

## **MORAL FOUNDATIONS OF CAPITALISM**

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Americans have centuries of experience demonstrating the superiority of free markets over non-free markets in delivering the greatest abundance of goods and services to the greatest number of people. It began with the Pilgrims.

Their experiment with socialism was a total failure. The Plymouth Colony's charter initially required that "all profits and benefits that are got by trade, working, fishing, or any other means" were to be placed into the "common stock" of the colony and that "all such persons as are of this colony are to have their provisions out of the common stock." Starvation and death resulted.

Gov. William Bradford, a wise and godly man, understood why. There was little incentive to work—a common downfall of any socialist system. So Bradford converted to a market economy. He did as the Israelites did when they entered into the Promised Land, giving each household its own parcel of land as private property. They could keep all that they produced, or trade it away as they saw fit. Famine ended, and soon so much was harvested that they were able to export corn.

Capitalism is much more than a practical system for achieving prosperity, however. Properly understood, it is the only economic system compatible with America's founding and with Judeo-Christian biblical morality. This essay looks at the moral case for a free-market, capitalist economic system.

### **Capitalism as the Economic Dimension of Liberty**

To avoid confusion, let's first define our terms, starting with: *What is economics?* Economics is the study of how people allocate their scarce resources—resources that have alternative uses—to achieve their goals. If resources were not scarce, there would be no need to "economize." People could achieve all their goals without the inconvenience of facing trade-offs and opportunity costs. It is scarcity that drives economic choices.

*Next, who is and is not a capitalist?* Businessmen and capitalists are not the same thing. Some businessmen engage in lying, cheating, and stealing to grow their businesses. Some enlist the support of the coercive power of government to grow their sales and protect them against competition. But one who seeks to maximize profit by any means, fair or foul, can't properly be called a capitalist.

*And then what is liberty?* People sometimes define liberty as synonymous with freedom. But no one is at liberty to harm others. Liberty is freedom tempered by responsibility to a moral code; otherwise, freedom becomes mere license. Liberty is a much deeper, richer concept.

To state that capitalism is the economic dimension of liberty, in the context of these definitions, is therefore to say we are at liberty to pursue our economic choices, so long as we allow others to pursue theirs. Value-seeking on the part of businesses or consumers must take place within the constraints of a specific moral code. There must be a clear statement of what is right and what is wrong.

“Every man, as long as he does not violate the laws of justice,” wrote Adam Smith, “is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man or order of men.” Or as John Stuart Mill put it: “The only freedom deserving the name, is that of pursuing our own good in our own way, so long as we do not attempt to deprive others of theirs, or impede their efforts to obtain it.”

### **Socialism and Capitalism Contrasted**

Any “ism” implies a philosophy—a coherent worldview with a clear statement of its ethics or moral code, its metaphysics or conception of reality, and its epistemology or method for discovering truth. Capitalism is no exception. Its philosophical implications, contrasted with those of socialism, are as follows:

*Capitalist Ethics:* The capitalist moral code is grounded in the value of the individual and the exercise of individual property rights. We are set free when others around us are set free. Each individual is at liberty to engage in economic activity—production, trade, and consumption—so long as he does not interfere with other individuals’ right to do the same.

*Capitalist Metaphysics:* The capitalist believes in objective reality. There exists absolute truth. Man’s nature is one of fixed duality, “above the animals and below the angels,” in what was classically called the *Scala Naturae*. We live by enlightened self-interest. This is not greed. It just is. Ancient texts such as the Bible, or ancient works by the classical Greeks and Romans, are replete with stories of man’s fixed dual nature: Stories of love and hate, greed and charity, revenge and forgiveness, bravery and cowardice, strength and weakness, loyalty and betrayal. When it comes to human nature, today’s headlines were written thousands of years ago.

*Capitalist Epistemology:* The capitalist discovers objective reality with his rational mind. Logic, data, and science guide this discovery. This is not to deny that a spiritual dimension might inspire us, and occasionally be revealed to us. But the method of discovery and verification is decidedly scientific, setting up refutable hypotheses and advancing the frontiers of knowledge.

There you have the philosophical grounds of economic liberty. Now notice how the various philosophies of the left, from socialism and communism to fascism and Nazism (German National Socialism), whatever their shades of difference, share a worldview diametrically opposite to that of capitalism.

*Socialist Ethics:* The moral code of socialism is based not on the sanctity of the individual, but on the supremacy of the collective. Whereas capitalism is the philosophy of the I, the me, and the mine, socialism speaks of the we, the us, and the ours. Socialist ethics are summed up in Hitler's dictum that "Society's needs come before the individual's needs" and in Marx's famous slogan, "From each according to his ability, to each according to his needs."

*Socialist Metaphysics:* Socialist metaphysics states that reality is subjective, not objective. Therefore it can be manipulated by the state. When Stalin's census-takers returned with data showing a declining population that was getting poorer, he had the census-takers killed. After the census was retaken, presto: It showed that the people were growing and thriving. Subjectivity for a socialist also means that man's nature is fungible, rather than being fixed. Man can be perfected through the state, his self-interest removed. "New Soviet Man" can be created, based on selfless collectivism, and free of those nasty fallen impulses. Ultimately, socialist reality is whatever the state says it is. Residents of the former Soviet Union are familiar with the brainwashing and false reality created by their rulers, a process that continues today in Cuba and North Korea.

*Socialist Epistemology:* Rather than being discovered by the rational mind, socialist epistemology is largely based on emotion. How a person "feels" about something is more important than what one thinks. Thus, reality is subject to the ebbs and flows of human emotion. This concept has been driven so deep into modern society that people often use the terms "feel" and "think" as synonyms. Capitalists can also get emotional when discussing liberty and free markets, but they don't use emotion as their argument. They use their rational mind. Socialists, on the other hand, believe what their heart says about something. It doesn't matter to them if the objective data show that welfare programs harm the poor, for example. The socialist feels it is the right thing to do, regardless.

### **Judeo-Christian Roots**

Is it becoming clear that choosing sides in the political battle between left and right requires an understanding of their contrasting philosophies? If we are created individuals with free will and a divine purpose, we cannot be mere property of the state. The human story, beginning with Adam and Eve, is about created individuals who are given free will and the liberty to exercise it. As man began creating and accumulating property, the concept of private property emerged.

The exercise of private-property rights in obedience to a moral code is crucial to capitalism. Nor are liberty and property merely New Testament ideas. They appear together in a memorable Old Testament passage, directing that God's people should "proclaim liberty throughout the land to all its inhabitants; [for] it shall be a jubilee for you, when each of you shall return to his property." Three millennia later, Americans inscribed those words from Leviticus 25 on their Liberty Bell.

"The duel between Christianity and atheism is the most important in the world," said the late William F. Buckley, adding that "the struggle between individualism and collectivism is the same

struggle reproduced on another level.” Capitalism is the only system of political economy consistent with human liberty and the sanctity of the individual. It is thus the only system consistent with biblical teaching.

We should not be taken in by the widely accepted false variant of Christianity, called liberation theology, which holds socialism to be the only truly biblical system. Russia’s Mikhail Gorbachev once claimed that “Jesus was the world’s first socialist, the first to seek a better life for mankind.” And Venezuela’s Hugo Chavez has vowed: “I swear by Christ—the greatest socialist in history.”

To a socialist, it is perfectly moral for one man to live off the fruits of another’s labor. Recall Marx’s “To each according to his needs.” But to a capitalist, this is the height of immorality. Charity must be bestowed voluntarily, not obtained coercively. There is nothing charitable about forced redistribution that uses the power of the state to take from one and give to another. As Saint Paul commanded the early church: “If anyone will not work, let him not eat. For we hear that some of you are living in idleness, mere busybodies, not doing any work. Now we command and exhort them in the Lord Jesus Christ to do their work in quietness and earn their own living” (2 Thes. 3:10-12).

Recall the capitalist moral code set forth by Adam Smith and John Stuart Mill: We are set at liberty when we set others at liberty. The philosophic and moral roots of this are distinctly Judeo-Christian. You can think of the capitalist Golden Rule as akin to the biblical one, which is found in both the Old and New Testaments: “You shall love your neighbor as yourself,” says the Book of Leviticus, later quoted by Jesus and Paul. And in the Book of James we find this teaching referred to as the “law of liberty” (James 1:25; 2:12).

“Do unto others as you would have them do unto you,” teaches Christ himself (Matt. 7:12). This precept is known in philosophy as the “Ethics of Reciprocity.” It is found in 21 of the world’s 23 uniquely identifiable belief systems. It is so widespread as to be a “natural law” of human existence—an objective moral truth that is valid for all time in all places.

### **Liberty and Property in the American Founding**

Long before the term “capitalism” was invented by Karl Marx, America’s founders established what we would now call a free-market capitalist system. They understood the sanctity of the created individual and the role of private-property rights as a cornerstone of liberty: Without property rights, none of the other rights have meaning. You cannot have freedom of worship if the state can confiscate your church. You cannot have freedom of the press if the state can confiscate your newspaper business.” Property is surely a right of mankind as real as liberty,” insisted John Adams. “Property must be secured, or liberty cannot exist.”

Property includes the usual objects that you own—your house, your car, your jewelry—as well as your financial assets such as securities and savings. But contracts are also a property. Your ideas, thoughts, hopes, and dreams are intellectual property. The fruit of your labor, i.e. your

income, is a property. Thus Lincoln could make a property-rights argument against slavery, saying of the bondwoman that “in her natural right to eat the bread she earns with her own hands without taking leave of anyone else, she is my equal, and the equal of all others.” In fact, our very humanity itself is a property—we own ourselves. “Every man has a property in his own person,” as John Locke said.

Adam Smith’s *Wealth of Nations* was published in 1776, the very year of America’s founding. But Smith, an ethicist as well as an economist, had also earlier published *The Theory of Moral Sentiments*. America’s founders were concerned with both the moral and practical relationship between government and the governed. In step with Smith, they understood that free-market capitalism, as it would later be called, was the only system consistent with liberty. “All the world would gain by setting commerce at perfect liberty,” said Jefferson. “I own myself the friend to a very free system of commerce, and hold it as a truth, that commercial shackles are generally unjust, oppressive and impolitic,” said Madison.

America’s founding documents, including the Declaration of Independence, the Constitution, and the Federalist Papers, are replete with references to the right to private property as a foundational principle. John Adams made a Ten Commandments argument for property rights: “The moment the idea is admitted into society that property is not as sacred as the laws of God... anarchy and tyranny commence. If ‘Thou shalt not covet’ and ‘Thou shalt not steal’ were not commandments of Heaven, they must be made inviolable precepts in every society before it can be civilized or made free.”

Our own Centennial State affirms in its Constitution “That all persons have certain natural, essential and inalienable rights, among which may be reckoned the right of enjoying and defending their lives and liberties; that of acquiring, possessing, and protecting property; and of seeking and obtaining their safety and happiness” (Article II, Section 3). And America’s founders understood quite well that God, not the government, is the source of our rights. “You have rights antecedent to all earthly governments...rights derived from the Great Legislator of the universe,” was the way Adams put it. Jefferson agreed: “A free people claim their rights as derived from the laws of nature, and not as the gift of their chief magistrate.” And so did Hamilton: “The sacred rights of mankind...are written, as with a sunbeam, in the whole volume of human nature, by the hand of the divinity itself.”

Until recently, the concept of creator-endowed rights as affirmed in the Declaration of Independence was deeply entrenched in the body politic, so much so that leaders of both political parties made frequent reference to it. Typical was John F. Kennedy’s affirmation that “The rights of man come not from the generosity of the state but from the hand of God.”

### **Where Goes America?**

Moral clarity about liberty and property is lacking among American political leaders today, however. In this decade, policies and attitudes under both parties have given new relevance

to age-old warnings such as this one from the Roman statesman Cicero in 50 B.C.: “The arrogance of officialdom should be tempered and controlled, and assistance to foreign lands should be curtailed, lest Rome fail.” Ayn Rand’s words in *Atlas Shrugged*, half a century ago, now seem ripped from the headlines: “When you see that trading is done, not by consent, but by compulsion—when you see that in order to produce, you need to obtain permission from men who produce nothing—you may know that your society is doomed.”

Forgotten is the wisdom of economist Friedrich Hayek: “To be controlled in our economic pursuits means to be controlled in everything.” Ignored is the admonition of President Ronald Reagan: “Remember that every offer of government-financed security is paid for in the loss of personal freedom.” Some now fear that Norman Thomas, perennial presidential candidate of the Socialist Party, will instead have the last word with his prediction that eventually “the American people...under the name of ‘liberalism’...will adopt every fragment of the socialist program.”

But there are encouraging indications that our citizens won’t let this happen. After a year of tea-party activism in the spirit of Samuel Adams’ original Boston Harbor protest, I close with his defiant challenge to the faint-hearted: “If ye love wealth greater than liberty, the tranquility of servitude greater than the animating contest for freedom...crouch down and lick the hand that feeds you; and may posterity forget that ye were our countrymen.” Never! Rather let posterity remember us as lovers of liberty.