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CRACKPOT ECONOMICS IN THE NAME OF JESUS

by Gary North

Beloved, believe not every spirit, but try the spirits whether they are of God: because many false prophets are gone out into the world (1 John 4:1).

The office of prophet no longer exists in its Old Testament form. Why not? Because the canon of Scripture is closed in history. The Bible is complete. There can be no "updated messages" from God that are of equal authority to the words spoken by the prophets of Israel and the early Church's apostles. Their words were direct revelations from God, to be considered by the listeners as the very Word of God, without any qualification. When a prophet of God announced that someone was to do something, that person had no choice; he had to do it in order to be obedient to God.

Prophets therefore possessed more lawful authority than either kings or priests (state or church). The false prophet claimed this unique authority in God's name. He asked kings and priests to obey his word, thereby subordinating their offices to evil purposes as lawful representatives of the nation. This is why listening to known false prophets was such a fearful sin; it could lead to the imposition of God's negative sanctions over the entire society: "Therefore thus saith the LORD concerning the prophets that prophesy in my name, and I sent them not, yet they say, Sword and famine shall not be in this land; By sword and famine shall those prophets be consumed" (Jer. 14:15).

No earthly agent today bears lawful authority over both church and State. With the closing of the canon of Scripture and the destruction of Jerusalem in A.D. 70, the Old Covenant office of prophet ceased. There is no need for prophecy today; to say that such a covenantal office still exists is to say that the canon of Scripture is not closed. Why? Because **the revealed Word of God alone is above both church and state.** The Word of God is equated with Jesus Christ in the New Testament; He alone is called the **logos** or Word (John 1:1). He alone is above both church and state. Thus, for anyone to claim to be a prophet today is to claim judicial authority that alone is possessed by Jesus Christ in His capacity as perfect man.

Contemporary Prophets

There are still heretical groups and cults that claim that their leaders or specially gifted members possess the predictive and judicial powers of the Old Testament prophets. This claim must be steadfastly resisted by all Christians. This is not to say that supernatural predictive power does not exist; Satan does have this power to a limited degree, and he grants it to a few of his followers for brief periods of time and for specific purposes, such as spiritual deception. It is a snare.

While there is still a prophetic office possessed by all Christians – the office of **God's counsellor** – the judicial

power of foretelling the future is no longer granted by God. Covenantally faithful people can enter into God's holy court and plead their case in prayer. This is the only supernatural aspect that remains of the original office. Christians are God's counsellors, but they do not prophesy in the same way that Old Testament prophets did. Their words are not law. No one is required to believe them.

This is why the old civil law does not apply: death for any prophet whose prediction does not come true.

But the prophet, which shall presume to speak a word in my name, which I have not commanded him to speak, or that shall speak in the name of other gods, even that prophet shall die. And if thou say in thine heart, How shall we know the word which the LORD hath not spoken? When a prophet speaketh in the name of the LORD, if the thing follow not, nor come to pass, that is the thing which the LORD hath not spoken, but the prophet hath spoken it presumptuously: thou shalt not be afraid of him (Deut. 18:20-22).

Today, we are not to be afraid of even that self-proclaimed prophet whose predictions do come true for a time. (If the civil governments of the land really did seek to enforce this law, there would be far fewer self-proclaimed prophets infesting our more charismatic churches. The dreams and visions that they attribute to the Holy Spirit would not be mentioned very often in public.) The negative civil sanction is no longer in force because God has formally removed the judicial authority of all prophecies. We can lawfully make only predictions.

The question then is: How seriously need we take someone's predictions?

The Economists

It is one of the ironies of history that the economists, more than any other academic profession, claim the greatest powers of making accurate predictions (outside of a laboratory, anyway). They do not appeal to morality or religion for support; accurate predictions made with rational theories are everything for the "positive" economist. More than any of the other social sciences, mainstream economists have based their methods on the rejection of any necessity of grounding their discipline on morality or religion. Especially religion.

Economics grew out of a reaction against the deeply religious English civil war, 1640-1660. In the turmoil of that war and its political aftermath, the fledgling economists (mercantilists) self-consciously attempted to avoid any appeal to the Bible or religion, since they had become convinced that all appeals to the supernatural are futile. There seemed to be no way to get religious people to agree with each other. Without some common intellectual ground, they concluded, there can be no rational discussion or formula-

tion of national economic policy. Thus, they appealed only to natural law and natural reason, which they believed is common to all mankind. (See William Letwin, *The Origins of Scientific Economics*, 1963.)

In our day, the triumph of "the scientific method" in the physical sciences—the hypothetically neutral empirical investigation of the facts—has dazzled the social scientists. They seek to emulate the physicists and chemists by adopting mathematics as their model. This has been true ever since political theorist Thomas Hobbes (*Leviathan*, 1651) imitated Descartes—again, in the middle of the English civil war. They are seldom disturbed by the fact that in physical science, the objects of investigation are under the control of the scientist.

There are physical constants, especially in physics, the premier physical science, but comparable constants do not exist in the sciences of man's society. Thus, mathematics is of very little use in the formulation of social theory, including economic theory. This inconvenient fact has not dissuaded the vast majority of modern economists from adopting a specious use of mathematics. This is the triumph of method over reality, which is why economic reasoning frequently strikes the non-economist as borderline madness. There is indeed madness in their method: **the madness of the methods of the physical sciences misapplied to human action.**

Most economists say that it is the predictive power of economics that is its sole source of legitimacy. That they can believe this in the face of their continually inaccurate predictions testifies to men's faith in formulas. These formulas do not enable the economics priesthood to make uniquely skilled predictions, but they do give the priests something to believe in personally. In this, they are not alone.

The Crackpots

So successful have economists been in persuading educated and especially partially educated people in the ability of economics to unlock the secrets of society by means of a formula that they have spawned a host of imitators. For over a century, literate men have adopted what they believe to be economic reasoning, and they have announced to the public some of the most outrageous proposals, theories, and historical analyses imaginable. These supposed experts have gained followings—sometimes large followings—of laymen who take these ideas quite seriously as statements of "true" economic science.

The victims rarely understand what the founder actually taught. (This is true of professional economists, too; not many of them have actually read John Maynard Keynes' *General Theory* or Samuelson's *Foundations of Economic Analysis*.) They do not understand the arguments, the supposed facts, or the practical results of the policies recommended by the leaders. When you ask them to outline the fundamentals of the program, they can at best summarize the many good results that the founder has assured them will proceed inevitably from the application of the formula. This application is of necessity political. The State is always the key to the inauguration of the new economic era.

The Common Features

I have examined several of these systems over the past 25 years, and I have found certain features that seem to cut across them all. **First**, the founders never seem to have studied economics formally. They have never taken a single course in the field. **Second**, their followers dismiss formal economics as irrelevant. Somehow, their own lack of formal training is an advantage; the "pollution" of formal economic reasoning has never entered their minds.

Nevertheless, the publications of the founder are filled with what appear to be economic analysis. His rhetoric is covered with a veneer of economic terminology.

Third, these movements generally lack any publications outlet in the academic world. At best, they have a newsletter or two. This is true of any new and intellectually revolutionary group, but it is a characteristic feature of crackpot groups that they make little effort to penetrate the academic world, even to challenge it directly. The followers assume that academic discourse is irrelevant to the needs of the movement (which they equate with the best interests of all mankind), not just because of a prevailing ideological black-out by the professionals, but in principle. Both the founder and his disciples assume that no professional economist has anything of value to contribute to the discussion, except to confirm the truth of the proposed system. Since no economist is willing to do this, all economists are cast out into the movement's outer darkness. (The economists never notice.)

Fourth, a major theme of crackpot economics is the assertion that some aspect of the creation is not under the curse of scarcity (Gen. 3:17-18), and that we can gain access to nature's bounty at zero price if we readjust our civil laws in the recommended way. Sometimes, this free or nearly free resource is capital, as in the Social Credit movement. In other cases, it is time, as in the case of all schemes proposing an interest rate of zero, to be enforced by civil government. Sometimes profit itself is seen as the great evil. In short, nature is seen as bountiful, but man's social institutions have in some way hampered this bounty. Thus, by applying negative sanctions to acting men, the State can achieve maximum production.

What is significant here is that it is always the State that is to impose negative sanctions against voluntary behavior. By allowing acting men to trade in some way, society has supposedly allowed man's own actions to suppress the inherent bounty of nature. **It is man's institutions, not nature, that are at fault.** The State is at fault for allowing some action to go on unimpeded. Ludwig von Mises has summarized this outlook, which he equates with socialism: "They have argued that Nature herself affords to all men a sufficient existence and only because of unjust social institutions is the provisioning of a great part of humanity insufficient; and that if the rich were deprived of all they are allowed to consume over and above what is 'necessary', everyone would be able to live decently." (*Socialism*, 1922, p. 60).

Professional economists do not bother to reply to these "fringe" groups because the economist recognizes that the literature has no economic content. Why reply? Why waste valuable time refuting obvious economic nonsense? What is in it for them? And make no mistake about it: **economists take their personal cost-benefit analyses very seriously.** So, the nonsense of the crackpots goes unanswered. The followers probably would not believe a refutation anyway, but no one offers one.

Cult Status

A religious cult is an organization that mimics the church. It has a system of institutional discipline: punishments and rewards. It creates an isolated institutional, emotional, and intellectual world for its members, and it gives participants a sense of belonging to something unique. It promises to provide them with the truth.

The crackpot economics organization is remarkably similar to the cult, except for its lack of formal discipline. **First**, its members communicate with each other in newsletters and cheap tabloid newspapers (frequently with 1934-style type faces), read the same pamphlets, and thrill to the exposés of the conventional ideas of widely respected ex-

perts who are outside the organization, especially if these experts belong to an identified group of "insiders" who secretly run the world. Bankers are ideal; Jewish bankers are even more ideal.

These insiders are not criticized rationally in terms of the standard secret practices of old-boy networks, fraternal societies, and special-interest groups everywhere; they are instead criticized because they supposedly have access to an arcane formula that gives them almost magical powers to make money, such as control over the money supply itself. The fact that such insider groups do exist and do use fractional reserve banking to manipulate some parts of the economy some of the time only makes the cult's case more plausible.

Second, the cult invariably possesses a counter-formula, a way to overcome the formula of the insiders. It is almost as if they were offering white magic to offset the evil influences of black magic. **It is the promotion of this counter-formula - a one-shot solution to the problem of economic scarcity - that is at the heart of the crackpot economics cult.** The members ask society to exchange a new set of insiders with a new formula for the older group. Why should society consent? Only because this set of insiders is willing to publish the formula to the public, or at least the **outline** or **suggestion** of a formula. In fact, the groups never prove to us specifically, exactly, and concretely how their formula can be applied to the real world to produce the promised blessings. We must accept their word on faith.

Third, the members of the cult diligently study the present-day cult leaders' interpretations of the founder's main works, but they seldom read these works in the original. The founder too often was either boring or incomprehensible, sometimes both. If the founder's message was too closely geared to his own era, the priests of the cult must bring his truths up to date. On the other hand, the clearer and more coherent the founder was, the less crucial and influential the interpreters become. Thus, Henry George's *Progress and Poverty* is still kept in print, whereas C. H. Douglas' half a dozen little books are not easily available.

Fourth, there never seem to be footnotes in the founder's books. The hidden truth of the formula seems to have sprung from his own mind. This same deficiency is found in the writings of his interpreters; they footnote only each other's works. It is as if the common grace of God has never penetrated the minds of those outside the initiated inner circle of disciples.

Fifth, there will be paragraphs and even whole pages of gibberish within otherwise coherent chapters. (The exception is Alfred Lawson, who wrote only gibberish.) The closer the founder gets to the formula, the more likely the passage will resemble gibberish.

Lawsonomy

Because there are so few of his followers remaining, and because he is so obviously a crackpot (in so many areas), let us consider the works of Alfred Lawson. His dedicated publisher, the Humanity Publishing Company, put it this way in its full-page advertisement: "Incomparable are the works of Alfred Lawson." Lawson promised this: "Knowledge of the principles of life makes all things easy."

Who was he? He really was the designer of an early airliner. He was supposedly also the discoverer of:

the cause of sex
the cause of growth
the cause of evolution
the cause of attraction
the cause of consciousness
the cause of capillary action

And of course, his key concept: "the zig-zag-and-swirl movement." (Title page, *The Almighty* [1939].)

Lawson was an engineer. Natural science is a common profession for economic cult founders. He wrote in the 1930's, a time when crackpot economic ideas were universal. (The most influential of these crackpots was John Maynard Keynes, who earned a bachelor's degree in mathematics, never took a graduate course in economics, and got his first university position teaching economics at Cambridge because his father was a famous Cambridge University economist who personally raised his first year's salary; the college did not pay it.)

Lawson wrote on many topics, as we have seen. His views of economics did not take up much space in the overall corpus. Here is his basic perspective:

ECONOMICS is the first material law of nature. It can be proved as follows: Law is the rule of procedure. Procedure must have an objective. The objective of material is usefulness. Usefulness is the outlet of material. Utilization is that which gives value to material. Nature is the utilization of material. Economics is the utilization of everything without the loss of anything. Therefore, in value, Economics is the first material law of nature. (*Ibid.*, p. 120.)

He advanced the standard thesis of all the cult economists: **nature is boundless, but civilization restricts this boundlessness.** "Civilization, with machinery capable of producing wealth as cheaply as water is furnished, denies its people wealth, and, with food rotting upon the ground, allows old folks and children to starve for the want of it." (*Ibid.*, p. 121.)

The formula needed to change this is Lawsonomy's endless use of all the atoms of the universe. (In Lawsonomy, there is no second law of thermodynamics.) "Economics must adjust all transformations of matter with such absolute precision and utilization that nothing is wasted in the change. Every particle must be used over and over again for useful purposes." This is **equaeverypoise**: "the eternal balance of all things." (*Ibid.*, p. 123.) As with so many of the crackpots, his practical solution to scarcity was the issuing of fiat paper money. He wrote a book on the topic, *Direct Credits*.

Georgism

Henry George was a late-nineteenth-century social reformer and amateur economist. He wrote reasonably intelligent books, and he was not unfamiliar with classical economics. He knew nothing of the neo-classical or marginalist school of economics, with its emphasis on subjective value theory. What he did know was supply and demand. In this sense, he was not a complete crackpot.

But he made a mistake. He attributed the value of undeveloped land, but **only** undeveloped land, to "society." Thus, he concluded, the individual land owner should not be allowed to appropriate the profits attributable to the mere holding of land. The land owner should not be rewarded for having kept the use of this property from society.

What George did not understand was this: 1) economically speaking, "society" creates all economic value through the combined bidding of specific individuals for specific scarce economic resources (as evidenced by prices); 2) raw land in this respect is no different from all other scarce economic resources; and 3) there is a social function of private ownership, namely, the allocation of scarce resources, which sometimes requires owners to hold these resources in reserve ("unused") for future use.

From these crucial errors, George developed his critique of private ownership of unimproved land. From them he also derived his panacea: **the single tax**. All expenses

of the civil government should be funded through the imposition of a 100% tax on the appreciated value of all undeveloped land. The State is to appropriate all of this society-created price appreciation from private land owners. Then came the utopian part. This tax base, he said, would finance all civil government—a conclusion not based on any experience with modern levels of State expenditures. We must take his word on faith.

But why should the State be allowed (indeed, mandated by the public) to do this? **Because only the State legally represents society**, and society alone provides the land owner with his profits. Society is simply appropriating what has been illegitimately stolen from it, its own fruit.

The Georgists did create a scholarly journal, *The Journal of Economics and Sociology*, but it is generally quite conventional, except for the fact that it is written in English rather than mathematics. It is not single-mindedly devoted to the single tax. They are therefore not total crackpots, nor was George himself, but the disciples guard the received truth of the single tax as priests guard a creed or ritual. There is no arguing with them.

Social Credit

The founder of this peculiar cult was an engineer, C. H. Douglas. He had been a major in the British Army. His first significant publishing breakthrough was a series of articles published in the British political and literary magazine, *The New Age*, in 1919. His initial collaborator, A. R. Orage, was the editor of *New Age*. (Orage became a devoted disciple of Douglas for a few years, then became an even more devoted disciple of the occultist, Gurdjieff. In the 1930's, he left Gurdjieff and returned to the Social Credit fold, and again became its second in command, at least as far as the public could determine. He became the movement's number-two spokesman after Douglas.)

Reading Douglas is a peculiar experience. Sections of his books are lucid. He attacks fractional reserve banking. He also includes the all-too-common suggestion of a Jewish conspiracy. He implies that the major bankers are almost always Jews: "Rothschilds, Sterns, Schiffs, and others." (*Warning Democracy* [1934], p. 120.) He criticizes "the Semitic structure of society"—the system of rewards and punishments. (*Social Credit* [1937], p. 44.) He identifies "the Jewish Question": "... they exhibit the race-consciousness idea to an extent unapproached elsewhere, and it is fair to say that their success in many walks of life is primarily due to their adaptation to an environment which has been moulded in conformity with their own ideal" (*Ibid.*, p. 29.) Then there are whole sections of gibberish:

The fundamental idea which it is necessary to grasp is that you cannot get existing and future credit-power into the hands of the community, unless the distribution of purchasing-power, both in respect of capital increases, as well as in respect of ultimate products, is only taken back from the community in the proportion that consumption bears, not only to these products, but to capital production as well, using capital in just as wide a sense as the credit-issuer uses it.

The result of this is that as a condition of such a state of affairs, prices of ultimate commodities would have to be fixed, not with regard to what they would fetch, but with regard to the above ratio, which would result in a price which would be a fraction of cost; the difference being made up to the entrepreneur by an is-

sue based on the actual capital still remaining as a result of effort represented by total "cost." (*Credit Power and Democracy* [1920], pp. 46-47.)

We find the basic theme of all crackpots and socialists: it is the existing free market institutions and arrangements that make us poor. Two working hours a week—at most three hours—would be sufficient to provide us with our basic necessities. "It has been estimated," he says (though not by whom), "that two hours per week of the time of every fit adult between the ages of 18 and 45 would provide for a uniformly high standard of physical welfare under existing conditions. . . ." (*Economic Democracy* [1921] pp. 86-87.) Well, maybe three hours per day (*Ibid.*, p. 105.) No need to get too specific!

Then what has happened to this excess wealth that we never see, what Marx called "surplus value"? The bankers get it. They have a formula. He called it the A + B theorem. "In any manufacturing undertaking the payments made may be divided into two groups: Group A: Payments made to individuals, wages, salaries, and dividends; Group B: Payments made to other organisations, raw materials, bank charges, and other external costs." (*Control and Distribution of Production* [1931], p. 30.) Those who get the wages and dividends (Group A) do not get all of the credit money, so they cannot buy back the whole of their production. Thus, we have **underconsumption**: economic waste.

He used a classic "pea under the shell" ploy, and he built his entire system and public career on it. We see it in one phrase: "Payments made to other organizations, raw materials, bank charges, and other costs." This was Group B. He forgot the obvious: payments are not made to **people-less organizations**. Payments are not made to **raw materials**. Payments are not made to **other costs**. In short, **payments are made to people**. People then spend: savings or consumer goods. Every bit of this money goes to other people. **Every unit of money is owned by someone at all times, unless someone has inadvertently lost it.** (And if this lost money is somehow economically significant, then sellers will lower selling prices in order to clear the market of excess goods and services—the idea, above all others, that all monetary cranks reject.) Douglas' solution was for the State to confiscate all privately owned credit and material capital, and then issue an equal ownership share to each citizen, from which he would derive an annual dividend, regardless of whether he labored or not. This was what he meant by **social credit**. Douglas insisted that this was not socialism. His followers believe him. They call him a conservative.

Conclusion

Christians must not be taken in by crackpottery. If we are to become crackpots for Jesus in this world, let us be Bible-based crackpots, not New Age crackpots. Let us begin, as Christian economists, with this presupposition: the earth is under a curse, as just as man is, and scarcity as such is not the product of economic institutions. Some institutional arrangements can relieve scarcity more efficiently than others, but it was God, not society, who brought the curse on man and his environment (Gen. 3:17-19). It is therefore God, not society, who promises to remove this curse progressively when we conform ourselves to His revealed law. There is no formula. There is no single cure. There is God's law (and Spirit).

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