

In Defense of Capitalism

BY JIM HEWES

I have noticed in both Unification Church members and Unification Church publications—with the exception of the *Causa Lecture Manual*—a reluctance to consider capitalism as a viable economic system that could be espoused by Unificationist theology and philosophy. Many Unificationists see Divine Principle¹ and capitalism as mutually exclusive. They seem to lean toward socialism or feudalism as economic systems more compatible with Divine Principle. I disagree. I believe that capitalism or “free enterprise” is consistent with the fundamental principles of Divine Principle. If there is such a thing as an “ideal economic model,” I believe it will be capitalism or an economic model very similar to it.

On page 447 of *Divine Principle* is a chart that shows the “History of Economy” as ending up with three final stages: “The Capitalist Society,” “Imperialist Society,” and “the Society of Socialism.” The author of this chart (whom I believe was not Rev. Moon) was mistaken. Capitalism has never evolved into imperialism and socialism is on the way out due to its great inefficiency. If there was ever any “imperialism” it preceded capitalism.

It would be accurate to identify the three final stages of modern economic development as the “three stages of capitalism.” From *Divine Principle* we learn that all things have a period of growth—and capitalism is no exception. From Adam Smith’s *Wealth of Nations* written in 1776, until now, capitalism has evolved, adapted, and developed according to the political, historical, spiritual, cultural and economic circumstances.

The early stages of capitalism were quite primitive and barbaric. Workers were often exploited by being paid very low wages and being forced to work in hazardous and unsanitary conditions. There were huge profits for the privileged few and often poverty for the multitude of workers. People like Marx did have some valid criticisms of capitalism. But Marx’s biggest mistake was in viewing capitalism as *static* rather than the *dynamic, adaptable, and evolving* system that it is.

The economic system of capitalism, coupled with the political system of democracy and the culture and religion of Christianity, makes for a society that is remarkably able to adapt and respond to the challenges and problems of society. Certainly, Marx did not see the rise of unions to deal with the exploited worker or the myriad of government regulations and agencies that promote safety at the work place—such as OSHA and workers’ compensation. Neither did Marx see how competition has produced such a plethora of consumer goods and services to the consumer. Ironically, it is the capitalist countries that have brought incredible

prosperity to their workers and the communist countries that have exploited and abused their workers. Some people even consider the American worker as “spoiled”—underworked and overpaid, thus making it difficult for America to compete internationally.

Capitalism has brought a standard of living higher than that of kings or the privileged few of one hundred or two hundred years ago. How many kings had cars or boats or flew in airplanes? How many kings could routinely travel through their city, state, nation, or world? How many kings had indoor plumbing, refrigeration, heating, air conditioning, or microwave ovens? How many had the educational opportunities, universities, museums, or libraries so abundant today? Things we take for granted as necessities today would either be considered luxuries or were not even imagined one hundred years ago.

Capitalism has been a major factor in the development of this unheard of prosperity. Certainly God has inspired people with innovative ideas. But an economic system must allow God to work. Economic systems such as socialism, feudalism, or various traditional models prevent and inhibit God from working to provide prosperity to that society. Capitalism, as imperfect as it is, allows God to work and pour down his blessing upon the people of that society. But what is capitalism?

What Are Capitalism and Socialism?

Without getting overly technical I will try to describe each of these economic systems. Socialism is an economic system characterized by the abolition of private property and centralized planning. Capitalism is characterized by private property and a decentralized economic system allowing free access to markets and competition among the market participants.

Centralized planning means that a few people in the government make the major business decisions, such as what sector to invest money in, what price a product should sell for, what wages to pay, where to obtain the financing, what interest rates should be, and where to obtain raw materials. An obvious drawback of centralized planning is that it is impractical in a society of hundreds of millions of people. It simply doesn’t work; and the economies of eastern Europe, the Soviet Union, and North Korea show how inefficient and unproductive socialism is. Also, if a central planner makes a bad decision, the whole economy may be affected.

In America’s decentralized economy, the major decisions are made by the tens of thousands of corporations, partnerships and sole proprietorships in the country. The decisions are made by those people most affected by their consequences. These people know best their company’s situation as well as how workers, investors, lenders, and consumers will respond to their decisions.

1. In this paper I shall use Divine Principle, Unificationism and Unificationist Philosophy interchangeably to refer to the teachings put forth by *Divine Principle, Unification Thought* and Rev. Sun Myung Moon.

Authority must be accompanied by responsibility. It may be easy for some faceless bureaucrat to make decisions that may harm hundreds of thousands of people working in a business enterprise in a centralized economy. But the authority to make that decision should appropriately reside with those who are closest to the situation and have the most at stake in the business.

"Free access to markets" means workers may choose where to work, employers may choose whom to hire, consumers may choose what to buy, companies may choose what to sell, and stockholders may choose what venture to invest in.

This should result in healthy competition from market participants. If competition becomes unhealthy and destructive, then the law steps in with various anti-trust laws and regulations about unfair business practices, to promote a healthy competition that is beneficial for society.

The market is the best and most efficient way to allocate the production, distribution and consumption of goods and services, and the best determiner of prices, profits, wages and interest rates. Why? Because the market price is the value society places upon your goods or services. Therefore the market price is a function of your contribution to the whole purpose—that is society. If consumers do not buy your goods or services, it is because society does not value it and you will soon be out of business because you are not contributing to society. In a centralized economy, wages, prices, etc. are not determined by social valuations but by bureaucratic decision.

Is it evil or selfish to advocate private property? The debate over private property has been going on at least since Aristotle condemned Plato for advocating the abolition of private property:

Such legislation may have a specious appearance of benevolence. Men readily listen to it and are easily induced to believe that in some wonderful manner everybody will become everybody's friend, especially when someone is heard denouncing the evils now existing in states, suits about contracts, convictions for perjury, flatteries of rich men and the like, which are said to arise out of the possession of private property. These evils, however, are due to a very different cause — the wickedness of human nature.²

Plato, like the socialists and Marxists of today advocated the abolition of private property. But it is not private property that makes men selfish or wicked. Rather, that is a problem of the spirit. Furthermore, how can we be generous and giving if we have nothing to give? Certainly a prerequisite to sharing is having something to share.

The third blessing of Divine Principle gives us dominion over creation. Private property is necessary to fulfill this third blessing. Each person must learn how to care for his or her house, garden or consumer goods. Each person must

be given the opportunity to grow spiritually by sharing his property with others.

The American idea of having a blend of private and public lands seems to work quite well. We have public property for schools, government facilities, highways and parks. But we also have private property for business, religion, recreation, sports, and housing.

Democratic-Capitalism

One of the best writers on capitalism is Michael Novak, a former leftist priest turned conservative scholar who is now a fellow at the American Enterprise Institute. Novak sees America as a tri-partite system of democracy (politics), capitalism (economics), and Christianity (culture), which he terms "democratic capitalism." This name appropriately recognizes the interplay and relationship among the political, economic and cultural spheres of American society.

Nobel Prize laureate (for economics) Milton Friedman points out the relationship between economic freedom and political freedom. One cannot flourish without the presence of the other. If we do not have political freedom, then our economic freedoms will be limited. In allowing maximum political freedom, democracy is compatible with capitalism, which allows maximum economic freedom.

Democratic capitalism is certainly compatible with religious freedom. Some may argue that the polity of the Protestant churches, which are governed from the bottom up, is more compatible with democratic capitalism than the polity of the Catholic churches, which are governed from the top down. However, the Catholic church has also demonstrated its compatibility with democratic capitalism.

American political economy is very decentralized and thus efficient and prosperous. Not only are there thousands of businesses and thousands of churches, charities and social organizations, but the political system is divided into three different powers — executive, legislative, and judicial — with federalism further dividing political power among federal, state, county, city and town jurisdictions.

Meanwhile, constraints on business from the political branch, including enforcement of anti-trust legislation, work to prevent a centralization of capital.

The Corporate Form

The corporation, although much maligned, is a very efficient and productive organizational form. It brings people, money, and resources together for a common purpose. Each state has adopted its own statutes governing corporations (as well as sole proprietorships and partnerships). The corporate form has evolved over time. It allows investors to invest money with "limited liability." They risk losing only the money they invest into the corporation. In many corporations, the board of directors who are elected by the shareholders, run the corporation. Thus the corporation itself is democratic. It is a myth that just a few capitalists own corporations. There are well over

2. Aristotle, *Politics*, Book II pp. 44-45

50 million Americans who own corporate stock.

In the early stages of capitalism, corporations were often irresponsible and felt they owed no allegiance to their workers, customers or the environment. However, in the past twenty years, many companies have recognized a "social responsibility" towards society. Many companies have realized that it is in their own self-interest to protect the environment, to guarantee their products and services. Many companies make large donations to charities, educational institutions and other worthy causes.

In the midst of South African apartheid, General Motors adopted the "Sullivan Principles," sponsored by one of its board of directors. GM adopted the policy of no discrimination in its hiring of workers, dealings with suppliers, etc. This was an example to other companies and was a denunciation of the policies of the racist South African government.

Capitalism is Consistent with Divine Principle

According to *Divine Principle*, man has freedom and responsibility and is the temple of God. Capitalism more than any other economic system allows people to use their freedom and responsibility to foster economic prosperity. If God dwells within each individual, then certainly that person should have the right and authority to have his own business. *Divine Principle* does not say only central planners of the government are the temple of God, but that all people are to be the temple of God.

As mentioned earlier, capitalism does an excellent job of harmonizing the individual and whole purposes. If a business is successful, then it is serving the whole purpose because of its many customers. If a company fails to serve the society, it will go out of business. Even if a businessman's motivation is totally selfish, he or she must still serve customers with a decent product or risk failure.

In line with this is the biblical maxim, "What a man sows, so shall he reap." If a person does work hard providing a quality product or service for consumers, shouldn't that person also benefit? Certainly some executives seem to get excessive bonuses. But if a person like Lee Iacocca can single-handedly salvage from bankruptcy a large company like Chrysler, which employs thousands of workers, he should be compensated accordingly.

The market is the best determiner of how much Iacocca and others should receive. The amount of wages or profits a person or company makes is a function of how much they contribute to society. Dr. Lee, author of *Unification Thought*, says:

The capitalist is naturally entitled to receive a part of the earnings of the enterprise because he has exerted creative power either engaging in business activity or by providing capital for it. . . . [T]he exploitation of laborers by capitalists is not that capitalists seize the surplus value (profit) produced by the laborers, but rather that capitalists take an

undue portion of the profit produced jointly by capitalists and laborers.³

The ideal corporate form will have all the workers as owners. Each worker thus has a stake in the company, providing incentive for quality work.

Unificationism affirms the family, not the government, as the cornerstone of the Kingdom of God. Thousands of family businesses have sprung up under capitalism. In a family business, children can learn how to work and even earn money to go to college. Give and take action is an essential component of capitalism yet is virtually nonexistent in socialist economies. Under capitalism the exchange of goods and services is voluntary and thus there is true give and take action that benefits all parties. Milton Friedman points out:

The key insight of Adam Smith's *Wealth of Nations* is misleadingly simple: if an exchange between two parties is voluntary, it will not take place unless both believe they will benefit from it. Most economic fallacies derive from the neglect of this simple insight, from the tendency to assume that there is a fixed pie, that one party must gain at the expense of the another.⁴

Thus in a voluntary transaction both parties gain benefit. This is the essence of true give and take action. There is no zero sum gain -- the pie gets bigger.

Price regulates supply and demand and fosters the give and take action. In a socialist command economy rather than both parties benefiting both parties lose or only one party gains. In capitalism, if both parties do not gain, there is no transaction.

Capitalism more than any other economic system gives people incentive to work and produce goods and services. Rev. Moon in an interview with a Soviet journalist indicated that incentives must be an essential component of an economic system.

Divine Principle affirms creativity as an attribute of human nature. Only in capitalism is creativity fostered to its utmost. Capitalism thrives on creativity, innovation and inventions. Through our patent and copyright laws one is rewarded for their creativity while simultaneously allowing society to benefit by the invention.

Divine Principle affirms man as lord of creation. Man was not created to merely obey orders from a "central planner," like angels do. But man is to explore, initiate and create to better serve humanity. Capitalism is the economic system best suited to do this.

Conclusion

Some Unificationists eloquently and vehemently critique Marxism but then adopt the Marxist critique of

3. *Unification Thought*, p. 284

4. *Free to Choose*, Avon Books, 1979, p. 5

capitalism. This is absolutely wrong. We must stop critiquing the early stages of capitalism and recognize, accept and analyze the democratic capitalism of the 1990s.

As shown in this paper the political-economic structures of democratic capitalism provide optimum opportunities for a healthy and productive economy and society.

The problem, as Aristotle pointed out, and all serious critiques of capitalism reflect, is the "wickedness of human nature." The root problem with capitalism is not capitalism itself, but the spiritual and moral state of the people. As Henry David Thoreau stated in his *Essay on Civil Disobedience*, "a corporation of conscientious individuals is a conscientious corporation." As people become more God-centered and moral, then capitalism will become more God-centered and moral.

The success of capitalism has brought about the age of consumerism. Neither the owners nor management dictates the direction of a company or the economy—the consumer does. A company must please and serve its customers or ultimately it will not survive. Consumer protection laws and competition itself have made the customer king. An unfair business practice is predicated on whether or not the consumer is hurt or benefited. However, in centrally planned socialist economies the government is king and dictates the direction of the economy.

Capitalism can be applied differently to each country. Capitalism has shown itself remarkably adaptable to different cultures. The capitalism of Japan and the newly industrialized countries of the Asian rim have proved

astonishingly successful for these Confucian and Buddhist based cultures. It also has proved quite successful in Christian based countries as Max Weber pointed out with the "Protestant work ethic."

Capitalism may take different forms, but the substance is the same. In Japan there is more cooperation between government and business. American capitalism is typified by a more confrontational relationship between government and business. Each country adapts to the principles of capitalism according to their own culture, history, geography and other circumstances.

Ultimately, whatever works will determine the appropriateness of an economic system to a country. However, after an analysis of current political economies and Unificationism, it is apparent that the fundamental principles of capitalism—private property, a decentralized political economy and free access to markets characterized by healthy competition to best serve the customers—are the best alternative.

Democratic capitalism has come a long way since its early stages and it still has a long way to go. Despite its faults, democratic capitalism has shown a remarkable ability to adapt, develop and respond to the changing needs of the various societies that have adopted it. As Unificationism spreads and people become more spiritually elevated and God-centered, then so will democratic capitalism.

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