



Center: The Hague, Netherlands, where ISP began. Surrounding cities are some of the places ISP has visited in the past 10 years. London, Amsterdam, Prague, Zurich, Shanghai, Seoul, CapeTown, Panama City, Warsaw, Berlin, Singapore, and Jakarta

International Study Program Returns on Its 50th Anniversary

By Tennyson Bush '21
IR/Econ Major

Next summer, some fortunate Wheaton students will embark on a four-week tour of Denmark, Sweden, Norway and Finland as a part of the Center's inaugural International Study Program. ISP succeeds the Iron Sharpens Iron study abroad experience, which over the last decade took Wheaties across the globe to study international political and economic

systems in Southeast Asia, Central Europe, Latin America and Africa.

The study abroad program has been rechristened in honor of the 50th anniversary of its spiritual predecessor, the original International Study Program, begun in the summer of 1971 as the brainchild of Economics Chair Bob Bartel '53. Born in China to missionary parents, Bartel carried a lifelong passion for gifting students with intercultural experiences. Leveraging contacts from his former position in Exxon-Mobil — as well as a famed knack for finding friends in high places — Bartel introduced Wheaton students to Nobel Prize winning economists, foreign government officials and international business people.

When Bartel led the inaugural ISP cohort across the Atlantic in 1971, the program was the first of its kind to allow

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David C. Iglesias

*Director,
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for Faith, Politics
& Economics*

I am old enough to remember 1968. I recall with clarity watching the evening news with my father as chaos unfolded across the world. On this side of the Atlantic, we saw the assassinations of Martin Luther King Jr. and Bobby Kennedy, dozens of American cities burning in civil unrest and the brutality of the Chicago Police during the Democratic convention. In Europe and Asia, we witnessed the bloody Tet Offensive in Vietnam, the Soviet suppression of the Czechs during the “Prague Spring” and the Hong Kong Flu pandemic that killed up to four million people globally. 1968 was a terrifying year.

Which brings me to 2020. I want to encourage those who don’t remember 1968 — we will get through this year. This country has survived worse: a Civil War that killed more than 600,000 Americans, WW-I, the Spanish Flu pandemic, the Great Depression, the Dust Bowl and the global fight against German fascism and Japanese imperialism during WW-II.

Our markets remain strong and by the time this newsletter goes to print, a vaccine may be available for COVID-19. We Americans are descended from the most resilient of Europe, Africa, Asia, and the Americas. Some of our ancestors came voluntarily, others were forced to come in chains. Some fled religious persecution, some like my great-grandfather left Germany for economic reasons, others brutally conquered Indigenous Americans and enslaved Africans to build empires. Yet, out of that violent morass of “human unkind” to paraphrase poet e.e. cummings, we were able to hew out a living and breathing Constitution and a country that is truly, as Abraham Lincoln famously put it, “the last great hope of earth.”

2020 will be a seminal year in the history of America. We are caught between Scylla and Charybdis. In the face of this challenge, this newsletter explores difficult issues of the proper role of government. Former FPE Director Dr. Seth Norton writes of the benefit of limited government to human flourishing. Dr. Enoch Hill’s article, “Relief Packages and the Use of Knowledge in Society during COVID” explores two theories of why it might be net beneficial to implement a relief package at this juncture. See also our summary of my podcast interview with Wheaton Trustee and Northern Trust CEO Shundrawn Thomas, who discussed his experiences being racially profiled. On a much lighter note, FPE is announcing the re-inauguration of the International Study Program. God willing, I will be leading a group of Wheaton students to the four Nordic Countries next June to meet economic and political leaders. This will mark the 50th anniversary of Wheaton students studying political economy internationally and I am honored to lead it.

How does faith impact the current year? Our faith in a living Christ should be the very heart of our response to the current turmoil. The early church lived under the boot of the vicious Roman Empire and yet Scripture exhorted Christians to love one another and obey the government. One has only to look at Romans 13:1-7 and I Peter 2:13-14 to see we serve a God of order, not chaos. In this full contact national election season we must be mindful that we Christ followers serve the King of Kings, Lord of Lords, and that if politics get in the way, they must yield to the Prince of Peace



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Wheaties to take social science credits in an international context. Bartel's daughter, Sarah Bartel Bradley '80, who accompanied her parents on several ISP trips during her teenage years and while an undergraduate at Wheaton, recalls that students and faculty alike dressed for the KLM flight in their Sunday best. "My dad always sought to do something that gave life a little twist of being special. In the summer of '71 we flew over in a 747, which was a pretty new experience at the time. Girls wore dresses and men wore suits to fly in a 747."

The students spent the next six weeks in Wassenaar, a quaint suburb of The Hague on the western coast of the Netherlands, where they studied from the comfort of an old mansion built by Dutch traders. Weekdays were reserved for classwork, with the exception of Wednesdays, when students went on field trips to embassies, government buildings and cultural sites. On weekends, students traipsed the woods and ponds of the eight-acre estate and explored the Dutch countryside. At the end of the six weeks, Bartel chartered a bus and took the students on a two-week odyssey through Germany, Austria, Switzerland, France, Luxembourg and Belgium, concluding in a ferry trip across the English Channel. In the course of their travels, students took a steamboat down the Rhine, rode a cable car up Mt. Pilatus in Switzerland and visited the NATO headquarters in Brussels.

For many students, ISP was the experience of a lifetime. FPE Director David Iglesias remembers his ISP summer well. "I hadn't given much thought to the failed nature of communism until I visited Berlin in 1978 and walked in both East and West Berlin. The dramatic difference made me realize that capitalism worked and communism did not."

For Mark Mooney '77, the summer abroad was his first experience outside the United States. He fondly recalls biking the Dutch countryside and visiting Spain with friends near the end of the program. "My four years at Wheaton were some of the best years of my life and the ISP program — and this will sound corny — was like the icing on the cake."

Over the years that Bartel led ISP between 1971 and 1979, the program drew students from a broadening range of disciplines. Bartel was often joined in leading the program by Psychology Chair Dr. Charles Henry. In the Netherlands, psychology students benefited from access to state-of-the-art mental hospitals. "In the United States, you'd find a ward

of forty or fifty people sitting around in rockers and easy chairs, doing nothing," Henry remembers. "Back then the Netherlands were way ahead of the US. We always hear about how great America is, and it is great, but it's also good for students to see when other countries are doing something differently, or even better."

The ISP story would not be complete without mention of Bartel's wife and constant companion, Shirley Bartel '52, who helped plan and run ISP trips each summer, and served as a house mother to hundreds of Wheaton students over the course of the nine years she and her husband led the program. Mrs. Bartel was also instrumental in arranging logistics in the pre-digital world of the 1970s. "There weren't even faxes yet. I can't even fathom how you put together a program for fifty-some people — meals and housing and speakers — all through either telephone or letters," Bradley remarks.

The Bartel family left Wheaton in 1980 for Westmont College in California, but the ISP program continued for several more years through the efforts of Emeritus Professor of Political Science Dr. Mark Amstutz, who led the program until 1987. "The close relationships I developed with ISP students were a highlight of my time at Wheaton, but the amount of energy required by the program director was nothing short of extraordinary; I didn't truly start doing scholarship until I stopped leading the program."

ISP returned in spirit, if not in name, in 2010, with the inauguration of the ISI program. Like its predecessor, ISI offered Wheaton students a glimpse of the wider world, access to leaders in business and government and above all, a once-in-a-lifetime opportunity for deep relationship building with friends and faculty. With the return of the program to its original name, the newly minted ISP will carry forward in the intrepid spirit of its founders.



ISP students and program leaders outside the mansion in Wassenaar. Bob Bartel and Dr. Amstutz pictured right, in dark and light ties respectively. From the Tower, 1973.

Limited Government

A Comparison of Contracting (Private) and Property Rights (Government) Institutions

Good economic institutions lead to human flourishing such as national wealth and the attendant personal benefits such as lower infant mortality. This is a story well-articulated by economics Nobel Laureates, Ronald Coase, Douglass North and Oliver Williamson.¹ However, like many noteworthy ideas, further questions emerge as to what are the institutions that enhance human well-being? The answer is nuanced. Within the domain of market economies, various institutional arrangements exist. These include what Professors Daron Acemoglu and Simon Johnson of the Massachusetts Institute of Technology identify as contracting institutions.² These legal foundations affect the mechanism and nature of contracts. Within the domain of market, economies there are also property rights institutions. These legal foundations circumscribe contractual forms and enhance economic relations.

There is much overlap between these institutional arrangements. Both contracting institutions and property rights institutions enhance economic performance and human well-being. Prominent economists embrace both of these categories. Contracting institutions facilitate organi-

1. See Ronald H. Coase, 1960, *The Problem of Social Cost*, *Journal of Law and Economics*, 1960. P 1-44. Douglass C. North & Robert Thomas, *The Rise of the Western World*, Cambridge University Press, 1973, and Oliver E. Williamson, *The Economic Institutions of Capitalism*, The Free Press, 1985.

2. Daron Acemoglu and Simon Johnson, *Unbundling Institutions*, *Journal of Political Economy*, 2005, 949-995.

zational efficiency in an economy. An example would be debtor/creditor relations. Property rights institutions emphasize institutions that are intimately linked to the relations between ordinary citizens in nation-states and the politicians or elite in those nation-states, especially the degree to which the government can expropriate private property. An important distinction between these two types of institutions is that contracting institutions have a viable substitute. If the legal system has weak contracting institutions, the parties themselves can conceive and develop their own contractual arrangement for mutual benefit. Property rights institutions have no close institution substitutes. It is impossible to contract around weak property rights institutions. Indeed, as Douglass North asserts the Industrial Revolution occurred along with the advent of better-specified property rights in the England. In contrast, Stalinist Russia further diminished the already weak economic institutions of Czarist Russia.

Professors Acemoglu and Johnson identify workable measures for these economic institutions. The authors document wide dispersion in contracting institutions as the Dominican Republic's contracting costs are 440 percent of per capita GDP or 495 days of national output. In contrast, New Zealand's contracting costs are 12% of per capita GDP of 50 days. Their first measure is an index of legal formalism that measures the number of formal legal procedures necessary to resolve a simple case of collecting on an unpaid check. The second is the case of resolving a case of unpaid commercial debt while the third is the number of procedures necessary to resolve a court case with the same unpaid commercial debt.

For property right issues, the authors use from the Polity IV cross-national database, a ranking from 1-7 of constraints on the executive—heads of governments and similar rankings of expropriation risk and private property protection. Details of the rankings are informative. Austria and Australia rank 7 for 1995. Azerbaijan's rank is a 2 as is Burkina Faso's rank. Cuba's rank is 1, indicating that the Polity IV analysts rank the political elites of Cuba as largely unconstrained. The researchers also

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examine a number of measures of performance. They also include alternative measures of property rights including The measures of the government expropriating private property on an index ranging from zero to 10 with zero having the lowest protection against expropriation. An American example would be the case of a 160-acre farm with 80 acres of mature oak trees acquired via eminent domain with compensation to the farm's owner beneath market value. These data come from Political Risk Services and a third measure is the Heritage Foundation's private property index that measures the extent to which property is protected from the government and other sources of expropriation.

The researchers use four measures of economic performance including GDP per capita, reflecting long-term economic growth, investment/GDP, credit to the private sector, and stock market capitalization. The authors examine the link between these performance measures and contracting institutions or property rights institutions. The authors use conventional econometric approaches that permit identifying tests of causality.

The estimates reveal no consistent links for the effect of contracting institutions except for the stock market capitalization variable and that measure is negative. In short, contracting rights have no affects or in one case perverse effects on the measures of economic performance.

Regarding the property rights measures, the results are dramatically different, especially for the executive constraints, the author's preferred measure for property rights. The results hold for long term economic growth, investment as a fraction of GDP, credit to the private sector and stock market capitalization. The last measure is a bit weaker but still statistically significant at conventional levels. More to the point, the data indicate that well established measures of human well-being are intimately linked with property rights measures. This conclusion fits tightly with the Douglass North's view of modern economic history. These results apply to the entire set of World Bank countries for 1995 data as well as subsample of 71 former colonies for whom the legal system presumably was shaped by that experience. The results are invariant to those colonial forces.

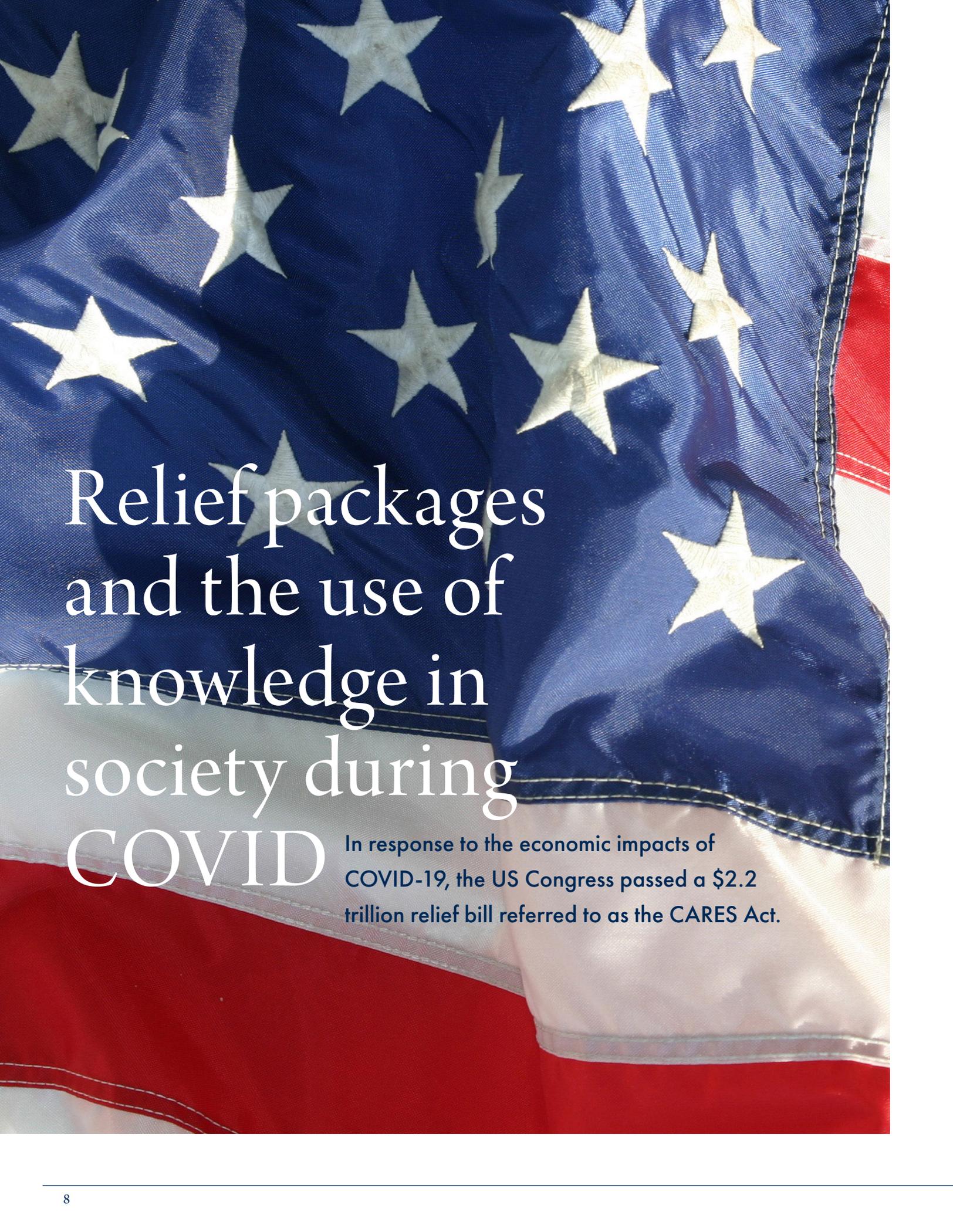
In short, the results are mixed. How do Acemoglu and Johnson interpret these results? Their judgment is that weak contracting institutions do not manifest lower GDP, investment or credit to the private sector because weak contracting institutions can be circumvented with good and perhaps imaginative legal practice. Unless the contracting institutions are "extremely dysfunctional," individuals can avoid the bad effects by changing the terms of the contracts or some other adaptive behavior. In contrast, there is no



substitute for bad property rights. Countries that have them perform worse. In fact, these results reinforce Douglass North's explanation of human flourishing. **Limiting the discretion of political elites encourages human flourishing** for those nations who emerged with Industrial Revolution and as well as with those that linger with the legacies of the colonial era.



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Relief packages and the use of knowledge in society during COVID

In response to the economic impacts of COVID-19, the US Congress passed a \$2.2 trillion relief bill referred to as the CARES Act.

Though unprecedented in size and scope, Congress is currently discussing a follow-up to the CARES Act. In reflecting on what I wanted to focus on in this short article, I came to the conclusion that the details, while extremely important (and relevant to outcomes), can be readily accessed elsewhere. In response to the economic impacts of COVID-19, the US Congress passed a \$2.2 trillion relief bill referred to as the CARES Act. Though unprecedented in size and scope, Congress is currently discussing a follow-up to the CARES Act. In reflecting on what I wanted to focus on in this short article, I came to the conclusion that the details, while extremely important (and relevant to outcomes), can be readily accessed elsewhere. Government debt is also a topic that we could discuss at length. It is also important and relevant, but alas, economics is a study of tradeoffs so that conversation too must be tabled for the time being. Finally, there are a myriad of reasonable arguments in favor or opposed to stimulus and relief actions which I will ignore. My purpose here is to provide two theories of why it might be net beneficial to implement a relief package at this juncture.

Hayek's incredible insight in his 1945 paper is that the primary function of prices is to transmit knowledge throughout a society where none of us possess all of the information needed to coordinate our actions.¹ Rather, each of us hold just a little bit of specific knowledge and those bits of knowledge need to interact in a meaningful way to figure out what we should each do with our day, with our factories and machines, with our cars and our land, to help one another out.

That's a bit heady, let me make it more concrete. Right now, my dishwasher leaks when I run it. I'm a bit thick when it comes to this type of repair. I have no idea how hard it is to fix. I don't know if the closest person knowledgeable in dishwasher repairs is sitting around waiting to help someone out, or if they are overwhelmed because they are simultaneously caring for their aging father and helping to unexpectedly homeschool their three school-aged children. I also don't know

how much better (or worse) the labor, metal and other resources required to replace my dishwasher could be used elsewhere, whether that be in building an electric vehicle, a fence, or a slide (are kid's slides ever built of metal anymore?) A price takes all this information and converts it into a single number which I can use to make a decision. The price incorporates the repair woman's current willingness to spend her time fixing my broken dishwasher against all of the other things she has on her plate. If the price of the repair is enough less than the price to replace, then I repair. Or possibly, both prices are high enough that I decide to just make do with my somewhat dysfunctional machine.



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Here's the issue, when COVID struck, this knowledge distribution system (the market) was knocked out of whack. The economy is not always great at handling quick changes. In the early 1980s when Paul Volker (Fed Chair) slowed the rate of money growth, it took society several years to adjust beliefs about how fast prices should rise and the resulting recession was quite severe. This was in large part caused by prices failing to coordinate action effectively. Presently, we face some pretty large uncertainties and humans tend to be risk averse

¹ Hayek, Friedrich A. (1945.) "The Use of Knowledge in Society" *American Economic Review*. (35) 4: 519-530



in general. So, in addition to my dishwasher, the economy's ability to coordinate our actions may have become somewhat dysfunctional. Prices, our primary tool to coordinate action may need assistance.²

One of my favorite topics to teach in Principles of Macroeconomics is the idea that money is not real. For most of us, it is just a couple of ones and zeros stored in some database. It can be created at no real cost (that is without using up any real resources). Money itself provides us no direct consumptive use, but it does incentivize our actions. When we have more, we tend to feel more comfortable spending.

So, what is real? Most of our society produces real value over time. We can contribute labor over time. Our land can produce crops over time. A classroom facilitates learning for a maximum number of students over time. An espresso machine brews coffee as a function of time. When prices stop functioning well, our ability to coordinate the use of all these resources falters. Suppose our dishwasher repair woman actually does have quite a bit of excess time at the moment and that I really would like to have my dishwasher repaired.³ If my risk aversion and concern about my finances going forward prevent me from searching for a repair, or if the difficulty in accepting nominal wage decreases prevents her from lowering her quoted price, then her productive capacity during this

time is permanently lost. The same is true for every factory and every espresso machine in society.

A second thing that is real is relationships. Some of those relationships are created through work. Consider Penn and Teller or Han Solo and Chewbacca, a large part of the value of these dynamic duos comes from their ability to coordinate and work well together. Relationships and learning how to work well together requires time and effort. Similarly, much of the value of a firm lies in the teams and relationships that have formed over time. When workers are separated from their jobs, something is permanently lost. Once a vaccine or some other solution to COVID is discovered, a significant cost of the economic recovery will come in setting up new teams, conducting time-intensive interviews, building new working relationships, and coordinating the labor market (that is, figuring out who does what). If the CARES act can assist in preserving a portion of the existing labor allocation that is worth retaining post COVID, this is a real benefit.

Ultimately this bill is a form of redistribution, but it is a form of redistribution that might help coordinate society to realize much of this productive capacity right now. Much of this capacity, if not currently tapped into, would be forever lost. Many forms of redistribution work towards equality at the cost of shrinking the total size of the pie. However, in this short article, I've reflected on two reasons why a relief package in response to COVID may be different: by preventing the permanent loss of productive capacity and by preserving the working relationships within and between companies.



By Enoch Hill, Ph.D., Assistant Professor of Economics, Wheaton College

² For the record, Hayek would likely stand against active attempts to stabilize economic activity through Government reaction. Since prices act as our primary channel to aggregate distributed knowledge, taking centralized action which affects prices may exacerbate rather than correct the ability of prices to transmit knowledge.

³ Or, to be more precise, that the benefit to me is greater than the cost to her.

Three Things

A podcast of the Wheaton Center for Faith, Politics, and Economics at Wheaton College (IL)

Religion, politics and money are three things that have the ability to evoke strong, divisive responses. FPE's Three Things podcast aims to incorporate these three topics in a measured, civil and thoughtful way. We started by interviewing numerous leaders who have incorporated their faith in a way that benefits others through the arenas of politics and business. Their journeys provide insight and inspiration. Join us for a look at all our current episodes at threethings.libsyn.com.

INTERVIEW WITH SHUNDRAWN THOMAS



We would like to highlight our recent discussion with Shundrawn Thomas, President of Northern Trust Asset Management, a trillion-dollar global investment management business. This podcast covers a wide range of topics, including: Mr. Thomas's personal path to business success, the importance of family, lessons on leadership, personal insights on racism, his new book *Discover Joy in Work*, and potential opportunities stemming from our current COVID-19 crisis.

As an African American business leader, the times we are in has called Mr. Thomas to step into the silence

there has been on racial discrimination. It began with an open letter posted on LinkedIn and has led to more interviews and an increased openness to address race in the corporate world. The challenge is to now take this conversation and listen with our head and our hearts and then respond with a Biblically based commitment to change.

Listen to the podcast at threethings.libsyn.com/conscience-of-an-industry.

OTHER THREE THINGS PODCASTS

Leading in Times of Crisis – Steve Preston, CEO of Goodwill Industries and former head of both the Small Business Administration (SBA) and U.S. Department of Housing and Urban Development

Watergate Survivor – David Young '59, former Special Assistant to Henry Kissinger and founder of Oxford Analytica

Corporate Pioneer/Part 1 and **Corporate Pioneer/Part 2** – Bonnie Wurzbacher '77, former Sr. V.P. of Global Customer Leadership at Coca-Cola and Chief Development Officer at World Vision International from 2013-2017

D-Day Survivor – Dr. Richard Rung Wheaton honorary alum and retired Wheaton College Political Science professor

Innovative COO of Tennessee – Greg Adams, former COO of Tennessee

Tech Pioneer/Part 1 and **Tech Pioneer/Part 2** - E. Floyd Kvamme, prominent tech pioneer, venture capitalist and advisor to George W. Bush in science and technology

COVID – 19 Infectious Disease Expert – Dr. Doug Drevets, '80, chief of infectious diseases at the University of Oklahoma Medical Center

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