SHOULD CHRISTIANS SUPPORT CAPITALISM?

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The number of Christians seeking to relay the concerns of their faith to economic issues is increasing. As Christians grow in social concern, there seems to be two sides to this concern.

First of all, Christians need to care about the poor. Secondly, Christians also need to become informed about the relevant philosophical, political, and economic issues that ground wise and efficient policies to help the poor. Unfortunately many Christians work as if good intention is the only thing that counts. When good intentions are not wed to sound economic theory, they often result in actions producing consequences directly opposite of those planned.

There is growing evidence that social policies to help the poor adopted in the United States since 1965 did serious harm to the very people they were supposed to help. The Christian is required to use his God-given reason as well as his intention. There may not be any such thing as "revealed economics" in the sense of positive Christian economics. Distinguishing between good and bad economics is what counts.

Although a system of economics cannot be produced from the Bible, the Christian who is studying economics should do so with the Scriptures and his Christian world view. Economic ideas have consequences and it is important that we know the simplest and most widely accepted tools of economic analysis.

So, what does economics involve? Economics studies the choices human beings make with regard to scarce resources. The conscious pursuit of goals leads humans to exchange things they desire less for things they
want more. Attainment of any scarce resource involves opportunity cost or foregone alternatives. The two main ingredients then in any economic study are scarcity and choice. The basic unit of economic analysis is found within the microeconomic model. Microeconomics focuses on individuals and households as consumers and individuals or firms as producers. On the other hand, macroeconomics represents the aggregate of economic choices. It analyzes the nation's economy as a whole while the choices of individuals and businesses are lumped together.

Another slant to economic analysis is the distinction between positive and normative economics. Positive economics seeks to determine what is the case. It determines consequences produced by certain conditions and does not judge which policy is superior. Normative economics, however, makes value judgments based on information supplied by positive economics about alternative policies. It makes judgments about what ought to be the case.

The importance of incentives is also essential to the economic way of thinking. The greater utility people expect to receive from an option the more likely they are to choose that option. The greater the costs expected from a certain selection the fewer people are likely to choose it. In understanding how human beings work we can make general predictions as to how people will respond to changes in their economic environment.

In our world of scarcity, nothing is free. That is, every economic good has a price because in order to obtain it something must be sacrificed. Economic behavior is simply a reflection of the human need to make choices and the relative value they place on their options.

Christians need to keep two things distinct. The first is the
degree to which a person may want a specific good—ranking that good on a personal scale of values. The second is the need of individuals to mold the rankings in their scale to what they ought to want. It is important that Christians move toward these ultimate values; however, this activity in itself is not economics. Economic exchanges in the real world will reflect the subjective value individuals impute on the exchanged goods. Any number of things including religious conversion can alter people's personal value scales. The results of these changes will be reflected in judgments made about marginal utility and opportunity cost.

All this does not imply that all economic choices are equally good in a moral sense. A Christian (or anyone else) is within his rights to criticize economic choices. Positive economics does not presume to tell people what values ought to be ranked high in their preference scales. Very, simply, economics deals with how people do in fact make their choices as they face allocation of scarce resources.

The term market warrants much discussion in our economic world. A market is "the set of procedures that prevail throughout a society, that allows voluntary exchanges."¹ James Gwartney explains:

At the most basic level, a market system is a form of economic organization where people help others in exchange for income. Pursuit of income induces individuals to produce goods and provide services desired by others. Both buyers and sellers gain from the voluntary exchange; otherwise the trading partners would not agree to the transaction.²

An interesting point emerges here and that is the degree to which we depend on other people. We need others to supply goods and services we have come to count on. We also need people who are willing to pay us for the goods and services that we can supply, thus providing the money we require to pay those who supply our wants.
One of the most serious errors in Christian writing about economics is the mistaken belief that economic exchange creates no value. Value is first of all produced by moving a good or service from someone who values it less to someone who values it more. Value is also created because people are enabled through exchange to specialize in ways that make the best use of their abilities and knowledge. A division of labor is encouraged that allows production to take place on a much larger scale. The resulting increase in both the kinds of goods and quantity of goods gives people a greater range of choices and thus enhances their freedom.

To some capitalism is anti-Christian because it supposedly gives a predominant place to greed and other un-Christian values. It is alleged to increase poverty and the misery of the poor, while at the same time, it makes a few people rich at the expense of the many.

Socialism, on the other hand, is represented as the economics of compassion. It has even been claimed by some writers to be an essential part of the Christian gospel. Many of these writers are manipulating the Bible for their own secular ends rather than seeking to discover truth about economic systems.

Biblical world view teaches that God is owner of all that exists and therefore whatever possessions a human being may acquire he holds them temporarily as a steward of God and is accountable for how he uses them.

The possibility of human freedom is not a gift of government but a gift from God. All human beings have certain natural rights inherent in their created nature and have moral obligations to respect the rights of others. The Old Testament tended to focus on economic and political freedom while in the New Testament a new dimension of spiritual freedom
becomes dominant. In the words of Jesus, "I tell you the truth, everyone who sins is a slave to sin . . . if the Son sets you free, you will be free indeed. . . . you will know the truth and the truth will set you free" (John 8:36,31). Some excellent parallels can be drawn when comparing these two freedoms. First of all, freedom always has God as its ultimate ground. Next, freedom must always exist in relationship to law. The moral law of God identifies definite limits beyond which human freedom under God should not pass. Liberty should never be taken for granted lest it be taken away.

There exist, basically three economic systems from which to choose. They are capitalism, socialism, and the hybrid of the two known as interventionism, or the mixed economy. One dominant feature of capitalism is economic freedom, the right of people to exchange things voluntarily, free from force. Socialism, however, seeks to replace freedom of the market by exercising central control over essential market functions. Of course there are varying degrees of each of these systems, but basic to any form of socialism is distrust of the market process and the desire to replace the freedom of the market with some form of centralized control.

Another variance between capitalism and socialism is represented in two different means of exchange. The peaceful means of exchange is best understood as "you do something good for me and I'll do something good for you." Exchange can also take place by means of force and violence. The basic rule of thumb here is "unless you do something good for me, I'll do something bad to you." One of the great ironies of Christian socialism is that its proponents in effect demand that the state get out its weapons and force people to fulfill the demands of Christian love.
Capitalism stresses voluntary and peaceful exchange, while socialism depends on coercion and violence.

In exploring some of the major objections to capitalism on moral grounds, capitalism is attacked as being an exploiter of poor people and nations. Even Scripture recognizes that poverty sometimes results from oppression; however, it also teaches that poverty may follow from misfortune such as accidents, injuries and illness, or indigence and sloth. (Proverbs 6:6-11, 13:4, 24:30-34, 28:19).

Capitalism has been thought to encourage greed, selfishness, and a spirit of competition. Scripture clearly condemns selfishness—which is quite different from self-interest. Jesus gave approval to self-interests when He commanded us to love our neighbor as ourself (Matthew 22:39). There is nothing sinful about caring what happens to oneself or one’s family. The kinds of voluntary exchanges that characterize the market are mutually beneficial and therefore not selfish. The conditions of the free market oblige people to help others as they simultaneously help themselves whether they do so consciously or not. This also disputes the thought that capitalism encourages greed. As long as individuals are prohibited from using force in the exchange process, their greed must be channeled into the discovery of products or services for which people are willing to trade. Competition is without question a necessary consequence of scarcity. The challenge of competition often stirs people to higher levels of excellence than they may have thought possible.

The market process is also a force for improving the lot of the masses. Poverty will never be alleviated by dividing the economic pie
into smaller pieces. Attention should instead be directed to the production of a larger pie. Capitalism also does more than make it possible for people to make money. It provides the basis for a social structure that encourages the development of important personal and social virtues such as community and cooperation. Michael Novak finds it ironic that while capitalism is attacked for allegedly encouraging competitive individualism and possessiveness, it actually seems to favor in its citizens forms of generosity, trust, extroversion, outgoingness, and reliance upon the good faith of others. Collectivism pits man against man. A system which encourages each to seek first his own interests yields liberty and receives in return loyalty and love.5

Private ownership can serve as a stimulus to the development of moral behavior in important ways. Simply contrast our attitudes to private property with our treatment of public property. We all know with what carelessness and lack of diligence most of us deal with it. This especially applies in socialist countries where most property is public.5

In truth the moral objections raised about capitalism turn out to be a sorry collection of arguments reflecting serious confusions about the true nature of a market system. Among all of our market systems, only capitalism operates on the basis of respect for free, independent, responsible persons. All other systems in varying degrees treat men as less than this.

Capitalism is quite simply the most moral system, the most effective system, and the most equitable system of economic exchange. When capitalism, the system of free economic exchange, is described fairly, there can be no question that it, rather than socialism or interventionism, comes closer to matching the demands of the Biblical ethic.7

There seems to be one fundamental reason why socialist economies do not work and that is that they cannot work! As Giovanni Sartori explains, under socialism it is
theoretically and practically impossible, for the collectivist planner, to calculate costs. His costs and prices are, and can only be, 'arbitrary.' To be sure, arbitrary not in the sense that they are established at whim but in the sense that they are baseless; they cannot be derived from an economically significant base or baseline. 8

It is certainly important to note that Jesus took pity on hungry people and fed them. But we should follow the story to its end and observe that Jesus performed a miracle by producing wealth, or the bread and the fish. Before wealth can be distributed it must be produced. Production of wealth is a result of social cooperation and human action. When the necessary role that the creation of wealth must play in relieving poverty is realized, capitalism offers the poor their only real hope of economic deliverance. Socialism will only cause the growth of tyranny and steadily bring misery to the masses.

Without free markets, Socialists can never coordinate production with human desires. How do they discover where there is a surplus and when there is a shortage? Centralizing all of the necessary information is at best difficult if not impossible. The problem of economic calculation under socialism gets more serious as national economies become more complex. The ability of a price system to use scattered and imperfect knowledge is one of its primary advantages. This is lost in Socialist economies.

Interference with market processes will not only fail to attain the interventionists goals, but will produce conditions worse than those he sought to alter through his controls. One reason these controls fail is that whenever government intervenes in the market private owners and entrepreneurs react in ways that thwart spontaneously the objectives of the state. One of the most important features of an unhampered market
is its informational function. Interventionism causes misleading signals to be sent through the informational system.

One frequent form of interventionism is government price control. Government, in this instance, makes it illegal to sell a good or service above a certain level. Rent controls, for example, are justified on the grounds that they make affordable housing available to the poor. The effect of rent control is to keep rental prices below what they would be if they were otherwise allowed to respond to market forces.

This type of government action will result in shortages. Some landlords will therefore divide their property into smaller sections, convert it to condominiums, or sell it for other useful purposes in order to counter the effect of the rent control. Since rent controls have a negative effect on the rate of return to old rental property, investments will be channeled away from the construction of new rental property. Rent controls will reduce the amount of rental housing available both in the present and the future. Quality will also decline as a result of government control. If landlords are forced to maintain the same rent price and their other costs increase, something has to result in decline. Soon enough the quality of the housing will reflect its price.

Christians' attitude toward money and wealth may vary. Money is necessary to enable people to meet their own basic needs. On the other hand, Christians have difficulty reconciling their inescapable involvement with money with Biblical scripture that contains dire warnings about money, mammon, and wealth. Many think there must be something sub-Christian about money because of these warnings.
Money is used in many different capacities. It serves as a medium of exchange, measure of value, measure of deferred payment, and store of wealth. These functions of money are important both socially and economically. Although money is something ethically neutral, it can have a negative effect on people's character and spiritual relationship. Matthew 6:24 says that a man cannot serve both God and money.

The Bible also encourages us to willingly share our possessions with others. Luke 6:30 instructs Christians to give to everyone who asks of them and if anyone takes what belongs to them they should not demand it back.

From these and other Biblical principles we can affirm that Christians are to be aware of the enticements of money and wealth. Allowing a relationship with money to become too important can lead to selfishness, acquisitiveness, materialism or idolatry. Christians should share with those less fortunate than themselves and remember what they possess is theirs as a steward of God. "In spite of the dangers that accompany money and wealth, Christians are called to create wealth and then use it in ways that are consistent with their other Christian obligations.

There is clearly a responsibility to the poor shown here. Scripture shows God to be concerned with the poor and we should share that concern. The present conflict is over the best means to help the poor. We often hear how little America is doing for its poor, while in actuality, America has been very generous in making various forms of assistance available to its impoverished. In 1965, benefits for people below specified income and wealth levels including cash and non-cash benefits were 19.3 billion dollars and income transfers were 9 percent of personal
income. By 1975 these benefits and transfers had increased 300 percent while personal income in the United States rose only 42 percent.

The total U.S. welfare bill in 1982 at all levels of government came to 403 billion dollars.\(^9\) Figures from the Bureau of the Census (August 1984) show that the number of people living in poverty in the U.S. was 15.2 percent of the population or 35.3 million people. The 403 billion dollars spent on poverty could have been divided among the number of poor individuals, each poor person could have received $11,133. The official poverty level per family for that year was $9,287. Thus, it is clear that America’s anti-poverty program incurs enormous overhead costs. Many tax dollars supposedly fighting poverty end up, Thomas Sowell notes, "in the pockets of highly paid administrators, consultants, and staff as well as higher-income recipients of benefits from programs advertised as anti-poverty efforts."\(^10\) The bucket is certainly leaking badly. James Gwartney and Thomas McCaleb summarize the situation, "The problem of poverty continues to fester not because we are failing to do enough, but rather because we are doing so much that is counterproductive."\(^11\)

More is at stake here than wasted resources. Studies now show how well-intended, yet economically unsound government policies for poverty relief have caused poverty to become more entrenched in our society. Before the war on poverty programs began Americans were making rapid strides toward improving their own situations economically. Charles Murray documents in his book *Losing Ground: American Social Policy 1950-1980*, progress in reducing poverty stopped abruptly at the very time when federal spending on social-welfare programs began to climb astronomically.\(^12\) Progress against poverty began to worsen as it
remained in 1980 at the same percentage it had been in 1968 even though social-welfare spending had increased 400 percent between 1968 and 1980.

A good example of how economic principles have affected the behavior of individuals is to examine the welfare state of America's blacks. Because women with children and without husbands could find easily available financial support from the federal government the breakdown of the black family unit has been accelerated. With this comes enormous numbers of illegitimate births and black children supported by the government. As the black family falls, the society surrounding these people crashes into moral chaos. Ronald Nash states:

"A capitalism that is cut loose from traditional values is capitalism that is headed for trouble. A capitalism grounded on God and Judeo-Christian values versus a capitalism grounded on hedonism, the love of money, and materialism are heading in two different directions." 13

If we as Christians want to help the poor we absolutely need capitalism and the market system that it provides. However, it is also true that capitalism needs Christianity. Unless Christians start supporting their economic reasoning practically with knowledge, America's ongoing tendency secularism and humanism hold troublesome tomorrows for our economic lives.
SOURCES CITED


3 Nash, Ronald H., p. 63.

4 Ibid.


7 Nash, Ronald H., p. 80.


13 Nash, Ronald H., p. 199.
ADDITIONAL SOURCES CONSULTED

