

Money, Greed, and God: Why Capitalism is the Solution and Not the Problem

Jay W. Richards. 2009. New York: Harper Collins. ISBN: 9778-0-06-137561-3, \$24.99.

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“You’re idolizing the market!” “But good intentions are not enough!” “Capitalism alienates us from our true identity as Christians!” “You can’t just ignore incentives.”

Whenever books are published that evaluate capitalism from a Christian perspective, the charges fly fast and furious. Seldom does there seem to be any common ground between those who find markets morally defensible and those who think the very essence of capitalism is greed and selfishness. Jay Richards, however, offers one of the best hopes yet for bridging the gap. His book is clearly pro-market in terms of its overall perspective, but he treats honestly and fairly the major concerns of Christians who are critical of capitalism. He also does not attempt to read out of Holy Scripture the concerns about materialism, greed, and self-centeredness. And he takes with utmost seriousness Jesus’ teaching that we must show compassion for the vulnerable and the marginalized.

God’s concern for the poor isn’t just some sidelight. It follows straight from what Jesus tells us are the two greatest commandments. (p. 35)

God knows your heart. Spiritually you’re better off a little mixed up about economics than indifferent to human suffering. (p. 35)

Richards’ own intellectual pilgrimage probably helps him understand why many Christians find modern capitalism morally offensive. As a college freshman in 1985 he was convinced that anyone serious about biblical teaching would find capitalism an unacceptable system of social coordination. Over time, though, as he read more widely and became acquainted with economics, his views changed. He came to believe that Christian condemnations of capitalism are based on misunderstandings of the moral groundings of markets and the actual workings of property rights and markets. Richards thinks those misunderstandings can be summarized in eight myths.

1. The Nirvana Myth (contrasting capitalism with an unrealizable ideal rather than with its live alternatives)

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2. The Piety Myth (focusing on our good intentions rather than on the unintended consequences of our actions)
3. The Zero-Sum Myth (believing that trade requires a winner and a loser)
4. The Materialist Myth (believing that wealth is not created, it is simply transferred)
5. The Greed Myth (believing that the essence of capitalism is greed)
6. The Usury Myth (believing that working with money is inherently immoral or that charging interest on money is always exploitive)
7. The Artsy Myth (confusing aesthetic judgments with economic arguments)
8. The Freeze-Frame Myth (believing that things always stay the same—for example, assuming that population trends continue indefinitely, or treating a current “natural resource” as if it will always be needed).

Myths 1 through 4 are standard fare for economists and should not be controversial. In fact, myth #2, the problem of focusing just on intentions, is the main staple of books by Christian economists. If economic analysis teaches us anything it is the importance of the “and then what?” question. Richards, although not an economist, does an excellent job of bringing sound economic analysis to bear in this chapter. He treats numerous issues, including the living wage, fair trade coffee, and foreign aid. Richards is familiar with the economics literature on these issues and explains the economic principles clearly and effectively.

Myths (and chapters) 5 through 7 require more explication, and some economists may find more disagreement with them, since they move beyond the standard application of economic reasoning to issues that are more theological and philosophical. It is these chapters, however, which make the book particularly strong, because Richards does not dismiss out of hand moral objections to capitalism, but treats them seriously and fairly.

Actually, myth number 5 (chapter five) is probably the best in the entire book. Too many people, economists included, believe that greed is actually the essence of capitalism, and unfortunately, some defenders of capitalism, like Ayn Rand, have argued for the virtues of selfishness. Richards explains why Rand, along with Bernard de Mandeville in his *Fable of the Bees*,

confuse purposive behavior and self-interest with selfishness. Richards argues that we act in our own interest in almost all of our daily actions, but since we are social beings, our interests include the interests of others also. In the words of Richards,

Self-interest has to do with those things we know, value, and have some control over. I am most responsible for what I do. I have more responsibility for my daughter and the next-door neighbor than I have for a random person picked out of the Fargo, North Dakota phone book (p. 121).

In other words, as Adam Smith understood, the self-interest that operates in capitalism is a component of all human behavior and is not unique to capitalism. The reason we pay more attention to our own interests and the interests of those closest to us is more the result of limited knowledge than perverse behavior. Thus self-interested motivations in a society can lead to successful social coordination through the process of impersonal exchange.

This coordination does depend on appropriate government action; Richards explains well the importance of the definition and enforcement of property rights under the rule of law. Otherwise, greed can run rampant and selfish behavior is not tamed by the necessity of considering the interests of others.

At first glance the Artsy Myth is the most difficult to understand, and Richards could have used some editorial assistance in finding a better short-hand description of this issue. The fundamental question is one that has energized both defenders and critics of capitalism and is captured by the title of the chapter explicating this myth, “Doesn’t Capitalism Lead to an Ugly Consumerist Culture?” Richards’ answer is “not necessarily.” He correctly points out that gluttony, or excessive desires, are the real sin, a sin that is not necessarily driven by the economic system one lives in. A free market allows people to choose incorrectly, but it does not force them to. And many attempts to find the “correct” life-style, such as campaigns to buy local, are not sustainable at anything other than the margins of one’s life. Richards ends his chapter with a compelling charge against much of the “capitalism is consumerism” idea.

The cultural critique of capitalism reduces to little more than aesthetics masquerading as economics. Good tastes don’t suspend the truth of economics. Moreover, it is the materialist worldview that even denies the divine, and not capitalism, that is the greater driver of ugliness in modern

culture. By pursuing the wrong villain Christians squander their energies, which could be better spent battling the real culprit—an insidious worldview that denies the great truths of Christianity, truths that led to the greatest flowering of art and architecture, both high and common, that the world has ever known. (p. 182)

Chapter 8, the natural resource chapter, reverts to standard economic analysis and is well researched and argued. Richards explains how, in a system of well defined and enforced property rights, prices communicate increased resource scarcity to both consumers and producers, and the resulting market adjustments keep us from running out of resources. He also recognizes the possibility of market failure and the problem of the tragedy of the commons.

The book concludes with a list of ten ways to alleviate poverty, all of which reflect well the current state of research on differentials in income across economies. The ten steps are sensible, practical, and also reflect the spiritual nature of the universe we live in.

One of the more interesting parts of the book is actually relegated to an appendix, where Richards critiques one of the saints of free-market capitalism, F. A. Hayek. Although he finds Hayek's understanding of the problems of central planning insightful, he thinks Hayek is so bound to a materialistic view of the universe that he pushes his "order out of chaos" paradigm too far. It is his effort to see all forms of order as resulting from spontaneous, undirected processes that troubles Richards, as well it should. The problem comes in Hayek's leap from his critique of central planning to a more general argument that the more complex the order the more likely that it is not the product of any ordering force. The proposition that markets and prices serve a spontaneous ordering function is quite different than the argument that there is no cosmic purpose to the universe we live in.

This is a thoughtful, carefully argued book that is accessible to a general audience, but also is well grounded in current research. I recommend it to both economists and non-economists. There are only two places I would wish for greater clarity. First, the problem of pollution, while briefly mentioned, is given little attention. A more thorough analysis of how pollution problems hinge on the transaction costs of defining and enforcing property rights would have been helpful. Second, Richards is unclear as to whether he thinks some forced income redistribution is justified by Christian arguments. He presents well the case for the rule of law and property rights as the key to wealth expansion, but the issue of state involvement in caring for the poor is not thoroughly treated. These are minor complaints, however, and the book clearly is a welcome addition to the ongoing debate over the moral and economics issues surrounding capitalism. ■