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ARTICLES

Sterile Money, Fiat Sex: The End of Growth, in One Lesson

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The Demand for Children

> For students of economic demography, the important question is not whether people do or don't use birth control. The question is why they want—or do not want—babies to come.
>
> —Catherine R. Pakaluk, *Hannah's Children*

What an honor to deliver the Henry Hazlitt Memorial Lecture. *Economics in One Lesson* was a formative influence, and reading Hazlitt's essays, composed in the midst of the great economic debates of the twentieth century, left a lasting mark on my thinking.

But it is Hazlitt as a stylist whose legacy most inspires. Economics is a philosophy *with consequences*: It matters very much whether one forms a sound conception of property and exchange, money and profit. Political theorists will theorize, philosophers will speculate, but economists must get it right and communicate that rightness. No one did this better than Hazlitt.

It will be plain from the title—"Sterile Money, Fiat Sex: The End of Growth, in One Lesson"—that this lecture advances a provocative analogy: that fiat money and contraception are technologies of the same kind, each severing a medium of exchange from its productive end, and that together they account for the end of growth. I have developed this argument in the two years since *Hannah's Children: The Women Quietly Defying the Birth Dearth* (Pakaluk 2024) appeared. Whether or not it ultimately persuades, what it puts into view is difficult to set aside.

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This article is an expanded and edited version of the Henry Hazlitt Memorial Lecture given at the Austrian Economics Research Conference on March 20, 2026, at the Mises Institute in Auburn, Alabama.

The author would like to thank the Mises Institute and Joseph T. Salerno for the invitation to deliver the lecture, as well as participants in Liberty Fund symposia on Galiani's *Della moneta* and Rogoff's *The Curse of Cash*. Deficiencies in the article are the author's responsibility alone.

Before arriving at this title, I considered another: "The Curious Case of Demand for Children." In *Hannah's Children* I argued that the fertility crisis is a demand story, not a supply story (Pakaluk 2024). The richest, most reproductively enabled people in human history are not failing to reproduce because having children is too costly. Demand for children has collapsed. The evidence is plain: Births fall with rising incomes; fiscal nudges do not work; birth rates are collapsing everywhere—in countries rich and poor, those with generous welfare states and none, those having greater female education and less—and the decisive shift to below-replacement fertility coincided not with a cost shock but with the massive advance in contraceptive technology in 1960.

Searching for new ways to explain the demand story, I hit on the horse analogy. It goes like this: The Model T was introduced in 1908. The casualty was the horse. Automobiles met the need for transportation and carriage dramatically better than horses did; they dominated on speed, endurance, maintenance, carrying capacity, hygiene, and convenience. As Henry Ford (1922) had hoped, any working man with modest means soon opted for an automobile. The population of horses (and mules) peaked at 27.5 million in 1910 (Energy History Online 2022; Bureau of Agricultural Economics 1925). This means it took just two years for Americans to begin substituting away from horses at scale. By 1917 the last horse-drawn streetcar had been retired from New York City's streets (Cobb 2023). Today the only people who have horses are those who really love them and are willing to pay the price—the horse enthusiasts. For everyone else, "a horse is just a liability," as one of my students declared.

Now, children have gone the way of the horse. Three successive blows eroded demand for children: Economic growth reduced the need for household labor; welfare-state policies—especially public pensions—reduced the need for old-age support; and contraceptive technologies, in three waves (in the 1870s, 1930s, and 1960s), unbundled sexual union from childbearing.

Effective contraceptives allow people to choose a desired amount of sexual congress separately from a desired number of children. Two goods enter the choice basket where previously there was only one. Before modern contraceptives, if one wanted sexual congress, one expected to have some children as well.

The observable result: When men and women are given the choice, sexual congress wins. Partners multiply and access comes cheaper. Coupling up seems just as desirable as ever. Child-laden coupling not as much.

By the end of the twentieth century, sex had become cheap. Nearly free. But its fruits had collapsed—the total fertility rate had roughly halved. The analogy may not be perfect, but the trends bear the unmistakable character of an inflationary phenomenon.

The Money Thread

I did not start out interested in money. When I switched my undergraduate major from chemistry to economics, my conviction was that economics was about human behavior, not money or stocks. Graduate training reinforced this: Money "drops out" as the *numéraire*; all the real substance is human action.

I went to graduate school ostensibly to study growth. I was convinced that market mechanisms and strong institutions were the path to lifting families out of poverty, already skeptical of economists' "misadventures" in development (Easterly 2001). I had not yet heard the term "market process," nor had I any exposure to Austrian economics. But I had read Julian Simon. I knew there was a "population process"—my term, not his: More people only looks like it will lead to scarcity, but scarcity induces prices to rise, innovation responds, and ultimately greater abundance results. This seemed almost obviously correct. What was the connection between economic growth and population growth? That was my inquiry, and I found some refuge in applied microeconomics after learning there was no "field" where I could read Friedrich Hayek. Money was not part of my interest in economics.

That changed a decade later, when a friend invited me to a Liberty Fund symposium on "sound money and trade" in the work of Ferdinando Galiani—the Neapolitan prodigy who at twenty-one wrote the great treatise on money, *Della moneta* (Galiani [1751] 1977). The symposium was held in 2016 at Jekyll Island—yes, *that* Jekyll Island, where the plan for the creation of the US central bank was hatched. I agreed to go, not anticipating much, and was thoroughly surprised.

As I leafed through *Della moneta*, it became clear that I had never really thought about the nature of money. What kind of thing is it? What is its purpose? Where does it come from? I began to see that money is not a mere accident in exchange—it is a specific kind of thing. It can be defined. It can be backed or debased. It does real work. In Galiani's text I found an on-ramp to understanding the nonneutrality of money without giving up on the free-market commitments I cherished. Most mainstream economics programs, wittingly or not, advance a conception of money neutrality.

The encounter with Galiani sharpened my appetite. I had not become any kind of expert—but I had become wiser to the defects of my own education. The next time I had the opportunity to attend a symposium on money, I did not hesitate. Its subject was one of the newest treatments: Ken Rogoff's (2016) *The Curse of Cash*. Rogoff argues for phasing out paper currency—large-denomination bills first, smaller denominations over a longer period—in favor of digital money substitutes. His case builds on the putative problems with cash: tax evasion, criminals, anonymity.

But his real agenda soon reveals itself: negative interest rates. Eliminate hard cash, and you eliminate the last hedge against negative rates—money as "coined liberty." I had not yet encountered the Austrian theory of the business cycle, but even then I could see the paradox: Negative interest rate stimulus is a last-ditch measure to extract growth from a stagnation itself likely the *symptom* of two compounding debts—demographic and monetary.

Working through Rogoff's text with other scholars, I saw for the first time that there is no reason to expect a baseline inflation of 1, 2, or 3 percent to be what it claims to be. Why should the overall price level be stable or rising, but never falling? The problem with unbacked currency was deeper than I had understood. If Galiani's text had opened my eyes to the *nature* of money, Rogoff's led me to wonder about *sound* money.

I began to read classic texts my education had neglected. I turned soon to Carl Menger's ([1871] 2007) *Principles*. There, at last, was the best exposition of the centrality of demand in economic value. Little by little this reeducation transformed my teaching. In the process I set aside the standard textbooks—how can one teach economics without subjective value, property, money, and exchange? One buyer and one seller had to be the beginning of the exposition.

While laboring to give my students a better education than the one I received, I was also laboring to make sense of a pile of qualitative data about childbearing—I had promised my publisher insights about low birth rates derived from studying high ones. The path forward was there all along: Look for the story of purposive human action. You cannot explain a negative unless you first explain the positive. The reasons why people *do* a thing are more fundamental than why they *do not* do a thing. And that principle applies to goods and services as much as to children. Children are disappearing; therefore, ask about the reasons to *have* them before coming up with a theory about why people are *not having* them. To do otherwise is to suppose that having children is a deterministic biological fact, like sleeping or eating, when, patently, having children is not so determined. We do better to start by asking: What needs or wants are children fulfilling?

On the money side, I had come to see that money is property—not a stand-in for property, but property itself, with a nature and a *telos*, or purpose. Inflation is possible only when new money enters the system in a way that violates that *telos*—severed from the production of real goods through the market process. The Scholastics learned this from the New World: Ships bringing gold and silver from the Americas did not bring new wealth, only a decrease in the purchasing power of money. Fiat money regimes make this *severance* permanent and structural.

Here, then, was the question: In the study of fertility rather than money, might the inflationary phenomenon observed in the realm of sexual exchange share the same character? Was the contraceptive revolution adding new exchanges without respecting the productive *telos*? Was it severing the medium of exchange from the production of children?

An essay by G. K. Chesterton (1935), "Sex and Property," grasps at this connection. He contrasted an old paganism—with its gods of fertility and bounty, its worship of life—with a new paganism that exalts desire and forbids fruitfulness. He quotes Algernon Charles Swinburne (1866) mourning for the old paganism in a world that "rears not the bountiful token and spreads not the fatherly feast." The new priests, Chesterton (1935, 233) says, "abolish the fatherhood and keep the feast." And the same perversion governs property, he argues: the narrowing of ownership to mere enjoyment (or rights), severed from creative participation and responsibility.

The phrase "bountiful token" struck me. I learned that the Greek word *tokos* (τόκος)—unrelated to the English "token," which is Germanic in origin—means "bearing" and was used widely to mean both "offspring, children" and "interest on money" (Liddell et al. 1940, s.v. "τόκος"; Aristotle 1998, 1258b). The connection Chesterton was reaching for was already there, buried in ancient Greek. After that, the two threads—money and babies—became impossible to keep apart.

The Structural Analogy

Let me sketch the analogy plainly.

Money is a medium of exchange (of property) ordered to the increase of real goods and services. Sexual intercourse within marriage is an exchange ordered to the increase of the human family. Both are media of exchange. Both are ordered to increase. Both have a natural *telos*—a purpose written into their nature that precedes any human legislation. And both can be severed from that *telos*.

The hypothesis of this lecture is that this is not a loose metaphor. The connection is structural, and it is older than economics. The Greek word *oikos*—household—is the root of our word "economics." Aristotle's (1998, 1252a) *Politics* opens not with the state but with the household as the fundamental unit of human cooperation. The household is where money and sex meet: It is the site of both economic production and biological reproduction. Economics, at its etymological root, is the law of the household. To do economics rightly is to understand the ordering of that place where earning and begetting, exchange and increase, are bound together.

Ancient Greek connected money and fertility organically—Aristotle (1998, 1258b) called money *itself* "barren," *atokos*, the negation of *tokos*. The ancients understood that money is merely a medium of exchange of property. They intuited that it is not money, the objective and seen thing, that creates increase. And so far, they were right: Money by itself is not the value. It is not the fruit of the exchange.

But their understanding was built around one part of the truth about money, not the whole story. What the ancients missed is that money facilitates the increase of real value—value that is subjective and unseen. They were right that money is not itself the source of increase, but they drew the wrong conclusion, condemning interest as such rather than locating the error in the severance of money from the market process.

The Scholastic tradition that followed (and built upon the ancients) was more sophisticated than moderns tend to give it credit for. The shallow version—“The medievals thought all interest was sinful”—is wrong. The tradition drew a careful distinction rooted in the nature of the transaction. Money lent for a man’s sustenance, such as for bread or shelter, is consumed. It generates nothing. To demand a return where the money bore no fruit is, as Aquinas ([1265–1274] 1947, 2-2.78.1) argued, to sell what does not exist. But money lent for a venture—a trading expedition, a risky enterprise—may bear productive increase, and the lender who risked his capital has a just claim to a share of it. The Scholastics even named the lender’s real costs: *damnum emergens*, the loss incurred from parting with his money, and *lucrum cessans*, the profit forgone by lending rather than investing. They were building a theory of risk and return centuries before modern finance and distinguishing between money ordered to increase and money severed from increase: exactly the argument about fiat money.

What the Scholastics lacked was a complete theory of value: the distinction between value in exchange (objective) and value in use (subjective), and the ground of price beneath both. They could say when money bore legitimate increase—in the venture and not in the consumption loan—but not fully *why*. The reason lies in subjective valuation, which they did not yet possess. They had located the justice of interest in the nature of the transaction; the deeper account lay in the nature of value. That account had to wait for the modern tradition—for Adam Smith ([1776] 1981), who understood that natural liberty, sound money, and commerce were ordered to the wealth of nations, and for Menger ([1871] 2007), whose theory of subjective value supplied the ground the Scholastics were missing. The moderns did not overturn the tradition. They completed it.

Now put the two threads together. Here is the claim.

There is a unifying truth about money and sexual congress that undergirds the traditional *oikos*. Economics, rightly understood, is the ordering of the household that includes both sound money and fruitful sexual exchange. Both are ordered to fruitfulness—to *tokos*, to bearing, to increase. Sever either one from its *telos*, and you damage the structure. Sever both, and you break the household itself.

And the two severances have the same diagnostic character. Contraceptive technology did not create the low demand for children—it revealed it, the way draining a lake reveals what lies on the bottom. In the same way, fiat money did not create the preference for consumption over saving—it revealed and amplified it. The hypothesis here sharpens the diagnosis about collapsing demand for children. The first two blows—labor, old-age support—are straightforward substitution: Technology and savings (or policy) replaced what children used to provide. The third blow—contraception—is categorically different. It does not replace what children provide. It unbundles the decision to have sex from the decision to have children, revealing what the true demand for children is once you strip away the bundled good.

Sterile money and fiat sex are both technologies of severance. And what they unmask, in both cases, is the same: a preference for the immediate over the long term, for the fruit without the bearing, for *tokos* as offspring without *tokos* as bearing.

What happens when a civilization severs both at once?

The Great Severance

The hypothesis predicts that severing money and sex from their productive *telos* damages the household. History shows us that this severance happened not all at once, but in two stages. Call it the Great Severance.

Consider first the demographic record. The total fertility rate in the United States fell from about 7.0 children per woman in 1800 to about 3.5 by 1900, approximately halving over the course of a century (Bailey and Hershbein 2018, 76). This decline predates every modern policy intervention. It predates the welfare state. It predates women's suffrage. It coincides, however, with the mass production of the rubber condom following the development of the vulcanization of rubber in 1844 (Youssef 1993, 227). By the 1870s, rubber condoms were commercially available and increasingly affordable (Youssef 1993, 227). The technology was imperfect—this was not total severance—but it represented a first breach: The sexual act could now be partially separated at scale from procreation.

To be sure, contraceptives were not the only change. Industrialization diminished the need for child labor; declining infant mortality reduced the number of births required to reach a desired family size. But the arrival of the rubber condom is an oft-neglected part of the story.

The demographic consequences of condom use were visible within a generation. By 1902, President Theodore Roosevelt identified the declining birth rate as the gravest problem facing the nation. The problem, Roosevelt wrote in an October 18, 1902, letter to Bessie Van Vorst, was "fundamentally infinitely more important than any other question in this country" (Theodore Roosevelt Papers). The alarm was serious enough that the situation acquired a name—"race suicide," bound up with shameful eugenic fads—and generated sustained public debate in the first decade of the twentieth century (Ross 1901). Four years later, Roosevelt (n.d.) was delivering the warning in his annual message to Congress: "Wilful sterility is, from the standpoint of the nation, from the standpoint of the human race, the one sin for which the penalty is national death, race death; a sin for which there is no atonement."

The latex condom, introduced commercially in the mid-1930s, marked an acceleration. Latex was thinner and stronger and had a shelf life of five years compared to three months for vulcanized rubber (Youssef 1993, 227; Mills 1984, 643). Legal restrictions on contraception were easing as well: In *United States v. One Package of Japanese Pessaries* (1936), the Second Circuit ruled that physicians could legally import and distribute contraceptives to patients for medical purposes, and the federal government chose not to appeal, effectively neutralizing what remained of the Comstock Act (Tone 2002, 177–78). Contraceptive technology was becoming cheaper, more reliable, and more widely distributed—and fertility continued to fall. By the 1930s, the total fertility rate in the United States hovered near replacement level (Bailey and Hershbein 2018, 76).

The technology did not cause the demand shift. But it made new preferences actionable at progressively lower cost. Habits of severance, though mild, were being laid down. The logic of separation—the sexual act available without children—was becoming normal in practice before it was accepted in idea. As early as 1908, Cornell demographer Walter Willcox (1908) could observe that "births have come under the control of human will and choice in a sense and to a degree never before true"—and could project, on current trends, that "there will be no children left" within a century and a half. The final break was still unthinkable, but the infrastructure was in place.

On the money side, the timeline will be familiar to readers of this journal. The National Banking Acts of 1863 and 1864 began the consolidation of monetary authority. The plan for a central bank was hatched at Jekyll Island in 1910 and realized in the Federal Reserve Act of 1913. The credit expansion of the 1920s—enabled by the new institutional apparatus—contributed to the speculative boom and subsequent collapse that produced the Great Depression (Mises 1949; Rothbard 1963; White 2012). The classical gold standard, already strained by the costs of the First World War, did not survive the interwar period. And in 1944, the Bretton Woods agreement established a new monetary order: the dollar backed by gold at thirty-five dollars per ounce and all other currencies pegged to the dollar. This was one degree of separation from commodity money—not yet fiat, but no longer directly convertible to gold by ordinary holders; only foreign central banks could redeem dollars for gold at the official rate.

The parallel is structural. In both domains—sex and money—a century of incremental severance laid the foundations for a decisive break. The habits changed before the ideas did. And in both cases, the promise was more freedom, more choice, more growth. It was the oldest temptation in economics: something for nothing.

The second stage was swift, total, and nearly simultaneous for both domains.

On the sex side, the oral contraceptive pill was approved by the Food and Drug Administration in 1960. For the first time in human history, a technology existed that could sever sexual congress from procreation completely, cheaply, and by a decision made in advance, apart from the heat of the moment. The legal architecture followed within a decade: *Griswold v. Connecticut* (1965) established a constitutional right to contraception for married couples; *Eisenstadt v. Baird* (1972) extended it to unmarried individuals; *Roe v. Wade* (1973) constitutionalized abortion. In thirteen years, the US legal regime moved from state-level toleration of contraceptives and abortion to a nationally protected right to the full apparatus of reproductive severance. The demographers Ron Lesthaeghe and Johan Surkyn (2008, 83) have described the inversion precisely: During the first era of fertility decline, "the issue was to adopt contraception in order to avoid pregnancies"; during the second, "the basic decision [was] to stop contraception in order to start a pregnancy." The result was sex severed by technology from its natural productive *telos*, legal abortion as insurance, and children only on command: fiat sex.

The demographic inflection was immediate. The total fertility rate fell from a postwar high of 3.65 in 1960 to 1.74 in 1976 (Taffel 1977), below the replacement rate of 2.1, and has never recovered. Even setting the baby boom aside as a reference point, the post-1960 decline fell below the prewar trend line (Bailey and Hershbein 2018, 76). As of 2025, the provisional total fertility rate stands at approximately 1.57, an all-time low, computed from the age-specific birth rates in the Centers for Disease Control and Prevention's most recent Vital Statistics Rapid Release (Hamilton et al. 2026). Claudia Goldin and Lawrence Katz (2002) trace the mechanism: By making the deferral of childbearing near certain rather than merely probable, the pill lowered the cost of postponing family formation—and what is postponed at low cost is often forgone altogether.

Some point to the modest rise in total fertility rate, back toward replacement level, during the 1980s and 1990s as evidence that the decline was reversible. It was not. The increase was driven primarily by first-generation immigrant fertility, particularly among Hispanic women, whose birth rates reflected the norms of their countries of origin, rather than a reversal of the American demand collapse (Parrado and Morgan 2008; Bouvier 1991). By the second generation, immigrant fertility assimilates downward. The decisive break was 1960 to 1974. Everything since has been noise around a below-replacement baseline.

On the money side, the decisive break came on August 15, 1971, when President Nixon suspended the convertibility of the dollar into gold—the so-called Nixon shock. The Bretton Woods system had been especially strained by the costs of the Vietnam War and the Great Society programs. For the first time in modern history, the world's reserve currency was backed by nothing but the issuing government's promise: pure fiat, sterile money.

The two severances were total and came within eleven years of each other, each made national by an act of the federal government—the monetary break by presidential decree, the sexual break by regulatory approval and a line of Supreme Court decisions. Each offered liberation: liberation of couples from biological constraint, liberation of monetary policy and fiscal expenditure from the discipline of gold. What was unthinkable in stage one had become routine and foundational in stage two.

The two severances produced two compounding debts.

The demographic debt: Below-replacement fertility has spread across the entire developed world, inverting age pyramids and heralding structural insolvency for every pay-as-you-go entitlement program—Social Security, Medicare, public pensions—all of which assumed continued population growth. If human beings are the ultimate resource (Simon 1981), then declining population is the ultimate resource depletion.

The monetary debt: The national debt stood at approximately $408 billion in 1971. As of early 2026 it stands at approximately $38.9 trillion—a ninety-five-fold increase in fifty-five years (US Department of the Treasury 1790–2025; JEC Republicans 2026). The M2 money supply has expanded from approximately $635 billion to $22.4 trillion over the same period—a thirty-five-fold increase (Board of Governors of the Federal Reserve System 1959–2026). The debt has grown nearly three times as fast as the money supply, which is itself growing far faster than real output.

The two debts reinforce each other.[1] Governments use fiat money to paper over demographic decline, funding pensions and entitlements through borrowing rather than through the tax base of a growing population. And fiat money raises the cost of household formation, further depressing fertility, a point consistently overlooked by advocates of pronatalist spending.

1 Degner (2023) is a useful starting point on this dynamic.

The headline GDP figures obscure the severity of the deterioration. Average annual real GDP growth fell from 4.5 percent in the 1960s to roughly 3.2 percent across the 1970s, 1980s, and 1990s, and has averaged approximately 2.2 percent since 2000—a halving of the 1960s rate, with no decade since then recovering it (BEA 1930–2025). But even these figures overstate the productive capacity of the economy because they do not account for the debt required to generate them. Van Hoisington and Lacy Hunt (2025, 3) have documented the collapsing marginal revenue product of debt: In 1981, a new dollar of federal debt produced $3.15 of GDP; by 2024, the same dollar produced just 80 cents.

The debt-to-GDP ratio tells the story from the other direction. Federal debt held by the public fell from 106 percent of GDP in 1946 to a trough of 23 percent in 1974 (CBO 2010, 1). It has since climbed back to 101 percent and is projected to reach 120 percent by 2036, surpassing the wartime peak (CBO 2026, 3). The current level is three times what prompted James Buchanan and Richard Wagner's ([1977] 2000) *Democracy in Deficit* to declare a constitutional crisis of fiscal restraint, and double the 50 percent level that prompted Ross Perot's 1992 presidential campaign on the debt. And the inflection point coincides precisely with the Great Severance.

The same debasement is visible on the side of sex. Mark Regnerus (2017) has documented what he calls "cheap sex," the observation that sexual access has become more widely available, at lower cost, than at any point in human history. And the sexual market widened precisely across the cohorts the pill divides. Among Americans born in the 1910s, whose sexual lives were lived entirely before oral contraception, the mean number of lifetime sexual partners was 2.12 and the median was 1. Among those born in the 1950s—the first cohort to reach sexual maturity wholly in the postpill era—the mean was 11.68 and the median 4 (Twenge et al. 2015, 8). The shift is generational rather than periodic, and it is large. But the fruit of that sexual exchange collapsed. The total fertility rate halved.[2] This is the signature of an inflationary phenomenon: The medium is debased, its price falls, and its productive yield falls with it. More money, less product. Cheaper sex, fewer children.

Hazlitt's lesson was to trace the longer effects for all groups, not merely the immediate effect upon one. Applied here, that lesson delivers a familiar verdict. Negative interest rates attempt to extract growth from a stagnation produced by the very debts caused by fiat money. Pronatalist subsidies (financed by debt) attempt to extract births from a demand collapse no subsidy can reach. Economic growth and public pensions substituted for what children once provided, as the Model T substituted for the horse, and contraception unbundled what remained. In both cases (interest rate manipulation and birth

2 Period and cohort measures diverge here. Completed cohort fertility fell from 3.0 children per woman for the 1935 birth cohort to 2.0 for the 1960 cohort (Kirmeyer and Hamilton 2011, 2), a shallower decline than the period total fertility rate registers. The gap reflects tempo effects: Rising age at first birth depresses period rates independently of completed family size.

subsidies), the intervention deepens the distortion it claims to cure, because in both cases it manipulates a price without addressing the severance that set it. The promise of the Great Severance was *more*: more sex without consequence, more money without production, more consumption without saving, more present without future. But cheapness is not a discount. It is a debasement. You do not get the more you were after. You get less, because less is precisely what you bought. That is the end of growth, in one lesson.

The Decomposition

The evidence establishes the pattern; the theory explains it.

In his 1942 masterwork *Capitalism, Socialism and Democracy*, Joseph Schumpeter included a chapter he called "Decomposition." The book is about whether capitalism can survive, but the chapter is not about capitalism per se. It is about the "external" factors imperiling capitalism, and what happens to an economic civilization when the family dissolves. Schumpeter offers one of the most penetrating analyses of the Great Severance, eighty years before our vantage point.

Schumpeter ([1942] 1994, 160) begins the chapter with a bold claim: "The family and the family home," he writes, "used to be the mainspring of the typically bourgeois kind of profit motive. Economists have not always given due weight to this fact." He means that the self-interest we attribute to entrepreneurs and capitalists—the engine of growth in every classical and neoclassical model—was never the self-interest of a detached individual. It was the self-interest of a man looking at the world "through the windows of a family home," who "means to work and to save primarily for wife *and children*" (160; emphasis added).

Remove the wife and children, and you do not get the same economics. You get, Schumpeter (160) says, "a different kind of *homo oeconomicus* before us who cares for different things and acts in different ways." The old type—the builder, the saver, the founder of dynasties—worked for a future he would not see. He accepted what Schumpeter calls "the heroism of *navigare necesse est, vivere non necesse est*"—it is necessary to sail; it is not necessary to live. The new type finds all of that "completely irrational." He has no reason to save beyond his own life expectation. And so "he drifts into an anti-saving frame of mind and accepts with an increasing readiness anti-saving theories that are indicative of a short-run philosophy" (161).

Schumpeter describes how the economic man's time horizon shrinks to the length of his own life. He consumes rather than invests. He accepts debt rather than building equity. This is a theory of time preference applied to the family—and it predicts exactly what the data show: falling savings rates, rising debt, declining marginal productivity of capital, and a GDP growth rate that has been falling for sixty years.

In Schumpeter's (158) account, capitalism itself produces the technology of severance: "Capitalist inventiveness produces contraceptive devices of ever-increasing efficiency that overcome the resistance which the strongest impulse of man would otherwise have put up"; at the same time, "capitalist evolution decreases the desirability of, and provides alternatives to, the bourgeois family home." The utilitarian logic of the market—what Schumpeter (157) calls "an inarticulate system of cost accounting"—gets imported into the most intimate decision a couple can face. And once it does, the balance sheet of parenthood appears to come out negative, because the "heavy personal sacrifices that family ties and especially parenthood entail" are immediate and visible, while the greatest rewards are not (157). Schumpeter's (158) verdict: "The balance sheet is likely to be incomplete, perhaps even fundamentally wrong. For the greatest of the assets, the contribution made by parenthood to physical and moral health—to 'normality' as we might express it—particularly in the case of women, almost invariably escapes the rational searchlight of modern individuals."

Schumpeter anticipates the problem with the cost-and-supply argument for falling birth rates, and shows what is wrong with it. Once contraception unbundles sex and babies in the household decision set—once children must be planned *for* rather than planned *around*—the cost accounting will tend to come out against them because the value of children reveals itself over time and cannot be known at the time of the decision. The reasons to have children must be known and embraced and must outweigh the reasons not to—and in that analysis, demand comes up short for all but a few forward-thinking child enthusiasts. A substantial reason is needed to overcome immediate and considerable personal sacrifices. Frédéric Bastiat's ([1850] 1995) lesson applies: What is needed is an eye for the future and for what is not seen. The severance of sex from children, with attendant high time preference, breaks the balance sheet of nature, which would have provided for at least modest population growth.

Now turn the argument to the money side. Jörg Guido Hülsmann (2008, 191), in *The Ethics of Money Production*, diagnoses the same decomposition from the direction of monetary inflation: "Fiat inflation is a juggernaut of social, economic, cultural, and spiritual destruction." How? In classical theory, "interest rates coordinate time preferences across society, balancing present consumption against future uncertainty" (Ptak 2026). Under fiat money, interest rates become policy signals rather than prices—and coordination breaks down. The parallel with contraception is precise. Just as the severance of sex from fertility does not create high time preference so much as reveal it—removing the natural consequence that once overrode it—fiat money does the same from the supply side.[3] When rates are held below their natural level, those with high time preference—Schumpeter's new man, without wife and children—can borrow cheaply and consume today. And those who might otherwise save find no price signal strong enough to overcome the pull of the present. "The presence of central banks and paper money make debt-based financial strategies more attractive than strategies based on prior savings" (Hülsmann 2008, 183–84). Mises ([1942] 1990, 105) saw the generational effect as early as 1942: The young "learn to live in the present and scorn those who try to teach them 'old-fashioned' morality and thrift." Hülsmann's (2008, 188) terminal diagnosis: "Perennial inflation slowly but assuredly destroys the family."

Taken together, these arguments show that the dissolution of the family destroys the motive to save and invest; the inflation of the currency, via artificially low interest rates, destroys the means. The Great Severance is not one cause operating in one domain. It is two causes reinforcing each other in the same household—the *oikos*, where money and sex were always joined as the foundational microunit. Both causes follow the same logic: loosing a bond of nature designed, apparently, to save us, like Odysseus lashed to his mast, from the lower part of our nature that prefers cheap pleasures to the finer goods of wife and family, home and field.

Hazlitt (1964, 47) defined morality as "the subordination of immediate objectives to long-term ones." That is time preference stated as an ethical principle; and it is exactly what both severances attack. Fiat money rewards the borrower over the saver: the short term over the long term. Fiat sex rewards the consumer of pleasure over the bearer of children: the immediate over the generative. Both tell the same lie: You can have the fruit without the bearing, the *tokos* without the labor.

Replying to Bertrand Russell's (1929) *Marriage and Morals*, Christopher Dawson ([1930] 1956, 159) wrote, "Human culture is not instinctive. It has to be conquered by a continuous moral effort, which involves the repression of natural instinct and the subordination and sacrifice of the individual impulse to the social purpose." That moral effort, Hazlitt's subordination of the immediate to the long term, practiced daily, is learned in the family. The patriarchal family, Dawson (159) argued, "becomes the dynamic principle of society and the source of social continuity" precisely *because* it demands chastity, discipline, sacrifice, and responsibility. Remove those demands, and you do not merely relax a moral code. You close the school where civilization is transmitted.

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3 Strictly speaking, the proximate mechanism is credit expansion rather than fiat money as such: The banking system, backed by the central bank, extends credit unbacked by prior saving, driving the market rate of interest below the rate that time preferences would otherwise establish (Mises 1949, chap. 20). Fiat money is the enabling condition, not the mechanism itself. It removes the redemption constraint that under a commodity standard would limit how far the expansion can proceed.

Russell (1929, 89) entertained the suggestion that “all extra-marital sexual intercourse should be rendered sterile by the use of contraceptives” and objected to this idea only on practical grounds, among them the unreliability of the contraceptives then available, expecting the difficulty to be “diminished before long.”[4] What survives such a proposal is marriage as a license to procreate and nothing more. Dawson ([1930] 1956, 164) saw what was left of it: Russell was “willing to leave us the institution of marriage, on condition that it is strictly demoralized and no longer makes any demands on continence.” Strip marriage of its demands, and you strip it of its point. Dawson (165) continued,

> [Marriage] is no longer the exclusive or even the normal form of sexual relations: it is entirely limited to the rearing of children. For, as Mr. Russell is never tired of pointing out, the use of contraceptives has made sexual intercourse independent of parenthood, and the marriage of the future will be confined to those who seek parenthood for its own sake rather than as the natural fulfilment of sexual love. But under these circumstances who will trouble to marry? Marriage will lose all attractions for the young and the pleasure-loving and the poor and the ambitious. The energy of youth will be devoted to contraceptive love and only when men and women have become prosperous and middle-aged will they think seriously of settling down to rear a strictly limited family.

That is not a description of Dawson’s day. It is a clinical summary of 2026. Russell was waiting on the technology, and it arrived in 1960.

Sigmund Freud (1920, 273) saw the same structure: “The common characteristic of all perversions,” he wrote, “is that they have abandoned reproduction as their aim.” Severance of the act from its end. Sexual union pursued independently of bearing: that is what fiat sex means. Purchasing pursued independently of producing: what fiat money means. Aristotle was right that the coin is barren but wrong about the loan. Money does not breed, but property does, and money lent becomes property put to work. The increase is real, but it arrives on one condition: that the bond between the medium and its end holds. That increase is *tokos*: It is the interest that money bears and the children that bodies bear, and it is the only growth there is. The end of growth, in one lesson: Cut the bond, and the increase does not come.

4 Russell’s (1929, 89) full sentence: “The difficulty of such a scheme as yet is that it requires us to place more reliance on the efficacy of contraceptives and the truthfulness of wives than seems rational; this difficulty may, however, be diminished before long.” The “truthfulness of wives” names a paternity problem. Russell’s arrangement confines childbearing to marriage while sterilizing everything outside it, so a husband’s confidence that his children are his own rests on contraception that works, and, when it does not, on a wife who says so. Hence his remark in the same passage that under such a scheme “husbands might learn to be as tolerant of lovers as Orientals are of eunuchs”: It is the contraceptive that renders the lover harmless.

The New Science of Bearing

So much for what this argument is about. It remains to say what it is not.

It is not a brief for or against birth control. The argument is diagnostic, not prescriptive: It describes a severance and counts its costs; it does not prescribe a lifestyle or policy to reverse them. Family size ought to be guided by knowledge and conscience, not by state planning, and nothing in this diagnosis calls for the coercive hand that a demographic emergency always seems to invite.

Nor is it a wish to return to the past. We need not send anyone back to an age when children were conceived in ignorance; we know enough about fertility now that couples can act on knowledge rather than chance, and biotech will only sharpen that knowledge. The good to affirm is not the old ignorance but the new clarity: couples who understand when conception is likely, weigh it together, and choose freely.

Equally, these remarks are not a simplistic call to return to a gold standard and free banking, as if any such thing were possible. The monetary question, like the demographic one, will not be solved by turning back the clock. There is a great deal of ruin in a monetary order (to adapt Smith's line about nations),[5] and one ought not rally for "End the Fed" since a botched transition can make things worse. I say this wishing to see the enormous benefits of modernity amplified by the virtues of sound money for the good of humanity.

The matter of this lecture is rather to inquire more deeply into the nature of things, to trace connections and patterns that may have escaped our attention. On the family side, I have argued consistently that the most powerful remedy available to us is protecting the channels by which people receive information about the value of children and what Schumpeter called "normality"—the rewards of family life that almost invariably escape the rational searchlight. Pronatalist subsidies do not do meaningful work, and we cannot afford them anyway. But narrative and testimony do work—a thesis at the heart of *Hannah's Children* (Pakaluk 2024), and one the two years since its publication have only confirmed. On the money side, the paths to recovery similarly lie largely outside the framework of government (states and nations will not lightly give up monetary prerogatives), and so the private money solutions that continue to challenge the hegemony of public money merit close attention.

To conclude: The Scripture passage "The love of money is the root of all evil" (1 Tim. 6:10, KJV) may admit of another reading than the anticapitalist one usually accorded it. What is condemned is not money but *philargyria* (φιλαργυρία), the "love of silver" (Liddell et al. 1940, s.v. "φιλαργυρία"), the

5 The remark comes not from Smith's published work but from a private exchange. In 1777, alarmed by the British defeat at Saratoga, the young John Sinclair, later Sir John Sinclair of Ulbster, wrote to Smith that "if we go on at this rate, the nation must be ruined." Smith replied, "Be assured, my young friend, that there is a great deal of ruin in a nation." The exchange survives in Sinclair's recollection and is reprinted in Smith ([1977] 1987, 262n3).

prizing of the medium for itself. Aristotle called money *atokos*, barren; to love it as such, severed from the increase it was made to serve, is to love a barren thing. That is severance named precisely. The love of money *as money*, detached from production, makes for sterile money. The love of sex *as sex*, detached from bearing, makes for fiat sex. *Tokos* names both the fruit and the labor. Growth cannot be subsidized into being. It can only be borne. Let us be not pronatal but pro-*tokos*.

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