

The Third Blessing and Prosperity Economics

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On the foundation of the first two blessings of individual perfection and the creation of ideal families, mankind was to realize the blessing of dominion. The notion of dominion is better understood through the Biblical notion of stewardship. To exercise proper stewardship over all that God has blessed us with requires an understanding of economics that accounts for the nature of the human person as a free moral agent.

Economics, the Family and the Social Order

As was discussed in a previous session, the early American notion of a covenant with God mandated that they sanctify the social order. That meant realizing the ideal of justice in all aspects of human affairs. The cornerstone of the social order was the family and thus social endeavors tended to relate to family affairs. A key aspect of justice was tied to economics in that, like the ancient Greeks, the early Americans did not see economics as something separate from family issues.

According to the entry under economy in the “Online Etymology Dictionary” The term economics comes from the Ancient Greek οἰκονομία (oikonomia, “management of a household, administration”) from οἶκος (oikos, “house”) + νόμος (nomos, “custom” or “law”), hence “rules of the house(hold)”. In other words, the discipline of economics had its origin in the family unit.

Austrian Economist Ludwig Von Mises carried on this understanding in modern times. In his economic treatise titled “Socialism,” Von Mises critiqued a command and control economic system, dedicating a whole chapter to the family. Von Mises saw the family, like private property, as a natural part of the social order stemming from human nature. In his view, command and control approaches to economics were utopian attempts to socially engineer human nature. Such approaches sought to undermine both the family and the free market, as these both were seen as obstacles to the socially engineered society.

This was essentially the same conclusion that early Americans came to. Many people are aware that the writings of Adam Smith, who published the “An Enquiry into the Wealth of Nations” in 1776, had an impact on American economic thinking. What is less well known is that early Americans, through empirical methods of trial and error, had experimented with various economic approaches long before Smith and had come to these conclusions. In short, their preference for the free market as a means of realizing justice was not mere theoretical conjecture, but rooted in practical experience.

Puritan Economic Experiments

The title of this section comes from a booklet written by economist Gary North. North’s book details early Puritan economic experiments in what we would refer to as Socialism. It covers three topics: the common ownership of land, the imposition of price and wage controls, and sumptuary legislation. Before exploring each of these topics, let’s first take a quick look into the background.

Dr. North gives reasons why he thinks the Puritans adopted a command and control economy. In his view, the problem was that the Puritans adopted the Natural Law approach of Thomas Aquinas instead of sticking with the Bible. There are a couple of problems with this view. One is that he gives no quotes to back up his contention. Secondly, the Natural Law thought of Thomas Aquinas does not support a command and control approach to economics. Here is what the Acton Institute for Religion and Liberty has to say about Aquinas’ economic thought:

“Aquinas’s economic thought is inseparable from his understanding of natural law. In his view, natural law is an ethic derived from observing the fundamental norms of human nature. These norms can be understood as the will of God for creation. An unlawful act is that which perverts God’s design for a particular part of His creation. Economic transactions, according to Aquinas, should be considered within this framework, since they occur as human attempts to obtain materials provided by nature to achieve certain ends.

Private property is a desirable economic institution because it complements man’s internal desire for order. “Hence the ownership of possessions is not contrary to the natural law,” Aquinas writes in the Summa Theologica, “but an addition thereto devised by human reason.” The state, however, has the authority to maintain a legal framework for commercial life, such as enforcing rules prohibiting theft, force, and fraud. In this way, civil law is a reflection of the natural law. Further, Aquinas believed that private ownership of property is the best guarantee of a peaceful and orderly society, for it provides maximum incentive for the responsible stewardship of property.”

Here is another quote from Aquinas:

“It is lawful for man to possess property. Human affairs are conducted in more orderly fashion if each man is charged with taking care of some particular thing himself, whereas there would be confusion if everyone had to look after any one thing indeterminately.”

Clearly Aquinas favored private property ownership as the basis of a well-ordered society. Dr. North is on more solid ground when he states that: “They saw land hunger as an anti-social force.” More particularly, they saw hunger and poverty as incompatible with the ideal of justice. Hunger and poverty in the extreme were conditions that the first settlers were intimately familiar with. As Dr. North points out:

“Nearly half the 102 passengers on the Mayflower died of cold, sickness, and hunger during the first winter of 1620 -21. A fire in January destroyed the common storehouse and some of their meager supplies.

“In the fall, a second ship, the Fortune, arrived with 36 poverty-stricken settlers. Those already settled in Plymouth had to provide for them. The colonists went on half rations. Governor Bradford warned that this new burden would threaten the colony with famine. In the spring of 1622, this prophecy came true.”

It was during this time of extreme poverty that the Puritans experimented with the common ownership of property. All their property was held in a common storehouse. Again, I do not see any justification for this in the writings of Aquinas. It is more likely that they justified this notion through the Bible verse Acts 2:44-47:

“And all that believed were together, and had all things in common; and sold their possessions and goods, and parted them to all men, as every man had need. And they, continuing daily with one accord in the temple, and breaking bread from house to house, did eat their meat with gladness and singleness of heart, praising God, and having favor with all the people.”

In all likelihood, they saw what appeared to be a Biblical injunction on common ownership to be the key to realizing God’s justice. They would later come to see that their interpretation needed revision. It is a common mistake to equate “and sold their possessions and goods, and parted them to all men, as every man had need” with the Marxist notion of “from each according to his abilities, to each according to his needs”. I will address the crucial difference between the Biblical approach and Marx’s approach after further examining the early Puritan’s experiments.

The Puritans experiment in common property ownership ended up in disaster. Governor William Bradford described the result in his “History Of Plimoth Plantation”:

“For this community (so far as it was) was found to breed much confusion and discontent, and retard much employment that would have been to their benefit and comfort. For the young men that were most able and fit for labor and service did repine that they should spend their time and strength to work for other men’s wives and children, without any recompense. The strong, or man of parts, had no more in the division of victuals and clothes than he that was weak and not able to do a quarter the other could; this was thought injustice. The aged and graver men to be ranked and equalized in labors, and victuals, and clothes, etc., with the meaner and younger sort, thought it some indignity and disrespect unto them. And for men’s wives to be commanded to do service for other men, as dressing their meat, washing their clothes, etc., they deemed it a kind of slavery, neither could many husbands well brook it.”

Not only did this approach retard productivity, but it was regarded by those who participated in it as not only unjust, but a kind slavery. Over time, Bradford came to see that such an approach was not compatible with Biblical principles:

“The experience that was had in this common course and condition, tried sundry years, and that amongst godly and sober men, may well evince the vanity of that conceit of Plato’s and other ancients, applauded by some of later times, that the taking away of property, and bringing in community into a commonwealth, would make them happy and flourishing; as if they were wiser than God.”

This experiment in common ownership of property was tried under the most advantageous conditions possible. The pilgrim participants shared a similar commitment to justice with little or no class divisions among them. If such an experiment was going to work, it should have worked with them. Yet, their conclusion was that it was an act of supreme arrogance and had more in common with the utopian social engineering schemes of Plato’s Republic than the principles of the Bible.

Dr. North’s account expresses how the pilgrims addressed the failure of their experiment in common property ownership:

“Upon petition of the planters in 1623, the Governor and his council decided to follow their advice: to

assign families their personal plots of farm land (according to family size) and abolish the common storehouse. Only the tools of the colony were held in common, and land could not be conveyed (initially) by inheritance. Immediately, men and women returned to the harvest fields.”

To solve the problem, they instituted the idea of private property rights. According to Governor Bradford, the result was:

“By this time harvest was come, and instead of famine, now God gave them plenty, and the face of things was changed, to the rejoicing of the hearts of many, for which they blessed God. And the effect of their particular planting was well seen, for all had, one way and other, pretty well to bring the year about, and some of the abler sort and more industrious had to spare, and sell to others, so as any general want or famine bath not been amongst them since to this day.”

Besides the notion that Jesus disciples “held all things in common,” as Dr. North notes there was another factor that led the pilgrims to adopt the common storehouse approach:

“What is less known about this incident is how the little colony ever made such a disastrous decision in the first place. The fact of the matter is that the colonists had never wanted to inaugurate a system of totally common storehouse. The group of British ‘adventurers’ that had supplied the Pilgrim exiles in Holland with traveling money and capital had insisted that the colony be made a part of the joint-stock company. The assets of the colony were therefore the assets of the company, headquartered in Britain, and the agricultural products were to be shared equally among company members, both colonial and British. Governor Bradford was the chief agent of the company in New England; hence, he was compelled to impose the common storehouse system.”

The switch to a free market, private property based approach to economics was gradual, but in time it was seen as a necessary aspect of human freedom.

Wage and Price Controls

The second part of their experiment in a command and control economy was with wage and price controls. This experiment was engaged in by the little band of Pilgrims who settled Plymouth Colony in 1620. Again, their motivation was a desire for justice. Justice, as it applied to the market, raised the question of “A Just Price.” Dr. North explains how this notion came about:

“From the time of Thomas Aquinas right up until the mid-seventeenth century, a ‘just’ price was assumed to be the market price during ‘normal’ times. No widely read schoolman ever tried to compute some mathematically precise formula on the basis of ethics; indeed, Aquinas himself had denied that such precision is possible.

The problem of justice arose when there were disruptions in the market — a war, a famine, a local production monopoly — that made it appear that justice was being thwarted by greedy exploiters. Then the standard approach was to assemble a group of distinguished, “impartial” leaders in the community, and they were supposed to determine the proper prices for various commodities. The goal, officially, was consumer protection.”

Of course, as Dr. North points out, in practice such control mechanisms result in the creation of an even more monopolistic guild.

Almost from the beginning, the colony of the Massachusetts Bay Company placed controls on the wages of artisans, as wages and prices were tied together. Governor Winthrop recounted in his Journal “History of New England”:

“The court having found by experience, that it would not avail by any law to redress the excessive rates of laborers’ and workmen’s wages, etc. (for being restrained, they would either remove to other places where they might have more, or else being able to live by planting and other employments of their own, they would not be hired at all), it was therefore referred to the several towns to set the rates among themselves. This took better effect, so that in a voluntary way, by the counsel and persuasion of the elders, and example of some who led the way, they were brought to more moderation than they could be by compulsion. But it held not long.”

Here is where they learned the basic principle of free market economics that if you regulate an economic activity you get less of it. The result of course is decreased production and prosperity.

Sumptuary Legislation

As Dr. North explains:

“Sumptuary laws, as defined by one dictionary, are ‘laws regulating extravagance in food, dress, etc. on religious or moral grounds.’ No other aspect of Puritan social legislation during the first half century of New England life better testifies to the fundamentally medieval orientation of that culture. Yet the grandsons of these men became the Yankees — the sharp traders, mobile entrepreneurs, and practical inventors whose outlook on life was that of Ben Franklin’s creation, Poor Richard’s Almanack.”

The early Puritan communities were organic, tightly knit structures. The inhabitants were convinced that all men need direction in life. In the case of this legislation the issue was that of status:

The essence of the Puritan idea of status is found in the Larger Catechism of the Westminster Confession of Faith, that comprehensive body of theology hammered out by the Puritan scholars of Cromwell’s England in the mid- 1640’s. The question of status was basic to the Puritans’ interpretation of the Fifth Commandment, “honor thy father and thy mother.” The catechism reads: “By father and mother, in the fifth commandment, are meant not only natural parents, but all superiors in age and gifts; and especially such as, by God’s ordinance, are over us in place of authority, whether in family, church, or commonwealth. . . . The general scope of the fifth commandment is the performance of those duties which we mutually owe in our several relations, as inferiors, superiors, or equals.”

Here we have a failed attempt by the Puritans to create the “Familistic State”, where the State operates as an extended family and laws were enforced to ensure that people did not pretend to a status they did not warrant. As Nathaniel B. Shurtleff put it in his “Records of the Governor and Company of the Massachusetts Bay in New England”:

“. . . we cannot but account it our dup to commend unto all sorts of persons a sober and moderate use of those blessings which, beyond our expectation, the LORD has been pleased to afford unto us in this wilderness, and also declare our utter detestation and dislike that men or women of mean condition, education, and callings should take upon them the garb of gentlemen, by the wearing of gold or silver lace, or buttons, or points at their knees, to walk in great boots; or women of the same rank to wear tiffany hoods or scarves, which though allowable to persons of greater estates, or more liberal education, yet we cannot but judge it intolerable in persons of such like condition.”

Needless to say that this approach fared no better among freedom loving frontier types than did the other experiments.

The Bible and the Free Market

In time the early Americans came to see a free market approach to economics as more compatible with the principles of the Bible. First there was the issue of private property rights. The Genesis account account of God giving man dominion over creation indicates a right to private property. This is especially clear when it is coupled with the Biblical injunction in the Ten Commandments against stealing and coveting one’s neighbor’s goods.

That still leaves the question of the Biblical notion of “holding all things in common.” The Christian ideal of justice as being fulfilled through the realization of love is incompatible with the notion of distributive justice via the state. Such a notion presupposes a coercive “top down” approach. Somebody has to do the distributing and in order to distribute; they must first confiscate. Jesus himself specifically rejected this notion in Luke 12.13–12.15 when someone came up to him and said: “Teacher, bid my brother divide his inheritance with me.” To this Jesus replied: “Man, who made me a judge or divider OVER you?”

Jesus insisted on direct voluntary giving to the less fortunate, but that is a far cry from insisting on having a third party become a “judge or divider” over the parties involved by confiscation and distribution. He also warned the individual to “Take heed, and beware of all COVETOUSNESS; for a man’s life does not consist in the abundance of possessions.” While Jesus certainly did condemn greed from those who would not share with the less fortunate, he also condemned covetousness from those who felt “entitled” to someone else’s possessions. The distributive notion of “justice” is not justice at all, merely covetousness dressed up in fancy terms.

Humans have a natural desire to acquire property and improve upon it. We also have a natural self-preservation instinct that free market economists refer to as “self-interest.” Those who favor a command and control economy often criticize free market thinkers like Adam Smith for basing economic thought on self-interest instead of the good of the community as a whole.

Yet, Smith did not base his thought system on self-interest. In his “Theory of Moral Sentiments,” he noted that there is natural sentiment of benevolence that makes a harmonious community possible. In addition he noted that humans also had a natural self-interest. His economic thought was based on free exchange, which he thought provided an avenue that would channel natural human self-interest into a productive force that benefited society as a whole. This is so because success can only come through voluntary exchange – by making something that other’s want. Such a dynamic compels those who want

their self-interest to be realized, to concern themselves with the interests of others. This is a reality that the early American Puritans learned as well. Man's natural instincts must have a natural channel through which they can be productive and cannot be socially engineered out of existence.

It is not just our self-interest that needs a natural channel. Humans are created in the image of our creator and are thus creative beings. At some point the channeling of human creativity and ingenuity rises above mere self-interest. This is illustrated in the Gospels in Jesus' "Parable of the Talents". In Matthew 25:14-30:

Again, it will be like a man going on a journey, who called his servants and entrusted his property to them. To one he gave five talents of money, to another two talents, and to another one talent, each according to his ability. Then he went on his journey. The man who had received the five talents went at once and put his money to work and gained five more. So also, the one with the two talents gained two more. But the man who had received the one talent went off, dug a hole in the ground and hid his master's money. After a long time, the master of those servants returned and settled accounts with them. The man who had received the five talents brought the other five. "Master," he said, "you entrusted me with five talents. See, I have gained five more."

His master replied, "Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things. Come and share your master's happiness!"

The man with the two talents also came. "Master," he said, "you entrusted me with two talents; see, I have gained two more."

His master replied, "Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things. Come and share your master's happiness!"

Then the man who had received the one talent came. "Master," he said, "I knew that you are a hard man, harvesting where you have not sown and gathering where you have not scattered seed. So I was afraid and went out and hid your talent in the ground. See, here is what belongs to you."

His master replied, "You wicked, lazy servant! So you knew that I harvest where I have not sown and gather where I have not scattered seed? Well then, you should have put my money on deposit with the bankers, so that when I returned I would have received it back with interest."

"Take the talent from him and give it to the one who has the ten talents. For everyone who has will be given more, and he will have an abundance. Whoever does not have, even what he has will be taken from him. And throw that worthless servant outside, into the darkness, where there will be weeping and gnashing of teeth."

Jesus is talking about more than investing one's money here, but the simple meaning of the passage should not be ignored. Jesus had taught that: "He who seeks to gain his life shall lose it and he who seeks to lose his life shall gain it." In other words, one can only experience gain if one is ready to suffer loss. It takes an act of faith to expose oneself to the possibility of loss and God ultimately rewards that act of faith with gain.

In the realm of the economy that is what the entrepreneur does. He goes beyond simple self-interest and risks loss by investing in a dream. The Acton Institute has a DVD entitled "The Call of the Entrepreneur," which sees entrepreneurship as a calling.

A Holy Experiment in Laissez-Faire

At the other end of the scale of economic experiments was the Quaker experiment in the colony of Pennsylvania in what has been referred to as Laissez-Faire, which is French for "Leave us Alone." The term has come to denote the extreme libertarian approach of virtually no government. The title of this section comes from chapter 13 of a website by Benjamin Hart entitled "Faith and Freedom." The Quaker experiment had nothing to do with economic theories, but was completely derived from their religious beliefs that called for maximum human freedom and the absence of force in human affairs. The Quakers probably would not have levied any taxes at all if their charter did not call for them. What taxes they did levy was a response to the constant nagging of those back in England who granted the charter and wanted their share of the taxes collected. Here is how Mr. Hart describes the tax situation:

"As a result of Penn's live-and-let-live approach to colonial rule, the tax burden in Pennsylvania was extremely light. It included a minimal duty on liquor, an export duty on furs, and a small sales tax. Moreover, on the few occasions when Penn proposed a tax increase, he was inevitably voted down by the Quaker-dominated council. When Penn returned to England in 1684 to promote his colony, he turned over full responsibility of government to the council. In keeping with the Quaker approach, a meeting of the council was not called from October 1684 to the end of March 1685. There were no meetings between

November of 1686 and March 1687, and virtually none again for another year and a half. Pennsylvania during this four-year period had virtually no government at all.

“The minimal taxes that existed were rarely collected. When William Dyer arrived from England in 1685 to collect the King’s customs, he was ignored for the most part, and was shocked to find that no one paid any attention to the Royal Navigation Acts. Back in England, William Penn began to worry that his proprietary charter might be revoked by the Crown if his colonists did not comply with British law.”

Here is how Mr. Hart describes the fruit of this experiment:

“By 1700, Philadelphia, less than 20 years in existence, had outstripped New York as a cultural center and was challenging Boston for the top spot. Philadelphia was the second colonial town to have a printing press, and the third to publish a newspaper. It had the best hospitals, following in the Quaker tradition of compassion. Because of the book collection of James Logan, a scientist and classical scholar, Philadelphia’s library placed second only to Cotton Mather’s in Massachusetts.

“Pennsylvania foreshadowed the ideals of the American Revolution. It was the first large state to permit citizens of various nationalities and religious faiths to enjoy equal protection under the laws. The success of Penn’s colony greatly interested the classical liberal philosophers of the 18th and 19th centuries – Mill, Hume, Adam Smith, Madison, Hamilton, and Jefferson. It had proved under real life conditions that society could go a long way towards total laissez-faire before conditions began to decay into anarchy. Philadelphia with virtually no government came very close to achieving its ideal as the ‘City of Brotherly Love.’ It was a vision of America to be, and would provide a fitting location for the signing of the U.S. Constitution in the fall of 1787.”

Between the two opposite types of economic experiments, the early American came to have a pretty good understanding of what works and what does not when it comes to economic prosperity. Again, the American preference for free market economics was not a matter of mere theory and conjecture, but rooted in practical experience that was often painful