

John Jefferson Davis

FIRST-WORLD WEALTH AND THIRD-WORLD POVERTY

"In one world, as in one state, when I am rich because you are poor, and I am poor because you are rich, the transfer of wealth from the rich to the poor is a matter of rights; it is not an appropriate matter for charity." Such are the angry claims of Julius Nyerere, president of the African nation of Tanzania.¹ His sentiments are echoed by the Third-World revolutionary Frantz Fanon: "The question which is looming on the horizon is the need for a redistribution of wealth. Humanity must reply to this question, or be shaken to pieces by it."²

Are the charges of Nyerere and Fanon supported by the facts? Do we as members of the more affluent nations have a moral obligation to give

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"reparations" to the poor of the Third and Fourth-World nations? Does our wealth cause their poverty?

The World Outlook

It is useful to recall some basic facts about poverty in the past and present for the sake of gaining historical perspective. As twentieth-century Americans, it is easy to lose sight of the fact that poverty has been the normal lot of the vast majority of mankind for most of recorded history. As the economic writer Henry Hazlitt has observed, "the history of poverty is almost the history of mankind."³

Poverty was the order of the day in the ancient world. Greek dwellings had no heat in winter, no adequate sanitary arrangements, and no washing facilities. The average Roman house was little better. Recurring famines took thousands of lives. In a famine in Rome in 436 B.C., thousands of starving people threw themselves into the Tiber River, so great was their desperation.⁴

General and widespread poverty was also characteristic of the middle ages. "Alternations between feasting and starvation, famines, crime, violence, scurvy, leprosy, typhoid, wars, pestilence and plague were part of medieval life to an extent we can hardly imagine today," wrote historian E. Parmalee Prentice. The homes of typical medieval laborers were hovels. The walls were made of

boards cemented with mud and leaves; there was no sewage or water supply. The entire family was crowded into a single room or perhaps two, together with the family's animals.⁵

The Encyclopedia Britannica listed some thirty-one major famines from ancient times down through 1960. Famines are still common in the less developed countries. In modern socialist nations food shortages are still a recurring problem, as this recent headline attested: "Rationing of Sugar and Meat in Poland."

The fact of poverty as the "normal" condition of the human race began to change with the rise of the Industrial Revolution in the mid-eighteenth century. Through the benefits of modern science and technology, in the Western industrial nations poverty has been changed from the *normal* condition of the *majority* to the *abnormal* condition of the shrinking *minority*. It is easy to forget what a dramatic change this transformation has meant for the average person. The less developed nations are responding to a "revolution of rising expectations" created by the advances of the Industrial Revolution.

Here in the United States substantial progress has been made in the effort to reduce poverty to a residual level. Warren Brookes, economic writer for the *Boston Herald American*, has called attention to the

fact that "In spite of spiraling inflation, and energy costs, socio-economic data now shows that less than 7 percent of all Americans live below the U.S. poverty line, and even this 7 percent live better than 85 percent of the rest of the world's population." While it may be true that the U.S., with only 6 percent of the world's population uses over a third of the world's energy, Brookes points out that the critics usually fail to mention that the U.S. produces 40 percent of the world's food, and supports nearly 80 percent of the world's private charities.⁶

Dr. Michael J. Boskin, a professor of economics at Stanford University, has recently called attention to features of the government's "poverty index" that tend to exaggerate the size of the problem. While the index is adjusted for inflation, family size and location, it excludes the actual cash value of transfer payments such as food stamps, subsidized housing, and medical care. "Even conservative estimates of the cash-equivalent value of these programs result in a startling discovery," writes Prof. Boskin, "only about 3 percent of Americans live below the poverty line." If Boskin's analysis is correct, then the "war on poverty" in America is a war that has practically been won.

In the world as a whole, it is undeniable that there are multitudes of poor and hungry people. But even

here there are signs of hope, and well-meaning reformers at times inadvertently exaggerate the magnitude of the problem.

In a recent issue of *Commentary* Nick Eberstadt argued that the figure of 30 million children dying of starvation each year quoted by World Bank president Robert McNamara was four times too high. The World Bank figures failed to take into account local variations in caloric needs. With the World Bank's methodology caloric deprivation would be ascribed to 48 percent of the population of Taiwan and to 40 percent in Hong Kong, but life expectancy in both places is over 72—about the same as in Finland or Austria.⁸

The world hunger situation has shown signs of improvement. In the past 30 years life expectancy in the less developed countries, excluding China, has risen by more than a third, and China's may be up by 50 percent. Since 1950 worldwide per-capita food production has risen by about 40 percent, in spite of dramatic population growth. Between 1950 and 1980 the world's arable land area grew by more than 20 percent, and even more rapidly in the poor countries as a whole.⁹ These figures do not minimize the tragic proportions of the hunger and poverty that still exist in today's world, but they do caution against careless exaggerations that in the long run only retard the mobilization of the

moral concern necessary to alleviate the problems.

The experience of the modern Asian states of Taiwan, Singapore, Hong Kong, and South Korea demonstrates that determined and energetic societies can overcome conditions of poverty. These once-poor societies have been notably transformed in the last 20 years through initiative and hard work. Singapore, a city-state hardly larger than Memphis, Tennessee, and without natural resources, has won 25 percent of the global backlog of orders for oil rigs, second only to the United States. South Korea is already the world's largest producer of black and white television sets. These Asian states are rapidly moving from traditional reliance on the manufacture of cheap garments and toys into the high technology areas, offering stiff competition to Japan.¹⁰ Their experience shows that poverty can be overcome not through exploiting others, but through initiative, enterprise, efficiency, and hard work.

The Causes of Poverty

One popular theory about the cause of poverty might be called the "robber baron" theory. According to this theory, if I am rich and you are poor, it must be the case that you have been the victim of my exploitation and oppression. This point of view was popularized by Karl Marx, who believed that the relationship be-

tween capital and labor was inherently that of oppressor and oppressed.

Now it is certainly the case that the poor can be exploited by the rich. The fact of oppression in human experience can not be denied, and it is common enough to make the "robber baron" theory plausible. We have heard such sentiments voiced by Julius Nyerere of Tanzania in the words quoted at the beginning of this article.

It would be a fatal error, however, to believe that *all* poverty is the result of oppression. The "robber baron" theory misunderstands the nature both of wealth and a free exchange in the market economy, and slanders the character of those who have become wealthy through personal initiative, insight, and hard work.

It is important to understand the nature of wealth in the modern world. Most wealth today is derived neither from exploitation nor from digging material resources out of the ground, but from discovering new ways of producing goods, organizing work, or processing information. As Max Singer and Paul Bracken of the Hudson Institute have observed, "much modern wealth isn't based on things at all, but on ideas, techniques, information, and other intangibles, such as new ways of motivating people or organizing work." They note that Japan's economic success "is the most dramatic evi-

dence that wealth does not have to be based on natural resources."¹¹

The invention of the computer chip has spawned a whole new industry and created thousands of new jobs. The computer chip represents a new source of wealth derived not from exploitation, but from human inventiveness which transformed ordinary sand into an instrument for processing information faster and more efficiently and in a tinier space.

The latest development along these lines is the "seeing eye" or "imager" chip. In a growing number of lumber mills logs are sized up by imager-chip cameras linked to computers that control the cutting saws. The result is five to ten percent more lumber per log. Again, the gain is the product not of "exploitation," but of human creativity.

Both Traders Benefit

Notice also that a free-enterprise economy is based on *free exchange*. The Beatles freely chose to write music and produce records, and millions of young people freely chose to exchange their money for those records. One may or may not like the music of the Beatles, but nevertheless it is the case that these musicians became millionaires many times over not through theft and fraud, but by freely producing a product that millions freely chose to purchase. A genuinely free exchange is not a "zero-sum" or "I win—

you lose" situation, but a relationship in which both parties benefit. Unless both parties value what they receive more than what they give up, the exchange will not take place. The teenager valued the record more than the money required to purchase it, and the producer the money more than the record. In a free exchange disturbed by neither force nor fraud, both parties benefit and increase their sense of personal satisfaction. The "robber baron" or "rip-off" theory of poverty and wealth fails to understand the dynamics of a free exchange economy.

Another popular but mistaken idea today is that the wealth of the Western nations is the cause of the poverty of the Third-World nations. This contention is simply not supported by the facts. Some of the most affluent nations, such as Switzerland and Sweden, never had any colonies at all. Others, such as Germany and Japan, became wealthy only after losing their colonies. Some of the most economically underdeveloped nations—Afghanistan, Tibet, Nepal, Liberia—never were colonies of the West.¹² And in general, the Third-World nations that today are the most economically advanced are precisely those which have had the most extensive contact with the West.

As Professor P. T. Bauer of the London School of Economics has pointed out, "Before colonial rule

there was not a single cocoa tree in the Gold Coast (Ghana); when colonial rule ended, cocoa exports, entirely from African-owned and operated farms, totaled hundreds of thousands of tons annually." In the 1890's, Malaya was a sparsely populated land of fishing villages and hamlets. "By the 1930's," notes Bauer, "it had become a country with populous cities, thriving commerce, and an excellent system of roads, primarily thanks to the rubber industry brought there and developed by the British."¹³

The fact of the matter is that the colonial system benefited the colonies as well as the ruling countries. Colonialization brought the introduction of schools, roads, banking, and business know-how without which much of the former colonies' present economic development would have been impossible. Resentful "robber baron" theories applied to the West by Third-World leaders influenced by Marxist ideology distort the historical record and short-circuit the personal initiative needed for upward economic mobility in their societies.

While scripture clearly recognized that poverty may be caused or aggravated by external circumstances such as oppression and injustice, it is equally clear that the Bible teaches that individual character is a crucial factor influencing one's state of poverty or affluence. It is clear that

poverty can be caused by sloth and laziness. "A little sleep, a little slumber, a little folding of the hands to rest, and poverty will come upon you like a vagabond, and want like an armed man" (Proverbs 6:10, 11). "Slothfulness casts into a deep sleep, and an idle person will suffer hunger" (Proverbs 19:15). The sluggard neglects his own fields and vineyards, and suffers impoverishment as a result (Proverbs 24: 30-34).

The scriptures clearly call upon all to assume personal responsibility for their own lives and circumstances, rather than depending on government to provide for their basic needs. Rather than blaming impersonal environmental and structural conditions for one's poverty, the Bible encourages the individual to take personal initiative and actively exert the effort necessary to better one's personal circumstances.

A Personal Problem

In 1966 Professor James S. Coleman stunned the educational world with his massive study, *Equality of Educational Opportunity*, perhaps the second most expensive social research project in U.S. history. The conclusion of Coleman's study was that there was no measurable impact that public schools had had in eliminating or even modifying comparative achievements among students. This was a stunning blow to one of the basic liberal assumptions

which had undergirded U.S. social and educational policy during the 1960's, namely, that spending more money on the public schools was an effective means of reducing poverty. This assumption saw the primary roots of poverty in the child's social environment, and the assumption proved to be mistaken. Coleman's results pointed instead to *family values* as the prime factor in educational achievement. It turned out that the character formation provided by a sound family structure, rather than "federal money thrown at a social problem" was the key to motivation and achievement in the public schools—a result that many people have suspected all along.

In 1970 Professor Edward Banfield of Harvard earned the wrath of much of the academic profession with his book *The Unheavenly City*. Banfield argued, contrary to the conventional wisdom, that the primary cause of poverty in the ghetto is not external but internal, and in particular, the self-chosen life-style of the majority of ghetto inhabitants. The problem according to Banfield is "present orientation," a set of values oriented toward "action" and immediate gratification, rather than planning, saving, and extended effort. Such a value orientation can not be changed merely by bigger schools or better job training, but only through a more fundamental moral and spiritual reorientation—a "con-

version." Banfield's insights underscore the fact that poverty is basically rooted in a state of mind rather than in external circumstances.

The Work Ethic

It is intriguing to study modern history and notice how nations such as the United States, Canada, England, Germany, the Scandinavian countries, and Switzerland, which were significantly affected by the Protestant Reformation, have enjoyed great economic prosperity. Many factors were at work, of course, but nevertheless the sense of personal responsibility encouraged by the Reformation gospel was a powerful stimulus to economic improvement.

One of the ironies of the modern world is that the "Protestant work ethic" seems best exemplified in non-Christian states such as Japan, Singapore, South Korea, Taiwan, and Hong Kong. Insofar as these new industrial giants of Asia have applied the biblical work ethic they have enjoyed remarkable economic prosperity. This is no confirmation of a doctrine of "salvation by works," but of the simple principle that God can grant temporal blessing to righteous behavior wherever it may be found.

When Kim Kyang Won, secretary general to South Korea's president, was asked about the reasons for his country's progress, he replied, "It's the culture of discipline and post-

poning immediate satisfaction for the future—even for posterity."¹⁴ Such character traits have encouraged a national investment rate of 25–35 percent of the Gross National Product, twice the U.S. rate.

Americans of all faiths can learn from the Asian example of diligence and future-orientation. Being the "salt of the earth" in our own society implies the demonstration of such character traits. God's temporal blessings can then be directed not toward needless self-gratification, but toward the meeting of legitimate needs in the wider human community. ☉

—FOOTNOTES—

¹Cited by Charles Krauthammer, "Rich Nations, Poor Nations," *New Republic*, April 11, 1981, p. 20.

²Cited by Jim Wallis, "Of Rich and Poor," *Post American*, February/March 1974, p. 1.

³Henry Hazlitt, "The Problem of Poverty," *Freeman*, June 1971, p. 323.

⁴*Ibid.*

⁵*Ibid.*, p. 324.

⁶*Boston Herald American*, December 21, 1979, p. A9.

⁷Michael J. Boskin, "Prisoners of Bad Statistics," *Newsweek*, January 26, 1981, p. 15.

⁸Nick Eberstadt, "Hunger and Ideology," *Commentary*, July 1981, p. 41.

⁹*Ibid.*, p. 43.

¹⁰Louis Kraar, "Make Way for the New Japans," *Fortune*, August 10, 1981, p. 176.

¹¹Max Singer and Paul Bracken, "Don't Blame the U.S.," *New York Times Magazine*, November 1976, p. 34.

¹²*Ibid.*

¹³P. T. Bauer, *Western Guilt and Third World Poverty* (Washington, D.C., 1976), pp. 3–5.

¹⁴Kraar, *op. cit.*, p. 179.



The Genial Mr. Nock

BRING TOGETHER the shades of Erasmus, Shakespeare and Goethe and try to imagine what they would do. Play poker? Visit the Stock Exchange? Absurd! They would talk together. The precious converse of noble minds is the most truly human of all human relations, and demands at least as much artistry as Kreisler brought to the Mendelssohn Concerto. It need not be argued that Albert Jay Nock belongs on the same plane as the aforementioned to assert that he was of their spirit and that he did bring a considerable finesse to any discussion. Nock loved good talk; kindled by a responsive companion he was a brilliant conversationalist. He loved good food as well, but a meal was primarily a

means of lubricating the flow of ideas. To the table he brought a mind trained and tuned to concert pitch, a mind well stocked with ideas gleaned from great literature and broadened by wide experience here and on the continent.

Nock's ideas were perhaps not so original as he was, but he had made them his very own; his thinking ran along lines quite at variance with the familiar channels scooped out by the popular pundits of the nineteenth and twentieth centuries. Having framed his convictions independent of any school or party, he was able to view the intellectual passions and battles of the day with clinical detachment. Consequently, he appeared to many of his contemporaries as a man of monumental prejudices, almost an anachronism.

Convictions or prejudices, Nock orchestrated his brilliantly, and

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