

## Capitalism and Greed

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Before economics became a science of economic models, theoretical proofs, and irrational rationality it was called moral philosophy and dealt with how individuals live their lives. A comprehensive philosophy of life was presented during the latter part of the eighteenth century by Adam Smith. In his path breaking work, *The Wealth of Nations*, Adam Smith described an economic system based on self-interest. This system which later became known as capitalism is described in this famous passage :

It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.<sup>1</sup>

Thus, the forces of self-interest determine individual actions. It is difficult to reconcile this practical religion of capitalistic societies, however, with any system of thought or morality that can be described as Christian. Surely, an underlying theme in Christ's teachings is that love and charity toward one's neighbors rather than self-interest should guide an individual's actions:

But I say this to you who are listening: Love your enemies, do good to those who hate you, bless those who curse you, pray for those who treat you badly. To the man who slaps you on the cheek, present the other cheek too, to the man who takes your cloak from you, do not refuse your tunic. Give to everyone who asks you, and do not ask for your property back from the man who robs you. Treat others, as you would like them to treat you. And if you lend to those from whom you hope to receive, what thanks can you expect? Even sinners lend to sinners to get back the same amount. Instead, love your enemies and do good, and lend without any hope of return.<sup>2</sup>

Christ also taught us to "... be on your guard against avarice of any kind, for a man's life is not made secure by what he owns, even when he has more than he needs."<sup>3</sup>

Christ's message certainly seems to conflict with Adam Smith's belief that striving for personal gain is a natural human trait which should be given almost free reign in society. But though the underlying moral basis of Christianity and capitalism may contrast sharply, it can be argued that the outcome of an economic system based on capitalism has socially redeeming characteristics.

### The Challenge

To understand this argument, let us set the following goal: To better society and benefit our fellow human beings. Attaining this goal by living a Christian life seems straightforward. But how can one achieve such a goal in a capitalistic society where self-interest is the ruling economic dogma?

Adam Smith answers this question in the most famous passage from the *Wealth of Nations*:

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<sup>1</sup> Adam Smith, *The Wealth of Nations*, Modern Library Edition (New York: Random House, 1937), p.14

<sup>2</sup> La Bible de Jerusalem, Revised Version, Luke VI: 34-38.

<sup>3</sup> La Bible de Jerusalem, Revised Version, Luke VII: 15-18.

... every individual necessarily labors to render the annual revenue of the society, as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it... he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.<sup>4</sup>

This principle was vividly demonstrated to me when I was an undergraduate student in Chicago during the "Great Snowstorm" of 1967 - a storm not to be confused with the "Great Chicago Snowstorms" of 1968, 69, 70 ... 81.

At the time, I was living in what generously could be described as a hovel. It would not be wide of the mark to conjure up images of the bleaker passages in a Dickens novel to have a reasonably correct impression of the place. My routine in life consisted of going to school or work and studying endlessly, or so it seemed. One of the simple joys in life that helped to break the monotony was my noonday trip to the local deli where the greatest Italian beef sandwiches in the world were made.

During one weekend in January, as I crammed for final exams, I anxiously awaited my noon day repast. At 12:00 sharp, as I opened the door for what would be a short stroll to "Salvatore's Deli", a solid wall of snow blocked my path. Now for anyone who has lived in Chicago for, at least, a couple of years, this kind of experience is not uncommon. What made this situation unique, however, was my discovery so late in the day of the snowstorm's occurrence. Since my windows were boarded up to prevent cold from entering (a sort of makeshift storm window), I had no idea a massive storm hit the city the previous night.

Quickly sizing up the situation, I chortled as it dawned on me that final exams would be cancelled, and I would have another week before I again would have to start cramming. Upon further reflection, my initial elation was dampened as I looked at my inventory of foodstuffs and realized that restocking would be my first order of business. Worse yet, "Salvatore's Deli" would undoubtedly be closed since Sal would never be able to make it in from the suburb where he lived. My only recourse would be to shovel myself out and go to the nearest "Mom and Pop" grocery store.

After a good deal of shoveling and trekking through the snow, I finally reached the store. But what I found looked like "The Twilight Zone." Shelves were emptied and all that remained were several tins of anchovies and cans of artichoke hearts. Panic was beginning to set in and a cold sweat that defied the elements broke out over my face. There was only one other grocery store in the area, but I held out little hope that the scene would be much different. You can well imagine my surprise, therefore, when I entered the store to find an adequate, albeit depleted, supply of groceries on the shelves. It was like a scene from a Keystone Cops movie as I sped around the aisles stocking up on Cokes, Twinkies, Snickers, and other necessities of life. But, again, my brief moment of joy was dashed as I entered the checkout line and saw a sign that read: "Prices for all groceries are temporarily doubled." My joy gave way to outrage as I stormed out the door empty-handed.

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<sup>4</sup> Smith, p. 423

Several feet from the door, however, as I gazed upon miles of snow and drew several breathfuls of icy air, principles and ideals gave way to reason and survival. I returned to selectively purchase my needed provisions. The only "idealism" that remained within me was my ability to muster up some grumbling as I trekked back home through the snow.

A footnote to this story is that the store stayed open and was somehow able to sell groceries during the entire week that normal deliveries were cut off. It was only later that I found out that the grocery store owner had paid children to take their sleds to the closest vegetable and meat warehouse to stock up on whatever the children could buy and fit on their sleds.

### **Capitalism in Action**

*The Wealth of Nations* is replete with examples like my snowstorm experience. But, perhaps because of the eighteenth-century setting Adam Smith's examples never affected me as much as my first-hand experience with the workings of a capitalistic system. What greater support could I have for the theory that private vice leads to public virtue? Here we have on storeowner who in the interest of fair play does not change his prices but quickly sells all his merchandise and closes shop for the rest of the week. I am sure he experienced a great feeling of self-satisfaction because he had done the decent and proper thing by not exploiting his customers during a time of urgent need.

In sharp contrast to this example of high-minded idealism, we have the case of a capitalist who would seize upon any opportunity to maximize profits. Yet, in doing so, he forced people to limit their purchases to what they really needed. In addition, the higher prices allowed the greedy grocery owner to pay children to put their sleds to a new use, thereby increasing the supply of food available for sale. As Adam Smith stated in the quote noted earlier, "By pursuing his own interest he frequently promotes that of society more effectually than when he really intends to promote it."

It could be argued that high prices, while admittedly containing some inherent benefits, discriminate against the poor. In addressing this argument, I can assure you that no one in the neighborhood was poorer than I. Yet I benefited greatly from the forces of self-interest. I should also note that high prices give way to low prices as capitalists scramble to supply more of the high-priced good to increase their profits.

What we see here is capitalism in action, and at first glance, it is not a pretty sight. Capitalists motivated by greed seek their own gain by maximizing profits. The forces of the market place, however, convert this private vice into public virtue. Thus, living a life based on greed, which appears to be the antithesis of Christian morality, can do quite well in accomplishing the goal set forth above—that is, to better society and benefit our fellow human beings. In fact, Adam Smith's contribution in the history of intellectual thought was not inventing capitalism but providing theoretical insight into how self-interested individuals ultimately benefit society more than they benefit themselves.

I would now like to carry the argument one step further. Not only do I believe that self-interest benefits society, but I also contend that it is the only efficient way goods can be produced and distributed in a modern economic system.

To see this, think of all the goods purchased in our society. Think of all the goods we consume on a daily basis. Do we know who produced these goods? Do we even know how or where they were produced? Probably not. A modern society required specialization of labor with millions of

individuals contributing to the production of goods and services. This contribution on the part of laborers does not come about as a result of an altruistic desire to serve society, but from a basic desire to serve oneself.

At times, of course, altruism can serve as the prime motivating force for individuals. This force is strongest in relationships between family members or friends, but it can also exist for others. An example of this is someone who contributes to "Food for the Hungry." Indeed, contributing to help relieve world hunger is a charitable act that embodies the love, compassion and respect that a person can feel for humanity. Yet, such a charitable act is essentially a voluntary redistribution of income. It does not, however, represent the actual production of the charitable good. Ultimately, any relief of world hunger comes about as a result of countless farmers, food processors, distributors, shippers, and other disinterested individuals producing the food that charitable individuals may purchase for the hungry.

Adam Smith said all of this in a more lucid and eloquent way in my favorite quote from *The Wealth of Nations*: "In civilized society he [man] stands at all times in need of the co-operation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons." (Smith, p 14)

It is unfortunate indeed that "greed" has acquired such a bad connotation. Without it, we would not have indoor plumbing, clock radios, or even water in Southern California. Alas, that means some of us would be in Chicago suffering through a few more "Great Snowstorms"!

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