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## BIBLICAL PLURALISM AND ECONOMIC ORDER

by Gary North

*Let every soul be subject unto the higher powers. For there is no power but of God: the powers that be are ordained of God (Romans 13:1)*

The word "powers" is plural. It could also be translated "authorities." There is not a single earthly sovereignty to which men are required by God to give full allegiance, but multiple earthly sovereignties. This perspective has been basic to Protestantism since the beginning, although the Roman Catholic theory of the "two swords"—Church and State—clearly broke with the statist notions of Classical Greek and Roman civilization. Harvard legal scholar Harold Berman has commented: "Perhaps the most distinctive characteristic of the Western legal tradition is the coexistence and competition within the same community of diverse jurisdictions and diverse legal systems. It is this plurality of jurisdictions and legal systems that makes the supremacy of law both necessary and possible. Legal pluralism originated in the differentiation of the ecclesiastical polity from secular polities. The church declared its freedom from secular control, its exclusive jurisdiction in some matters, and its concurrent jurisdiction in other matters" (*Law and Revolution* [Harvard University Press, 1983], p. 10).

It is reasonable to argue that the Protestants' most important contribution to the social theory of the West was their refinement of the Christian and medieval view of multiple sovereignties and therefore multiple hierarchies. No man is an island. No man is responsible to any single institution, either. There is no divine right of kings, who owe allegiance only to God. There is no divine right of citizens, who owe allegiance only to God. There is no divine right of the free market. **There is no divine right of any earthly institution.** Each is under God; none is completely independent of all the others.

This legal pluralism is one of the sources of Western liberty. But note: Western legal pluralism was not a self-conscious pluralism of law-orders, but a pluralism of human institutional sovereignties under a single law-order, God's law. The absolute sovereignty of any human institution is denied by such a doctrine. It was canon law which broke decisively with any doctrine of the unitary State. As Rushdoony has noted in his book, *Foundations of Social Order* (Thoburn Press, [1969] 1978):

To understand the implications of canon law, it is necessary to realize that ancient society was unitary, and it had a single, visible, human sovereignty. It was totalitarian in practice and in faith. A visible "divine" authority governed the whole of life and admitted the existence of no independent order. For the ancient state, the uncontrolled was the enemy. Neither man nor any

of his activities and institutions possessed any free, uncontrolled, or independent domain wherein the state had no jurisdiction. The sovereignty of the state meant that man was the creature of the state and entirely its subject.

But Biblical faith asserted instead the sovereignty of God and the ultimacy of His decree and law, so that man, the state, and every institution were under God and His law. Instead of the sovereign state providing the overall shelter for all things, the sovereign God is that over-lord, and all of man's institutions are directly under God and His word. Instead of a mediatorial state, Christ is man's mediator. The Bible provides a legal mandate for the institutions, and the state is the ministry of justice, and the church the ministry of the word and the sacraments. The family is under God's law, as is agriculture, commerce, science, education, and all things else. Neither the church, nor the state, nor any other institution has a legitimate overall power of control. But the state in antiquity, and again today, has played the overall role of God, the sovereign over every realm and with basic and ultimate power over every realm. The state can permit or grant to its children or creatures certain privileges, but it cannot tolerate their denial of its sovereign authority. For the church therefore to issue canons placing Christians under the laws of God was a denial of the sovereignty of the state and its canons. It was a shattering of the concept of the totalitarian unitary state (pp. 132-33).

Harold Berman's brilliant and comprehensive history of medieval law has concluded much the same concerning the role of canon law, although he does not discuss the theological foundations and implications in the same detail as Rushdoony does. He sees clearly the importance of legal pluralism in the development of Western liberty. "The pluralism of Western law, which has both reflected and reinforced the pluralism of Western political and economic life, has been, or once was, a source of development, or growth—legal growth as well as freedom. A serf might run to the town court for protection against his master. A vassal might run to the king's court for protection against his lord. A cleric might run to the ecclesiastical court for protection against the king" (Berman, *Law and Revolution*, p. 10).

Let us consider an example of the legal operation of the principle of multiple sovereignties. A person is found to be an adulterer. This obviously has implications for **family government**. The authority structure of the family has been broken by the guilty individual. There are lawful ways of handling this problem, at the discretion of the injured party (Matt. 1:19). At the same time, adultery is a matter of **church**

**government.** The church can bring discipline to the guilty party, by excommunication if necessary. But the **civil government** is also involved. A civil contract has been broken. The civil government, upon complaint of the injured partner, or on the complaint of citizens who discovered the crime, must step in and bring justice (Lev. 20:10). The penalty for adultery is death. There are legal questions that must be dealt with, questions of evidence. Any decision by any of the governmental units will also have **economic implications**: the dowry, the custody of the children (if the State fails to execute the guilty party), and so forth. Each of these sovereign agencies has limited but legitimate sovereignty. None is absolutely sovereign.

#### Moral Norms and Market Order

What I am describing is a **decentralized social order**. Even in the largest city, each man is to be under the rule of some local agencies of governments (plural). This brings to the forefront each man's personal responsibility before God. The law of God is able to provide the norms of righteousness in every sphere of life, since it provides the proper view of man, the responsible creature. We are not describing an autonomous social order, one in which there are no norms other than personal self-interest. Even the free market, which does function well in terms of personal self-interest among market participants, requires a moral foundation. F. A. Hayek has admitted this, but no economist has defended more eloquently the **necessity of moral norms**—norms beyond mere market profitability—than Wilhelm Röpke. This is why he is such an important economist.

The market system is based neither on violence nor on charity, Röpke argued, but it is never morally neutral. Without the bedrock of morality—essentially Christian morality—the free market cannot be sustained. Most remarkably, this economist even understood that the market is based on a **creed**.

It is certainly true that the competitive market system—the “business economy”—keeps itself at an equal distance from both the ethically negative system of violence or ruse and the ethically positive one of altruism and charity. It reduces both to the common level of a mild standard of commercial good behaviour, but it would be a great mistake to think that that would make the market system an ethically neutral sphere. On the contrary, it is a highly sensitive artifact of occidental civilization, with all the latter's ingredients of Christian and pre-Christian morality and its secularized forms; and it should not be forgotten that the “economic man” of the classics was really an English gentleman of the eighteenth century, whose normal code was fixed by the church and by tradition. In fact, the market economy is an economic system which cannot exist without a minimum of mutual trust, confidence in the stability of the legal-institutional framework of the economic process (including money), contractual loyalty, honesty, fair play, professional honour, and that pride which considers it beneath one to cheat, bribe, or misuse the authority of the state for one's own egoistic purposes. Above all, there must be a “creed” in the most general sense of the term, a belief in a definite scale of ultimate values giving sense and purpose to the ordinary doings of all participating in the economic process, and, finally, at least a provisional understanding of the meaning and working of this economic process (*International Economic Disintegration* [Hodge, 1942], pp. 68-69).

The free market economy needs a creed—what Rushdoony has called the foundation of social order—in order to be maintained by any society. If that creed is not based on

an ethical code which is in conformity to the one presented by the Bible, the free market social order cannot survive. God removes the prosperity of that culture by removing the **moral foundation of the market**, namely, men's **faith** in the legitimacy of the market process—a process which is sanctioned by orthodox Christian doctrine.

Röpke makes another important point concerning the moral order undergirding the market. There is no doubt that the division of labor is basic to the market order, a point driven home graphically by Adam Smith in his deservedly famous story of the pin-makers with which he begins *Wealth of Nations*. But the division of labor is a fragile and therefore potentially dangerous feature of modern society. Each of us is dependent on one another's productivity. “We saw that an intensive economic intercourse, which involves a wide scale of division of labour and a high degree of mutual dependence of individuals, is possible only under a number of conditions, which all fall under the head of ‘socio-political’ integration. It is this latter which, in the last resort, sets the limits to the extent and degree of economic integration. There must be a framework of institutions and of a strong legal order, and behind them, there must be a generally observed and undisputed code of moral norms and principles of behaviour. In this way, it is possible to have a society in which all its members may feel sheltered in an atmosphere of mutual confidence, security, and continuity. Only in this way is it possible to reduce and make bearable the enormous risks involved in a high degree of dependence, which is inevitably connected with the division of labour. Every page of economic history proclaims the truth of this statement, which is, indeed, the ultimate principle explaining the rise and decay, the expansion and contraction of economic organization” (*Ibid.*, p. 72). If this economic division of labor collapses, which is possible in a program of price and wage controls—which Röpke called repressed inflation—the very survival of modern, industrialized populations is threatened.

Röpke saw what was coming: **statism**. Political centralization destroys the market. It destroys the whole concept of responsible self-government.

The wider the span of proletarianisation, the wilder become the cravings of the uprooted to be guaranteed social services and economic security by the state, the more do the few remaining in possession of a sense of responsibility despair, all the more stringently is the greater part of the national income claimed for and directed by the state; the more oppressive becomes the burden of taxation, a burden heavy enough already and one made all the worse through war, revolution, and public spending, and which will of course have to be extracted predominantly from the pockets of the middle classes. . . . There is no reason to foresee that this process is likely to stop, since this apparatus of insurance and social services is nothing other than a thirst-creating substitute for the anchor of property and can never lead to the real satisfaction of the needs of the unhappy victims of proletarianisation. The total burden will become ever more oppressive, the burden of taxation ever harder and more embittering, the apparatus ever more unwieldy, and the social bureaucracy ever more numerous. Any bits coming to the individual out of the national hotch-pot will become ever more subject to formulae, tickets, reportings on and off, income-tax forms, etc.; the hair-spring of a sense of responsibility cum self-respect which keeps the whole thing going will become ever weaker, the whole economic process will function more and more clumsily, its defects will increase and become ever more tiresome; all in all enough to increase the individual's sense of insecurity and also to put up his

demands. The only possible end to all this would seem to be complete catastrophe for nation and society, nor need we go back for examples to the latter period of the Roman Empire" (*Civitas Humana* [Hodge, 1948] pp. 141-42).

He wrote this in the late 1940's, before the process of bureaucratization had fully accelerated. It was the same process Max Weber had seen at the beginning of the twentieth century, except that Weber did not even have the hope of economic collapse in mind as a possible way to escape.

### The Pyramid Society

By centralizing power, the modern State is recreating the pyramid society, the top-down system of total control—or attempted total control—that destroys the fabric of society. The **caretaker State** steadily replaces the biblical concept of the **night-watchman State**. The most important form of government, responsible self-government under God, is steadily eroded by a new concept of government, the messianic State. As the French Catholic social philosopher, Lamennais, wrote in the early nineteenth century, "Centralization induces apoplexy at the center and anemia at the extremities." Nobody has ever put it more graphically than this.

The biblical social order is utterly hostile to the pyramid society. The biblical social order is characterized by the following features. First, it is made up of multiple institutional arrangements, each with its own legitimate, limited, and derivative sovereignty under God's universal law. Second, each institution possesses a hierarchical chain of command, but these chains of command are essentially **appeals courts**, with the primary duty of responsible action placed on people occupying the lower rungs of authority. Third, no single institution has absolute and final authority in any instance; appeal can be made to other sovereign agents of godly judgment. Since no society can attain perfection, there will be instances of injustice, but the social goal is harmony under God's law, in terms of an orthodox creed. God will judge all men perfectly. The State need not seek perfect justice, nor should citizens be taxed at the astronomical rates necessary to sustain the quest for perfect justice.

Hayek has made a point which must be taken seriously by those who seek to explain the relationship between the advent of free enterprise capitalism in the West and Christianity. "There is probably no single factor which has contributed more to the prosperity of the West than the relative certainty of the law which has prevailed here" (*Constitution of Liberty* [University of Chicago Press, 1960], p. 208). Sowell's comments are graphic: "Someone who is going to work for many years to have his own home wants some fairly rigid assurance that the house will in fact belong to him—that he cannot be dispossessed by someone who is physically stronger, better armed, or more ruthless, or who is deemed more 'worthy' by political authorities. Rigid assurances are needed that changing fashions, mores, and power relationships will not suddenly deprive him of his property, his children, or his life" (*Knowledge and Decisions* [Basic Books, 1980], p. 32).

Hayek quite properly denies the validity of the quest for perfect certainty, since "complete certainty of the law is an ideal which we must try to approach but which we can never perfectly attain" (*Constitution of Liberty*, p. 208). His anti-perfectionism regarding the rule of law is also in accord with the anti-perfectionism of Christian social thought in the West. Christianity brought with it a conception of social order which made possible the economic development of the West.

### Biblical Law and Capitalism

There is no doubt that **formal legal predictability** was a major factor in the rise of capitalism. By "capitalism," I mean

a system of private ownership, which involves the freedom of contract, freely fluctuating prices, and a money economy. I am not speaking of traditional political capitalism, such as the tax-farming capitalism of ancient Rome, or the court-oriented capitalism of Spain in the sixteenth century. This is the distinction used by Max Weber to delineate modern from ancient capitalism.

Weber made a very important observation concerning the relationship between Protestantism and market-oriented capitalism. He sharply distinguished market capitalism from "political capitalism," in which producers sell primarily to the State rather than to a competitive market. "The closest connection between ethical religion and rational economic development—particularly capitalism—was effected by all the forms of ascetic Protestantism and sectarianism in both Western and Eastern Europe, viz., Zwinglians, Calvinists, Baptists, Mennonites, Quakers, Methodists, and Pietists (both of the Reformed and, to a lesser degree, Lutheran varieties). . . . Indeed, generally speaking, the inclination to join an ethical, rational, congregational religion becomes more strongly marked the farther away one gets from those strata which have been the carriers of the type of capitalism which is primarily political in orientation. Since the time of Hammurabi political capitalism has existed wherever there has been tax farming, the profitable provisions of the state's political needs, war, piracy, large-scale usury, and colonization. The tendency toward affiliation with an ethical, rational, congregational religion is more apt to be found the closer one gets to those strata which have been the carriers of the modern rational enterprise, i.e., strata with middle-class economic characteristics . . ." (*Economy and Society*, p. 109).

The idea of the **congregational unit**, where men worship God as equals before the law, where God is not a respecter of persons, where the law is read and understood by all members of the group, and where each man receives his calling to labor before God in a holy occupation, produces a mentality favoring **personal responsibility and production for a universal market**. Men's universal understanding of the civil law reduces the arbitrary decisions of the authorities, and this in turn reduces a major area of uncertainty. **This reduction in bureaucratic arbitrariness reduces production costs.** Fewer economic resources need to be set aside for bribes or legal defense costs.

Yet it is not simply the universality of the legal system which is important. Specific aspects of the legal system, such as the honoring of private contracts, the respect for private property, the nondiscriminatory nature of the tax system, and the restriction of the civil government to the preservation of order, primarily by preserving public peace and preventing private fraud and coercion, have made it possible for capitalism to flourish. All of these aspects are basic to biblical law. Four such principles of biblical law come to mind. First, the concept of the **covenant between God and man** undergirds the right of private contract. Second, the **commandment against theft** is basic to the extension of the rights of private property. Third, the **tithe**, as a fixed percentage of a man's income, preserves the nondiscriminatory nature of taxation. Fourth, the enforcement of **honest weights and measures** is indicative of the Bible's view of the civil government as essentially a restraining institution, not a positive, initiating force in economic development, and certainly not a coercive agency of wealth redistribution.

Hayek's summary of the principles of a liberal economic order reveals how closely nineteenth-century liberalism resembled the view of civil government held by the Protestant congregational churches in the United States, Holland, and Britain in the eighteenth century. In short, nineteenth-century liberalism is the humanists' version of "work out your salvation with fear and trembling." When humanism's

evangelists and social theorists finally persuaded men (especially leaders) to cease fearing God and trembling in His presence, the classical liberal economic order was doomed. Rather than killing God, classical liberalism killed itself.

### Whose Law Is Sovereign?

A few modern secular scholars still give lip-service to classical liberalism's idea of the rule of law. The advocates of classical liberalism in the nineteenth century, most notably the English economist and social theorist, John Stuart Mill, and the constitutional scholar, A. V. Dicey, believed in the idea of the rule of law. The problem which faced these legal theorists—a problem which they never overcame—was the problem of the **content** of the law. They frequently accepted the validity of formal rationalism, which meant that they wanted to establish formal "rules of the game" for all participants in society to observe. They wanted **legal predictability**. On the other hand, they could not agree on the substantive principles of law, meaning the ethical rules and regulations that ought to be imposed on all members of society. They saw the formal rationalism of law as the universal, but substantive rationalism—ethics, in other words—resisted treatment by any universally agreed-upon human logic, for such a universal logic is perhaps the most outrageous myth of human autonomy. It never existed. The myth of intellectual or moral neutrality has finally died in the final third of the twentieth century, but it enjoyed a long life and a lingering terminal illness.

Max Weber, writing of substantive rationality or value-rationality, concluded: "There is an infinite number of possible value scales for this type of rationality, of which the socialist and communist standards constitute only one group. The latter, although by no means unambiguous in themselves, always involve elements of social justice and equality. Others are criteria of status distinctions, or of the capacity for power, especially the war capacity, of a political unit; all these and many others are of potential 'substantive' significance" (*Economy and Society*, p. 86). What is important is that no system of purely formal philosophical inquiry can determine which of these substantive or ethical systems is valid or universal. More than this, Weber concluded: formal rationality (legal predictability) will always be in tension with substantive rationality (ethics). Humanist ethics are always pluralistic. There is no unifying set of ethical principles which will unify mankind's ethical vision; therefore, formal rationalism can never escape a dialectical tension with substantive rationalism.

For an example of this perpetual tension, consider the free market. It is essentially a huge auction. Producers of goods and services sell to those who bid highest in terms of the monetary unit, irrespective of moral criteria, Weber said. Weber, as a liberal social democrat during his most productive years (1904-20), was willing to admit that formal rational-

ity and substantive rationality did fit together quite well from the latter decades of the nineteenth century. "The reasons lie in the nature of the incentives which are set into motion by the type of economically oriented social action which alone is adequate to money calculations. But it nevertheless holds true under all circumstances that formal rationality itself does not tell us anything about real want satisfaction unless it is combined with an analysis of the distribution of income" (*Economy and Society*, p. 212). This has made the free market, both in terms of practice and theory, vulnerable to ethical criticism, and the critics have been both the socialists and the conservative traditionalists, sometimes joining together in their lambasting of the market.

### Humanistic Formal Law: A Vain Hope

The quest for a system of **neutral formal law** which also produces universally agreed-upon ethical benefits, and which does not limit the freedom of any of society's members, is a demonic quest. This is why the free market economists and legal theorists can never come to any agreement concerning the extent to which civil governments ought to interfere or refrain from interfering with the operations of the free market. They cannot agree upon the universally valid, or at least universally beneficial, formal legal rules. They certainly have not devised a theory of civil government which preserves the formal freedom of men to change their laws peacefully, yet which simultaneously guarantees full legal predictability to all market participants. This is one reason why nineteenth-century liberalism, which was democratic, decentralist, and free market-oriented, became twentieth-century liberalism, which is bureaucratic, centralist, and interventionist in economic policy. Nineteenth-century liberals wanted to defend political democracy as a means of preserving **peaceful transfers of political power**, yet they also wanted to preserve **legal predictability for market transactions**. As the philosophy of Western social philosophers (and then voters) shifted toward man-directing, bureaucracy-managing evolution, and away from man-responding, market-governed evolution, the formal rules of political democracy allowed the advent of market-disrupting changes in the "economic rules of the game." **The formal rules of political democracy overcame the formal rules of legal predictability.**

### Conclusion

The foundation of social order is God. The foundation of an economic theory which provides the basis of long-term economic growth and development is God's revealed word, the Bible. What the Bible teaches is that society is to be composed of multiple sovereignties of enforcement, but always under the overall sovereignty of biblical law. Biblical social order is not based on a pluralism of competing law-orders, but rather a pluralism of competing institutions that enforce biblical law in their own spheres of influence.

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