

***The Poverty of Nations: A Sustainable Solution* (Crossway, 2013)  
Wayne Grudem and Barry Asmus**

**Chapter Three “Wrong Systems: Economic Systems That Did Not Lead to Prosperity”**

Question: *What kind of economic system best motivates and enables people to create more goods and services of value?*

Note: Economic systems by themselves do not bring a nation out of poverty. Single-cause explanations are always deficient.

**A. Hunting and Gathering**

1. From primitive societies where women focused on fruits and vegetables and men on protein.
2. Early form of specialization and trade that lacked economic development.
3. Incapable of increasing standard of living.

**B. Subsistence Farming**

1. Economic system in which each family grows enough food to feed itself.
2. Was most common means of food production for much of world history
  - a. Common in settling of American Midwest and West, as well sparsely populated areas of Canada and Australia.
  - b. Persist today in large sections of rural Africa, Asia and Latin America.
3. Resurgence with environmentalist movement. (people can do this if they want to spend all their time farming)
4. Agricultural development and industrial revolutions displaced subsistence farming and they have increased life expectancy significantly
  - a. Average life expectancy at birth in 1800 A.D. was 28.5 years.
  - b. In 2001 A.D. it had increased to 66.6 years.
5. Tends to breed other problems.
  - a. Chronic warfare among subsistence farmers and preemptive raiding is common.
  - b. Lacks institutional restraints on such behaviors.
6. Does not permit people to be better off, either economically or morally.
  - a. Failed economically due to sparse populations, few markets, and daily needs.
  - b. Lacked an understanding or embracing of large-scale division of labor, specialization, and trade.
7. Is idealized, but evidence is lacking and facts are ignored as to whether it makes people happier.
  - a. Fails to consider Biblical teaching on stewardship, moving from surviving to flourishing. [Exod. 20:15 and Lev. 25:10 on private property; Gen. 1:28 and Ps. 24:1 imply stewardship responsibility]
  - b. Is an inadequate solution to the moral challenge of feeding the world's poor.

**C. Slavery**

1. Though not considered a legitimate economic system, its historical significance mandates its inclusion.
2. Two major reasons for rejecting slavery as a suitable system for economic growth.
  - a. Moral: Dehumanizes and fails to recognize the image of God in each person (Gen. 1:27).
    - i. God set the Jewish people free from slavery (Ex. 20:2).
    - ii. God promises greater liberty in a more wonderful age to come (Isa 61:1).
    - iii. Slaves were encouraged to pursue freedom (1 Cor 7:21), which is a vital aspect in Christian life (Gal 5:1).
  - b. Economically: Limits profitability and inhibits innovative productivity and creativity.
3. Slavery must be rejected on moral and economic grounds as it fails to produce genuine, lasting prosperity.

**D. Tribal ownership**

1. An economic system in which all land is owned by the tribe or social community, and not by individuals.
2. Practiced commonly in Sub-Saharan Africa and has been practiced in Asia and Latin America.
3. Lack of individual property results in lack of responsibility or incentive for improvement.
  - a. Ownership facilitates development and opens the door for investment.
  - b. The Bible affirms property ownership as belonging to individuals (Ex 20:15; Lev 25:10)
4. Defenders of tribal ownership emphasize corporate belonging over individual rights.
  - a. Minimizes and marginalizes saving, investment, frugality, and ownership.
5. The structuring of power, executive and judicially, in the chief also hinders independent judiciary progress.
6. Economic history has proven that tribal ownership of property can never move a country from poverty to prosperity.

**E. Feudalism**

1. Economic system allowing serfs to live on the land of a lord with a portion of land to farm individually, in exchange for portions of their own crops and labor on the lord's crops.
2. Resulted in a quasi-slavery system which was eventually replaced as money was used in place of bartering.
  - a. Peasants could now sell labor to the highest bidder.
  - b. The growth of commerce led to the dissolving of the feudal system.
  - c. Innovation also contributed with the movement of a two-field to three-field crop-rotation system.
    - i. Increased harvest from 50% to 67%
3. The fall of feudalism gave rise to acquisitive living.

- a. Led to rise in production of goods beyond subsistence.
  - b. Property became exchanged for profit.
  - c. Economic growth due to property rights and population growth led to rising middle class.
    - i. Shop keepers and merchants in Britain, Holland, and Northern Europe.
    - ii. Started in Europe but soon spread throughout Western Civilization.
  - 4. Feudalism proved to be inadequate to produce the growth necessary for prosperity.
- F. Mercantilism**
- 1. An economic system emphasizing the production of goods for export for the purpose of wealth accumulation (nation).
  - 2. Favored subsidized merchants enriching governments and penalizing competitors.
    - a. Allowed for the formation of monopolies based on governmental favor judicially.
  - 3. Weakness: Favored accumulating money over improving goods and services for the people.
    - a. Money itself does not enrich a nation.
  - 4. Led to special-interest groups who sought to form monopolies while increasing competition for others.
  - 5. European countries developed extensive import and export regulations.
    - a. Attempted to control wages, quality of goods, and labor practices.
    - b. Countries attempted to exclude merchants and traders from other countries.
    - c. Free trade and economic freedom were greatly limited.
  - 6. Mercantilism does not seek the best interest of the people of a nation and cannot move it from poverty to prosperity.
- G. Socialism and communism**
- 1. Socialism: economic system whereby the government owns the means of production and directs production and distribution.
  - 2. Communism: economic system whereby government owns means of production, but also property including labor.
    - a. A political system removing class and money by establishing pure socialism by means of revolution (violence).
  - 3. Marxist theory developed through *The Communist Manifesto* (1848).
    - a. Moved towards collectivism, authoritarianism, and command-and-control government in interconnection.
      - i. Would be mutually reinforcing and work in harmony as a liberating force.
      - ii. Capitalism was viewed as greedy and in need of defeat.
    - b. Emphasized surplus value in which a worker is cheated of being fully compensated of their true value.
    - c. Commodities were to be measured in value by the amount of labor put into it.
    - d. Move from productiveness to subsidizing the less productive.
    - e. Government takes primary role in development and implementation.
    - f. *Das Kapital* (1867) - focused on main principles of communism: value, exploitation, and class struggle.
    - g. Marx failed to recognize the lack of incentive in communism and disagreed with private property rights.
  - 4. Soviet Union implementation led to an ineffective and cumbersome system lacking incentive to produce more.
    - a. Other examples such as China, Cuba, North Korea, and Cambodia reveal tendency of tyrannical dictatorship.
    - b. Communism has failed to produce one real world success story.
    - c. Death tolls in communist nations are staggering.
      - i. Estimated 85-100 million in the 20th century died at the hands of one's own government.
  - 5. Many still hold to the 'inevitability' of a communist state, but it has been revealed as economically disastrous.
- H. The welfare state and equality**
- 1. The provision of extensive benefits to citizens of a nation from cradle to grave.
  - 2. Emphasis on 'human rights' such as education, retirement, subsidized housing, and free health care.
  - 3. Welfare states have historic foundations of free-market systems which produced the wealth needed to operate.
  - 4. Insulates populations from market change leading to slow economic growth and entitlement mentality.
    - a. Entitlements have presently outgrown the wealth being created in Europe.
  - 5. The hybrid of free-market capitalism with government-directed socialism has proven unsustainable.
    - a. Economies run on the power of incentives.
    - b. Population changes reducing work force and increasing age have burdened these systems.
    - c. Competition and increased productivity are necessary in the competition of global economics.
    - d. Germany plays the key role in Europe moving forward.
      - i. Cannot continue to run trade surpluses while the rest of Europe runs trade deficits.
- I. A better solution: the free market system.**
- 1. An economic system where production and consumption are determined by the free choices of individuals, grounded in private ownership and means of production.
  - 2. Emphasizes voluntary co-operation against central direction by means of coercion.