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Christian Economics in One Lesson

Part 3: The Division of Labor

by Gary North

For I say, through the grace given unto me, to every man that is among you, not to think of himself more highly than he ought to think; but to think soberly, according as God hath dealt to every man the measure of faith. For as we have many members in one body, and all members have not the same office: So we, being many, are one body in Christ, and every one members one of another. Having then gifts differing according to the grace that is given to us, whether prophecy, let us prophesy according to the proportion of faith; Or ministry, let us wait on our ministering: or he that teacheth, on teaching; Or he that exhorteth, on exhortation: he that giveth, let him do it with simplicity; he that ruleth, with diligence; he that sheweth mercy, with cheerfulness (Rom. 12:3-8).

This passage is crucial for understanding the principle of the division of labor. So is the parallel passage in First Corinthians: "Now there are diversities of gifts, but the same Spirit. And there are differences of administrations, but the same Lord. And there are diversities of operations, but it is the same God which worketh all in all. But the manifestation of the Spirit is given to every man to profit withal" (I Cor. 12:4-7).

God announced that the institutional Church is like an organism: one entity with many members. To prosper, the organism must perform all of its biological functions. Because men are more than cells or appendages, they must learn to cooperate. They must not seek to be what they are not: eyes seeking to be ears; ears seeking to be feet; etc. The harmony of the Church is based on the unity provided by the Holy Spirit. It is also provided by God's providential distribution of varying gifts – both human and geographical – although this is not stated explicitly.

The idea of providential provision follows from the Great Commission: "And Jesus came and spake unto them, saying, All power is given unto me in heaven and in earth. Go ye therefore, and teach all nations, baptizing them in the name of the Father, and of the Son, and of the Holy Ghost: Teaching them to observe all things whatsoever I have commanded you: and, lo, I am with you alway, even unto the end of the world. Amen" (Matt. 28:18-20). Evangelism is not a liability for the Church; it is an advantage. If it is an advantage, then adding members to the Church must bring blessings. One of these blessings is an increase in the division of labor.

Population Growth

Most churches officially proclaim the benefits of local church

growth. While their actual policies may undermine this public commitment, there is no church that I know of that recommends a policy of zero growth for the Christian Church in general or the local congregation. I have never heard a pastor preach a sermon on why evangelism is necessary only when existing members either die or leave the local congregation.

If this is true regarding church membership, why isn't it true regarding species membership? Any Christian who so much as hints that zero population growth should be a public ideal, let alone a matter of civil legislation, should provide a detailed answer to this question.

One possible answer is this: everyone is born in sin. If evangelism is unsuccessful, there will be many sinners in the world. They will go to hell. Meanwhile, they will make life miserable for the righteous. Therefore, we should promote publicly funded population control programs and possibly even abortion. If you think I am exaggerating, consider the following statement regarding the anti-abortion movement. It appeared in a conservative Christian newspaper in 1989. A pastor wrote it:

And if abortions were prevented, what's going to happen to the babies who will be born? Will they be baptized? Will their mothers be brought to repentance, and join churches? Don't kid yourself. . . . Because even if they were effective – if the proliferers of this nation were successful in shutting down every abortion mill in the country – their victory is as temporary as the bombing of Pearl Harbor. By leaving the mothers convinced but not converted, and the babies born but not baptized, all the pro-life movement has done is double the number of the ungodly. In 18 years, those babies raised by pro-choice mothers, will start to become voters, and then pro-life activists will be outlawed, arrested, and maybe shipped off to Alaska.

This view of man and history is anti-man and anti-history. It pictures the Church in the midst of a flood of evil. The Church desperately tries to stay afloat on this sea of evil, but for the Church to seek to roll back this tide of evil is basically a lost cause. The sea of humanity is inherently a threat to righteousness, progress, and all things good. Given this outlook, abortion is really not so bad. In fact, if all babies go to heaven, abortion and infanticide are actually the world's only sure-thing evangelism techniques. "Send all babies to heaven: kill them."

Something is wrong with this anti-humanity line of reasoning. What is wrong is this position's lack of understanding of the biblical doctrine of common grace. The Bible teaches that God sends the rain on the sinner and the righteous (Matt.

5:45). God shows all men grace – grace being defined as a gift unmerited by the recipient. To some, He shows soul-saving or special grace; to others, He shows common grace in history. But all men benefit in history from the gift of life. All men are held responsible before God for the righteous administration of this gift. If life were not a gift, men would not be held responsible for misusing it.

Is life exclusively a benefit to the recipient? Isn't it also a benefit to those who benefit from the productive efforts of other people? When a man produces something of value, if only to do evil things with his income, someone receives the benefit of his output. Society's task is to allow the production of benefits and to restrict the production of evil: crime, fraud, and violence. Except in the case of capital crimes, the civil government is not allowed to kill evil-doers. The State is to impose negative sanctions – most notably, double restitution from the criminal to his victim – on the convicted criminal. It is not supposed to execute him.

This tells us that there are social benefits from population growth. If those who commit crimes are only rarely to be executed, then what of law-abiding people? If God allows a convicted criminal to live, in the legitimate hope that he will learn righteous ways, why should anyone regard the birth of a baby as a liability to society, a matter of public concern?

God announced man's task in Genesis 1:28, but more to the point, in Genesis 9, after the Fall. "And God blessed Noah and his sons, and said unto them, Be fruitful, and multiply, and replenish the earth" (v. 1). Does God command that which is a net liability to society? Of course not. Population growth is a blessing. It increases mankind's ability to exercise dominion:

And God said, Let us make man in our image, after our likeness: and let them have dominion over the fish of the sea, and over the fowl of the air, and over the cattle, and over all the earth, and over every creeping thing that creepeth upon the earth. So God created man in his own image, in the image of God created he him; male and female created he them. And God blessed them, and God said unto them, Be fruitful, and multiply, and replenish the earth, and subdue it: and have dominion over the fish of the sea, and over the fowl of the air, and over every living thing that moveth upon the earth (Gen. 1:26-28).

Specialization in Eden

Adam did not initially have a wife. His work was hampered. He needed a helper fit for him (Gen. 2:18). When God gave him Eve, Adam was given a way to increase his own output. The scarcity of the garden was not cursed, but it did exist. To perform his tasks better, including procreation, Adam required the assistance of someone who shared his humanity who had capacities different from his.

The testimony of the garden experience was that even in the original good environment, there was room for growth. The very concept of "room for growth" implies the division of labor. The environment of Eden was incomplete. Living things in the creation were supposed to multiply. The environment could not only sustain more living things, God positively required this. Men are commanded to be fruitful and multiply.

The question is: Does God bring positive sanctions to those who obey Him? The Bible says yes. God announced to Israel: "Behold, I set before you this day a blessing and a curse; A blessing, if ye obey the commandments of the LORD your God, which I command you this day: And a curse, if ye will not obey the commandments of the LORD your God, but turn aside out of the way which I command you this day, to go after other gods, which ye have not known" (Deut. 11:26-28). So, if man

is commanded to multiply, will God bring reduced wealth to the heirs of those who obey Him? Not if they continue to obey Him. Will He bring increased wealth for the heirs? If they continue to obey Him. Will He bring increased wealth per capita? That is the question.

Wealth per Capita

We usually speak of economic growth in numerical terms: so much growth per year. But how do we measure economic growth? Not merely by the numbers. If the world is in need of nails, an increase in the output of tacks will not help. It will reduce the amount of nails that could otherwise have been produced.

What is economic growth? One of the most useful definitions is this one: an increase in the options available for decision-makers. When a person's range of choices increases, he becomes wealthier. This may be the result of added money income, or it may be the result of falling prices. It may be because of an increase of information available to him. More and more, it is this increase that is basic to economic growth. The Bible implies this repeatedly:

And Moses said unto the children of Israel, See, the LORD hath called by name Bezaleel the son of Uri, the son of Hur, of the tribe of Judah; And he hath filled him with the spirit of God, in wisdom, in understanding, and in knowledge, and in all manner of workmanship (Ex. 35:30-31).

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

How much better is it to get wisdom than gold! and to get understanding rather to be chosen than silver! (Prov. 16:16).

Give me now wisdom and knowledge, that I may go out and come in before this people: for who can judge this thy people, that is so great? And God said to Solomon, Because this was in thine heart, and thou hast not asked riches, wealth, or honour, nor the life of thine enemies, neither yet hast asked long life; but hast asked wisdom and knowledge for thyself, that thou mayest judge my people, over whom I have made thee king: Wisdom and knowledge is granted unto thee; and I will give thee riches, and wealth, and honour, such as none of the kings have had that have been before thee, neither shall there any after thee have the like (II Chron. 1:10-12).

For the LORD giveth wisdom: out of his mouth cometh knowledge and understanding (Prov. 2:6).

Receive my instruction, and not silver; and knowledge rather than choice gold (Prov. 8:10).

And by knowledge shall the chambers be filled with all precious and pleasant riches (Prov. 24:4).

If God sends wisdom and knowledge as blessings to men, then the implication is that as men become wiser, they become wealthier. There is no hint in the Bible that God's gift of wisdom grows only as rapidly as the population, i.e., that per capita knowledge remains constant. There is also no suggestion that if one person becomes wiser, there will be a reduction in another person's wisdom. In fact, the opposite is implied: when one person finds a solution to a problem, others will share in the benefits.

When medicine discovered that washing our hands with soap reduces the spread of sickness, millions of people benefited. Knowledge is superseded by better knowledge, but once a good idea becomes widely known, it increases lots of people's wealth without costing other people anything. For example, if a person adopts a beneficial behavior, such as covering his mouth when he sneezes or coughs, thereby reducing the likelihood of spreading a contagious disease to those close to him, others who come into contact with those around him also can avoid it. This is a benefit to all those who have been protected, even those who know nothing about the epidemiology of the disease or who do not know who the first person is.

Here is another example. If there were only one telephone or one FAX machine, and no possibility of building another, it would be worthless except as scrap. Add another telephone or another FAX machine, and the first one becomes valuable. Add a million telephones, and each existing telephone becomes more valuable. With each addition of a phone, the market for calls increases, the ease of communications increases, so the value of any individual phone increases. The added benefits conferred on the latest person who has a new telephone installed raises the per capita wealth of many others. This example is not frivolous; academic studies indicate that there is no other capital investment that produces a faster rate of return in a backward nation than a telecommunications system – not even a modern road system.

I have used the example of increasing per capita knowledge because it is obviously taught in the Bible. God does not restrict its increase among covenant-keepers in order to match their population growth. So, if He does not do this with knowledge, which is a valuable economic asset, why should we conclude that He does this with other resources? If added knowledge increases the value of other resources, including men's knowledge of how to dig up, recycle, transform, or in other ways increase the supply of resources, why should anyone conclude that the Bible teaches anything other than the possibility of increasing per capita wealth? One possible answer: the person is operating in terms of a non-biblical worldview and agenda, and he wants to confuse those who believe the Bible.

One Hand Washes the Other

This familiar saying testifies to men's understanding that the division of labor makes possible the attainment of goals that would otherwise be more expensive. Not many of us have ever thought about how a one-armed person washes his hand or ties his shoelaces. Probably, he does not wear shoes that have shoelaces. We assume that everyone has two hands. Similarly, we assume the existence of a division-of-labor economy without giving much thought to it. Yet the fact is, civil governments pass laws that restrict the division of labor. It is as if the government were to vote to cut off every right-handed person's left arm and every left-handed person's right arm.

The politicians might willing to allow everyone to retain his favored arm. To do otherwise would appear foolish. But, you say, cutting off anyone's arm is foolish unless it is suffering from gangrene or cancer. Then so is raising quotas on imported goods. By restricting the flow of goods and services by means of import quotas, the civil government restricts the division of labor. A few people prosper temporarily: domestic producers who had faced stiff competition from abroad. In time, these protected producers will find it very difficult to compete in world export markets, and their industry will begin to die out, to be replaced by a substitute. But in the meantime, some producers do benefit. They do so at the expense of all those consumers who would have preferred to buy the imported good but who are now forced to pay more or go

without it. The government's quota legislation therefore reduces per capita wealth.

Think of two railroad companies that get together to design a high-speed passenger train line. They plan a route between two major cities. They lay the track. But one company deliberately lays track whose rails are spaced six inches farther apart than the other. The second company agrees. At the mid-way point, the two railroads erect stop lights and crash barriers.

The two then railroads announce a joint press conference. The details of the plans are deliberately leaked in advance to the press by both companies. Reporters come from all over to get an explanation. Here is what they are told: "We want to provide employment for baggage carriers. Employment is good for the country. So, we have designed the rails to force passengers to get off one train and get on board the other. The price of employing a baggage carrier is built into the price of each ticket."

This is economically crazy. Why employ extra baggage carriers? This is an unnecessary extension to the division of labor. It adds workers to a production process that does not require them. Why slow down the time it takes to travel between two cities? This would be utterly wasteful. It would increase the cost of travel.

But if this is crazy for passenger trains, is it sane for freight trains? No; it is equally crazy. It will raise costs to consumers. Why, then, are governments praised by voters when they impose legal barriers against imports except to gain tax revenues? (A tariff is a sales tax on imported goods.) Why is it crazy for a pair of railroad companies deliberately to design a cost-increasing track system if it is sane – in fact, wise economic policy – for a civil government to require the economic equivalent of two differing sets of rails between nations?

The Limits of Specialization

One hand washes another, but we do not need three hands. There are limits to the division of labor. Some are technical: three hands. Others are economic: extra baggage carriers. The free market creates an institutional setting in which consumer demand allocates the scarce factor of human labor to those uses most desired by paying customers. The competitive bidding between competing buyers of labor and the competitive bidding between competing laborers establishes the market price for every form of labor.

Consumers want to buy the fruits of specialized labor. They are not much interested in how much it cost for producers to hire the necessary labor. Consumers are concerned mainly with the value of labor's output to them personally. "Does it work? Does it require lots of repairs? Is it cheap? Can I buy it with a money-back guarantee?" These are the kinds of questions that consumers ask. They are not concerned with whether the item was made by ten people working as a team or by one man running a room full of robots by computer.

The division of labor principle can be seen in the incident of Pharaoh and the bricks. As a punishment on Moses, Pharaoh commanded that the Israelites be required to produce bricks without straw supplied by the Egyptians:

Ye shall no more give the people straw to make brick, as heretofore: let them go and gather straw for themselves. And the tale of the bricks, which they did make heretofore, ye shall lay upon them; ye shall not diminish ought thereof: for they be idle; therefore they cry, saying, Let us go and sacrifice to our God. Let there more work be laid upon the men, that they may labour therein; and let them not regard vain words. And the taskmasters of

the people went out, and their officers, and they spake to the people, saying, Thus saith Pharaoh, I will not give you straw. Go ye, get you straw where ye can find it: yet not ought of your work shall be diminished (Ex. 5:7-11).

Pharaoh understood the operations of the division of labor. He required the same quantity of output, but he added an additional production task: collecting straw. This raised the Israelites' cost of production: a punishment. The Israelites would pay with their own sweat. Pharaoh's strategy worked in the short run: the added burden alienated the Israelites from Moses: "And the officers of the children of Israel did see that they were in evil case, after it was said, Ye shall not [di]minish ought from your bricks of your daily task. And they met Moses and Aaron, who stood in the way, as they came forth from Pharaoh: And they said unto them, The LORD look upon you, and judge; because ye have made our savour to be abhorred in the eyes of Pharaoh, and in the eyes of his servants, to put a sword in their hand to slay us" (Ex. 5:19-21).

Pharaoh reduced the division of labor for the Israelites. He knew that this would raise production costs. By reducing the degree of specialization in brick-making, Pharaoh reduced the efficiency of brick production. This was his whole point.

Under some conditions, this would have been an economically rational policy. Perhaps the slaves who had previously gathered straw were members of a nation whose army had just invaded Egypt. The Pharaoh might choose to place them all in work camps far from the region where straw was readily available, but also far from where the invading army might liberate them. This would have raised the price of bricks in terms of Israelite labor, but in an emergency this would have been rational.

In a sense, the Pharaoh's decision was rational but erroneous. He underestimated the God of Moses. He overestimated his own power. He adopted a brick production schedule that he had avoided before, presumably for economic reasons. He knew that the Israelites would grow too weary, or would require more taskmasters to keep them in line, or would start producing inferior bricks. But to make a theological-political point, he altered the production mix. He reduced economic efficiency in order to increase political efficiency. He made a serious mistake, but this fact was not immediately visible.

To repeat: the degree of specialization in production (bricks) was established by the competitive interplay of the price of specialized labor (straw-gathering by outsiders), the price of substitutes for specialized labor (straw-gathering by Israelites), and the demand (Pharaoh's) for the specific output of specialized labor. The previous degree of specialization was reduced by the decision of the Pharaoh to cut off the supply of straw. Had this not been the case, this punishment would not have been a punishment.

Coordination the Division of Labor

Pharaoh announced a new production mix. He had a political agenda which overrode his earlier economic agenda: the efficient production of bricks. The taskmasters had to coordinate the new production mix: same physical output, no decline in quality, and above all, no revolt.

The question is: How skilled are taskmasters in coordinating

production? Some men can evaluate the quality of output. Other men are skilled at driving slaves to the limits of their obedience. Still others are skilled at pushing slaves to the limit of quality production. It takes a highly skilled coordinator to manage a team of taskmasters who possess different skills and different personal motivations. Management is a scarce factor of production. It must be paid for.

It is much easier to understand the coordination process of a slave gang than it is to understand the coordination process of the free market. It is easier to understand the motivations of slaves and taskmasters than it is to understand the motivations of employees and managers. But conceptually, the same problem confronts both systems: minimizing resource inputs per unit of output. "Can you do this for me cheaper?" is a universal question asked by every employer who is allowed to profit from the savings.

A slave gang is motivated by the negative sanction of whips; a hired work force is motivated by the negative sanction of getting fired. A slave gang is motivated by the positive sanction of living conditions; a hired work force is motivated by consumer choices made available to them by their pay and the market's array of goods and services. If their pay will not buy much, they will not work much. In the Soviet Union, there was a familiar saying: "Our employer pretends to pay us, and we pretend to work."

The free market allocates resources through voluntary sanctions: buying and refusing to buy the output of production; hiring and firing workers; seeking jobs and quitting jobs. Those with certain skills are paid more than those with other skills. The price offered for these skills depends on the value to consumers of the output of these skills and the supply of these skills. The greater the array of skills available to consumers, the more specialized the demand for consumers for the output of these skills. For example, before the invention of the spreadsheet software program called VisiCalc in 1979, there was almost no demand for microcomputers. They were toys for electronic hobbyists. Within months after news of the program became widespread in business circles, demand for microcomputers soared and has not yet tapered off. The time value of this software in re-computing long strings of numbers was immediately apparent to businessmen. A cheap machine that could be used by most businessmen or low-level accountants replaced the work of whole teams of accountants. This high value was translated into heavy demand for the machines that this program worked on: the Apple I.

The coordination of the division of labor is either through compulsion or voluntary action. Pharaoh's taskmasters illustrate the former; the free market illustrates the latter.

Conclusion

The division of labor is the product of differences among men (human resources) and differences among environments (material resources). Population growth is a net benefit to society because the output of each producer's skills are added to the total array of available choices. Economic growth means an increase in choices, and population growth is the crucial process for increasing the available options. Economic growth is the means of fulfilling the dominion mandate: to be fruitful and subdue the earth.

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