

# Poverty and Wealth

Don Closson

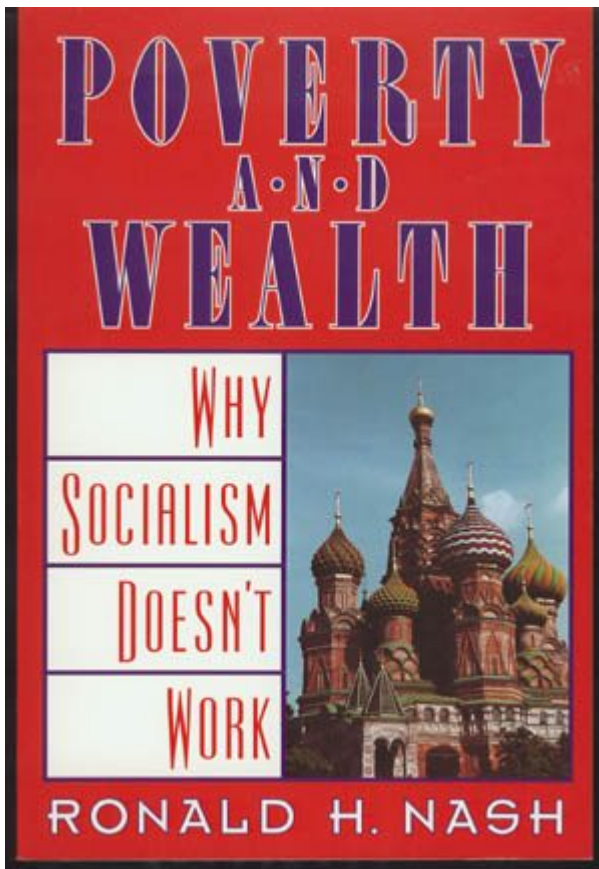


*Don Closson examines the arguments in Ronald Nash's book Poverty and Wealth: Why Socialism Doesn't Work and concludes that capitalism is compatible with biblical ethics.*

It's disheartening to meet young Christians who are convinced of the immorality of capitalism and the free market system. Sincere Christians often quote the second chapter of Acts which describes how the church in Jerusalem held all things in common as proof that socialism or collectivism is more biblical than the free market. Sometimes they use the Marxist critique that "poor nations are poor because rich nations oppress them." It's unusual to meet students who wholeheartedly endorses capitalism. They recognize that it works well enough to make the U.S. the richest nation on earth, but it's not something to be proud of or openly endorse.

There continues to be a heated debate in our country over which economic system is the most just and best able to weather the inevitable economic ups and downs in today's complex worldwide economy. Christians wonder if capitalism is inherently incompatible with Christian ethics. Is it driven by greed and self-interest alone? Does it thrive on oppression? Does it conflict with a biblical view of human nature?





Ronald Nash's book *Poverty and Wealth: Why Socialism Doesn't Work*[\[1\]](#) faces these questions head on and concludes that free market capitalism leads to abundance and political freedom because it is based on the laws of economics and the truth about human nature. Social and economic programs that ignore these laws will inevitably cause more harm than good. Even more importantly, Nash argues that capitalism is compatible with biblical ethics. He writes,

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.[\[2\]](#)

In order to understand Dr. Nash's point we will define some basic economic concepts and compare capitalism with socialism and interventionism. Neither Dr.

Nash's book nor I question the intentions of Christians who have accepted Marxist solutions, but we do question their wisdom. In the words of Dr. Nash,

“Unfortunately, many Christians act as though the only thing that counts is intention. But when good intentions are not wedded to sound theory, especially sound economic theory, good intentions can often result in actions that produce consequences directly opposite to those we planned.”

Even the acceptance of free markets by China and Eastern Europe have not swayed the true believer of Marxist thinking. Our young people will encounter a Marxist critique of capitalism and the free market system at some point in their education. As parents we owe it to our children to have an answer to their certain questions.

## **The Market System**

The market system is the set of rules that creates a voluntary system of exchange resulting in the price, selection, and quantity of products that are made and sold in an economy. Those who support capitalism believe that both parties benefit from the voluntary exchange of goods and services. Marxists, on the other hand, often argue that the free market system results in a win/lose relationship. What are the rules that define a free market system and what role should government play in maintaining it?

The rules of a free market system are simple. First, people should not be coerced into making economic exchanges. This means that they should be free from force, fraud, or theft. Another rule is that people must honor their contracts to buy or sell with another party. Just as local government provides for the traffic signals in a town, government is responsible for enforcing the basic rules of the free market. Traffic signals create order out of potential chaos on our roads. Likewise, the rules of the free market system create order out of potential economic chaos. But in neither case do the rules tell people where to go or what to trade. Both

systems are neutral to an individual's personal goals.

The decentralized actions of producers and consumers encourage the production of a vast array of products at prices that people are willing to pay. These goods and services are produced, not because someone is forced to, but because they know that by satisfying needs they can earn an income and satisfy their own desires. Free market capitalism is based on this principle of mutual accommodation. The market also encourages the efficient use of resources. Price is a factor of demand for a product and the scarcity of its components. It is the market which takes into account an almost infinite number of decisions and variables to make goods available at the best possible price. Profits and losses within the market encourage producers to move into or out of the production of a given item. Inefficient production or over-production of an item will result in losses sufficient enough to change a producer's behavior.

Government is necessary for enforcing the basic rules of a free market economy. Its interest should be to make sure that justice prevails, and to ensure the common good. This includes the right to own and exchange property, the enforcement of contracts, as well as laws forbidding the use of force, fraud, and theft. If the government itself begins to intervene beyond this role, it becomes a detriment to the market and can itself become the source of injustice. A system based on, or highly influenced, by government coercion cannot be called a free market system.

## **Capitalism vs. Socialism**

A former president of the Evangelical Theological Society has written that capitalism violates "the basic ethical principles of Christianity" and that there is an essential political and economic dimension to the Kingdom of God which capitalism defiles. This thinking has the effect of placing supporters of capitalism among the heretics and against the Kingdom of God. Does capitalism really

violate the gospel message and a biblical worldview? Does socialism offer the only righteous means for creating and distributing wealth?

Capitalism argues that individuals have the right to make decisions about what they own. This not only assumes the right to own property, but to exchange what one owns for something else, and to be free from force in the form of fraud, theft, or the violation of a contract. The moral base of “thou shalt not steal” and “thou shalt not lie” are essential to the success of a capitalistic system. In fact, these basic rules of capitalism are very similar to an Old Testament view of righteousness which focused on the completion of covenant agreements. God is considered a righteous God partially because He fulfills His covenants with His creation.

Marxists love to point to examples like the Philippines under Ferdinand Marcos in order to criticize capitalism. This corrupt regime can surely be criticized, but not as an example of capitalism. It is representative of what might be called an interventionist economy. There are three general types of economies: capitalist, interventionist, and socialist. Capitalism and socialism are at the two ends of the continuum with interventionism in the middle. The two opposites represent two possible means of exchange. Capitalism is defined by its advocacy of free or peaceful exchange, allowing individual choice regarding the use of personal property. Socialism is defined by centralized planning, using force to get individuals to conform to its decisions. A system becomes less capitalistic and more interventionist as more and more economic decisions are coerced by the government. It becomes socialistic when basic needs are met only by the government, forcing people to deal with it exclusively. The ideal of capitalism is freedom; the ideal of socialism is forced compliance with government planning.

Critics of capitalism condemn economic systems in which interest groups use the power of government to intervene on their behalf, forcing consumers via taxes or mandates to spend their money or use their talents in a way they would not freely choose. But this isn't capitalism; it's interventionism, and unfortunately a pretty

good description of where the U.S. is headed.

## **Economic Systems and Human Nature**

Is capitalism the primary cause of world poverty? Although the Bible does teach that exploitation is one cause of poverty, it also teaches that it results from indigence and sloth as well as accidents, injuries, and illness. When the prophet Amos condemned the Jews for forcing the poor to give them grain, for taking bribes, and depriving the oppressed justice, he was highlighting violations of free market capitalism as well.

Some believe that capitalism is built on greed, which the Bible condemns. However, the Bible does teach a certain level of self-interest. For example, 1 Timothy 5:8 is critical of anyone who does not provide for the needs of his family. And although selfishness exists in capitalistic countries, it is not inherent to the system; it is inherent to humanity. Either we allow people to make choices based on their own self-interest and moral virtue, or we turn those decisions over to a central government. Could it be naïve to think that government officials will use wealth in a morally superior way to those outside of government? History teaches that when power is centralized it has the tendency to be abused.

In a non-coercive free market environment, those who serve the needs of others will prosper. As long as the rule of law prevails and the government isn't allowed to stack the deck for one particular group against another, the market protects us from the greed of others. The free market is by definition one place where coercion is not possible.

Socialists contend that competition is another evil of capitalism, but is competition itself an evil? We can agree that using force, fraud, or theft to compete is morally wrong, but can we really say that all competition is wrong? Scarcity demands competition; as long as resources are limited we will find some competitive means for allocating them. Socialist societies use long waiting lines

and bureaucratic red tape to dole out limited goods, and competition is intense for political positions that result in material gain.

There are only two ways to resolve conflict that results from scarcity. One is by force, the other is by free market competition. Non-violent free market competition has helped to alleviate the effects of scarcity by stirring people to high levels of excellence in manufacturing and services. Socialist countries are not usually known for the quantity or quality of their goods and services.

Economist Walter Williams notes that “Capitalism has a strong bias toward serving the common man. . . . Political allocation of resources, regardless of its stated purpose, is strongly biased in favor of the elite.” [{3}](#) Maybe that is why the elite have such disdain for capitalism.

## **Critiquing Socialism**

Highly collectivist economies are not known for producing what people need at a price they can afford. In the 1920s, economist Ludwig von Mises showed why central planners can never replace the market: they are unable to gather the necessary information to plan accurately. The market system provides incentives to both producers and buyers that are missing in socialistic countries. Under socialism “rewards are not related to effort and commercial risk-taking, but to party membership, bureaucratic status, political fiat and corruption.” [{4}](#) Sociologist Peter Burger writes, “Simply put, Socialist equality is shared poverty by serfs, coupled with the monopolization of both privilege and power by a small (increasingly hereditary) aristocracy.” [{5}](#)

One evangelical writer contends that Marxism has “a deep compassion for people. Unlike present political systems—big business, even the Church—it [Marxism] does not seem to have any particular vested interests to defend.” [{6}](#) In other words, only Marxists really care about people. However, history has not been kind to Marxist collectivism. Some of the worst human rights records have been

accumulated by Marxist regimes in the U.S.S.R., China, Cambodia, North Korea and Cuba. I find it hard to imagine that the millions who died at the hands of Stalin, Mao Tse Tung, or the Khmer Rouge were very impressed by the compassion of their nation's Marxist leaders.

But what about the example in Acts of all Christians sharing their goods in common or of Barnabas selling his property for the good of other believers? What some people miss is that both of these examples are of individuals making free moral choices to use their property for the good of others. They are making free market decisions regarding their possessions. This can only occur when individuals have the freedom to use their possessions to help others. If all economic decisions are made by centralized planners, moral choice is removed and the option to act upon personal moral convictions is reduced.

Living within a capitalistic society allows believers to exercise their personal responsibility to provide for the poor and less fortunate. This has resulted in remarkable examples of philanthropy in America and other capitalistic nations. In fact, no other people on earth have given as much to other nations as have Americans.

A properly functioning market system is an effective tool against oppression and corruption because it promotes the rule of law for all citizens. However, a strong moral system is necessary to keep it from being controlled by special interests. There are too many examples of economies that have been shaped for the benefit of a few. Christ's advocacy for the poor should make us a strong moral barrier to this kind of corruption.

## **Notes**

1. Ronald H. Nash, *Poverty and Wealth: Why Socialism Doesn't Work* (Dallas: Probe Books, 1986).
2. *Ibid.*, 80.
3. *Ibid.*, 75.



4. Ibid., 87.

5. Ibid.

6 . Andrew Kirk, *The Good News of the Kingdom Coming* (Downers Grove, IL: InterVarsity Press, 1985), 45, quoted in Nash, *Poverty and Wealth*, 191.

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## Can the Just Succeed?

Steve Cable



*Can the just succeed? Can people living by Biblical principles successfully compete in a capitalist economy without compromising? Should we even try? Steve Cable provides a biblical perspective.*

### Corrupting Cultural Climate

At the turn of the twenty-first century, America was hit with a tsunami of corporate corruption. Names like Enron, Tyco and WorldComm became synonymous with greed and failed corporate leadership. Today, even after Congress and the SEC have strengthened their oversight, high profile cases, such as backdated stock options at Apple, continue to plague us. We can't even take comfort in some past golden era of corporate ethics as we look back at a history

filled with robber barons, ruthless company towns, and shady land deals.

In the light of this discouraging reality, we are asking the question, Can the just succeed? Can people living by Biblical principles successfully compete in a capitalist economy without compromising? Should we even try?



Let's begin our exploration of this question by considering the overall cultural climate surrounding our free market economic system. A number of recent studies indicate less than honest behavior, and downright dirty dealing are common throughout our culture.

Let's begin at the top. What type of standard is being set by our business leaders? One recent poll showed that less than twenty percent of Americans had confidence that CEOs would consistently make job-related decisions that were morally appropriate.[{1}](#) Is this skepticism well-founded? After all, most CEOs have worked their way to the top as a result of excellent performance in lower positions. Almost fifty percent of corporate executives in a recent Tulane University study were willing to commit fraud in role playing exercises.[{2}](#) What was particularly disturbing was that these same executives had affirmed their unwavering commitment to the highest ethical business standards.

Perhaps, we can rely on our workforce to apply their solid middle class values to curb the effects of corrupt leadership. Sadly, a recent study found that forty-eight percent of workers admitted to acting illegally or unethically in the workplace during the previous year.[{3}](#) Over thirty percent of them said that their coworkers condone questionable ethics by showing respect for those who achieve success using them.[{4}](#) In other words, cheating is not only condoned, it is respected.

We all hope that the upcoming generation will improve upon the sins of the prior generations. Are they bringing a standard of personal values that will clean up the

marketplace of the future? Or, are they following in their elders' footsteps? From 1969 to 1989, the number of students who let someone copy their work rose from fifty-eight to ninety-seven percent.[{5}](#) A recent survey published in *Education Week* found that three out of four students admitted to engaging in "serious cheating" within the previous year.[{6}](#)

People emulate the behavior they believe will make them successful. Perhaps, today's Christians should join Habakkuk as he questioned God: "Why do You look with favor on those who deal treacherously? Why are You silent when the wicked swallow up those more righteous than they?" (Hab. 1:13)[{7}](#)

It appears that we will be dealing with a culture of dishonesty in the marketplace for the foreseeable future.

## The Slippery Slope

Surprisingly, most Americans identify themselves as trustworthy. So, why are all of these good trustworthy people demonstrating by their behavior that they are not worthy of our trust?

Well, Paul gives us a lot of insight in his first letter to Timothy when he writes, "But those who want to get rich fall into temptation and a snare and many foolish and harmful desires which plunge men into ruin and destruction. For the love of money is a root of all sorts of evil" (1 Tim. 6:9,10).

When we want to accumulate money for our own enjoyment beyond what we need to live, we are tempting ourselves to unethical behavior.

In his book *There is No Such Thing as Business Ethics*, John Maxwell identifies three primary reasons "good" people are led astray in business dealings.[{8}](#)

First, we do what is convenient. Many times doing the right thing is a lot more trouble than doing the convenient thing. Have you ever discovered that you were

given too much change, but you didn't want to go to the trouble of returning to the store? Sometimes a convenient lie can help us avoid the consequences of a mistake.

Second, we do what we must to win. After all, everyone is doing it. I have to compromise my standards in order to compete. During my years in a very competitive industry, one of my co-workers often stated, "If you can't lie on a proposal, when can you lie?" In other words, promise whatever you need to get the job, and try to wiggle out of it later.

Third, we rationalize our unethical choices with relativism. We tell ourselves that our ultimate intentions are good. And, besides, if it is good for me, then it must be good. It is scary to think how easy this will be in a postmodern society where all truth is relative truth.

All three of these relate to putting our success ahead of our values. John Maxwell put it well when he said, "Ethics is about how we meet the challenge of doing the right thing when that will cost more than we want to pay." [{9}](#)

I would like to add a fourth reason I call the Sudden Slippery Slope. We are taught that as long as we can justify our actions by the rule book then they are OK. In order to get ahead, we start to push the envelope of how we interpret the rules. One day we wake up to find that we have clearly gone beyond the boundary. We discover that we are on a slippery slope where the more we try to cover up or undo our actions the more we find ourselves breaking the rules. Enron is an excellent example of this effect. [{10}](#) No one at Enron started out with the objective to wipe out \$50 billion in shareholder value overnight through unethical business practices, but a culture of pushing the ethical boundaries will inevitably result in a culture of corruption. Proverbs warns us that when we get in this mode, we have a hard time telling right from wrong: "But the path of the righteous is like the light of dawn, that shines brighter and brighter until the full day. The way of the wicked is like darkness; they do not know over what they

stumble" (Prov. 4:18-19).

## A Christian Perspective on Capitalism

Let's consider a biblical perspective on capitalism.

People are rarely neutral when it comes to capitalism. Some people blame capitalism for the excesses of unethical behavior described earlier in this discussion. But capitalism as the primary cause of corruption is exonerated by comparisons with many communist and socialist economic systems. Historically, these systems have raised corruption and graft to the highest levels.

On the other hand, some commentators seem to equate capitalism with Christianity, implying that one of the tenets of Christianity is a capitalistic free market system. This premise does not hold up to scrutiny either as Christianity has flourished under a variety of economic systems.

Before we go any further, a simple definition of capitalism is needed. Capitalism is an economic system in which the means of production and distribution are privately or corporately owned, and development is proportionate to the accumulation and reinvestment of profits gained in a free market.<sup>{11}</sup> In other words, private individuals own the resources and make decisions on how to use those resources based on an expectation of return. The genius of capitalism is that individuals or corporations who can provide valuable services better or more efficiently are rewarded with more resources. So, resources tend to be allocated to those who are most capable of using them to produce desired goods and services.

However, one can approach capitalism from either a secular or a faith perspective. In secular capitalism:

- *the purpose for business is to return a profit,*

- *the standard of conduct is the rule of law, and*
- *the measure of success is accumulation of wealth.*

#### Under a Christian view of capitalism:

- *the purpose for business is to honor God,*
- *the standard of conduct is the Golden Rule, and*
- *the measure of success is the ability to bless others with the resources God has entrusted to us.*

A secular capitalist is accountable only to himself and his shareholders. A Christian business person is accountable to God with a responsibility to all of the stakeholders in the business, including customers and employees.

Capitalism is not essentially Christian, but, as Max Weber pointed out in his classic book, *The Protestant Ethic and the Spirit of Capitalism*,<sup>{12}</sup> Christianity is good for capitalism in many ways including:

- *An excellent work ethic motivated by Paul's admonition in Colossians to "work with sincerity of heart as unto the Lord." Our work results reflect on our Savior, so we are motivated to excellence.*
- *A willingness to put integrity above profits and to forego investing in businesses which degrade or take advantage of others. As Proverbs 28 says, "Better is the poor who walks in his integrity than he who is crooked though he be rich. . . . He who increases his wealth by interest and usury gathers it for him who is gracious to the poor" (vv. 6,8). Integrity reduces the "greed tax" which is all of the effort wasted on monitoring others to prevent theft.*
- *A long term perspective that is willing to forgo near term gratification for*

*long term benefits such as investing in hospitals and schools.*

Counter to the view of Michael Douglass' character in the movie *Wall Street*, greed is not good. Greed is not what makes capitalism successful. Trusting resources to those who are productive and want to do something of significance is the key to long term economic success!

## **Called to the Marketplace**

What is the role of Christians in the marketplace?

Over the centuries, Christians have had varying responses to the secular marketplace. Some, like the Amish, attempt to isolate themselves from the corrupting influence of the secular world. Others, like the Puritans, believed that excelling in the marketplace was a critical part of the Christian life as evidence of one's election. In recent years the trend has been for Christians to segregate their spiritual church life from their secular work life. This attitude allows many to believe they can conform to the compromised values of our culture without impacting the spiritual aspects of their life. However, since God's truth is the truth in all aspects of our lives, this attitude could not be truth.

What does the New Testament have to say on this subject? Out of twenty-two letters to churches, not one advised Christians to quit working in or participating in the Roman economic system. None of these letters encouraged all Christians to leave their secular vocation and immediately leave for the mission field. The overall picture is that some people are given as gifts to the church, devoting their energies to equipping the church for ministry. But the majority of us are called to be ministers in our vocation (whether that vocation is as a business leader, a laborer or a stay-at-home mother). As Christians, we are called to be a redeeming influence in the place where non-Christians can be found, the marketplace.

As we enter the business world, we should be clear as to our purpose. I don't think that it is to prove our salvation by getting the most promotions. Four clear biblical purposes for Christians in the work place are:

- 1. To honor Christ through my attitude, performance and integrity (Col 3:22-25). In my career, whenever I was asked to state my career objectives, I would focus on Colossians 3 for my answer. I would tell them that since I was called to "work heartily as unto the Lord" and to serve with "sincerity of heart", my career objective is to fulfill the role that creates the most value for my employer. That statement was not only true, but was also warmly received by my supervisor.*
- 2. To share Christ in my unique mission field. We interact with more non-Christians in the business world than just about any other venue (Col. 4:5-6).*
- 3. To provide for the physical needs of your family (1 Tim. 5:8).*
- 4. To be able to share with others who need help (2 Cor. 8:12-14).*

Jesus summed it up for us when He said, "Let your light shine before men in such a way that they may see your good works, and glorify your Father who is in heaven" (Matt. 5:16).

## **Compelling Results**

Let's conclude by considering the characteristics of a just business and looking at some measures of success.

Whether for the individual or for a corporation, Christian behavior is going to be characterized by the Golden Rule taught by our Lord: "Treat others the way that you want them to treat you" (Luke 6:31). This means that we are not going to deceive, covet, or steal in our business dealings. We are going to treat others with



respect and with grace. We are going to choose integrity over convenience or profit.

Since we all like to win, does the Golden Rule mean that I should always let my competitors win? Should I just turn over the market to them? I don't know about you, but I absolutely hate it when someone lets me win. Everyone loses if we allow inferior or more costly products to claim the market because no one wants to compete with the status quo (think about the fall of the Soviet Union when you consider this topic). Competition promotes better products and greater productivity which creates more resources and opportunities even for your competitors. The problem arises not from having a competitive system, but from greed causing some to hoard wealth. So, a Christian business will compete aggressively but fairly. They will also realize not to compete by destroying the lives of employees through long hours, poor working conditions, or unfair wages.

Won't a company or individual applying these principles put themselves at a disadvantage? After all, when swimming with sharks, a guppy will always get eaten. In his book *Profit at Any Cost*,<sup>{13}</sup> Jerry Fleming analyzed the results of corporations who appeared to place a premium on a high standard of ethical behavior. He discovered that these businesses typically induce others to behave ethically toward them. There is also a strong correlation between a firm's commitment to ethics and a lower employee turnover. Typically, a lower turnover rate results in greater productivity from experienced, content employees. At the bottom line, he found a significant positive correlation between a firm's ethical behavior and its economic performance. Companies promoting unethical practices pay a price in the long run (think Enron). An investment in ethically responsible firms has resulted in a return eight times better than the return on the Dow Jones Industrial Average over a period of thirty years.

What conclusions can we draw from our study of Christian principles in the workplace? Applying Christian principles to business is not:

- *a magic shield against failure, or*
- *a way to always avoid criticism, or*
- *an assurance that your product will be the best on the market.*

But, it is:

- *a part of our calling to follow Christ,*
- *the best way to conduct business, and*
- *a consistent companion of long term success.*

No matter the financial results, we are a success when we follow Christ's example in the work place.

## Notes

1. Barna Update: "Americans Speak: Enron, WorldCom and Others Are Result of Inadequate Moral Training By Families," The Barna Group, July 22, 2002, [www.barna.org/FlexPage.aspx?Page=BarnaUpdate&BarnaUpdateID=117](http://www.barna.org/FlexPage.aspx?Page=BarnaUpdate&BarnaUpdateID=117)
2. 1996 Tulane University study reported in [workforce.com/archive/feature/22/14/56/index.php](http://workforce.com/archive/feature/22/14/56/index.php)
3. Samuel Greengard, "50% of Your Employees are Lying, Cheating & Stealing", [workforce.com](http://workforce.com).
4. "2003 National Business Ethics Survey", Ethics Resource Center.
5. Urie Bronfenbrenner *et al.*, *The State of Americans: This Generation and the Next* (Free Press, 1996), quoted on Plagiarism.org, [www.plagiarism.org/facts.html](http://www.plagiarism.org/facts.html).
6. Ibid.
7. All Scripture references are taken from the New American Standard Updated Edition.

8. John Maxwell, *There's No Such Thing as "Business" Ethics*, Warner Books, 2003.
9. Ibid.
10. For an in depth look at what happened at Enron see Kurt Eichenwald, *Conspiracy of Fools* (New York: Broadway Books, 2005).
11. The American Heritage Dictionary of the English Language, 4th ed., s.v. "capitalism."
12. Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, 2nd rev. ed. (New York: HarperCollins Publishers Ltd; January 27, 1977).
13. Jerry Fleming, *Profit at Any Cost* (Grand Rapids: Baker Books, 2003).

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# Capitalism and Socialism

Kerby Anderson



*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. [1](#) 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. [{2}](#)

## The War Over Capitalism

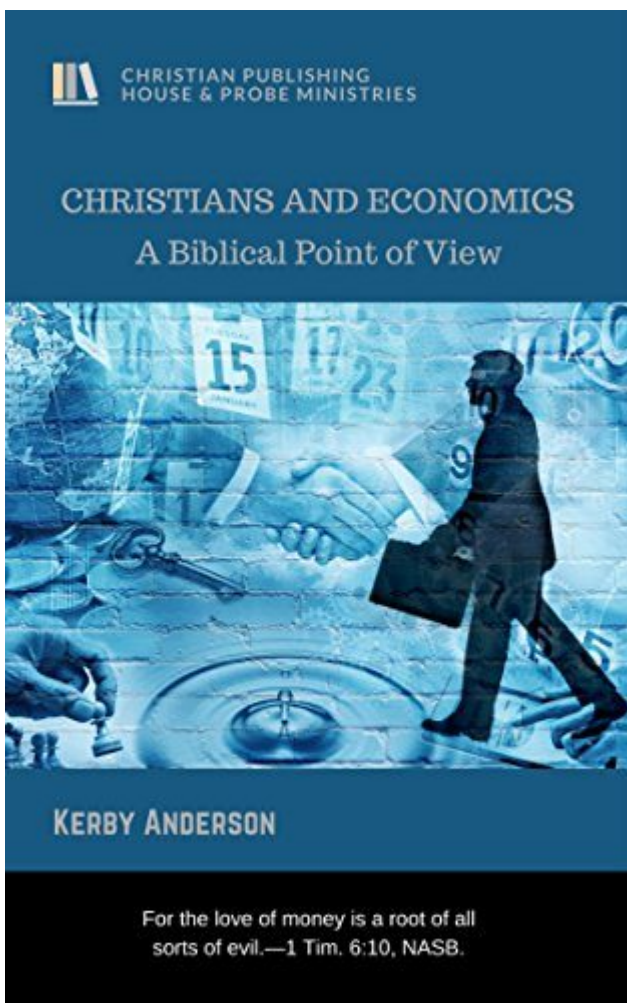
I noted that fifty-three percent of Americans say capitalism is better than socialism. While that is a majority, it is a mere majority and hardly a strong endorsement of free market economics.

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](http://www.probe.org) 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.



*Freeing Cultural Captives.  
Building Confident Ambassadors.*

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.

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