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Is Capitalism a Belief System?

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Are capitalist markets shaped by beliefs about the fundamental character of human life and its moral values and ideals? If the answer is "yes," one can make a normative evaluation of such markets. One can ask whether the principled beliefs—beliefs about right and wrong, good and bad—that purportedly inform capitalist markets are correct and, if they are, about the degree to which capitalist markets actually manage to conform to them. In particular, theological beliefs about human nature and about how humans should live become pertinent to the normative evaluation of capitalist markets. Religious people on theological grounds can assess the respects in which they are good or bad and suggest ways to make them better—more ethical, humane, and conducive to the common good.

To answer "yes" is to assume that capitalist markets require moral justification, and that they are therefore, in principle at least, neither essentially amoral nor necessarily immoral. The current global dominance of capitalist markets—the simple fact that they blanket the globe—is, to begin with, no argument in their favor. Alternatives exist to capitalist markets. Not all societies have been or are presently organized around the production of goods for sale in markets of a capitalist sort, where the supply of goods produced and the demand for them find their regulation by way of an impersonal pricing mechanism.

For example, at other times and places and even now within certain sectors of our society—notably in some impoverished urban areas[1]—economic well-being is determined in the main by whom one knows and can enlist to do unpaid favors. Those who help you expect, apart from any specifiable contract or overt calculation of possible future profit, to be likewise helped for free, either by you or by

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[1] See, for example, Carol Stack, *All Our Kin* (New York: Basic Books, 1997).

someone else, at a later date. Economic well-being is determined here by the extent of one's social ties and by one's social standing within them and not by one's purchasing power. The social assets that make for economic well-being are determined not so much by privately accumulated wealth, as by the favors one has already done, with apparent lack of self-concern, for others.[2]

Capitalist markets are not inevitable, then, but optional artifacts or institutions of human construction that, because of that very fact, require a reason for being. They deserve to exist only to the extent they are good or valuable. Whether capitalist markets came into existence by deliberate planning or not—through political policies designed to free up markets (from, say, traditional social constraints) or through haphazard piecemeal processes (in response, say, to increased population density)—their right to continued existence is to be judged by rational criteria, according to the good they serve and further.[3] Such a demand for reasons is fully in keeping with Anglican principles. As Richard Hooker maintained, God acts for reasons; and therefore the fact of anything, even were one to believe it mandated by God, does not exclude the propriety of our asking why God so mandated it: for what good reason?

In the second place, capitalist markets cannot avert normative evaluation by claiming value neutrality. A capitalist market is not simply an amoral technical apparatus for allocating resources, one that leaves completely open what human beings want and judge to be of value to them. A capitalist market is not merely a morally neutral means to ends that alone require normative assessment. It is not simply a way of getting efficiently from others, at the least possible cost to oneself, whatever it is one decides one wants, given the values one holds. Capitalist markets always have the potential as well to become the organizing center of human life—a potential realized all over the world today—and in that capacity, by virtue of forming one particular way of life among others, invite normative evaluation. The market constitutes a certain manner of living that displaces and uproots others, often through a great deal of social disruption and cultural and normative disorientation of what preceded it. Why, one must ask, should one live this way rather than the way people did before the

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[2] See Karl Polanyi, *The Great Transformation*: *The Political and Economic Origins of Our Time*, second paperback edition (Boston, Mass.: Beacon Press, 2001), chap. 4, esp. 48–49.

[3] See Lionel Robbins, *The Theory of Economic Policy in English Classical Political Economy* (New York: St. Martin's Press, 1963), 56.

coming of a market in which impersonal exchanges become the key to economic well-being and everything that makes for human profit has its price? Can a market society even be worth the costs in human suffering that attend the transition to it, costs that the market itself never seems adequately to take into account?

Even if the market is a morally neutral space when considered quite narrowly and abstractly—that is, simply on its own terms, as a technical means for organizing the exchange of goods—markets are never in fact simply self-sufficient, capable of running on their own steam, but presuppose for their actual operation dimensions of life with evident normative content; those dimensions of life shape the market's direction and thereby establish the concrete way that life is led in a market society. The market is found embedded in a host of other social forms and institutions, which set the preconditions for its operation. It cannot operate at all without families (of some form or other) raising and nurturing, culturally forming, and providing continued sustenance to its labor force. It cannot operate well apart from the institution of private property rights, some impartially applied rule of law regarding the character and enforcement of contracts, a stable political system capable of resisting the opportunistic impulses of powerful people, and so on. Because it is embedded within them, these other social forms and institutions give market capitalism concrete shapes of more particular sorts. Capitalism in China or Japan is not the same as capitalism in the United States, nor is capitalism in the U.S. much like the capitalism one finds in the social welfare states of Scandinavian countries, and so on. Cultural, social, political, and legal differences across countries are obviously an influence here. So are political decisions within them, influenced in part by moral judgments. For example, left open within a basically capitalist system, and determining its more particular character, are such matters as: the degree to which incomes are redistributed via the tax system, whether low inflation or low unemployment is the highest priority of monetary and fiscal policy, whether a concern to alleviate poverty trumps worries about moral hazard, and so on. These are public policy matters, susceptible in some degree to normative direction.

By becoming the iron cage that Max Weber speaks about, capitalism may now float free from the particular beliefs and values upon which it used to depend, and in that sense capitalism may no longer be the belief system it once was. In order to get started, capitalism perhaps needed people who were already prone to thrift for their own reasons, people with a penchant for hard work in disciplined fashion and willing to delay immediate gratification in pursuit of long-term goals—norms for behavior that Weber argues were promoted in Europe primarily by Calvinist beliefs about election and about the sort of life that was a sign of one's election.[4] Once, however, capitalism is the only game in town, one's beliefs and values no longer matter: like it or not, one has to work within the system, accommodate oneself to it, or starve. Such is the iron cage. If the factory line requires single-motion repetitive tasks with a very narrow objective—pinhead making—one has no choice but to become a person willing and able to regulate one's behavior accordingly. If, in today's business climate, just-in-time production and changing product lines make flexibility and continual readjustment to different tasks the new norm for the workforce, then one must be flexible and adaptable, whatever the sort of life to which one's beliefs might otherwise incline one. But this fact—the fact that capitalism (of whatever sort) becomes an implacable juggernaut once it is up and running—hardly makes less urgent, indeed makes only more urgent, the moral question of whether what capitalism requires is really the best way for human beings to live. If, for example, as the Archbishop of Canterbury has reminded us, the insecurities, instabilities, and continual dislocations typical of current economic life prevent us from telling a coherent narrative about our lives, is that really compatible with the sort of creatures we are, or simply a recipe for an inhumane life?

In the third place, I assume that basic market principles are not simply immoral, predicated on the widespread fact of vice and encouraging it; if that were the case, there would be little point in raising for capitalism the issue of building an ethical economy. An ethical capitalist market would be an oxymoron. Along these lines, it is often maintained that such markets assume purely self-interested, that is, selfish, actors, the pursuit of exclusively materialistic values, and a socially irresponsible go-it-alone individualism.[5] Capitalism feeds, in short, on our immoral impulses. And clearly much of the configuration of capitalism in the United States—and globally under the dominance of the so-called Washington neoliberal consensus—confirms this impression.

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[4] Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, trans. Talcott Parsons (New York: Charles Scribner's Sons, 1958).

[5] For an argument to the contrary that informs my analysis below, see Paul Heyne, *"Are Economists Basically Immoral?" and Other Essays on Economics, Ethics, and Religion,* ed. Geoffrey Brennan and A. M. C. Waterman (Indianapolis, Ind.: Liberty Fund, 2008).

All that free markets absolutely require, however, is individuals in pursuit of their own goals; those goals do not have to be selfish or greedy ones. Self-interested action becomes equivalent to selfishness only if one cares only about oneself. Human beings typically pursue, however, often in part for moral reasons, goals that include the well-being of others—the well-being at least of the family and friends they love—and the market in that case becomes a way of achieving those ends. One works to support one's family, for example. Self-interested action is not simply the equivalent of benevolence, any more than it is the equivalent of selfishness. But self-interest is compatible with benevolence if, say, for moral reasons, one takes a personal interest in benefiting others. As the eighteenth-century Anglican bishop Joseph Butler reminds us in his sermons, human beings are characterized by self-love, an interest in furthering their own happiness, but that is no reason for thinking that acts of benevolence, in which we work for the good of others, cannot be part of what makes us happy.[6]

For similar reasons, the market need not be predicated on materialism; it simply presumes people are motivated to better their condition, to improve themselves and to "be more,"[7] and that the accumulation of material wealth, under market conditions in particular, is generally conducive to that betterment. This hardly implies, however, that people engage in market transactions to meet only their material needs; once basic needs for food, clothing, and shelter are met, new social needs typically surface—for, say, entertainment or social prestige or intellectual enlightenment. While their moral character might remain in question, none of these attempts to better one's condition need be especially materialistic. Nor does the fact that people engage in market transactions in the attempt to improve their condition imply that people want above all else to maximize their monetary wealth or income. They may simply be seeking economic security as a means to, or at least a necessary precondition for, the pursuit of ultimate life goals of a nonmaterialist sort. Not having to worry all the time about one's material well-being—where, for example, one's next meal is coming from—may be a means to the ultimate goal of gaining self-respect, or simply what allows one to turn one's energies more fully in the direction of goals one views as finally more important—say, in the direction of a more virtuous, wise, or pious life.

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6 Joseph Butler, *Sermons* (New York: Robert Carter, 1844).

7 See the 2009 Encyclical Letter of Pope Benedict XVI, "*Caritas in veritate*," section 29.

Lastly, the market is individualistic in that it requires goal-directed behaviors, and individuals generally are the only ones who intentionally act in pursuit of goals. It is also individualistic in assuming that individuals themselves are usually the best judges of their own interests. But it is very important to see that markets nonetheless presume our dependence on one another, rather than our ability to rely simply on ourselves and our own resources. Markets in fact highlight the way in which we all depend on one another for the achievement of our individual ends. I depend on the cooperation of others to achieve my goals in that, for example, there have to be products on the market whose purchase in some way contributes to the pursuit of those goals. At the same time, others depend on my cooperation to achieve their ends in that, for example, the producers of those products turn a profit only if people like me want to buy them. In a market society one depends on others for almost everything—food, clothing, and housing. One makes almost nothing for oneself. The productive resources I have, moreover, are employed within the market's highly refined division of labor to such specialized effect that I am forced to depend on a host of others. I may produce that one thing I am best at, but I cannot live off it apart from my exchanges with a multitude of others producing everything they are good at. And the others upon whom I depend are not simply numerous but extend quite widely, beyond nearby family, friends, and neighbors, to encompass potentially everyone on the planet in globalized markets.

This social character of the market makes it a moral matter. The market is not just a means to goals subject to moral evaluation, of special interest because of its purported efficiency. It is not just that under free market conditions of perfect competition one can expect to purchase for the least possible cost the products that contribute to the pursuit of what, one might hope, are morally evaluated goals. The market is, moreover, a particular system of social cooperation, and as such naturally raises questions about our duties and responsibilities to one another.

Instructive in this regard are early modern reactions in Europe to a burgeoning new market or commercial society (as it was called). The simple fact of its being a market society did not persuade these people of its importance, since as a recent, perhaps still fragile innovation it could not be taken for granted. Nor was its unusual capacity to generate wealth the only matter that garnered interest—although this was clearly part of efforts at the time to justify its existence.[8] The possible moral attractions of the market were a great part of its appeal; it was the market's potential moral benefits that made it seem a form of social organization or way of life worth keeping.[9]

Crucial to this sense of capitalism's moral potential was the belief that markets had the capacity to channel in socially beneficial directions the behaviors of individuals acting in their own interest.[10] Of moral import, first of all, was the sheer fact of social cooperation on such a basis. Rather than working against or blocking other people's goal-directed behaviors, people in capitalist markets naturally cooperated or assisted one another in pursuit of their respective goals, because of the way capitalist markets intertwined their achievement of them. Furthering one's own interests now depended on whether other people could further theirs, and the reverse—they furthered their own interests only as one was able to oneself. The particular character of this social cooperation was of added moral significance; this sort of social cooperation was based, in principle, on expectations of mutual benefit, rather than one-sided coercion. One got ahead with the help of others not by simply exploiting them or stealing from them or forcing their cooperation with threats of violence, but by way of voluntary exchanges, which all parties entered in hopes of being made better off thereby. Because the market made one recognize the degree to which achievement of one's own ends was dependent upon achievement by others of theirs, one entered of one's own free will, for one's own sake, into market exchanges with them. Finally, the socially beneficial outcomes of market cooperation were of moral interest. The market made everyone better off than they would otherwise have been if they tried to go it alone or live simply with the help of those near and dear. In a market society, the lives of everyone might advance beyond the "wretched and almost animal life" that faced so many in circumstances where individuals had to prepare for themselves, with the help of only family, friends, and close neighbors, everything of which they had need

8 See Adam Smith, *The Wealth of Nations*, ed. Edwin Cannan (Chicago, Ill.: University of Chicago Press, 1976).

9 See, for example, Benjamin M. Friedman, *The Moral Consequences of Economic Growth* (New York: Vintage Books, 2006), 38–42.

10 See Steven G. Medema, *The Hesitant Hand: Taming Self-Interest in the History of Economic Ideas* (Princeton, N.J.: Princeton University Press, 2009).

for their own sustenance and preservation.[11] Their material lives would be improved—they would be better fed, clothed, and housed—but along with those material improvements would come greater possibilities of "civilized" existence for far greater numbers of people: everyone might have a better chance of contributing to the arts, to science, to spiritual life, as their talents warranted. The market saved one, in short, from constraints placed on pursuit of one's goals by the limited character of one's own direct supplies and talents and allowed one to benefit from the combined resources and skills of a great many others. Indeed, the whole of the productive powers of humankind were increased the more they were pooled via market transactions that drew upon highly refined divisions of labor. The quality, quantity, and kind of goods the market could provide were entirely beyond the reach of, or at least extremely difficult to achieve by, individuals acting alone or in partnership only with nearby neighbors and kin.

On questions of individual morals, respect for the moral character of the market need not imply an especially high moral regard for self-interested behavior and its usual outcomes. Self-interest, when left to its own devices, clearly brings along with it socially destructive possibilities that people often enough seem willing to act upon: people often try to further their own interests at the expense of people whom they do not care about, when they think they will suffer no adverse consequences from doing so. Moral and religious norms are sometimes effective in keeping people from harming those they do not love in pursuit of their own goals, but the market gives them a self-interested reason not to: one needs the people one does not love, and only when one contributes to their pursuit of their interests are they best able to contribute to one's own.

One good thing about the market, then—"good" in a moral sense—is the way that, often in league with other social institutions working for the same ends, the market channels self-interest away from its socially destructive potentials. For example, it is in every business person's narrow self-interest to conspire with others in the same line of work to raise the price of products or services beyond what the market would otherwise bear, thereby diverting resources from what consumers would rather spend money on and profiting in that sense at their expense. But a free market, ironically, is one

[11] Benedict de Spinoza, *A Theologico-Political Treatise*, trans. R. H. M. Elwes (New York: Dover, 1951), 73.

that restricts the freedom of business people to act in this narrowly self-interested way, usually with the help of the state and legislation to outlaw such collusion. Similarly, self-interested people are often tempted to cheat and to renege on their contractual obligations when it is expedient and they can get away with it, but one responsibility of the rule of law within market societies is to make them think they will not get away with it, and that doing so is therefore not in their best interest.

Respect for the moral character of markets that are based upon self-interest is for this reason quite compatible with a higher respect for the moral virtue of benevolence as a principle for social cooperation. Because humans are so dependent on one another for assistance, and, as a result, so easily harmed by one another's actions, the best, most "agreeable" society would arguably be one "where the necessary assistance is reciprocally afforded from love, from gratitude, from friendship, and esteem," a society in which "all the different members of it are bound together by the agreeable bands of love and affection, and are, as it were, drawn to one common centre of mutual good offices"—a society, in short, where everyone does good to everyone else because they love one another.[12]

The problem, however, for benevolence as a principle for widespread social cooperation is that even when people believe in a norm of universal benevolence obligating them to love everyone and do them good, people are still in fact inclined to act in partial fashion, with favoritism toward themselves and the people closest to them.[13] A norm of universal benevolence is typically not sufficient to motivate people to act accordingly; the extent of the people we actually make efforts to benefit out of concern for them is usually quite limited. A society actually held together by benevolence is therefore bound to be quite small and bound to miss out, thereby, on the enormous social benefits of more wide-ranging forms of social cooperation like markets, which are capable of including far-off strangers of diverse talents and resources.

Moreover, even if people are inclined to be universally benevolent, even if, that is, they are trying in fact to do good to everyone without exception, knowledge problems surface to mar the effort in

[12] Adam Smith, *The Theory of Moral Sentiments*, ed. D. D. Raphael and A. L. Macfie (Indianapolis, Ind.: Liberty Fund, 1982), 85.

[13] See Medema, *Hesitant Hand*, 18–19.

any human society of any extent.[14] One does not know enough about the great majority of other people to judge at all well what would benefit them at any level of personal specificity. The wider a society of love becomes the less likely it is that one will be able to gather accurate information about the specific wants and needs of particular individuals, since many of them must remain relative strangers. And even if one could figure that out, how one could actually get them everything they need and want remains a puzzle.

The moral significance of the market lies in the way it promises to overcome these limitations of both love and knowledge, so as to produce outcomes something like those of a universal society of love. In a market society one benefits others without needing to care about them; one serves their interests in the market exchanges they enter into for their own benefit without having the intention of furthering their good but only one's own and that of the people one loves. Nor need producers who meet consumer demands presume to know what is in the consumers' best interests; consumers make their own decisions, and producers figure out what those decisions are and respond appropriately by putting on the market what consumers want—not by getting to know them better as people, but by way of an impersonal pricing mechanism. People's wants are signaled by their willingness to pay; the more people are willing to pay, the more such products become available for purchase, through the uncoordinated scramble of individual producers all trying to enter the market for such products and make a profit thereby. To the extent prices accurately reflect the real needs and wants of people, the problem of trying to do good without knowing how to do good is remedied by a market in which supply rises to meet demand despite the absence of any coordinated moral effort in which the explicit intention is to benefit others. In sum, markets are moral to the extent they allow for the mimicking or good imitation of the ideal of a universal society of love under conditions of partial benevolence and limited knowledge.

Finally, while the market may not do much to make people more benevolent, it does not simply leave the morals of individuals where it finds them. It can, for example, help foster a spirit of negotiation and compromise. To the extent one is willing to buy from anyone who offers the lowest price or sell to anyone who is the highest bidder, a capitalist market certainly helps break social prejudices of exclusion.

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14 See Heyne, *"Are Economists Basically Immoral?"*, 108, 178.

Such a market prompts one to have to do with those one does not like and for whom one feels no personal affinity in virtue of shared background or experience.[15]

Now as far as it goes and to the extent any of this is true, there is not a great deal to object to here on religious grounds. Religion, importantly, would just give a particular twist, a deeper and fuller sense, to many of the moral concerns that underlie markets. For example, the market's respect for the freedom of individuals to decide for themselves their own life course is in keeping with, and could be deepened by, a religious understanding of the dignity of human persons. Typical of Christian accounts of human dignity is the view that every human being is made in the image of God in virtue of characteristics that render humans capable of shaping the character of their own lives in person-specific ways. Because, in imitation of God, humans are made creatures of reason and will, creatures with rational volition, they are called to determine what is, by their own lights, really good and worthy of love, and to orient their lives accordingly around such judgments.

Moreover, the human impulse to better one's condition that capitalist markets suppose might be viewed in religious terms as a divinely ordained vocation, a way of participating, indeed, in God's own fundamental project of benefiting the world God creates. The intent of a benevolent God to extend the good of God's own life to creatures is carried out not simply by God's creating us to be particular finite versions of God's own goodness, but by God's generous inclusion of us in the project of bringing to fruition the goodness that God intends for us. God creates us to be the active agents of our own lives so that we might contribute to, be included within, the divine project of creative benevolence through our own efforts to better ourselves, to flourish as best we can as the creatures God created us to be. Part of the way we imitate God, indeed, is in acting to bring about the good for ourselves that God desires (and thereby helping others in their own efforts to realize their good).[16]

As capitalist markets also seem to recognize, Christians believe humans cannot better their condition in isolation from one another.

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[15] Friedman, *Moral Consequences of Economic Growth*, 41.

[16] See, for example, Thomas Aquinas, *Summa Contra Gentiles, Book Three: Providence,* trans. Vernon J. Bourke (Notre Dame, Ind.: University of Notre Dame Press, 1975), part 1, chaps. 19–22; and "*Caritas in veritate*," sections 16–18.

Because we are relational creatures, made by God for relationship with one another, we flourish only as we give and receive from others within an overall environment supportive of human flourishing. Indeed, we cannot flourish as individuals apart from the flourishing of the whole because we make up one body with it. We are one body in Christ. And therefore what affects others, for good or ill, affects oneself as well. The flourishing of the whole depends on the flourishing of all its parts, and when the welfare of the whole declines, the capacity of any of the parts to benefit is thereby diminished. One's own welfare and that of the whole, in short, are inseparable. Moreover, along the lines of what one finds in capitalist markets, here too this body flourishes when as extensive as possible, bringing into unity a myriad of diverse gifts, so as to encompass in principle the productive powers of the whole of humanity. In neither the body of Christ nor capitalist markets does it seem best to limit human cooperation to closed communities excluding the stranger and those for whom one might otherwise feel distaste for cultural, ethnic, or social status reasons—all those who make up one's natural enemies.

Finally, while Christianity often expresses far greater reservations about prudential calculation in general than is characteristic of the market (we hear in Matthew 6 and again in Luke 12 that we are not to worry ourselves about where our food and clothing are to come from—God will provide all, and much more than we expect, in due time),[17] Christianity presumably would have little objection to measuring self-interested behaviors against the far greater moral objective of benevolent love. So much the better for self-interest if an economy organized through the self-interested behaviors of individuals manages to approximate a society of love without being directed by norms of love.

Christianity would also no doubt share with a moral evaluation of the market in terms of its abilities to approximate love a sense of how difficult a society of love is to achieve. While clearly the ideal, such a society is no mean feat. Although Christianity may hold out in a more uncompromising way for love—we are confident we will at some point achieve it with God's help—it is certainly as realistic as the market about all the impediments here and now to it. The history of Christian thought comprises indeed one of the most comprehensive and detailed accounts of human failing ever assembled. Even what it

[17] See Heyne, *"Are Economists Basically Immoral?"*, 72–73.

says about God is arguably simply a foil to make clear where humans fall short: we are not all-loving and all-knowing, as God is. Humans do not love others as they should, and they cannot, as Augustine for one so eloquently argued, make themselves do so through any effort of their own to improve. They are partial to themselves and those with whom they closely identify in ways that effectively blind them to the suffering of a vast number of others. They believe themselves to love when they act in fact from other motives. Even when well-intentioned they rarely manage to do good to others. They deceive themselves about what is in the best interest of others out of simple ignorance or an arrogant overestimation of their capacities to figure this out on their own. They are intellectually ill-equipped and sinfully disinclined to consider fully the consequences of their actions. The good they would do, they do not do, because they remain of two minds and act at cross-purposes with their best intentions, whenever, for example, nagging worries arise about the degree to which their own material or social interests will also be served. And so on. In sum, Christians hardly expects a society of love to be easily implemented!

If the market were able to make individual self-interest converge with the good of society as a whole, one might celebrate it for any number of the above-mentioned religious reasons. But real questions arise as to whether markets in fact effectively do this or are in principle capable of it. Religion helpfully enters the picture here to press such questions.

Even Adam Smith recognized quite importantly that a market propelled by individual self-interest would not produce the most social beneficially outcomes where systematic forms of injustice prevailed. Private and public interests are very unlikely to converge where, in other words, one group of citizens is being harmed for the primary purpose of advantaging another.[18] Under such conditions, one segment of society gains, but society as a whole is made worse off.

For example (an example that Adam Smith does not press), if potential laborers are allowed to fall into circumstances of destitution when out of work, an injustice is done not only to the laboring population. The social benefits to the system as a whole are decreased thereby, despite the fact that employers gain by being able to hire workers extremely cheaply. An injustice is perpetrated against laborers in that working for wages in such circumstances amounts to wage

[18] See, for example, Smith, *Wealth of Nations,* Book IV, 127, 171–172, 179–181.

slavery; destitute people are forced to enter into any wage contract no matter how low the wages offered or bad the working conditions. Inefficient allocation of human resources results: workers lose the sort of freedom that markets would otherwise afford them to apply their talents as they think best. Even those who work remain in poverty because of the low wages they receive, and therefore workers remain indolent and apathetic about their exertions, since they promise no improvement in their condition.[19] Since wage laborers make up the great bulk of society, the well-being of society as a whole must suffer: "No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable."[20] States therefore generally maintain their populations above a certain poverty line by means of some sort of public provision whose extent and character will not discourage those who can from seeking work.[21]

For Smith the primary case of injustice had to do with privately or publicly secured monopolies for production and trade. By cornering the market for certain goods, or otherwise restricting competition from other producers to ensure an unnaturally high profit for a limited group, one perpetrated an injustice against consumers by making them pay more than they would otherwise have to, and an injustice against other potential producers by excluding them unfairly from entrance into markets in which they might otherwise have profited. The result of monopoly was a market failure in resource allocation: capital pooled to too great an extent at the site of unnaturally high profit irrespective of real underlying demand or the actual comparative advantage of the producers profiting. While having domestic application, this connection between injustice and decline in the social benefits of markets was importantly applied by Smith to the mercantilist policies of early modern colonialism. It was not only unjust to expropriate Spanish colonies of their gold and silver using slave labor; it was economically stupid, leading to a devaluation of those metals in the home country and inflated prices for everything else. Beggaring others, colonial powers beggared themselves. Similarly, it was not merely unjust of Britain and Holland to limit exports from their colonies to raw materials for exclusive sale in home markets, thereby

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19 Robbins, *Theory of Economic Policy*, 71–72.

20 Smith, *Wealth of Nations*, Book 1, 88; see Robbins, *Theory of Economic Policy*, 70, 72.

21 For arguments like this by classical economists, see Robbins, *Theory of Economic Policy*, 98–100.

forcing the colonies' sale of those exports too cheaply, or to limit their colonies' purchase of manufactured goods to those offered to them for sale by their home countries, thereby making the colonies buy them too dear. The home countries themselves suffered from these unfair terms of trade: they lost out on the benefits of trading with the more fully developed market societies that the colonies could have become.

What constitutes injustice—how injustice is more exactly defined and applied in particular cases—is of course a matter for dispute. Religion is important here for insisting that such matters be considered with care and according to the very highest standards of justice. Quite possibly, for example, present terms of global trade are a neoliberal version of the unfair terms that Smith criticized, although few neoliberal economists press the point. So-called developing nations often seem stuck in the economic predicament of being restricted to the export of raw commodities while being forced to import most high value-added goods, without any real potential for future internal diversification of their economies. Again, the disadvantage to them of having a stagnating economy would be matched (to some extent, though certainly not in terms of human suffering) by the loss of the benefit to developed nations of more robust domestic markets for goods of all kinds in developing ones. Or—to take another case where one might press questions about possible injustice—while laws respecting private property have to be fairly enforced for the efficient functioning of markets, why not consider whether the division of property presumed by such laws is not itself based on some underlying injustice, the final product of earlier forcible expropriation, theft, or fraud? Is there any real reason to think that the present distribution of private property is more conducive, under market conditions, to the economic welfare of society as a whole, than a potentially more just one would be?[22] Why not, furthermore, calculate the costs in loss of productive power to society of workplace discrimination or grossly unequal opportunities for economic advancement? Can it really be in the economic interest of society as a whole to lose the human capital of those who cannot manage to find their way out of grinding poverty through the substandard educations our public school systems presently offer?[23]

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22 Robbins, *Theory of Economic Policy*, 64–65.

23 See Arthur M. Okun, *Equality and Efficiency: The Big Tradeoff* (Washington, D.C.: The Brookings Institution, 1975), 75–82.

Even were underlying structural injustices not an issue, markets fail to produce optimal social outcomes in any number of commonly occurring circumstances, which therefore invite religious and normative response in the effort to improve matters, usually by way of some sort of quite justifiable government intervention. Self-interest and the public welfare fall out of sync, for example, whenever benefits and costs are not effectively captured by market prices: public goods such as roads and bridges are a very common example of the former; environmental damage and resource depletion, all too common and urgent examples of the latter. Markets also fail when coordinated action problems arise, in the way some economists argue they did in the recent credit crisis.[24] Every CEO had an individual interest in encouraging subprime mortgage lending and the purchase of complicated derivatives based on them—mortgage-backed securities and credit default swaps—even if those CEOs suspected such financial practices were fundamentally unsound and would in the long run prove unsustainable. Because no one knew when the collapse would come and one might simply hope to get out in time to avoid disaster oneself, it hardly seemed reasonable, on self-interested grounds, to forgo the incredible profits one's competitors were making in the meantime through the writing and repackaging of these loans. This is a typical coordinated action problem in that it does not seem to make sense to stop doing what everyone else is doing, even if one would like to, unless everyone else were to stop at the same time too. Getting everyone to stop at once—or not to start at all—and putting them all on some other path of sound mortgage writing requires governmental, nonmarket intervention that is normatively directed as a matter of policy even if the means to fix the problem are not. In such cases the end of social benefit has to be a matter of explicit intention even if the solutions offered do not involve trying to get people to regulate their behaviors according to more socially responsible norms, but simply involve changes to the legal, social, or political environments that alter what people now find to be in their self-interest. In times of market failure such as these, religion can at least play the crucial role of helping to raise normative self-awareness about markets, reminding people, bringing forcefully to their minds, what markets are for—the welfare of society as a whole.

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[24] See Richard A. Posner, *A Failure of Capitalism* (Cambridge, Mass.: Harvard University Press, 2009); and John Cassidy, *How Markets Fail* (New York: Farrar, Straus and Giroux, 2009), esp. chaps. 13–14.

Finally, whether the coordination of self-interested actors in the market has the capacity to converge with the general welfare depends in principle on how welfare or well-being is defined. Religion, by urging us to consider the highest standards of comprehensive or universal well-being, would call the market to the highest account. Does the general welfare simply concern our nation, or everyone on the planet? Does it include only those presently living or encompass the dead and the not-yet-born? Is the welfare of humanity alone at stake or that of the whole planet that sustains human life?

Religion also presses us to consider forms of welfare that the market has trouble counting or doing justice to. How, for example, can costs or benefits to future generations be tallied in monetary terms when future generations do not yet exist and we have no good idea of what their interests will be in the new situations in which they will find themselves?[25] While land and humans are treated as commodities within a capitalist market, perhaps they are treated that way only at their peril, with destructive costs that the market does not figure into its calculations. They have not in fact, like other commodities, been produced for purchase in the marketplace, and perhaps treating them as if they had been is to do them a fundamental disservice.[26] Thus, an efficient market economy is usually understood to be one that makes rapid economic transitions in response to new market conditions such as altered demand or the development of new trading competitors, but a market that adjusts instantaneously is often a market that brings massive suffering to human beings and irrevocable damage to the environment. Because they are not simply commodities, both humans and the environment are overburdened by rapid change. If large numbers of products are suddenly forced to sit in warehouses and docks rather than move to market to be sold, that is one thing; if large numbers of people are suddenly made idle, forced to stay at home because they have nowhere to work, that is an entirely different matter. Governments usually step in, therefore, in times of economic transition to slow down the rate of change and allow people and places time to adjust. If costs like these to human beings and the environment from market adjustments were counted, could those processes of market adjustment really be considered efficient? Isn't

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[25] See Robert M. Solow, "Sustainability: An Economist's Perspective," in *Economics of the Environment*, ed. Robert N. Stavins (New York: W. W. Norton, 2000), 131–138.

[26] This is one of the major points of Polanyi, *Great Transformation*.

the assumption of market efficiency generally predicated on ignoring such costs?[27]

Not pricing environmental damage and resource depletion in market terms is often thought to be the culprit in their case: not weighing those costs in monetary terms makes the market more environmentally harmful than it would otherwise be. Although environmental costs have not hitherto been factored into prices, they could be; their being so counted is merely a matter of will and the requisite technical innovations. If we can now price incoming calls to cell phones or the bandwidth taken up by avid online movie watchers, why can we not also find the technical ingenuity for a full-fledged market in carbon emissions when the welfare of the whole planet is at stake?

Harm done to humans seems another matter. What Adam Smith, for example, discusses in rather dispassionate terms as adjustments of supply and demand involves in human terms incredible disruption—people thrown out of work, companies closing, families forced to uproot and move in search of gainful employment. Self-esteem plunges among the unemployed, communities and their established ways of life are torn apart, families are broken up; people suffer from grief, loss, anger, and anxiety. Even if some people are fortunate enough not to experience any of this directly but simply watch it happening to others, confidence in the moral rectitude of their lives is easily shaken or moral callousness to the plight of others ensues. Even where economic progress is achieved, one might ask whether the social and cultural disruption and attendant psychic and moral stresses on the way to it make that progress finally worthwhile. "To expect that a community would remain indifferent to the scourge of unemployment, the shifting of industries and occupations and to the moral and psychological torture accompanying them, merely because the economic effects, in the long run, might [show some improvement is] to assume an absurdity."[28] Things might turn out all right for most people in the end, but "in the end" might be a long time coming, and in between people might suffer incredibly from the ups and downs of their unpredictable fortunes in the marketplace. Even if, for example, one's income in ten years is considerably more than it is today, how does

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27 See Robert H. Nelson, *Economics as Religion: From Samuelson to Chicago and Beyond* (University Park, Pa.: Pennsylvania State University Press, 2001), 58–72.

28 Polanyi, *Great Transformation*, 224.

one factor into that increased income one's having no job at all for several years or simply having suffered the worry of possible job loss the whole time?[29] Are such social costs quantifiable? A price tag is usually not put on them and trying to do so is perhaps simply too difficult, given the various, often purely personal and time-bound factors that affect psychological and emotional pain and perceptions of moral discomfort.[30] Steps can be taken to alleviate such social costs; other institutions besides the market can take up the slack, and make, for example, losing one's job less of an ordeal. But even in the best circumstances, where family and friends and a robust social safety net soften the blow, can costs like these ever be fully recuperated?

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29 See Peter Gosselin, *High Wire: The Precarious Financial Lives of American Families* (New York: Basic Books, 2008).

30 See Nelson, *Economics as Religion*, 85–86.