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Can Christians Accept Capitalism?

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Many times our concerns for and discussions of economic systems turn into political debates. We discuss the implications of alternative systems on our lifestyles and freedoms but forget that the problems are more complicated than we suggest. We simplify to argue our positions. As we come to realize that our supplies of resources are more and more limited, it becomes necessary to reexamine our posi-

tions. Economic efficiency is an increasingly important goal. If we wish to maintain high standards of living in the face of resource shortages, we must strive for greater efficiency. The subject of economic systems cannot be treated superficially.

On the other hand, it is important for us to recognize that economically efficient systems may prove weak in providing other necessary economic and social

ingredients. In the past many writers have failed to recognize that other aspects may be equally, if not more, important. Such has been the case when Christian writers evaluate capitalism. It may well be that, as Christians, we must consider economic equity more closely than economic efficiency.

It must also be recognized that our concept of efficiency and our measure of that concept are determined by what we choose to call efficiency. As Christians we should examine the underlying assumptions involved to decide if they are acceptable. But too often we fail to become involved in discussions concerning these assumptions. We are content to accept what we have without questioning it. Instead, we argue efficiency and freedom. In fact, too often we are content to dismiss these discussions entirely. But if we cannot accept the underlying assumptions involved in our concept of efficiency, these other concerns are without validity. It is imperative that we look at capitalism to see if it meets our requirements.

What I intend to show here is that there are problems which the Christian should have with capitalism, but which have seldom been considered. These include problems of the operation of the system, the assumptions behind the system, and the inadequacies of the system itself. Given these problems, Christians should conclude that an unmodified capitalistic system is unacceptable. To perform the functions required by the teachings of Christ, an acceptable economic system must combine the characteristics of a free-market system with the presence of more than just a nominal central government.

In our analysis of capitalism we will be considering each of the three problem areas. The first involves an examination of efficiency as we experience it in capitalism. Traditional studies would tell us that, compared to other economic systems, capitalism, because it operates on a system of free markets, is the most efficient system. However, some qualifications must be added. The second area of concern revolves

around the assumptions which make up capitalism. It is this area in which the Christian must differ from others; he must distinguish himself from the humanist. These assumptions should pose the greatest problems for the Christian in accepting any part of capitalism. The final area deals with the economic inadequacies of a market system. In a number of cases, markets will not make the optimal decisions for society as a whole. Some goods would not be provided. It becomes necessary for government to make decisions for the markets in these cases.

There are two criteria which economists use to measure "allocative" efficiency. First, it is important that production processes use the fewest possible resources in the provision of the goods or services. In a market system this means that the prices paid for goods by consumers are the lowest possible prices. It is assumed that prices represent the "true value" of all resources used in this production. Therefore, the lower the price, the fewer the number of resources which are used. This is the popular notion of efficiency.

Secondly, efficiency includes the condition that producers provide the goods and services which consumers want, and in the desired amounts. We can speak of misallocations of resources when business fails to meet the desires of the public. Misallocations occur when society places more value on either the produced good (an underallocation of resources) or the alternative uses of the resources (an overallocation). The overvaluation of the one relative to the other indicates which society prefers to have produced in larger quantities. Only when we have produced goods and services in quantities sufficient to guarantee satisfaction by consumers do we have allocative efficiency. Under capitalism, the function of business is to satisfy the customer.

Both of these criteria can be met by a free-market economy. That is, businessmen, acting in their own interests, in combination with consumers trying to

maximize their welfare, would tend to produce an allocatively efficient economic system. Competition between both types of participants should result in the greatest possible use of resources and in the satisfaction of consumer desires. It must be pointed out, however, that this condition will exist only in a system of "perfect" competition. If there tends to be a buildup of power by any of the market participants, the system will lose some of its efficiency. Pure allocative efficiency can exist only when everyone participates in the markets on an equal basis.

In the actual operation of our market system, we do not experience perfect competition. There are a number of influences which give advantages to individual participants. Through collusion and trusts, business firms have amassed substantial power. Financial requirements in some industries prohibit competitiveness. And in some industries, specialized, unique products enable producers to exert unequal influence on the market. These, and other

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factors, provide producers the power to influence prices and profits. With this power in hand, producers are able to gain excessive profits (profits in excess of a "fair return" on investments), which mean prices charged are not the lowest possible prices. And, if we assume that a major goal of businessmen is to maximize profits, the resulting economic outcome is that

sufficient amounts of goods and services are not produced. Depending on the degree of competition or the degree of monopoly power of firms, we may perform poorly with our resources.

One note which should be added is that Christians also appear to overestimate a fair return on investments of time and money. We must abstain from the position that, because it is possible to receive increased profits, we should increase our prices to a level which "the market will bear." Likewise, consumers must reconsider the types of goods to be consumed, especially in light of our financial responsibilities to the disadvantaged of the market system. Efficiency problems are obviously important Christian concerns.

The advantage of capitalism is not that we perform in a strikingly superior manner, but that we have the potential to do so. Planned economies operate on sets of directives from planning commissions, which are inflexible. A capitalistic system has the propensity to change rapidly in response to different economic signals which each consumer and producer can perceive. Acting in their own interest, they will adjust to the changing conditions. Mistakes in judgement are likely to be of smaller consequence.

The potential for increased efficiency also lies in the market system's ability to be competitive. Adam Smith, the misunderstood father of laissez-faire capitalism, recognized that the strength of a capitalistic system lies in this condition:

To widen the market and to narrow the competition is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public: but to narrow the competition must always be against it and can serve only...the dealers.¹

It was the task of government, he argued, to guarantee this condition of competition for an efficient operation of capitalism. We can realize our potential

only if we provide for competitive interaction. Smith was quick to point out that government should serve in this capacity, as well as others.

Another important distinction for the Christian lies in the way in which we view efficiency. Do we strive for efficiency because it is desirable in itself or because it provides us with something additional which is desirable? Irving Kristol made the point recently that businessmen are forced into defending capitalism and personal liberty on the basis of amoral arguments in the absence of religious direction.

Capitalism, they keep insisting, is the most efficient system.... But if you believe that a comfortable life is not necessarily the same thing as a good life, or even a meaningful life, then it will occur to you that efficiency is a means, not an end in itself.²

This, then, would be the claim for the Christian, that efficiency is desirable because it is useful in directing us toward a meaningful life. We are not interested in efficiency because of "excessive" profits but because of what can be done with these fruits provided that the attainment of efficiency is in accord with God's commandments. However, if this is our claim, it is important that we examine the extent to which we use the rewards of capitalism for the creation of meaningful lives, not only for ourselves, but others as well. Perhaps our estimations of a meaningful life are not always consistent with Biblical teachings.

A second area of concern for the Christian must be a consideration of the underlying assumptions of capitalism. These have received insufficient treatment in the past. We seldom stop to consider the components of the system. Do these assumptions conflict with the teachings of Christ? The answer to this question is not an easy one to determine.

The most discussed characteristic of capitalism is freedom. The workings of a

market system are based on the free interaction of consumers and producers. Many point to this as the reason for Christian support of capitalism. Capitalism, they say, gives us freedom. Therefore, it must be the most Christian economic system. This claim is not without merit. But it must be remembered that the two freedoms (Christian and economic) are not identical. Christian freedom as expressed in Galatians 5:1 and John 8:32 refers to freedom from and freedom unto the law of God.³ This qualifies economic freedom. Because it does, we must be careful not to hold total economic freedom as an uncompromising right. Economic freedom is desirable because it permits us to express our Christian concerns without suppression. Economic freedom is more conducive to the Christian life, but it is not Biblically guaranteed. We should strive for this freedom but weigh it with other characteristics. Small sacrifices may be made in the interest of other important concerns.

The most objectionable assumption of capitalism is its emphasis on promotion of self-interest and competition rather than cooperation. Again, the operations of a market economy are based on this principle of self-interest. Supposedly, if everyone tries to serve his own needs, the needs of all will be served. Kristol labels the capitalistic motto "private vices, public benefit."⁴ Jerome Davis finds this fundamental assumption to be very contrary to the teachings of Christ.⁵ Acting individually and in competitive conditions, we are not complementing the law of love for our neighbor. If we look at the means being used to obtain satisfactory results, we would find the means unsatisfactory. Davis is very skeptical of this type of system on Christian grounds.

An argument which could be made to this issue is that we actually do not compete in a vicious manner. Even though we operate in a capitalistic system, we may still be very concerned with our neighbor's well-being. We compete in an economic

sense and in individual markets. Overall, we still show concern. Use is made of a market system because it enables us to express ourselves more freely and because of the potential efficiencies. The fact that we operate in a capitalistic system does not necessarily mean that all of our lives are lived in competition with others.

However, our love for our brother must often be shown by our sharing of economic goods. By helping an individual in this way, we are compromising our own competitive position. In addition, a system built upon competitive conditions may have influences upon us which we fail to recognize. The outcome may be that we feel the right to provide for ourselves before others. If we have funds left over we will consider our neighbor. This is hardly the Scriptural attitude of sharing with our neighbor in need.

A solution which eases this dilemma a bit is the provision of transfers to the competitively disadvantaged by the government. This governmental action represents an attempt at cooperation between people. At the same time, it is possible to reap the freedoms and efficiencies of the market system. Without this provision for transfers, it would be very difficult for Christians to accept capitalism. Incentives for cooperation are not strong enough.

The dilemma between the Christian and capitalistic philosophies is further outlined by André Siegfried as follows:

Their [American] religion naturally pleases Christian capitalists only so long as they control it. They do not hesitate to reprove the leaders who attempt to put in practice the more revolutionary doctrines of the New Testament, for they maintain that the church should not meddle with problems which it does not understand and is not competent to solve.⁶

Siegfried touches on the heart of the problem. We, as Christians, must become more competent and knowledgeable in these areas. We must develop Christian

responses to these assumptions. This question of whether or not we can accept a system which stresses individualism and competition is an important one. If other economic systems are more conducive to promotion of Christian values, they must be examined. Our answers to this issue are very inadequate at present.

The whole picture of capitalism has not yet been presented. There are additional characteristics which must be

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weighed. The market system entails more than just economic efficiency. There are a number of "market failures" as well.

The first failure has been hinted at previously. All members of society do not share equally in the decisions of the economy. Many possess resources and capabilities which entitle them to substantial economic rewards, while others are unable to participate. There are very unequal distributions of income and wealth under capitalism, and in many cases these inequalities are caused by something other than the energy expended. That is, there are no "just" reasons for these conditions.

The richest 10 per cent of the population receive 29 per cent of personal income but own 56 per cent of the national wealth, while the poorest 10 per cent receive 1 per cent of the income and are in debt to boot.⁷

These inequities should seem unrec-

essary and unjust from a Christian perspective. A short statement appeared recently which seems to reflect the attitude which we have taken too often.

Take this handout for what is is worth:

I find it most disturbing

That we're more generous to the needy

Than to the deserving.⁸

Christ taught that the needy were the deserving. But a capitalistic system does poorly in providing for these needy. In a system of interaction, those with little to contribute can expect little in return. The Christian response would be that we, as Christians, assume responsibility for the needy. Apparently, it is much too easy for us to overlook these responsibilities (as well as fail to recognize them) in a system which runs contrary to such charitable actions. It would be very difficult to meet our responsibilities in an unmodified capitalistic system.

Another inadequacy of the market is its inability to value or account for all costs and benefits that result from production of goods and services. In some cases, more individuals benefit from production than the individual consumer who decides the quantity to be purchased. This consumer, operating in his own interest, may not be operating in the best interest of society as a whole. There may be external benefits to society which individuals cannot accurately assess. One type of such a good is education. If it were to be provided by the market, it would be provided in insufficient quantities. In deciding how much education to purchase, individuals would not take into account the fact that there are benefits which accrue to society as a whole from education. They would weigh their own benefits against the costs of the education. The result would be that they would not be willing to buy enough to satisfy society's needs for that service. It is necessary for governmental intervention in such markets.

In other cases, more individuals may

face costs from production than the individual producer. The producer will not consider these "social costs" when he decides upon the level of production. An example of an external cost is pollution. It represents a cost to society, in that, eventually, health will suffer, causing inefficiencies, and the environment will have to be cleaned. It would be socially desirable to make each producer assume the cost of the pollution which he caused. In this way, by comparing all the costs of production to the benefits, goods and services which entail these "social costs" would be produced in more satisfactory quantities. They would not be over-produced. The only way these assessments can be made is by governmental authority.

In still other cases, this problem is greater. Some goods cannot be provided by the market. Services such as national defense cannot be marketed because, if one individual protects himself, others receive the same benefits without making payment. In addition, such services are often too expensive for the individual. It would not be in anyone's interest to buy such goods. The only means by which they can be provided is through cooperation. The decisions for this, and the other cases of market failure, must be made by larger social segments, which can evaluate costs and benefits to society as a whole.

Given these characteristics, what are our conclusions? Is capitalism acceptable? The primary advantages are the potential efficiencies and the freedom which Christians could enjoy. But problems of assumptions, competitiveness, and market failures limit the effectiveness of capitalism.

The answer is a system of modified capitalism. That is, we should have a market system which is aided by a strong central government. Only with such a system can we meet our responsibilities. It is necessary to have a strong central government in order to guarantee effectiveness in the task of redistributing incomes, guaranteeing competition, and pro-

viding for public welfare. It should not be objectionable to us to have a strong government to provide for our inadequacies.

However, some do find government, even weak government, objectionable. J. M. Kik says that

Federal grants perform a double harm; they destroy the purity of Christian charity by a mixture of involuntary gifts, and they compel segments of society to give to a church agency, a church often with whose beliefs they may not be at all in sympathy.⁹

The important point is not that the purity of our giving be questioned, but that we meet our responsibilities toward the poor. There is no conflict in having the government carry out this task for us.

(I)t is easy to conclude that as long as we don't worship our possessions, we don't have to sacrificially give to help others. But again, the Bible points out the hollowness of that argument by stressing action as the indispensable proof of attitude. It is what we do with our possessions that is the proof of the pudding. What we do with them reveals our attitude toward them.¹⁰

It would be wonderful if the church could carry out this ministry to the needy but, at present, the church, by itself, is inadequate. Equity considerations are of overriding importance here. Therefore, we need more involvement of government, not less. The job is not getting done adequately.

This is not to say that we need more government as we have it today. There are many problems of mismanagement and inadequacies with which we must deal. A number of present programs must be re-evaluated. But to have a capitalistic system which is acceptable to the Christian, it is extremely necessary that government exist to a worthwhile extent.

The matter of our responsibilities cannot be taken lightly. We must be led

by Biblical teachings. On the basis of our own individual decisions, we cannot meet all of our responsibilities. A stronger government, but one which is redirected, can be a big asset in the performance of our Christian responsibilities.

Freedom is necessary for the full flowering of mankind's capacities. Society, however, cannot exist if the market makes available the moral acids that would render social adhesion possible.... The sovereignty of autonomous, acting man is as diabolical a goal as the sovereignty of the state. Neither man nor the State is divine.¹¹

Footnotes

1. Adam Smith, An Inquiry Into the Nature and Causes of the Wealth of Nations: as presented in Views on Capitalism, 2nd. ed. Romano and Leiman eds., Glencoe Press, Beverly Hills, 1975, p. 16.

2. Irving Kristol, "On Conservatism and Capitalism," Wall Street Journal, New York, September 11, 1975.

3. See C. Spykman, Christian Faith in Focus, Baker Book House, Grand Rapids, 1967, pp. 99-103.

4. Kristol, Op. Cit.

5. Jerome Davis, Capitalism and Its Culture, Arrer & Rinehart, New York, 1935, pp. 372-409.

6. Ibid., p. 375.

7. Edwin Kuh, "Who Gets What and Why," Capitalism the Moving Target, by Leonard Silk, New York Times Book Co., 1974, pp. 83-84.

8. A. S. Flaumenhoft, "Prodigal Sums," Wall Street Journal, New York, September 8, 1975.

9. J. Marcellus Kik, Church & State, Nelson & Sons, New York, 1963, p. 133.

10. "For Your Sake He Became Poor," published by the Christian Reformed World Relief Committee, Grand Rapids, 1975.

11. Gary North, An Introduction to Christian Economics, Craig Press, 1973, p. 231.