

# **Wealth and the Common Good: Perspectives from Economic Theory and Catholic Social Thought**

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"If you want to know what God thinks about money, just look at the people He gives it to."

-- Old Irish Saying

"A man going on a journey called his servants and entrusted to them his property; to one he gave five talents, to another two, to another one, to each according to his ability. Then he went away. He who had received the five talents went at once and traded with them; and he made five talents more. So also, he who had the two talents made two talents more. But he who had received the one talent went and dug in the ground and hid his master's money. Now after a long time the master of those servants came and settled accounts with them. And he who had received five talents came forward, bringing five talents more, saying 'Master, you delivered to me five talents; here I have made five talents more.'" His master said to him, 'Well done, good and faithful servant; you have been faithful over a little, I will set you over much; enter into the joy of your master.' And he also who had the two talents came forward, saying, 'Aster, you delivered to me two talents; here I have made two talents more.' His master said to him, 'Well done, good and faithful servant; you have been faithful over a little, I will set you over much; enter into the joy of your master.' He also who had received the one talent came forward, saying 'Master, I new you to be a hard man, reaping where you did not sow, and gathering where you did not winnow; so I was afraid, and I went and hid you talent in the ground. Here you have what is yours. But his master answered him, 'You wicked and slothful servant! You knew that I reap where I have not sowed, and gather where I have not winnowed? Then you ought to have invested my money with the bankers, and at my coming I should have received what was my own with interest. So take the talent from him, and give it to him who as the ten talents. For to every one who has will be given, and he will have abundance; but from him who has not, even what he has will be taken away. And cast the worthless servant into the outer darkness; there men will weep and gnash their teeth.'" Matthew 25. 14-30

## 1. Introduction

Both economics and Christianity are ambiguous in their conceptualization of wealth: in what it is, in where it comes from and on the effect it has on individual happiness and the common good. This ambiguity stems from, I will argue, the multiple meanings that have been attached to the word “wealth,” meanings that are often contradictory. From the Bible we learn that wealth is something that God promises us and it is good, while it is also seen as a major distraction to us in the pursuit of our higher “good” or purpose, especially in following God (“You cannot serve God and wealth”). The same contradiction appears in economics, a contrast, we will see that goes back to Plato, but which carries forward up until the present. Wealth is seen as the ultimate end of economics (it has often been called the science of wealth) yet it is also seen as a barrier to the optimal operation of the economy. That wealth can be both a good promised by God and the proper goal or end of economics and a major barrier to following God and to the optimal functioning of the economy is no small contradiction and one that clearly needs to be clarified if both economic theory and Christian Theology are going to fully comprehend this important aspect of modern capitalist societies. Moreover, it is a dilemma that needs to be successfully overcome if we are to construct an understanding of the economic aspects of our life based on Catholic social thought and to build a management education curriculum based on these insights.

In this paper I will explore this contradiction, both in the Christian tradition and in the history of economics. Here we will see that the contradiction stems from the different conceptions of wealth. Following this exposition, I will investigate what is wealth today. Here we will see that the negative aspects of wealth now dominate our economy and society, leading me to the conclusion that the last thing Western society needs is more wealth.

## 1. Conceptions of Wealth in the Old and New Testament

The general theme, in terms of economic issues, of the Old Testament is quite similar to that of Adam Smith’s classic *An Inquiry into the Nature and Causes of the Wealth of Nations*. In the Old Testament God offers the promise of material well being to the Israelites if only they follow his rules. This is most clearly stated in the new Jerusalem passages in Isaiah, where the phrase that Smith uses for the title of his book is used more than once.<sup>1</sup> “The riches of the sea shall be lavished upon you and you shall possess the **wealth of nations**” (Isaiah 60:5); “You shall be named priests of the Lord, you shall be named ministers of our God; you shall enjoy the **wealth of the nations** and in their glory you shall glory” (Isaiah 61:6) and finally, “Rejoice with Jerusalem, and be glad for her, all you who love her; rejoice with her in joy, all you who mourn over her— that you may nurse and be satisfied from her consoling breast; that you may drink deeply with delight from her glorious bosom. For thus says the Lord: I will extend prosperity to her like a river, and the **wealth of the nations** like an overflowing stream; and you shall nurse and be carried on her arm, and dandled on her knee. As a mother comforts her child, so I will comfort you; you shall be comforted in Jerusalem” (Isaiah 66:11-13).

There are numerous incidences in the Old Testament where wealth is seen as a gift from God. "Isaac planted crops in that land and the same year reaped a hundredfold, because the LORD blessed him. The man became rich, and his wealth continued to grow until he became very wealthy. He had so many flocks and herds and servants that the Philistines envied him" (Genesis, 26:12-14). And of Abraham we are told "The LORD has blessed [Abraham] abundantly, and he has become wealthy. He has given him sheep and cattle, silver and gold, menservants and maidservants, and camels and donkeys. (Ibid., 24:35). In Deuteronomy Israel is told to remember the true source of wealth "You may say to yourself, 'My power and the strength of my hands have produced this wealth for me.' But remember the LORD your God, for it is he who gives you the ability to produce wealth" (Deuteronomy 8:17-18). Not only is wealth a gift from God, wealth is conceived of as the material goods necessary for the provision of life. Here we see the first view that wealth is material well-being (also the first definition in the OED).

Yet the Old Testament also warns us about the placing of the love of money on the same plane as God. In Ecclesiastes we are warned: "Whoever loves money never has money enough; whoever loves wealth is never satisfied with his income. This too is meaningless. As goods increase, so do those who consume them. And what benefit are they to the owner except to feast his eyes on them? The sleep of a laborer is sweet, whether he eats little or much, but the abundance of a rich man permits him no sleep. I have seen a grievous evil under the sun: wealth hoarded to the harm of its owner." And in Ezekiel, another, more dire warning: "By your wisdom and understanding you have gained wealth for yourself and amassed gold and silver in your treasuries. By your great skill in trading you have increased your wealth, and because of your wealth your heart has grown proud. "Therefore this is what the Sovereign LORD says: "Because you think you are wise, as wise as a god, I am going to bring foreigners against you, the most ruthless of nations; they will draw their swords against your beauty and wisdom and pierce your shining splendor. They will bring you down to the pit, and you will die a violent death in the heart of the seas. Will you then say, "I am a god," in the presence of those who kill you? You will be but a man, not a god, in the hands of those who slay you. You will die the death of the uncircumcised at the hands of foreigners. I have spoken, declares the Sovereign LORD.'" (Ezekiel 28:4-10).

There are two other themes about wealth that are prominent in the Old Testament. One is that wealth (as material well-being) needs to be shared by all and that it should not be allowed to concentrate in too few hands. This is a common trait in most societies throughout history, to have some mechanism for redistributing hoards of wealth (in the Old Testament it is done through the Jubilee). Secondly, in the Old Testament we also see a view that wealth can be due to fraud and force, usually perpetrated on the poor (in fact it is seen as a cause of poverty).

From this small collection of passages from the Old Testament, we see a few strong themes. First, Wealth is conceived of as goods that promote material well being. Second, Wealth comes from God and is a gift to those who follow his ways. Third, those who either believe that their wealth is due to their own efforts (and not a gift from God) or who do not follow God's rules, will lose their wealth (or worse). Fourth, wealth, and

property, are to be shared and not hoarded. In fact, one of the main points of the Jubilee is to breakup large accumulations of wealth and property. And Lastly, hoarded wealth is a major cause of poverty.

### **Wealth in the New Testament:**

Two central messages of the New Testament relate directly on our topic at hand. As Thomas Cahill has recently argued, the two main economic messages of Jesus are: 1) to bring hope and good news to the poor; and 2) to demand responsibility from the affluent, particularly with regards to helping the poor. Both of these messages, I think, are an extension of the views of wealth in the Old Testament. Wealth is the material production that sustains life, this is its purpose and what it should be used for. It is a means to an end, the common good of the community. But when it becomes an end in and of itself, it becomes a barrier to following God. The New Testament carries forward the idea that Wealth is a gift from God, but presents a more developed analysis as to how Wealth can be a barrier to understanding and following God. In the New Testament the pursuit of Wealth is seen as a distraction from the real goal of mankind. Jesus tells us: “Do not store up yourselves treasures on earth, where moth and rust consume and where thieves break in and steal; but store up yourselves treasures in heaven, where neither moth nor rust consumes and where thieves do not break in and steal. For where your treasure is, there your heart will be also” (Matthew 6:19-21). “No one can serve two masters: for a slave will either hate the one and love the other, or be devoted to the one and despise the other. You cannot serve God and wealth.” (Matthew 6:24). This view of wealth is reinforced in one of the most vivid statements from Jesus: “Then Jesus said to his disciples, ‘Truly I tell you, it will be hard for a rich person to enter the kingdom of heaven. Again I tell you, it is easier for a camel to go through the eye of the needle than for someone who is rich to enter the kingdom of God.’”

These above quoted passages in Matthew, which clearly demonstrate the dangerous aspects of wealth, are followed by another example of the promise of wealth as well being, where Jesus tells us not to worry about material subsistence, that God will provide, just as he does for the birds in the air and the lilies in the fields. Do not strive for material wealth, as the Gentiles do, Jesus tells us, but instead “strive first for the kingdom of God and his righteousness, and all these things will be given to you as well” (Matthew 6:33).

So important is concern for the poor to Jesus’s message that tells us that we will be judged based on how we treat the “least of our brothers,” the hungry, the sick, the thirsty, those in prison. In fact we are told that in them we are to see Jesus. He we are to share our wealth (material substance). This call for sharing is further developed by Paul in 2 *Corinthians* (8, 9-15), tells the new Christians that they should strive for equality:

For you know the grace of our Lord Jesus Christ, that though he was rich, yet for your sakes he became poor, so that you through his poverty might become rich. And here is my advice about what is best for you in this matter: Last year you were the first not only to give but also to have the desire to do so. Now finish the work, so that your eager willingness to do it may be matched by your completion of it, according to your means.

For if the willingness is there, the gift is acceptable according to what one has, not according to what he does not have. Our desire is not that others might be relieved while you are hard pressed, but that there might be equality. At the present time your plenty will supply what they need, so that in turn their plenty will supply what you need. Then there will be equality, as it is written: "He who gathered much did not have too much, and he who gathered little did not have too little."

*ADD SECTION ON EARLY CHURCH FATHERS, MIDDLE AGES, CST.*

### **3 Wealth in Economic Theory**

Our discussion of the dual aspect of wealth in economic theory starts with the first serious student of economics, Plato. Plato, in the Republic and the Laws, sets out a scheme of economic development which is very insightful for our purposes. Plato thought that history went in circles, with a beginning, middles and endings. These endings were typically caused by a deluge, wiping the slate clean and allowing for a new cycle to begin. The first stage of economic development in Plato is the period where people only live in the mountains. Here they face a limited existence, due to the lack of abundance provided by the mountains. The people of the mountains must spend all of their time working to provide a bare minimum existence, leaving no time for learning to read and write, as well as other activities. Eventually some of the mountain people move down to the lowlands and here they find nature is more accommodating. Here they find abundance, which allows for the growth of society and social institutions, learning and the development of the soul. If the society is virtuous, that is learns to live within the limits of moderate consumption and stable population, the people can stay in this abundance state for ever. In this state, which we will call the abundance state, all are provided with a comfortable existence, with emphasis laid on living the good and virtuous life. Here we have a society that has wealth in the wealth as well-being definition.

Yet the stability of this state of affairs is broken by unlimited greed and all that it brings—population growth, crime, and most importantly poverty. The push to accumulate more wealth by those with power causes the society to quickly over strip its natural resources, and the society can only continue its pursuit of unlimited gain by going to war and taking over the land and resources of other societies. This state we will call the “over-abundance” state, and it was this state that Plato thought the Athens of his day was at. This unlimited greed causes an imbalance that cannot be restored, and eventually what is needed is to start over again is a deluge, caused by stripping nature clean, or by intervention by the gods. Here we see wealth as become the major problem of this society, a barrier to its happiness, the cause of war and poverty.

In Plato we see the dominant conceptions of wealth. The “abundance-state” has a conception of wealth that is based on the need for sufficient material provisions so that all can live a good and virtuous life. In such a society wealth is seen as a means to an end (supporting people) and not as an end in itself. In the “over-abundance state” wealth is

clearly based on scarcity and exclusion. In the *Republic*, Plato, quoting Socrates, tells us why both wealth and poverty are bad for society: “Wealth and poverty, ... the one brings luxury, idleness, and revolution, and the other illiberality and the evil of bad workmanship in addition to revolution” (*Republic IV 422a*). Socrates suggests that a guard be placed at the gates of the city to keep wealth and poverty out. Yet wealth and poverty are not seen as two evils, but as different sides to the same evil, for the wealth of the rich man is the cause of the poverty of the poor. For Plato this happens because the high consumption of the rich creates shortages for the poor. Plato suggests that once the greed of the rich create the “over-abundance state,” social harmony is destroyed and two cities are created, one rich and one poor, and that these two cities are necessarily at war with each other.

From the time of Plato up until Adam Smith wealth is mostly seen as the material prosperity of the society as a whole. When Smith speaks of “real wealth” he quickly adds its definition: “the annual produce of the land and labour of the society” (Smith, 1976a, p. 12). One of the central themes of *The Wealth of Nations* is the countering of the Mercantilist contention that wealth was gold and silver. According to Smith, the fallacy of the Mercantilists rested in their confusing means and ends. For the immediate end of the merchant might well be gold and silver, yet for society these are merely means to an end, which is goods and services. As wealth is the annual produce of land and labor, Smith devotes most of his efforts to examining the ways in which this annual produce can be increased. The chief means are increases in inputs of land and labor, and most importantly, through the division of labor (which leads to technological change). Smith is very clear that wealth must be widely shared. “No society can surely be flourishing and happy, of which he far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged” (*Ibid.*, p. 96). And “The liberal reward of labour, therefore, as it is the effect of increasing wealth, so it is the cause of increasing population. To complain of it is to lament over the necessary effect and cause of the greatest publick prosperity. (*Ibid.*, p. 99). Smith also notes that the liberal reward of labor “increases the industry of the common people. The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives” (*Ibid.*).

Smith’s analysis of the accumulation of wealth, while noting its effects on the poor, is not as insightful as Plato’s. The reason for this should be obvious. Plato see a natural limit to material prosperity, which Smith, at least in his economics, does not.<sup>2</sup> Yet Smith, like Plato, notes the damaging effect the love of wealth has on the public’s morals. “This disposition to admire, and almost worship, the rich and the powerful, and to despise, or, at least, to neglect persons of poor and mean condition, though necessary both to establish and to maintain the distinction of ranks and the order of society, is, at the same time, the great and most universal cause of the corruption of our moral sentiments. That wealth and greatness are often regarded with the respect and admiration which are due only to wisdom and virtue; and that the contempt, of which vice and folly are the only

proper objects, is often most unjustly bestowed upon poverty and weakness, has been the complaint of moralists in all ages” (Smith, 1976b, pp. 61-62).

Smith sees the pursuit of wealth as the cause of material prosperity, but not real happiness. It leads, through the intervention of the invisible hand, to material prosperity and benefits the poor almost as much as the rich (Ibid., pp 183-185). He also notes, that it also generates great inequality. “Wherever there is great property, there is great inequality. For one very rich man, there must be at least five hundred poor, and the affluence of the few supposes the indigence of the many. ... The acquisition of valuable and extensive property, therefore, necessarily requires the establishment of civil government. ... Civil government, so far as it is instituted for the security of property, is in reality instituted for the defense of the rich against the poor, or of those who have some property against those who have none at all” (Adam Smith, 1976a, p. 709-715).

We must add another great insight Smith had on the nature of wealth, one that flows from the above connection between wealth and inequality. “Wealth, as Mr Hobbes says, is power . But the person who either acquires, or succeeds to a great fortune, does not necessarily acquire or succeed to any political power, either civil or military. His fortune may, perhaps, afford him the means of acquiring both, but the mere possession of that fortune does not necessarily convey to him either. The power which that possession immediately and directly conveys to him, is the power of purchasing; a certain command over all the labour, or over all the produce of labor which is then in the market” (Ibid., p. 48). The link of wealth to power is of great importance and is an essential aspect of the wealth as scarcity and exclusion conception of wealth. As Robert Heilbroner has observed: “Contemporary anthropologists emphasize that wealth differs in a crucial respect from prestige in that the defining characteristic of wealth is its ability to confer social power on its possessors, whereas the enjoyment of prestige carries no such intrinsic rights. As a consequence, we find that in primitive societies, where there is universal access to the resources needed for subsistence, wealth does not exist as a social category, in that no individual or group enjoys command over the labor or the product of others, save for the claims conferred by relations of kinship or communal obligations (Heilbroner, 1987, p. 882).

Smith does not follow up on this important aspect of wealth, that an essential component of wealth is exclusion and power. Instead, Smith belief in the “harmony of interests” and the “invisible hand” command him to concentrate on the wealth as material production that all benefit from. This contradiction, of wealth benefitting both the poor and creating the poor, is brought into harmony, as are all things in Smith, by the invisible hand and competition, which set restraints on the activities of the rich, leading them to benefit the poor “without knowing it and without intending it”.

### *The Development of the Scarcity View of Wealth*

The switch from a well-being, material production view of wealth to a scarcity view comes to economic theory with the transition from the “objective” theory’s of value to a “subjective” theory. The 1870s brought the Marginal Utility of Value to economics,

causing what is commonly referred to as the “Marginalist Revolution.” The Marginalist Revolution caused many changes in economic theory, none of which this author thinks were beneficial to our understanding of the economy. The essential changes brought by the Marginalist Revolution include: the basing of the value of goods, and the ultimate measure of value in the economy on utility and scarcity, both concepts which were rejected by Adam Smith and the classical school of economics); the reduction and eventual elimination of historical and social context from our understanding of economic activity (Clark 1992); and the use of mathematical modeling and formalism as the language of economic discourse. The shift from the classical view of value (variations on the cost of production approach) to the marginal utility theory of value meant, among other things, the eventual end to making interpersonal comparisons in economic theory. This theoretical stance rejected the view that one could evaluate whether a particular distribution of income or wealth was good or bad. This led to the elimination, at least within neoclassical economic theory, of the “complaint of moralists in all ages” mentioned above by Adam Smith. To support this theoretical stance, neoclassical economics developed a rigid demarcation of economics into “positive” and “normative” branches, with only “positive” economic having any real theoretical legitimacy.

The switch to “scarcity” as a fundamental concept in economic theory greatly changed the theoretical handling of wealth. It now became directly linked to issues of scarcity and transferability, qualities normally associated with financial assets.

“Wealth is not such for economic purposes, unless it is scarce and transferable, and so desirable that some one is anxious to give something for it. Walter Bagehot, *Economic Studies*, 1888, p. 132).

“[Wealth] .. These sources of human welfare which are material, transferable and limited in quantity. (J.B. Clark, *The Distribution of Wealth*, 1899, p. 1).

“Wealth is not wealth because of its substantial qualities. It is wealth because it is scarce” (L. Robbins, *The Nature and Significance of Economic Science*, 1932, p. 47).

As wealth was no longer directly related to the production of goods and services, it was no longer connected with improving the well-being of the whole population, especially the lot of the poor.

“That mankind as a whole shall become richer does not, of necessity, involve an increase in human welfare” J. B. Clark, *The Philosophy of Wealth*, 1886, p. 107). “A growth in wealth is not at all the same as reducing poverty” Joan Robinson, 1972, p. 7).

The development of the scarcity view of wealth takes place just when real scarcity ceases to be the main economic problem facing capitalist economies. When Plato and Adam Smith referred to wealth as the production of goods and services that provided for the material needs of the community, meeting these needs was the central concern. That is, the central economic problem was how to produce sufficient output to supply all the necessary goods and services to the existing population. The industrial revolution tackled this problem, such that by the second half of the nineteenth century the central economic

problem is how to consume, giving the existing distribution of income, all the potential output of businessman at rates of return that are acceptable to these businessman. Western capitalist economies had moved from a “supply constrained economy” to a “demand constrained economy.” In a “demand constrained economy” scarcity takes on a new meaning, for the scarcity of the neoclassical economist is not real scarcity, that is, it is not based on the inability of nature to provide the necessities of life to support the population of a society, but is instead an “artificial” scarcity, one that is created by the business system in order to maintain the rate of return on wealth, and the social power that attaches to “scarce” wealth.

Thorstein Veblen and John Maynard Keynes were the preeminent economist to fully understand this shift in society and economy. Veblen noted that the value of wealth was maintained by two process: conspicuous consumption and industrial sabotage. In the *Theory of the Leisure Class* (1899) Veblen note the important role of displays of wealth and economic power in social control. Veblen’s analysis is, in many ways, reminiscent of Adam Smith’s in the *Theory of Moral Sentiment* in that he argues that the role of conspicuous consumption in social control lies in the gaining o the acquiescence of the lower classes by the leisure class through the establishment of social morals and values. By establishing their behavior, in this case their consumption, as the standard of the good and the honorable, the leisure class wins the submission of the lower classes. This submission is solidified by the attempts of the lower classes to mimic the consumption patterns of the leisure class, whose central concern is not “Is this social order just and the best that can be?” but instead is “how can I become rich and join the leisure class?” Thus Veblen goes beyond Smith, for he links the control of morals and values to the social power of the leisure class (Smith had limited this power to the power over goods and the labor of the working classes).

Of course admission to the leisure class is strictly limited in numbers, as the criteria is the ability to consume at much higher levels than the average member of the community. As the ability to produce goods and services grows in such a society, some manner must be created so that the lower classes do not fully mimic the consumption patterns of the wealthy class. If the consumption of the rich is held constant, the success of the industrial revolution would eventually allow all to enjoy such a level of consumption (this is Smith’s hope, to a certain extent). Yet this would completely undermine the position of power of the leisure classes, and lead to a radical transformation of society (a threat to the maintenance of “the distinction of ranks and the order of society”). This potential danger to the power structure is alleviated through two means: 1) the artificial creation of unlimited wants for both the rich and the rest of society, so that the rich keep on raising the bar the working classes are striving for; and 2) by artificially limiting production to create scarcity. Salesmanship is the mode by which the former is achieve (what we would call advertising and marketing) while the latter strategy Veblen calls “industrial sabotage,” the limiting of the production potential of the economy so as to keep the rate of return on capital high (by keeping prices high). Industrial concentration, as well as the many forms of industrial planning used by large corporations (see Galbraith’s *The New Industrial State* 1967), are the means by which production is limited to maintain the value and exclusivity of wealth, and thus its social power.

John Maynard Keynes, in the last chapter of *The General Theory of Employment Interest and Money* (clearly the most important work in economic theory in the 20th century) states that “The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes” (1936, p. 372). He then goes on to argue that these two are connected, that inequality of wealth and incomes is one of the main causes of high unemployment. Inequality in wealth and incomes is maintained by keeping capital artificially scarce. This scarcity shows up in terms of macroeconomics as insufficient levels of investment, which, through standard mechanisms, leads to involuntary unemployment.

“Our problem,” Keynes wrote in his famous essay on the “The End of Laissez Faire” (1963, p. 321) “is to work out a social organisation which shall be as efficient as possible without offending our notions of a satisfactory way of life.” Keynes noted the usefulness of acquisitiveness as a social and individual characteristic (Smith’s trick of nature) when society has a low state of economic development, but that once society had reached sufficient affluence it should move on to higher values and morals.

When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of morals. We shall be able to rid ourselves of many of the pseudo-moral principles which have hag-ridden us for two hundred years, by which we have exalted some of the most distasteful of human qualities into the position of the highest virtues. We shall be able to afford to dare to assess the money-motive at its true value. The love of money as a possession—as distinguished from the love of money as a means to the enjoyments and realities of life—will be recognized for what it is, a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease. All kinds of social customs and economic practices, affecting the distribution of wealth and the economic rewards and penalties, which we now maintain at all costs, however distasteful and unjust they may be in themselves, because they are tremendously useful in promoting the accumulation of capital, we shall then be free, at last, to discard. (Keynes, “Economic Possibilities of Our Grandchildren” 1963, pp. 369-70).

Keynes, like Smith, was an optimist, for he thought that once it became obvious that distribution of wealth was a barrier to full employment, society would make the necessary changes in its economic organization to eliminate this barrier. “Our argument” Keynes writes, “leads towards the conclusion that in contemporary conditions the growth of wealth, so far from being dependant on the abstinence of the rich, as is commonly supposed, is more likely to be impeded by it. One of the chief social justifications of great inequality of wealth is, therefore, removed” (1936, p. 373). In the *General Theory* Keynes suggests four policies to reduce the scarcity value of capital: 1) policies to generate a more equal distribution of income (such as a progressive income tax); 2) low rate of interest on money and hence return on wealth (this is achieved through an expansionary monetary policy, and its goal is to reduce the scarcity value of capital); 3) as two reduces the return on wealth, the third goal is the “euthanasia of the rentier” class (achieved by the low returns on wealth eventually forcing these large accumulations of wealth to be spent due to the inability to live off the interest income);<sup>3</sup> and 4) the socialization of investment, which for Keynes meant that since society has a whole as a

vested interest in maintaining a high level of investment in order to promote full employment, it should, acting through the state, do every thing it can to promote such a level (here investment tax credits are a good example). By expanding capital to reduce its scarcity, Keynes feels that you can keep the positive aspects of competitive capitalism, while gradually eliminating the “cumulative oppressive power of the capitalist to exploit the scarcity-value of capital. Interest today rewards no genuine sacrifice, any more than does the rent of land. The owner of capital can obtain interest because capital is scarce just as the owner of land can obtain rent because land is scarce. But whilst there may be intrinsic reasons for the scarcity of land, there are no intrinsic reasons for the scarcity of capital” (Keynes, 1936, p. 376). The cost to society of maintaining the inequality that is a necessary aspect of maintaining a high rate of return for wealth is high unemployment and lower economic growth. In a very real sense, just as in Plato, wealth is a cause of poverty.

Keynes’s optimism is grounded in his belief that ideas, and not vested interests, win the day in the long run. Veblen however, wasn’t so inclined, as he saw that the wealthy classes would clearly see that their position of social power is based on keeping wealth (and capital) scarce

### **Creating Wealth and Poverty**

It is clear that today, in both the popular imagination and in economic (and the other business disciplines) theory, the view of wealth is not the material abundance view of Smith and Plato, but is instead to scarcity/exclusion view of modern neoclassical economics, what Plato called “over-abundance state,” as it is based not on meeting the material needs of the community, but on unlimited desires of the affluent. The increase in the material provisions for the society as a whole is incidental to the creation of wealth. Certainly there are numerous examples of wealth being created due to increases in production, or innovations (increases in quality rather than quantity), but this is not essential to the process of wealth creation (which Smith concluded that it would be necessary).

Today, we look at wealth as the ownership of assets that generate income. These assets are many and varied, with stocks and bonds making the bulk of them. Many assets we would include as wealth, such as houses, have an implicit rate of return, and only have an explicit rate of return when they are rented out. Wealth is increased (created) when these assets increase in value, due either to their increase in productivity, profitability or scarcity. Increases in productivity is clearly linked to the view of wealth in Adam Smith, increasing the annual produce of land and labor. However, increases in profitability and scarcity clearly can, and often are, due to restricting output, monopolizing production and distribution, manipulating markets, government influence and a long list of activities which do not promote the common good.

One of the most successful method of creating wealth is to shift cost onto someone else. Providing a decent standard of living for workers, as well as a safe work environment, and not polluting the outside environment, are part of the “real costs” of production of

any good or service. Yet, wealth is often created by shifting some of these costs onto workers (paying less than a living wage, injuring or infecting your workers) or onto consumers (making unsafe or damaging products) or onto those who live near your production facilities (polluting the environment). The moving of production from areas where the full costs are imposed by statute, toward areas without such regulations, is in effect, making others pay part of the cost of production. Add to this the use of blackmail in order to get various preferential tax treatments from governments (the company will not locate in your region without great tax concessions or other subsidies), and you have created considerable wealth without promoting the common good.

Veblen's sabotage and conspicuous consumption also greatly contribute to wealth creation. The main motivation behind mergers is not the so-called synergies or economies of scale the "Wall Street" experts like to mention on the business news shows. The fact of the matter, and it is one that almost all economic investigations into this question demonstrate, is that the motive behind mergers is to increase market power and limit competition and not exploit economies of scale. Evidence of this is the fact that the post merger rate of return on capital is rarely higher than the pre merger rates of return. Mergers are about, for the most part, reducing the number of competitors and limiting price competition (of making capital more scarce).

Lastly, we cannot escape the role theft, fraud and force in the creation of wealth. Richard Twaney once wrote that not all property is theft, but all theft becomes property, and the same can be said of wealth. The basis of Bill Gates enormous wealth is Microsoft's monopoly and its anti-competitive (and illegal) business practices. Because of these practices, everyone has to transfer part of their income to Bill Gates. No gun was used, but it is theft nonetheless. Looking at the bigger picture, the basis of wealth is often theft, fraud and force. The wealth of the United States of America was built on first stealing or defrauding the Native Americans out of their land, kidnaping and enslaving Africans to work the land (shifting the costs to them) and the exploitation of immigrants. Even that part of the creation of wealth that contributes to the common good by increasing output, technological change, is monopolized and controlled to maintain the scarcity of wealth. Wealth is created not by technological development, by the controlling and limiting of such developments. Major technological developments are often heralded as bring unlimited wealth, providing free goods (the Niagra Falls Dam was supposed to make electricity so cheap that it would be inefficient to monitor it), yet this is impossible given the power structure of our society, which is based on artificially creating scarcity and could not survive universal affluence.

At the risk of being redundant, wealth only remains wealth if it is kept scarce and if the majority are excluded from owning and controlling it. (In the United States it is often stated that most of the wealth, in terms of stocks, are owned by the people, but they are in the form of insurance and pension funds, and the people (i.e. workers) have no control over them and cannot by law use this power towards any end.) If it becomes abundant, its rate of return falls, thus its value falls. The notion that everyone can become wealthy, in the modern neoclassical sense, is nonsense, since wealth only exists if it is limited and its value is directly tied to maintaining its scarcity and exclusivity. Schemes to use the

stock market to make everyone a millionaire can only work if the term “millionaire” loses all of its meaning. It would be more effective if we just replaced one dollar bills with thousand dollar bills.

The net affect of this growth in wealth, or in wealth that is tied to scarcity and exclusion, is that it has not had the effect that Adam Smith had hoped for, the reduction of poverty and the rising of all peoples standard of living. A recent economic analysis of the growth in wealth stated:

“Wealth creation was one of the dominant themes of the U.S. economy in the 1990s. Between the end of 1989 and the end of 1999, the real net worth of U.S. households increased by nearly \$15 trillion, or by more than 50%. Per capita net worth at the end of 1999 was slightly more than \$150,000. At the top of the wealth distribution, the rise of great fortunes has led many to compare the 1990s to the Gilded Age of the late 19th century, when Carnegie, Rockefeller, Vanderbilt and others amassed their financial empires. In October 1999, the Forbes 400 included 267 billionaires, 200 more than ten years earlier. ... More than 60% of the wealth creation during the 1990s was due to the rising value of household stock holdings.” (Poterba, 2000, p. 99).

Yet increases in per capita income and productivity have risen less than 20% in this same time period. Real wages have risen even less, from 1988 to 1997 real average hourly and weekly earnings decreased at an annual rate of -0.2%. While this trend in real wages turned around in the past two years, it in no way reflects either the growth in output or productivity, and is nowhere near the growth in wealth. This suggests that much of this 50% increase in wealth has not been due to factors that promote the common good (Adam Smith’s conception of wealth), but have been instead due to the redistribution of costs, creation of scarcity and the promotion of exclusion.

## **Conclusion**

*“There is no Wealth but Life” John Ruskin*

The central question of this conference is how should Christians address the issue of the creation and distribution of wealth in capitalist economies. Any investigation into this question requires an underlying set of values and a vision of the “good” society -- the direction towards which society should try to move in. In this Catholic social thought is no different from classical, neoclassical, Marxian, Keynesian and Institutional economics. Catholic social thought is more open about its underlying values and vision than these various schools of economic thought, but it is no less or more of a values based approach to understanding the economy. The two underlying premisses that all CST is derived from is: the dignity of all individual; and the preeminence of promoting the common good. Starting from these two premisses, it should be obvious to all that CST must view wealth from the “well-being” perspective of Plato and Adam Smith. This sort of wealth clearly promotes the common good and should, or at least could, protect the dignity of all humans. However, it should be equally clear that CST must reject wealth that falls in the “scarcity/exclusion” category, as it neither promotes the common good and, through its promotion of poverty, is offensive to human dignity. This sort of wealth

requires for its existence that the economy operate at below its potential, that the fruits of the economy be distributed in a grossly unequal manner and that consumers' wants have to be artificially created to keep the rat race going. This creation of a consumer culture is, for the Christian, probably the most offensive part of this sort of wealth, as it is the chief mechanism of the economism that has created the secular societies that have been progressively debasing the role of God and faith in modern culture. This is exactly what Jesus was warning us about: "You cannot serve God and wealth." In the United States this culture of decadence has developed to the highest degree and we see its negative effects to the morals of our society in the two decade "war on the poor" that has been waged in our public policy. In a very public way, with the consent and support of the vast majority of the population, the poor have been demonized and oppressed in the United States. Their relative economic position, and their absolute economic position, has declined over the past twenty years, while at the same time that of the rich as increased, and the latter is the cause of the former. As a society, we would not fair well by the standards of Matthew 25.<sup>4</sup> One could argue that just about all of the many social problems in the United States, and the world in general, can be shown to be, at least partially, and in many ways greatly, the result of this process of keeping wealth scarce and maintaining the exclusive position of those who own against those who do not. Few have seen this problem as clearly as Plato (*Laws* 9 870ab):

First and foremost there is concupiscence with its domination over a soul stung to savagery by unsatisfied lusts. Now this is chiefly found concerned with ... wealth, with the power wealth gets alike from native bias and pernicious wrong education to breed countless cravings for insatiate and unbounded possession of itself. And the source of this perverse education is the credit given to false praise of riches ... they promote wealth to the first place among good things, whereas in truth it holds but the third, and thus they deprive not only themselves but their posterity. It were for the truest good and glory of all societies that the truth be told of riches. They are for the service of the body, as the body itself for the service of the soul. Since, then, there are goods to which wealth is but a means, it must hold a third place, after goodness of body and soul. Following Socrates' advice, we need to place a guard at the city gates to keep both wealth and poverty out.

This brings us to the parable of the Talents, which started this paper. It is certainly one of the more difficult parables to interpret. Some see it as a justification of capitalism, but this is a stretch and contradicts just about everything else in the New Testament. A more reasonable interpretation would stem from what Jesus wants us to do. We are to use our abilities (our word for abilities, talents, comes from this parable) to promote the common good and to bring about the kingdom of God. Part of this is the promotion of the generation of sufficient material progress so that all have a decent quality of life. Here the vocation of business has much to offer, as its underlying reality is to serve people. It only gets distorted when, instead, it views its role as getting the public to serve business. Promoting wealth that is well-being serves this goal. Promoting wealth that is based on scarcity and exclusion is contrary to this goal. A Christian perspective must take a critical eye towards the accumulation of wealth. As with the institution of private

property, the underlying reality is that wealth is only justifiable when it promotes the common good and has a “social mortgage” to this effect.

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