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## THE WEALTH OF NATIONS

by Gary North

*Now these are the commandments, the statutes, and the judgments, which the LORD your God commanded to teach you, that ye might do them in the land whither ye go to possess it: That thou mightest fear the LORD thy God, to keep all his statutes and his commandments, which I command thee, thou, and thy son, and thy son's son, all the days of thy life; and that thy days may be prolonged. Hear therefore, O Israel, and observe to do it; that it may be well with thee, and that ye may increase mightily, as the LORD God of thy fathers hath promised thee, in the land that floweth with milk and honey (Deut. 6:1-3).*

Moses was repeating himself. He had just given a similar message: obey the law, enjoy long years, and have things go well for you: "Ye shall walk in all the ways which the LORD your God hath commanded you, that ye may live, and that it may be well with you, and that ye may prolong your days in the land which ye shall possess" (Deut. 5:33). He added three extra themes here: intergenerational covenant-keeping, population growth, and inherited wealth.

### Intergenerational Covenant-Keeping

"Thou, and thy son, and thy son's son": this phrase reminded Moses' listeners that their ethical responsibilities did not end with themselves; they extended down to those whose would eventually inherit. "Keep all his statutes and his commandments," Moses told them. To preserve the inheritance intact through the generations, each generation would have to bear the responsibilities associated with training up the next two generations.

This position places grandparents into the chain of family command. The grandparents have responsibilities to preserve whatever capital they have accumulated. But this capital base is more than marketable wealth. The crucial capital asset is ethics. Without this, marketable wealth will inevitably be dissipated. This is the message of Deuteronomy 28:15-68.

Obviously, parents have greater covenantal authority over children than grandparents do. Parents are God's designated mediators between Him and their children. The question is: Will the grandchildren mimic their parents or their grandparents? Which representative model will be dominant? There is always the possibility that grandchildren will model themselves after their grandparents. Folk wisdom has a saying: "We make our grandparents' mistakes." Each generation sees more clearly the mistakes of their parents and so seeks to avoid

them. This leads to a kind of generation-skipping.

We have seen this in the twentieth-century United States. The 1920's were years of ethical rebellion: the "roaring twenties." This was a time of economic growth, sexual experimentation, artistic creativity and degeneracy, and present-orientation. In the United States, it was a time of illegal drugs: alcohol. The 1930's followed: the Great Depression. The children of the "flappers" of the 1920's grew up in the depression years and World War II. They grew up in hard times, marched off to war, saw death on a massive scale, came home, started families, worked hard, saved their money, and enjoyed a growing prosperity without social rebellion. These children of the Great Depression bore the "flower children" who came of age in the late 1960's, a time of economic growth, sexual experimentation, artistic creativity and degeneracy, and present-orientation. The marijuana-smoking flower children had far more in common with their hip-flask grandparents than with their parents. The 1970's brought a reaction somewhat like the 1930's: economic recessions, stagnation of per capita economic growth, a glum reaction against deviant behavior, and a growing conservatism. The children of the flower children became far more like their grandparents. The nostalgia among the young for the 1950's began in the late 1970's and escalated in the 1980's.

The point is, there is no automatic straight-line social development. Societies are linear only in the broadest sense. They can experience culture-shattering crises that break the covenant. When this happens, people may react the way their grandparents did when facing similar crises. There is a kind of cultural echo effect: grandparents to grandchildren.

There is also an economic echo effect. De Tocqueville observed in the 1830's that there was a rags-to-riches-to-rags phenomenon in the United States. This was an era of great economic freedom in which there were very few welfare guarantees by the State. "... I know no other country where the love of money has such a grip on men's hearts or where stronger scorn is expressed for the theory of permanent equality of property. But wealth circulates there with incredible rapidity, and experience shows that two successive generations seldom enjoy its favors."

The responsibility of the grandparents is even greater if they live in the households of their children and have responsibilities of raising them. This is the case in many Black households in the United States today, where grandmothers raise the grandchildren while their unmarried mothers work. The breakdown of the Black family since the 1940's has led to

a situation where two-thirds of the children today are born illegitimate – over 80 percent in inner-city areas.<sup>2</sup> This has put enormous economic pressure on unmarried mothers and has added heavy social responsibilities on grandmothers, who are also frequently unmarried. Third-generation illegitimate children are becoming common.

This has led to what appears to be irreversible poverty – irreversible without a moral transformation. The liberalization and feminization of Black churches and the rise of the welfare State have left Black families with few moral resources, such as fathers. With white illegitimacy now in the 22 percent range, there appears to be a one-generation echo effect racially: from Blacks to Whites. In the early 1960's, Black illegitimacy was about 25 percent, while White illegitimacy was about 5 percent.

Clearly, there has been a breakdown in social values. The retreat of Christian orthodoxy in the United States, especially in non-rural areas outside of the South, which began around 1890, has broken the covenant. Within a century, there were signs of breakdown everywhere: legalized pornography (late 1950's), rising crime rates (1960-), the drug culture (late 1960's), legalized abortion (1973), a rising divorce rate (at least half of all marriages fail), rising welfare dependency, and collapsing government schools – all compounded in the Black inner cities. From the generation that grew up in the 1890's – the "gay nineties," in which secularism made its first major cultural gains – to the children who are coming of age to vote in the 1990's, it took only four generations: from my grandparents to my children. It did not take long. The broken social covenant of the "gay nineties" has produced a culture in which almost nothing remains of the ideal of Christendom.

The covenantal question is this: How long can long-term economic growth be sustained by a society that is growing ethically perverse? Is economic growth self-sustaining irrespective of moral vision? Not if the inner city is a valid example. Economic growth is the product of certain attitudes toward the future: future-orientation, peaceful exchange, honest dealing, legitimate private ownership, minimal civil government, predictable civil government, and so on. These attitudes are becoming less common in the inner-city ghetto. These are not the attitudes of men with no fathers, no wives, poor educations, and no jobs. They are surely not the attitudes of drug addicts.

### Population Growth

The next covenantal promise as a positive sanction is this one: "that ye may increase mightily." This increase is numerical. Biological expansion is the product of two things: high birth rates and low death rates. A high birth rate is a covenantal promise: "There shall nothing cast their young, nor be barren, in thy land: the number of thy days I will fulfil" (Ex. 23:26). So is a low death rate: "Honour thy father and thy mother, as the LORD thy God hath commanded thee; that thy days may be prolonged, and that it may go well with thee, in the land which the LORD thy God giveth thee" (Deut. 5:16).

The compound growth process is governed by what has become known as the law of 73. The rate of growth divided into the number 73 gives the period of time it takes for the population to double. A 7.3 percent per annum growth rate will produce a doubling in ten years. A 10 percent growth rate will produce a doubling in 7.3 years. This means that a 3 percent per annum increase will produce a doubling in a little over 24 years. This will increase a population by a factor of 16 in a century. This is serious multiplication. Anything that multiplies by a factor of 16 in a century gets very, very large in a millennium.

Israel began with about 2.4 million people. In just two centuries, with a 3 percent growth rate, the population would

have been 614 million people. Twenty-four years after that, it would have been over 1.2 billion – the estimated population of China today. This would have been two centuries before the Davidic kingdom. This obviously was not going to happen – not within the geographical confines of tiny Israel. But there is no doubt that once compound growth produces an upward-pointing curve, the population approaches its environmental limits very fast. With a low growth rate, it takes a long time to reach the point when the population curve turns upward, but once it does, it reaches its limit fast.

There are two limits to growth, each corresponding to one of man's two idols: physical environment and time. The corresponding idols are nature and history.<sup>3</sup> If any population compounds, it will usually run out of space before it runs out of time. In a world in which time is considered functionally unlimited, growth's limits are said to be environmental. Why is time considered functionally unlimited? Because any rate of growth, no matter how low, reaches its environmental limits within the confines of historical time. Cosmic time therefore has no relevance in such a world. The only question is the rate of growth in comparison to the perceived environmental limits.

With the coming of quantum physics in the late 1920's – the physics of the subatomic world – and the invention of the silicon computer chip in the 1950's, a handful of creative writers have begun to speculate about a realm that has no physical limits, a realm in which there is no law of diminishing returns. As proof, they point to the fact that the speed of the computer chip has doubled every 18 to 24 months since the late 1950's: "Moore's Law."<sup>4</sup> This is the highest decades-long growth rate of anything known in man's history. Chip speed increases so rapidly that by the time a buyer receives delivery of the fastest microcomputer on the market – delivery generally takes up to three weeks – it is likely that an even faster microcomputer will be advertised in the same price range. But while limits to growth may not actually exist in the subatomic world – which I doubt – they surely exist in the capital markets. It costs billions of dollars to construct a new computer chip factory in the 1990's. Until these costs cease to rise, there will still be an economic limit to the rising speed of the chips, although what that limit is, no one on earth knows.

What may apply to subatomic physics does not apply to reproduction rates. There are biological limits to growth. These limits are either environmental or chronological. Either the population runs out of space or the world runs out of time. When the population in question is man, analysts assume that mankind must run out of space or the things necessary for man's survival that are produced in space. Put another way, modern men assume that time is functionally limitless. There will be no final judgment in historical time. There will only be the slow erosion of the universe as it moves over billions of years toward its own heat death: the triumph of physical entropy over life.<sup>5</sup> The heat death of the universe is the only temporal limit acknowledged by modern man: time runs out because there is nothing left by which time might be measured.

This leads modern man to a conclusion: mankind must reach environmental limits soon. Man's population has already turned the corner; it is on the upward slope of the exponential curve. At present population growth rates, men will approach infinity as a limit within a few centuries. So, demographers and social commentators assume that there must be a reversal of man's growth within a century or so: war, plague, famine, or population control – either State-imposed or free market-imposed.

The covenantal question is this: How long can any population grow in the face of widespread paganism and apostasy? (Atheism is a little-shared view.) Israel did not grow.

After the exile, only a handful of Israelites returned to the land. Israel from that time on was under the domination of a series of empires until Rome expelled all of them from Palestine in A.D. 135, after Bar Kokhba's rebellion. It was a small, isolated nation. Nothing like the promise of Deuteronomy 6:3 took place.

The promise was conditional. It rested on ethics. Israel rebelled continually. But inherent in that promise was a covenantal possibility: the filling of the earth. That had been true since the days of Adam and Noah, both of whom were told by God to multiply. Covenant-keeping men would have run out of time before they ran out of space.

The command to multiply, coupled with the economic means of multiplication, points to the end of time. Modern man does not want to acknowledge the end of time. Thus, he is trapped in a dilemma: he must accept the limits of growth. He wants to affirm the growth of knowledge and wealth, yet this is impossible in a world of unlimited time. So, a few men are willing to listen to another scenario: war, plague, famine, and population control. Nature has always kept mankind in check, but for the now, it no longer does. History is supposedly unbounded; so, it cannot replace nature as the imposer of limits: no final judgment. This leaves it to warring man or scientific man or sovereign nature, which will produce some man-killing bacterium or virus, to impose the inevitable negative corporate sanctions. A series of best-selling books in the mid-1990's on the potential for killer plagues testifies to modern man's wondering about limits. He sees the effects of compound growth, and he knows this growth cannot go on for centuries. The question is: What will stop it?

### **Milk and Honey**

Moses spoke of "the land that floweth with milk and honey."<sup>6</sup> This language was covenantal. It was not to be taken literally. What this covenantal language meant was that the new land would be a good place to raise cattle and bees, as well as all the other good things of rural living. Reuben, Gad, and half the tribe of Manasseh took this language so seriously that they gave up their claims on land across the Jordan because what they found outside the boundaries of Israel was good for cattle. Moses granted them their request.

The language of flowing milk and honey testified to a land that would provide covenant-keeping people with the comforts of middle-class living, however defined. Solomon prayed: "Two things have I required of thee; deny me them not before I die: Remove far from me vanity and lies: give me neither poverty nor riches; feed me with food convenient for me: Lest I be full, and deny thee, and say, Who is the LORD? or lest I be poor, and steal, and take the name of my God in vain" (Prov. 30:7-9).

The covenantal imagery of milk and honey meant that no matter how fast Israel's population grew, there would be wealth for all. This meant that the economic limits to growth inside Israel would expand with the population. But this promise obviously had limits. Space is in fixed supply. There are always spatial limits to growth for populations that occupy space. We do not live in the quantum. What this promise clearly pointed to was emigration out of Israel: the extension of Israel's holy commonwealth ideal beyond the geographical confines of Palestine. This expansion would force major adjustments in such geography-based rituals as festivals held in a central city. The very promise of population growth pointed to a new covenant with new legal requirements.

This law promised covenant-keepers that their growth in numbers would never be threatened by the limits of their environment if they obeyed God's law. Their numbers and their wealth would grow together. There would be milk and honey

for all. This promise is anti-Malthusian to the core. Malthus' suggestion in his then-anonymous *Essay on Population* (1798) that human numbers expand geometrically, while food expands only arithmetically, makes no sense biologically. Humans eat things that multiply. Why those things cannot be cultivated to multiply faster than we do, he never said. One seed of corn produces an ear; one ear produces hundreds of seeds. Corn multiplies a lot faster than men do. Malthus dropped the phrase in later (signed) editions. Nevertheless, it is that phrase from the first edition which is most closely associated with his name: the Malthusian thesis. It was far more powerful rhetorically than it was logically.

Modern man, beginning in the eighteenth century, has found ways of multiplying food faster than men. The price of food as a percentage of family income has been dropping steadily for two centuries. This is what has fuelled the increase in man's population. Economic growth – milk and honey – has more than kept pace with man's population. The poor in any industrial nation, and in most non-industrial nations, eat better today than their ancestors did two centuries ago. Even the things that we should not eat in large quantities, and which our ancestors could not afford to eat in large quantities, such as sugar, we eat because we want to and can afford to. Our ancestors had to content themselves with honey. Americans consume over 100 pounds of sugar a year. Sugar beets, not honey bees, have made it possible for dentists to make a good, upper middle-class living. (Speaking of dentistry, what advocate of "simpler living" and a "return to nature" is prepared to go back to the pre-anesthetic dentistry of 1840?)

Europe's adoption of free market capitalism in the eighteenth century ratified the trustworthiness of Moses' covenantal promise. We live in a land flowing with milk and honey, but with very few flies and hardly any bee stings. Should we conclude that Israel could not have made a similar discovery? Israel failed to experience long-term per capita economic growth, not because Israel lived way back then, but because Israel was covenantally unfaithful.

### **The Wealth Formula**

Moses set forth a conditional promise: population growth and per capita economic growth in exchange for corporate covenantal obedience. Had Israel conformed to the terms of the covenant, Israel would have experienced the same kind of compound growth that the West has enjoyed since the mid-eighteenth century.

Wealth is so widespread today that we fail to recognize the magnitude of what the West has experienced over the last two centuries. The economic condition of the average Englishman in 1750 was far closer to the economic condition of the average Israelite in Joshua's day than it was to the average Westerner today. Travel was just about as slow. The cost of travel was just about as high. Metallurgy was superior, but medicine probably was not. The physical pain of life's disasters was no different. A fire could wipe out a family's wealth just as completely in 1750 A.D. as in 1400 B.C. Mortality rates for children were high in England. We do not know what they were in Israel. Communications were much better in England because of the printing press, but widespread illiteracy made this a benefit mainly for an elite. For the wealthy and learned, life was substantially advanced beyond Joshua's day – more sophisticated toys – but for the average farmer, it was not much different. For the average English coal miner, it was worse. On the whole, the typical Israelite would have recognized the life style of England in 1750 as being marginally more productive than Israel's, but probably not worth putting up with the English climate.

Had he visited any modern industrial nation, he would

have recognized this world as beyond the dreams of avarice. Ours is a radically different world economically from 1750. The difference is not in raw materials. Those have not changed. The "limits to growth" doom-sayers might even say there are fewer of them today. The difference is in science, technology, and rates of capital formation. But how did these changes come about? Through changes in economic organization. The chief difference is in the power of the institutions of capitalism to draw forth productive ideas from millions of people and then supply entrepreneurs with the capital required to transform a handful of these ideas into consumer-satisfying output.<sup>7</sup>

The difference, in short, is in the division of labor, just as Adam Smith wrote in 1776. The structure of production of the pin factory in chapter 1 of *Wealth of Nations* has been imitated around the world, and its output had multiplied 500-fold by the final decade of the twentieth century. But how could this have been accomplished? By improving industrial output on average by a little under three percent per annum since 1776.<sup>8</sup>

From about 1870 until the 1990's, the annual economic growth rate in the United States was 3.25 percent.<sup>9</sup> What is a barely measurable improvement in one factory's production on an annual basis becomes a world-transforming miracle in a little over two centuries, i.e., the amount of time from the death of Moses to the beginning of Gideon's judgeship. Putting it differently, this would have been from Moses' death to the birth of David's grandfather's grandfather's father. The West, beginning with Great Britain, found a way to sustain compound economic growth of somewhat under three percent per annum despite wars and revolutions. This discovery has changed the world.

Who is to say that a society that honored the Mosaic law could not have done the same? Who is to say that compound economic growth could not have begun 14 centuries before the death of Jesus Christ rather than 17 centuries after?

### Conclusion

Moses delivered to Israel the judicial foundation of long-term economic growth. Through God's grace, the nation could adhere to the Mosaic law. This would have produced the growth in population and per capita wealth promised by Moses. But God, in His sovereignty, did not enable Israel to obey. The opportunity was lost. But this does not mean that the potential for enormous long-term growth was not available to Israel.

Had Israel continued to grow as fast as the world's population has grown since 1776, the filling of the earth would have been completed millennia ago. But it was not God's time. The rate of population growth will vary until such time as God has determined that time must end. We will run out of time before we run out of raw materials, space, and productive new ideas. Time is the crucial limit to growth, not nature.

Modern man in his heart fears the idol of history more than he fears the idol of nature, so he has invented a mythology – uniformitarianism – which comforts him by assuring him that mankind has all the time in the world. "There's plenty more where that came from!" Billions of years have passed, we are assured, so billions must lie ahead. "No final judgment anytime soon!" Modern man then pretends to fear nature: the resource

limits to growth. He invents whole philosophies to deal with nature and nature's limits.<sup>10</sup> He whistles past the graveyard, telling himself that mankind will run out of resources before we run out of time. He forgets Moses' words. It is God who is to be feared, not nature. It is the fixed supply of time, not the far less fixed supply of raw materials, which threatens every covenant-breaking man and covenant-breaking mankind as a whole. Time is the only irreplaceable resource, and it is in short supply. Nothing points this out to man more effectively than the multiplication of man. God's dominion command (Gen. 1:28; 9:1), when obeyed, forces men to hear the ticking of the prophetic clock. Either we must lower the rate of population growth to zero or less, or face judgment: at the hand of God or the hand of the idol of nature. Covenant-breaking man prefers to deal with the idol of nature, with whom he believes he can work out a peace treaty on terms satisfying to man.

1. Alexis de Tocqueville, *Democracy in America*, edited by J. P. Meyer (12th ed.; Garden City, New York: Doubleday Anchor, [1848] 1969), p. 54.

2. Charles Murray, "The Coming White Underclass," *Wall Street Journal* (Oct. 29, 1993).

3. Herbert Schlossberg, *Idols for Destruction: Christian Faith and Its Confrontation with American Society* (Westchester, Illinois: Crossway, [1983] 1993), p. 11.

4. First observed by Gordon Moore, co-inventor of the computer chip in the 1950's.

5. Gary North, *Is the World Running Down? Crisis in the Christian Worldview* (Tyler, Texas: Institute for Christian Economics, 1988), ch. 2.

6. American parents used to sing to their children of the big rock candy mountain, where lemonade rivers flowed.

7. John Jewkes, David Sawyers, and Richard Stillerman, *The Sources of Invention* (2nd ed.; New York: Norton, 1969).

8. Walt W. Rostow estimates the average annual increase of world industrial production as 2.84 percent per year. Rostow, *The World Economy: History & Prospect* (Austin: University of Texas, 1978), p. 48. Such a precise figure is spurious. The incomplete documentary evidence and the difficulty of comparing rates of growth in different periods and nations make such statistics little more than informed guesses. But "less than three percent" seems like a reasonable guess until someone can prove that it is extremely high or extremely low.

9. Milton Friedman, "Getting Back to Real Growth," *Wall Street Journal* (Aug. 1, 1995).

10. North, *Is the World Running Down?*