

Wealth, Poverty, and Political Economy
in Christian Perspective

SEEKING
THE CITY

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Chapter 24

The Morality of Market Economics



“The free society is an experiment, not a guarantee.”¹
Michael Novak

THE SHEER SUCCESS AND POWER of free-market economics, popularly labeled “capitalism,” is no longer seriously debated. At no time in human history on this planet have so *many* benefited so much from so *little* labor and toil than in the past 250 to 300 years. However, utilitarian success cannot in itself settle the moral questions raised by its motives, goals, methods, and unintended consequences. Those are the issues we will now address.

FREE MARKET ECONOMICS

As we have previously noted, the conceptual origin of free-market thinking is largely the original work of one man, Adam Smith, whose *Wealth of Nations* appeared in 1776.² Prior to that time (from about the fifteenth to the eigh-

- 1 Michael Novak, *The Catholic Ethic and the Spirit of Capitalism* (New York: Free Press, 1993), 86. For further Catholic perspectives, see Thomas E. Woods Jr., *The Church and the Market: A Catholic Defense of the Free Economy*, Studies in Ethics and Economics (Lanham, MD: Lexington Books, 2005).
- 2 Novak has noted on Smith that he wrote his treatise with the motivation that for the first time in history there was available a means of alleviating massive poverty in the world. See Michael Novak, *Business as a Calling: Work and the Examined Life* (New York: Free Press, 1996), 66. He also attributes this motivation to Hume’s work of the same time period. Although the ideas Smith put together were anticipated by other thinkers (particularly by

teenth century) the predominant economic system, if such it can be called, was a nationalistic and imperialistic hodgepodge of mostly state-dominated processes that Smith labeled “mercantilism.”³ That “system,” as we have documented, was based on the idea that there was a finite amount of wealth in the world and the more one acquired, the less others must have. The primary locus of wealth was believed to consist in commodities, scarce metals, and mineral stores, to be found in the ground or in the possession of others. Thus, the wealth of a nation or people group was built up by making sure the income was greater than the outflow of these goods, an idea that naturally took a dim view of free and unrestricted trade. The management of this situation was commandeered by governments, mostly monarchical on the European Continent and parliamentary after 1688 in England, whose job was thought to be, in the economic sphere, to make sure the balance of trade went the right direction. This meant government management by monopoly licensing to individuals and groups charged with the acquiring of goods, especially precious metals, called bullion or specie. The accumulation of *specie* was the goal of successful economics and those engaged in this business were handsomely rewarded and came from lordly and aristocratic classes.

As we have noted under such a system there was very little if any mobility socially, politically, or economically unless one came upon the opportunity to engage in such business through acquiring influence in the halls of government. In fact, this economic philosophy led to controlling power being brokered throughout the society, as it permitted little if any movement between stations in life, villages or cities, or occupations, crafts, common labors, or agrarian pursuits. Systems of *licensing* and *guilds* made sure no disruptions occurred in the relative number of participants in any of the various endeavors of economic life, and it was quite often necessary to have approval from government to move about the land or country or from village to village. This system was mostly static in terms of development, and encouraged little, if any, individual effort or innovation. There

Catholic Scholastics; see chap. 10, note 3, and chap. 11), his originality was in articulating these ideas in the way he did and when he did, the result of which was remarkable (see discussion of Smith in chap. 15).

3 But see Rondo Cameron and Larry Neal, *A Concise Economic History of the World: From Paleolithic Times to the Present*, 4th ed. (New York: Oxford University Press, 2003), for corrective analysis.

was change and progress to be sure, but the process was so slow that one might not typically notice it through a single lifetime. Such a situation is understandable when it is noted that about eighty percent of the population was required to be at work in food-production pursuits for the societies to feed themselves.⁴

This modified stasis was the condition of humankind economically from the time of civilization's rise in Mesopotamia till near the close of the eighteenth century. "Feudalism," a term used to describe medieval societies, though now disputed in its usefulness, had reigned in the West since the demise of Roman culture and civilization from ca. A.D. 600 till about the fifteenth century as the military means of societal control and domination. "Manorialism," the underlying economic arrangement of the period had dominated since the late Roman Empire—a system whereby lands were ruled by lords,⁵ with peasantry bound to the land for life as servant/slaves (our terminology) with no prospects for the future. Secular government, the Roman Church, and aristocratic elites who had land holdings dominated politically, culturally, and economically throughout the states of Europe. Interestingly, the church was the *largest single* landholder during this period, with its own manors, and was consequently perhaps the strongest player in the economics of the period. At the least it was the strongest counter and/or ally to government in the accumulation and distribution of wealth and economic development and power.

Forms of modified "capitalistic" enterprise had appeared already (as we document elsewhere) in the work of the monasteries and the banking and trading activities centered in northern Italy, primarily traveling merchant activity providing trade goods from the Orient to European destinations. Rodney Stark and Michael Novak have made a strong case for the preindustrial development among Catholic clergy-related enterprise, and numerous studies have now made the case that the Middle Ages and the Scholastic period was not the "Dark Ages" (a calumny fostered by the writings of "Enlightenment")

4 See discussion of these phenomena in Joyce Appleby, *The Relentless Revolution: A History of Capitalism* (New York: W. W. Norton, 2010), esp. Kindle loc. 109–17.

5 "No land without a lord, no lord without a land." Cameron and Neal, *Concise Economic History of the World*, 45. See also now Deirdre N. McCloskey, *Bourgeois Dignity: Why Economics Can't Explain the Modern World* (Chicago: University of Chicago Press, 2010), for volume 2 of several in her ongoing update to Adam Smith.

philosophers, politicians, and “scientists”).⁶ This same period saw the rise of capitalistic thought and activity in the Islamic world as well.⁷

However, at no time during the millennia from the time of Sumerian civilization till the time of the American and French revolutions did the average economic state of the human race change substantially. The very rich have always been there, and the destitute have always been there, each at their respective end of the spectrum. In between has almost always been a vast percentage of the population that lived at or near subsistence levels or at risk almost daily of returning to that level. At no time did the general population look forward to a secure future or one in which the family/clan might actually rise above its station in life economically, culturally, or politically.⁸ The possibility that one might work hard, get an education, save, invest, and postpone spending so as to become “successful” in such a way as to pass to the next generation a substantial advantage or to move from one class of society to the next was virtually nil. This way of life would be considered normal to about ninety percent of the people who have lived on this earth between the cave and the Europe of the eighteenth century. People’s lives were controlled more by war, pestilence, and famine than by any other factors when they were not being manipulated by local and area “government.” Without access to modern

6 See Novak, *Catholic Ethic and the Spirit of Capitalism*, and Rodney Stark, *The Victory of Reason: How Christianity Led to Freedom, Capitalism, and Western Success* (New York: Random House, 2005). Thomas E. Woods Jr. has also produced a credible defense of Roman Catholic contributions to the development of capitalism in *How the Catholic Church Built Western Civilization* (Washington, DC: Regnery, 2005). Rodney Stark has also contributed toward identifying the false impressions created by the purveyors of “Dark Ages” accusations in *For the Glory of God: How Monotheism Led to Reformations, Science, Witch-Hunts and the End of Slavery* (Princeton, NJ: Princeton University Press, 2003).

7 See economist Arthur Laffer’s crediting of Islamic economic thinker Ibn Khaldun with the original idea that fuels “supply-side” economics, as cited in Abdul Azim Islahi, “Ibn Khaldun’s Theory of Taxation and Its Relevance Today” (paper, Conference on Ibn Khaldun, Madrid, Spain, November 3–5, 2006), 17, 22n4, <http://www.uned.es/congreso-ibn-khaldun/ponencia.htm>.

8 See esp. Gregory Clark, *A Farewell to Alms: A Brief Economic History of the World* (Princeton, NJ: Princeton University Press, 2008), on this subject, and see Appleby, *Relentless Revolution*, and McCloskey, *Bourgeois Dignity* and Deirdre N. McCloskey, *Bourgeois Virtues* (Chicago: University of Chicago Press, 2006), on the huge development of worldwide wealth in the past three hundred years. McCloskey documents at length that Switzerland has the highest comparative wealth, calculated at more than thirty times the per capita accumulation and use of goods compared to the millennia that led up to the massive change. The average in the world is on the order of sixteen times the previous value.

sanitation, medical care, adequate food, and clean housing, average life spans hovered around twenty-five to thirty years, a figure heavily distorted by the widespread instance of infant and youth mortality and the ravages of war and plague. This has changed *suddenly*, by comparison to the millennia that led up to it, and *outrageously*, to use a term loaded with secondary meaning, as our sources document.

The sudden nature of the change that ensued at the end of the eighteenth century can be seen in the graph found in the appendix.⁹ In the short span of less than two and a half centuries, man's lot on average has ascended from little above the cave to walking on the moon and returning safely while broadcasting the achievement to hundreds of millions on planet earth even at the moment it is happening. More dramatically, it is only sixty-six years from Kitty Hawk to the moon. With such massive disruption of the seemingly "natural" course of events by "unnatural" forces, it is not so surprising that *criticism*, both secular and religious, should arise. Previous chapters have documented the give-and-take, both secular and religious, on this subject. Are human beings themselves or their environment to blame for the inequality and apparent unfairness of economic life in a world that changes so fast? Is the "problem" moral or political or economic or all of the above?

As we have seen, much of the criticism of the rapid changes that began to overtake the Western world arose out of the romantic age conception of chivalry and duty and the divine right of kings and the lordship of the Roman Catholic Church. Suddenly the pace of change overtook the generations in such a way that one could see significant movement and displacement in a *single* lifetime, with attendant breakdowns in cultural norms and expectations. Displacement of families and individuals from their expected roles and obligations by economic events (what Schumpeter has labeled "creative destruction")¹⁰ seemed somehow immoral. Intellectuals, as they have since the time of Aristotle, saw in themselves and their thinking, wisdom above that of the masses that could

9 Clark, *Farewell to Alms*, 2. See appendix for Clark's graph and our explanation.

10 Joseph A. Schumpeter, *History of Economic Analysis*, rev. ed. (1954; New York: Oxford University Press, 1994). See also our discussion of Schumpeter in chap. 19.

interpret and accurately critique these events.¹¹ The culture of merchant and shopkeeping life that developed, labeled *bourgeois* by its intellectual despisers, was seen as the enslaver of the working masses, the proletariat. Marx despised these *proles* he sought to lead in revolution and simply advised manipulating them for their own good and governmental power, a mark of Marxist thought into the twentieth century.¹² Some like Dickens could actually see the nature of true evil and the personal nature of true charity, while *deploring* the conditions in the cities of England and looking expectantly for a hoped-for *conversion* in humanity to bring order and good out of apparent chaos.¹³ Dostoyevsky seems to have *despaired* in his conception of evil as predominating over a hopeless landscape, or so it seemed to him. Others had a vision of Christian *charity* as the way to ameliorate the condition of the poor through immediate relief efforts, education, and moral reform. Marvin Olasky has brilliantly told the story of the course of these kinds of efforts in the United States.¹⁴ Fogel has traced it through its attachment to religious awakening periods as he sees them having developed over almost three hundred years.¹⁵ Both note that what was once a private, primarily religious, movement(s), has become a *societal* commitment to some form of egalitarian justice with mixed results in its actual effects.

SOCIAL JUSTICE AND ECONOMIC DECISION-MAKING

According to some, the term *social justice* was invented by critics of capitalism to circumvent the normal discussion of justice. Political commentator and

11 For a fully accessible study of this subject, see Thomas Sowell, *Intellectuals and Society* (New York: Basic Books, 2009). Paul Johnson has also written well on this subject in his *Intellectuals: From Marx and Tolstoy to Sartre and Chomsky* (New York: HarperCollins, 2007).

12 See Mark Skousen, *The Making of Modern Economics*, 2nd ed. (Armonk, NY: M. E. Sharpe, 2009), 133–68, for biographical summary of Marx and his thought. This was the ideal for both Fidel Castro and Che Guevara. One must use whatever means to gather the unthinking masses into a controllable movement.

13 See Charles Dickens, *A Christmas Carol* (London: Chapman & Hall, 1843).

14 Marvin Olasky, *The Tragedy of American Compassion* (Wheaton, IL: Crossway, 1992). Also, see his call for a renewal of private effort in Marvin Olasky, *Renewing American Compassion: How Compassion for the Needy Can Turn Citizens into Heroes* (Washington, DC: Regnery, 1997).

15 Robert W. Fogel, *The Fourth Great Awakening and the Future of Egalitarianism* (Chicago: University of Chicago, 2000).

leading architect of neoconservatism Irving Kristol argued that if the question is whether capitalism is compatible with social justice, the answer must be “no.” This is because the term can only and has only been defined in such a way as to *exclude* the particular type of justice implied in free-market exchanges labeled as “capitalism” by its critics, the first of which was Karl Marx. As the term is used today, Kristol said, it can only be defined with an overwhelmingly *egalitarian* and *authoritarian* thrust.¹⁶ Kristol is probably referring to Friedrich Hayek’s contention that the term cannot refer in any way to personal justice, and society cannot be held accountable for such an ideal.¹⁷

The term *social justice*, though possibly as old as the mid-nineteenth century¹⁸ appears to have been introduced in a formal sense (thus, “canonized,” as Hayek noted) in 1931 by Pope Pius XI in an encyclical, addressing conditions as he saw them in Europe between the two great wars. Prior to this time, Rousseau had spoken for the French revolutionists, insisting that human beings in their natural and pure state did not produce societal injustice, rather society imposed this upon them such that society’s reform must *precede* the reform of humanity itself.¹⁹ The Methodist statement of its “Social Creed” in 1908 called for “equal rights and complete justice for all men” and may be the first usage of “justice” in this context.²⁰

Typically, the public conception of social justice is that it is something imposed by the *state* that produces something like a “common good.” In this form it resembles what Novak has called a “rock skipping across the pond” of history.²¹ Wherever it settles, it emboldens and empowers the state to impose its own vision. The *state* is that entity or those entities within the confines of a geographical location that makes and enforces laws upon the people of the

16 Cited in Ronald H. Nash, *Social Justice and the Christian Church* (Milford, MI: Mott Media, 1983), 111–13.

17 See our discussion of justice as a theological and biblical idea in part 1, esp. chaps. 3 and 5; and for his general argument, see F. A. Hayek, *The Fatal Conceit: The Errors of Socialism*, Collected Works of F. A. Hayek 1, ed. W. W. Bartley III (Chicago: University of Chicago Press, 1991).

18 See Novak, *Catholic Ethic and the Spirit of Capitalism*, 62–69, for background. See Friedrich Hayek, *The Road to Serfdom*, 50th anniversary ed. (1944; Chicago: University of Chicago Press, 1994), esp. chap. 8, “Who, Whom?”

19 This is the general contention of the “social gospel” of the early twentieth century.

20 Fogel, *Fourth Great Awakening*, 124.

21 Novak, *Catholic Ethic and the Spirit of Capitalism*, 69.

society with coercive force. It may have merely received such power from the machinations of society, but it is not the same as the society. The *society* may have certain coercive pressures and measures in its own operations, but it is not the same thing as the state. Societies are *voluntary* in their essential makeup, but they do become coercive under certain conditions of cultural domination by received opinions and ideas. The state under these conditions must of course “allow” or condone such situations. Societies are the entities that in the West have formed “states” to do their bidding through elective politics and have increasingly become the instruments of what is widely called “social justice.” Michael Novak has contended for a three-pronged approach forging a balance among economic, governmental, and cultural institutions.²² This is essentially the model used by economists Victor Claar and Robin Klay as well.²³

Pope Pius specifically denied that the state through socialistic methods could be trusted to produce what he was calling social justice. *Statism* is the term that describes the condition or mind-set of a society increasingly looking to the state’s coercive force to accomplish the perceived “good” (now being denominated “social justice”) of all society. This is the distinction to be drawn between Babylon and the Beast in the book of Revelation. The adulterated society gives its power and consent to the Beast, who proceeds to subject all things and people to his will by coercion and deception. *All* statist thinking tends to such *totalitarianism*. The dedicated statist tends to see the state as an end in itself. Hegel *deified* the state. Marx looked for a time when this would not be necessary, but his vision depended upon the development (evolution) of a new man. Prior to that, in Marx’s view, is the dictatorship of the proletariat through the *imposition* of totalitarian elite rule with the explicit disrespect for the ability of the nonelite intellectual classes (businessmen and workers) to make their own decisions. This is the heart and soul of “Progressivism” as we have outlined it in this book.

Many gravitate politically to this model because of the desire to exercise power over others, and this is the quickest way to that end. Some are merely

22 Michael Novak, *The Spirit of Democratic Capitalism*, 2nd ed. (Lanham, MD: Madison, 1991).

23 Victor V. Claar and Robin J. Klay, *Economics in Christian Perspective* (Downers Grove, IL: InterVarsity Press, 2007).

meddlesome in the affairs of their fellows out of an exaggerated sense of their own ability to see what is best for everyone.²⁴ Others believe that humanitarian considerations demand that the state be involved in coercive activities to accomplish goals for “the common good” or some other notion tied to the social justice terminology. Their defense of such activities is that one cannot truly be free without “power” to possess desired ends, economic and social (the definition of “democracy” in the progressivist lexicon). Therefore, so long as any are unable to accomplish their preferred life desires and goals (often loosely defined as “need”), there is no real freedom. In the early days of the twentieth century the conviction that societal evils causing poverty led to the moral degradation of the cities, especially in the slums, forced many social gospellers to seek state action as a corrective to produce egalitarian outcomes. We delineated this development in previous chapters (see chaps. 17–21).

Nonstatist thinkers counter that the evil that people do to one another is *more than* economic and cultural and tends to *intensify* wherever coercive power is concentrated.²⁵ Thus, human beings are most free when they are *not coerced* by such power. The use of coercive power is not perfectible because human nature and society are not perfectible. In fact, Lord John Acton’s axiom that “[p]ower tends to corrupt, and absolute power corrupts absolutely” is nearer the truth. In such a circumstance, rewards and distributions will no longer be based on economic merit or even moral merit²⁶ but political merit, that is, service to the state (bring on 666). We contend that statist “solutions” invariably lead to loss of “power” for the masses of the people and accumulation in the hands of *coercive elites* that exploit group disparities to their own advantage. Furthermore, the failure of the state actually to do what only it can do well, which is to prevent the violence men and women do to one another, results in the injustice that the Bible condemns.

24 Think here of your own neighborhood or local church “busybody,” only now with the money and power to do real damage.

25 Refer to our previous interaction with Thomas Sowell, *A Conflict of Visions: Ideological Origins of Political Struggles*, rev. ed. (New York: Basic Books, 2007), The statist position reflects the unconstrained vision, the attempt to coerce an outcome no matter the cost because the outcome is preferable to those in the ruling elite. The position we are espousing is the constrained vision.

26 This is a favorite category of the Left denoting the superiority of one way of making a living over another, as in such assertions as “It’s immoral for football players to make millions more than university professors.”

THE MARKET FOR POWER

Power itself, whether seen as authority to act or the force with which action is carried out, is a *commodity*, of course, that has trade value in any kind of market, be it strictly monetary or otherwise denominated. Human relationships, whether individual or societal, being what they are, as concentrations of power tend to have the highest “value” to those most enslaved by the human situation of depravity. Commodities such as *ideas*, or ideals, require *power* to execute their ends. It is no accident that Hegelian ideals such as the Superman awaited a concentration of power capable of putting them into practice. Only a political entity such as the German Reich was capable of translating an *idea* into rolling boxcars of human cargo and crematoria capable of exterminating six million human beings. Those who glibly call for governmental answers to human societal problems seem unaware of this kind of market where the exchange medium is power. There are no records of monopoly *businesses* intentionally exterminating whole *ethnic groups*, but the record of monstrous slaughter of millions waited till the twentieth century allowed the accumulation of totalitarian power in a few hands that willingly sent upwards of 100 million people to early and horrible deaths, not to mention gruesome torture and starvation. All this was done in the name of *social reform*, the greater good of the many over the few, and the righting of economic wrongs (among others). In such a scenario, what are the lives of a few tens of millions? After all, you can’t make an omelet without cracking some eggs. Historian Niall Ferguson²⁷ has documented the terrible toll in terms of human life and destruction of civilizations that attended both the rise of the welfare state and the increased economic volatility that came from governmental interference in markets that had been globalized by the British Empire prior to the year 1914 and warns of such a scenario as a possibility for the twenty-first century.

Still, some would point to an evil such as chattel *slavery* as the product of systemic economic violence that did not depend on political power to survive.

27 Niall Ferguson, *War of the World: Twentieth-Century Conflict and the Descent of the West* (New York: Penguin Books, 2006).

We counter that it is *only* political power that allows or stops such activity.²⁸ Chattel slavery is a violence between human beings that is unjust by definition and is one of the most legitimate places for governmental action. This most egregious of all economic evils originated in state imperialism and conquest and has been mankind's sorrow for millennia and across the whole world.²⁹ The failure of the American founders to *eliminate* this scourge from the continent at the outset simply proves the case. Slavery could not have existed as it did if *political power swaps* had not been the order of the day, rather than simple economic transactions.³⁰ It should never have existed in this country!

A number of studies have shown the economic disadvantage incurred by the South in protecting its "peculiar institution."³¹ Strangely, strictly economic considerations probably would have eventually demanded the cessation of a system unable to compete efficiently with the industrialized North. It is possible to imagine a scenario arising that would have had the southern route for railroad building bring a new economy to the South, ending the dependency on slavery.³² Stephen Douglas, however, was bound to seek the supremacy of economic interests in Illinois through governmental action and *carried favor* with the South to extend slavery into Kansas-Nebraska territory.³³ Consequently, moral and cultural failures in southern society were *rati-fied* by governmental action and extended the misery until political solutions

28 See Matthew Mason, *Slavery and Politics in the Early American Republic* (Chapel Hill: The University of North Carolina Press, 2006).

29 See esp. Thomas Sowell, *Race and Culture: A World View* (New York: Basic Books, 1994), 186–223. Also, Dinesh D'Souza, *The End of Racism* (New York: Free Press, 1995), 67–115.

30 See Robert P. Murphy, *The Politically Incorrect Guide to Capitalism* (Washington, DC: Regnery, 2007), 41–47, for argument and documentation that slavery required government to prop it up or it would have died on its own.

31 See Robert William Fogel and Stanley L. Engerman, *Time on the Cross: The Economics of American Negro Slavery* (1974; repr., New York: Norton, 1995), and Herbert G. Gutman, *Slavery and the Numbers Game: A Critique of Time on the Cross*, Blacks in the New World (1975; repr., Chicago: University of Illinois Press, 2003), for pros and cons on this subject.

32 This would have happened in the absence of the Kansas-Nebraska Act of 1854 that extended slavery into the new territories so that Stephen Douglas could argue persuasively for the northern route to connect the east-west portions of the United States. This was to Douglas' political benefit and the economic benefit of his constituents.

33 See Lewis E. Lehrman, *Lincoln at Peoria: The Turning Point; Getting Right with the Declaration of Independence* (Mechanicsburg, PA: Stackpole Books, 2008), Kindle loc. 984–1015, for a full discussion of this situation and its attendant political implications during this period.

failed and the catastrophic war ensued. The English, by contrast, found an economic solution that avoided war. This is perhaps the *one place* where a conjunction of societal activism and political action combined to produce actual justice without the fallout of destroying one person or group's rights for the sake of another's.³⁴

The *myth* of the state as an *instrument* of social justice dies hard. The literature proving the massive failures of governmental economic maneuvering and the welfare state in the United States go back thirty to forty years.³⁵ The fact that governmental scandal is almost always found to be about currying favor with economic interests goes back almost to the founding of the country.³⁶ The Civil War was more about the economic implications of North-South competition than it was about slavery itself, and that is sad.³⁷ The fact that government itself through its bureaucracies is the *primary recipient* of welfare dollars through taxation is *undeniable*. The fact that minimum wage legislation *never* helps those it is touted to help while making them less employable at the higher wage, helping instead those receiving union wages based on the federally mandated wage minimum, is indisputable. The fact that "affordable housing" legislation leads to *ghettoization* in the short run followed by *gentrification* of blighted areas and skyrocketing land values is everywhere evident. The fact that governmental licensing procedures, such as that for taxicabs

34 See our earlier discussion in chap. 18 of Wilberforce and his efforts to abolish the slave trade in Britain and its colonies.

35 The most famous early critique comes from the Daniel Moynihan–led cabinet department report in 1965, which was widely panned as "racist." See *The Negro Family: The Case for National Action* (Washington, DC: US Government Printing Office, 1965), <http://www.dol.gov/oasam/programs/history/webid-meynihan.htm>. See also chap. 25, note 54.

36 For a discussion and documentation of the actual development formally of the "transfer society" idea (the presumption that some have the right to the wealth of others and may take it through governmental action), see Terry L. Anderson and Peter J. Hill, *The Birth of a Transfer Society* (1979; repr., Lanham, MD: University Press of America, 1989).

37 Even for the Northern soldiers, at the beginning of the war the cause célèbre for fighting was preserving the Union, but "The sentiment toward slavery among the Union soldiers began to change once they ventured south." David Goldfield, *America Aflame: How the Civil War Created a Nation* (New York: Bloomsbury, 2011), 246. They came to see that preserving the Union meant that they had "to first 'wipe [out] the institution' of slavery." "Enlisted soldier," Third Wisconsin, to *Wisconsin State Journal*, October 1861, near Harpers Ferry, Virginia, Quiner Papers, Reel 1, vol. 1, 179, quoted in Chandra Manning, *What This Cruel War Was Over: Soldiers, Slavery, and the Civil War* (New York: Alfred A. Knopf, 2007), 45, cited in Goldfield, *America Aflame*, 559n4.

in New York City, create markets that cannot be entered by anyone but the wealthy (e.g., “medallions” to run a cab in the City of New York are sold for over \$600,000, and hot-dog vendorships for as much as \$350,000) is common knowledge.³⁸ The fact that all this is widely known and documented, without resulting in changes of policy or advocacy of more workable and less oppressive actions, tends to make the case that *another agenda* is at work—an agenda motivated by lust for power and control over people’s lives, and perhaps the long-standing *disdain* of intellectuals for businessmen in general. If the welfare state is the answer, exactly what was the question?³⁹

Robert Fogel has concluded that “[d]espite the enormous gains in life expectancy, health, education and real income and the nineteen-fold increase in real income for the poor, the social gospelers’ effort to reform human nature, to crush evil, and to create God’s kingdom on earth through income redistribution has failed.” He then quotes the famous remark of H. Richard Niebuhr that in this scheme, “A God without wrath brought men without sin into a kingdom without judgment through the ministrations of a Christ without a Cross.”⁴⁰ Wayne Grudem may be onto something when he says, “[I]f the devil himself wanted to keep people created by God in the wretched bondage of lifelong poverty, it is hard to think of a better way he could do it

38 See on this the latest documentation from the Hoover Institution, Walter E. Williams, *Race and Economics: How Much Can Be Blamed on Discrimination?* (Stanford, CA: Hoover Institution Press, 2011), 62. Williams gives the history of this growth in the price from \$60,000 to an individual price of \$603,000 and a corporate price of \$781,000.

39 A partial listing of sources on this paragraph includes Mona Charen, *Do-Gooders: How Liberals Hurt Those They Claim to Help (and the Rest of Us)* (New York: Penguin, 2004); Fogel, *Fourth Great Awakening*; Olasky, *Tragedy of American Compassion*; D’Souza, *End of Racism*; Walter E. Williams, *The State against Blacks*, Manhattan Institute for Policy Research (New York: McGraw Hill, 1982); Walter E. Williams, *Race and Economics*; Thomas Sowell, with Lynn D. Collins, *American Ethnic Groups* (Washington, DC: Urban Institute, 1978); Thomas Sowell, *Affirmative Action Around the World* (New Haven, CT: Yale University Press, 2004); Charles Murray, *Losing Ground: American Social Policy 1950–1980* (New York: Basic Books, 1984); George Gilder, *Wealth and Poverty*, new ed. (1981; Washington, DC: Regnery, 2012); Martin Fridson, *Unwarranted Intrusions: The Case against Government Intervention in the Marketplace* (Hoboken, NJ: John Wiley & Sons, 2006); David W. Hall, ed., *Welfare Reformed: A Compassionate Approach* (Phillipsburg, NJ: P&R, 1994); Charles M. North and Bob Smietana, *Good Intentions: Nine Hot-Button Issues Viewed through the Eyes of Faith* (Chicago: Moody, 2008); Charles Murray, *In Our Hands: A Plan to Replace the Welfare State* (Washington, DC: AEI Press, 2006).

40 Fogel, *Fourth Great Awakening*, 171.

than to make people think that business is fundamentally evil, so they would avoid entering into it or would oppose it at every turn. And so I suspect that a profoundly negative attitude toward business in itself—not toward distortions and abuses, but toward business activity in itself—is ultimately a lie of the Enemy who wants to keep God’s people from fulfilling his purposes.”⁴¹ The market that sells and buys the right to exercise political and military power is the most *seductive* of all, for on it the greatest *fortunes* in the history of mankind have been and are built. From such lofty heights come the delusions of godlike wisdom and beastly superiority to the hoi polloi of the streets and countryside.⁴²

A clear corollary to this statist preference is that personal and nongovernmental charity becomes superfluous in the minds of many and noxious to others. After all, “charity” is demeaning and implies lack of just desert on the part of the recipient. This means that the biblical idea of communal and individual care and charity must be subsumed into political activism. Righteous or “good” deeds now become *political* deeds. Hence Jim Wallis and others can argue that governmental budgets are *moral documents* in state capitals around the country and in Washington, DC.⁴³ Given his premise, not a biblical one, it is not hard to see how he could come to such a conclusion. We need a corrective.

The System as We Know It

As noted earlier, the term *capitalism* was used pejoratively first by Karl Marx to describe what he saw in the industrialization of Europe and the opening of markets to disburse mass goods through *specialization* of labor skills and the *accumulation* of monetary and other “capital” for investment in enterprises

41 Wayne Grudem, *Business for the Glory of God: The Bible’s Teaching on the Moral Goodness of Business* (Wheaton, IL: Crossway, 2003), 82–83.

42 For a view and documentation on the manner in which big government colludes with big business, see Timothy P. Carney, *The Big Ripoff: How Big Business and Big Government Steal Your Money* (Hoboken, NJ: John Wiley & Sons, 2006).

43 Restating this option as a “right” does not make it so. The Bill of Rights in our Constitution enumerates nothing that will cost another to provide. A “right” to food, shelter, health care or any other commodity implies someone else will pay for it. This is not a “right,” it is charity.

for profit. Marx himself was not drawing his conclusions from observations formed in the Gilded Age of the great American industrialists but rather from what he called the bourgeoisie, the middle-class businessmen, “shopkeepers.”⁴⁴ His alleged concern was for the proletariat, the workers, whom he supposed were being exploited by the other classes, since it was the workers in his theory of labor that actually produced “surplus wealth.”

Since that time, the word *capitalism* has been used to describe any market system that is deemed to be “free” from outside interference. The term serves very little purpose in current discussions except when describing theoretical models. The reason is that *no* known system is truly free from outside interference. The issue is the *degree* and *kind* of such interference. In fact, the term *market system*, which is supposed to distinguish capitalistic from socialistic systems is a misnomer. Socialism is a market system. It just has a different unit of exchange and different rules for making exchanges, but it is a market system nonetheless. It is a political market system that trades in *influence peddling* for the profit of power and position and from these positions of power controls to its own advantage the goods that economic markets trade through the medium of money or its equivalents. This kind of market system justifies itself as having altruistic interest only in the “common good.”

Such a system, however, we submit is as “capitalistic” as any supposed free-market economic system, because it relies on the accumulation of capital for the purpose of investment to the profit of the investor. The capital need not be monetary or concrete, but it is capital to be spent in the right place and at the right time to the maximum advantage of the dispenser. The old Soviet Union is just the most fully developed of such a system where the aristocrats of the party *never* stood in bread lines or huddled around a single stove in a freezing apartment or starved in the countryside while famine swept the Siberian wastes. The black market in necessities and the finest luxury goods never ceased to function for the Communist Party elite. But the common people were subjected to the most *demeaning* lives imaginable and the most outra-

44 It was Napoleon who seems to have coined the phrase “nation of shopkeepers” to refer to the British disdainfully.

geous atrocities, all in the name of the “common good.”⁴⁵ At the end of *this type* of capitalistic market system there is always in human history some form of gulag for those who long for freedom from its enslavement.⁴⁶

Equally as perverse is the *supposed* opposition to the Soviet model, which was known in the last century as Fascism. We have previously noted its development as a political “alternative” to communist ascendancy in Europe. Unfortunately, the language of our time has been *corrupted* to the point that “fascist” has become a designation for any defense of the free-market system that seeks to maintain freedom for individual and corporate economic action from governmental interference. Far from a correct rendering of history and political philosophy, this designation and use of the language is one of *gross distortion*, as we have already discussed. Rather the *collusion* of government and business for direction of the economy at the expense of free markets *is* the common denominator of fascist philosophy. The gradual descent of the American system into fascist experimentation⁴⁷ has led in our day to multiplied thousands of well-paid lobbyists at the seat of national government vying for a place at the table, lest they be “on the menu.”

45 This is clearly not unlike the refusal of American political elites to subject themselves to the vagaries of social security, the failure of the DC public school system, the onerous future likely to occur under Obamacare, and many other federally mandated intrusions into the lives of ordinary citizens.

46 Alexander I. Solzhenitsyn, *The Gulag Archipelago, 1918–1956: An Experiment in Literary Investigation*, 3 vols., trans. Thomas P. Whitney (vols. 1–2) and Harry Willetts (vol. 3), Harper Perennial Modern Classics (1973–78; repr., New York: HarperCollins, 2007).

47 From Teddy Roosevelt’s tinkering with the economy and the courts, to Wilson’s attempts to bring in a modified Hegelian understanding of the state, to FDR’s entitlement reforms and attempts to overrun the Supreme Court, to LBJ’s massive buildup of the welfare system, to Obamacare, all of these are clearly *fascist* undertakings in the *classical* meaning of that word (though not in the sense that it has come down to us in the late twentieth century). In Goldberg’s words, “Conservatives are the more authentic classical liberals [in terms of political economy], while many so-called liberals are ‘friendly’ fascists.” Jonah Goldberg, *Liberal Fascism: The Secret History of the American Left from Mussolini to the Politics of Meaning* (New York: Doubleday, 2006), 8. A heavy-handed federal government, at the behest of the executive branch, took to itself previously unprecedented powers in order to accomplish its objective, over the protests, usually, of the majority of Americans. That some aspects of these legislative maneuvers are justifiable is likely the case. It is often the *manner* in which they was adopted and enforced that is problematic, Obamacare being the clearest example. “Fascism is a religion of the state.... It takes responsibility for all aspects of life, including our health and well-being, and seeks to impose uniformity of thought and action, whether by force or through regulation and social pressure.” *Ibid.*, 23.

Some will now argue that these aberrations (Soviet Communism and German Nazism) are but extreme examples of what promises to be adaptable to more benign uses in the hands of “Social Democrats.” Some form of this designation is attached to most attempts to concentrate capital in political power for the purpose of manipulating people and their business lives in such a way as to achieve the “common good.” The idea here is to create competing factions that engage in partisan politics to gain the biggest piece of the capital accumulation of the society in which they live. Today there are roughly 35,000 registered lobbyists in the United States (working primarily in Washington, DC, offices) representing competing factions to cut up the economic, political, tax, and regulative pie.⁴⁸ This is how any society with democratic institutions in the place of dictatorships and totalitarianism is presumed to work. “The people” now are allowed to decide their fate through elective politics and petitioning their representatives. In functioning models outside the United States this results in coalition governments based on the trade-offs of otherwise oppositional factions who form “governments” headed by leaders chosen from among the factions or elected by the people at large. The *trades* in these cases are the political market. The *capital* hoarded is the ability to influence other factions to support one’s own partisan interests, which translate to the private interests of the constituency represented.

In the United States two-party system there is simply one party of winners and one party of losers. In the legislative branch the party that has the most seats in each house controls all the committees that manage and bring to a vote any part of its agenda. Without power the losing party must content itself with only modifying or slowing the process unless it has strength for a filibuster in the Senate. If the two houses are led by different parties, bills must be reconciled in a bipartisan conference in which trade-offs are made. If the houses of the legislature do not align with the president’s party, he is forced to negotiate any agenda he wishes to advance through multiple layers of partisan interest groups that engage in trades for support on their own constituent issues. This is *also* a market that trades in power, position, and influence peddling, with requisite financial advantage and disadvantage. Only when the Congress and

48 Ibid., Kindle loc. 5525–41.

the president's party are fully aligned do we get what amounts to a green light for full implementation of a program. However, the whole process, regardless of its elective outcome is a market where political capital is spent to gain the right to dispense benefits in monetary or in-kind services (goods doled out that do not necessarily come in the form of a check or its equivalent) and burdens in the form of rules and regulation and especially taxation.

In the democratic West this form of market has come to dominate the scene even *more* than the strictly economic market. This system is rightly designated a political economy by Michael Burleigh and others in greater numbers recently.⁴⁹ Economists normally will ask you what you want most, knowing that trade-offs are always involved in a world where no one can have absolutely everything he or she wants in unlimited quantities. Rather, we must trade one "good" for another.

The politician will typically ask you what you want, period, implying an ability to deliver it without trade-offs. However, constituencies abound for every conceivable "interest" and group, and it is the politician's job to balance these *through trade-offs* so as to get elected again and again.⁵⁰ The term *special interest* is now used primarily and to designate the constituency of one's opponents pejoratively. "My opponent is guided by special interest groups, but of course, I am not." It is not that monetary considerations do not play a part in the corruption of the process. It is just that money is not the *primary* means of exchange.⁵¹ It is one of the elements that form the capital of a politician. But influence, position, seniority, access, public perception, and a host of other factors come into play along with and even before the money. Trade-offs in

49 Michael Burleigh, *Earthly Powers: The Clash of Religion and Politics in Europe from the French Revolution to the Great War* (New York: HarperCollins, 2005).

50 The practice of this kind of economic politics is now increasingly labeled "crony capitalism." It usually stands in for another term, "corporate welfare." The language is dominated by the liberal media and left-leaning politicians who would never refer to "union welfare" or "movie-star welfare" or "big-media welfare," etc. We believe all constituencies are "cronies" and deserve to be treated with equal caution.

51 With the exception of a recent criminal debacle in Illinois. See Pete Williams, The Associated Press, and Reuters, "Feds: Governor Tried to 'Auction' Obama's Seat," NBC News.com, December 9, 2008, <http://www.nbcnews.com/id/28139155/ns/politics/t/feds-governor-tried-auction-obamas-seat/#.UYp0bMoU1BB>. Blagojevich was convicted and sentenced. See Michael Winter, "Blagojevich Guilty of Trying to Sell Obama's Old Senate Seat," USATODAY.com, June 27, 2011, <http://content.usatoday.com/communities/on-deadline/post/2011/06/blagojevich-guilty/1#.UYp-w8oU1BB>.

the “old boy system,” as some call it, make this one of the most dynamic and influential markets on earth. In the United States, no life and especially no business is unaffected by it. As Goldberg opines, “This is one of the underappreciated consequences of the explosion of the size of government. So long as some firms are willing to prostitute themselves to Uncle Sam, every business feels the pressure to become a whore.”⁵² Blunt, but accurate!

Some Definitions

This discussion leads us to some definitions that fit the kind of system we deal with most often today. A *market* is formed anywhere among human beings where scarce commodities (that is, those that may not be held in unlimited amounts, no matter how large that amount may be) are voluntarily traded between partners to the trade process. This presupposes *no* violent coercive force is used—“violent” meaning fraudulent, confiscatory (theft), or acquisitive without the voluntary consent of both parties. *Governments* rightly exist to set the terms for such transactions in law and provide penalties for violation. In such situations it is presumed that parties make choices between what is being acquired and all other possible goods that might be made with the same exchange medium.

Capital is that accumulation of goods that include money and concrete items that might be traded or bartered for other goods, but it is not limited to such goods. Human capital is whatever one might bring to a market that might be traded for any good existing in the material realm. Such goods might be moral character traits that enhance trust and reputation, abilities or skills learned that enable productivity, sheer physical or mental strength that allow intensive labor and/or athletic achievement, educational achievement and knowledge accumulation, raw talent endowed through birth and environment, family history and connections, influence within certain circles of power and position, cultural dispositions that favor certain usages over others, etc. The list is almost endless.

Profit is the term that describes the *added value* any party to a market exchange attaches to the transaction subjectively. A valuation can be in the

52 Goldberg, *Liberal Fascism*, Kindle loc. 5510–25.

form of additions to the bottom line financially (this is the limited traditional definition of profit) or whatever form each party is using to find satisfaction in the exchange. This is the terminology Jesus is using when he asks what “profit” a man has if he “gains the whole world and loses his soul” (Matt. 16:26). In each situation the parties to voluntary exchange evaluate it in terms of their own values and desires at the time to determine if it has been profitable. In this sense the term “profit” is a *value judgment* attached to every transaction entered into voluntarily. If I am simply selling products to make a living, money is the bottom line in some ways, but it does not exclude my satisfaction in producing goods that enhance the lives of others, while allowing me to continue in business. At any time, I may decide that my *personal satisfaction* or my *moral standard* is a greater profit than a monetary bottom line, and I may decide to change my occupation. If I am buying a good, I have decided that there is more profit for me in acquiring whatever it is I buy, rather than holding on to the money, which I might have invested or saved for some other purpose. In each case the parties decide on the nature of the profit they seek and obtain. If each did not think they were *better off* from the exchange, they would not engage in it. This is true regardless of what any other nonparticipant in the transaction may think.

INTERVENTIONISM, COMPETITION, MONOPOLIES, AND THE BUSINESS CYCLE

Interventionism is the term that describes attempts to coerce behaviors in a market that are believed to produce some other good that might not otherwise be expected of a completely voluntary exchange. This is an activity of government generally, but in some parts of the world it might be exercised by gangs or other criminal types or by outside forces aligned one way or another with the different parties. Interventionism is the system under which virtually all supposedly capitalistic and free-market transactions take place today. *Laissez-faire* (noninterference) is *not* and *never* really has been a property of capitalistic free-market practice in the Western world. It is now used as a pejorative term to justify further interference in transactions that were already heavily regulated, protected, favored, penalized and/or taxed, or not taxed for a myriad of reasons settled by political means.

Because of the predominance of such interventionist policies by governing authorities, the *market of politics* has become the guiding marketplace. The recognition of this factor has caused the coining of the term *political economy* to describe what now dominates the economic thinking of the West. This is what we contend actually makes market economics or capitalism a “system.” Laissez-faire economics is simply capitalistic markets working without *systematic interference*. Typically only pure Libertarianism now contends for the actual practice of laissez-faire economics either theoretically or practically. Consequently, the most invasive and powerful forces in the lives of ordinary people are governmental in *origin* and economic in *effect*. The real danger in this approach is that the government becomes the source and end of everything—the next thing to God. Increasingly it becomes the only agency that effectively assigns benefits and burdens across a society. It alone determines who wins and loses in transactions. And since governments never suffer business failure (go out of business) and since they hold the gun (the power to coerce compliance), the bottom line (profit) becomes *power* as opposed to money, although power inevitably leads to monetary gain, in this case the ability to tax and dispense it and take some “from the bag.” Even so, most in the political and administrative process find far more capital gain and pleasure in the exercise of power and the attainment of position than in the acquisition of money.⁵³ This is hardly a choice that offers moral alternatives.

Economic systems do not differ from one another by the inclusion or exclusion of markets. Markets exist as a consequence of the necessity implied in human choices. The difference is in the nature of the *marketplace*. Does the market offer virtually unlimited choices, or does it seek to narrow the range of choices to certain continuums based on predetermined desired outcomes decided by *someone other* than those making exchanges through their choices? Seen another way, are the choices made by one elite group controlling the choices offered to nonelite groups? From another perspective, will the goods

53 But for the latest documentation of political insider-dealing for profit of serious monetary value, see Peter Schweizer, *Throw Them All Out: How Politicians and Their Friends Get Rich off Inside Stock Tips, Land Deals, and Cronyism That Would Send the Rest of Us to Prison* (New York: Houghton Mifflin Harcourt, 2011). This book prompted a segment on CBS's *60 Minutes* program and was followed by a typical congressional “quick fix” that promises no real solution to both parties' use of political power for heavyweight monetary gain.

exchanged be predominantly material, monetary, or political? The clear advantage of strictly economic choice-making is that it is not coercive and happens in a marketplace where someone else enforces predetermined rules and where parties that fail to obey the rules can be jailed and/or put out of business, or be otherwise forced to comply with the rules. When the government predominates, the rules do not apply and/or may be changed at any time for the convenience of whatever constituency has the ear of political power through whatever means has the greatest effect—public sentiment, direct lobbying, political contributions, *quid-pro-quo* wheeling and dealing, etc.⁵⁴ This is where the moral issue is to be settled. Why should it be thought more just or moral to deliver choice making to *interventionist* entities who are beset by the same moral failings as those whose fate they hold hostage to political considerations and pressure tactics?

Another criticism from the Christian moral perspective concerns this very process called “competition.” The market system is flawed, they say, because it induces people to compete against their fellows rather than cooperate for communal good, thus further exacerbating the breakdown of true community. Once again the perception is wide of the mark in reality. Fundamental to the operation of efficient markets is the necessity of accurately and efficiently meeting the needs of others in a timely fashion. There will be no market absent these underlying principles. Consequently, the very nature of the competitive enterprise is to see how well one can follow these principles in order to meet the needs of others. This is a competitive situation to be sure, absent any coercive action, legal or illegal. However, it is not like two prizefighters in the ring seeking to knock one another out to win the jackpot. This is a place where the person who meets the *needs of others* best “wins” and in the process raises the level of effort of others to do the same.

Yes, some will be shown that they are not suited to the particular area of “competition” they have chosen, but this only gives them the information they need to seek out other ways to serve their fellows more efficiently. In this way the market encourages hard work, intelligence, attention to others’ needs,

54 The only defense against such arbitrary rule is a written constitution interpreted according to original intent and not plasticized by calling it a “living” document—meaning we can interpret it as we see fit now in the middle of the game.

cooperation with those involved in the making and distribution of products, and combats human tendencies to self-satisfaction and a false sense of security. Even if the avaricious and greedy turn limited parts of the market into an opportunity to outcompete in such a way as to put some disliked competitor out of business and into another line of work, the only way they can do it is by *meeting the needs of others*, if they are held to the standard of noncoercive intervention. Furthermore, this competition, if left unsullied by governmental protectionist mechanisms, is a marvelous alternative to war, when cultures clash and understanding is weak. Surely it is far better to “compete” economically and learn about one another’s needs and wants, and how to meet them, than to “compete” militarily. Arguably, this is what ended the Cold War of the last century and is marking the latest competition between Western democracies and Oriental empire builders (think China).

It is from the conjunction of politics, used primarily to eliminate unwanted and feared competition, and the human tendency to seek the easy way to prosperity and economic dominance that monopolies are built in the marketplace. While it is common to suppose that monopolies are one of the *primary reasons* for governmental intervention in the economic marketplace, it is a more accurate representation of the facts that the *opposite* is the case.⁵⁵ No business, however large, can monopolize a segment of the market, except narrowly and on a short-lived leash, without governmental assistance, either through protectionist or exclusionary regulation or taxation. The late nineteenth- and early twentieth-century industrialists charged with monopoly tactics were actually the products of misbegotten governmental interference, not the other way around. Protective trade tariffs, licensing regulations, price fixing, and preferential tax policy originate in “business” people who do not want to be subject to the open market but who wish rather to make government the means of protecting their favored status.⁵⁶ However, so long as

55 For a discussion of the entire subject of antitrust legal action and enforcement, see Robert H. Bork, *The Antitrust Paradox: A Policy at War with Itself*, 2nd ed. (New York: Free Press, 1993).

56 See Carney, *Big Ripoff*; Paul A. London, *The Competition Solution: The Bipartisan Secret behind American Prosperity* (Washington, DC: AEI Press, 2005); Burton W. Folsom Jr., *The Myth of the Robber Barons*, 6th ed. (1987; Herndon, VA: Young America’s Foundation, 2010); H. W. Brands, *The Money Men: Capitalism, Democracy, and the Hundred Years’ War Over the American Dollar*, Enterprise (New York: W. W. Norton, 2006); Charles R. Morris, *The Tycoons: How Andrew Carnegie, John D. Rockefeller, Jay Gould, and J. P. Morgan Invented the American Supereconomy*, Enterprise (New York: Henry Holt, 2005). A careful

government maintains a stance that truly leaves the market “open” to *all participants*, no matter their origins, and uses its police power to punish *genuine* fraud and violence in the marketplace, monopolies cannot be maintained. The market has its own way of punishing the desire for relative stasis instead of innovation and change—it puts businesses out of business.

This factor is what leads to the collusion between labor and management in the protection of industries from competition. Since neither management nor labor prefers the “creative destruction” that comes from true competition, they tend to become partners in the use of government to exclude new businesses and new workers from entering their chosen fields of production. Consequently, the issue of whether government should be on the side of employer or employee is largely irrelevant in many industries. The more relevant issue is whether government should be on the side of those *seeking employment* and entry into business or of those *already established* and wishing to be *protected* from outside competition. This becomes particularly important morally when the losers may be destitute people in the underdeveloped world working in sugar, textiles, steel, agriculture, and other highly labor intensive areas of production. This very issue has been at the heart of repeated and heated debates over tariffs and free trade and regulation and deregulation and “tax incentives” (either in the form of rebates or deductions or direct subsidies) for various industries and segments of the economy in all Western democracies. Seldom is the real issue addressed: How can certain groups be *protected* from or *advantaged* over other individuals and groups who wish to have an open opportunity to compete for sales and innovative services? Such activity by interventionist government in Western democracies is rightly called “corporate welfare.”

Misbegotten attempts to control the business cycle also play a large role in the justification of governmental interventionism. Market-based economies depend on *supply and demand* and pricing to determine the most efficient, and ultimately the most “just,” distribution of goods and services to the widest number of people. They are subject to time lags between demand build up and supply availability and to the monetary system, which provides financing to

reading of current biographical materials of this period in American history will show that it was the attempts to curry governmental favor that led to monopolist evils.

suppliers and manufacturers and over the years increasingly to buyers as well. Not only is timing a factor, but a number of other elements determine whether buyers and sellers arrive in the market felicitously so as to promote prosperity widely and meet the needs and desires of the most the most efficiently. New products can overturn prior expectations about what is needed. Weather phenomena can disrupt expected supplies catastrophically or seasonally. War in one part of the world can affect events in other parts of the world. Epidemics can force allocation of resources to unforeseen emergencies. The mood of consumers can affect willingness to buy one thing over another based on events in the world or faddish whims. All these calculations, and more, enter economic situations and change them from season to season and year to year as producers and sellers attempt to exercise prescience. This will cause fluctuations in the cycle of the *realization* of need (demand) and the *provision* for the need (supply). In its simplest form, this is called the *business cycle*, and it is recognized and regulated by the *pricing mechanism*. The catchall term for the calculation of these factors is *risk assessment* on which we will comment elsewhere.

What we have not mentioned, of course, is the “boom-and-bust” nature of the cycle, which began in the West as market-based economies began to experience the incredible growth of economic prosperity brought on by industrialization and the creation of a consumer-oriented society. Prior to that time, the primary societal economic upheavals had been demographic swings caused by epidemics and wars and famines, which were the result of failure to grow food or drought and the actions of governments manipulating the allocation of food supplies.⁵⁷ Ferguson is the latest to document the unprecedented economic power that is inherent in modern banking systems.⁵⁸ When capitalistic enterprises began to replace mercantilistic systems, banking and monetary policy became the lifeline of industrialization. Many studies con-

57 See Robert William Fogel, *The Escape from Hunger and Premature Death, 1700–2100* (Cambridge: Cambridge University Press, 2004); Clark, *Farewell to Alms*; Cameron and Neal, *Concise Economic History of the World*, et al. for discussion on this and analysis of which factors held sway at what times.

58 Niall Ferguson, *The Ascent of Money: A Financial History of the World* (New York: Penguin Books, 2008). He notes significantly that it is understanding how money works that accentuates the differences between people and businesses in their relative economic success. There is a disproportionate advantage to those who are able to take advantage of their knowledge of money. *Ibid.*, Kindle loc. 209.

firm that boom-and-bust cycles are primarily created when monetary policy is allowed to distort and disrupt the market on a societal scale, creating misery and havoc up and down the scale of wealth and poverty and usually harming the poor the most in relative terms (that is, they have the least to lose without suffering starvation, homelessness, nakedness).⁵⁹

Localized mistakes in the process of allocating supplies to meet demands efficiently (profitably) happen all the time in markets, but they are short lived and do not affect entire nations, or increasingly, the global community. It requires governmental manipulation of the cycle through monetary and banking policy set by central banking systems to bring about such rapid and painful shifts across nations and the world. They may also, when fairly and wisely administered, stabilize and minimize economic catastrophes. Arguably, all the great depressions (known also at times as “panics”) and serious recessions of American history (1837, 1873, 1892, 1929, 1972, 1987, 2009) have been preceded by such periods of central interference that distorted credit markets and created artificial pressures on the pricing mechanism.⁶⁰ Quite often this has been exacerbated by political manipulation of industries and employment and pricing through tariff policy designed to protect an entrenched group at the expense of those wishing to enter the market. Indeed, the current ten-

59 See Thomas Sowell, *Housing Boom and Bust* (New York: Basic Books, 2009); Amity Shlaes, *The Forgotten Man: A New History of the Great Depression* (New York: HarperCollins, 2007); Burton Folsom Jr., *New Deal or Raw Deal: How FDR's Economic Legacy Has Damaged America* (New York: Simon & Schuster, 2008); Ronald H. Nash, *Poverty and Wealth: The Christian Debate Over Capitalism* (Westchester, IL: Crossway, 1986), 126–45. Also see our previous discussion of the Great Depression in chap. 20.

60 Note that sources vary in the years given for these recessions. For documentation in historical contexts, see Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States, 1867–1960*, Studies in Business Cycles 12 (Princeton, NJ: Princeton University Press, 1963). This is an academic work written for trained economists, making it less readable to a general audience. More readable summaries include Milton and Rose Friedman, “The Anatomy of Crisis,” in *Free to Choose: A Personal Statement* (New York: Harcourt, 1990), 70–90; Milton Friedman, “A Summing Up,” in *The Essence of Friedman*, ed. Kurt R. Leube (Stanford, CA: Hoover Institution Press, 1987), 676–700. Comparisons of United States and worldwide monetary issues are in Milton Friedman, *Money Mischief: Episodes in Monetary Policy* (New York: Harcourt Brace Jovanovich, 1992). Finally, for a convenient summary in short form, see Milton Friedman, *Why Government Is the Problem*, Essays in Public Policy 39 (Stanford, CA: Hoover Institution Press, 1993), which explains how various concentrated and dispersed interests combine and compete to produce a broken system.

gency of every presidential election in the United States to come down to “it’s-the-economy-stupid” rhetoric fuels attempts to manipulate the cycle to one or the other party’s advantage. The net effect is to make government both the problem and the “answer.” No conception of justice or morality includes the idea that the entity that *causes* the problem in the first place gets to label *itself* dispenser of justice and morality when it repents and starts the same cycle again, while blaming the victims (businesses, investors, bankers, consumers) for the original problem.

MORALITY AND THE PRODUCTION OF WEALTH: ANSWERING SOME CHARGES

Does the Free Market Create Economic Suffering?

It is widely believed and disseminated among Statist advocates for social justice that the adverse conditions arising in the cities of Europe and the United States in the last two hundred years or so are the product of capitalistic market freedom.⁶¹ Eighteenth-century diatribes and historical reviews of the past blaming the Industrial Revolution⁶² for the appalling conditions in cities in England and Europe ignore the fact that such poverty had existed for millennia.⁶³ Ironically, it was Marx and Engels who noted that industrialization made it possible for millions to flee “the idiocy of rural life.”⁶⁴ So it was not until the time of industrialization that such poverty became *concentrated* in cities instead of dispersed in the countryside. Only now was the problem more visible to large numbers of people and publicized accordingly. This transition period simply moved the problem, first across Europe and then into the cities of the United States, but it did not *cause* it.

61 For a book-length discussion of some of these charges and others from a Christian perspective, see Jay W. Richards, *Money, Greed, and God: Why Capitalism Is the Solution and Not the Problem* (New York: HarperOne, 2009). Richards has included lengthy analyses of a number of issues we must give only passing consideration here.

62 As we have noted before, even the term “Industrial Revolution” is problematic. Cameron and Neal, *Concise Economic History of the World*, 163–64.

63 See, for instance, Peter Ackroyd, *London: The Biography* (New York: Nan A. Talese, Doubleday, 2001), 55–58, 96, 100–103, 128–30.

64 Cited in Ferguson, *War of the World*, xxxvi.

In fact, government policies in England had as much to do with the living conditions of the poor as anything—tariffs on foreign lumber, taxes on windowed buildings and bricks, along with restrictions on interest rates, making it difficult to obtain financing for construction. Child labor was an answer to starvation, which had gone on in the countryside for ages. It was not until the industrialization of societies advanced that men were able to earn enough to support an entire family on their own.⁶⁵ The same situation applies in the underdeveloped world today, where “sweat shops” and “child labor” are a way out of poverty, not a consequence of globalization. Were it not for these opportunities, the “victims” would simply die of starvation and/or disease or be selling themselves on the streets for sexual favors and risking death from AIDS or other such dangers of life on the street.

The argument over the “exploitation” of labor ignores the fact that the worker, who produces products for sale from the invested capital of an employer, is likely willing to accept such an arrangement because of the mutual advantage it affords him. But it is the *employer* who assumes the risks of failure—inability to market and sell effectively the products manufactured, competitors’ price strategies and product improvements, product defects, worker damages and injuries, economic disruptions caused by catastrophes, war, or sabotage, to name just a few. Likewise, the employer provides the tools for production, buys and transports the raw materials, packages and ships to market, and manages anything else that keeps the worker doing what he does best—producing the product—while paying the worker a wage based on his value-added contribution in advance of the sale and delivery of products. Even if workers were to provide their own tools for production, thus increasing their productivity at their own expense, they would not be accounting for the myriad other factors that turn raw materials into money, or whatever unit of exchange is being used. A worker is only justified in complaining of “excess profits” made by the employer on the workers’ labor if the worker is also willing to suffer loss and failure (that is, accept risk) with the employer when these events happen, as they frequently do. It is no accident of history that wealthy

65 See Clark, and Cameron and Neal, cited in note 57, for discussions and documentation on this time period of industrial development.

labor unions with huge stores of capital and workers do not regularly (never) develop employee-owned businesses. It is also the reason that politicians do not rush to have “bailout” hearings when oil is twenty dollars per barrel, and drillers and oil companies take huge losses from their investments in exploration and research, and some just go out of business. It is only when those who take risks begin to cash in on their efforts that complaints and hearings take place over so-called price-gouging or “windfall profits.” Some people will always be willing to assume the risks involved in developing a new product or enterprise or geographical location, and others will trade risk-taking for the security of fixed income and other values. There is nothing unjust in a system that allows such choices.⁶⁶

Likewise, it is not just the capitalistic countries in the global economy that can be found “exploiting” the poorer countries and their workers. Socialistic countries have the same kinds of relationships in the global economy. Sometimes this criticism (of capitalism and the global market system) is equated with the old colonial system that began as mercantilistic (characterized by a concept of “money” as precious metals in coinage with the state as the primary possessor of wealth) enterprises that sought to exploit raw materials from regions that had very little else to offer. However, this argument ignores the fact that these regions were not made poor by capitalism. They were already poor in the first place, and those regions of the world that were the most associated with colonial empire building and “exploitation” are the most developed and well off in the current situation vis-à-vis the rest of the underdeveloped world. There is a net advantage in history to being “exploited” in such a way, whether that exploitation is justifiable or not.⁶⁷

66 The primary reason Christians seem to be led astray on these matters is a failure to understand basic economics. See our prior citations for helpful guides to the nature of economic choices. Additionally, see Nash, *Poverty and Wealth*, and Samuel Gregg, *Economic Thinking for the Theologically Minded* (Lanham, MD: University Press of America, 2001).

67 The literature supporting our position on globalization is large and includes at least the following: Jeffrey A. Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: W. W. Norton, 2006); Johan Norberg, *In Defense of Global Capitalism*, rev. ed., trans. Roger Tanner, with Julian Sanchez (Washington, DC: Cato Institute, 2005); Joseph E. Stiglitz, *Globalization and Its Discontents* (New York: W. W. Norton, 2002); Martin Wolf, *Why Globalization Works* (New Haven, CT: Yale University Press, 2004); and William Easterly, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* (New York: Penguin Books, 2006).

Does the Free Market Create Winners and Losers?

Those who charge that capitalism is based on pandering to selfishness, greed, ambition, and competitiveness fail to see the illogic of the charge. Such character traits are inherent in the human condition and will be there in any situation, economic or otherwise. It is the free market that tames rather than causes these vices. No one engaging in free exchange without fraud, theft, extortion, or some other form of violence can satisfy their greed or selfishness except by providing for the needs of someone else at an acceptable price that the other is willing to offer.⁶⁸ Criminal behavior is endemic to all human societies and is a matter for retributive justice and the law. Criminality is not, however, an inherent part of a free-market exchange of values. Absent the free market, the greed, selfishness, ambition, and competitiveness of fallen human nature will simply resort to other means to achieve its ends, and the only other avenues will be coercive—political and/or military. Free markets tame human desires and channel them to constructive purposes and raise the issue of choices—i.e., what things of value to me (including my soul and my relationship to God) am I willing to trade to satisfy my desires/lusts, ambition, and greediness?

The charge that capitalism always has winners and losers in market exchanges ignores the simple fact that each person is allowed to choose something he or she values more than what that person already possesses and to offer without coercion to swap one commodity for the other. In such a situation, no one loses; both win. It is not for some outside judge of the situation to declare that one or the other is the loser because somehow one or the other made a “bad choice.” If no fraud or violence was involved, the choice was personal and satisfying to both parties or no one would have bothered. I or someone else might not have made either choice for whatever reasons, moral or otherwise, but it is not the market or the system that is at fault. It is the inherent nature of human decision making that some will make foolish, immoral, shortsighted,

68 This is even true in the supposedly exploitative situation of catastrophic emergencies. In those cases people make hard decisions about what they actually need the most and deploy whatever resources they have to satisfy their true needs accordingly—they define for themselves what is an “acceptable” price by buying or declining to do so in favor of some other value.

and/or hasty decisions. The market simply allows experimentation and learning to proceed without coercion. It does not guarantee the absence of human foibles or outright corruption, nor can any other system.⁶⁹

Does the Free Market Cause Consumers to Make Bad Choices?

Akin to the winner/loser charge is the argument that Ronald Nash has labeled the “puritanical argument.”⁷⁰ In other contexts it might be labeled the “nanny” argument, so-called because it presupposes that someone besides the ordinary consumer knows what’s best for all and should be allowed to make choices for all as to the nature and provenance of products on offer in the market. Since the days of Aristotle, the discussion about the general intelligence and decision-making ability of the masses has fascinated the intellectually and politically elite communities. In our time it is especially intense because the mass market is filled to overflowing with items on offer that are shoddy, trivial, immoral, habit-forming, fattening (and otherwise bad for health), glitzy, faddish, and qualifying for a dozen other pejorative descriptions. The argument goes that it is unfair and unjust to have a system that exploits the ignorant and impulsive masses, who are incapable of controlling their impulses and making good decisions. Of course, the gullibility and naïveté of human beings has no apparent end, but that is not the fault of capitalism. Consequently, the inner logic of the argument fails, because it does not account for the gullibility and naïveté of elites (also human), who achieve high political office or sit ensconced in chairs of intellectual superiority. If someone is to be given such power to choose products for all, who might it be? And how might he or she or they be chosen? Surely not democratically, for the masses could not possibly be trusted to make such delicate choices! The only resort in such a situation is the coercive totalitarian one. John Stuart Mill was not the first or the last to come to this conclusion and opt for the coercive totalitarian “solution.” We prefer William F. Buckley Jr., who often

69 See Thomas Sowell, *Knowledge and Decisions* (New York: Basic Books, 1980), for a clear discussion of the implications of real-life decision making.

70 Nash, *Social Justice and the Christian Church*.

opined that he would rather be governed by the first hundred names in the Boston phone directory than the faculty at Harvard.

Many charge that the role of advertising in market economics is a systemic evil that conjures up the sense of need and want in individuals and groups where none existed before. In truth, this is the concept taught in some forms of advertising theoretical models. In essence one must create the market for one's product where one did not exist before. It is then said to follow that this is a form of evil and unjust manipulation. Once again the attempt to connect human evil to the system in which it operates is illogical. Advertising in itself is nothing more than the announcement of the presence of a product to meet certain needs. In its primitive form it is just a hot dog or burrito vendor on the street corner setting up a sign and/or calling out to passersby and perhaps positioning himself downwind of the traffic for olfactory advantage. The newspaper boys of days gone by used to do the same thing in the streets of major cities as they cried, "Extra, extra, read all about it!"

Technological advances and sophisticated communication methodologies only enhance the basic practice, which is as old as Yahweh warning Adam about a certain tree or piquing Moses' curiosity with a bush aflame that would not burn up or out. It makes known that which was not generally known and causes the curious to investigate and see for themselves what is on offer. The charge that desire or acquisitiveness is incited where none was before is not a valid condemnation of the practice itself, nor is it an accurate theological analysis in general. In fact, without such "advertising" there could be no gospel preaching, for preaching is itself the attempt to create desire and investigative curiosity where none was before in order to convert the disinterested and distracted by announcing a new thing. The fact that false prophets exist and are successful does not delegitimize the true prophet or turn his convert into some gullible dupe who has been exploited by a dubious scheme. False advertising, just like false prophets, are the product of human depravity, and market economics is no more accountable for that than Yahweh is for the falsifiers of his chosen methodology. Government exists to police the most obvious cases of this as fraud, and buyers of any good on offer in any market are personally responsible for their choices. There is no injustice in such a system.

Does the Free Market Cause Alienation?

Finally, the market system is often condemned for its alienation of human beings from their work, their fellows, their community and themselves individually because the system emphasizes mass production of goods for an impersonal market through the process of specialization in labor activity. Thus, the worker is reduced to a cog in the massive machine of industrialization and market dynamics. As in each of the other cases, however, this argument falls upon the original situation of the very first humans coming out of Eden. They are clearly shown to be alienated first from their God by sin and condemned to a life of “toil” such that the man will “eat bread in the sweat of his brow” (Gen. 3:19). This is a universal condition that cannot be eliminated in this present age, only ameliorated through grace, both common and redemptive. The biblical and Christian answer to this is personal salvation and calling into service through all areas of life, especially daily work. No system can promise to eliminate “toil,” for that is endemic, not systemic.

Furthermore, the market system has proved to provide the widest opportunity for the most people that has ever been devised on earth. No one is forced to remain in monotonous and uninspiring work unless he or she makes the choice directly or indirectly (by failing to get educated and equipped to do something else). In fact, the origins of this argument go back to the early days of the industrialization of the West when mass production began to be the salvation of the masses through the distribution of vast new wealth throughout the population. During that early transition people moved to centers of production to take advantage of new opportunities to earn their way in life so rapidly that populations grew faster than any society could ever have been expected to anticipate and provide their needs for shelter, clothing, and food efficiently or to deliver up educational opportunity in a timely fashion. No free-market, capitalistic society fails to provide these things at the present time. The issue now seems to be a matter of degree and supposed inequities.

Sometimes the idea of the “dead-end job” substitutes in for this argument. By that it is meant that all one is able to do for a living is flip burgers or work

at the car wash or some other apparently boring and/or “demeaning” task.⁷¹ What is not emphasized is that these are overwhelmingly front-end jobs, not dead ends. They are where basic work skills and habits are learned for those who will go on to educate themselves and prepare for better opportunities in the future. This is where first jobs are supposed to lead, not end. This is “injustice” only in the eyes of a jaundiced beholder. On the contrary, this is precisely the kind of situation that allows the Christian to discover spiritual and other “gifts” that may be exercised for both profit and fulfillment. The injustice would be if some other entity were allowed to allocate human resources to whatever area some planning agency might arbitrarily see fit.

CONCLUSION

We have attempted here to address some of the moral implications of capitalistic market economics as we encounter it in the twenty-first century and as it has been encountered over the past three hundred years. This part of the discussion deals only with certain charges made against the process by which wealth is produced. How wealth is produced and accumulated and invested is the subject that must precede any distributive consideration. No books are written on the subject of how to become poverty stricken. Wealth must be accumulated to be distributed, and in this world as we know it, no approach to its production begins to compete with capitalistic free markets. And no other approach leaves humankind freer to profit by serving the needs of one’s fellows and advancing the overall good of all people. No coercive system has the ability to tame humanity’s innate tendency to lord it over one’s brother or sister or neighbor like the free market. In another chapter we will deal more extensively with the implications of how that wealth is distributed, and in another we will address the issue of humanity in their destiny as ruler of this planet and its implications for technological advance and competitive destruction.

71 Quite often the ones who use this argument do not consider it “demeaning” to accept a welfare check or food stamps or housing assistance at public expense.