

CAPITALISM

THE CONCEPT AND THE REALITY

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6 March, 2023

Max Weber's 1904 book, *The Protestant Ethic and the Spirit of Capitalism*, has given rise over the last century and more to robust discussion about the spirit of capitalism. Is there such a thing as the *spirit* of capitalism and if so, what exactly is it, and how is that different from capitalism itself? I think that if we look at capitalism as a concept and then at the reality of its actual operation and the tendencies to which it gives rise, we will be able to see that it does indeed have a certain spirit.

Before discussing the spirit of capitalism, we need to try to specify exactly what capitalism, considered as a concept, is. This has been the subject of much debate by economists and economic historians. Without reviewing that debate or the varying definitions offered over time,¹ we may, I think, find a more than satisfactory definition or characterization of capitalism in Pope Pius XI's 1931 encyclical *Quadragesimo Anno*. Pope Pius speaks of "that economic system in which were provided by different people the capital and labor jointly needed for production" (no. 100). In other words, in a capitalist economy, for the most part, some persons are owners and those owners hire others to work for them. Now Pius XI immediately proceeds to say that such a system "is not vicious of its very nature." That is, there is nothing necessarily unjust about one person hiring another to work for him, given, of course, the stipulations of the moral law regarding paying a just wage, safe working conditions, etc. If this is so, therefore, many might ask, why, if capitalism is not intrinsically evil, do some Catholics object to it? Why are distributism or solidarism proposed as substitutes for capitalism?

The answer to this lies in the reality of how capitalism actually operates, in its spirit. Although, given the right set of institutions and laws, together with a supportive cultural setting, capitalism can operate in a just manner, this is not something that comes easily to it. In Germany, for example, a complex set of laws and regulations exists in order to obstruct the excesses and evils of capitalism, and to orient the economy toward justice, even though it remains fundamentally capitalist, that is, even though the separation of owners and workers remains the norm. This is often called the social market economy. St. John Paul II in his encyclical *Centesimus Annus*, discussing the varied responses of Western nations after World War II to communism, gave a description of what was almost certainly the postwar West German economy:

1 I reviewed this debate and discussed some of the varying definitions offered in an article, "Capitalism and Distributism: Definitions and Contrasts," *Faith & Reason*, vol. 27, nos. 2-4, 2002.

Following the destruction caused by the war, we see in some countries and under certain aspects a positive effort to rebuild a democratic society inspired by social justice, so as to deprive Communism of the revolutionary potential represented by masses of people subjected to exploitation and oppression. In general, such attempts endeavor to preserve free market mechanisms, ensuring, by means of a stable currency and the harmony of social relations, the conditions for steady and healthy economic growth in which people through their own work can build a better future for themselves and their families. At the same time, these attempts try to avoid making market mechanisms the only point of reference for social life, and they tend to subject them to public control which upholds the principle of the common destination of material goods. (no. 19)

But this is not how capitalism commonly works, and it requires not only an unusual amount of political wisdom and courage, but a culture that supports restraints on our acquisitive appetites and recognizes that there is a need for an authority outside of the economy itself, such as the state, to enforce those restraints.

The more usual functioning of capitalism can be found in the United States, where there is little understanding that economic motives and actions - outside of force or fraud, narrowly defined - must be subjected to the moral law or that the economy is not a free-standing institution with its own unique principles of operations, the so-called laws of economics. In the same section of *Centesimus* John Paul likewise spoke of this type of economy.

Another kind of response, practical in nature, is represented by the affluent society or the consumer society. It seeks to defeat Marxism on the level of pure materialism by showing how a free-market society can achieve a greater satisfaction of material human needs than Communism, while equally excluding spiritual values. In reality, while on the one hand it is true that this social model shows the failure of Marxism to contribute to a humane and better society, on the other hand, insofar as it denies an autonomous existence and value to morality, law, culture and religion, it agrees with Marxism, in the sense that it totally reduces man to the sphere of economics and the satisfaction of material needs.

Why is this the more normal way that capitalism operates or tends to operate? The reasons are not hard to understand.

The purpose of the economy, the entire reason mankind needs economic activity in order to survive, is the production and distribution of necessary or useful goods and services. Any type of economic activity that does not contribute to this end is likely to be merely parasitical on the real economy. The separation of ownership from work, however, removes the class of owners one step from the actual production process. The tendency now is for owners to focus on sales and profits, not on the actual process of producing quality products or services. Hilaire Belloc's account of this is classic:

But wealth obtained indirectly as profit out of other men's work, or by process of exchange, becomes a thing abstracted from the process of production. As the interest of a man in *things* diminishes, his interest in abstract wealth - money - increases. The man who makes a table or grows a crop makes the success of the crop or the table a test of excellence. The intermediary who buys and sells the crop or the table is not concerned with the goodness of table or crop,

but with the profit he makes between their purchase and sale. In a productive society the superiority of the things produced is the measure of success: in a Commercial society the amount of wealth accumulated by the dealer is the measure of success.²

Capitalism and capitalist enterprises can exist in various forms. Where the owner works alongside of his employees he too likely takes pride in creating a good product. But where the owner is entirely separated from the productive process, this is rarely the case. In the most extreme form of capitalism, the corporation, the legal owners of the company, the stockholders, sometimes hardly advert to what the corporation actually does. They know nothing and care nothing about working conditions of the employees - their employees! They are interested only in their dividend checks or in the increasing share price of their holdings.

For such owners, the capitalist firm is above all a moneymaking machine. Consumers are those who can be convinced to buy their products, well-made or not, needed or not, employees are merely items of expense. This way of looking at the economy is the result of the spirit of capitalism and it tends to infect the entire society with a materialistic attitude. The conservative political scientist, Harry Clor, wrote in 1969 that,

American society is said to be devoted to low, dull, and unexciting goals [and] this mediocrity is attributed to commercialism, a commercialism that produces an acquisitive, comfort-seeking, security-minded, and, hence, uninteresting way of life.

This description of American life is no doubt exaggerated and oversimplified. But it is difficult, as well as unwise, to avoid the acknowledgement that there are some elements of truth in this description. In the United States a remarkable amount of attention is given to the accumulation and consumption of commodities. And we do not seem to mind being called a "consumer society." It does appear to be the case that for most Americans the pursuit of happiness has come to mean, in large measure, the attainment of economic security and the continual multiplication of the means for personal comfort and enjoyment.³

Every society has a certain spirit or flavor founded on its own understanding of reality, of human nature and of the purpose of life. Any society permeated by capitalism will tend to reflect capitalism's understanding of these matters. But capitalism is based not just on a flawed understanding of the economy but on a flawed understanding of the human community and of human nature itself. Where it is most true to its own principles it produces a society that "denies an autonomous existence and value to morality, law, culture and religion."

Economic activity has one legitimate purpose only: To provide us with the goods and services we need to pursue what really matters in this life, and ultimately to allow us to seek after God and eternal life. Our need for products and services is not unlimited. As St. Thomas Aquinas wrote, "...the appetite of natural riches is not infinite, because according to a set measure they satisfy nature."⁴ Once having provided ourselves with sufficient material goods, we do well to focus on other and more important

2 *An Essay on the Nature of Contemporary England*, (New York : Sheed & Ward, 1937), p. 67.

3 Harry M. Clor, "American Democracy and the Challenge of Radical Democracy" in *How Democratic is America?*, edited by Robert A. Goldwin, (Chicago : Rand-McNally, 1969, 1973 printing), p. 105.

4 *Summa Theologiae*, I-II, q. 2, a. 1 ad 3.

matters. But a society inspired by the spirit of capitalism will not do so. For "the amount of wealth accumulated by the dealer is the measure of success." And as St. Thomas wrote immediately after his words just quoted, "the appetite of artificial riches is infinite, because it serves inordinate concupiscence...." You can never be too rich. That is what the spirit of capitalism tells us, and necessarily so, for if economic activity finds its locus and justification not in actual productive work but in sales and their resulting profits, then we will have a society ruled by that spirit.

It is true that merely changing laws and institutions will not produce a just economy. Our culture, the spirit that animates our attitude toward the economy must change as well. Capitalism cannot do that. But a sincere embrace of the tenets of Catholic social teaching, together with changes in our laws and institutions, can point the way to a just and healthy economy. This is what distributism can do, distributism understood both as a system of laws and institutions, and distributism as a spirit which could permeate our society. For just as we can rightly speak of capitalism's spirit, so we can speak of distributism's. The latter is nothing more nor less than the spirit of the Church's own socio-economic teachings.

This is our task, therefore, first of all to change our attitudes and the attitudes of others, to learn to see the economy as existing for the sake of society and not as a thing separate from the rest of man's social life, and to seek a society in which it is no longer the case that "the pursuit of happiness has come to mean, in large measure...the continual multiplication of the means for personal comfort and enjoyment."



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