

# REDEEMING CAPITALISM



# REDEEMING CAPITALISM

STUDY GUIDE

Kenneth J. Barnes

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# How This Study Guide Works

The purpose of this study guide is to facilitate a discussion about how people of faith should approach the thorny issue of economics. Economics can be a very delicate subject, because it affects nearly every part of our lives and people often come to it with very strong opinions—opinions that may be tied to long-held political beliefs. But that is exactly why we *must* discuss it. It's simply too important a subject for us to ignore. In fact, the Bible demands that we not only discuss economics but that we order our lives in ways that reflect our values as believers.

In each section, the salient points of one or two chapters from *Redeeming Capitalism* will be discussed and excerpts read.\* Then the group will be prompted to explore:

1. The *technical* aspects of the issues raised
2. The *biblical/theological* aspects of the issues raised
3. The *moral/ethical* aspects of the issues raised
4. General *questions* pertaining to the issues raised, in conversation with our beliefs and values

Last, there is a time for personal reflection and prayer.

\* These excerpts comprise both direct quotations from the text and summaries of the text. The latter are indicated in the guide.



# I

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## Introduction—Why Does Capitalism Need Redeeming?

### Thought Starter

On November 11, 1947, during a House of Commons debate, Winston Churchill famously quipped: “Many forms of government have been tried, and will be tried in this world of sin and woe. No one pretends that democracy is perfect or all wise. Indeed it has been said that democracy is the worst form of government except for all those other forms that have been tried from time to time.” He was implying that despite its inherent faults, democracy is a political system worth preserving.

The same is often said of capitalism. The logic is simple enough—as long as human beings are themselves sinful, their systems will be imperfect; so we simply have to accept the “bad” and the “ugly” of capitalism in order to enjoy the “good” of capitalism.

But is that really true? Must we endure capitalism’s “sins” in order to secure its “blessings”? Are there no other systems imaginable, and if we are to preserve capitalism, is it not both possible and desirable to repair its imperfections, curb its excesses, and channel its yield toward virtuous ends?

## From the Text

Consider these words from the foreword, penned by Professor Miroslav Volf of Yale Divinity School.

This book matters because capitalism matters. Arguably, global capitalism is among the most pervasive and most powerful forces in the world today, and it is a force for good and for ill—for much good and much ill. This is why capitalism needs reforming, or “redeeming,” as the title of the book puts it, using a favorite Christian metaphor for overcoming sin and its consequences. *Redeeming Capitalism* is a nuanced and critical Christian procapitalism voice in the important debate about the future of capitalism.

Very few people today would contest the claim that capitalism needs reforming, but increasingly many are questioning whether capitalism *deserves* reforming. One pillar of Barnes’s argument is his claim that no economic system today represents a better, workable alternative to capitalism. It is important to note this right at the outset, for much of the book depends on this claim. I don’t read Barnes to say that a better alternative to capitalism cannot be *imagined*. It would be strange for a Christian to argue that capitalism is unsurpassable in principle. Christian hope for the “end of history,” to use the phrase popularized by political scientist Francis Fukuyama, is not the victory of capitalism, not even the victory of some superefficient, eco-friendly, and humane form of capitalism. Christian hope is for *the new world* that comes from God, a world that John the Seer describes as “the home of God among the mortals.” According to the first two books of the Bible (Genesis and Exodus), the goal of the creation is the establishment of the “tabernacle,” God’s dwelling place among the people of Israel. The last two chapters of the last book of the Bible (Revelation 21–22) record a broadening of this vision: the entire world, nature and culture, is God’s holy of holies, the place of flourishing life, justice, abundance, and security that God indwells.

From the perspective of this grand vision, all economic systems, capitalism included, are interim arrangements. But as an interim ar-

rangement, capitalism is irreplaceable, at least it is so in today's globalized world. Loosely using some terms from soteriology, the branch of theology that explores the nature of salvation, you might say that capitalism is justified not so much by the goods it helps create but by its irreplaceability, by the facts that better alternatives are unavailable and that, in any case, the abolition of global capitalism would require something like a worldwide revolution and therefore cause more harm than good. Justified in this twofold way, capitalism remains a sinner. That's why it both deserves and needs reforming. In soteriology, the process of reform is called *sanctification*. Capitalism is badly in need of sanctification. That's one of the main points of *Redeeming Capitalism*. (pp. ix–x)

### Technical Considerations

1. Volf states that capitalism is a force for “much good” and “much ill.” What do you think he means by that?
2. Do you agree or disagree with his assessment? Why?
3. What has been your experience with capitalism? Has it been generally positive or generally negative? Perhaps you have a story to share.

### Biblical/Theological Considerations

1. Volf recognizes the author's use of the theological term “redeeming” as opposed to the more common term “reforming.” Why do you think the author made that choice?
2. Volf argues that we are living between two great biblical epochs, the latter realizing the perfection of all things. Consequently, all economic systems are “interim arrangements.” Do you agree with that assessment? What other aspects of society might be properly labeled “interim arrangements”?
3. Do you agree that as a “sinner” of sorts, capitalism needs “sanctification”? What might capitalism's “sanctification” look like?

## Moral/Ethical Considerations

1. Volf suggests that “replacing” capitalism is immoral because the risks associated with socioeconomic “revolution” are simply too great. Do you agree or disagree? Why?

## General Questions

1. In your opinion, what is genuinely *good* about capitalism, and how does that square with your religious beliefs?
2. In your opinion, what is genuinely *bad* about capitalism, and how does that square with your religious beliefs?
3. In your opinion, what is genuinely *ugly* about capitalism, and how does that square with your religious beliefs?

## Prayer Time

Think about how you’ve participated in our economic system over the years. For what do you want to give thanks to God? For what do you want to ask God’s forgiveness? How can God help you do things differently/better in the future to ensure the capitalism you practice is consistent with your religious beliefs?

## 2

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# Capitalism—What Went Wrong?

*(Unpacking the Global Financial Crisis)*

### Thought Starter

On January 28, 1986, the US space shuttle *Challenger* burst into flames just seventy-three seconds after takeoff, killing all seven crew members onboard and dealing a devastating blow to what had become NASA's marquee space exploration program.

The report of the Rogers Commission, established by President Ronald Reagan to investigate the cause of the accident, found that the failure of a small joint seal on one of the ship's solid rocket boosters, known as an O-ring, was the mechanical cause of the problem. However, it also concluded that the crisis was preventable, and that organizational and cultural problems were the "real" cause of the disaster.

The postmortem investigation revealed that while NASA and its O-ring supplier, Morton-Thiokol, were aware of specification deficiencies with the seals long before the day of the launch, the pressure to meet publicized launch dates and other performance metrics was so great that they chose to ignore both troubling data and the dire warnings of their own engineers. Instead of delaying the project, and incurring both monetary and reputational costs, they chose to proceed with the launch, with devastating consequences.

Much has been written about the *Challenger* disaster over the years, and questions remain over the phenomenon of "groupthink," the nature of business ethics, and the tension between the systemic influences of corporate culture and the personal responsibility of individual decision makers. As the

case of the Wall Street investment firm Lehman Brothers demonstrates, those tensions still exist, and they too can have catastrophic consequences.

### From the Text

In chapter 1, the author discusses the collapse of Lehman Brothers, which was the catalytic event that caused the global financial crisis. Read this summary of his observations on pp. 4–10.

So, how did a bank the size of Lehman Brothers fail? Who was responsible for its failure, and what does it all mean to the banking sector, the financial sector, and the economy in general? The simple answer can be found in three words: deception, debt, and derivatives (specifically, collateralized debt obligations, a.k.a. CDOs).

The effect of the subprime mortgage crisis was felt across the entire financial sector as banks were forced to write down, or lower the value of, billions of dollars of assets. It was time for the big investment banks to get out of CDOs—except for Lehman Brothers; they chose instead to increase their exposure by acquiring more CDOs, exceeding their own internal risk limits in the process. It was a colossal gamble, and while the decision to do so may have fallen within the generally accepted parameters of the business judgment rule, it failed spectacularly and ultimately resulted in the company declaring bankruptcy.

That said, CDOs were only part of the problem. An even greater problem for Lehman Brothers was its debt-laden business model, excessive leverage, and lack of liquidity. As the Valukas Report notes, Lehman Brothers had to trade nearly \$200 billion of assets on the repo market every day just to meet its daily cash requirements. Since a large proportion of the asset base of Lehman Brothers was in CDOs, the value of those assets came under intense scrutiny, and the repo markets became reluctant to lend to Lehman Brothers. Their mountain of debt, secured by CDOs, simply became unsustainable, and when the repo markets refused to support them anymore, they were in trouble.

Ironically, the instrument of deceit used by Lehman Brothers involved an accounting method, associated with the repo transactions themselves, known simply as Repo 105. Lehman Brothers would use this

accounting device at the end of a reporting period for the sole purpose of reducing its leverage ratio “on paper.”

In the strictest sense, this was a perfectly legal activity, but the bank and its auditors, Ernst and Young, had a fiduciary responsibility to disclose its use of Repo 105 to its stakeholders, including the regulators, shareholders, board of directors, and investors—which it did not do. Consequently, Lehman Brothers led stakeholders to believe that the bank’s financial position was less precarious than it actually was.

Despite desperate attempts to sell the bank at the eleventh hour, or to secure emergency funding from the Treasury Department, Lehman Brothers ran out of cash, ran out of accounting tricks, and ran out of options. Their high-stakes game was over and the losers were legion.

In an article published by the *New York Times Magazine* on September 13, 1970, economist Milton Friedman famously stated that the primary responsibility of a corporate executive is to “make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.” The notion that business is amoral and that companies have no social responsibility other than the maximization of profits has been the generally accepted mantra of business schools and boardrooms for a generation. Yet, there are obvious flaws in the logic of Friedman’s argument.

First, curiously, Friedman’s formula gives no consideration to the variable of time. As demonstrated by the actions of Lehman Brothers, a company could make a great deal of short-term profit while creating a medium- to long-term existential threat to the business.

Second, we have seen that obeying the “rules of society [as] . . . embodied in law” does not guarantee responsible behavior either. Using Repo 105 to manipulate the balance sheet of Lehman Brothers was technically legal but morally irresponsible; and what, exactly, is the “ethical custom” Friedman was referring to? If it was the custom of investment banks to employ high-risk/high-leverage business models and trade in complex derivatives whose underlying assets are either unstable or untraceable or, in the case of some CDOs, both, is that ethical? Obviously not.

After a review of the so-called cardinal and theological virtues and a discussion of their traditional place at the center of our moral reasoning, the author concludes that

The Judeo-Christian ethics of which Aquinas's cardinal and theological virtues are a part, have been replaced by postmodern relativism. . . . A mutant, postmodern capitalism has begun to define our culture: devoid of a moral compass and resistant, if not impervious, to ethical constraint. Left unchecked, this form of capitalism will continue to produce the behavior responsible not only for the collapse of Lehman Brothers, but for such scandals as Enron, WorldCom, Barings Bank, Parmalat, the subprime mortgage crisis, the LIBOR scandal, and the ticking time bomb of national debt.

### **Technical Considerations**

1. Economics is often viewed as a “predictive science,” yet economic actors regularly act in ways that are unpredictable. What are the potential consequences of that for businesses and policy makers?
2. The Valukas Report stated that some of Lehman Brothers' actions, while reckless, fell within the bounds of the “business judgement rule.” Do you see anything wrong with that logic? Who should decide when decisions fall outside that “rule”?

### **Biblical/Theological Considerations**

1. The Bible has nothing to say about derivatives, but much to say about debt and deception. How do you think Lehman Brothers' actions square against the Bible's standards? Why should that matter to a “secular” institution, such as an investment bank?
2. Friedman suggests that the only “purpose” of business is financial gain. Is that consistent or inconsistent with biblical teaching? Can you support your position from the Scriptures?

### **Moral/Ethical Considerations**

1. Many people believe that any behavior that is technically “legal” is by definition “moral.” Do you agree or disagree with that statement? Can you give an example of legal behavior that a Christian may find morally offensive?

### **General Questions**

1. The author suggests that our moral reasoning has become unmoored from its Judeo-Christian roots and defines “postmodern capitalism” as being “devoid of a moral compass and resistant, if not impervious, to ethical constraint.” Do you think that is an accurate or an inaccurate description of our current state of affairs? Why?

### **Prayer Time**

Think about your own work culture. Is it one where people act virtuously? Have you ever experienced “groupthink” and gone along with the crowd, even when you had moral objections? Take time to ask God for both forgiveness and future strength in those circumstances.

# 3

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## Economics—from Adam to Adam Smith

*(How Economic Exchange Evolved into Capitalism)*

### Thought Starter

American poet and civil rights activist Maya Angelou famously quipped, “You can’t really know where you’re going, until you know where you’ve been.” Or, as the iconic American baseball player Yogi Berra put it, “If you don’t know where you’re going, you’ll end up somewhere else”!

Yogi’s famously convoluted use of the English language notwithstanding, I think they were both correct. Unless we have an idea of where we want to go, events have a way of taking us places we’d sooner avoid; and to Maya Angelou’s point, knowledge of the past provides a useful frame of reference for our present and our future.

### From the Text

In chapters 2 and 3, the author reminds us that our current economic system didn’t happen in a vacuum, and that it has evolved over the centuries from the nonmonetary, exchange-based activities of our ancestors to the highly monetized, lightly regulated, free-market system we call “capitalism” today. A basic knowledge of that ever-unfolding process is key to understanding both the genius and the fragility of our current system.

What follows is a summary of the author’s argument in those chapters (pp. 21–29, 46).

Capitalism has not always existed, but commerce, or trade, in one form or another has. For millennia the primary driver of trade was the universal challenge of human subsistence.

Anthropologists and sociologists generally agree that all hominids, including early *Homo sapiens*, survived simply by eating and drinking whatever they could find. This changed, though, during the Neolithic period, when humans began domesticating both plants and animals, developing basic tools, and forming agrarian societies. This created opportunities for exchange with neighboring communities, and while the primary form of exchange was simply bartering, it was not long before precious metals such as gold and silver became de facto currencies.

The emergence of dynastic empires, such as the Roman Empire, brought new opportunities for the creation and distribution of wealth. Western civilizations would build models of economic activity based largely upon the exploitation of natural resources, the movement of labor, technological development, industry, international trade, common law, and widely accepted currencies.

However, with the threat of invasion from abroad, dissent within the corridors of power, military coups, threats to shipping and transport, and the exorbitant costs associated with rearmament, the empire soon faced economic as well as social decline. Periods of hyperinflation and currency devaluation, coupled with the breakdown of civil institutions and civil society, saw once-vibrant market economies turn away from trade and commerce, back to a time of subsistence farming and general scarcity, and it would be several hundred years before a socioeconomic system developed that could rival the economic success of the Roman Empire.

Feudalism, also known as the manorial system, was a system designed to entrench the power of both church and state while maximizing the use of arable land for the purpose of mass subsistence. While the feudal system worked relatively well as a mechanism for maintaining the status quo, it was not particularly effective as an engine of wealth creation for several reasons.

First, the system was a highly insular, land-based economy where the production of food primarily benefited a particular fiefdom. There was little trade and, therefore, little opportunity for capital increase. Second,

it was a bartering economy with little monetization outside the highest echelons of society. Third, it was a subsistence economy with little technological development and scarce opportunity for wealth creation beyond the production of surplus goods that could be sold in local market towns.

Mercantilism is the socioeconomic phenomenon that dominated the political and economic landscape of Western Europe between the sixteenth and eighteenth centuries. In order to consolidate power, sovereigns employed a complex web of privately owned, state-protected trading companies—monopolies—aimed at increasing national income while ensuring the maximization of domestic labor.

While the mercantile system worked for a small group of people, namely, the merchants themselves and their sovereigns, it failed to generate sufficient wealth across large sectors of the population. Eventually mercantilism would crumble under the weight of its own inefficiencies, but not before giving birth to many innovations that continue to be fundamental to our current economic system. These include the concept of incorporation; publicly traded shares and exchanges where those shares could be bought and sold; an increase in the monetization of economic activity; and the development of global trade routes on both land and sea.

While the various systems just described differ in many ways, the primary driver behind all economic activity was, at its most basic level, survival.

Beyond the halls of power and the majestically adorned palaces and cathedrals of the ruling classes, no one thought that economic activity, business, trade, commerce, and technology could actually serve a higher purpose; no one imagined that it could promote human flourishing on a grand scale, liberate the masses from bondage and oppression, promote the common good, and even glorify the Deity.

Enter Adam Smith and “traditional” capitalism.

Smith’s understanding of the relationship between economics and political ideology is masterful and has influenced political and economic thinking for centuries. His understanding of and belief in the power of

free markets, the necessity of both competition and cooperation in a healthy economic system, and the self-correcting nature of markets (the “invisible hand”) are equally sublime. . . .

Smith’s greatest contribution to economics, however, may be his appreciation for the role of human nature and the complex motives behind economic decision-making. Despite the opinion of some of his critics, Smith does not portend John Stuart Mill’s *Homo economicus*, but he professes, instead, to fix economic choice within the entire constellation of moral reasoning—something long-forgotten today by both proponents and opponents of economic liberalism.

From this reading of Smith, we may begin to understand the nature of traditional capitalism, its primary economic driver being a postsubsistence effort to use commerce to ensure general subsistence, while providing for the general well-being of society.

### Technical Considerations

1. Nowadays we take human subsistence for granted. The current average life span for humans is approximately seventy-two years (nearly seventy-nine in the United States). In the Neolithic period it was approximately twenty-five years, and it changed little until the Middle Ages. It wasn’t until the early modern period that life spans began to climb significantly. In what ways do you think wealth creation has contributed to that phenomenon?

### Biblical/Theological Considerations

1. Most of the Old Testament is set during the Neolithic and Bronze ages. How did their agrarian, seminomadic existence influence their economic activity? In what ways might that activity have been impacted by the Torah (law)? Can you give an example?
2. All of the New Testament is set during the time of the Roman Empire. How might the teachings of Jesus and the apostles have been influenced

by Greco-Roman culture? How do you think Jesus would have reacted to the “Friedman doctrine”? Can you defend your position with evidence from Scripture?

### **Moral/Ethical Considerations**

1. The manorial system (a.k.a. feudalism) saw the emergence of the “three estates” (nobility, clergy, and peasants). During that period, the church grew tremendously rich. What are the ethical implications of the church garnering such wealth, arguably at the expense of poor laborers? What have been some of the enduring effects of that period, both positive and negative?

### **General Questions**

1. What, in your opinion, was the relationship between the Roman Empire’s sociopolitical decline and its economic decline?
2. Besides “capital increase,” what might be some other benefits of foreign trade?
3. The capitalism observed by Adam Smith had not yet experienced both the advantages and the excesses of the Industrial Revolution and was still firmly rooted in Judeo-Christian ethics and values. How is that different from the postmodern capitalism described by the author?

### **Prayer Time**

Think about the inefficiencies and injustices of our own economic system. How might you have willfully or inadvertently colluded with powerful entities, whose actions have brought you wealth at the expense of others? Ask God for forgiveness for the times you’ve contributed to the oppression of others, and for the wisdom to seek redemption and restitution where possible.

# 4

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## Economics as Sociology

*(the Observations of Karl Marx and Max Weber)*

### Thought Starter

In the United States, Labor Day falls on the first Monday of September. In most of the rest of the world, however, it is celebrated on May 1, the same day as traditional May Day folk festivals. While the appropriation of a pagan holiday made it easier to sell the idea to businesses and governments, wary of losing a day's production in support of a new holiday, the May 1 date was largely due to the decision of the American Federation of Labor to mark May 1, 1886, as the target date for the beginning of the first eight-hour workday. When a strike on May 4, 1886, in the Haymarket area of Chicago, in support of the eight-hour workday, turned into a confrontation with police that resulted in a deadly riot, the proximity of those events to May 1 rendered that date sacrosanct to proponents of the international labor movement, and International Workers Day (a.k.a. Labor Day) was born. Ironically, while it was events in America that gave rise to the choice of May 1 as Labor Day around the world, it was President Grover Cleveland's intention to deflect attention away from the Haymarket affair that led the United States to choose a date in September instead.

While we may take some of the advances of the labor movement for granted, such as the eight-hour workday, the forty-hour workweek, laws prohibiting child labor, health and safety protections, the right to organize, etc., those rights were hard won by those who saw the exploitation of workers as capitalism's greatest sin. Much of the credit for popularizing the plight of laborers, of course, rests with none other than Karl Marx, who remains to this day capitalism's most influential critic. On the other hand, we may also take

for granted the other side of the ledger, namely, the so-called Protestant ethic that was the driving force behind American innovation, productivity, entrepreneurship, and economic excellence (a.k.a. unprecedented wealth creation), since the nation's inception. The person most responsible for shedding light on that phenomenon is German sociologist Max Weber.

### From the Text

In chapters 4 and 5, the author takes a close look at Marx and Weber, their respective bodies of work, and the phenomenon that gave rise to the modern era—the Industrial Revolution.

The Industrial Revolution began . . . [largely] because of . . . the conversion of the steam engine from sophisticated water pump into multihorsepower rotary engine. . . .

Because this innovation increased the efficiency of labor by something in the region of two hundred times, the division of labor was multiplied beyond recognition. This, along with many other innovations, such as advances in iron production, coal mining, free trade, the exploitation of colonial resources, and a more efficient banking system, created wealth on an unprecedented scale. That, of course, was the good news. Unfortunately, along with wealth came unimaginably devastating changes to nearly every level of society, barring the very rich.

For the first time in history, more jobs were available in towns than in the country. People flocked to towns and cities. When they arrived, though, they experienced conditions that were nothing short of appalling. Factories and living quarters were virtually on top of each other, creating dangerously unhealthy situations. People, including children, worked for exceedingly long hours, seven days per week, often in cramped, uncomfortable, and dangerous environments. Homes were little better: entire families sometimes lived eight to a room, with no central heating or plumbing, open sewers, no electricity, no access to healthcare, no schools, and barely enough wages to live on . . . while factory owners exploited both domestic and migrant labor in equal measure. (pp. 48–50)

It was against this backdrop that Karl Marx entered the scene. His life can be summarized from the text on pp. 48–52.

It is hard to describe the life of Karl Marx as anything other than tragic. On May 5, 1818, he was born into a Jewish family living in Trier, Germany. So that his father could practice law, the entire family converted to Christianity. Eventually Marx earned a PhD from the University of Jena. Despite his education, he soon grew frustrated in his inability to find employment anywhere as an academic.

In 1843, Marx moved to Paris. It was there that he became actively involved in an early communist movement and befriended the man who became his lifelong friend and colleague, Friedrich Engels. During this time, he accumulated large personal debts and watched as three of his young children died from various diseases not uncommon in poor, working-class homes.

In 1867 he published the first volume of his magnum opus, *Das Kapital*. In 1871, he joined the ill-fated Paris Commune, supporting the defeated French proletariat against the victorious German establishment.

And in 1883, having lost his beloved wife, Jenny, a year earlier, Karl Marx died alone in his study.

While *Das Kapital* explains Marx and Engels's economic theories, it is a much earlier work that truly defines the "ethos" of their movement. Again, we summarize the text on pp. 55–65.

Written and published by Karl Marx and Friedrich Engels in 1848, the *Communist Manifesto* was based largely on Engels's previously unpublished catechism known as *The Communist Confession of Faith*. That work was intended to be used in exactly the same way a religious catechism is used, as both a training tool for youth and a systematic expression of fundamental beliefs.

This is not an accident of history. Marx and Engels saw their struggle as an existential one and elevated their beliefs to doctrinal status. Since they did not believe in God, their allegiance was instead to the cause of global Communism, a state of social and economic harmony that

would “wrest, by degree, all capital from the bourgeoisie, to centralize all instruments of production in the hands of the State.”

The recent failures of totalitarian Marxist regimes would suggest the god of Marxism is dead. As a system, it has fallen under the weight of its own inefficiencies. But by the beginning of the twentieth century, capitalism was thriving, at least in those countries where, according to sociologist Max Weber, there was more than just an economic impetus at work: there was a religious motive, the now infamous Protestant work ethic.

Weber’s theory was quite simple. Having rejected the totalitarian authority of the Roman See, Protestants replaced the tyranny of the Roman Catholic Church with an even more encompassing despotism: the voluntary, yet comprehensive “organization of the believer’s life,” especially as exhibited by adherents to a sect with which he had personal experience, Calvinism.

It would take the writings of John Calvin to breathe life into “this-worldly asceticism” and to produce the religious denominations necessary to perpetuate its ethos and dramatically influence economic activity.

In considerable and accurate detail, Weber explores the deep-seated tension between the Puritan compulsion toward economic efficiency and its aversion to riches and pleasure, and he emphasizes with great effect the endemic relationship between culture, including religious belief, and economic systems. Furthermore, he demonstrates clearly and logically how well-ordered societies that create economic systems built on thrift, stewardship, and an expectation of honesty and fair dealing are likely to create sects for the purpose of perpetuating them. Weber also exposes the tenuous nature of those carrier groups: over time they drift further and further away from both their original religious foundations and the ethical principles they were created to protect.

### Technical Considerations

1. The Industrial Revolution was driven by three primary factors: technological innovation, access to capital, and free markets. Why do you think that constellation of factors created such fantastic wealth?

## ECONOMICS AS SOCIOLOGY

2. Marx defines wealth as the cumulative use-value of all commodities. The author defines wealth as the delta between the amount of labor and materials necessary for subsistence, and “everything else.” With whom do you agree? Why?
3. While creating great wealth for industrialists, the Industrial Revolution caused great pain for much of society. Was that inevitable? What do you believe to be the primary cause of that phenomenon?

### **Biblical/Theological Considerations**

1. How might the creation of wealth be compatible or incompatible with Genesis 1:28?
2. How might Marxism be consistent or inconsistent with Acts 4:32–36?
3. What might be the biblical mandate for “this-worldly asceticism,” as observed by Max Weber in early twentieth-century America?

### **Moral/Ethical Considerations**

1. At the dawn of the Industrial Revolution there were many so-called do-gooders who sought to alleviate some of the suffering experienced by the “working poor” of society, through specific acts of charity and kindness. Their impact, however, was minimal, and governments soon stepped in to pass laws designed to protect workers from exploitation and create a “social safety net” for everyone. What do you think the proper role of governments should be in this regard, and what should individuals do to help themselves and to help each other?

### **General Questions**

1. Businesses and their shareholders take great risks when they start enterprises that create wealth, provide jobs, and contribute to the public purse. In return, they expect to reap great rewards. Wealth, however, is

## CHAPTER 4

never created in a vacuum. Industrialists and entrepreneurs are able to innovate and invest because they have access to capital, infrastructure, labor, natural resources, and other shared assets. They also benefit from properly functioning markets, the rule of law, national security, and other elements of the “commonweal.” In recent years we have witnessed an exponential increase in wealth among the “investor class” but very little wage growth among the “working class.” Is that situation desirable, sustainable, correctable, or simply inevitable?

2. How do economic inequality and injustice square with biblical teaching?

### Prayer Time

Think about how God has blessed you materially. Think about those who are less fortunate than yourself. Give thanks to God for all that he has provided, and ask God how you can share from his generous bounty with those who have less.

# 5

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## Capitalism under Fire

*(the Current State of Our Economic System and  
Various Alternative Suggestions)*

### Thought Starter

On September 11, 2011, New Yorkers marked the tenth anniversary of al-Qaeda's attack on the World Trade Center. Like previous memorials, the event was a somber one as people from every walk of life and social stratum gathered to pay their respects to those who died on that dreadful day when America and everything it stood for came under attack by a foreign entity. Less than a week later, only a few yards away in nearby Zuccotti Park, America appeared deeply divided along economic lines, and one of the pillars of American life, free-market capitalism, was subjected to a peaceful, yet impassioned, attack from within. Self-appointed representatives of the so-called 99 percent stood in utter defiance of the so-called 1 percent who, according to some analysts, benefit disproportionately from America's economic success, own too much of its wealth, and contribute too little to the overall well-being of society. Chanting the slogan "we are the 99 percent," the group calling itself Occupy Wall Street marched throughout lower Manhattan and took up residence in tents. Their relative success in bringing attention to the problem of wealth disparity in America spurred similar protests in other cities. The Occupy Movement became a global phenomenon.

That said, the movement did little more than change the popular narrative from one of rote acceptance to one of protest, without offering real alternatives to the current system.

One among many problems with the Occupy Movement was the demographic makeup of the groups of protesters themselves. In New York and London particularly, the movement, dominated by highly educated, white,

middle-class males from the world's wealthiest economies, lacked support from a broad demographic. Some commentators have suggested it was less a case of the 99 percent criticizing the 1 percent than a case of the second-wealthiest percentile criticizing the wealthiest percentile.

Since then, however, people have continued to ask hard questions about postmodern capitalism's inherent flaws, and they have offered a variety of possible solutions.

### From the Text

In chapters 6 and 7, the author delves into the “good, the bad, and the ugly” of postmodern capitalism more deeply, and critiques some of the more popular alternatives being proposed by economists and politicians.

Despite its many and varied critics, capitalism has been an exceptional vehicle in the creation of global wealth. Since 1800, the world's population has grown six times larger, but per capita gross domestic product (GDP) has grown eleven times greater. Since 1990, global poverty has more than halved from 43 percent to 21 percent, and average GDP growth in developing countries has increased by an average of 6 percent (three times that of developed countries). As average incomes have grown, so has longevity, with the average person living twenty years longer than recorded in the middle of the last century, and infant mortality has fallen by an astonishing 65 percent. Overall living standards, health care, education, infrastructure, and information technology have all improved dramatically, and human beings have experienced a degree of flourishing never before known to humankind. In short, capitalism works, but it does not necessarily work for everyone, and it certainly works better for some than others.

Despite these gains, over one billion people still live on less than \$1.25 per day, wealth continues to be unevenly distributed between the global north (rich) and the global south (poor), and the gap between rich and poor is growing exponentially. According to a recent report by the charity Oxfam, 99 percent of the world's combined wealth is in

the hands of 1 percent of the population and as few as eight individuals are as wealthy as half the population of the entire world, combined (3.6 billion people). This singular, staggering statistic must not be ignored, especially by proponents of capitalism. . . .

But there are other problems inherent in the current system as well that pose existential threats to capitalism itself. One such problem is the ticking time bomb of sovereign, or national, debt. . . .

The debt problem is not merely a government issue; it is endemic to the entire economy. (pp. 69–71)

The author then goes on to unpack the effects of fiscal (deficit-spending) and monetary (quantitative-easing) policies, and recounts a litany of corporate misdeeds and scandals, too voluminous to list here. We summarize the author's comments on pp. 77–81.

So how is postmodern capitalism different from the modern capitalism observed by Max Weber? For one thing, the ethos of capitalism has changed. The primary driver of capitalism is no longer wealth accumulation but conspicuous consumption. The economy is no longer built on a stable credit system; it is built on unsustainable amounts of individual, corporate, and sovereign debt.

Sociologically, culture has become homogenized, while the cults of religion and other values-based associations have become marginalized. “God is dead” is increasingly society's, and therefore capitalism's, guiding principle. It resembles a dystopian reality that needs either fixing, replacing, or reforming. And considering the large-scale economic impact of capitalism's evolution, all options must be on the table.

Books on economics written by academics rarely make the *New York Times* best seller list, much less seven-hundred-page tomes written by relatively unknown French authors. That changed in April 2014 when the English publication of Thomas Picketty's 2013 book entitled *Capital in the Twenty-First Century* made the list, reaching the number one spot in only four weeks.

Examining nearly two centuries' worth of data, Picketty observed that capitalism will often, if not inevitably, lead to a distorted concentra-

tion of wealth simply because the rate of return on capital ( $r$ ) regularly outpaces economic growth ( $g$ ). His  $r > g$  formula is both accurate and elegant. But the numbers do not speak for themselves. In fact, the  $r > g$  formula may have more to do with stagnant wages than it does with return on invested capital (ROIC).

Despite the flaws in some of his arguments, Picketty's book captured the zeitgeist of the Occupy Movement and tapped into a general dissatisfaction with economic elites benefiting disproportionately from capitalism without paying a price for their failures. Unfortunately, the solutions he recommends (i.e., punitive taxation and other wealth-inhibiting measures) are both unimaginative and unworkable—and, by his own admission—hopelessly utopian.

The author then unpacks similar “solutions” offered by the likes of Jeremy Corbin in the United Kingdom and Bernie Sanders in the United States, before describing Dr. Eve Poole's suggestions for “reimagining” capitalism (pp. 88–89). Here is a summary of her suggestions.

While promoting genuinely savvy insights into capitalism's shortcomings, many of Poole's ideas run the risk inherent in all utopian models: the unintended consequences of wholesale change may prove more problematic than beneficial, in the long run. If utopia fails to provide an answer, what are people of good will to do when they encounter an economic system completely out of control, as we have with postmodern capitalism? When it comes to our current socioeconomic predicament, the greatest challenges we face are not structural in nature; they are moral. So we must look to moral constructs, including those rooted in our religious traditions, for guidance. Redemption is one such construct that warrants our further consideration.

### Technical Considerations

1. Economic growth since the dawn of the Industrial Revolution has been exponential, but that growth has come at a cost. Besides wealth inequal-

## CAPITALISM UNDER FIRE

- ity, what are some of the other negative consequences of economic activity? What are their long-term implications?
2. One of the cornerstones of capitalism is the “fractional banking” system. The monetization of the economy through central banks, and deficit spending on the part of governments (especially in a system that utilizes “fiat” currency), raises many issues about the amount of debt the system can sustain. What do you think would happen if the United States ever defaulted on its debts?

### **Biblical/Theological Considerations**

1. Stewardship: How does the current system stack up against Matthew 25:14–30?
2. Wealth and Charity: How does the current system stack up against 1 Timothy 6:7–8?
3. Flourishing, Sabbath, and Redemption: How does the current system stack up against Leviticus 25:1–55?

### **Moral/Ethical Considerations**

1. If the United States repaid its national debt at a rate of \$1 billion per day, it would take sixty-five years to pay it off. We are therefore burdening our progeny with insurmountable debt. What are the moral implications of that phenomenon?

### **General Responses**

1. The author acknowledges the shortcomings of postmodern capitalism but rejects “utopian” solutions. Do you agree or disagree with his assessment of closed economic systems such as socialism? Why?
2. The author suggests that capitalism’s problems are moral, not structural, and therefore require a values-based solution. Do you agree or disagree with that conclusion? Why?

## CHAPTER 5

### **Prayer Time**

Think about your own finances. How do they stack up against the biblical standards mentioned above? Are you tithing? Are you practicing generosity? Are you carrying too much debt? Ask God to forgive your own economic failures, and ask God to guide your economic decisions in the future, according to biblical precepts.

# 6

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## God and Mammon

*(Biblical and Theological Reflections on Money and Business)*

### Thought Starter

In 1991, Pope John Paul II issued an encyclical entitled *Centesimus Annus* (“One Hundred Years”), commemorating the 100th anniversary of Pope Leo XIII’s seminal work *Rerum Novarum* (“On Revolutionary Change in the World”). In it, the pope took up the mantle of his predecessor and steered a delicate course between unbridled support for the free market and condemnation of totalitarian systems (both political and economic). While affirming the right to private property and acknowledging the wealth-creating potential of capitalism, he also warned against both its excesses and its limitations, and encouraged the faithful to be wary of its deification.

Needless to say, praise for the pontiff’s words was far from universal. In fact, Catholic commentators themselves, such as Rev. Richard John Neuhaus (founder of the journal *First Things*) and Msgr. George Gilmory Higgins (the so-called Labor Priest), couldn’t agree on whether the pope was or wasn’t in support of what the former called “New Capitalism.” Their debate was writ large across the pages of the *Wall Street Journal*, with some observers suggesting that the argument was moot and the pope had no business engaging with political economy in the first place. A rather strange suggestion, when one considers how much God has to say about these things in Scripture and the church’s long-standing foray into such matters.

## From the Text

In chapters 8 and 9, the author digs deeply into the relationship between religious belief and political economy. Here is a summary of his argument on pp. 91–115.

While the Scriptures contain teachings that span millennia and deal with every imaginable aspect of life, many are surprised to discover that the Bible has more to say about work and economic activity than about heaven, hell, and sexual ethics combined.

The Bible begins not merely with the story of God but with the story of God at work. As James Francis puts it: “The modeling of the transcendent in religious discourse . . . reflect[s] the idea of God as . . . the Worker par excellence. . . . [While] work may be hard and toilsome, it is productive and creative, [it] is a uniquely human activity express[ing] who we are and aspire to be, . . . using creatively all the materials of our life which are to hand.” In the Hebrew Scriptures, however, there is also a constant tension between the rights of individuals to benefit from their economic activities and their broader obligations to seek the common good, with special concern for those who are less fortunate, both within the community and outside of it.

While trade and exchange abounded, direct comparisons between ancient Israel’s economic landscape and today’s political economy are virtually impossible. That said, throughout the Old Testament we can see certain ethical principles emerge—for instance, the lessons that may be taken from Proverbs 31:10–31 and its description of a “wife of noble character.” An ideal is clearly established here: hard work, the economic use of material goods, and the ability to face the future with courage and confidence in both methods and results will inevitably lead to flourishing. The one who is praised is the one who has worked diligently, lived a temperate lifestyle, and been prudent in business dealings; this is the one who has demonstrated justice by caring for the poor and needy.

The New Testament offers a wide array of commentary about work and economics as well. Jesus spoke clearly about the dangers of wealth becoming an idol. He also warned that “worrying” about money, riches,

and pleasure could become a distraction from what was truly important in life (see Luke 8:1–15; 12:1–34). But perhaps his greatest warning to those who were wealthy but failed to share their wealth with the poor came in the parable of the rich man and the beggar named Lazarus (Luke 16:19–25).

Paul viewed all “honest work” as part of Christian discipleship and, like Jesus and the Old Testament writers, warned against greed and idolatry (Eph. 4:17–18, 27–28). At one point, he even equated greed with idolatry (Col. 3:5), which his Jewish listeners would have considered the most grievous of sins.

For Augustine, as with the apostle Paul, slothfulness is inimical to virtuous conduct, and the natural antidote to slothfulness is honest work. As supportive as Augustine was of corporeal work, he was even more concerned about the temptations associated with the accumulation of wealth, even if that wealth was the result of honest efforts. While he was clear to note that wealth itself is not a spiritual impediment, he believed love of wealth was most certainly problematic.

Thomas Aquinas had a quite pragmatic understanding of the ethical use of one’s material wealth. He noted, for instance, that liberality was a virtue, but he thought it absurd for a person to be so liberal as to fail to provide for his or her own basic needs. He also believed it wise for people to exercise thrift and to save their wealth to ensure its availability when needed in the future. Aquinas was especially concerned with the dangers associated with greed, warning against certain practices he viewed as wicked, including what we today would call price gouging (that is, artificially increasing the price of something in order to take advantage of a person in dire need) and usury (lending money at interest).

Calvin rejected any compartmentalization of a believer’s life. All of life, including economic activity, is to be lived according to God’s precepts and in response to God’s grace. Calvin also had no theological objections to private property or wealth accumulation, provided the wealth was accumulated ethically. He notes, though, that everyone has a moral duty to look after their neighbor’s property as well as their own, and that they should help those in need, as well as pay their debts. One important area in which Calvin differs significantly from either the Scholastics or

the church fathers is the question of usury and the legitimate charging of interest. In short, while Calvin understood the economic necessity of allowing interest to be charged, he set its use within a biblical framework of virtue.

The teachings of Augustine, Aquinas, and Calvin, rooted as they are in biblical theology, when taken together, give us a motif that is remarkably universal in its application and particularly useful in our efforts to redeem our current economic system. Their teachings suggest a quiver comprised of three arrows: common grace, wisdom, and virtue.

### **Technical Considerations**

1. It's very difficult, if not impossible, to compare ancient economic systems with our own, but some things are similar. What are some of the important differences? What are some of the important similarities?
2. In the book, the author talks about the relationship between our work and our personal identity. Have you ever noticed that when you meet someone for the first time and ask them what they do, they usually tell you what they are (i.e., lawyer, teacher, housewife, doctor, etc.) instead? How do you think this phenomenon relates to our being created in the image of God, “the Worker par excellence”?

### **Biblical/Theological Considerations**

1. The Bible is full of warnings against slothfulness but insists on observance of the Sabbath. Why do you think that is so? Beyond just a “day of rest,” what other forms of “sabbath” might Scripture support?
2. What do you think the apostle Paul meant when he said that “greed is idolatry” (Col. 3:5)?

### **Moral/Ethical Considerations**

The author notes on p. 114 that John Calvin established certain parameters for the legitimate charging of interest:

## GOD AND MAMMON

1. No interest was to be charged on loans to the poor or the needy (Calvin considered that an abomination, as it preyed on those to whom charity should be shown).
2. Interest in financial gain should not preclude charity (charity was the higher road for Christians to take).
3. No loan should contravene natural justice (that is, the Golden Rule), and a borrower's gain should meet or exceed the lender's gain on any given transaction.
4. Interest rates among Christians should not be set by the world's standards but by God's standards, with charity once again being the first consideration (although obeying the civil law was the minimum standard required).
5. Before lending money to anyone, consideration should be given to the impact of any loan on the community as well as on the individual borrower.

Based on these criteria, what do you think Calvin would say about our current system? Can you give specific examples in support of your argument?

## General Responses

1. A simple definition of capitalism is "private enterprise based upon the operation of free markets in a lightly regulated, highly monetized system." A simple definition of socialism is "the public ownership of the means of production, distribution, and exchange." Neither system appears in the Bible. That said, do you think one system is more "biblical" than the other? Why?
2. Is it right for the pope (or any other person of faith) to bring personal religious beliefs into the public square? Why or why not?
3. Is there a place for a "prophetic voice" in the area of political economy? Why or why not?

## Prayer Time

Think about your own life and career. Do you identify yourself first and foremost as a follower of Jesus, or does your work define who you are? What

## CHAPTER 6

motivates you to work and to prosper? Has money become an idol in your life? Have you exercised stewardship, thrift, and generosity? Ask God to forgive you for the times you've "conformed to the patterns of the world," and ask God to help you become "transformed by the renewing of your mind" (Rom. 12:2).

# 7

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## Imagining Virtuous Capitalism

*(Common Grace and the Common Good)*

### Thought Starter

Once, while working as a senior executive at a multibillion dollar company, the author found himself in a tense situation with an international customer. While their visitors, who had traveled a great distance to attend an important meeting, waited, the author and one of his direct reports scrambled against the clock to prepare their presentation. As they raced around the office, gathering data and collating reports, the author noticed that the sun was beginning to set. Knowing that his colleague was a devout Muslim, he stopped what they were doing and asked whether the man needed to take a break in order to pray. The man was flabbergasted and began to quietly weep. “I’ve been with this company for fifteen years,” he said, “and that’s the first time anyone has ever asked me that question. Thank you!”

It was a very modest gesture, to be sure, but one that had deep meaning for the people involved. It wasn’t only a sign of respect, it was an acknowledgment of a shared sense of values and an expression of grace that transcends religious systems. The great Dutch polymath Abraham Kuyper, who is sometimes known as the father of “common grace,” once said the following of his own religious tradition:

Calvinism has a sharply-defined starting-point of its own for the three fundamental relations of all human existence: viz., our relation to God, to man, and to the world. For our relation to God: an immediate fellowship of man with Eternal, independently of priest or church. For

the relation of man to man: the recognition in each person of human worth, which is his by virtue of his creation after the Divine likeness, and therefore of the equality of all men before God and his magistrate. And for our relation to the world: the recognition that in the whole world the curse is restrained by grace, that the life of the world is to be honored in its independence, and that we must, in every domain, discover the treasure and develop the potencies hidden by God in nature and in human life.

### From the Text

In chapters 10 and 11, the author unpacks the three previously mentioned “arrows in the quiver” that people of faith may use to redeem capitalism in a postmodern, pluralistic society: common grace, wisdom, and virtue.

While no consensus exists on the particulars of right conduct, areas of common ground across all religious traditions, and even among those with no religious faith, make it possible to construct a business ethic that is universally applicable. All human beings, whether they acknowledge it or not, possess both the image of God (*imago dei*) and a deep-seated sense of the divine (*sensus divinitatis*) that are the very building blocks of what theologians call common grace. . . .

One need only consider the ethical foundations of various religious systems to quickly discern the commonality between them. Islam possesses many of the same beliefs about the ontology of ethics that Judaism and Christianity share, and all three Abrahamic faiths put a high premium on right conduct and moral discipline. Similarly, Hinduism and Buddhism, while not as proscriptive as the monotheistic faiths, highly value the development of virtue and the avoidance of vice. Likewise, Taoism and Confucianism place great emphasis on the development of good character and the desire to seek harmony and the common good. Even those who subscribe to moralistic atheism ground their beliefs in a kind of natural law based largely on human empathy and an evolutionary desire to protect the species. The net result is that people of faith need not fear the need to compromise their religious convictions in order

to achieve common moral ground, and people without faith need not conclude that invocations of the divine necessarily constitute a hidden agenda of proselytization. . . .

. . . As the traditional guardians of virtue, ethics, and morality, religious faiths are uniquely placed to influence the future of the global economy, not merely because faith communities have political strength in numbers, but because their traditional values still have currency in the marketplace of ideas. Among those ideas is a belief in the universal benefit of wisdom. . . .

At first consideration, we might conclude that invoking biblical wisdom in the world of business is a fantasy, yet like so many other assumptions about capitalism, it is an assumption with no basis in fact. Historically the opposite is true, as shown by the biblically informed ethical codes of medieval guilds, Calvin's Geneva, the merchant advice manuals of the mercantile era, and the numerous codes of business conduct and corporate credos that permeated the business landscape of America in the early part of the twentieth century. (pp. 116–20)

The author then unpacks the “seven pillars” of biblical wisdom as well as the so-called cardinal and theological virtues, considering them in relation to actual business/economic issues, such as systemic inequality, business ethics, pricing, wages, executive pay, taxation, etc.

The subject of virtue has been on the minds of philosophers and theologians for millennia, and for good reason: moral reasoning is one of the things that separate us from other species. . . . According to Aquinas, human beings are created in the image of God and possess both reason and intellect, which he calls the power of the soul. Like Calvin, Aquinas sees this as a universal trait and one that corresponds to “natural reason,” although he emphasizes the need for human beings to cultivate virtue through the exercise of good habits. . . . In order to be virtuous, individuals, groups, companies, and societies must do virtuous things. . . .

There was a time, Max Weber notes, when opulence and conspicuous consumption were seen as vulgar and were generally shunned by “polite society.” . . . As capitalist societies have moved further and further away from their religious moorings, behavior once considered indecent is now

celebrated by a culture that has lost a sense of shame. The accumulation of wealth has itself become a postmodern virtue, and a hedonistic tendency toward excessive self-indulgence has become the ideal. Of greatest concern, though, is that instead of compassion for the poor, our culture has developed contempt for the poor, which can only be seen as an abomination in the eyes of God. . . .

. . . When capitalism emerged from the primordial ooze of feudalism and mercantilism, it was rooted in a religiously inspired ethic. . . . Capitalism itself is not the problem; the corruption of capitalism is. If we are going to redeem capitalism—and to enjoy and share in the fruits of capitalism—we are going to need all the tools of virtue and love at our disposal. (pp. 129, 140, 160)

### Technical Considerations

1. In Western culture, and American culture particularly, there is a tendency to view some things as “sacred” and other things as “secular,” but this is a relatively modern construct. There is simply no evidence to support the notion that the US Constitution’s First Amendment right to “freedom *of* religion” was meant to be construed as “freedom *from* religion.” In fact, the latter is an illogical presumption, as the former is only necessary if people are expected to express their religious views, both privately and in the public square. Do you think it is possible for religious belief to inform culture, without culture having to conform to a particular belief system? Can you give an example to defend your position?
2. As economic activity has globalized, there are more opportunities than ever for cultures to clash and values to differ. Is the search for a universal business ethic possible, or is it a “fool’s errand”? Is your belief based upon your own experience, or on some empirical evidence?

### Biblical/Theological Considerations

1. In the book, the author breaks down the “pillars” of wisdom as described in James 3:13–18 (namely, purity, peace loving, consideration of others,

submissiveness, mercy, impartiality, and sincerity) and gives actual examples of what happens when these things are either ignored or properly applied in business settings. Can you give a similar example, either from your own business experience or from your general knowledge of the business world?

2. In the book, the author suggests that love should be at the “center” of a properly functioning economy and appeals to 1 Corinthians 13:4–8a in support of his thesis. As with his consideration of wisdom, he goes on to give actual examples of what happens when love is or isn’t applied in business settings. Can you give a similar example, either from your own business experience or from your general knowledge of the business world?

### Moral/Ethical Considerations

1. In the book, the author explains why lottery tickets are exploitative in nature, due largely to the fact that people don’t fully understand mathematical odds and probability. The result is a disproportionate number of poor people wasting precious resources on the “false hope” of becoming rich. Do you understand how lotteries work? Is the fact that lottery proceeds often go to “good causes” sufficient to assuage one’s guilt over the proliferation of government-backed lotteries?
2. In ethics, there is a principle known as “the burden of knowledge.” Once a person becomes aware of something immoral, the person has a duty to act upon that knowledge in order to mitigate the consequences of that immorality. Have you ever found yourself in a position where you experienced the “burden of knowledge”? How did you respond? Why? Do you have regrets? Would you do the same today?

### General Responses

1. At the very beginning of the book, the author states that “Capitalism is a subject, not an object. It possesses no *hypostasis*, no human essence, and imposes no will, but it does reflect the values of the culture in which it resides. Capitalism is nothing more than the result of countless individ-

## CHAPTER 7

ual and corporate decisions, and for good or ill, the capitalism we have is the capitalism we have chosen; its *redemption* rests on the choices we are yet to make.” Do you agree with that statement? How might the “right” choices change what capitalism looks like, going forward?

### Prayer Time

Think about your own economic decisions. Every one of them, large or small, is a moral choice. Ask God to forgive you for the bad choices you’ve made in the past, and ask him to help you make virtuous economic decisions in the future.

# 8

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## Redeeming Capitalism

*(from the Bottom Up and the from the Top Down)*

### Thought Starter

Prior to the Abolition Act of 1807, the transatlantic slave trade was big business. Some forty-six thousand British subjects “owned” nearly three million African slaves, whose forced labor supported an industry equivalent in size to today’s construction, banking, and automotive sectors—combined!

In addition to its economic impact, the so-called West Indies Plantation System was also a source of British national pride. With outposts on every continent, the tiny island nation could boast that “the sun never sets” on the British Empire, and slavery was viewed as a “brute fact” of colonial life.

In the 1780s, however, a small group of Quakers began to question the continued practice of forced labor on moral grounds (Adam Smith had already questioned it on economic grounds). Soon they were joined by evangelical sympathizers, including William Wilberforce, a highly respected member of Parliament. In 1787, he had the temerity to introduce a bill in the House of Commons calling for the slave trade’s abolition. Opposition from entrenched interests was fierce, yet within twenty years, the slave trade had in fact ended, and slavery itself was abolished in 1833 (three days before Wilberforce’s passing).

How was this possible? There are several reasons why the tide shifted against slavery so quickly, some of which are applicable to the cause of redeeming capitalism. First, the proponents of reform believed in their hearts that their cause was just and would be blessed by a just God. Second, they believed

that in the long run the empire would be better off economically without slavery and appealed to the popular writings of Adam Smith to support their case. Third, they were confident in the ascendancy of their arguments in the “marketplace of ideas.” Fourth, they operated at both the grassroots level (bottom up) and the level of government (top down). With a prophetic voice both on the streets and in the halls of power, the narrative quickly changed from the *possibility* of reform to the *inevitability* of reform. It was a master class in social justice and a shining model of economic redemption.

### From the Text

In chapters 12 and 13, the author suggests that his is more of a “can do” book than a “how to” book, but nonetheless he explores some of the areas where progress toward redemption may begin.

#### *On Redeeming Work*

For most people, work is viewed as either a burden to be tolerated, a necessary evil of sorts, or a means to an end. . . . Those views are distortions of the traditional view of work that gives both meaning and purpose to people’s lives and allows them to flourish in the process. Work that is burdensome is bound to be unsatisfying, and work that is radically self-centered is bound to be unhealthy. . . .

There is no guarantee that everyone will find meaning and purpose at work, but when one considers how much of one’s time is spent at work, it is a path worth pursuing. . . .

As important as our consideration of work is, we must not ignore the fact that work is usually done within the framework of a business, and it is highly unlikely that a high view of work will prevail in a business if it is not a virtuous business. (pp. 163–69)

The author then explores how the so-called cardinal and theological virtues may be applied to business settings.

Establishing and nurturing virtuous business cultures will be a difficult task. . . . But we can see signs that people are ready for this endeavor. The global financial crisis has caused even the most ardent supporters of capitalism to stop and ask hard questions about how we create wealth, the relationship between wealth and money, wealth distribution, fair trade, debt, usury, corporate social responsibility, executive compensation, shareholder rights, globalization, tax avoidance, corporate governance, and a host of similar issues. But it will simply be impossible for us to redeem postmodern capitalism, if we do not also redeem money and markets. (p. 175)

### *On Redeeming Money*

The author begins with a look at the evolution of money from proto-currencies, to coins, to commodity-backed paper currencies, to fiat currencies, and highlights the relationship between the fiscal policies of governments and the monetary policies of central banks—warning that profligacy and greed have caused previous systems to fail—with very grave consequences.

In the aftermath of the global financial crisis . . . the government has added \$10 trillion to the national debt and “printed” \$4.5 trillion in new money through its program of quantitative easing. Over the same period of time GDP has gone from \$14 trillion to \$19 trillion. That is a bit like a CEO telling his or her shareholders that in order to add \$5 billion over eight years to the P&L account, they had to take \$14.5 billion off the balance sheet. . . . That is exactly what our government has done to “America, Inc.,” except it is in the trillions, not billions, of US dollars. (pp. 179–80)

Note: Since the publication of *Redeeming Capitalism* and the outbreak of the COVID-19 pandemic, the US government has increased the national debt to \$24 trillion and the Federal Reserve has added another \$6 trillion of liquidity into the system through additional quantitative easing. Asset inflation, both in equities (i.e., price to earnings ratios) and in real estate (prices are

well above precrash levels), is very worrying, as are signs of consumer inflation. Personal debt is also higher than precrash levels.

### *On Redeeming Markets*

If capitalism is going to be redeemed, the disconnect between money and wealth will have to be addressed, as will the profligacy of national governments and the unbridled recklessness and greed of those who control both the world's money supply and the world's markets. . . .

Bubbles and crashes happen for many complex reasons, but one concern today is the over-expansion of the financial sector itself. . . . At one time, stock markets were driven by traders investing rationally in companies, but no more. Now, with an exponential increase in hedge funds, derivatives trading, naked short-selling, and a host of other practices that increase opportunities for market manipulation, markets are being driven by traders investing speculatively in products with no regard for the traditional relationship between stock ownership and company performance. . . .

Markets were designed by business people for the purpose of facilitating exchange to benefit all stakeholders, based on a mutuality of risk and reward. Unfortunately, they have become a kind of Frankenstein's monster, affirming the saying of earth scientist and alternative energy pioneer Amory Lovins: "The markets make a good servant but a bad master, and a worse religion." . . .

Redeeming capitalism is not an economic exercise; it is a cultural mandate. It begins from the bottom up, as individuals, families, churches, communities, companies, multinational corporations, local, state, and national governments, aid organizations, and international regulatory agencies begin to realize the limits of ethical egoism and dare to explore ideas and actions that align individual economic activities with the common good. But redeeming capitalism must also work from the top down.

## REDEEMING CAPITALISM

Figure 1. Capitalist Forms in Comparison

Driver	Traditional	Modern	Postmodern	Virtuous / Redeemed
Purpose	Subsistence	Acquisition	Consumption	Well-being / Human flourishing
Capital	Means	Credit	Debt	Thrift
Nature of Work	Class	Calling	Professionalism	Spiritual / Work as worship
Method of Work	Rhythmic	Regimented	Compartmentalized	Holistic
Ethic	Orthodoxy	“In” the world	“Of” the world	Common grace
Accountability	God is watching	Self-monitoring	No one is watching	Covenantal / Mutuality
Ontology	Saved by works	Predestined	Temporal	<i>Imago dei / Missio dei</i>
Theology	God is remote	God is active	God is dead	God is present / God is accessible
Geography	Local	International	Global	Think globally / Act locally
Epoch	Agrarian	Industrial	Informational	Interconnected
Output	Necessities	Products / Services	Brands / Images	Added value
Sociology	Homogenization of cult and culture	Homogenization of cult / Marginalization of culture	Marginalization of cult / Homogenization of culture	Harmonization of cult and culture

Throughout the final chapter, the author explains in detail the evolution of capitalism from its earliest days to the present, and he presents a model for its evolution to a new and virtuous form, beginning with a new understanding of its very purpose.

The general purpose of virtuous capitalism . . . is . . . to see the power of free markets used for the purpose of human flourishing . . . well-being in all of its forms—economically, socially, spiritually, physically, and politically. . . . Virtuous capitalism would be free enough to create wealth sufficient to benefit all of humanity, while still rewarding those who take reasonable risks, work hard, innovate, and are motivated to succeed. Benefits for the common good would be achieved, not by imposing a utopian egalitarianism or an arbitrary redistribution of wealth, but by creating a new narrative around the purpose of wealth-creation and the development of an ethos of generosity. (pp. 190–91)

### Technical Considerations

1. The global economy is a vast and highly complicated network of interconnected entities, both public and private; its mere size is almost unimaginable. The author proposes three possible options for its reform. The first is to do nothing and accept its excesses as an unavoidable consequence of its complexity (a.k.a. a “brute fact” of capitalism). The second is to replace capitalism with a centrally controlled utopian system (such as socialism). The third is to seek its reform through a combination of cultural awareness (i.e., change the narrative), ethical constraint, and regulatory reform. Which of those options do you prefer? Why? Can you give evidence to support your argument?
2. For a free-market system to work properly, there must be a natural equilibrium between supply and demand. The only mechanism for the regulation of that equilibrium is pricing. However, some goods and services are universally needed, regardless of one’s ability to pay. In those instances, the purchasing power of the collective may be more efficient than simple market forces. Two examples would be national defense and infrastructure. Can you think of any other examples? Would using the public purse to acquire such goods and services be a “slippery slope” toward socialism, or merely a consequence of the market’s limitations?

### **Biblical/Theological Considerations**

1. Pursuit of economic excellence has reduced almost every aspect of self-actualization to the pursuit of nonstop stimulation, whether in the form of information, entertainment, wealth, or pleasure. How does that square with Jesus's seminal question: "What good is it for someone to gain the whole world, yet forfeit their soul?" (Mark 8:36).
2. In the final chapter of the book, the author suggests that people's view of God went from "God is remote" to "God is active" to "God is dead." Do you agree or disagree with that assessment? Why?
3. The author suggests that in a culture where capitalism has been redeemed, God would be both "present and accessible." What do you think he means by that statement?

### **Moral/Ethical Considerations**

1. The stimulus packages and central bank activities mentioned previously have brought unprecedented liquidity into financial markets, yet access to capital for people of color and poorer nations remains scandalously burdensome. What are the ethical implications of that situation? What would you do to change it?
2. While the author argues forcefully for cultural change, he concurs that there is a place for some regulatory action. If you could pass one law in the endeavor to redeem postmodern capitalism, what would it be?

### **General Responses**

1. The author is very critical of the so-called Friedman doctrine as it relates to business ethics. With what would you replace the words "make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom"?

CHAPTER 8

**Prayer Time**

The Prayer of St. Francis of Assisi:

Lord, make me an instrument of your peace.  
Where there is hatred, let me bring love.  
Where there is offence, let me bring pardon.  
Where there is discord, let me bring union.  
Where there is error, let me bring truth.  
Where there is doubt, let me bring faith.  
Where there is despair, let me bring hope.  
Where there is darkness, let me bring your light.  
Where there is sadness, let me bring joy.  
O Master, let me not seek as much  
to be consoled as to console,  
to be understood as to understand,  
to be loved as to love,  
for it is in giving that one receives,  
it is in self-forgetting that one finds,  
it is in pardoning that one is pardoned,  
it is in dying that one is raised to eternal life.

Amen.