
FAILURES OF UNRESTRAINED CAPITALISM

Contributed by Jim Jordal
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By Jim Jordal

If thou seest the oppression of the poor, and violent perverting of judgment and justice in a province, marvel not at the matter: for he that is higher than the highest regardeth; and there be higher than they. Moreover the profit of the earth is for all: the king himself is served by the field.

Ecclesiastes 5:8-9 (King James, bold face mine)

A deeply held value of capitalistic, free enterprise economic systems is that productive resources should belong to those persons diligent, fortunate, and powerful enough to discover and develop them. A corollary is that those persons should then be free to use these resources for their best (read, selfish) interests, with minimal governmental interference. Another corollary is that free markets will determine the best use of resources, and will reward those persons who, because they possess various factors of production (land, resources, labor, capital, management), are most deserving of benefits. But none of these basic elements of capitalism is consistent with God's plan for the universal prosperity of His people. In fact, they are often antithetical to the Divine will.

It's time for Americans to begin questioning--not so much the foundation premises of our capitalistic system--but the monstrous perversions and manipulations of the system now seeming to occur almost routinely. I'm speaking particularly of the belief that productive resources should belong to persons with money and influence enough to exploit them, as is the case with most natural resources today. This situation is especially troubling in the traditional energy industry as coal, oil, and nuclear producers demand special tax treatment and lenient environmental regulations. It seems to me unconscionable that powerful oil companies should receive oil depletion allowances while at the same time making

obscene profits as they manipulate gasoline prices.

True, it's not reasonable to assume that all citizens should share equally in the ownership of natural resources. It's also not reasonable that all should share equally in financial returns arising from development and marketing of these resources. But economic justice (if we believe the Bible) demands that all citizens share at least partially in these God-given treasures from His earth. As Ecclesiastes says, "the profit of the earth is for all."

According to the Bible introduction of the Jubilee celebration (Lev. 25) in old Israel, God owns the entire earth, and decrees that land (the major productive asset in those days) should never be permanently sold since it was the basis for each family's financial welfare. So when the author of Ecclesiastes proclaims the profit of the earth is for all, he means not only the earth, but also its treasures such as oil, coal, iron and other substances given by God for human welfare.

If we seriously believed that "the profit of the earth is for all," we would tax these massive resource extraction industries and would redistribute an important part of the proceeds to the people. Yes, Alaska shares directly with its people a portion of oil revenues from North Slope fields, and other states use a small amount of the taxes from energy exploitation for public purposes. But it continues that the largest proportion of profits deriving from resource extraction remain with wealthy corporations, executives and stockholders.

Yes, there should be financial rewards for diligence, risk-taking, and even pure luck, but these rewards should not constitute the whole pie. A fairer and more just division would recognize that all citizens have a stake in the financial success of this country. All have contributed beneficially, either through producing or consuming, and all therefore should share in the rewards. Some get more, others less, but all receive a fair share, and nobody is totally excluded, as too often happens today.

And what of the shibboleth that free markets efficiently and justly distribute resources to those most deserving? The great economist Adam Smith popularized this concept about the time of the American Revolution, and it has remained a foundation of basic economics ever since. But is it so today?

I think Adam Smith would be appalled at what is being done in his name today. His concept of the free market never meant markets without control, manipulated by forces of monopoly and greed so as to exclude vast portions of world population from any access other than a role as slave. Smith presupposed reasonable governmental market regulations to prevent exactly what has happened today. What occurs today has almost no relationship to Smith's original concepts.

Unfortunately, possession of certain productive factors in no way guarantees an adequate income. As globalization increasingly grips the planet, easy substitution of one productive factor for another becomes the rule. For example, in the industrial sector cheap Chinese labor easily substitutes for production by expensive American machines. In agriculture, extensive, subsidized American farms easily out-produce and undercut rice and cotton farmers in the Southern Hemisphere. So some fortunate persons, owners of entrepreneurial skills, large amounts of capital, or scarce raw materials reap grossly excessive rewards; while those in possession of marginal land or unskilled labor suffer disproportionately.

Most Americans mistakenly believe that the only alternatives to rapacious capitalism are the already-failed systems of communism, socialism or totalitarian fascism. But such is not the case. God has in His infinite wisdom provided an economic system that if instituted would provide not only national peace and prosperity, but also individual relief from poverty, homelessness, unemployment, and much of the variety of social dysfunction surrounding these needless afflictions. More next week.