

KINDOM ECONOMICS

David Hilfiker

March 1, 2009

Mt 6:24-34

I'd like to talk with you this morning about economics and suggest that the current economic crisis is an opportunity to break the stranglehold that the ideology of free-market capitalism has on our consciousness and develop an alternative economics more consistent with the Reign of God.

Most of us aren't consciously aware that bedrock principles for an alternative economics are embedded in our Scriptures. In fact, I'm coming to believe that the Reign of God is a vision of economics, and we ignore that vision at great peril.

The word economy comes from two Greek words, *oikos* or "house" and *nomos*, "one who manages," so etymologically economics has a broad meaning, something like "care for the household" or, in our current context, "care for the earth and its creatures," so it's considerably more inclusive than our usual modern definitions of economics. What are some details of a scripturally based economics?

- Most importantly, we're all in this together, and everyone is to get basic subsistence needs met before anyone begins to get luxuries. As the 4th century St Basil wrote, "What we own over and above what we need does not belong to us but to the poor who have nothing."
- We're to learn the concept of "enough." While a basic material well-being is necessary, ultimately our happiness doesn't come from increasing material possessions.
- The natural environment belongs to God, and it's humanity's role to care for the earth (not just "subdue it"). A biblical example is letting the land lie fallow every seventh year.
- The Jubilee year is the occasion once every 50 years when land is to be returned to its original owners or their descendents. The implication for us is that wealth must be redistributed and everyone should have the chance to begin anew.
- Interest was forbidden in the Old Testament so that people could afford loans, and lenders were instructed to forgive even those interest-free loans if people really couldn't pay them back. The implication for us that any true economics must make resources available to people in need.

Needless to say, this biblical vision bears little relationship to the vision of free-market capitalism.

It turns out that the fundamental assumptions underlying free-market capitalism all contradict Gospel values.

- Free-market theory suggests that the economy works best if each person acts only in his own self-interest. Selfishness is enshrined.
- Financial profit should be the only goal of an economic transaction. In free-market capitalism, the only bottom line is ... well, the bottom line.
- Value is measured by price. If something doesn't have a money price, its value can't influence economic decisions.
- Labor is only a "factor of production" like any other resource, the price of which should be kept as low as possible without seeming to compromise quality.
- What goods are made and to whom they're distributed is determined completely by dollar votes, that is, by who has the most money. People with money wanting, say, a facelift trump starving people needing food.

As immoral as these may sound to us when spelled out, few economists would disagree that these are fundamental assumptions of the free market.

I won't belabor the point here, but it's probably obvious that each of these assumptions is contrary to biblical values. As Jim Consedine has written:

'The market' doesn't have a soul. It doesn't have the ability to respond to human need. It doesn't respond to the need for compassion, mercy, healing, forgiveness, tolerance, generosity, social justice. These are the core values which give meaning to life. 'The market' sees only the need for continually increased profit.¹

That being the case, we shouldn't be surprised that unregulated capitalism leads inexorably to environmental devastation, misuse of limited natural resources, poverty, and growing inequality because those problems are built into the structure of capitalism itself.

Now, let me be clear. In the real world, pure free-market capitalism doesn't exist. All governments, for instance, intervene in the economy to correct obvious market failures. But over the last thirty years an ideology has developed that obscures even known market failures and exhorts us to move ever closer to the theoretic ideal of a free market. This has been devastating because failures of free-market capitalism can't be solved from within the system.

For instance, as I mentioned, free-market economic theory can only deal with things that can be measured by their monetary worth. But most of the really important things in life don't have a price tag: our significant relationships, the education of poor children, the quality of the air and water, to say nothing about the rising temperature of the earth. So, when your job leads to deterioration in your relationships, when rising inequality leads to the collapse of public schools, when pollution befouls the air and water, or when carbon dioxide warms the earth, the economic system can't self-correct because none of those things enter into their calculations—unless society forces those costs on them. In technical language, the costs of these kinds of damage to our society are “externalized,” that is, somebody else has to bear them. So the business doesn't need to worry about them; in fact, if it's to compete, a business can't worry about them. Even the ecologically conscious managers of, say, a steel mill must pollute in order to survive. If they were to decide to pay for the expensive equipment to clean the air and water while competing steels mills didn't, they'd have to charge more for their steel and lose out in the competition: end of company.

As a second example, the exclusive focus on profit leads to keeping costs low, especially labor costs. If it's possible to outsource those jobs to another country, then that's what the business should do, even if the employees here all lose their jobs and regulations abroad protect neither workers nor environment. If it's not possible to outsource the jobs, then the workers should be paid as little as possible. I noticed a striking example recently. Safeway stores had always been heavily unionized and their wages and benefits had been reasonable. Several years ago in Southern California, Wal-Mart moved in and undercut Safeway's prices, in large part because Wal-Mart pays very low wages and few benefits. Safeway managers apparently felt they couldn't survive without lowering wages, so the unions struck. After a strike of many months, the agreement reached was that existing workers could keep their good wages and benefits but any new employees would come in at less-than-living wages and few benefits. Now, if we take the facts as they're given, Safeway management was willing to pay the higher wages and benefits (they'd been doing it for years) but couldn't under the competitive system that is capitalism. To make matters worse, the Supreme Court has ruled that the primary responsibility of a publicly owned company is to make as much money as possible for its stockholders. Even if Safeway managers had been willing to lower profits in order to keep decent wages and benefits, they could have been sued by stockholders for not maximizing profits.

Third, capitalism depends for its existence on continuously increasing production. It essentially equates happiness with material prosperity so the goal is to indefinitely increase the material goods available. And if you criticize capitalism for worsening poverty, the response is, “Well, increasing production even more will provide more for everyone.” But somehow most of the benefits of the increased production always seem to accrue to the wealthy. Even more significantly, of course, even if the benefits did go to the poorest, our earth won't sustain “more for everyone.” We simply don't have the resources.

Many of the of capitalism's worst abuses are built-in. The closer we move to free-market economics, the less likely our civilization is to survive.

¹ Consedine, Jim, “Faith and the Financial Crisis,” Houston Catholic Worker, Vol 29, #1, January-February 2009, p 8.

Let me point out a few religious implications here. First, for most of us the ultimate spiritual question is what makes humans truly happy, what makes for a complete life? For modern economics the answer to those questions is: material goods. More stuff! But all the psychological research shows that once a basic material comfort has been reached, a higher standard of living doesn't lead to more happiness. It's an idol, and like all idols, utterly false.

Second, the adherents of capitalism point to a belief in the "invisible hand" that will "eventually" transform the selfishness and crassness that's built into capitalism into a system that benefits everyone. That, it seems to me, is a leap of faith so great as to make fundamentalism seem positively scientific.

As the Vatican recently wrote:

The logic of the market up to now has been that of maximum earnings, of making investments to obtain the greatest possible profit. And this, according to the social teaching of the Church, is immoral.²

Capitalism was originally part of the Enlightenment project to rationalize everything, but we've increasingly been asked to have faith in a system against the evidence. Up until last summer when the financial meltdown became obvious, one couldn't even criticize free-market capitalism without being hooted off the stage. Like all idols, one of its primary powers is to convince us that there are no other options.

So, how are we going to get those biblical economic values to work within the modern capitalist economy? Well, if we stay the free market, we can't. As a society we have to impose upon the economic system the values we want. That's not so difficult as it sounds. At least in the short-term, we're not talking about building an entirely new economic system; we're talking about the necessity for individuals in their private lives and government in the public sphere to regulate capitalism so that it's consistent with our values. That, of course, means major regulations.

But over the past generation, those who benefit most from free-market capitalism have brainwashed us into two beliefs that have prevented us from instituting an economics consistent with the Reign of God.

First, they've convinced us that our society functions best if we allow "market forces" to control the economy. This has always been self-evident nonsense, but it's nevertheless been the reigning wisdom. Labeling a policy as "interfering with market forces" has usually been enough to kill it politically. One opportunity embedded in the current economic crisis is that the free market has broken down even for the wealthy, so they're quietly wringing their hands while government intervention works to straighten things out. The opportunity for us is to use the current obvious failure of free-market capitalism to point out its other many failures: the inability to preserve the environment, the increasing disparities of wealth, the dependence on unlimited growth that's no longer possible, and so on. We have the opportunity to fundamentally discredit free-market capitalism so that our society recognizes the need for reform and regulation.

Much of that reform must come from government, and that leads us to the second element of brainwashing: we've been convinced that government can't be trusted to do anything well. Now, believe me, I'm deeply familiar with the shortcomings of American government, but the reality is that there are many things that only government can do and many of those it does very well. Government is the only mechanism we have for forcing all of us to do what most of us think everyone should do. Only government can redistribute income so that all get enough. Only government can regulate corporations so they don't ravage our environment. Only government can regulate the financial markets.

Now, in fact it won't be that difficult to convince others of the failures of free-market capitalism. Most people, in fact, know it, but just haven't articulated it intellectually to themselves. Even before the recession, almost half of working people in the country earned less than \$10 an hour or \$20,000 a year, well below the poverty level. It will not be difficult to convince them of market failure.

² Cardinal Renato Martino, speaking for the Vatican as president of the Pontifical Council for Justice and Peace, quoted by Cindy Wooden of the Catholic News Service, October 24, 2008, <http://www.catholicnews.com/data/stories/cns/0805430.htm>

And people personally step outside of the capitalist model every day because it doesn't work for many of the things that concern us the most. Many of you here, for instance, earn considerably less than you could because you want to do a certain kind of work that you value. Most of us here have considerably reduced our standard of living from what it could be, simplified our lives, learned to recycle, given generously to people who have less than we do and to causes that care for others. We don't think of those things as changing the economic system, but they do. They're choices to step outside of free-market capitalism and into the Reign of God. While most people, if asked, would say they believe in the values of capitalism, in fact, they act on completely different assumptions every day.

It's also possible to modify market capitalism to build in our deeper values. Other countries have done it and, in fact, to a limited degree so have we in the US. It would be possible—through taxes and various local, state and federal programs, for instance—to re-distribute income and create an economic floor beneath which no one is allowed to fall. Just by expanding the already existing Earned Income Tax Credit, expanding the disability and unemployment programs, and developing universal health care, we could readily eliminate the economic side of almost all American poverty. Conceptually this isn't difficult to do.

Nor would it be unreasonably expensive. How would we pay for them? Today the top marginal tax rate is 35%. In other words, a married couple will pay taxes of 35% on any amount of income over about \$300,000. But in the 1950s, during the Republican Eisenhower Administration, the top marginal tax rate was 91%, and the economy worked just fine. We could have an economic system that made sure that every person's subsistence needs were met before others bought yachts.

Many of the wealthy believe the redistribution of wealth to be unjust: "I earned it; I should be able to keep it." This argument, however, ignores the fact that all wealth-building depends upon the institutions and structures provided without cost by society: the laws that prevent fraud and other crime, the basic education of workers in public schools, the money system, highways, the orderly markets themselves, and much else. These are all provided by society, mostly by government. To recognize that is to make ethically mandatory an equitable distribution of wealth.

I mentioned earlier the economic concept of externalizing costs, which subsidizes a business's environmental damage by forcing others to pay the cost. But it's perfectly possible through government regulation to insist that all businesses pay the full cost of their products, including, for instance, the costs to clean up the environment after themselves and the real cost of non-renewable resources. Our economy would look very different, for instance, if cars (or gasoline) were not subsidized but priced to pay the real costs of highways, of air pollution control, of non-renewable resources, of reversing global warming, of traffic fatalities, and so on. You can't do this within free-market capitalism; it's not even theoretically possible; but governments can do it easily.

In that light, what can we (as individuals and communities) do? For starters, I'd counsel four things, which won't change things drastically now but will prepare us for the time we're heading into.

- With the help of our faith community, our friends, our family and prayer, let's learn what's "enough" for us. Probably that will mean reducing our levels of consumption. (Here we can get help from each other.) The American economy is unlikely to recover fully, so we're going to become a poorer country, and we'll need to learn to live with less. If we want to teach others the "economics of enough," we'll have to learn it ourselves. We'll want to discover the joy of living more simply.
- We can continue to model within our communities—within this community—what a more biblical economics would look like. How can this community have a deeper economic sharing among yourselves? How do you care for those who lose their jobs? How can you live more sustainably?
- We can become more aware of how the culture talks about economics. Pay attention to how the news is presented, how arguments are made about the various trade agreements, how taxes are discussed. And then begin to think about questions we would raise if we were even more grounded in God's economics. Generally, Christians don't believe there is a biblical economics much less a practical application.

- In our everyday conversations, let's begin to name the failures of capitalism and the capacity of government to regulate it. We don't have to make a big deal of it or even make an argument. If the topic of global warming comes up, we can just say, off-handedly, "Well, everybody knows that free-market capitalism can't deal with that." Begin to talk as if "everyone knew" that unchecked capitalism is a pretty limited system and that government intervention is necessary.

Let's begin to change the conversation about capitalism, at least within our own communities.

Now, there's a whole lot more we could talk about, but perhaps we should allow a conversation to take us to the areas that interest you. What are your comments and suggestions?