Redeeming Capitalism.

Kenneth Barnes. 2018. Grand Rapids: Eerdmans. ISBN: 978-0-8028-7557-0. $25.99 (hardcover).

Reviewed by Luke Petach, Colorado State University

In *Redeeming Capitalism,* Kenneth Barnes presents an ambitious proposal for saving capitalism from its own worst features. Barnes argues the root cause of many of the ills of contemporary capitalism—e.g., inequality, financial instability, conflictual labor relations—is to be found in *moral*, rather than economic or political, failure, and, as a result, the redemption of capitalism requires addressing the "moral vacuum" at its heart. To make his case, Barnes presents an—admittedly truncated—history of economic thought, tracing the development of capitalism through the works of Adam Smith, Karl Marx, and Max Weber. Barnes argues that, over time, the ethos of capitalism was altered, such that the primary driver of economic behavior under capitalism shifted from accumulation aimed at increasing the wealth and standard of living of all, to postmodern, greed-driven, conspicuous consumption. As a result, Barnes writes:

> The economy is no longer built on a stable credit system…work itself is no longer seen as a calling...the industrial economy that once made products for use locally and abroad has been replaced by an information economy that focuses instead on the development of global brands. (p. 77)

To find a solution to capitalism's moral decay, Barnes turns to the writings of Augustine, Aquinas, and Calvin. Barnes argues that these writers "suggest a quiver comprised of three arrows: common grace, wisdom, and virtue" (p. 115). Barnes contends that the redemption of capitalism requires a return to the practice of the cardinal virtues—prudence, justice, courage, temperance, and moderation—and the theological virtues of faith, hope, and love. Barnes uses his quiver to take aim at a dual approach to reform, bottom up reform—focused on redeeming work, redeeming money, and redeeming markets—and top down reform focused on re-orienting hearts and minds toward "a genuine desire to see the power of free markets used for the purpose of human flourishing" (p. 190). *Redeeming Capitalism* gives no specific road map for implementing these reforms, instead ending with a suggestion that the redemption of capitalism is a journey—not a destination—and that, in many places, this journey has likely already begun.

Despite the earnest and well-intentioned nature of Barnes' proposals, *Redeeming Capitalism* falls prey to a number of problems that plague its core arguments from beginning to end. First, the "moral failures" of capitalism identified by Barnes only register as new phenomena because of Barnes' selective reading of economic history, which conveniently ignores the failures and injustices of early capitalism. As an example, in the chapter on Weber, Barnes argues that "a desire to ensure general subsistence and enhance the welfare of society was the primary driver of traditional capitalism" (p. 66), discounting the fact that—from its outset—a primary driver of wealth accumulation under capitalism was exploitation of the labor of others, and the most pernicious forms of this exploitation—e.g. slavery, child labor—occurred in greater abundance in capitalism's early years. Even if one charitably assumes that Barnes is narrowly referring to the late nineteenth, early twentieth century period with which Weber was concerned, it is not clear how any consistent reading of the economic history of that period could produce the conclusion that the primary driver of business interests under capitalism was the desire to enhance the welfare of society. The following excerpt from Robert Heilbroner's *The Worldly Philosophers* serves to make the point:

> In the 1860's, for example, Cornelius Vanderbilt, a fabulous genius of shipping and commerce, found that his own business associates were threatening his interests—a not too uncommon occurrence. He wrote them a letter: "Gentlemen: You have undertaken to ruin me. I will not sue you, for that takes too long. I will ruin you." And he did. "What do I care about the law? Hain't I got the power?" asked the Commodore… "I owe the public nothing," [J.P.] Morgan once said, and he meant it literally as a credo of his philosophy rather than as a callous *defi* of the world. (pp. 214–215)

Greed may be capitalism's Achilles' heel, but one cannot not blame the postmodern era for its presence. *Redeeming Capitalism*'s historical amnesia is most acutely depicted in Barnes' answer to the question of how capitalism has changed since the era of Weber: "the primary driver of capitalism is no longer wealth accumulation but conspicuous consumption" (p. 77), an answer which ironically misses the fact that the book in which the term "conspicuous consumption" was popularized—Thorstein

Veblen's magnum opus, *The Theory of the Leisure Class*—was written five years *prior* to the essays that would become *The Protestant Ethic and the Spirit of Capitalism*.

These instances of historical misreading are made more problematic by the second major flaw of *Redeeming Capitalism*: the lack of any coherent definition of capitalism. An oft-repeated mantra throughout the book is "[T]he capitalism we have…is the capitalism we have created" (p. 188). Questions regarding just exactly whose choices created this capitalism, and the relative agency of the individuals negatively affected by this capitalism aside, it is not clear what the capitalism that Barnes has in mind *is*. To apply the most charitable reading possible, Barnes' idea of capitalism appears to be something akin to a society guided by the organizing principle of free markets. However, the inclusion of the ill-defined term "free markets" begs the question.

The implicit understanding of "free markets" as efficient[1] presented in *Redeeming Capitalism* seems to stem from a naïve interpretation of the First and Second Fundamental Theorems of Welfare Economics, in which an economy characterized by the absence of government intervention is conflated with an economy in which markets are perfectly competitive and is therefore concluded to be efficient.[2] To Barnes' credit, this conflation is not unique to *Redeeming Capitalism* and plagues nearly all public discussion about the efficiency of markets. However, a proper understanding of this distinction is crucial for making appropriate policy recommendations. The absence of government intervention in no way assures the conditions for perfect competition—i.e., many buyers and sellers, free entry and exit, no product differentiation, price taking (no market power), no externalities—are satisfied, and it is only the latter that guarantees efficiency under the First Welfare Theorem. This point is important because lack of clarity about capitalism's definition, and the underlying current of its implied efficiency, are linked to one of the central pillars of Barnes' argument: namely, that there are no feasible substitutes for capitalism.

The lack of a willingness to consider alternative forms of economic organization stems from *Redeeming Capitalism*'s convictions about the efficiency of markets and the historically positive influence of capitalism. Beyond the fact that there exist strong reasons to doubt Barnes' convictions on both counts—reasons outlined above—there is yet further reason to question Barnes' insistence on the inevitability of capitalism. First, it is inconsistent with Barnes' claim that capitalism is a choice. The claim that there are no feasible alternatives would suggest that the capitalism we have is not, in fact, the capitalism we have chosen—for whence choice without alternatives? Second, the argument that "capitalism is what we have, therefore, it is the best we can do" is a weak justification for *anything*, let alone capitalism. The same logic has been applied to harmful and inefficient systems in the past—e.g., feudalism, monarchy, and slavery—and it would be fallacious to think that, because a mode of social organization has persisted through time, that it is therefore "natural" or "optimal." This line of reasoning is opposed to a vision of the world that emphasizes the radical emancipation and reorganization of human life implied by Christ's death and resurrection. In insisting there are no feasible alternatives to capitalism, one underestimates the ability of both Christ and the Church to bring about social change.

Finally, in addition to its historically inaccurate and definitionally opaque account of capitalism, both of which contribute to dubious claims about capitalism's inevitability, the third and final major flaw of *Redeeming Capitalism* is its resistance to any political or institutional intervention that might aid in achieving its stated goal of redemption through behavioral change. In other words, Barnes completely overlooks the problem of incentive compatibility. One of the central insights of economics—persisting from Mandeville to Smith to Acemoglu, Johnson, and Robinson (2001)—is that a crucial requirement for markets to function effectively is the existence of institutions which dampen the harmful effects of self-interested behavior. Barnes wants people to act in a manner consistent with the cardinal and theological virtues but is seemingly opposed to all policies that would either (A) provide incentives for people to act in accordance with said virtues, or (B) protect third-parties from the harmful effects that occur when behavior inevitably deviates from the ethical optimum. In the absence of incentive compatible institutions, merely telling people to "behave better" is unlikely to do anything. An example of *Redeeming Capitalism*'s resistance to interventions of this sort is its discussion of economic inequality. Despite paying lip service to the problem of inequality, Barnes opposes the suggestions of nearly every academic or politician—from Thomas Piketty to Bernie Sanders—who wants to do something about it. Barnes' glib dismissal of Piketty's wealth tax proposal reveals his ideological bent, in that it (A) fails to respond to the recent literature on optimal wealth taxation, which casts serious doubt on the infamous Chamley-Judd zero optimal capital taxation result (Saez & Piketty, 2013; Saez & Stantcheva, 2018; Werning & Straub, 2018) and (B) claims wealth taxation can never work by focusing on the straw-man example of seventeenth century window taxation. The unwillingness to consider modifications to the institutions which provide the behavioral incentives that frame human interaction is an abdication of the economist's duty. To borrow from Dennis Robertson (1956):[3]

> There exists in every human breast an inevitable state of tension between the aggressive and acquisitive instincts and the instincts of benevolence and self-sacrifice. It is for the preacher, lay or clerical, to inculcate the ultimate duty of subordinating the former to the latter. It is the humbler, and often invidious, role of the economist to help, so far as [s]he can, in reducing the preacher's task to manageable dimensions. (148)

Without incentive compatible institutions, Barnes' plan for a moral capitalism is unlikely to be successful.

In sum, while Barnes' diagnosis of a "moral vacuum" at the heart of capitalism and his call for a return to the virtues are compelling, his solutions are stymied by a shallow historical analysis, lack of conceptual clarity, and an unwillingness to consider interventions which would make a virtuous capitalism an incentive compatible one. While it is possible that the errors and omissions of *Redeeming Capitalism* are due more to Barnes' lack of formal economics training than ideological blindness, in either case, the main arguments of *Redeeming Capitalism* fall flat. As a result, *Redeeming Capitalism* is unlikely to be of interest to academic economists and may be misleading to a wider audience. Economists and general interest readers looking for a robust Christian perspective on the ills of contemporary capitalism, and the role Christianity can play in fixing them, would be better off revisiting Douglas Vickers' (1982) classic, *A Christian Approach to Economics and the Cultural Condition*.

Endnotes

1. Or rather, free markets—defined as the absence of government intervention—plus Christian morality.
2. In the narrowly defined sense of Pareto efficiency.
3. This, as quoted in Buchanan and Tullock's classic work in public choice theory, *The Calculus of Consent*, p. 28.

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