

**Is There an Invisible Hand to
Help the Poor?**

E. Calvin Beisner

Prepared for the
Church and Welfare Conference
Covenant Presbyterian Church (PCA)
Oak Ridge, Tennessee
October 23-24, 1992
Revised, September 15, 1993

Is there an invisible hand to help the poor?

Several times during his years in the White House, former President Ronald Reagan expressed his belief, "A rising tide lifts all boats." Proponents of the free market cheered; proponents of the welfare state jeered. Free marketeers thought it self-evident that in a generally healthy economy even the relatively worse off were better off than in a generally unhealthy economy. Welfarists thought it self-evident that despite general economic growth many people fall through the cracks and still live in "unacceptable poverty." Sadly, not many on either side—particularly at the level of popular debate and media attention—

stopped to look at common-sense empirical evidence that might confirm or disconfirm the idea.

Wealth and Material Well-Being in History

Indeed, even among otherwise thoughtful, scholarly Christians one can hear remarks that cry out for correction by even a little common sense and common knowledge.

Consider, for instance, a comment by a participant at a small scholars' colloquium in the spring of 1990 on Christianity and the Culture of Capitalism. An outstanding New Testament scholar and usually perceptive observer of history, this man confessed that he was bewildered by common claims that there had been improvements in the human condition over the last several centuries. "You talk about progress," he said, "but frankly, I don't see much in the way of any real progress."

Several economists around the table looked back and forth at each other with raised eyebrows. I admit I was momentarily struck dumb. How does one respond to such wholesale blindness—particularly when the person who displays it is one who otherwise commands high respect for his scholarship?

At last I ventured just a single contrary observation. "How," I asked him, "can you say that we've made no significant progress in the last two centuries when, two hundred years ago, average life expectancy in the United States—and worldwide—was under thirty years, and today it is seventy-six in the United States, sixty-two in low-income economies worldwide, sixty-six in middle-income economies, and seventy-seven in high-income economies? There *is* no 'human condition' where there is no human life. Just that single fact bespeaks enormous progress in the human condition."

He retrenched by saying that what he had meant was not that there had been no *material* progress but that there had been no progress of any *moral* significance. This he thought was somehow a failure of capitalism.

"You mean to tell me," I said, "that there is no moral significance to the fact that people are dying at seventy-five instead of at thirty?" Granted, he might have been saying that capitalism had failed to change the human heart in its two centuries of practice. If so, then he has put capitalism in pretty good company; everything else except the transforming grace of God through the gospel of Jesus Christ has failed to change the human heart throughout the entire history of humanity.

But there are some points at which material and moral considerations overlap. We have just noticed human longevity as one example. Another is the standard of living of human beings. Why, after all, do we care about welfare anyway, unless it is because it is morally preferable for people *not* to be poor, *not* to be living on the edge of starvation or in conditions better suited to rats than to creatures made in the glorious image of God? I submit that there is something morally positive, not just materially positive, about a society that reduces infant mortality, eliminates fatal and crippling diseases, increases human life expectancy, makes famine unheard of, and improves the quality and quantity of clothing, housing, health care, transportation, communication, education, recreation, and other material and intellectual goods most of us have come to take for granted but of which many of our ancestors could only dream.

Consider some morally significant changes in the material condition of mankind over even shorter spans of time than the two centuries we discussed at that colloquium. The estimated poverty rate in America in 1870 was 45 percent; by 1910 it had fallen to 35 percent. Although it rose again to about 45 percent in the

Great Depression—which was brought on not by the free market but by imprudent government intervention (particularly inflationary policies of the 1920s and protectionist trade policies of the late 1920s and the 1930s)—it fell to about 25 percent by 1955, 22 percent by 1960, and about 14 percent by 1969, well before large welfare state expenditures became a dominant part of the American response to poverty.¹ Life expectancy at birth in the United States in 1900 was 47.3 years; by 1940 it was 62.9 years; by 1970, it was 70.9 years; and by 1989, it was 75.2 years, meaning people born today can expect to live 60 percent longer than people born ninety years ago. For non-whites in America, the improvement was even greater, from 33 years in 1900 to 71.7 years in 1989, a gain of 117 percent.² Will you forgive me if I think it morally significant that the odds of an American infant's dying before his first birthday have fallen from one in seven in 1900 to one in one hundred in 1988³—largely because a more prosperous culture made adequate nutrition and health care more affordable for more people and eliminated or greatly reduced the incidence of formerly fatal childhood diseases?

Over the twenty-five years from 1965 through 1990, average annual growth in gross national product per capita worldwide was at least 1.5 percent.⁴ At that rate, annual production per capita doubles every forty-eight years, which means

¹Rebecca M. Blank, "Trends in Poverty in the United States," in *The State of Humanity* (working title), ed. Julian Simon (New York: Basil Blackwell, forthcoming [1993?]). These figures should be taken with some caution because they are not based on a Biblical (absolute) definition of poverty, they are based on relative standards of poverty that changed significantly over the time period represented, and they are derived from several different studies that used different definitions and methods of analysis. The general effect of taking these things into account would be to adjust the earlier poverty rates upward and the later poverty rates downward relative to each other, but all of them proportionately downward relative to an absolute (Biblical) definition of poverty as destitution.

²U.S. Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1970* (Washington: Government Printing Office, 1975), Series B 107-115; U.S. Bureau of the Census, *Statistical Abstract of the United States, 1982-83*, 103d ed. (Washington: Government Printing Office, 1983), Table 105; U.S. Bureau of the Census, *Statistical Abstract of the United States: 1991*, 111th ed. (Washington: U.S. Government Printing Office, 1991), Table 105.

³*Statistical Abstract . . . 1991*, Table 78, and *Historical Statistics . . . to 1970*, Series B 181-192.

⁴The World Bank, *World Development Report 1992* (New York and Oxford: Oxford University Press, 1992), 218-19.

that average income worldwide today is over forty-five percent higher than it was twenty-five years ago. (There is a reason, by the way, why this is so. This wealth is created; it is created by people doing what God designed them to do. For when we read in Genesis 1:26 that "God said, "Let Us make man in Our image and after Our likeness," the chief thing we have learned about God by that point in Scripture is that God is creative. God created mankind to be creative, too, and on the average people produce considerably more than they consume in their lifetimes. That is why growing human populations, far from threatening to create poverty and to exhaust natural resources, promise instead to create wealth and to multiply resources. Remember this: on the average, every mouth born into this world is attached to two hands—and, more important, to a *mind* made in the image of God to be creative and productive. That is why wealth is increasing.)⁵

One needn't turn to statistics, however, to get a simple grasp of what has been happening in history. Just imagine living at any time in the past, and compare it with living now. With isolated individual exceptions—exceptions that become fewer and farther between as we look farther into the past—almost everyone almost everywhere in the world is better off economically today than he would have been had he lived in the past, whether twenty years ago, fifty, a hundred, or a thousand.

The history of economics, indeed, hardly deserves to be called dismal, for it traces the rise of mankind from general destitution to general prosperity. The only thing dismal is thinking what life must have been like in the not-so-distant past. A typical Finnish farm near St. Petersburg in the late eighteenth century, for instance, merits this description by historian Fernand Braudel: it consisted

⁵See E. Calvin Beisner, *Prospects for Growth: A Biblical View of Population, Resources, and the Future* (Westchester, IL: Crossway Books, 1990).

of "a group of wooden huts, most of them in a state of collapse, that made up the farm: the house, with its single smoky room, two small byres, a Russian bath (a *sauna*), a stove to dry wheat or rye. The furniture consisted of a table, a bench, a cast-iron pot, a cauldron, a basin, a pail, some barrels, tubs, wooden or earthenware plates, an axe, a spade, a knife for slicing cabbages."⁶ I daresay even the poverty-stricken in America enjoy more material wealth than this.

Too easily we forget the great wealth we enjoy in our day, not comparing ourselves with ordinary people of the past, but with extraordinary people of the present. (How easily we succumb to discontent and covetousness!) A dose of economic history might sober us all up. Consider the typical possessions of the poor (and they were almost everybody) of Europe in the eighteenth century and before:

Inventories made after death, which are reliable documents, testify almost invariably to the general destitution. Apart from a very small number of well-to-do peasants, the furniture of the day labourer and the small farmer in Burgundy even in the eighteenth century was identical in its poverty: "the pot-hanger, the pot in the hearth, the frying pans, the *quasses* (dripping pans), the *meix* (for kneading bread) . . . the chest, the bedstead with four pillars, the feather pillow and *gue'don* (eiderdown), the bolster, sometimes a tapestry (cover) for the bed, the drugget trousers, the coat, the gaiters, a few tools (shovels, pickaxe)." But before the eighteenth century, the same inventories mention only a few old clothes, a stool, a table, a bench, the planks of a bed, sacks filled with straw.

⁶Fernand Braudel, *Civilization and Capitalism 15th--18th Century*, 3 vols., trans. Siân Reynolds (New York: Harper & Row, 1981), vol. 1: *The Structures of Everyday Life: The Limits of the Possible*,

Official reports for Burgundy between the sixteenth and the eighteenth centuries are full of "references to people [sleeping] on straw . . . with no bed or furniture" who were only separated "from the pigs by a screen."⁷

Or consider, reaching back a little farther in history, the last will and testament of Reginald Labbe, an English farmer who died in 1293. Although Labbe's farm was small and he merely leased the land, he probably was wealthier than most of his neighbors. Here is a list of the goods he left behind:

- one cow and one calf
- two sheep and three lambs
- three hens
- a bushel and a half of wheat
- a seam (a sack of eight and a half bushels) of barley
- a seam and a half of fodder for cattle
- a seam of mixed grain
- clothes, consisting of a hood, a tunic, and a tabard (a kind of coat)
- a bolster (pillow)
- a rug (blanket)
- two sheets
- a tripod or trivet (for cooking food)

Labbe left behind no money (although his goods had a market value at the time of thirty-three shillings and eight pence, equivalent to \$3.50 today), no furniture

274-5.

⁷*Ibid.*, p. 283.

in his cottage, and no tools. The expenses for executing the will and conducting the funeral consumed a third of the value of his estate.⁸ What if you were to die today? Would you leave behind more or less than Reginald Labbe did?

Is there an invisible hand to help the poor? How about the hand of Providence that timed your birth in the mid-twentieth century instead of the mid-eighteenth? Are most people today better off materially than they were in past centuries? Certainly. Scores, hundreds, even thousands of times over.

Wealth and Material Well-Being in Nations

Not only history but also cross-national studies indicate the propensity of a rising tide to lift, if not all boats, certainly the vast majority of them.

⁸Russell Kirk, *Economics: Work and Prosperity* (Pensacola, FL: A Beka Book Publications, 1989), 250-51.

Consider the statement by an official of The International Bank for Reconstruction and Development/The World Bank at a colloquium on Christian faith and economics at Calvin College a month ago. Upon hearing me suggest that history had shown that market economies did a better job of lifting people out of poverty than centrally planned economies, this Christian man, who has a hand in assigning billions of dollars in development aid each year, replied to the following effect: "No, I really don't think we can conclude that. The planned economies, while they have not lifted populations to as high standards of living as the market economies, have done very well at eliminating poverty. China, in fact, has virtually eliminated poverty."

A couple of weeks later, Keith Andreve, a friend who has studied and taught for several years recently in China, who married a native Chinese, who now works for a multinational trading company in Singapore, and who carefully follows news from China because he has a burden to reach that great country for Christ, came with his wife to visit my family. I asked him about poverty's elimination in China.

"That's just not true," Keith said. "Even China's own official English-language newspaper, *China Daily*, admits that there are over 200 million Chinese [or roughly 17 percent of the population] in poverty *by their own definition of poverty*"—which is many times more severe than the federally defined poverty level in the United States. In China, being poor doesn't mean that a single person living alone has annual reported cash income under \$6,024 (which excludes unearned cash, food, and housing income from various federal and state subsidies to low-income persons, which amount to an average of \$2,900 per year in value, plus noncash earned income and unreported earned cash income), or that a family

of four has annual reported cash income under \$12,092 (excluding unearned cash and noncash subsidies, plus noncash earned income and unreported earned cash income), as it meant in the United States in 1988.⁹ Official estimates of average income per capita in China ran around \$500 (U.S.) in 1988, and these were probably exaggerated by 25 to 40 percent. No, in China, being poor means being undernourished or malnourished. For millions, it means living in caves. For tens of millions, it means being homeless. For scores of millions, it means several families sharing tiny apartments with unsafe tap water—if they have plumbing at all.

In the great coastal cities, like Beijing and Shanghai, China has made some progress in relieving abject poverty—largely with the help of billions of dollars' worth of official development assistance and, more important, investment by multinational corporations. These are the locales most visiting officials and tourists see. But these are the showcases of China, and they comprise only about 10 percent of its population. Try going to the western provinces, like Tibet, Qinghai, Gansu, Xinjiang, or Inner Mongolia, where millions live in caves, clinging to life by a thread, walking about like skeletons with the skin sagging from brittle bones. Visit, as Keith Andreve did, Yanan, the famous hideout of Mao's rebels during the Chinese Communist revolution, now a shrine to the history of Chinese Communism. There conditions are primitive. People live in caves, consume diets barely adequate to sustain life and wholly inadequate to provide the energy needed to work even a few hours a day. Annual income is under \$100 per year. In work units in the western provinces, like the one in which Keith's wife once worked, laborers share communal showers—four people to a spigot, simultaneously, once a week.

And look again at those showcase cities. Yes, food is plentiful and cheap—

⁹*Statistical Abstract . . . 1991*, p. 430, "Weighted Average Poverty Thresholds Based on Money

because much of Chinese agriculture has been freed from the shackles of state ownership and central planning, allowed to function as a free market. Many basic consumer goods, too, are fairly plentiful, like shampoo, combs, and razor blades; their quality is poor, but they can be bought. But think of housing. Millions of homeless sleep under bridges or in train stations. Those who have homes are not necessarily too much better off. The family of one Communist Party official Keith Andreve knew lived in relative luxury. Six people shared a 700-square-foot apartment with one bathroom with indoor plumbing but no hot water. What about people without such connections? A typical couple might live in a single eight-by-ten room and share a kitchen with four other couples. Virtually no one has a car. Almost all sewage in China is released untreated into its rivers; some of the rest is carted out to the farms to spread on fields as fertilizer.

Now compare these living conditions with those in the United States, even for the lowest 20 percent of income earners, who, in 1988, spent an average of \$1,950 on food, \$144 on alcoholic beverages, \$3,957 on housing (including fuel, household operations and furnishings, and housekeeping supplies), \$574 on clothing, \$588 on transportation, \$831 on health care, and \$1,867 on other things.¹⁰ While hundreds of millions of Chinese have no home heating, fewer than 1 percent of American homes (including those in warm climates) lack heat and electric or gas cooking ability.¹¹ In America, 64 percent of households have air conditioning, 75 percent have clothes washers, 66 percent have dryers, 43 percent have automatic dishwashers, 34 percent have freezers separate from refrigerators, nearly 100 percent have refrigerators, 61 percent have microwave ovens, 98 percent have conventional ovens, nearly 100 percent have electric or gas ranges,

Income for Families and Unrelated Individuals: 1970 to 1989," and Tables 584 and 756.

¹⁰Statistical Abstract . . . 1991, Table 718.

¹¹Statistical Abstract . . . 1991, Table 1288.

nearly 100 percent have hot water, and 88 percent have one or more vehicles.¹² Ninety-three percent of American households have telephones, 99 percent have radios (and they have an average of six radios per housing unit), 98 percent have televisions (an average of two televisions per household); in China, while radios and televisions are fairly common in the coastal cities, almost no households have telephones; those, like cars, are limited to work units.¹³

Is there an invisible hand to help the poor? How about the hand of Providence that placed your birth in the capitalist, industrialized West, not in the People's Republic of China? And how about the invisible hand that made that capitalist, industrialized West so wealthy compared with other parts of the world today and all of the world a century and more ago?

To put it rather simply, if I had to be poor, I would far rather be poor in the United States or any other capitalist country today than in China or any other communist, socialist, mercantilist, or feudalist country today or yesterday. In capitalist countries, the "invisible hand" of the market—the market founded on Biblical principles of life, liberty, and property, of work and reward, of faith and fruit—has helped to elevate nearly everyone to material standards of living beyond the dreams of avarice a century, two centuries, or three centuries ago. And it offers even to the destitute opportunities for economic improvement unknown in other cultures and eras.

Material Well-Being and Affordability of Goods

There is another way to look at this question. What has happened to the affordability of goods over time in market economies? As basic consumer goods like food and clothing become more affordable, the likelihood of someone's having to go without declines. What is the record of history?

¹²*Statistical Abstract . . . 1991*, Table 1289.

Gains in Productivity

As labor becomes more productive, the rising quantity of goods causes the prices of goods to fall, making them increasingly affordable. In other words, the purchasing power of labor increases. This is particularly important for those who depend largely on their labor for income—who have little or no income from interest, dividends, or capital gains.

So, what has happened to the productivity of labor in America over the years, particularly in the industries most important to basic consumption—food and minerals? Consider the production of major agricultural products. The productivity of labor in producing wheat rose 4,050 percent in the 170 years from 1800 to 1970; in producing corn, by 4,800 percent. In the sixty years from 1910 to 1970, the productivity of labor in producing hay rose by 500 percent; in producing potatoes, by 625 percent; in producing milk, by 140 percent; in producing beef, by 155 percent; in producing pork, by 200 percent; in producing farm-raised chickens, by 150 percent; in producing turkeys, by 3,040 percent. In the forty-five years from 1925 to 1970, the productivity of labor in producing laying chickens rose by 150 percent; in producing eggs, by 375 percent. And in the thirty-five years from 1935 to 1970, the productivity of labor in producing broiling chickens rose by 2,000 percent.¹⁴ Productivity has continued rising in all of these in the past twenty years. In 1820, the average American farm worker provided agricultural products for himself and 3.1 other people; in 1970, he provided for himself and 46.1 other people, an increase of 1,050 percent.¹⁵

Similar productivity growth has occurred in other extractive industries, too.

¹³*Statistical Abstract . . . 1991*, Table 919.

¹⁴*Historical Statistics*, Series K 445-485.

¹⁵*Historical Statistics*, Series K 407-413.

In 1914, it took 1,378,437 man-hours to produce 422,704,000 tons of coal; in 1970, it took only 20 percent as many hours to produce 40 percent more coal.¹⁶ In 1942, it took 666,000 man-hours to produce 1.3 billion barrels of crude petroleum and 3.1 trillion cubic feet of marketed natural gas in the United States; in 1970, it took only 46 percent more hours to produce 169 percent more oil and 606 percent more natural gas.¹⁷ In 1916, it took 215 million man-hours in stone quarries and related industries to produce 91.8 million tons of stone; in 1970, it took only 86 percent as many hours to produce 852 percent more stone.¹⁸

Changing Prices and Labor-Capital Costs

The three chief divisions of extractive goods (natural resources) are agricultural products, minerals, and forest products. The labor-capital cost per unit of agricultural output fell 50 percent between 1870 and 1957. The labor cost alone fell 65 percent.¹⁹ The labor-capital cost per unit of mineral output fell 78 percent; labor cost alone, 84 percent.²⁰ Only in labor cost of forestry products (a labor-capital cost estimate was not possible because of the peculiarities of the industry) was there a weak indication of increasing scarcity: the inflation-adjusted price of sawlogs rose 83 percent from 1870 to 1920, but fell 17 percent afterward, leaving the 1957 inflation-adjusted price 50 percent above the 1870-1900 average price.²¹ One recent study showed falling mineral prices relative to the average cost of labor in the United States from 1900 to 1970: copper, down 87 percent; iron, 62 percent; zinc, 79 percent; aluminum, 97 percent; and crude

¹⁶*Historical Statistics*, Series M 297 and M 93.

¹⁷*Historical Statistics*, Series M 299, M 138, and M 147.

¹⁸*Historical Statistics*, Series M 303 and M 194.

¹⁹Harold J. Barnett and Chandler Morse, *Scarcity and Growth: The Economics of Natural Resource Availability* (Baltimore: Johns Hopkins University Press/Resources for the Future, 1963), p. 205, Table 6.

²⁰*Ibid.*, p. 206, Table 7.

²¹*Ibid.*, p. 207, Table 8.

petroleum, 90 percent.²²

Data for extractive goods in the United States from 1870 to 1957 showed generally falling costs by all methods of measurement. Average labor-capital cost of all extractive goods fell by one-half, labor cost by two-thirds.²³

The downward price trends of 1870-1957 have continued. Inflation-adjusted worldwide prices for the chief non-fuel minerals, ores, and metals taken as a group (iron ore, manganese ore, phosphate, aluminum, copper, lead, zinc, tin, and tungsten) fell by about 5 percent from 1950 to 1980. Prices of non-ferrous base metals (aluminum, copper, lead, zinc, tin, and nickel) fell by about 10 percent. Prices of crude fertilizers (phosphate and potash) fell by about 26 percent.²⁴ Aside from fuels (chiefly petroleum, coal, and uranium), these represent the vast majority of non-agricultural extractive resources used in the world. Similar declines have occurred in most agricultural prices since 1870. The inflation-adjusted price of wheat fell 37 percent from 1870 to 1980; of rice, 10 percent; of barley, 42 percent; of corn, 4 percent; of sugar beets, 13 percent; of sugar cane, 48 percent; of hogs, 6 percent; of chickens, 80 percent; and of eggs, 58 percent. Even those agricultural products whose prices rose on an inflation-adjusted basis—cotton, 7 percent, beef cattle, 84 percent, and milk, 12 percent—got less expensive as a proportion of average annual inflation-adjusted income, which multiplied several times over.²⁵

Put rather simply, the average hour of labor in market economies today can produce, and buy, several times as much wealth as the average hour of labor in

²²D. Nordhaus, "Resources as a Constraint on Growth," *American Economic Review*, May 1974, summarized in Herman Kahn, William Brown, and Leon Martel, *The Next 200 Years: A Scenario for America and the World* (New York: William Morrow/The Hudson Institute, 1976), p. 100, Table 11.

²³Derived from Barnett and Morse, *Scarcity and Growth*, p. 208, Figure 30.

²⁴Harold G. Barnett, Gerard M. Van Muiswinkel, Mordecai Shechter, and John G. Myers, "Global Trends in Non-Fuel Minerals," in *The Resourceful Earth: A Response to 'Global 2000'*, ed. Julian Simon and Herman Kahn (New York and London: Basil Blackwell, 1984), pp. 316-38. Figures derived from p. 320, Table 11.1.

any economies a hundred years ago and more. This is largely an effect of growing economic productivity spurred by the rewards for risk taking inherent in free markets. I might point out, too, that this is precisely what Adam Smith considered the most important measure of economic progress: growth in the purchasing power of labor.²⁶

Is there an invisible hand in helping the poor? How about the hand of Providence that has led to these tremendous increases in productivity and drops in prices of basic consumer goods?

Changing Options in Spending

Another way of looking at the effect of economic growth on poor and low-income people is looking at the proportion of their expenditures that must go to basic necessities—food and beverages, clothing, housing, and housing-related energy. In 1874-1875, the lowest income group of Americans spent an average of 97 percent of their money on these basics, leaving only 3 percent of their money to spend on such things as transportation, health care, education, entertainment, travel, and such simple pleasures as books and periodicals. In 1988, the lowest income group of Americans spent an average of only 55 percent of their money on the basics, leaving 45 percent available for everything else. And what they spent on food, clothing, and housing in 1988 bought them a great deal more than what their ancestors spent on these things in 1874-1875.²⁷

Is there an invisible hand in helping the poor? How about the hand of Providence that has, largely through the economic growth caused by the market economy, given low-income Americans so much more discretion over what to do with

²⁵Beisner, *Prospects for Growth*, 115-16.

²⁶I am indebted for this insight to Roger D. Johnson, of Messiah College, who has developed and supported it in an unpublished paper, "Adam Smith's Radical Views on Property, Distributive Justice and the Market."

²⁷*Statistical Abstract . . . 1991*, Table 718; *Historical Statistics*, Series G 495-581.

their income?

Just What Is the Invisible Hand?

It can't be denied. General economic growth has multiplied by many times over the standard of living of low-income people in market economies and reduced by many times the number of people living in true poverty—Biblically defined poverty, as I described it in my earlier lecture. And the role of the free market in driving this economic growth is undeniable in economic history.²⁸

But just what do we mean by an "invisible hand" that helps the poor? Is it the rhetoric of utilitarian deism, an excuse for neglecting the needy? Far from it. It is instead the rhetoric of humility and of admiration for the providence of God.

Consider what the coiner of the phrase meant by it. In his *Inquiry into the Nature and Causes of the Wealth of Nations*, Adam Smith wrote that individuals left free to use their labor and capital to what they consider their best advantage will naturally do all they can to increase their productivity.

As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of

²⁸For a good layman's-level survey of such history, see Henry Hazlitt, *The Conquest of Poverty* (New

the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.²⁹

Here Smith speaks of the unintended consequences of profit seekers leading to the maximization of total wealth in society. Because of this, many critics of the market have argued that while the "invisible hand" might work well to produce wealth, it will not distribute the wealth it creates in a manner that leads to a general improvement in the standard of living at all relative income levels. Such is the thought lying behind the claim that the rich get richer and the poor get poorer—or remain as they are.

But this is not all Smith had to say about the "invisible hand." Seventeen years earlier, in *The Theory of Moral Sentiments*, which provided the ethical and philosophical foundations for *The Wealth of Nations*, Smith had argued that the impossibility of the rich actually consuming upon himself all that he wanted, without what we today might call "spin-off benefits" to those around him, led to the felicitous result that the rich even in pursuing wealth helped to distribute the benefits of wealth more broadly. It is because "the eye is larger than the belly" that this is so. The rich desires to own more than he can consume:

Rochelle, NY: Arlington House, 1973).

²⁹Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, 2 vols., ed. R. H. Campbell and A. S. Skinner (Volume II of *The Glasgow Edition of the Works and Correspondence of Adam Smith*; Indianapolis: Liberty Fund, 1981), IV.ii.2 (vol. 1, p. 456).

The capacity of his stomach bears no proportion to the immensity of his desires, and will receive no more than that of the meanest peasant. The rest he is obliged to distribute among those, who prepare, in the nicest manner, that little which he himself makes use of, among those who fit up the palace in which this little is to be consumed, among those who provide and keep in order all the different baubles and trinkets, which are employed in the oeconomy of greatness; all of whom thus derive from his luxury and caprice, that share of the necessaries of life, which they would in vain have expected from his humanity or his justice. The produce of the soil maintains at all times nearly that number of inhabitants which it is capable of maintaining. The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the sole end which they propose from the labours of all the thousands whom they employ, be the gratification of their own vain and insatiable desires, they provide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species. When Providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been left out in the partition. These last too enjoy their share of all that it produces. In what constitutes the real happiness of human life, they are in no respect inferior to those who would seem so much above them. In ease of body and

peace of mind, all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for.³⁰

Smith's point is not to excuse greed—he thought it despicable, as he wrote in *The Theory of Moral Sentiments*—but to explain how market mechanisms can diminish very considerably the ill effects of the greed of the rich on the lives of the nonrich. It is hard not to recall, in this light, the unintended consequences brought about by the steep increases in luxury taxes that were part of the 1990 tax package that former President George Bush accepted from the Democrats in the vain hope that Congress might pass some corresponding spending cuts. The higher taxes on pleasure boats, for instance, led promptly to the loss of thousands of jobs in the boat building and servicing industries because the rich, to avoid paying the taxes, bought fewer boats. Far from redistributing wealth from rich to poor and the middle class, the luxury tax merely changed the expenditure patterns of the rich and cut many working people out of the loop.

For Smith, the "invisible hand"—the hand of Providence—caused the self-interest of men acting in a free society not only to increase the total wealth in the society but also to improve the distribution of wealth in that society so as simultaneously to minimize inequalities and raise the standard of living not only of the highest but also of the lowest classes. In other words, the "invisible hand" in the market not only produces wealth, which the market's critics have long admitted, but also distributes it well, which they have long denied.

That Smith was correct in this is apparent from studies of income distribution that have indicated that the shares of national income received by the upper,

³⁰Adam Smith, *The Theory of Moral Sentiments*, IV.i.10, ed. D. D. Raphael and A. L. Macfie (Volume I of *The Glasgow Edition of the Works and Correspondence of Adam Smith*; Indianapolis: Liberty Fund, 1982), 184-5.

middle, and lower income groups remain roughly the same over long periods of time. For instance P. J. Hill reports:

In the USA the distribution of income is nearly the same as that which existed in 1776. The percentage of income that is received by each quintile group is very close to that received by the same quintile group in 1776. According to those statistics we have made no improvement in the *position* of the poor over the last 200 years. But is that relevant? One must not ignore the fact that those people at the bottom have substantially improved their ability to consume food, enjoy medical care and have more of other economic goods.³¹

Hill points out that "in the United States, from 1790-1980, the bottom 20% of the income distribution (that is, those ordinarily considered poor) raised their real standard of living by 750%. This was because of substantial economic growth rather than because of income distribution programmes."

Smith associated the "invisible hand," as we have seen, with providence. Was this a mere rhetorical device for him, or did it represent a conscious belief in the superintending, loving activity of the personal God? Was it more akin to the philosophy of the Stoics and deists, or to St. Paul's confident assertion "that all things work together for good to those who love God, to those who are the called according to His purpose" (Romans 8:28)? I believe a careful reading of his *Theory of Moral Sentiments* leads to the latter conclusion, and it does so in a manner that calls to mind the wise recognition that social responsibility should follow the natural, concentric, and widening circles formed by the

³¹P. J. Hill, "An Analysis of the Market Economy," *Transformation* 3/4.

individual, the family, the community, and the nation. "Every man," wrote Smith,

. . . is first and principally recommended to his own care; and every man is certainly, in every respect, fitter and abler to take care of himself than of any other person. Every man feels his own pleasures and his own pains more sensibly than those of other people. . . .

After himself, the members of his own family, those who usually live in the same house with him, his parents, his children, his brothers and sisters, are naturally the objects of his warmest affections. They are naturally and usually the persons upon whose happiness or misery his conduct must have the greatest influence. He is more habituated to sympathize with them. He knows better how every thing is likely to affect them, and his sympathy with them is more precise and determinate, than it can be with the greater part of other people. . . . (VI.ii.I.1-2.)

The same principles that direct the order in which individuals are recommended to our beneficence, direct that likewise in which societies are recommended to it. Those to which it is, or may be of most importance, are first and principally recommended to it. (VI.ii.II.1.)

In saying these things, Smith did but follow in the footsteps of St. Augustine, who, in *The City of God*, wrote of the peaceable order of the just community,

. . . this is the order of this concord, that a man, in the first place, injure no one, and, in the second, do good to every one he can reach. Primarily, therefore, his own household are his care, for the law of nature and of society gives him readier access to them and greater opportunity of serving them. And hence the apostle says, "Now, if any provide not for his

own, and specially for those of his own house, he hath denied the faith, and is worse than an infidel" [1 Timothy 5:8]. This is the origin of domestic peace, or the well-ordered concord of those in the family who rule and those who obey. For they who care for the rest rule,—the husband the wife, the parents the children, the masters the servants; and they who are cared for obey,—the women their husbands, the children their parents, the servants their masters.³²

While, then, the circles of our care grow ever wider, they also grow ever dimmer because of our own limitations of knowledge, of understanding, and of foresight. Care for ourselves and our families, our friends and close communities, Smith recognized, is a matter for our conscious intention.

The administration of the great system of the universe, however, the care of the universal happiness of all rational and sensible beings, is the business of God and not of man. To man is allotted a much humbler department, but one much more suitable to the weakness of his powers, and to the narrowness of his comprehension; the care of his own happiness, of that of his family, his friends, his country: that he is occupied in contemplating the more sublime, can never be an excuse for his neglecting the more humble department. . . . (VI.ii.II.6.)

For Smith, the providence of God was not the impersonal stuff of deism but the "benevolence and wisdom" of God. This providence, Smith said, was "certainly of all the objects of human contemplation by far the most sublime" (VI.ii.II.5). It is a "wisdom that directs all the events of human life" and against which the

³²St. Augustine, *The City of God*, XIX.xiv; in *A Select Library of the Nicene and Post-Nicene*

wise man never complains, recognizing in it provision for the good of all (VII.ii.I.20).

Adam Smith's doctrine of the "invisible hand" was for him not a mere rhetorical device but an affirmation of the real providence of God in turning even evil intents to the common good. But he never intended this doctrine to be used as a justification of selfishness. Echoing Paul, he believed

that as the world was governed by the all-ruling providence of a wise, powerful, and good God, every single event ought to be regarded as making a necessary part of the plan of the universe, and as tending to promote the general order and happiness of the whole: that the vices and follies of mankind, therefore, made as necessary a part of this plan as their wisdom or their virtue; and by that eternal art which reduces good from ill, were made to tend equally to the prosperity and perfection of the great system of nature. No speculation of this kind, however, how deeply soever it might be rooted in the mind, could diminish our natural abhorrence for vice, whose immediate effects are so destructive, and whose remote ones are too distant to be traced by the imagination (I.ii.III.4).

Far from Smith's justifying selfishness, he condemned it, holding that the properly formed conscience could approve of nothing less than self-denial for the sake of others:

And hence it is, that to feel much for others and little for ourselves, that to restrain our selfish, and to indulge our benevolent affections, constitutes the perfection of human nature; and can alone produce among mankind that harmony of sentiments and passions in which consists their

whole grace and propriety. As to love our neighbour as we love ourselves is the great law of Christianity, so it is the great precept of nature to love ourselves only as we love our neighbour, or what comes to the same thing, as our neighbour is capable of loving us. (I.i.v.5)

Here Smith shows the limits of our dependence on the "invisible hand" working through the market economy to provide for the poor. The same God who requires of us the humility to leave "the care of the universal happiness of all rational and sensible beings" in His hands also requires us to love our neighbors as ourselves, and so "to restrain our selfish, and to indulge our benevolent affections."

The rising tide of the market economy does not lift all boats. It lifts the vast majority. But some are stuck in the muddy bottom, their timbers rotted and waterlogged. No rising tide will lift them. It will instead merely drown their occupants, for whose benefit God calls His people to exercise not indulgence but charity—a life-transforming charity that replaces rotten timbers, frees the keel from the grasping mud of the poverty lifestyle, sets the sails of responsibility and hard work to the wind, and so lifts up the truly poor and needy.

An Invisible Hand that Hurts the Poor

Finally, just as there is an invisible hand to help the poor, so also there is an invisible hand to hurt them. It is a hand that promises much, but delivers little—and worse than little. It is a hand that falls upon the poor, the weak, and the vulnerable, and finds them easy victims because they welcome its fall. It is the hand of the welfare state. Let me explain by pointing to some disturbing

historical facts and drawing from them some lessons and questions.

Statistical studies indicate that blacks and whites in America have nearly identical rates of income and employment if certain behavioral and moral variables are controlled for. Most important among these are getting married and staying married. After these come others, like staying in school and not committing crimes, abusing drugs and alcohol, or getting pregnant out of wedlock. Differences in these behavior explain the vast majority of the differences in income and employment between blacks and whites.

A crucial question, then, is this: *Why* are the rates of these empower behaviors so much lower, and of these debilitating behaviors so much higher, among blacks than among whites (and other races and ethnic groups)? Why are marriage rates lower and divorce rates higher among blacks than among whites? Why are rates of school dropout, criminal behavior, drug and alcohol abuse, and unwed pregnancy so much higher among blacks than among whites? The explanation that blacks are fundamentally inferior to whites is not an option for the Christian, who believes that God made from one flesh every person who dwells on the earth, each bearing His glorious image. What, then, does explain it?

Studies by sociologists like Charles Murray provide strong evidence that the empowering activities have been discouraged and the debilitating activities encouraged by the unintended consequences of the welfare state.³³ Those effects are as debilitating to whites as to blacks, when they are exposed to the causes. The critical difference is the different rates at which the two groups were exposed to the causes, and it was the factor of *timing* that made the difference. Blacks had been narrowing the gap between themselves and whites quite rapidly, and steadily, during the sixty years prior to the start and burgeoning growth of major welfare programs and spending in the 1960s and 1970s. But then the welfare

³³Charles Murray, *Losing Ground: American Social Policy 1950-1980* (New York: Basic Books, 1984).

programs began to grow, and because blacks had not closed the gape entirely by that time, their rate of exposure to the "compassionate" ministrations of the welfare state was much higher than that of whites, and so they *developed* higher rates of the debilitating behaviors encouraged by welfare programs, and they *developed* lower rates of the empowering behaviors discouraged by welfare programs, than whites. They had not so differed in these behaviors in the past.

Thus did the invisible hand of the welfare state stop dead in its tracks, and then reverse, the progressive narrowing of the gap in income and employment between blacks and whites.

A secular mind would see that factor of timing as a tragic accident of history. But a Christian mind must see in it the providence of a God who works all things together toward good for those who love Him. How, then, can we identify the love of God toward blacks who love Him in the oppression they have suffered because of this providential timing, and what can we do to reverse and prevent the whole debilitating process in the future? I have not developed an extended answer to the first question. Perhaps we can see the love of God in giving blacks the opportunity to testify to the world from their experience, as the victims of the communist world have testified from theirs, of the destructive impact of human hubris in the form of the bureaucratic administration of compassion, whether through socialism or through the welfare state, and then, having testified, to display, by choosing the path of freedom over the path of welfare, the capacity of free and honorable people to change their destiny for the good.

To the second question, however, there is a clear answer. The history I have just recited makes it clear that we must, if we have compassion for the poor—black and white alike—intervene with evangelism, mercy ministry, and discipleship

between the welfare state and its victims to shield them from its invisible hand. Only thus can we help them, as we must, to reverse the upward trends in the debilitating behaviors and the downward trends in the empowering behaviors, trends that have trapped them in poverty. If we will do this effectively, we can help these victims to free themselves from the welfare state and become independent at last. When that happens, the welfare state will become redundant for lack of clients, and the dark shadow of its invisible hand will disappear from off the land.

7906 words, including notes