

# Capitalism and Socialism

*Kerby Anderson writes that recent polls show that a mere majority of Americans believe in capitalism. And those under the age of 30 are essentially evenly divided about capitalism and socialism. Is there a war on capitalism? And are there answers to the typical criticisms of capitalism?*

## Poll About Capitalism

Americans traditionally have supported capitalism over socialism, but there is growing evidence that might be changing. The latest Rasmussen poll showed that a mere majority of Americans (fifty-three percent) say capitalism is better than socialism.<sup>{1}</sup> And one in five (twenty percent) say that socialism is better than capitalism. America may not be ready to reject capitalism for socialism, but this poll does show less enthusiasm than in the past.



Age is a significant component. If you look at adults under the age of thirty in the poll, you find they are essentially evenly divided. More than a third of young people (thirty-seven percent) prefer capitalism, another third (thirty-three percent) embrace socialism, and the rest (thirty percent) are undecided.

What are we to make of this? First, the terms capitalism and socialism weren't defined in the poll. I suspect that if the pollsters explained the various tenets of socialism that the percentages would change. Defining capitalism would also be important since many would not necessarily associate it with a free market but instead might have visions of an evil, greedy capitalist. After all, that is how many businessmen are portrayed in the media.

How should we define capitalism and socialism? Here are some brief definitions of these two economic systems. Capitalism is an economic system in which there is private property and the means of production are privately owned. In capitalism, there is a limited role for government. Socialism is an economic system in which there is public or state ownership of the means of production and the primary focus is on providing an equality of outcomes. In socialism, the state is all-important and involved in central planning.

Another question surfacing from the Rasmussen poll concerns those under the age of thirty. They are probably the least likely to associate socialism with Soviet-style repression. Instead, they may have in their minds the current government push toward European socialism and find that more attractive. Also, they are less likely to have "skin in the game." When you ask investors this same question about capitalism and socialism, they favored capitalism by a five-to-one margin.

Political affiliation is another determinant of support for capitalism. Republicans favor capitalism over socialism by an eleven-to-one margin. By contrast, Democrats are more closely divided. They barely favor capitalism (thirty-nine percent) over socialism (thirty percent).

In what follows I'll look at the debate between capitalism and socialism and provide a biblical critique.<sup>{2}</sup>

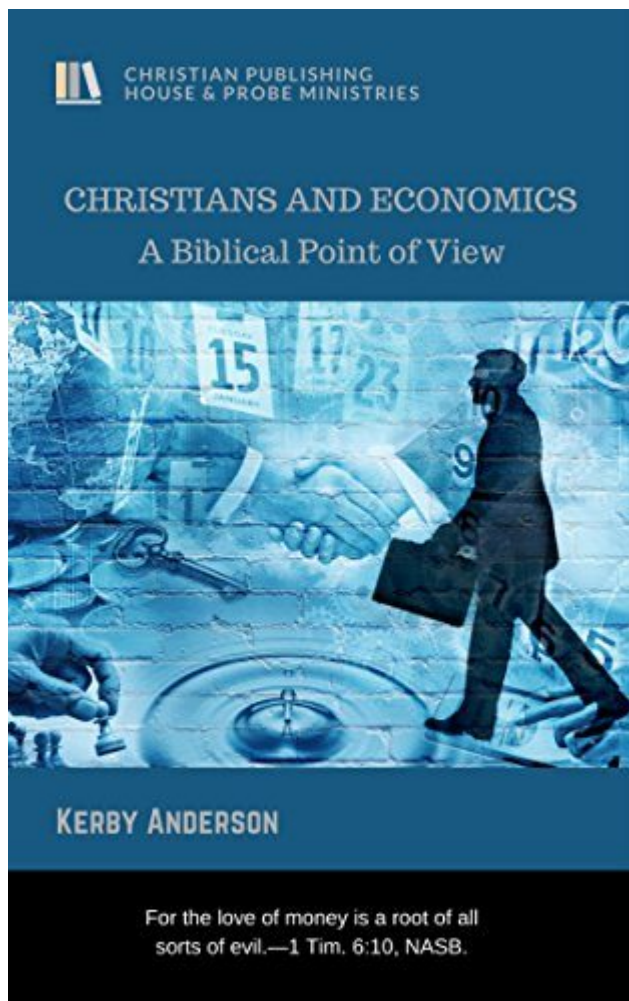
## The War Over Capitalism

I noted that fifty-three percent of Americans say capitalism is better than socialism. While that is a majority, it is a mere majority and hardly a strong endorsement of free market economics.

We might wonder if the percentages of support for these economic systems might change if different words were used. A survey taken in 2007 came to a different conclusion. The Pew Research Center asked people if they were better off “in a free market economy even though there may be severe ups and downs from time to time.” In that case seventy percent agreed, versus twenty percent who disagreed. {3} This might suggest that Americans like terms like “free market” more than “capitalism.”

These polls illustrate that we are in the midst of a cultural conflict over capitalism. That is the conclusion of Arthur Brooks. His op-ed in *The Wall Street Journal* argues that “The Real Culture War is Over Capitalism.” {4} He notes that President Obama’s tax plan will increase the percentage of American adults who pay no federal income tax from forty percent to forty-nine percent (and another eleven percent will pay less than five percent of their income in tax). This has the potential to change attitudes about taxes since half of America won’t be paying taxes.

Brookes says, “To put a modern twist on the old axiom, a man who is not a socialist at 20 has no heart; a man who is still a socialist at 40 either has no head, or pays no taxes. Social Democrats are working to create a society where the majority are net recipients of the ‘sharing economy.’ They are fighting a culture war of attrition with economic tools.” {5}



These various polls, as well as the current debate about the role of government in the economy, illustrate why we need to educate adults and young people about economics and the free market system (in my book, *Making The Most of Your Money in*

*Tough Times*, I devote a number of chapters to economics and economic systems). How can we use biblical principles to evaluate economic systems like capitalism and socialism? The Bible does not endorse a particular system, but it does have key principles about human nature, private property rights, and the role of government. These can be used to evaluate economic systems.

The Bible warns us about the effects of sinful behavior in the world. Therefore, we should be concerned about any system that would concentrate economic power and thereby unleash the ravages of sinful behavior on the society. We should reject socialism and state-controlled economies that would concentrate power in the hands of a few sinful individuals.

## **Economic Criticisms of Capitalism**

People often reject the idea of capitalism because they believe one of the *economic* criticisms of capitalism. Here are two of these criticisms.

The first economic criticism is that capitalism leads to monopolies. These develop for two reasons: too little government, and too much government. Monopolies have occurred in the past because government has not been willing to exercise its God-given authority. Government finally stepped in and broke up the big trusts that were not allowing the free enterprise system to function correctly.

But in recent decades, the reason for monopolies has often been too *much* government. Many of the largest monopolies today are government-sanctioned or -sponsored monopolies that prevent true competition from taking place. The solution is for government to allow a freer market where competition can take place.

Let me add that many people often call markets with limited competition “monopolies” when the term is not appropriate. For example, the major car companies may seem like a monopolies or oligopolies until you realize that in the market of consumer durables the true market is the entire western world.

The second criticism of capitalism is that it leads to pollution. In a capitalistic system, pollutants are considered externalities. The producer will incur costs that are external to the firm so often there is no incentive to clean up the pollution. Instead, it is dumped into areas held in common such as the air or water.

The solution in this case is governmental regulation. But this need not be a justification for building a massive bureaucracy. We need to find creative ways to direct self-interest so that people work towards the common good.

Sometimes when speaking on the topic of government and the environment, I use a thought experiment. Most communities use the water supply from a river and dump treated waste back into the water to flow downstream. Often there is a tendency to cut corners and leave the waste treatment problem for those downstream. But imagine if you required that the water intake pipe be downstream and the waste pipe be upstream. If you did require this (and this is only a thought experiment) you would instantly guarantee that you would have less of a problem with water pollution. Why? It is now in the self-interest of the community to clean the wastewater being pumped back into the river.

We can acknowledge that although there are some valid economic criticisms of capitalism, these can be controlled by limited governmental control. And when capitalism is wisely controlled, it generates significant economic prosperity and economic freedom for its citizens.

## **Moral Criticism of Capitalism**

Another reason people often reject the idea of capitalism is because they believe it is *immoral*.

One of the moral arguments against capitalism involves the issue of greed. And this is why many Christians feel ambivalent towards the free enterprise system. After all, some critics of capitalism contend that this economic system makes people greedy.

To answer this question we need to resolve the following question: Does capitalism make people greedy or do we already have greedy people who use the economic freedom of the capitalistic system to achieve their ends? In light of the biblical description of human nature, the latter seems more likely.

Because people are sinful and selfish, some are going to use the capitalist system to feed their greed. But that is not so much a criticism of capitalism as it is a realization of the human condition. The goal of capitalism is not to change people but to protect us from human sinfulness.

Capitalism is a system in which bad people can do the least harm, and good people have the freedom to do good works. Capitalism works well if you have completely moral individuals. But it also functions adequately when you have selfish and greedy people.

Important to this discussion is the realization that there is a difference between self-interest and selfishness. All people have self-interests that can operate in ways that are not selfish. For example, it is in my self-interest to get a job and earn an income so that I can support my family. I can do that in ways that are not selfish.

Capitalism was founded on the observation that all of us have self-interest. Rather than trying to change that, economists saw that self-interest could be the motor of the capitalist system.

By contrast, other economic systems like socialism ignore the biblical definitions of human nature. Thus, they allow economic power to be centralized and concentrate power in the hands of a few greedy people. Those who complain of the influence major corporations have on our lives should consider the socialist alternative of how a few governmental bureaucrats control every aspect of their lives.

Greed certainly occurs in the capitalist system. But it does not surface just in this economic system. It is part of our sinfulness. Capitalism may have its flaws as an economic system, but it can be controlled to give us a great deal of economic prosperity and economic freedom.

## **Capitalism and the Zero-Sum Myth**

There is a myth that is often at the very foundation of many of the criticisms of capitalism. We can call it the zero-sum myth. By zero-sum, I mean that one person wins and another person loses. Most competitive games are zero-sum games. One team or person wins; the other loses.

In most cases, the free market can be a win-win scenario rather than a win-lose scenario. In his book, *Money, Greed, and God*, Jay Richards uses a fun example from his childhood to illustrate this point. {6}

In the sixth grade, his teacher had them play the "trading game." She passed out little gifts to all of the students: a ten-pack of Doublemint gum, a paddleboard with a rubber ball, a Bugs Bunny picture frame, an egg of Silly Putty, a set of Barbie trading cards, etc.

She then asked the students to rate how much they liked their gift on a scale from one to ten. Then she compiled the score and put it on the board. Then she divided the class into five groups of five students and told them they could trade their gift with anyone in the group. Jay traded the Barbie trading cards he had with a girl in his group who had the paddleboard.

Then the teacher asked them to rate how much they liked their gifts. And she put that number on the board. The total score went up.

Then she told the students they could trade with anyone in the room. Now they had twenty-four possible trading partners rather than just the four in their group. The trading really began to take off. Once again, the teacher asked them to rate their gifts. When she put the number on the board, the total score went up again.

Almost everyone ended up with a toy he or she liked more than when the trading began. In fact, the only individual scores that did not go up were from students who really liked the gift they received initially from the teacher.

The students that day learned some valuable lessons about a free economy. When people are free to trade, they can add value to the traded item even though it remained physically unchanged. And they saw the value of having more trading partners (in this case twenty-four rather than four). Most of all, they learned that the free exchange can be a win-win proposition.

We can certainly admit that sometimes capitalism is not a win-win proposition. When there are limited resources and an individual or corporation is able to manipulate the political system in their favor, it is a win for the manipulator but a loss for Americans who did not have such political access. However, that is not a flaw in capitalism, but what results when government is corrupt or is corrupted by those who manipulate the system

## Notes

1. "Just 53% Say Capitalism Better Than Socialism," Rasmussen Reports, 9 April 2009.
2. If you would like more information about this topic or would like to order my book, *Making the Most of Your Money in Tough Times*, visit our website store at [www.probe.org](http://www.probe.org) for more information.
3. "World Publics Welcome Global Trade — But Not Immigration," Pew Research Center, 4 October 2007.
4. Arthur Brooks, "The Real Culture War is Over Capitalism," *The Wall Street Journal*, 30 April 2009.
5. Ibid.
6. Jay Richards, *Money, Greed, and God* (NY: Harper One, 2009), 60-61.