relative to these particular industry competitors. This acceptance of costs might be arranged through industry associations. Should such voluntary steps be unsuccessful, groups of responsible stewards may then wish to lobby for the legal requirement of such pollution control devices. The business-government relationship is not necessarily adversarial, and

government activities may be required in order to address the international aspects of this problem.⁶ For example, responsible domestic stewards may lobby for “green taxes” which place penalties on imports from high pollution national environments. The possibility of removing such taxes would then provide incentive for overseas environmental clean up.

The scriptural theme of work finds a more positive alignment with the impetus to reduce costs. The traditional business virtues of arising early to put in a full and vigorous day’s work, as well as the occasional decision to remove the slothful from the payroll, will find support in the Scriptures. Christians are to work industriously, indeed in ant-like fashion. Recent developments can also be aligned with this scriptural theme. While Smith and Steen have demonstrated that certain aspects of W.E. Deming’s total quality management movement may not align perfectly with Scripture, the TQM emphasis upon increased productivity and service to the customer will find scriptural support.⁷ At the same time, there are limits. People can be worked too hard, and some of the productivity improvement

measures observable in the contemporary world economy must give Christians pause. Appropriate questions might include, for example, whether the Peoples Republic of China really utilizes slave labor, and if so, why might that nation enjoy most favored nation trade status with the United States. Clearly there are Christian limits to productivity improvement when the quality of human life is involved.

The scriptural theme of care for the worker provides some delineation of these limits as the Christian businessperson considers what might constitute mistreatment. Scriptural themes include care for the employee and injunctions against gains at the expense of the worker. Some of these Scriptures are particularly powerful:

Do not take advantage of a hired man who is poor and needy, whether he is a brother Israelite or an alien living in one of your towns. Pay him his wages each day before sunset, as he is poor and is counting on it. Otherwise he may cry to the Lord against you and you will be guilty of sin (Deut. 24:14 and 15, NIV).

Woe to him who builds his palace by unrighteousness, his upper room by injustice, making his countrymen work for nothing, not paying them for their labor (Jeremiah 22:13, NIV).

Just as clearly as the practitioner in competitive markets must control costs, the treatment of workers provides real limits to this behavior. An important governing principle may be found in the Golden Rule. The worker is another human being with innate worth and dignity. It may be tempting and indeed appropriate within the paradigm of economic theory to treat the worker as a component of the labor market. In this view, one might be tempted to buy labor as cheaply as possible. In a Christian view, the employer would treat another human being as the employer would wish to be treated. How might this be resolved? It would seem that the recognition of the human dignity of the employee should bias the Christian business toward “high road” labor relations policies. For example, the Christian business might prefer to see employment of another person in terms of an investment rather than in terms of the purchase of a commodity. Further, the Christian business

may follow the recent lead of Ford Motor Company, which after substantially improving relations with the UAW, now sees superior labor relations as bringing an advantage in the auto market itself. High product quality and freedom from strikes are anticipated by Ford. Still, this leaves important questions. Few Christian businesses can afford such a UAW contract. How much is to be expected? How much is reasonable?

In Mark 12:41-44 and Luke 21:1-4, Jesus applauds the meager offering of the poor widow because of its relationship to her capability to give. Derived from this scriptural lesson, an appropriate question might become, “What *can* be done for workers?” In this way of understanding the issue, a start-up entrepreneur, living modestly, might be living up to Christian expectations by providing a minimum wage with no benefits. More would then be expected of the billionaire owner of an established firm. The capability of an individual business would seem to be a reasonable part of the argument concerning the treatment of the worker.

Questions from the Model of Monopolistic Competition

Monopolistic competition differs from pure competition primarily by virtue of product differentiation. As the profit mechanism of product differentiation is employed, new ethical questions will arise. At the same time, the incentives for cost reduction discussed in the context of pure competition, together with associated ethical questions, will remain. Product differentiation may involve true and useful innovation—the mechanism of Schumpeter’s creative destruction. In Schumpeter’s view, this process provides genuine improvement as society rids itself of the obsolete and the inefficient. The economist’s idea of product differentiation is brought to practical fruition in marketing through understanding of product design, product positioning, communication strategy, and market segmentation, to name but a few of the relevant marketing ideas.

Product positioning relies upon natural human differences in the way products are perceived and evaluated in order to design the products and communicate their benefits in ways that successfully differentiate the product to the target market segment.⁸ At its core, there may be little wrong with this process,

as it can simply amount to understanding what customers value, designing the product accordingly, and communicating the resulting differentiation to an appropriate group of consumers. Difficulties may be encountered, however, as the technique does involve the understanding and adjustment (or manipulation) of perceptions. This can be an honest and straightforward communication of a worthy innovation. It can also be a creative communication of a superficial differentiation which is nevertheless seen as valuable by the consumer. At the same time, the communication need not be honest in order to qualify the particular procedure undertaken as a technically competent piece of product positioning. This process could potentially raise ethical questions which would derive from the scriptural themes of deception, false witness, dishonest standards and measures, taking advantage when selling, taking advantage of the poor, unfair representation in trade, and usury, as well as questions from themes concerning gains which are dishonest, involve sin, or are ill gotten. Governing perspectives might include the Decalogue statements concerning false witness and covetousness, the

love teachings of Jesus, and the Golden Rule.

A reasonable diagnostic question might be whether the business really intends to serve the customer. A component of this ethical distinction has been subtly implicit in leading marketing texts for some time. It is embodied in what has been taught as the "marketing concept," here defined by two leading authors.⁹

The marketing concept means that an organization aims all its efforts at satisfying its customer at a profit (E. Jerome McCarthy).

The marketing concept holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competition (Philip Kotler).

Acceptance of the marketing concept implies a high organizational priority placed upon customer satisfaction.¹⁰ It is an idealistic position which is appropriate for the development of long term relationships with and genuine service of customers. It may be challenged in marketing practice by the application of portfolio style strategies, which

can encourage the harvesting of products and withdrawal from markets in ways that deliver poor values to customers and result in low levels of satisfaction. The recent use of TQM is also supportive of the marketing concept in the sense that both views advocate the achievement of long term customer satisfaction as a corporate goal. Product positioning activities would appear to be on safe ground if they are undertaken in a spirit of service to the customer.

As products are designed, positioned, and their benefits communicated to target segments, some questions can arise from the selection and treatment of particular segments. Appropriate treatment of the poor is the subject of much Scripture, and the market can arrange its incentives so as to discourage the very treatment encouraged or commanded in Scripture.

The segmentation concept itself appears reasonable enough. Segmentation strategies have resulted from the conflict between two market realities, and they are straightforward. First, individual tastes and needs differ, so that maximum customer satisfaction or utility would be derived by creating custom products for everyone. Secondly, product

designers are constrained from moving too far in this direction by the need to realize economies of scale. The resulting compromise appears defensible. Customers are grouped together as their tastes, preferences, and economic capability to buy are similar. Designing products for the resulting group allows the achievement of economies of scale in order that the product be affordable. Thus there would seem to be no inherent problem with segmentation as a broad construct.

It is in the selection and targeting of the poor where important ethical questions would seem to arise. Poor customers are often less sophisticated than more wealthy customers and so are more vulnerable to

deception. They also will often constitute a higher financial risk and so the calculus of the market would have them pay more when credit is extended. The economics of this is most reasonable. If a bank loans to an individual who is less likely to repay, the higher risk is logically reflected in a higher interest rate. If, however, the individual in question is less

likely to repay because he or she is poor, straightforward application of this economic logic can bring scriptural questions. The scriptural theme of care for the poor suggests that some form of cross-subsidy is expected (preference in lending, use of fallow land, etc.). Christian practitioners must weigh these Scriptures carefully against the calculus of the market. It can be argued that, in a particular circumstance, the poor are adequately cross-subsidized through mechanisms such as state welfare or private charity. If such an argument can be made, cross-subsidy may not be incumbent upon the individual business.

The scriptural theme of care for the poor suggests that some form of cross-subsidy is expected.

These observations concerning positioning and segmentation might suggest

several practical avenues for the Christian businessperson. First, honesty and a spirit of service are desirable policies. There are many ways to emphasize positive aspects of products without engaging in deception or false witness. Second, special care should be taken when the target market segment is poor. The economics suggests that they

might pay more, but the Scripture would have us give them special care. Case by case evaluation would seem appropriate. Third, voluntary trade group standards can be used to support honesty in advertising and honesty in lending, as can carefully crafted legislation.¹¹ Such voluntary standards and legal requirements can reduce the adverse competitive impact of dishonest practices upon responsible practitioners by reducing the incidence of the practices and by increasing the legal costs associated with the practices.

Finally, Christian businesses might consider market entry decisions according to the values the markets encourage or discourage. Most obviously, certain businesses involve sin and would be avoided, but, less obviously, certain businesses involve patterns of pricing, consumer surplus, or cross-subsidy compatible with Christian values.¹² For example, auto manufacturers often generate contribution margin with a low margin per unit, high unit movement strategy in less wealthy target markets, while luxury vehicles are sold with a high margin per unit, low unit movement strategy. No doubt this has little if anything to with

Christianity. Economies of scale, price elasticities, and levels of competition provide an adequate explanation of the phenomenon. At the same time, the Christian who reads Scripture as requiring special care of the poor, as this observer would read Scripture, would feel comfortable with the pattern of consumer surplus in such a market.

Questions from the Model of Oligopoly

Oligopoly participants may share the ethical predicaments which have been discussed thus far. They have incentive to control cost and may vend differentiated products. What is new in oligopoly markets is the condition of high barriers to entry. This commonly creates a market with few competitors, where each competitor is immediately aware of and affected by the market moves of the others. This then creates an opportunity for overt or tacit collusion among the vendors. The mechanism of profit in this situation is the restraint of supply with upward price adjustment, either through overt quotas and price agreement (cartel behavior) or through tacit behaviors such as price leadership or conscious parallelism.

As this profit mechanism favors the interests of industrial comrades over the interests of the customer, the ethical question suggested here would again seem to be, whom do we serve? A case for service of customer has been developed. What shall be done with the phenomenon of industrial camaraderie? Here, a review of the expected role of marketing would appear useful. What is it that marketing is supposed to accomplish? Alderson's classic contribution suggests that marketing's role in the society is the matching of heterogeneous supplies with heterogeneous demands.¹³ In economists' terms, this role is to make decisions about who produces what for whom. Thus, marketing's role is to build relationships from sources of supply vertically through the channels of production and distribution to the people who will eventually use the product. In this way, Alderson's matching process occurs vertically in the channel of distribution, connecting or matching individual suppliers with the individuals demanding. Importantly, horizontal cooperation among suppliers has been demonstrated to bring a great economic burden to the

customer as it makes the matching process far less efficient. This is straightforwardly derived from microeconomic price theory and reflected in U.S. anti-trust legislation. Clearly, service of customer must take priority over industrial camaraderie.

How then might competition be viewed? If marketers are to love and serve the customer, must they then hate and destroy the competition? Should marketers view competition through the lens of military and combat metaphor?¹⁴ Should marketers be drawn into competitive egoism? While study of the strategists Sun Tzu and Von Clausewitz gives important insights into the nature of the economic terrain that one must traverse given the existence of competitors, it would not seem necessary or ethically desirable to adopt a focus upon destroying competition. Rather, it would seem that competition should be constructively viewed as a means of measuring one's effectiveness and efficiency in the society's matching process. If, for example, customers prefer a firm's offerings at higher price, that firm has been more effective in meeting people's needs. If a firm can afford to sell its products at a lower price, it has been more

efficient in meeting people's needs. This understanding would be parallel with Kotler's view of the marketing concept as introduced above.¹⁵

Some level of competition would seem to be a necessary component of a working market allocation process, whether it is found in capitalist or socialist environments. Competition therefore might be seen as a means of measuring the effectiveness and efficiency of one's contributions and service, rather than a vent for conceit, provocation, and envy (Galatians 5:26). Thus marketers may love their competitor, but the competitor's role is to serve as a benchmark while marketers serve their customers. In this context, cartel-like behavior or collusive oligopoly would appear to constitute a conspiracy to take advantage of the customer.

Questions from the Model of Monopoly

In monopoly situations, the mechanism of profit is parallel to that discussed in oligopoly. High barriers to entry prevent potential competitors from providing product when the monopolist elects to restrain supply and raise price. Mechanisms developed in the context of other market

structures might also be used. The relevant scriptural themes could therefore be many, as introduced in the context of the other market structures. In addition, the U.S. legal treatment of monopolies will introduce new scriptural perspectives.

Since the populist movement at the turn of the last century, U.S. law concerning monopoly has favored service to the customer over the profit-making potential of the monopoly. In the context of this anti-trust philosophy, monopoly has been allowed in two instances. First, patents and copyrights have been granted so as to reward innovation. Secondly, conditions of natural monopoly have been recognized where economies of scale in an industry are so great that a rate-regulated monopoly is seen as capable of providing service at a lower cost than that attainable in a competitive market.

Since a legally exclusive right to vend a product has been added to the mechanisms of profit discussed previously, scriptural injunctions concerning theft may now be added to the discussion as well. On this issue the Scriptures are straightforward. There is clear negative injunction concerning theft as well as positive injunction

concerning respect for the property or stewardship of others. The assignment of ownership or exclusive stewardship to the inventor or writer also appears straightforward. The new intellectual creation appears to be his or her work, as surely as the carpenter's artifact.

In this context, it seems hard to believe that a firm

would routinely assign attorneys to the task of tying initial inventors up in court while the company produces and sells the stolen design. The economic calculus in such a firm would evidently suggest that the initial inventor cannot afford the costs of an extended court battle. So the firm calculates that a limited court battle is less expensive than simply paying for the legal rights to the idea. Consider Proverbs 22:22 ("...Do not crush the needy in court...") in this context. Such theft is routinely reported in the U.S. and is even more common overseas. Pacific rim countries in particular are not inclined to respect copyrights or patents. It would appear that the Christian business community should not only be meticulous about

respecting the patent rights of others, but should encourage and support the ongoing international negotiations intended to establish and defend patent rights around the world.¹⁶

In the instance of regulated natural monopoly, the unique mechanism of profit is the argument before rate-making boards.

These arguments can be complex and usually depend upon the allowance of a sufficient return on equity to attract capital.¹⁷ Here the problems encountered with costs under conditions of pure competition may be reversed. That is, in regulated monopoly there may be a temptation to pad costs in order to enable an argument for higher rates, while the temptation in more competitive situations may be to hurt both workers and the environment through irresponsible cost reductions. Some management groups might even attempt both approaches to profit—hurting workers and the environment while inflating costs with fraudulent accounting practices. The regulated monopoly also bears an important

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responsibility to its consumers, many of whom may live in poverty. As there may be no competitors, the regulated monopoly may be a last resort supplier of a critically needed item such as water or energy.

Such a monopoly may be well and ethically run, delivering the benefits of economies of scale to those who pay utility bills. At the same time, it is possible that these conditions could encourage the abuse of workers and the environment as previously discussed. This may occur while management pads expenses (theft), misrepresents expenses (false witness), fails to work toward greater efficiency (work ethic), and reports padded costs at ratemaking hearings (false witness, deception, dishonest standards and measures, taking advantage when selling). This would then result in higher rates than actually necessary for customers, many of whom may be poor (taking advantage when selling, taking advantage of the poor). It would seem that Christians should practice and argue for the highest standards of integrity when regulated monopoly is under consideration.

The American understanding of monopoly is not shared in most of the world, nor is the American

concern for the rights of innovators and consumers. Indeed, many countries would seem to ignore such understandings. Threats to oligopoly and monopoly may be seen in these places as threats to associated oligarchy and monarchy. Thus, as the Christian business focus becomes international, it is more likely that it will encounter unfettered collusive oligopoly, perhaps organized as formal cartels or unfettered monopoly. These conditions may well be studied as precursors of U.S. conditions, as many in the U.S. today argue against the government intrusion and regulation that have allowed the U.S. policies toward this market structure to take their current form. In these environments, it is suggested that the imperative to serve customers should continue to govern business behavior, as it has been suggested when considering oligopoly market structure.

Conclusion: The Christian Way

Early Christianity was referred to as “the way” (Acts 9:2, 18:26, 19:9 and 23, 22:4, 24:14 and 22). Indeed, throughout its history, Christianity has been a way of daily living, as well as a way of understanding the

individual’s relationship to God. Christian businesspersons may be tempted to argue a perfect alignment between the way of life characterized in Scripture and the way of behaving which is given incentive in the markets. Such a perfect alignment would eliminate the need for such study, translation, and reflection as has been undertaken here.

Scriptural study is likely to adjust such a view. In business as in all of life, the Christian’s road is narrow (Matthew 7:13 and 14). Scripture would have us understand that while wealth is not negative in and of itself, as it is seen to be a blessing, people are to take a balanced view of wealth and place many things ahead of wealth in life’s priorities. In this manner, as well as in the consideration of specific scriptural injunctions, the Scriptures provide a balanced view of the place of wealth in the Christian way of life, leading Christians away from market idolatry and requiring careful choices. The commandments and injunctions in Scripture are given as categorical imperatives. They thus specify a means or a way of life with no guarantee concerning worldly ends. The market may or may not reward the individual Christian’s activities. The

individual Christian who follows scriptural imperatives may be blessed with great wealth or tested with the rigor that was the test of Job (Job 1:6-12). In either case, Christians remain committed to a particular way of life.

Paving the Way: Enabling Christian Life in the Economy

Many Christians came to the New World in order that they might freely practice their religion. If they had seen practice only in terms of the personal relationship to God (Matthew 6:5-8) they may not have needed to come, as closeted prayer would have been possible in their countries of origin. To these people, practice must have meant daily, visible practice. If the nation they formed was formed in order to enable the practice of a Christian way of life, it would appear reasonable, consistent with the legitimate rights of others, that the nation might continually be reformed in order to enable that same practice.

It is suggested here that Christians might involve themselves politically in order to provide a business environment more conducive to their way of life. Radical solutions are not envisioned. Instead, the further development of the current

business-government relationship is advocated. In more concrete terms, Christians may wish to become more involved in the design of their legal environment. If Christians would really rather treat their workers well, they might consider supporting minimum wage legislation so as to remove competitive advantage from those who have no concern or compassion for their workers.¹⁸ If Christians would really rather be good stewards of the earth, they might consider supporting environmental regulation so as to remove competitive advantage from those who have no concern about the kind of earth left to the children. If Christians would really rather serve their customers, they should consider supporting consumer protection legislation so as to remove competitive advantage from those who would defraud their customers. To be effective, such initiatives should consider the possible international implications. For example, GATT might be encouraged to consider an international system of green fees or taxes.¹⁹

In this context, certain types of government activities are

advocated as facilitating Christian business practice by removing economic advantage from those who, left to their own devices, would obtain competitive advantage through business practices that Christians could not then follow. That competitors

might be expected to behave this way is readily observable and comprises an

important observation considering human nature.

Realistic assumptions about human nature lie behind the business government interface as it is advocated here and as it has been created and developed in the United States. Some Christians have been sufficiently optimistic about human nature so as to see the social teachings of Christianity as mandating a form of socialism (consider, for example, Acts 4:32-37). Developers of the American model, on the other hand, have preferred Adam Smith's harmony of interests argument. Here service of others' interests is brought into harmony with service of one's own interest, creating in modern business parlance a "win-win" situation.²⁰ Smith said:

Care for the poor is a scriptural theme.

It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest (Adam Smith, ...Wealth of Nations).²¹

A business economy not only aligns interests in this way, it provides substantially more freedom than does any observable socialist alternative. In this way, a business economy derives support from the important scriptural theme of freedom. Some may be so convinced of the perfection of harmony of interests that they see no need to limit the markets with government activity. But Smith did not think harmony of interests to be perfect. He characterized businessmen to be:

...an order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public and who accordingly have on many occasions both deceived and oppressed it (Adam Smith, ...Wealth of Nations).²²

In cases where harmony of interests does not operate to serve the public and, within the public, "the least of these," Jesus makes it clear whose side the Christian

must take. Care for the poor is a scriptural theme. Christians must be concerned for the "least of these" (Matthew 25:40).

Just as the nature of man leads to the desirability of an alignment or harmony of interests in order that one person might be encouraged to serve another, the same human nature would logically require that the resulting markets would be corrupt as well. The traditional American response to this has been to combine moral suasion, as this article may constitute, with government activity. The government activity has been used both to constrain and to complement the market. Smith recognized that government would be needed, and he advocated its use in the areas of defense, justice, and public works.²³ The British philosopher Thomas Hobbes recognized the need for government as well and provided a concise statement concerning the relationship of human nature to the need for government activity:

For the laws of nature, as justice, equity, modesty, mercy and in sum doing to others as we would be done to, of themselves, without the terror of some power to cause them to be observed, are

contrary to our natural passions, that carry us to partiality, pride, revenge and the like. And covenants without the sword are but words and of no strength to secure a man at all (Thomas Hobbes, *Leviathan*).²⁴

In this context it would appear that unrealistically optimistic assumptions about human nature underlie radical reliance on markets as well as radical reliance upon the government. Both socialist and libertarian answers would seem to share this property. The working assumption in these arguments would seem to be that if on the one hand the government were to be given overwhelming power, somehow the government would be benign and not oppressive. The assumption on the other hand would seem to be that if the business community were to be given overwhelming power, somehow they would be benign and not oppressive. Those unwilling to make such optimistic assumptions about human nature have opted for balances of powers, and it is suggested here that care should now be used to further develop such balances in ways that allow and encourage Christian business practice.

When government is not used to constrain the market, it may be used to complement the market. For example, the interstate (defense) highway system has provided an excellent transport infrastructure for business, and defense contracts have allowed Boeing to develop the technology needed to become a major exporter. Perhaps Christians whose view of human nature is more optimistic, such as Roman Catholic Christians, can support a business-government balance as well.²⁵ Here countervailing power may become in some part or to some degree a symbiosis.

Paving the Way: Enabling Christian Life in the Company

The microeconomic models of market structure which have been used to discover and examine ethical issues are activated by the mechanism of profit maximization. In accordance with this understanding, many of the tools and perspectives developed in today's business schools are also profit-driven. For example, the economic construction of equating marginal revenues with marginal costs has brought about a focus in accounting which is concerned with the isolation of marginal costs.²⁶ At the policy

level, it has been argued that management must maximize profit, for to do otherwise would amount to a theft from the stockholders—a breach of management's fiduciary responsibility. Some may invoke the capability argument in this manner, in essence arguing that pressure from the stock market has rendered management incapable of doing anything other than maximizing returns to anonymous ownership. Thus, Christian Scriptures become quaint or not really applicable in business.

Yet the Scriptures will have none of this argument, clinging as they do to categorical imperatives, while warning against the love of money and the service of money (I Timothy 6:10, Luke 16:13). Given this apparent conflict, one might be tempted to echo a theme of the pre-Reformation church and wonder if Christians should even involve themselves in business. Is business a Christian vocation? How can a Christian, market-viable business be operated? Is business ethics an oxymoron? Fortunately, a useful philosophy for reconciling contradictory directions in business is available. Profit maximization subject to constraint is used to find a profit-maximizing behavior subject to

certain explicit limits. This philosophy and associated technical approaches are routinely taught in MBA programs. Christians should simply insist that any such limits or constraints placed upon profit maximization include the idea that they be allowed to live their way of life.

It is suggested here that the constraint of a specific and detailed corporate ethics statement be used to guide and limit the profit-making activities of the firm. Derived from Scripture, such a document would be behavioral in nature and treat such issues as honesty, care for workers, care for the environment, and service of customers. Employees would be introduced to the document during recruiting and orientation. They might then be required to review it and agree to it periodically. In this way, employees would be free to apply the powerful tools and perspectives that have been developed for profit maximization. The advantage would be that everyone would know exactly where the limits to these profit-making applications would be. This open communication has important implications. When ethics statements are published in

annual reports and other investor communications, potential investors would know where the limits would be as well. Investors would know exactly what this group of individuals would or would not do in order to provide a return on investment. The fiduciary responsibility to the stockholders would therefore be satisfied. In this way, Christians could involve themselves in the world without being of the world. Christians should remain people of “the way.”²⁷

ENDNOTES

¹This observation is based upon the author’s years of experience in large corporations. Hostility would not be reflected in what is said for public consumption, but would be reflected in the firm’s theory of action. For a discussion of the differences between espoused theory and theory of action, see Chris Argyris and Donald A. Schn, *Organizational Learning: A Theory of Action Perspective*. (Reading, Massachusetts: Addison-Wesley, 1978).

²A useful reconciliation of the complex mosaic of Scripture concerning wealth is provided by John Paul II, who writes, “It is not wrong to want to live better; what is wrong is a style of life which is presumed to be better when it is directed towards having rather than being, and which wants to have more, not in order to be more but in order to spend life in enjoyment as an end in itself.” See John Paul II, *Centesimus Annus*. (Washington, D.C.: United States Catholic Conference, 1991), p. 72.

³Peter Drucker as cited in James M. Higgins and Julian W. Vincze, *Strategic Management*. (Chicago: The Dryden Press, 1989), p. 164.

⁴Joseph A. Schumpeter, *Capitalism, Socialism and Democracy*. (New York: Harper and Row, 1950), pp. 81-86.

⁵Christians would not be alone in finding this to be a difficult position. For an excellent summary of others’ ideas, together with a brief

summary of Jesus, see the discussion of Christian and other positions in “Ethics,” *The Encyclopedia Britannica*. Vol. 18 (Chicago: The Encyclopedia Britannica, 1993), pp. 492-521.

⁶The consideration of government activity in the economy has a venerable tradition in Christian thought. Some of this discussion can be found in the collection *On Moral Business: Classical and Contemporary Resources for Ethics in Economic Life*, eds. Max Stackhouse, Dennis P. McCann, Shirley J. Roels, and Preston M. Williams, (Grand Rapids, Michigan: Wm. B. Eerdmans Publishing Company, 1995).

⁷Thomas M. Smith and Todd P. Steen, “Deming’s Philosophy of Transformation: A Christian Criticism,” *Journal of Biblical Integration in Business*, Fall 1996, pp. 25-38.

⁸Product positioning involves the adjustment of the product or service, as well as its price, promotion, and physical distribution so as to differentiate it from its competition in the eyes of potential customers. In this way, it becomes a primary profit mechanism in monopolistic competition. It is less likely to play as important a role in monopoly or pure competition, where the products are defined as unique or homogeneous, respectively. It can be combined to great advantage with the mechanisms of high barriers to entry and supply control in oligopoly. For this reason, oligopoly may be seen as differentiated or undifferentiated.

⁹E. Jerome McCarthy and William D. Perreault, Jr., *Basic Marketing*, 9th ed. (Homewood, Illinois: Richard D. Irwin, 1990), p. 28. See also Philip Kotler, *Marketing: An Introduction*, 2nd ed. (Englewood Cliffs, N.J.: Prentice Hall, 1987), p. 13.

¹⁰It may be that customer satisfaction should be taken as a minimum criterion. That is, it is possible for a person to be satisfied with a choice that is not actually good for that person. Responsible practitioners may wish to consider longer term benefits and costs to consumers before taking an advocacy position.

¹¹Here “honesty” is used in its generic sense to advocate tighter legal constraints upon such specific activities as puffery. See Louis W. Stern and Thomas L. Eovaldi, *Legal Aspects of Marketing Strategy*. (Englewood Cliffs, New Jersey: Prentice Hall, Inc., 1984) for an exposition of specific laws and legal precedents which might be considered.

¹²Strictly speaking, it would seem that any business would involve sin, as it must involve people. In a practical sense however, Christians must make decisions concerning which businesses to enter and which to avoid. This sense of businesses involving sin is used by John Wesley in his sermon “The Use of Money,” wherein several businesses and business activities are identified as sinful or involving sin and are therefore to be avoided by Christian practitioners. The list is extensive. See John Wesley, “The Use of Money,” in *John Wesley’s Fifty-Three Sermons*, ed. Edward H. Sugden, (Nashville, Tenn.: Abingdon Press, 1983), pp. 632-646.

¹³The concept of matching is taken from Wroe Alderson, *Marketing Behavior and Executive Action*, (Homewood, Illinois: Richard D. Irwin, 1957), pp. 195-228.

¹⁴See, for example, Philip Kotler and Ravi Singh, “Marketing Warfare in the 1980s,” *Journal of Business Strategy*. Fall 1980, pp. 30-41.

¹⁵Kotler, *Marketing...*, p. 13.

¹⁶Different nations have taken different positions concerning the inventor’s rights to his or her design. Enforcement differences further complicate the pattern. Protection of the patent rights and copyrights of U.S. inventors and firms is a particular problem in the Pacific rim, where “pirated” copies of Windows 95 appeared before Microsoft could bring the originals into full distribution. International advocacy of patent rights would seem to be compatible with expectations in other cultures where they share our view of theft.

¹⁷See the discussion of monopoly price control in C.E. Furguson and J.P. Gould’s *Micro-economic Theory*, (Homewood, Ill.: Richard D. Irwin, 1975), pp. 304-305. See also Ezra Solomon’s, “Alternative Rate of Return Concepts and Their Implications for Utility Regulation,” *Bell Journal of Economics and Management Science*, Vol. 1, No. 1, Spring 1970.

¹⁸The effect of a minimum wage upon the condition of the worker is debatable. In general, its effect is seen as enforcing a price that differs from the market equilibrium price. If it is lower than market equilibrium, it is irrelevant and unnecessary. If it is higher than market equilibrium, it is seen as supporting workers who remain employed while reducing the numbers employed. Here it would seem appropriate to ask whether the market equilibrium wage constituted a living wage.

If not, minimum wage legislation could have the effect of keeping employed workers at a living wage while removing other workers to unemployment compensation and retraining. The trade-offs involved should be seriously considered as the world transitions to a truly international economy and the human population on earth moves from 5 to 10 billion souls. In this future, downward pressures on the market equilibrium wage can be anticipated for many categories of workers.

¹⁹See Paul Hawken, *The Ecology of Commerce*, (New York: Harper Collins, 1993), pp. 177-199.

²⁰Smith’s observation that there existed a harmony of interests wherein the interests of both parties to an exchange could be simultaneously served should not be construed as suggesting that Smith also advocated a life of selfishness. Stanley L. Brue summarizes Smith’s position as follows: “Smith is saying that our moral faculties prescribe rules of conduct that restrain our actions of selfishness. These rules can be regarded as commands and laws of the deity...” This summary, as well as extensive direct quotes from Smith, can be found in Stanley L. Brue’s *Evolution of Economic Thought*, (Fort Worth: The Dryden Press, 1994), pp. 69-91, especially pages 73-74. Smith’s later work, *An Inquiry Into the Nature and Causes of the Wealth of Nations*, can be understood in the context of this earlier discussion which is found in Adam Smith’s *The Theory of Moral Sentiments*, 10th ed. (London: Strahan and Preston, 1804), pp. 274-280. This work was originally published in 1759.

²¹Smith, ...*Wealth of Nations*, book 1, chpt. 2.

²²Ibid., book 1, chpt. 9.

²³Brue, *The Evolution...*, p. 79.

²⁴Thomas Hobbes, *Leviathan*, part 2, chpt. 17.

²⁵For a modern discussion of the Roman Catholic view of human nature and the resulting economic implications, see John Paul II, *Centesimus Annus*, especially pp. 48, 81, 82.

²⁶See, for example, the isolation of costs incremental to a marketing channel decision in Donald J. Bowersox, M. Bixby Cooper, Douglas M. Lambert, and Donald A. Taylor’s, *Management in Marketing Channels*, (New York: McGraw Hill, 1980), p. 305.

²⁷The use of the term “the way” is meant in its generic and historic Christian sense. No reference to The Way International is intended.