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“King Herod: The Economic Power of Government Spending”

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King Herod the Great has a bad reputation. He went insane during the last decade of his life and, when the madness took him, he killed people. His victims included his favorite wife, several sons and the babies of Bethlehem, as Matthew's Gospel relates.

If we can set aside these moral failings, difficult as it may be, we discover that, before his illness, Herod was a brilliant economist whose strategic investments in his country raised Judea's living standards and enriched the kingdom so much that he twice reduced taxes.

Economic activity requires investment of either labor or capital. Most people do not have capital, so they invest their labor -- they "work." In antiquity, few people had capital. The "one percent" (i.e., royalty and nobles) owned an estimated 80 percent to 90 percent of the wealth. The main use of wealth was to buy land and slaves to farm it -- the ancient equivalent of an off-shore bank account. This gave a slow but steady income on which to build lavish lifestyles. As head of state, Herod not only owned lots of land, but the kingdom's tax revenue came to him as well. He was not merely a head of state; he was the state. However, instead of buying more land, he invested it in projects that employed people.

When the Romans appointed Herod king in 40 B.C., the country had suffered 25 years of civil war and a Roman invasion. His first task as king was to rid the country of a Parthian army that had invaded from the east in support of the last contender for the throne. This took two years of fighting to accomplish.

Once in control of his country, Herod first rebuilt the line of forts protecting against eastern invasion. These spread from Alexandrium in the north to Masada in the south.

He learned a key economic principle from this project. If you pay construction crews, they spend their money buying food and goods to live on. That sends money to the farmers, craftsmen and other people who produce the necessities of life. They, in turn, spend it on their livelihood and so on. Investment in employment causes money to circulate, and employed people spend their time working instead of rioting.

So, Herod continued investing. He began with Jerusalem. Since he was an authoritarian despot, he first built himself a large palace. But then he set about rebuilding Jerusalem's walls, constructing an aqueduct to bring in water and, most importantly, he expanded and rebuilt the Temple of God in such a lavish style that it became a major pilgrimage destination.

Herod built and rebuilt other cities. Samaria, Baneas and Jericho were all reconstructed and expanded. He built additional palaces at Herodium, Masada and Caesarea. He settled retired soldiers in new towns that needed building and whose hinterland needed clearing. By paying the builders and suppliers, Herod generated significant economic activity that, in turn, circulated wealth that, in turn, increased his tax income.

King Herod also knew international trade generated wealth, in part, through boosted economic activity and, in part, through duties and other taxes. His problem was that the Romans had granted independence to Judea's coastal trading ports; Herod had to pay them import duties!

So, Herod built his own port, Caesarea. He had his engineers construct the largest harbor in the eastern Mediterranean, larger than Alexandria in Egypt and larger than any harbor in Greece. This not only enabled him to control (i.e., tax) trade in and out of Judea, but he also built trading outposts around the Mediterranean. These became bases for trade to Judea and Herod's new port.

Trade also went across Judea. Goods came into Caesarea and moved east into the large Greek cities of the Decapolis (modern Jordan). Caesarea also became a gateway into the Mediterranean for the highly lucrative spice trade from India. In addition, Israel became one of only two suppliers of raw glass for the entire Roman world; this was exported through Caesarea.

Like all ancient kings, Herod was essentially the government. His personal investment was government investment. But he understood that

parking money in land only held wealth; it did not generate new wealth. By investing in extensive building projects and trade, he became an economic powerhouse, lifting the living standards of all Judeans and himself, in particular.

Before he went mad, Herod was not just massively wealthy. His investments made him the largest builder in the eastern Mediterranean, second only to Caesar Augustus in the western Mediterranean.