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WHO'S IN CHARGE HERE?

by Gary North

But a certain Samaritan, as he journeyed, came where he was: and when he saw him, he had compassion on him, And went to him, and bound up his wounds, pouring in oil and wine, and set him on his own beast, and brought him to an inn, and took care of him. And on the morrow when he departed, he took out two pence, and gave them to the host, and said unto him, Take care of him; and whatsoever thou spendest more, when I come again, I will repay thee (Luke 10:33-35).

The parable of the Good Samaritan raises some serious theological questions. The main one, "Who is my neighbor?", is the one that the skeptical lawyer raised, and Jesus answered it with this parable. It raises questions such as Jew vs. gentile, law vs. charity, and the question of personal responsibility. It raises the whole question of evil: Why does God allow such bad things to happen to law-abiding people? And why do other supposedly law-abiding people do nothing to help?

Neglected by all commentators, however, is the fact that this parable illuminates a fundamental economic principle—indeed, **the** fundamental economic principle: the question of sovereignty. Until the question of sovereignty is answered, it is impossible to do economic analysis, just as it is impossible to do theology until the same question is answered.

To discover the answer to this question, we must first consider the setting of the parable. The Samaritan, considered a gentile by the Jews, was in the land of Israel, walking along the road between Jerusalem and Jericho. He came upon a wounded man whose race and religion are left unstated, but who presumably was a Jew. The parable would have far less impact if the robbers' victim was also a Samaritan or a gentile. In any case, he was in no condition to talk theology. He was so close to death that the priest and the Levite who had passed by thought that he was dead, and they refused to touch him, for to have touched him, had he actually been dead, they would have become ritually unclean for a week, and this would have necessitated a ritual washing on the third day (Num. 19:11-13). Better, they both concluded, to avoid the inconvenience. Walk on by!

The Samaritan did not worry about the inconvenience of Old Testament law's required rituals. They did not bind him. He approached the victim, saw that he was alive, and did what he could to restore him to health. He poured oil and wine on his wounds, carried him to the inn, paid for a room, and promised to return to pick up the bill for any additional care he might require.

We know what was wrong with the priest and the Levite: they were too concerned about the potential costs of obeying the details of Old Testament law. Those costs were minimal. We know what was right with the Samaritan: he was generous. But no one ever mentions the innkeeper. Yet it is the innkeeper who is the center of the

economist's analytical interest.

The Innkeepers of This World

While someone unfamiliar with Old Testament law might not initially understand exactly what had motivated the priest and the Levite, a reference to the details of Old Testament law eventually throws light on their lack of charity. They made a cost-benefit analysis, and both decided that it was cheaper to walk on by. But no one thinks deeply about what motivated the innkeeper. The innkeeper is ignored by the expositors because everyone understands his motivation: money. This needs no explanation in any culture. It is assumed.

Consider, however, what is being ignored for the sake of the assumption. The innkeeper also made a cost-benefit analysis. Presumably, he was a Jew. He now had a sick man on his hands. If the man died, the innkeeper would have to move the body, and then he would come under the same ritual requirements of the law that threatened the priest and the Levite. Also, he could not be certain that the Samaritan would return and pay the accumulated bill. There were obvious risks associated with caring for an injured, penniless man.

Nevertheless, the Samaritan had little concern that the innkeeper might refuse to carry out his instructions. Why did the Samaritan think he, a despised gentile foreigner, could trust the innkeeper, an average fellow, to care for the injured man, when the injured man could not trust his fellow countrymen, leaders in the community, the priest and the Levite? Why would the innkeeper obey the instructions of a Samaritan?

The answer is simple: **because the innkeeper was a businessman.** Innkeepers are in business to care for people. They go to great personal expense to buy or build a comfortable place of rest and recreation. They serve people food. They carry out the garbage. They make the beds after the guests have departed. They sweep the floors. They are in business to attend the desires of weary travellers. They bear all the marks of servants. But no one praises them for their faithful service, nor do they expect praise. They expect payment in full, not from God but from men.

We call this story the parable of the Good Samaritan, not the Good Innkeeper. Why? Because the innkeeper, while serving weary travellers, did so in search of a profit. He gave, but he also received. His motive was personal gain. We are back once again to Adam Smith's insightful observation:

But man has almost constant occasion for the help of his brethren, and it is vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favor, and shew them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a

bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. 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 self-interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages (*Wealth of Nations*, p. 14).

The Samaritan was different. He performed righteous service even before he was asked. The victim was in no position to haggle about prices. He was literally speechless. So the Samaritan intervened, sacrificed time and money, and thereby became immortal in men's memories, whether he was real or just a good example in a story. Here is a unique and memorable story. Why? Because the Samaritan's motivation was so uncommon. The innkeeper's motivation was so common as to warrant no attention down through the ages. But in failing to pay close attention to the innkeeper and his motivation, the world condemned itself to poverty for an extra seventeen and a half centuries.

"You Will Do My Bidding!"

Had the Samaritan stormed into the temple with these words, he would have had little likelihood of co-operation. He probably would have been thrown out. The priest and Levite had already set the example. The victim might have died. But the Samaritan was not entering the temple; he was entering an inn. There was far greater likelihood of finding assistance at the inn than at the temple. (This was a very mean-spirited parable from the viewpoint of the priests and Levites of Jesus' day. Jesus was not a nice man in their eyes. He said outrageous, antagonistic things in public. Was He a Christian Reconstructionist?)

Being a wise man who understood the truth of Adam Smith's observation regarding our appeals to each other for assistance, the Samaritan disguised his command by wrapping it tightly in a pair of coins. He understood business etiquette; in all likelihood, a Samaritan in Israel would have been on a business journey. He therefore disguised his command. But it was no less a command. And he fully expected it to be obeyed, despite the fact that he knew that the Jewish innkeeper probably had little use for Samaritans and their kind. What the innkeeper did have was considerable use for Samaritans and their cash. The rule was: "Payment in cash, not payment in kindness!"

The Samaritan paid cash for what he received. This certainly made it worthwhile for the innkeeper to pay attention to the Samaritan when he started issuing additional orders while he settled his account. While it was possible that the Samaritan might not return, still it was likely that this Samaritan was a man of his word. After all, here he was, helping this battered and presumably Jewish victim, despite the fact of generations of animosity between Jews and Samaritans. Whether or not the innkeeper felt a twinge of conscience about the plight of the victim, he was surely a sufficiently good judge of character—as businessmen had better be—to make a preliminary evaluation of the trustworthiness of the Samaritan's promise to return and pay off the bill.

The very generosity of the Samaritan placed him in the business category—a very important category—of "good credit risk." Here was a man who obviously had money to spare. After all, spending money on a near-dead victim of robbers places any man in an innkeeper's classification of "having money to spare." Few characteristics in life endear a person more effectively to a profit-seeking businessman than having money to spare.

So, when the Samaritan started issuing orders to the innkeeper, we can be confident that there was no wave of pent-up resentment against this gentile foreigner, no outrage, no thought along the lines of: "Who does this man think he is?" It was quite clear to the innkeeper that the Samaritan knew exactly who he was: a man with money to spare. That meant that he was a man who could issue orders, not as a general orders his troops but as a rich uncle or rich cousin orders his relatives.

The Samaritan was the man in charge. Why? He could say, "Charge it." He could say, "Charge it to my account."

Jesus Says: "Charge It to My Account."

This, of course, is exactly what Jesus does. He stoops down to assist victims in life—victims of sin and victims of sinners—and He heals them by pouring oil and wine on their wounds. (That this terminology pointed to the temple's ritual meals would have been obvious to Jesus' audience, though perhaps not to modern literalistic commentators.) Jesus picks them up and carries them to the inn, which surely is symbolic of the church in its capacity as servant. He asks the church to help these battered victims in His absence, and He expects the church to obey Him, for He promises to come again and pay all the bills.

Jesus also makes a preliminary down payment—"earnest money"—to prove that His word is good, that He is a good credit risk. He settles His preliminary account. Paul writes: "In whom ye also trusted, after that ye heard the word of truth, the gospel of your salvation: in whom also after that ye believed, ye were sealed with that holy Spirit of promise, Which is the earnest of our inheritance until the redemption of the purchased possession, unto the praise of his glory" (Eph. 1:13-14). The "earnest" of the Holy Spirit is God's **down payment** to His people. It proves that He will settle all His accounts in the future.

God does not ask His people to care for the victims of the world free of charge. He promises a reward. "Every man's work shall be made manifest: for the day shall declare it, because it shall be revealed by fire; and the fire shall try every man's work of what sort it is. If any man's work abide which he hath built thereupon, he shall receive a reward" (1 Cor. 3:13-14). He promises to settle His account in full on that great day of account-settling.

Then shall the King say unto them on his right hand, Come, ye blessed of my Father, inherit the kingdom prepared for you from the foundation of the world: For I was an hungred, and ye gave me meat: I was thirsty, and ye gave me drink: I was a stranger, and ye took me in: Naked, and ye clothed me: I was sick, and ye visited me: I was in prison, and ye came unto me. Then shall the righteous answer him, saying, Lord, when saw we thee an hungred, and fed thee? or thirsty, and gave thee drink? When saw we thee a stranger, and took thee in? or naked, and clothed thee? Or when saw we thee sick, or in prison, and came unto thee? And the King shall answer and say unto them, Verily I say unto you, Inasmuch as ye have done it unto one of the least of these my brethren, ye have done it unto me (Matt. 25:34-40).

This settling of the account is basic to the ministry of Jesus in His capacity as eternal judge. In this passage is described the blessings' side of God's system of sanctions. But He will also bring negative sanctions:

Then shall he say also unto them on the left hand, Depart from me, ye cursed, into everlasting fire, prepared for the devil and his angels: For I was an hungred, and ye gave me no meat: I was thirsty, and ye gave me no drink: I was a stranger, and ye took me not in: naked, and ye clothed me not: sick, and in prison, and ye visited me not. Then shall they also answer him,

saying, Lord, when saw we thee an hungred, or athirst, or a stranger, or naked, or sick, or in prison, and did not minister unto thee? Then shall he answer them, saying, Verily I say unto you, Inasmuch as ye did it not to one of the least of these, ye did it not to me. And these shall go away into everlasting punishment: but the righteous into life eternal (Matt. 25:41-46).

The religious leaders of Israel did not believe that Jesus had a full purse, let alone the power of imposing His wrath. They chose to crucify Him rather than accept His leadership. They had done this with God's prophets throughout their history as a nation (Matt. 23:31). It was Israel that was supposed to serve as God's sanctuary on earth, the place of healing. God had picked up Israel as she had lain helpless at the side of the road; He had cleansed her and healed her (Ezek. 16:4-6). But Israel refused to do the same for others. Israel had not been the world's true neighbor. God therefore removed the office of healer and neighbor from Israel and transferred it to the gentile church, which was symbolized in the parable by the Samaritan. The down payment of His final wrath on Israel came in A.D. 70, when He brought the Roman armies to destroy the temple.

This cursings' side of God's judgment is not the prerogative of the private citizen to manifest in history. Bringing negative sanctions in history is solely the responsibility of God's rulers on earth in the three authorized covenantal (oath-bound) institutions: church, state, and family. These are unique monopolies that are under law and restraints imposed by God, both judicial and institutional. But it is given to men in their dealings with each other to manifest the blessings' side of God's final judgment. This is true of men in their capacity as charity-providers, but also in their capacity as profit-seekers. There is a great need for good Samaritans in this world, but even good Samaritans need co-operation from innkeepers.

He Who Pays the Piper Calls the Tune

The Samaritan was clearly calling the tune, and the innkeeper was happy to dance to it. Whether the innkeeper liked the tune was never a major consideration of the Samaritan; what the Samaritan knew was that the innkeeper liked the pay. As long as the latter believed that the former would return and pay the sick man's bills, the sick man would be cared for.

What this parable teaches is that the love of money can be the root of much good. It depends on men's personal motivations, but even more, it depends on the legal and institutional structure of society. It is the legal and institutional structure of biblical society that helps channel men's self-love into public service, just as Adam Smith described.

The Samaritan could overcome the racial and cultural hostility of the innkeeper through the power of the full purse. The victim would receive care at the hands of the lowly innkeeper, despite the fact that both priest and Levite had passed him by. One wonders: If the Samaritan had been at the side of the victim before the priest and Levite passed by, and had shouted, "I will pay you to care for this man," would either or both of them have responded favorably? The economist hastens to answer: "Yes, at some price." At some price, even the fastidious religious leaders would have ceased worrying about the inconvenience of God's law and would have hastened to attend to the needs of the victim. But they might have hesitated initially. Their price might have been much higher than what was demanded by the lowly innkeeper. The priest or Levite probably would have thought to himself: "Who does this foreigner think he is? Does he expect to be able to buy my co-operation? After all, I am an important religious fig-

ure! I am not for sale! (At this price.)"

The Samaritan fully understood the basis of his worldly authority - the authority of the full purse. He could command a Jewish innkeeper because he had at his disposal the most universal manifestation of authority: money.

This symbol is important. This is why the State always seeks to monopolize control over the creation and issue of money: it is the primary visible symbol of authority throughout history. This is also why the State in a biblical commonwealth would not be allowed this mark of sovereignty. It is not the State which is sovereign over money; it is the consumer.

Consumer Sovereignty

This phrase was coined (I could not resist) in the mid-1930's by economist W. H. Hutt. The idea of consumer sovereignty is basic to the defense of the free market system. If sovereignty over the decisions of producers is not decentralized into the hands of money-bidding individuals, then it must be centralized into the hands of those who wield military, political, or coercive individual power. The economy is ruled by the consumer, or else it is ruled by the warlord, the politician, or the Mafioso. There is no escape from sovereignty over the production process. The question is: Who shall exercise this power, and in terms of what performance standards?

In any system of production, there must be **success indicators**. There is a famous textbook example of Soviet economic planning which illustrates this problem. When the central planning bureau specified to manufacturers of nails that the performance standard was sheer numbers, what the firms produced looked a great deal like tacks. When the central planners switched the next year and insisted on weight as the proper criterion, the nation was flooded with what looked like railroad spikes. Without minutely detailed standards, which no central planning agency can provide to every industry and manufacturer, including potential manufacturers who have not yet entered the market, there can be no economically rational co-ordinated production.

The free market offers a performance standard: **profit rather than loss**. Whose decision is sovereign in enforcing this standard? The consumer's decision, or more accurately, the decisions of all potential consumers, including those who refused to buy. If the consumer refuses to buy the number of products predicted by the producer, and at a price predicted by him, then the producer will experience a loss, or at least experience reduced profit, which conceptually is the same thing as a loss. The consumer brings sanctions in history: profit or loss. The producer is at the mercy of the individual who offers rewards for performance that meets his specific goals, the individual who punishes (by walking away) for the producer's failure to achieve those goals.

In market transactions, there are no negative physical sanctions allowed. God has not authorized private citizens to impose negative physical sanctions on each other. However, from an economic perspective, the potential consumer's failure to reward performance with a profitable sale is conceptually the same as imposing a negative sanction: a loss. Both the reward and the punishment are economic sanctions. The punishment is revealed by sophisticated accounting techniques, but ultimately is imposed by that most harsh of accounting techniques: the empty purse.

Catching the Producer's Attention

The consumer needs to be able to persuade the producer to do things the consumer's way. He offers money to the producer to persuade him. The producer, however, is in fact a consumer: a consumer of money. He, too, seeks to persuade the provider of money (i.e., the con-

sumer of goods and services) to do things the producer's way. He can offer the consumer more desirable goods or services for the money.

Each of the participants in any voluntary exchange is a consumer: a consumer of what the other person gives up in exchange. Each is also a producer: the provider of whatever the other has taken in exchange. Conventional terminology identifies producers as sellers of goods and services, and identifies consumers as providers of money. But in fact consumption and production are two-sided transactions. The consumer had to produce something (or inherit something, or discover something) in order to "buy the money" that he is now offering in exchange.

We all understand this, but we all tend to forget. We say that workers "earn a salary," when in fact they are **buying money** through the sale of their labor. We say that the producer is selling goods and services, when in fact he, too, is buying — **buying money**. Conventional language should not be allowed to confuse our understanding of the way economies work.

Each party is a consumer, and each is a producer. In order to catch each other's attention, they make offers and counter-offers. The consumer offers more money, while the producer offers discounts. The consumer offers to buy several, while the producer agrees to extend the warranty. On and on it goes, until they either get tired of haggling or until the deal is consummated (or, better put, coinsummated — to coin a phrase).

Haggling is a way of exchanging (buying) information. "What is his best possible offer?" each of them asks of the other. "How can I get him to make it?" The answer may take a long time for each participant to discover, or it may be almost instantaneous. There is such a thing as impulse buying. There are also protracted negotiations. But in all cases, the limiting factors are **lack of information** and **lack of motivation**. If we had perfect knowledge of each other's desires and economic capacities, there would be no haggling, no bargaining, and no end-of-the-year sales. There would not even be "going out of business" sales. People would not start such loss-producing businesses in the first place if they had perfect foreknowledge, and once in, they would offer no public sales to get out.

Mutual Sovereignty

In free market transactions, no individual possesses absolute economic sovereignty. Everyone possesses degrees of economic sovereignty, unless he is in the condition of the victim in the parable of the Good Samaritan. We are all producers; we are all consumers. Like inhaling and exhaling, we produce and consume in order to live. Even the unsalaried heir of a fortune is a producer. He allocates the assets of the capital he legally controls. He therefore performs a stewardship function, even if in his incompetence or malevolence, he does it to his own and others' detriment.

When we say that we are "serving the consumer," we are in fact saying that **we serve other producers**. We serve as producers of specialized goods or services that we expect producers of other specialized goods or services to consume in the future. Usually producers and consumers do not sell directly to each other, but sometimes they do. The innkeeper may rent a room to a salesman who will sell him a product or service. But because the price of the room and the price of the salesman's product are different, each will charge the expense to his own account rather than trade outright. (If the innkeeper and the salesman are not the actual owners of their respective products, the owners will insist on separate transactions.)

It is the **decentralization of economic sovereignty** that is characteristic of the free market society. No one

has the legal authority to impose negative physical sanctions, so all participants in the market bring the promise or hope of positive economic sanctions. Unless we want anarchy, we must centralize and limit the authority to impose negative physical sanctions. This authority reflects God in His capacity as final judge, which in turn is a monopoly office. But because God distributes His gifts to all men, they can and do image Him in His office of judge in their capacity as creative producers and rewarders of those who diligently serve them.

This activity requires faith. The archetype of faith is faith in God the Judge: "But without faith it is impossible to please him: for he that cometh to God must believe that he is, and that he is a rewarder of them that diligently seek him" (Heb. 11:6). Faith in others' future performance of their promises is analogous to this ultimate faith in God. The innkeeper trusted the Samaritan to perform his part of the bargain, to return and pay the debts of the wounded man. **Without this trust in others, society would collapse. There could be no division of labor.**

Thus, we say that a man's word is his bond. This is not a covenant bond — oath of allegiance, baptism, or marriage vow — but it is nonetheless a bond. In a free market society, such bonds or voluntary agreements are enforceable by law. This enforcement increases the stability of society because it limits men once they have promised to perform. This limitation is basic to freedom in church, State, and family, as well as in economics. We are more free when we know that once we have promised to perform, we will be **held accountable for our words** by the civil law.

But this civil enforcement involves the threat of a negative sanction: a fine imposed by a monopoly institution. It takes time, trouble, and lawyers to enforce the law. In the long run, the more important negative sanction usually is the threat of the economic consequences of a bad business reputation. It is the threat of subsequent losses. **People fear becoming dependent upon those whose promises are repeatedly unreliable.** Those who do not regard their word as their bond, and who break their word whenever convenient in the short run, threaten the division of labor in society. Thus, potential buyers prefer to do business with other producers, where the risk of nonperformance is lower.

Honesty really is the best policy. It increases the division of labor and it increases per capita productivity. It therefore increases per capita income. Those who are dishonest discover over time that they suffer reductions in their own per capita income. Those potential consumers who decided not to buy from nonperformers do impose the negative sanctions of economic losses on the violators, and also impose positive sanctions on the nonperformers' competitors — another negative sanction against nonperformers.

Identifying the Producers to Serve

We are limited creatures. We cannot serve the needs of everyone. We do not have sufficient capital, skills, and time to serve the needs of everyone. Thus, the secret of economic success is to find that particular group of producers who, in their capacity as consumers, are willing to allow you the privilege of serving them — at some price.

Each producer must find a niche in the market, meeting the demands of some special group of consumers better than his present competitors and potential future competitors can. Where do we find those people who want what we can afford to sell? How can we find our niche in life? This is the task of the entrepreneur. He hires and fires, buys and sells, trucks and barbers. He operates by the rule, "a place for everyone, and everyone in his place — voluntarily!"

It is the economic task of the future-predicting entrepreneur to bring together producers and consumers so that a mutually beneficial exchange can take place. Sometimes the entrepreneur will be the owner of the factory, but not always. The middleman, meaning the retailer, is normally the person to bring producers and consumers together. He may hire an advertiser, or he may identify particular geographical areas for retailing, or he may do any of a thousand other things to bring sellers together with buyers. He may buy up the output of the producer and sell them himself. He is rewarded only if he has guessed correctly and the transactions take place at prices that produce revenues greater than costs.

Most people are employees most of the time, not entrepreneurs. Even managers are mainly employees rather than entrepreneurs. What Michael Gerber calls "the entrepreneurial spasm," if it is to become profitable, must be followed by a plan of action, a system of delivery. This is the task of managers and employees. In most of what we do in business, we allow the entrepreneurs to take the risks and reap the consequences, both positive and negative, while we content ourselves with a fixed salary.

When any owner loses sight of the specific group of consumers that he must serve, his company is headed for trouble. While these potential consumers can and do change, both as individuals and as members of a specific class of consumers, the entrepreneur-forecaster must structure the business to identify them and meet their demands at service levels better than his competitors provide. He must never lose sight of the fact that the consumers are sovereign. They can walk away at any time. Their silent but constant refrain, "What have you done for me lately?", must be in the entrepreneur's mind constantly. In his capacity as a producer, he must meet their demands. More to the point, he must meet their **future** demands. He must buy now and sell later.

The Final Consumer's Final Judgment

If he is a middleman himself - a producer of goods or services in a particular stage of production - he must look to the needs of the final consumer. That person who pays the price and walks away with the good to be consumed is the master of the field. If the producers in the later stages of production should misforecast the demand of the final consumers, then everyone farther back in the structure of production is at risk. In fact, the farther back you are, the more you are at risk, for your machinery, your management structure, and your skills are far more specialized than those firms closer to the consumer. For example, a large retail store may sell 50,000 different products. If it makes a mistake in forecasting the market for one of these products, it will not face bankruptcy. It simply cancels additional orders for the unsold item until the store's inventory is reduced. But what happens to the firm that produces this misforecasted item if it sells 75% of its output to that one store? The more specialized you are in the production process, the more at risk you are if the final consumer changes his mind.

Thus, it is the task of the producer in the middle of the delivery system to help both his suppliers and his buyers to do their very best to serve the needs of the final consumer. There is a direct economic incentive for each member in the complex chain of production to improve price, quality, and delivery time of the final good or service that is to be consumed. Each member must do his best to provide his suppliers and his buyers with the best information he has about the future state of their particular market.

A Premium Price for Knowledge

It is this collection and transmission of better informa-

tion that is crucial to the production process. What is "better information"? The free market is clear about this: information about **final consumer demand**. This information must be "packaged" in such a way that it motivates all suppliers to meet the demand of that sovereign economic agent, the final consumer.

Because the free market allows the consumer to reward or punish those producers who seek to supply him, it is the most creative institutional development in man's history in the specialized area of knowledge-gathering and knowledge transmission. The market puts a high price on accurate knowledge about the future. (What would it be worth today to an investor to have next Monday's edition of the *Wall Street Journal*? What would it be worth to have a year's subscription to such an edition?) The free market takes seriously the injunction of Solomon to get wisdom:

Get wisdom, get understanding; forget it not; neither decline from the words of my mouth (Prov. 4:5).

Wisdom is the principal thing; therefore get wisdom: and with all thy getting get understanding (Prov. 4:7).

How does the free market honor this principle? By creating a system in which knowledge is profitable, in which wisdom produces cash to those who have it **and who then act in terms of it**. Solomon said: "How much better is it to get wisdom than gold! and to get understanding rather to be chosen than silver!" (Prov. 16:16). But best of all is to get both!

It is true that wisdom is not the same as knowledge. Wisdom is comprehensive knowledge of God and His universe. Economic knowledge is analogous to this, however. It may be limited to accurate information about God's universe, but surely it is far more valuable than inaccurate knowledge about God's universe. The free market allows those who possess such knowledge to offer it for sale, sometimes directly in the form of economic newsletters and forecasting services, and sometimes indirectly in the form of competitively priced goods and services.

The gathering of information and its proper motivational packaging is an aspect of the structure of any organization. At this point, we must be content to identify the object of such information: **to meet the demand of future consumers**. If we fail to identify the sovereign economic agent in any economy, our financial survival is at best unpredictable. Given the rate of failure of new businesses in the United States during the first five years - something in the range of 80% - we can say that our survival, if not predictable, is at least easily guessed.

Consumerism: True and False

In the mid-1960's, the phrase "consumerism" began to become common. The figure who is most associated with consumerism is Ralph Nader. Mr. Nader - or "Citizen Nader," as his admirers refer to him - wrote a book called *Unsafe at Any Speed*, a critique of the General Motors car, the Corvair. It was indeed a four-wheeled turkey of a car. (When was the last time you saw a Corvair on the highway? Even in southern California?) By the time that Mr. Nader's book appeared in 1965, consumers had already turned thumbs-down on the product. (A digression: the phrase "thumbs-down" comes from Roman gladiatorial contests, in which the sovereign Caesar could extend life or end it. Symbols are important. They can survive long after their historical setting disappears.) The Corvair was losing money. General Motors would have dropped production of the car as surely as Ford dropped production of the Falcon. But Mr. Nader gained notoriety when some short-sighted manager at GM hired a private detective to follow Mr. Nader around - a very boring assignment.

From that point on, consumerism became a fad move-

ment, in a half-decade noted by fad movements. Consumerism meant calling in the Federal government to create a commission to write a report recommending the creation of a permanent bureaucracy to "bring order out of chaos." And what was the source of this alleged chaos? The free market.

The State would act in the name of the consumer. But what was seldom discussed in public was the question of **representation**. Who best represents the consumer, the State or the free market? We will discuss this issue in greater detail in the following essay on hierarchy, "To Whom Do I Report?" But there is no doubt that the justification of government intervention was the consumer. He was assumed to be defenseless against giant corporations and other malefactors. He needed the power of the civil magistrate to protect him from the unscrupulous machinations of profit-seeking business.

This line of reasoning represented a major shift in perspective. In the late 1950's, anti-business economists and publicists, such as John Kenneth Galbraith (who is more a publicist than an economist), had focused on the evils of consumer taste. Galbraith created a symbol of the consumer's bad taste when he immortalized the tail fins of late-1950's Cadillacs. The tail fin became the liberal critic's symbol of the decadent American consumer.

Galbraith cried out for more taxes, more money spent in "the public sector." The private sector was getting too large a share of people's money, he insisted in *The Affluent Society* (Houghton Mifflin, 1958). "Failure to keep public services in minimal relation to private production and use of goods is a cause of social disorder or impairs economic performance" (p. 259). Like Nader, Galbraith chose as his target the automobile. The automobile, the automobile! "The automobiles that could not be parked were being produced at an expanded rate" (p. 252). "The hot rod and the wild ride take the place of more sedentary sports for which there are inadequate facilities or provisions" (p. 258). Apparently, Dr. Galbraith believed that American teenagers in the late 1950's desperately wanted to spend their afternoons playing chess in public recreation centers, but tight-fisted city fathers had been unwilling to raise property taxes sufficiently to build them, so the kids drove fast cars as a way to drown their sense of loss.

By the mid-1960's, the rhetoric about the evils of capitalism in its relentless production of tail-finned Cadillacs had been consigned to the ash can of history. Now the focus of liberal concern was the harried consumer who was not being given what he really wanted, a safe automobile. What the Ralph Naders of the world in the late 1960's neglected to mention, or had long forgotten (Nader, by the way, did not own a car or know how to drive), was that American consumers had been given an opportunity to buy a safe car. The 1956 Ford campaign had focused attention on its safe dashboard, its special door locks, and its deep-dish steering wheel that would collapse on impact. This advertising campaign was about as well-received as a campaign for safe airline flights would be today. ("If we should crash land this Boeing 737, think of your satisfaction at being strapped into your seat by this high-quality nylon seat belt!") Meanwhile, Chevrolet was touting its 283 cubic inch V-8 engine and its racy styling. How much do car collectors offer today for a 1956 Ford? How much for a 1956 two-tone Chevy hardtop? The only '56 Ford that will give an investor a decent return on his investment is the Thunderbird, which was not the focus of Ford's "safety first" campaign. The consumers made up their collective mind three decades ago, and Ralph Nader has not yet changed it.

When Lee Iacocca took over as president of Ford in the early 1960's, replacing Robert McNamara, who took over as the Secretary of Defense, he was asked what his goal was. He said he wanted to sell a particular number of Ford Mustangs in 1965, the first year it would be introduced. Later, someone examined this number. It turned out that it was exactly one more than the number of Falcons sold in its first year. The Falcon was Mr. McNamara's gift to middle-class America: a small, economical, boring Nebbish of a car—a Corvair without style. The Mustang did more than beat the Falcon's record by one car that first year. How many Falcons do you see today on the highways? And wouldn't you like a mint condition 1965 Mustang in your garage, not to mention your portfolio?

The point is, the rhetoric changed in the late 1960's. The consumer supposedly needed protection from big business, but at least this time he was not being placed under a covering of guilt for his supposedly tasteless preferences. It was just that he was not being given an opportunity to express these preferences effectively. Bureaucrats were then hired by the Federal government to do this for him.

The result was the regulated consumer. He would be told what was good for him. His range of choices would be limited, of necessity. He would be given the product he surely would have chosen on his own, if he had he only read the reams of reports that the bureaucrats would compel businessmen to provide. But as the sovereign economic agent, the consumer was not being given a voice loud enough for profit-seeking businessmen to respect. He needed someone to speak in his name, someone with the power of imposing negative sanctions in his name. There would be no more Corvairs. Instead, there would be seat belts, and then seat belts that buzzed incessantly until you hooked them up, and finally police car sirens and mandatory fines for all those sitting in the front seat who had stubbornly refused to hook them up.

This is consumer sovereignty, Ralph Nader-style. This is consumerism with fines for consumers who persist in unacceptable consumption patterns. It is clear who is in charge here.

Conclusion

In the biblical social order, all power is decentralized. Why? Because God does not entrust absolute power in the hands of any man or institution. Power must be dispersed. No human sovereignty is allowed to imitate God in His capacity as the absolute Monarch.

In the biblical social order, the free market necessarily appears. It is the outcome of a judicial order that is decentralized. The market's system of sovereignty is decentralized, with consumers as the masters of the production process. Those producers who do not meet the demands of consumers forfeit profits. This loss of income makes them less influential as consumers when it is their turn to bid for goods and services in the open competitive market.

Men want to be consumers. To be effective consumers in a free market society, they must become effective, consumer-satisfying producers. This is the biblical way to wealth: service to others. Producers must serve the consumers if they themselves are to be served as consumers. The business that neglects its consumers is not going to survive long. The consumers, as the God-authorized sovereigns of the free market, will bring negative economic sanctions, as every true sovereign must eventually bring negative sanctions, against all those who fail to obey their orders. How do they bring such negative sanctions? Like the Levite and the priest, they will walk on by.