

## ECONOMICS AND SOCIAL PROGRESS

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**T**HOUGH the nature, characteristics and consequences of the economic system we call 'capitalism' are so well known as to be taken for granted, yet when we try to frame a definition of the system it is not at all easy. There exists a multitude of definitions of capitalism: the fact that many of these are incomplete or else falsified by subjective interpretations adds to the general confusion.

To begin with, we can say that capitalism is a system; that is to say, it is the realisation in the factual order of an economic doctrine. There is a considerable amount of evidence, both in theory and practice, in support of the position which maintains that the economic doctrine enshrined in capitalism has two essential characteristics. It is based upon private ownership of the means of production and of the goods produced: its *raison d'être*, its end or objective, is profit.

This second element—the accumulation of money for its own sake as the sole objective—immediately puts capitalism in conflict with Christian moral teaching. Attempts have been made to explain away this opposition by attributing it to moral failings in individuals by saying it is the capitalist spirit and not capitalism itself which is bad. There will always be individuals who sin against God and against their neighbour by the sin of avarice: these individuals flourish in any economic regime: capitalism is good in itself and must not be blamed for their existence. Such an attitude is completely shattered by Horvath in his famous book on property.<sup>1</sup> Emphasising the supremacy of the end in morals, he shows that it is the constant teaching of St Thomas that ends and means can never be separated: the means are permeated and penetrated through and through by the end and can never be considered apart from it. If the end is bad the means must necessarily share in that badness. In a few pages Horvath condemns capitalism, root and branch, because its end, which is individual profit, in the sense mentioned above, is evil and un-Christian, being in direct contradiction to the purpose of material things which is to

<sup>1</sup> A. von Horvath, O.P. '*Eigentumsrecht nach dem hl. Th. von Aquin*'.

be for the common good of all mankind. Without going to his extremes of violent language, an analysis of capitalism leads one to the inevitable conclusion that the real objectives of capitalism, as an economic system, cannot be reconciled with the natural end of economic activity. This does not arise because individuals are opposed to the common prosperity of mankind but because it is impossible, even with the best intentions, to realise the common good in this particular system. The fundamental element in the amelioration of social conditions is the common good which in the economic context may be regarded as common prosperity.

As P. Georges-Henri Levesque, O.P.<sup>1</sup> has shown, this common prosperity demands three things:

- (a) A national revenue or production which is both stable and high;
- (b) An equitable distribution of the national revenue;
- (c) The possibility of individuals making the best use of that revenue.

It is the view of P. Levesque that capitalism, the economic system as exemplified in North America and in Britain, cannot of its very nature satisfy these three demands. Analysing the nature of capitalism he shows that though it may still be called a system of private enterprise and initiative it is in reality no longer such. Though it began with individual enterprise it is now a system of gigantic corporations in which there is a complete divorce of ownership from control. The ownership belongs to an enormous number of share-holders while control rests in the hands of comparatively few administrators or managers. There is no place for the private initiative of the owner who remains anonymous with no responsibility for his property. This obviously is in direct contradiction to the ancient idea of ownership being essentially a power of management and control, the *potestas procurandi et dispensandi* of St Thomas. It has been the proud boast of capitalism that it is a system of free economy, but modern developments have made it almost entirely a directed economy. The great corporations control markets, determine price levels and exercise a supremacy over general economic activity.

The resulting economy, says P. Levesque, is directed not towards the common good, which should be the end of economic

<sup>1</sup> 'L'expérience économique américaine', in *Réalisme Économique et Progrès Social*, Semaines Sociales de France, Lille 1949, pp. 71 sqq.

activity, but rather with an eye to the personal interests of the relatively small groups who control it. Hence in relation to common prosperity we get the following results.

(a) The national revenue or volume of production is unstable and never reaches a maximum. A review of the economic history of the past century shows regular cycles of prosperity and depression which, in the view of most economists, are to be attributed to factors inherent in the capitalist system. Thus it is not uncommon to hear good, well-intentioned people say that the classical remedy for inflation is a period of unemployment. In times of trade depression the national revenue is low and even in times of prosperity it is never at a maximum in the capitalist system. Productive capacity is always higher than actual production, resources are never completely utilised. This might possibly be due to errors in determining the demands to be met by production but is much more likely to be due to restrictive practices in order to keep up price levels. These practices are an inevitable consequence of the profit motive: private profit takes the place of social utility, the individual good usurps the place of the common good.

(b) The national revenue is not distributed equitably. It is true that there has been a considerable elevation of living standards in the past century. But is not this due to a development of industrial technique rather than to the capitalist system? At a recent meeting of the St Matthew's Club in London it was pointed out that though during the past thirty years we have had a budgetary policy based on heavy progressive taxation of incomes and on capital, by way of death-duties, yet it is still possible for the Financial Secretary to the Treasury to state that of the 550,000 people who die each year only ten per cent. own more than £2,000, but those ten per cent. between them own ninety per cent of the total property. In other words, the vast bulk of the capital of the country and all the means of production is still owned by a small group of people. If this is true in a country where the budgetary policy must have had a strong tendency to produce a redistribution of wealth from the rich to the poor, how much more inequitable must be the distribution of wealth in countries without such a policy.

(c) It is not easy for individuals to make the best use of wealth in the capitalist system. There is a multiplication of products,

many intended to satisfy the same need. How is the individual to know how to get best value for his money? In order to enlighten him there has grown up the great parasitical profession of advertisement. Instead of the production of goods being adjusted to meet the requirements and tastes of the buyer the order is now reversed. By advertisement the consumer is adapted to the product, artificial needs are created and much money is wasted on non-essentials. The individual, rarely being in a position to judge the value of the goods offered, is entirely at the mercy of the publicity-agent whose chief function is to make the goods seem attractive while giving the least possible information as to their real value.

Hence there seems to be an irreconcilable opposition between the capitalist system and the common prosperity of mankind. If profit, money, is made an end in itself then man becomes merely a means to this end and the whole Christian order is reversed. In the words of Pius XII in his broadcast message for Christmas 1942: 'the worker, in his efforts to improve his condition, finds himself confronted by a system which, far from being conformable with nature, is contrary to the order established by God and to the purpose which He has assigned to earthly goods'.