

CHAPTER 18: THE ECONOMIC SYSTEM

“Thus says the Lord: for three transgressions of Israel, and for four, I will not revoke the punishment; because they sell the righteous for silver, . . . (and) trample the head of the poor into the dust of the earth.”
(Amos 2:6-7)

In addressing the question of how we as Christians relate to wealth we must also consider the economic system itself. A lot has been written about the morality of economic systems, much of it pure bunk. There has long been a conviction in certain political and theological circles that capitalism itself as a system is to blame for much of the injustice, oppression and poverty in the world. This point of view periodically gains strength before undergoing a counterattack from those who claim that capitalism is ordained by our faith and blessed by God. Both of these views on capitalism, of course, are matched by complementary positive and negative attitudes about socialism. And all of these convictions about a particular economic system being the bane or blessing of the world involve immense oversimplification and misunderstanding. I will argue that we need to re-think and refine the distinctions we make between economic systems and also that systems do not absolve individuals of moral responsibility.

The role of any economic system is to meet the two challenges of production and distribution. The strength of capitalism is unquestionably in the production of goods and services; the attractiveness of socialism lies in its approach to their distribution. But what do we mean by these two terms, capitalism and socialism? Broadly speaking, capitalism is the economic system in which the means of production and distribution are owned by individuals and/or by non-governmental corporations, and in which production and marketing decisions are made by these individuals and corporations. Socialism is the economic system in which the means of production and distribution are owned by the state, which decides through central planning what is to be produced and how it is to be distributed. (In theory it is to be the workers who own the means of production, but so far it has always turned out to be the state.) However, there are vast differences within each of these two categories between economic systems that are nominally grouped together, greater differences than there are between some systems that we place on opposite sides of the capitalism/socialism dividing line. We will take a look at these differences below. But first we will begin by examining the case against capitalism.

The Case Against Capitalism

We have discussed the difficult challenge of living faithfully in an affluent capitalist system, and we cannot ignore the charge that this system itself is sinful. The case against capitalism rests on (1) the motivation upon which capitalism is based, and (2) the observable results of capitalism.

First, the motivation: capitalism is based on each individual earning what they can for themselves through their own efforts. It cannot be denied that this is essentially selfish. It is the profit motive that fuels the system, and this system depends on competition for its efficiencies. Compared to this, does not the socialist premise of cooperation, of working together for the common good and seeing that everyone is taken care of, seem preferable? Second, the results: in a number of capitalist countries there is a vast disparity between the wealthy elite and the poverty-stricken masses. Even in the United States of America there are notable differences between owners and workers. Can we justify this?

Let us look at each of these in turn.

(1) "Capitalism is based on selfishness."

Some defenders of capitalism try to deny this. This is silly. It is obvious to all of us that capitalism is indeed based on each of us looking out for our own self-interest. We must admit that this is true. But is this wrong? Does pointing this out constitute a criticism of the system? Only if it is a practical or moral weakness for a human economic system to be based on selfishness. I am not at all convinced that it is, *provided* that steps are taken to alleviate any unjust hardships brought about by this.

Let me spell out my assumptions here: first, that an economic system is not an end in itself but a tool for reaching certain ends; second, that the first purpose of an economic system is to encourage adequate and efficient production, without which there is nothing to distribute; and third, that this system should also promote (or at least be conducive to) certain socio-political goals, among which are freedom, equality of opportunity, and the provision of basic necessities for those unable to provide for themselves. Therefore, if a capitalist economic system meets these goals—and I will argue that some do and some don't—then it meets our goals for an economic system, in which case it makes no sense to complain because it is based on selfishness.

Furthermore, if we grant that people are concerned first and foremost with their own well-being—for which there is ample evidence in the world and ample precedent in Christian theology—then capitalism is only being practical in appealing to this. People are motivated by self-interest. We work harder and produce more when we realize some benefit from this ourselves. There is nothing demonic about this. And even if we wish we were different, we aren't—this is human nature. Is there

anything wrong with an economic system being realistic and practical? Might it not function better if it is?

But, say the critics, capitalism encourages our selfishness and promotes competition over cooperation. This is a serious accusation that deserves careful consideration.

To begin with, it must be stated again that so far as I can determine, selfishness is indeed a predisposition of the species. It is not *caused* by capitalism. Capitalism does allow more freedom for selfishness and more opportunity for the acquisitive, but some capitalistic systems also allow more freedom and opportunity for everything else as well. But does capitalism *encourage* this selfishness?

If we are honest we must say that what encourages this selfishness and acquisitiveness is *us*. You and me. It is our "American Dream", the pursuit of materialistic possessions as our goal in life. It is our turning our backs on God and on faith and depending instead on worldly well-being for our meaning in life. For us to blame "the system" is a cop-out. For us to blame capitalism while we live for ourselves alone is to compound our sin of selfishness with the hypocrisy of denying responsibility. Pogo was right: "We have met the enemy and he is us."

Having said that, however, we must also admit that capitalism has produced the affluence that results in more and more temptations to us. But this is because capitalism has succeeded in its primary purpose as an economic system, that of production. Certainly a successful consumer-oriented economy encourages us to want things for ourselves. But do we blame it for its success? Ought not the question to be: "Can we as a society establish a way to complement capitalism's success in production with a just distribution? And are we as a society up to the moral challenge of the temptations of materialism?" Indeed, these are the questions. They remain to be answered.

As for competition, capitalism—or at least "free enterprise" capitalism (see below)—certainly encourages this. But is this bad? Yes and no. Competition for business should and does encourage efficiency, innovation, improvement in products and services, and lower prices. These are certainly results to be desired. But competition also encourages an array of unethical practices to gain business and to make profits. Again, the question is whether we can sufficiently discourage the bad results while we benefit from the good results.

(2) "Capitalism is responsible for the vast disparity between the rich elite and the poor masses, and so is responsible for much injustice and suffering in the world."

It is true that such disparities exist, in some places to a shocking and indefensible degree. It is also true that some of these places have economic systems which are called capitalist. Before we blame capitalism as such, however, we need to look at the differences between various types

of capitalism and to see whether there is a particular variant of it that may be involved.

A Typology of Capitalism

We need a way to categorize capitalist systems that takes into account those differences which are relevant to our discussion. We can do this by setting up three pairs, or “dichotomies”, to consider three different aspects of any given system. Each dichotomy contains two opposing types, and while there are intergrades in the real world, this method will allow us to point out the most important distinctions. The three dichotomies are: (i) elite vs. free enterprise capitalism; (ii) democratic vs. despotic capitalism; and (iii) responsible vs. irresponsible capitalism.

(i) Elite vs. free enterprise capitalism: this first dichotomy has to do with whether the system actually functions as an open competitive marketplace. On the one side is elite capitalism, in which a few families or individuals own a large percentage of the wealth, there is a consequent absence of a large middle class, and control of the economic system is by the elite. (Not surprisingly, such systems are often also “despotic” as defined below.)

The second type in this first dichotomy is free enterprise capitalism. This is characterized by competition for the marketplace which is open to anyone who can produce the goods and services, unhindered by government subsidy, monopoly, or other interference with competition.¹ For a system actually to function as free enterprise capitalism there must be opportunity for individuals in the general populace to obtain education and also to obtain access to capital and resources for new ventures. Without these there is no real access to the marketplace. Free enterprise capitalism depends on actual competition or at least the real potential for it. In elite capitalism, where a small group of families may control the vast majority of land, capital, or other resources, this openness to competition is seen as a threat and is not present.

Thus the competition and the “efficiencies of the marketplace” that are often thought of as intrinsic to capitalism are in fact present only in free enterprise capitalism and not in elite capitalism. There are many who would define capitalism as necessarily involving free enterprise and competition. If we accept this argument then we have to say that elite capitalism is in fact not capitalism at all. Instead it must be categorized with feudalism, a system to which it is in fact much closer than it is to other variants of capitalism. (This distinction should be helpful in foreign policy decisions. It is not enough to know we are supporting a non-socialist economy. Is it free enterprise? Or feudalism?)

(ii) Democratic vs. despotic capitalism: this second dichotomy is not

¹Regulations establishing such things as a minimum wage, safety standards and pollution controls apply equally to all parties and thus do not interfere with competition.

concerned with the economic system per se but with the political system with which it cohabitates. The question here is, to whom does the government answer? Who's in charge? Who determines what rules shall govern the society and its economic system?

Democratic capitalism is characterized by a functioning, representative government—that is, it is governed by individuals who are chosen by the populace in free and fair elections and who are then able to freely legislate and enforce such laws and rules as they deem proper. Despotism, on the other hand, is characterized by control of the government by an individual or a relatively small group such as military junta, an aristocracy or elite class, or a minority political party. It is important to note the political basis of an economic system as one of our basic dichotomies because there is a very real difference in the foundation of a capitalism in which the rules governing the system are determined by a few—rules concerning wages, monopolies, taxation, use of natural resources, government benefits, etc.—and one in which these rules are determined by representatives who are chosen by the general populace.

(iii) Responsible vs. irresponsible capitalism: any economic system is going to have drawbacks and negative effects. They all have social costs. This third dichotomy is concerned with whether a society takes steps to offset these negative effects. To the extent that it does we can call it responsible. To the extent that it does not address the known social costs of its economic system, it is irresponsible.

A capitalist economic system can encourage initiative, efficiency, production, freedom, self-sufficiency and the accumulation of wealth. A society may choose capitalism for these reasons. But when it does, it is also choosing a system which leaves some people unable to provide for themselves, whether for reasons of disability, age, industrial dislocation, lack of marketable skills, etc. For a system to be responsible capitalism, it must include mechanisms that either enable these individuals to provide for themselves or else provide basic necessities and decencies for them. These mechanisms may include such methods as unemployment insurance, retirement and disability benefits, and anti-poverty health and welfare programs. What these various programs do is redistribute the wealth created by a capitalistic system in order to compensate those in the society who are unable to gain an adequate measure of this wealth on their own.

For an economic system to be responsible it is also necessary that it include adequate public health and safety regulations to ensure that industrial practices do not endanger employees or the present or future public welfare, and also that it provide adequate protection of the natural environment. To the extent that a society has adopted capitalism but has not put into place these measures to protect its public and to provide for those in need, this is an economic system that can only be called irresponsible capitalism.

By now it is obvious that there can be vast differences among economic systems that are all categorized as "capitalist." The difference between one that is elite, despotic, and irresponsible and one that is free enterprise, democratic and responsible is so great as to make one wonder how they can be lumped together in any meaningful way.

We began this section with the question of whether capitalism is to blame for the unjustifiable disparity that is found in some societies between the wealth of a few and the poverty of the masses. It cannot be denied that the particular economic system in these societies at least made this disparity possible. It is much more problematic as to whether these economic systems ought rightly to be considered capitalist. But even if they were, given the great differences between capitalist systems, it does not seem reasonable to blame capitalism in general if a particular type of capitalist system encourages gross inequities.

But are not poverty and injustice present even in the best of capitalist systems? And are there not in all cases large disparities between the wealth of the owners and that of the workers?

We must admit that there are. But there are problems with every economic system devised by human beings. What we need to do is to compare the benefits and problems of actual, feasible economic systems. It serves no purpose to compare a real system—whether capitalist or socialist—with the imaginary perfection of a system which has never existed (and which never will in any manner resembling perfection).

So: yes, we must admit that capitalism does indeed permit some individuals to get very rich and others to be poor, and that even in a responsible capitalist system that ameliorates the effects of poverty this disparity exists. But we also need to remember that we said the goal of an economic system is to provide equality of opportunity, not equality itself. There will always be differences in wealth and lifestyle. The question is, does responsible, free enterprise capitalism provide sufficient equality of opportunity? And how does it compare with the alternatives?

The Case Against Socialism

We have examined a couple of the popular arguments against capitalism. Now we must take a look at socialism. I have said that we must compare real and imperfect economic systems with each other, not with imaginary perfect systems. What is the reality of socialism, and what are its advantages and disadvantages?

In theory, socialism is the ownership of the means of production and distribution by "the workers" or the people. In practice, however, socialism means ownership by the state, which may or may not represent the people. The attractiveness of socialism lies in its approach to distribution, as opposed to its effectiveness at production, and in its stated un-