

The Ethics of Wealth Creation



The **Methodist** Church



Preface

Our church has a good record for what it has had to say about wealth distribution over the years. It has pressed Governments for Overseas Aid to become a larger part of the Gross National Product and has continually made representation on behalf of the poor. The Mission Alongside the Poor Programme was partly to ensure we had our own priorities right at the same time as we were urging a fairer distribution from others.

But you cannot distribute wealth unless you have it to distribute. It has to be created, and we do not seem to have paid as much attention to the methods of creating wealth as we might have done. There have been small groups doing excellent work on this both through the Division of Social Responsibility and the Luton Industrial College, but it is surely important that it develops into a more public debate in our church. Until very recent times we have seen the collapse of much of what was called the “Command Economy” of Eastern Europe and the Soviet Union. We have also seen our own Government easing away from a rigid monetarism because it seemed so uncaring, even though it remains committed, as do the Opposition Parties, to a Market Economy. We have experts continually talking about “growth” or “efficiency” but do not seem to have many suggestions that these may one day reach saturation point. We have reference to “improving our standard of living” almost always assuming that it is a good thing to do. We do not have very many references to being satisfied with our present standard or even reducing it in order that the really under privileged of the world might be helped. It is all very bewildering, especially when most of the debate is tied up with vast amounts of money and power.

If we have the courage to face up to our differences, we will find them at least as wide as the following.

Some say:

“How can we encourage wealth creation without creating avarice?
How can we stop the world being ruled by the economic concentrations in multi-national corporations?
How can we prevent the environment from becoming a victim of profit seekers?
Is there a fair and just system as well as an effective one for creating wealth?”

To which others reply:

“Wealth gained through fair competition is the best means yet devised to make even the greedy serve the common good.
Economic power is far more concentrated in governments than in business. A middle ranking nation like Britain has a public budget of £200 billion; the turnover of the world’s biggest industrial company is only £80 billion.
The environment can’t be saved unless the process is made profitable.
The theory of the just wage has been attractive to Christians, but its merits are illusory, and its disadvantages catastrophically oppressive.”

Besides trying to cope with these and other enormous questions, we have a pastoral responsibility to the people within our church who are involved in the wealth creation process. They often have mind-boggling and heartrending decisions to make. We need to try and gain some understanding of the sphere in which they have to bear their Christian witness.

The subject is so vast it cannot be regarded as the province of any one of our Divisions. It affects young people and those in developing countries. It has to do with finance and social responsibility. It must be the concern of ministry and mission. The paper we have to help further our discussion is probably best entitled "Morality and the Market System" and emerged from the Division of Social Responsibility in October 1990. Its ideas are at an early stage of development but it has already provoked a good deal of interest and controversy. It has met with both a welcome and a warning. One Anglican consultant congratulated the Methodists as a denomination on giving a lead in taking the market seriously. An American adviser has warned against giving business too easy a ride. The document was used as a basis for discussion in Conference. May it help us to effect a wider public debate on many of the ethical dilemmas we face in the whole area of wealth creation.

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Part 1: Introduction

- 1.1 The main purpose of this paper is to present an understanding of the Western Market capitalist system as presently practiced in Britain. This feature of social life is treated somewhat in isolation. It is well understood that free markets interact with democratic institutions and welfare structures to form the modern state. This report has also taken care not to duplicate other work under way in the Division of Social Responsibility – on political responsibility, poverty and the environment. Each of these approaches will have its particular perception of the market system, and a more explicit criticism than is possible here.

- 1.2 It is accepted that wealth is not limited to material things and also that there are a number of alternative economic models ranging from Marxist command systems to environmentally sensitive and co-operatively-based systems. These alternatives may deserve and equally detailed critique of their theories and their ethical basis. However we concentrate on that at which underlies market capitalism, and on the controversy over the past fifteen years in Britain. Care has been taken to present the ethical issues surrounding market capitalism in terms that make sense to its practitioners, as well as to its critics.

Part 2: Rudiments of the market system

- 2.1 The subject of economics is a little like the elephant – very hard to describe but we all recognise it when we see it. In the common use of the term economics is all around us. Many of us work at a job which takes up a large part of our time. We all consume goods and services – the products of the “economic system”. We are all aware that business activity exerts power through big corporations and trade unions. If other signs and indicators were lacking, daily news items on radio and televisions contain constant reminders that we live in an interdependent world economy.
- 2.2 Since this activity is promoted by men and women, economics in that sense is one of the social sciences. It is not surprising therefore that economic activity provides the arena for daily living – where people do good and bad things, where there is justice and injustice. Society needs to make up its mind how it is to judge these various activities, individually and as a whole. But more about that later.
- 2.3 Economics, at root, is about scarcity, i.e. where, given the current availability of resources, all the demands on these resources cannot be met. This concept of scarcity thus has a double root – on the one hand it is related to limits on supply and demand and, on the other, to the intensity of the demand for goods and services. One of the conceptual difficulties in understanding economics as a system is that there does not appear to be any level at which demand is likely to be satiated. It is, of course, possible for an economy to be satiated with a particular good, like drinking water in Britain. It is also possible to be so rich, or so uninterested, that your needs are satisfied within available resources. But neither of these qualifications invalidates the main point.
- 2.4 Scarcity has led economists to concentrate on the idea of efficiency. Historically, societies have usually managed to create a surplus from their economic activity above what is needed for survival. The size of that surplus, which varies from rich to poor countries and from rich to poor people within a country, is largely the result of technological progress. Economic history is the story of innovation which has enabled more output to be produced from given resources (land and machinery, but especially labour) or, which is the same thing, the same output for less resources. This is one sense in which the concept of efficiency has entered the economists’ language – the ability to make better use of resources over time.
- 2.5 The other use of the term efficiency in economics concerns the allocation of resources to ensure their optimal use. If the reality is that we cannot meet everybody’s needs at once (there is, for example, a limit to the size of the construction industry so we cannot have all the houses, schools, roads, hospitals etc we want at the same time) then some system is required which enable choices to be made. This question of the appropriate mechanism by which choice can be made and expressed

takes us to the heart of modern economics and the current political debate.

- 2.6 Market capitalism is based on the principle that the optimal allocation of resources can only occur when individuals are able to express a free choice of what they want and what they do not want. It is argued that freedom to choose is best expressed in a market – where buyers and sellers come together and strike a bargain via a price mechanism. This principle is of fundamental importance to market capitalist economics. Where scarcity prevails and choice between one use of scarce resources and another has to be made, a market, it is contended, is the best mechanism for resolving competing claims. This claim extends only to the efficiency of allocation of resources between uses; the market is supposedly neutral in its allocation of resources to individuals.
- 2.7 The concept of the market can be extended to all other scarcity conditions such as the labour market, the money market, the foreign exchange market, the education market, leading to the creation of a comprehensive and powerful analytical system.
- 2.8 It is possible to think of alternative allocation systems. The most familiar is the command system practised for the last seventy years in the USSR and latterly in Eastern Europe and China. The key to this system has been the attempt to replace the market and price mechanism by a system of social choice where the supply of goods is determined and regulated by clearly articulated social priorities.
- 2.9 But the difference between market capitalism and “command” economies goes deeper than the narrow issues of resource allocation. It is rooted in the classic discussion over the distinction between price and value.
- 2.10 The great historical turning point in economic debate occurred when economists divided into two groups over the issue. Some continued to assert that the value or price of a good is determined by the amount of labour embodied in it (the labour theory of value). Others asserted that the price of a good is determined by the interaction of the forces of supply and demand, the theory which subsequently formed the basis of modern market capitalism.
- 2.11 It was left principally to Marx and his diverse followers to develop the view based on the labour theory of value – that the allocation of resources and an equitable sharing of economic surplus can only be resolved within the wider social context of power and class interaction.
- 2.12 In practice, most Western economies have combined the two approaches. They depend on free markets to increase wealth, but a substantial area of the economy is administered to provide those goods which are judged inappropriate to leave to the market – largely the health, education, housing and welfare systems. The interaction between the free market and the public sectors of the economy lies at

the heart of current politics and economic management; in the European context, there is a wide range of variations on this central theme.

2.13 Market capitalism is now increasingly claimed as the most effective means to achieve widely desired economic goals, which can be outlined as follows:

- 1) to allocate resources efficiently
- 2) to establish the correct balance between present consumption and savings for the future
- 3) to distribute income consistently with economic objectives
- 4) to provide stability in terms of balance of payments equilibrium and low or zero inflation.

2.14 Its tools for achieving these objectives are:

- a) a relative freedom from restraint which allows the firm (with the entrepreneur as key) to operate as freely as possible
- b) the creation of sufficient incentives to evoke an adequate response from the factors of production, especially entrepreneurship.

It normally follows (for the advocates of this system) that there is a presumption against government intervention on the grounds that this can serve only to distort the effective working of the system.

Part 3: Today's economy

- 3.1 Great economic developments affect almost all aspects of human activity. New ways of doing things require support from a range of ideas quite different to those which sustained the previous order.
- 3.2 A change of similar magnitude is now upon us and it could well be that the present debate about values in economics is part of a similar fundamental reaction. The pressures of new technologies and new forms of industrial organisation are challenging existing ways of doing things even to the extent of questioning the conventional value sets of the past 50 years. Such changes do not happen very often. Perhaps the move to settled agriculture and the first industrial revolution are two other great examples. However, when they occur they open up great vistas. Change on a grand scale involves many aspects of society in an inter-related way.
- 3.3 The evidence of this new weave is now all about us. Books such as those written by Toffler, Naisbitt, Kahn and others variously interpret the impact of new technologies, their effect on demand patterns and on the organisation of industry. Any view that our preoccupation with economic growth and things material was reaching saturation is grossly misplaced. We are embarking upon a stage which will greatly outpace what has happened over the past 200 years.
- 3.4 There is rapid development in many differing areas of technology. These include materials such as new plastics and ceramics, some coming via biology rather than the chemical chain. New technologies include ocean farming, optical fibres and lasers, satellite communications, space and bio-technology. But the key feature is the growth in information technology. The radical significance of information technology is that it can provide cheap produces which work extremely quickly, are very small and are able to replace human labour in many areas.
- 3.5 As a result of these changes our total economic structure is in flux, both from a technological and organisational point of view. We have new ranges of products, new ways of doing things and new ways in which services are provided to us. Our homes and the goods contained therein would leave a citizen of the late 19th century at a loss for words. Our concepts of transport, of communication, of education and shopping and leisure patterns change very rapidly.
- 3.6 As fewer people work directly for large-scale employers, the home is becoming a cultural centre and work station. Increasingly adult householders work from home and share the tasks of earning an income, housekeeping and family raising. Networking is now becoming more and more prevalent as a way of working with others. The home with its electronic devices, particularly its television screen and computer, is a place both for recreation and education. This is, of course, a largely middle class phenomenon so far; working class people who no longer

work directly for big employers are more likely to have to fall back on work such as mini-cabbing and office cleaning.

- 3.7 These developments raise an important debate over the boundaries of both production and consumption. There is no longer so clear cut a distinction between economic activity (either in terms of production or consumption) and non-economic activity. The two are becoming increasingly blurred and with it the distinction between economically active and non-economically active members of society. Some are sceptical of this. It is still the case that household management, within which most economic consumption takes place, is regarded as an inferior activity. It is performed mainly by women, who remain the major carers for dependants of all ages. For a huge number of households, domestic management is more demanding of more human qualities than the paid employment of any household member. The low status that continues to attach to household management indicates that gender inequality is a significant and unresolved issue.
- 3.8 Another consequence of these changes is that economic activity can no longer be seen as essentially individualistic behaviour, in isolation from other parts of society. The economists' view of what drives consumption needs to be replaced by a wider sociological view. In economics the implicit assumption is that the origin of wants is to be found inside the individual's physical and psychic condition. Anthropological and sociological approaches suggest a more complex and culturally-shaped basis for economic behaviour; this implies that a conscious reshaping of culture may remould economic activity.

Part 4: A critique of market capitalism

a) The Benefits

- 4.1 Market capitalism has brought significant benefits to at least a substantial proportion of the world's population. Being rich has many blessings. Rich societies are able to carry an increased burden of caring. They can make provision for the flourishing of arts, research sciences and mass cultural activities. They can provide much more leisure for people to fulfil themselves in different ways. They appear better at creating conditions in which women can find their liberation. There is also great pleasure to be gained from material possessions such as television, instantly available music of high quality, travel services and so on.
- 4.2 Much of economics presumes that economic growth can and should go on forever. However, the great thinkers of economics have realised the importance of an alternative view. Put in crude terms, the question is, will we ever overcome scarcity? Marx certainly thought so. He believed that the technical progress already achieved by the end of the 19th century had virtually solved the problem of scarcity. Keynes held similar views. He argued that putting aside wars and natural disasters, the problem of scarcity could be solved within a century. Indeed he feared that advanced economies would run out of demand and that serious unemployment would be a permanent condition.
- 4.3 Even more interesting are the moral implications drawn by each of these key figures in economics from these reflections. Marx argued that under these new conditions new human attitudes would develop, for example acquisitiveness would wither away and crimes against property would disappear. A provocative view is to be found in Keynes's essay on "Economic Possibilities for our Grandchildren", where he wrote in 1933:
- "I see us free, therefore, to return to some of the most sure and certain principles of religion and traditional virtue...that avarice is a vice, that the exaction of usury is a misdemeanour, and the love of money is detestable, that those walk most truly in the path of virtue and sane wisdom who take least thought for the morrow". Yet, "For at least another 100 years we must pretend to ourselves and to everyone that fair is foul and foul is fair: for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the turmoil of economic necessity into daylight."
- 4.4 What should we make of these views? This utopianism assumes that we can create a world of plenty where appetites will be both satisfied and satiated and where, more critically, human character will be modified by virtue of plenty replacing scarcity. Such underlying assumptions are still with us in society's expectation of more and more economic growth.

b) The Weaknesses

4.5 Even amongst those who broadly support market capitalism there are major criticisms of the system:

- i) As was emphatically demonstrated by Keynes in his General Theory, the system is not self-regulating in the sense that it can be guaranteed to reach a point of equilibrium at which all those wanting work are able to find jobs. Classical economic theory had always assumed that if demand for products fell wage rates would also fall, hence reducing process and hence leading to increased demand to offset the earlier fall. Keynes demonstrated that this mechanism did not work in practice, giving rise to the phenomenon of an equilibrium position in which there were unused resources of labour and capital. His analysis also made the point that only those with effective demand, i.e. money to spend, are beneficiaries of the system.
- ii) Market capitalist economies are notorious for the way in which rates of growth vary over time, leading to peaks of economic activity followed by troughs. There is debate amongst economists as to whether these cyclical variations are good or bad in the long run. Arguments against them relate mainly to the advantage for businesses of being able to plan their future against less volatile conditions than those caused by the ups and downs of cycles and, of course, an acknowledgement of the immense social and personal cost involved particularly in the downswings of the cycle when many lose their jobs. Elections are won or lost on the timing of these cycles. There is no doubt that depressions of great severity can provoke immense social change, as can periods of high rates of inflation.

There is, however, an argument in favour of cyclical variation in that it can be seen as a natural system for sorting out the weak from the strong companies. As many economic observers (notably Joseph Schumpeter) have remarked, the process of economic activity is one of “creative destruction”, in which new industries and new companies are constantly being born at the expense of older industries dependent on dated technologies and obsolescent products. The upswing of a cycle is particularly encouraging for new firms and industries. The downswing is particularly devastating on industries or firms that are becoming weak and fail.

- iii) The Western economic system pollutes; it uses up resources at a prodigious rate. It is running great environmental and biological risks and it has made pre-

emptive strikes in terms of present resources which, unless radical new ways of managing energy in particular are found, have already deprived the rest of the world of the opportunity to grow even remotely as fast as the West has already done.

If firms are allowed to operate freely they may be able to maximise profits by creating costs which they do not themselves have to bear. Typical examples are the emissions from the factory chimney into the air or effluence into a nearby river; more generally, the polluting fumes emitted from car exhaust systems; the noise around a major airport; the cost of repairing roads subject to heavy goods traffic and so on. It is clear that the market system has not learned to deal with these social costs of economic activity. It is true that economists have always argued that a system can be devised which would force the polluter to pay. But the issue is as much political as economic, since the political will is needed to impose additional taxes or tariffs on the offenders. This will is increasing, despite the vested interest in our growth-orientated society.

- iv) Many people are unhappy about the way in which income is distributed in a market capitalist system. The system works basically on paying the appropriate salary required to obtain the right amount of labour or capital. But in practice quite scandalous examples of earning power and income distribution occur; astronomical salaries paid to young people in the city, windfall gains of speculators, the earnings of a pop star. More apposite are recent increases in top corporate salaries, for these are at the centre of the system under consideration and appear disciplined by no market dynamic. Meanwhile, grossly inadequate salaries are paid to skilled engineers, ambulance workers and others. Attempts have continually been made through taxation to close these gaps. However, the difference between post-tax and pre-tax income distribution remains marginal.
- v) Most Western economists are aware of global poverty. They now admit the difficulty of enabling the apparently successful Western economic system to produce the same kind of growth elsewhere. There are serious disagreements on basic issues here. Some suggest that only Western market capitalism can work for the poor; others that while this may be the case, the grotesque inequality between the rich and poor partners in the world economy makes improvement impossible unless relationships are radically changed; others that market relations are themselves the problem.

- vi) Many people are uneasy about the claims that one of the advantages of the Western system is that it revolves around the exercise of free choice by consumers. A quick viewing of advertisements shows how exposed consumers are to advertising campaigns which are designed not only increase demand for products, but also to create demand for new products continuously.

- vii) Finally, and associated with the previous point, it has to be admitted that many aspects of the way in which we related to each other in society are heavily constrained by the particular form of economic system that we live within. The dominance of the system over our lives, the loyalties called for within corporations from workers, in many respects influence the degree of freedom that we are able to enjoy.

Part 5: Values and the current controversy

a) The current controversy

- 5.1 The debate about the value assumptions underlying market capitalism., although highlighted by the events of the past ten years, ought always to be on our agenda. We can, and should, seek to learn what we can from the present, often controversial debate.
- 5.2 In essence the start of the debate was technical, about the causes and control of inflation. There are different theories of inflation which need not concern us here, but in 1979 the money supply theory prominent before the Keynesian revolution was re-introduced as the principal tool with which to fight inflation. However, what became clear was that those supporting this form of anti-inflationary policy also strongly supported market capitalism as the best way to run the economy effectively, i.e. to free up markets, reduce government intervention, lower taxes to encourage incentives and so on.
- 5.3 Those who argued for market capitalism also subscribed to a view of society which saw the liberation of the economic system as one of the most important means of restoring individual freedom. The ultimate position therefore was not simply that these changes created a more efficient economic system, but that market capitalism presented the essential basis for the exercise of freedom and individual fulfilment.
- 5.4 As a result of these developments and the ensuing debate it is possible to put the case for market capitalism in the following terms, as suggested by Nick Bosanquet in "The Economics of the New Right".
 - i) Society has an inherent tendency towards justice and order based on self interest and a natural notion of justice.
 - ii) Inequality is an inevitable and tolerable result of social freedom and personal initiative.
 - iii) Capitalism has worked, in the senses that growth has reduced and subsequently eliminated absolute poverty as well as providing significantly higher living standards to the majority of the population. Arguments about relative poverty simply reflect envy.
 - iv) The most important decision-maker in society is the individual in a competitive environment. It is crucially important that the State should recognise this.
 - v) The entrepreneur is the key. He or she is the risk taker and the setter of trends in consumption.

5.5 It is further argued that alternatives which replace the market with social choice result in the politicalisation of economic activity and pander to envy. This leads to spendthrift government, overcentralisation involving the application of uniform standards and yielding to institutional vested interests. As a consequence these alternatives encourage rather than diminish class conflict and inevitably lead to rising public expenditure. Finally, they create a dependent society with too many people expecting too much to be given to them.

5.6 It is also argued that there is a strong moral dimension to the concept of the market. For the market:

- 1) allows individuals to participate in community
- 2) requires the individual to exercise a duty to respect contracts
- 3) is the place where the individual is better employed compared with other human activities. As Dr Johnson said “There are dew ways in which a man can be more innocently employed than in getting money”
- 4) offers protection against undue power and therefore is an instrument for peace and stability
- 5) above all is a source of individual freedom creating dignity and self-reliance.

b) Values and market capitalism

5.7 Christians require a spiritual perception of economic activity, and market capitalism offers a very positive religious view. It is seen as a recognition of the joy of glorifying God through tasks well done. Economic activity itself is thus seen as a means of reflecting God’s glory and provides one of the moral arguments justifying wealth creation.

5.8 It is a separate issue, of course, whether we behave well or badly when we thus engage in economic activity. A capitalist spirituality recognises that all are members of a fallen humanity and cursed by sin; free economic activity, however, is consonant with God’s redemptive purpose – this has been a powerful conviction of the Christian entrepreneur. But the particular religious view that we are placed in God’s world to work and to fulfil ourselves – to glorify God through economic activity – creates a strong belief in the virtues of individuality and self-reliance. It also leads to a dismissive view of others who do not get on in this sense, or worse, do not try to get on.

This tendency towards a theology of success indicates a serious problem for those who seek a moral basis for market capitalism which comes to terms with biblical values that are clearly not rated highly by modern economics. There is little regard in economics textbooks for service, humility, self-sacrifice and abstinence. There is a failure to recognise the biblical view of debt and forgiveness and a reluctance to accept

responsibility for poverty in society. There is even less respect for the understanding of communal wealth which is found in the New Testament.

- 5.9 Although market capitalism stresses the importance of the intrinsic value of economic activity itself (to the glory of God) it has felt little need to give moral scrutiny to the business of creating wealth; it is assumed that little time need be wasted in establishing a moral dimension to economic activity that produces such an abundance of goods and services. “Business is business”, as the Americans would say. Adam Smith’s invisible, providential, guiding hand conveniently translates private interest into the public good.
- 5.10 It is valuable, therefore, to be reminded that we have to explore the religious dimension of economic activity. The true purpose of economic activity must be explained. What do we want from it and who is the system for?
- 5.11 Much of the justification for the market is that, provided it is allowed to operate on its own terms, it creates wealth. It must be asked whether this is a morally adequate bargain. It must also be recognised that the flow of values is not simply in one direction from society to the economic sphere. Market behaviour itself creates values. It rewards some and punishes others. The market, indeed, can be especially hard on precisely those attempting to practise Christian values. The morality of self-interest, competition and profit-seeking cannot be restricted to the economic sphere but penetrates family, political and religious life. Everyday economic activity is a powerful moulder of values.
- 5.12 It is fair to say that many supporters of market capitalism now examine ways in which economic activity can be justified by reference to more than wealth creation. For example, there is now in Britain a strong movement to develop social responsibility in business. The organisation “Business in the Community” is a prime example of this development. The increasing use of public policy statements by companies is another. It is also true that good management practices have invariably embodied a high moral view of human relationships. All these activities are designed to acknowledge the need for owners and managers to make choices reflecting the public good and not simply the private profit of their firms. It is a pity, however, that although the British churches have issued a number of critical assessments of the workings of market capitalism, no British equivalent to the American Catholic Bishops Pastoral Message of 1986 has yet appeared.
- 5.13 In his book “The Rise and Fall of the Great Powers” Paul Kennedy comments on the early expansion of Europe which laid the grounds for much of what we inherit today. He says:

“For a complex mixture of motives – person gain, national glory, religious zeal, perhaps a sense of adventure – men were willing to risk everything, as indeed they did in many cases. Nor has there

been much dwelling upon the awful cruelties inflicted by these European conquerors upon their many victims in Africa, Asia and America. If these features are hardly mentioned here, it is because many societies in their time have thrown up individuals and groups willing to dare all and do anything in order to make the world their oyster. What distinguished the captains, crews and explorers of Europe was that they possessed the ships and the fire power with which to achieve their ambitions and that they came from a political environment in which competition, risk and entrepreneurship were prevalent.”

- 5.14 We still live with the legacy of these cultural attributes. They still influence the international order and the relationships between Western countries and the rest of the world. They still dictate the sets of values on which Western economies choose to build the economic aspects of their societies.
- 5.15 Market capitalism rewards a particular set of personal characteristics, including competitiveness, power-seeking, risk-taking and heightened ambition. Emphasis on these characteristics has two important consequences, both of which are regarded as objectionable by some. The first is that there is the implication that the poor world, if it is to attempt to emulate the West, must in turn allow these characteristics to dominate their societies. This, it is argued, is a form of cultural imperialism that the West has no right to impose on others.
- 5.16 A second objection is that this view implies that market capitalism is able to run only on the basis of this set of values. It is helpful to recall the description above of the great watershed in economic thought (2.8-10). It is clear that alternative bases for economic activity have been proposed and practised in the past. The labour theory of value, that the price of each good should reflect the value of the labour involved in its production, is akin to the concept of the just price that prevailed for many centuries before the economic revolutions of the 17th and 18th centuries. It implied a simple view of divine providence and that the product of economic activity could be fairly administered; it locked traditional theologians into a tension between the principle of the just price on the one hand and existing property relations on the other.
- 5.17 A market theory of price has quite different moral implications. The value of a good is what anyone will pay for it and so the most efficient producers will be rewarded. This does not mean the ruin of the rest; capital and labour resources will accrue to the most successful, who will deploy these resources more effectively. This operation benefits most participants, as they become consumers of the widening range of products delivered by their labours. The real road to ruin is taken whenever this process is seriously interfered with. Divine providence is seen in the beneficial outcome of these numberless exchanges – the famous “invisible hand” asserted by Adam Smith.

- 5.18 It is often claimed that the market system is inseparable from a libertarian philosophical outlook, but market capitalism need not rest on a single, simple ethical and philosophical base; this is only one possible source of values for engaging in economic activity. Indeed it is of crucial importance to deny any necessary connection between the technical performance of free markets and individualistic competitiveness as a value in itself. This view is substantiated by the performance of the most successful capitalist economies, where there is often clear concern that markets must serve goals of social coherence and where there is recognition of the human value of the workforce. In very different ways, Japan and West Germany apply quite different social values from those which are proclaimed in Britain and the United States as essential to the nature of capitalism.
- 5.19 In one sense, therefore, the critique of the ethics of wealth creation is not about wealth creation itself, but rather about the existing value sets assumed to underpin market capitalism. Maybe it is these “qualities” of risk-taking, ambition and entrepreneurship that are most in need of judgement. They can hardly be excluded from human personality, nor condemned out of hand. It is probably more constructive to relate them to the more co-operative, creative and reflective human capacities and to assert the considerable evidence that these factors, which make a civilised human community, also make for effective economic activity.
- 5.20 It is possible, therefore, to argue that wealth creation within market capitalism (as the option best able to respond to the economic problem of scarcity) is a conditional blessing and that the following might be the conditions under which it is most likely to be blessed:
- i) Provided we co-operate with the world’s environment and provided we share with all humanity, we may embrace the expectation that God wants us to use this material life to respond creatively to the divine will.
 - ii) The curse of sin is universal, without regard to geography, time or material state, but a world of abundance would appear to be a better environment in which to practise loving God and our neighbour than, say, abject poverty.
 - iii) Whilst at first glance the spending patterns found in present wealthy societies appear essentially materialistic – and the discipline of economics encourages that view – there are deeper insights coming from sociologists which suggest otherwise; that the consumption of goods is simply the way we currently employ to demonstrate to others who we think we are, to establish our sense of worth and to determine who we choose to associate with and who not. Thus, economics is not determined by economic, but by social rules – and those rules can change as social goals change.

- 5.21 This preceding summary of the “values” dimension of market capitalism deserves to be articulated and taken seriously. Many people in business would, we are sure, having heard this defence of their everyday life (and probably their political persuasion), subscribe to it as their philosophy for living.
- 5.22 The task of the political process is to identify at any one time the particular balance between choices that the electorate appear to want. This process applies also to weighing the rival claims of public and private virtue. Our task has been to examine one side of this argument, but a number of key questions remain to be addressed – both by these Christians who value market capitalism and by those who wish to replace it with an alternative.
- 5.23 The first relates to the degree of responsibility which the rich are prepared to accept for the poor. Although the market capitalist position contains an emphatic declaration of the individual’s responsibility for his or her neighbour, in practice it encourages the opposite. If, for example, we are told that the poor are poor (individuals, communities or nations) either because Fate (God) appears to have decreed it, or because the poor are lazy, the concept of responsibility evaporates. If it is Fate there is little to be done about it. If, alternatively, we are led to believe that poverty has resulted because people are lazy, then it is quite clear where the responsibility lies – with the poor themselves. Armed with this defence, quite scandalous social consequences can be easily and conveniently ignored.
- 5.24 Another convenient defence is provided by the residual theory of welfare. The positive view behind this term is that provided society is free to pursue the goals of individual freedom and self-reliance the “welfare” problem will be small and containable – just to care for the few who are handicapped, bereaved or parentless. Perverted, this view deteriorates into an acceptance that there is a minority in society who “will never get on”. We may not like them or their lifestyles and we may make their lives pretty intolerable but their existence in society is a fact of life. The way this group is perceived varies over time; it is currently fashionable to refer to it as “the Underclass”.
- 5.25 The economically successful have to come to terms with the need for an extensive and determined programme to end the condition of poverty. They have to accommodate to the necessity – and expense – of an institutional theory of welfare. Again, the social programmes of more recently developed European societies indicate serious flaws in current British public policy. Social policy based on peace with order is not enough. Society needs peace with justice.
- 5.26 The closer examination of the ethical basis of market capitalism has revealed that hitherto economic activity had been conducted on the assumption that it could be pursued without raising substantial moral issues. If it were not morally neutral territory at least it did not pose

serious moral questions. Business is better than war, but the view that business activity does not raise moral or ethical issues (other than those concerned with personal conduct) is a dangerous position to adopt. It allows us to avoid any moral responsibility for injustices that clearly derive from business activity. Such responsibility may be concerned with justice here in Britain – the distribution of income, unemployment, distortions of lifestyles due to economic pressures, pollution – or the international distortions of economic relationship between rich and poor. To say that these are the inevitable consequences of the working of the economic system is an abrogation of moral responsibility that should not be tolerated.

- 5.27 The goals of efficiency and competition based on the values of the market place are all too easily imposed on other parts of social activity such as education, the arts, the legal system and the provision of welfare, where they are arguably inappropriate. Certainly there is a dichotomy between the values of the market place and more general Christian values. They are not separate and, judged by the events of the past decade, we cannot be sure that the non-economic areas of life can be protected from market values. Far from being a neutral moral activity, therefore, market values have taken on an imperialistic nature.
- 5.28 Finally, part of this uneasy libertarian contract, which seeks to leave businesses free to do their own thing, is an acceptance of a significant role in social and economic activity for self-interest and competition. Both these terms present problems for the Church, but they derive from an authentic aspect of human nature which no-one can condemn out of hand. And yet, in their full flower, they run close to denying other powerful characteristics such as compassion, humility and reflectiveness, which are essential to the Christian idea of true humanity. However, if the failure of market values lies in giving competitive self-interest too much freedom to dominate personal and social behaviour at large, the weakness of the Church's teaching lies in its inability to identify the proper role of these human characteristics.
- 5.29 A great danger in the debate about the ethics of wealth creation is to believe that, once the weaknesses of the now prevalent libertarian position are exposed, an alternative will quickly fall into place. Those of us who are tempted to take this view will do well to remember that the starting point for the experiment of the past decade was a fundamental disenchantment with the alternative approach which had dominated British social and economic policy over the past forty years. However successful we are in exposing the weakness of the present system, that disenchantment remains and needs to be addressed.
- 5.30 The fact is that the state provision of need had become bureaucratic and uncaring. We had lost the belief that better social conditions made better people. The democratic process itself appeared to be too strong on articulating rights and too weak on stressing responsibilities. With the

need to justify themselves to the electorate the political prizes seemed to go to the big spenders.

- 5.31 There was also disillusionment with the principles of sharing. On the one hand, those who wished for a more just society by creating a more egalitarian society were impatient with the lack of progress towards that goal. On the other hand, many also began to challenge the moral basis on which to appeal to the richer to share with the poorer.
- 5.32 Finally, may of us have now learned that in the business of building a better society the base of altruism that can be appealed to is depressingly narrow. If reformers expect too much of people then even the best administrative plans will still collapse. Alternatively, if we are forced to concede that there is no altruism at all in society, then God help us.

Part 6: Conclusion

- 6.1 Market capitalism can be claimed as the most effective means to manage economic change, by allowing the most able agents of that change to emerge from the huge, complex morass of international economic activity. These agents effectively harness human imagination, ingenuity and ability to co-operate. The system might also claim to have provided the best working solution so far to the problem of containing greed, vanity and ambition. Four features of contemporary life, however, indicate the need to be sharply critical of capitalism and its developments.

The culture of capitalism

- 6.2 The benefits derived from free market activity have been wholly acknowledged above. It is not at this point that the Gospel finds itself in conflict with the creation of wealth in a free market. Such conflict does arise when an economic technique asserts itself as a comprehensive doctrine of humanity. Such a doctrine has been in evidence for some years: that the freedom of the individual is an absolute value; that this entails an absolute right to the private ownership of property; that competitiveness has moral value rather than merely technical utility; that the justification for this kind of individualist competitiveness is seen in the efficacy of free markets.
- 6.3 Other cultural views suggest that such a dogma is destructive of the new kind of social cohesion that make markets work best. It is evident now that nature capitalism depends on a degree of social trust without which rapid change is difficult to negotiate. This sort of cohesion is built on institutions that markets cannot sustain and on values which they tend to undermine.

It is clear that a successful society depends on the interaction between, for instance, free markets, democratic institutions and public investment in the common good. The optimal balance between these elements in society cannot be decided in advance on the basis of doctrine. A mature capitalist culture recognises this fact; a critical Christian witness within that culture should also do so. It is also of great importance to distinguish between the formidable technical achievements of competition and the more dubious moral claims of competitiveness.

One humanity

- 6.4 In successful capitalist societies, everybody gets richer, but the living standards of the poorest can become so low that they are virtually excluded from the general prosperity. One serious kind of exclusion, for instance, is that which denies young adults the kinds of skill which lead to rewarding employment. Christians will judge a capitalist culture according to the seriousness with which it treats this inescapable problem of 'the excluded' in a changing society.

- 6.5 This commitment is simpler in the context of a single polity, where legislation in regard to housing, health, welfare, education and training is open to discussion; but the exclusion which attaches to capitalist culture is global. There is some reason to believe that every country will benefit from a capitalist culture, where markets sort out the best ways of doing things. This has always been the case; it is a peculiar form of Western imperialism which claims to have invented the matter of buying cheap and selling dear on an international scale. This process is grotesquely distorted, however, when local markets are made to serve the needs of hugely powerful international systems – as seen in the changing but oppressive phenomenon of world debt. Christians must struggle with the fact that we have a clear idea of a global common good, but no structure that embodies our common citizenship. Capitalism must be shaped to address this problem and so must the Church.

One world

- 6.6 All economic development until very recently has assumed that there is no limit to the resources that economic activity can consume and therefore no limit to that activity itself. It is now clear that this very activity will make the planet difficult, even impossible, to inhabit. This is probably the greatest challenge to the ingenuity and imagination that markets deploy so well – to sustain the illusion of growth, while restricting the reality to enable people to buy more, while consuming less. In this above all, market activity must learn to act under social instruction. But this is exactly what must be sought of capitalist culture in every area of life – markets must respond to social need, or undermine the foundations on which they rest, both moral and economic.

Opting Out

- 6.7 Much is made by apologists for market capitalism of the diversity that typifies the social system which free markets help create. Less attention is paid to the somewhat monolithic system of consumerism into which this diversity is almost totally constricted. A genuinely plural society is one in which there is toleration of quite different styles of life.
- 6.8 It is most difficult for people shaped by a consumerist understanding of life to accept the way of living of those from whom little money is to be made. Christians are deeply embedded in the conventional ways of our society, and may be disturbed by the practice of difference by other Christians. The genuine practice of a different kind of life is part of an authentic Christian exploration of the human condition' a mature capitalist system should also be judged by its capacity to cherish difference.

Appendix

A RESPONSE TO THE ETHICS OF WEALTH CREATION

- 1 When I read the first three books in the New Testament I meet Jesus proclaiming the coming Kingdom. And in the parables he told, what a fascinating range of responses is set before us!

Jesus expects people to respond with astuteness and initiative, to be extraordinarily inventive in the face of a crisis, to be alert and quick-witted, to risk wealth, reputation and convention in order to be renewed by the grace of God. I assume these qualities are good; they enhance our humanness. They resonate with the qualities which, in our modern society, flourish in the free market – imagination, creativity, taking risks, seeing how to capitalise on unpromising situations, making something out of nothing, generating wealth out of scarcity. Hence the free market is a profoundly human enterprise; and we have learned that the market is the best technical utility yet devised for creating extraordinary wealth.

- 2 When I read the New Testament as a whole I know that each and every one of us find our identity and purpose within *social* reality. We are members one of another. We are responsible for one another. We belong to a body, where mutuality and interdependence allow individual being to flourish in giving and receiving.

I therefore conclude that all who create wealth in the free market need to discern their obligations to one another and to society as a whole. This sense of belonging to one another expresses itself in many ways in a wholesome community. Here are there:

- (i) *Taxation* is perceived as a rightful claim which is gladly paid. Ideally the state invests tax revenues in whatever is necessary to create a just, peaceable and prosperous society: education, research and development, health-care, housing and social security are sponsored by the state to release more and more people to play a full and flexible part in the market. State investment also protects society against invasion and subversion; state investment should enable everyone- the poor and handicapped, the young and the very old, as well as the natural entrepreneur – to share *justly* in the developing national wealth; state investment attends to the care of the environment; state investment begins to address some of the problems of a world divided radically between rich and poor.
- (ii) While competition makes the market operate efficiently, *co-operation* is also a necessary value and skill. No serious wealth creation can take place today without co-operation – which is part contractual and part based on personal trust. Suppliers, manufacturers, those who assemble, advertisers, salesmen and distributors all work together in sophisticated processes of co-

operation to sell a good product at a marketable price. The sense of co-operation extends also to relationships *within* industry and commerce – to the relationships between employers and employees, or between managers and professionals; and to the development of team work which harnesses diverse personalities and talents to agreed goals.

- (iii) A sense of belonging to one another generates in the wealth-creators a proper concern for *fair* salaries and wages for all members of a company, from the Managing Director or Chief Executive to the lowliest clerk; it sensitises an organisation to its effects on the local community, on the local environment and on the safety of human beings; and it enables a firm to fulfil its proper obligations to its shareholders.

- 3 When I read the Bible as a whole I know that every high ideal is corrupted and every good intention is thwarted. There is nothing valuable which works out precisely as planned, nor is there anything which is unambiguously good. Wealth-creators, no more or less than anyone else, are compromised and compromising.

Ever present to those who generate wealth are the moral dangers of greed, covetousness, lust for power, fraud and corruption, oppression and arrogance.

Ever present to those who enjoy living in a wealth market economy are the moral corruptions of accumulating wealth for its own sake, of living in smug indifference to the needs of the poor, and of seeking personal pleasure, personal gratification and personal excitement at any cost. Consumerism and hedonism are alive and well.

Ever present to those who manage large corporations is the temptation to accumulate such huge concentrations of power that checks and balances from market competition and from social legislation are treated dismissively.

Ever present to those who invest large sums in the development of new technologies is the attractiveness of deceit, of exploiting the vulnerable, of cutting corners, of making quick and handsome returns with no thought for long-term consequences in society.

The Christian community does not stand in splendid isolation from these moral ambiguities and ethical dilemmas: we share them. But, by the gracious working of God's Holy Spirit, we hope to retain some critical perspectives on wealth creation from *within* its amazing blessings and its terrifying distortions. Here are three lines of approach for Christian commentary on wealth creation.

- (1) Throughout Christian history, there have been some Christians who must signal the soul-destroying dangers of

great wealth by voluntarily adopting simple life-styles and by trying to *detach* themselves from the seductive appeal of goods and wealth. Long ago St Benedict asserted that private property was inimical to Christian holiness. Such Christians take to heart the searching call of Jesus to sell all and give to the poor; they know it is easier for a camel to go through the eye of a needle than for a rich person to enter God's kingdom.

- (2) In all Christian history that we can honour there has been a special attention to the needs of the poor, the weak, the frail and the little ones in society. Their plight must continue to concentrate our prayer and action while in our own country there remains what some call an 'underclass', and while our one world is so cruelly demarcated between rich and poor. How easily the poor are the victims of social forces oppressing them, and of prejudices in the rich and powerful scapegoating them. Yet among the poor – some say, uniquely among the poor – God is able to utter his word of grace and challenge which marvellously addresses all creation. For the poor are icons of the crucified Jesus.
- (3) However, most Christians in the West, most of the time, must exercise their prophetic and critical ministry to the wealth-creators in a context of *gratitude*. We give thanks to God for our discovery of the wealth-creating and civilising effects of the market; for our freedom from want and misery; and for the incalculable possibilities for human well-being which wealth facilitates. In the 20th century, for example, life expectancy for males in the United Kingdom has increased from 47 to 73 years; we eat well, dress well, work and play well, we travel; we enjoy technical inventions which the early Methodists could not have envisaged in their wildest dreams.

We deceive ourselves if we do not acknowledge our deep commitment to the economic success of our nation and our continent. And I believe we *can* devise political structures which will create in the context of successful wealth-creation something like a human community in the Christian sense, where gentleness and service are prized as highly as enterprise and entrepreneurship.

We can, for example, liberate the market so that vast numbers of men and women around the world participate in it. We can encourage more freedom: we want a society where people are free to live simply alongside the poor if they so desire and be affirmed for it; we want a society which celebrates all sorts of ways of being human which are not dictated by the particular qualities required by the market' and we can redistribute wealth in favour of justice for all.

The way to make progress is for churches, families and all sorts of little groups and communities to adopt towards wealth-creation the fundamental attitude of *loving criticism*. Then, while affirming and praying for those in industry and commerce, we can simultaneously dream dreams inspired by the gospel of how we might all live together, with all our differences, in harmony and peace.

David G Deeks

Questions for discussion

- 1 See Preface. Two points of view are expressed in the Preface. Do you identify with one rather than the other?
- 2 See para 2.12. It is broadly true that the market provides not only cheap goods but high levels of taxation which fund health, education and welfare. Do these achievements justify market activity? If not, what are the alternatives to the market?
- 3 See para 3.4. How have you personally benefited from technological change during your lifetime? How have you suffered from it?
- 4 See para 4.5. The market brings advancing prosperity to nearly all, over time, partly through a process of “creative destruction”. What about the victims of this process? Should Christians have a special concern for its victims?
- 5 See para 6.4. Do markets help poor people at home and abroad or can poverty be tackled only by governments?
- 6 See para 6.6. The environment suffers greatly from the pressure of human population, pollution and consumption. Do these problems have – at least in part – business solutions?

For further reading

Donald Hay **Economics Today** (Apollos)

An invaluable comprehensive survey from an Evangelical position

Brian Griffiths **Morality and the Market Place** (Hodder and Stoughton)

A “Thatcherite” broadside

Roelf Haan **The Economics of Honour** (World Council of Churches)

A liberationist series of bible studies

David Marquand **The Unprincipled Society** (Fontana)

A secular look at the political morality of the new Europe