

## CHAPTER TEN: A CENTURY OF SECULARISM

The twentieth century has been, in many respects, the most secular of all those studied in this book. While we may have disregarded God and His law in most of our decisions, the fading memory of a Christian morality has sustained our society temporarily.

### Busting Trusts and the Monopoly Game

The standard account of the American economy at the turn of the century is that of unbridled capitalism. The truth of that description depends upon how one defines “capitalism”: if you mean that government regulations and assistance were oriented to help certain kinds of business, there is some truth in the assertion. But if you define capitalism as a lack of government interference, then the country was anything but capitalistic. To clarify the picture, we will concentrate upon the degree of government involvement, which if kept to a minimum can be called “free enterprise” (this is the term we have used throughout this book).

In 1890 the Sherman anti-trust act was passed, intended to break up huge, powerful business monopolies. The problem was that these companies, such as Standard Oil, had virtually no competition and thus could control the price and supply of their products. Any new venture which attempted to compete could be made bankrupt by the huge company temporarily lowering prices below what was needed to make a profit. The monopoly could afford to take a temporary loss, but the new company could not, and after the competitor was safely out of the picture prices skyrocketed again.

While it is true that some of the monopolies had become nasty, there is another side to the story. While the competitor was in business the consumers gained through the lowered prices. Even though prices increased after the new company went out of business, it was never long

before another newcomer tried to compete and consumers again had lowered prices.<sup>i</sup>

The Sherman Act and Teddy Roosevelt's trust busting were actually more rhetoric than action. True, Standard Oil was eventually broken into a number of smaller companies, but the overall effect of their efforts was negligible. Actually the best way to fight monopoly is by using free trade between nations--foreign companies can still exist when the monopoly lowers prices (by selling to other nations and at home where shipping costs make the monopoly's goods less expensive). Of course this will not work if the monopoly's country restricts imports or slaps a heavy duty on the product.

Sociologically, when companies get big they usually become unwieldy and bureaucratic; left alone they tend to collapse under their own weight. If this is the case, how did the huge monopolies come to be so powerful and manipulative? Because they were not left alone--big government gave them subsidies and special favors.<sup>ii</sup> Big government and big business tend to feed off of one another, thus the answer to monopoly is genuine free enterprise where everyone is free to compete without the help or hindrance of government.<sup>iii</sup>

A recent example of this is the motor industry. Chrysler came very close to bankruptcy only a few years ago. Chrysler was not kept alive by Lee Iacocca, it was saved by a massive government bail out using taxpayers' money. Iacocca helped in the recovery, but why should one of only four major automakers receive those millions of dollars?

The free enterprise alternative would have been to let an unprofitable and unpopular producer die and allow the free entry of other cheaper, more popular producers (foreign automakers) to take up the slack. Our heavy duty and restrictions on foreign cars only protects the less efficient domestic industry and drives up prices (and inflation) for consumers.

## World War I

Strong nationalism began to dominate the European countries after the turn of the century. As countries became increasingly sold on themselves and their own affairs, they moved from free trade and open competition to protectionist policies. Increased government regulation in the economy brought financial problems and thus the seeking of colonies to exploit. The economics of the time were far removed from that of the previous century; colonization and its attendant greed took the place of righteousness as people turned from God to self-centeredness.<sup>iv</sup> Morality was thought to be a personal matter, thought to have no bearing upon business or international matters.

As rivalry between nations increased, Europeans forgot the biblical precept that “He who hateth his brother is a murderer.” All they needed was a spark to set off the powder keg, and that spark came in 1914 when Austrian Archduke Francis Ferdinand was assassinated. The German Kaiser supported the Austrians and retaliated by invading Serbia and France. “The Guns of August” exchanged fire when the British, Russians and French battled Germany later that year. Although there were times when all was “quiet on the Western front,” one battle (in Verdun) claimed nearly one million lives; a mass-production slaughter by mechanized barbarians.<sup>v</sup> In 1917, the United States belatedly entered the war, which did speed the victory, but some believe the worst was over by that point. Germany surrendered in 1918.

World War I wiped out the idea that “the world is getting better and better” (post-millennialism). “The war to end all wars” cost sixteen million lives, and not everyone was sure that the world was made “safe for democracy” (another slogan of the war). To make things even worse, the flu epidemic of 1918 killed even more than were lost in the entire war.<sup>vi</sup>

### A Just and Lasting Peace?

When it was all over, President Wilson promised a “just and lasting peace,” but neither occurred. The victors wanted vengeance not justice, thus the Treaty of Versailles and other actions by the allies after the war were needlessly unfair.<sup>vii</sup> The nationalistic spirit continued; no country had a sense of responsibility for other countries. The democracies set up at the time rested on the philosophy of Rousseau, not that of God's higher law upon which the British and American societies had originally developed.

Wild inflation hit Europe, particularly in Germany, a result worse than losing the war. For example, in 1914 a pound of butter cost 1.4 marks, in 1918 it was 3 marks, in 1922 the same pound cost 2400 marks, and by November of 1923 the cost was 6 trillion marks! At one point a suit cost 8000 marks and a week later a pound of butter cost 8000 marks. Workers' wages were paid daily due to this inflation, since waiting until the end of the month or even a week would mean the money would be worth far less. It is fair to conclude that if Germany had not had its inflation, they would never have allowed a Hitler to take charge.

In Russia, the government had almost completely collapsed and Kerensky's socialist government took control in 1917. A few months later, Lenin's Bolsheviks began a reign of terror and dictatorship, initiated by the October Revolution. While the allies could have stopped communism after World War I, they did little. Considering the rise of Stalin and later Lenin, Hitler and Mussolini, perhaps it could be said that we made the world safe for dictators!<sup>viii</sup>

### Coolidge: A Quiet Miracle

The story of Calvin Coolidge is a bit like that of Cincinnatus in early Rome: he was a farmer one day and a national leader the next. Vice President Coolidge was at home literally

helping to harvest the crops when the message arrived that President Harding had died. He received the message about midnight, briefly prayed, took the oath of office in his father's living room, then went home and went to bed.

That was an astounding event compared with how most leaders take control in history. While we see nothing unusual about a peaceful transition of power, most countries even today would have had a wild scramble for power when the leader died, accompanied by widespread killing.

### The Roaring Twenties

Even before Coolidge took office the Republicans raised the tariffs to encourage sales of U.S. goods within our country. The Federal Reserve banks fed inflation by providing low interest rates and thus making more money available for loans. As people borrowed more and more, an easy credit "bubble" was created,<sup>ix</sup> which eventually burst in 1929, producing the 1930's depression.

The 1920's were optimistic years, when everyone thought they could eliminate poverty by simply getting rich investing with the easy credit. Banks lent the same money many times over because it was only checks and account notation, a practice we are now repeating.<sup>x</sup> During the depression people wondered where all the money went--the truth was that there was not much real money, just notations on accounts and credits. People went on a credit "binge" and the 1930's were the hangover.

During the twenties, the U.S. loaned Europe a great deal of money to rebuild their war-torn continent. When they failed to repay, we became angry. Yet they had no way to repay us; they had no gold and the only other means of repayment was in goods, which we made difficult

through trade restrictions. Ironically, we continued to loan more money even after they refused to repay us, so they would have money to buy our goods. What a strange (and costly) alternative to free trade, but we are still doing it throughout the world.

### The Not So Great Depression

No one foresaw a coming depression during the 1920's. The sudden loss of faith in easy credit snowballed into the stock market crash. People had huge debts to pay and thus their houses, land and personal property were taken to pay the debts. Many went from mansions to shacks, and people would stand in line for hours just to get a bowl of soup.

President Hoover was blamed for the catastrophe, but he had only been president for about ten months before the crash. The longstanding economic policies, endorsed by both political parties, were actually to blame. The depression was aggravated by passage of the Hawley-Smoot tariff,<sup>xi</sup> which was intended to protect our country from cheap foreign goods. Had the government kept its hands off, we might have pulled out of the depression within a short time, but the interventions only prolonged the pain. Other countries retaliated by raising their tariffs, and thus we had fewer farm exports; the food piled up as the world starved.<sup>xii</sup> In attempting to recover, we forgot the morality of "doing unto others" as we would like to be treated. The high tariffs created more monopolies and trusts, a kind of business protectionism. Free trade, on the other hand, would have served as a check and balance system on the large business firms (and still would).

### Roosevelt's Pyramids

When another Roosevelt became president in 1933, people had suffered through four years of depression and were desperate for any solution. Congress was also baffled and willing

to follow the new president's lead. Roosevelt was more king than president; everyone was willing to follow his lead.

The new president had a good economics background<sup>xiii</sup> and leading economists wrote him an open letter giving excellent advice: stay on the gold standard and reduce the tariffs.<sup>xiv</sup> He could have had one of his "fire side chats" on the radio, explained free enterprise in one easy lesson, and the depression would have soon been history (and World War II probably would never have occurred). He could have dismissed protectionism as a Republican disaster.

Instead F.D.R. rejected the opinions of the experts and went for big government in a big way. As a result he prolonged the depression for almost a decade. He even helped produce a depression within a depression; in 1937 production dropped 34% in nine months and ten million were unemployed. His "New Deal" was only the old deal in a bigger way. The new mercantilism worked much like the old mercantilism.

F.D.R. also debased the currency, going off the "gold standard" (even though he had promised not to during his candidacy).<sup>xv</sup> Long after Roosevelt went off the silver standard (where every paper dollar could be exchanged for an equal amount of silver coins), and finally began sandwiching our coins as well. Inflation resulted, as it always has in history.

Another aspect of the New Deal was destroying food while discouraging farm production. The idea was to keep prices high so farmers would have a good income. What was overlooked was the more important moral issue involved--how can one destroy the food supply while millions in the world starve to death? The Bible has a great deal to say about relationships--not only one to one relationships, but public policy as well. Moses said "Thou shalt not follow a multitude to do evil" (Ex. 23:2), yet there was little objection to Roosevelt's immoral plan from

the Christian community.

The New Deal put millions on welfare and many never got back off. Much as Rome entertained the “rabble” with bread and circuses, New Dealism is behind today’s massive welfare, high taxes, and bankrupt government. As one prominent socialist described it, we have created a new class that is unemployed and unemployable.<sup>xvi</sup>

The National Recovery Act set industry prices, rates, wages and hours of work and was intended to spur the economy. The actual effect was to encourage monopolistic tendencies by keeping competition to a minimum, limiting output, and fixing prices. The end results were fewer profits, more bankruptcies, and fewer jobs. As happened at the turn of the century,<sup>xvii</sup> the government’s tax policy encouraged small businesses to sell out to the larger firms (much as today’s farm policy discourages small farms and encourages large, government subsidized farms).

Roosevelt’s public works projects, such as WPA, gave most everyone a job, but then so did the building of pyramids in Egypt! Paper money was easy to print up to pay the workers, but inflation is the inevitable result of devalued money. Free markets, on the other hand, would have produced foreign markets for our farm products as well as cheap products from overseas. Instead we had to wait for another world war to bring us out of the depression.

### Who Started World War II?

A pretty Japanese girl sat in front of the chemistry class I taught several years ago. As we came to a unit on nuclear energy, her usual close attention intensified. I found out that the young lady came from Hiroshima--she was not home the day the bomb was dropped, that was the only reason she was alive today. She told me how she would find remnants of human bodies as she



played in the yard as a child and how bitter the folks were back home.

I suppose I could have reminded her of Pearl Harbor and “who started it all,” but that is only half of the story (our half, of course). The Japanese problem, simply stated, is that the country is the size of California and has more than half the population of the United States. Furthermore, little of the mountainous land is farmable and they have few resources other than their people. Thus they must export a great deal to pay for the raw materials and food they need to keep factories going and their people fed.

Ever since the first world war countries such as Japan have found it difficult to survive because of all the trade barriers around the world. We once had a workable arrangement in international affairs: let every nation produce what it could most advantageously and cheaply, and then swap their productions with its neighbors for what it needs. For a nation to survive economically, imports must equal exports, but historically the U.S. had chosen to export a great deal and import much less. Without a market for Japanese goods, there was no food on Japanese tables, and they reacted to the injustice by attacking Pearl Harbor. A little more biblical “do unto other” on our part might have spared us another bloody war.

True, this doesn’t excuse Hitler and the other atrocities of the Nazis, nor their imperialistic plans, but it does give us a more realistic views of things. Bastiat once said “When goods do not cross borders, armies will.” It is easy to look at their sins and overlook our own. Instead of blaming the Japanese, we need to concentrate on the “beam” in our own eyes and not worry so much about our neighbor’s, to paraphrase Christ.

One could also make a case that we blundered into the second world war because we allowed totalitarian governments to get by with murder during peace time, as we are today. And

when the war was all over, there were no real victors as much of the world was reduced to ashes.

We are fortunate not to have fought a war in the continental United States since the Civil War, but this has only been because we have fought wars in other parts of the world. If we wait until the enemy is on our doorstep (as he practically is in Nicaragua), we will probably have to do our fighting near or within our borders.

### Who Won the War?

We created "the bomb" and used it to kill thousands, as well as inflict lingering birth defects to many in that region of Japan. At the time it seemed the logical thing to do, but some believe the war would have soon ended without atomic warfare. Now other nations have found the secret of nuclear warfare and so we worry about the outcome and possible nuclear holocaust. Instead of admitting we made a mistake, we blame the technology that we have created. People always find it easier to blame things rather than their own poor decisions for problems.

Who won the war? The answer seems obvious, but when we stopped the Japanese from taking China we ended up "making the world safe for communism"--the Reds took it instead. We did the same in Europe--we conquered the Germans, and then opened the door for Russia to take Eastern Europe, as she quickly did over the next couple of decades. We did not win World War II, the communists did.

After the war, Germany was in sad condition, but it quickly snapped back economically. Why? The German people lost faith in the power of government to help them, so they got busy and began doing things for themselves. The Germans have a population of ten times ours (per square mile) and they absorbed countless numbers of refugees, yet they were economically very successful.

Under the leadership of an economist named Erhard, Germany introduced many aspects of free enterprise and a rebirth of the old Protestant work ethic.<sup>xviii</sup> He did so without the official permission of the German government, but America thought it would be alright--we thought it appropriate for a German to finish demolishing his country. They lived with it, indeed thrived with it, and what was supposed to be a catastrophe became one of the greatest economic miracles of all time.

To be fair, the U.S. provided Germany with some aid at this time, although not near the amount it gave England and India (who didn't improve nearly as much). Actually the aid did not help much because while we gave money with one hand, we dismantled German industry with the other, and allowed Russia to take German equipment at the same time.<sup>xix</sup> But with free enterprise and the work ethic, Germany prospered.

### Image and Reality in Modern Politics

Since World War II, our impressions of history have become powerfully molded by the media, particularly television in recent years. Commentary is not strictly separated from news any longer, in fact the slant given any story determines how it will be understood more than the actual facts.

An example of this was the common referral to the "glories" of the Roosevelt era during a recent Democratic convention; yet Roosevelt's policies brought war, and the sacrifices people had to make during World War II brought an end to the depression. This tendency to emphasize a mythical image over reality has also affected the common perceptions of a number of recent presidents.

Was Kennedy really a hero? He was moderately popular when he ruled and only became

a legend after his death, much like Abraham Lincoln in the last century. He had a massive defense budget, proportionally far greater than anything Reagan has suggested, and dramatically increased our involvement in Viet Nam. Had he not been killed, he probably would have not been considered very remarkable as recent revisionist history indicates. The image hardly fits the reality.

President Johnson's "Great Society" was little more than an image used to support the reality of an ever bigger and ever more expensive government. His "War on Poverty" was commendable in its aims, but it failed miserably by placing more people on welfare than ever before. His policies gave people no incentive to work, in fact the guidelines encouraged husbands to leave their wives and families since they received more welfare that way. I worked with an inner city family in the 1970's where this happened, and it was an all too common experience (and still is). His urban renewal program was a catastrophe--new housing was almost immediately destroyed by residents; people don't care for and respect property that is owned collectively the way they respect their own property. Johnson's approach was little more than a bigger "New Dealism."

After Johnson's leftist debacle, common opinion would have us think that the country moved toward the center politically with Richard Nixon. Yet far from being the conservative he once was, in power he increased government control and intrusion. Nixon and Agnew got very bad press, and thus a very negative image, even though what they did paled in comparison with some of the tricks played by their predecessors. Perhaps we can attribute the fall of Nixon to "Acton's disease."

Ford may have been a good man, but he had limited abilities with the press. He had no

charisma, some even said his popularity decreased when he spoke and increased when he quietly did his job. He may have had a good heart, but his economics were not much different from his predecessors, and history will probably record him as another unremarkable president.

Jimmy Carter had good intentions, he said he wanted to reorganize things to make government less complex and less expensive. Neither of these goals were achieved, instead our federal bureaucracy continued to increase in both complexity and cost. Jimmy's "born again" religion made little difference when he got into office; he just followed in the steps of his predecessors.

Ronald Reagan had "a better idea" in 1975 when he proposed his infamous "ninety billion dollar plan." This massive revision of government called for abolishing federal welfare (the states were to pick it up), eliminate aid to education, eliminate Medicaid, and drastically reduce other government services. The result would be a 23% reduction in taxes, less government control and intrusion, more self-reliance by individuals, and increased general freedom. Most people laughed at his idea because they could not imagine people being willing to give up so much, even if it was the right thing to do and even if it would solve many of our problems. We had neither the desperation of post-war Germany nor the biblical ethics of nineteenth century England.

Reagan ran again in 1980, this time dropping his dramatic plan and running on a generally conservative platform. However, in office Reagan has been no hero for free enterprise-essentially all he has accomplished is a slowing of the rate of government growth (it continues to grow; there has been no reversal). To be fair he battled a hostile Congress much of the time, but often he compromised his earlier principles. And he has shown little interest in free trade, adding

to the restrictions and duty on certain trade items. He is probably better than the alternatives we were given in the 1980 and 1984 elections, but the idea that he is a conservative is only media hype. Comparing Kennedy and Reagan, which was the more conservative? It partly depends upon whether you look at the image or the reality.

### Our Only Hope: Realistic Christian Involvement

We live in a time of crises. The memory of our moral base continues to fade, while the alternatives of relativism (the idea that there is no absolute right and wrong) and the absolutes of communism continue to gain popularity. Likewise we continue to make economic decisions that, overall, have spelled failure time and again throughout history. Either we can have more of the same and continue to decline, or Christians can become involved by helping to introduce and implement realistic economic and spiritual changes. What can we do to change the course of history?

First, we need a personal faith that transforms people's morality, including one's moral behavior in the corporate and international spheres. We need a faith that transforms the individual and his everyday morality, not just more church attendance or statements of faith (although there is value in these as well). Meaning for the individual, as well as society, can only come through Christian commitment.

Second, we need realistic economics to go with a new faith. As has been well documented throughout this book, "Freedom in Christ" needs to be extended to freedom from government and economic controls. Not only is this biblically defensible, but it consistently is associated with greater prosperity and personal freedom throughout history. A Christian base tempers the self-interest of a free economy. Christian free enterprise is far superior to Christian

socialism or any other kind of economy.

Third, we need a renewal of Christian social concern and involvement. For too long evangelicals have been a bit like the most uninvolved Christian in all of history, Simon Stylites who, in the middle Ages spent all his life sitting on pillars (we have expensive prayer towers today!). Instead of huddling in our churches, trying to hang on until the rapture, we need to confront the world with our message of freedom in Christ and in economics. Without that message, there is little hope for the world. With it, we can see wonderful revival and a world changed for the better.

## Chapter 10

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  - ii. Walter Adams and Horace Gray, *Monopoly in America: The Government as Promoter*. (also see Brown, above).
  - iii. Brown, op cit.
  - iv. G. P. Raud, *Inside Facts on Europe*, pp. 5-6.
  - v. Alistair Horne, *The Price of Glory: Verdun 1916*.
  - vi. A. A. Hoehling, *The Great Epidemic*, pp. 9, 197.
  - vii. Herbert Hoover, *Memoirs: Years of Adventure*, pp. 334-352.
  - viii. Ludwig von Mises, *Planned Chaos*, p. 52.
  - ix. Benjamin Anderson, *Economics and the Public Welfare*, p. 135.
  - x. Irving Fisher, "100% Money," in Arleigh Hess & others, eds., *Outside Readings in Economics*, 2<sup>nd</sup> ed., pp. 335-344.
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- xvii. Lincoln, *New Approach to Industrial Economics*, pp. 45-53.
- xviii. Reported in *Newsweek*, Oct. 7, 1963, p. 52.
- xix. John Beaty, *Iron Curtain Over America*, p. 79 and Freda Utley, *High Cost of Vengeance*, p. 58.