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A NEWSLETTER FOR THE CAUX ROUND TABLE FOR MORAL CAPITALISM
NETWORK LOOKING AT BUSINESS ABOVE THE CLUTTER AND CONFETTI



Pegasus

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Introduction

Welcome to this month's edition of *Pegasus*. We have two robust essays that deeply examine the complicated aspects of capitalism as practiced today.

Steve Young writes about the difference between capitalism and money. Certainly, money is a key part of capitalism, but in current times, many people have emphasized money – the chase for dollars – over the concept of capitalism – the making of wealth and benefit through talent, work and diligence. Steve calls this a fixation on “moneyism.”

Drawing on scripture and other sources, Steve argues that moral capitalism requires that we not become lashed to moneyism, but rather we seek to do good work and harness our talents to do well for ourselves and our communities. Indeed, he says, the culture's focus on moneyism has undercut the moral aspects that Adam Smith articulated when he initially philosophized about capitalism. Capitalism is a system of human interactions in which money plays a part.

As the Bible says: “Lay not up for yourselves treasures upon earth, where moth and rust doth corrupt and where thieves break through and steal: But lay up for yourselves treasures in heaven, where neither moth nor rust doth corrupt.” This quote, which long predates capitalism, anticipate Adam Smith's concept that using one's talent and skills to build wealth must also be accompanied with a sense of altruism and a higher notion of good.

In the Christian tradition, this would be thinking about not only yourself and your neighbor, but your account with God and the afterlife. Other faith traditions have similar concepts about keeping account of your work and life in two lanes – one in your current realm and the other in the realm above. Moneyism, which has become more prevalent, simply focuses on the former in a way that distorts the initial ideals of capitalism that Adam Smith and Calvinists articulated.

Michael Hartoonian digs deeper on some of the themes Steve examined in his essay. In the first of a series of three essays that will focus on wealth creation and poverty, he focuses on the complex notions and deep meanings of wealth and poverty.

Drawing on several sources, including from North American indigenous communities, he shows how notions of freedom and equality across different cultures have a deep impact on our understanding of wealth and poverty. He notes that Adam Smith, John Locke and Benjamin Franklin drew on indigenous ideas to craft their own concepts of a moral capitalism.

Michael writes “to move toward wealth – excellence – it is necessary to first understand the tensions between freedom and equality and between money and talent.”

Sagely, he notes: “We often think we know talent when we see it, but too often confused it with money. “She must be smart, look at all the money she has.” In so many ways, today, money

and talent are confused and confusing. It has long been true that the wise have warned us about this confusion.”

Rather than money or wealth, our focus should be on excellence. Using our talent to improve our community, economy and culture. When we focus on money alone, we inherently become selfish and impoverish our community through that selfishness. One of the great challenges of our current culture, increasingly unmoored from faith, religion and other edifying and leavening aspects, is that the focus on money – moneyism – has corrosive effects on our communities and polity. It is vital to understand why that is occurring, as Michael and Steve both explain. And in understanding, find ways to work together to bring us back to the ideals that undergirded the capitalism that Adam Smith and others advocated.

Lastly, given the importance and depth of Steve and Michael’s essays, we thought you might enjoy a few cartoons to give you some happier thoughts as we head into the early parts of summer.

Thank you for reading *Pegasus*. And, as always, we welcome your feedback, ideas and suggestions.

Dave Kansas
Editor-at-Large
Pegasus

An Inquiry into the Effects of *Moneyism* on the Creation of the Wealth of Nations

Stephen B. Young

In recent months, our staff has been pondering “what is wealth?” The question has been put by our resident Greek philosopher Michael Hartonian, though he is a modern American of Armenian descent.

This has revived, in my mind, an important distinction – almost always overlooked, ignored or even denied by all and sundry – between capitalism and money.

I take Adam Smith at face value. He was not writing about money, but about how the “wealth of nations” was created by human enterprise. An example: nature provided soil, water and sunlight and wheat plants. But only human enterprise turned those physical “assets” into grain to feed the many and provide them with beer, as well. Other grains were through human skill and collaboration, miraculously turning them into various pleasurable whiskies.

Money – all on its own without any human transformative capability – just sits there. It is deadweight, useless, unless...

Something (or someone) needs to come along and “do something” with money, adding it to a production process which creates that which others will want and so will buy with “money.”

This was Karl Marx’s idea of capitalism. You start with money. You turn it into a commodity. You sell the commodity for money, ending up where you started, only with more money than you had at the start. You “greedy” capitalist you!

It was for Marx a simple circular system of constantly taking money from others (extraction!) to add to your own store of money (your property). He demonized the “capitalist” as “Mr. Moneybags.”



Adam Smith

And so, as had been accepted in one human society after another since money was first invented, money gave us wealth.

The more “money” you had, the more “wealthy” you were.

And there is some truth to this. As Marx intuited, in market societies, money “makes the world go round.” It “greases the wheels of commerce.”

As the Beatles put it: “Give me money. It’s what I want!”

But Smith found the more important truth: capitalism is more than money. It is a system of human interactions in which money plays a part.

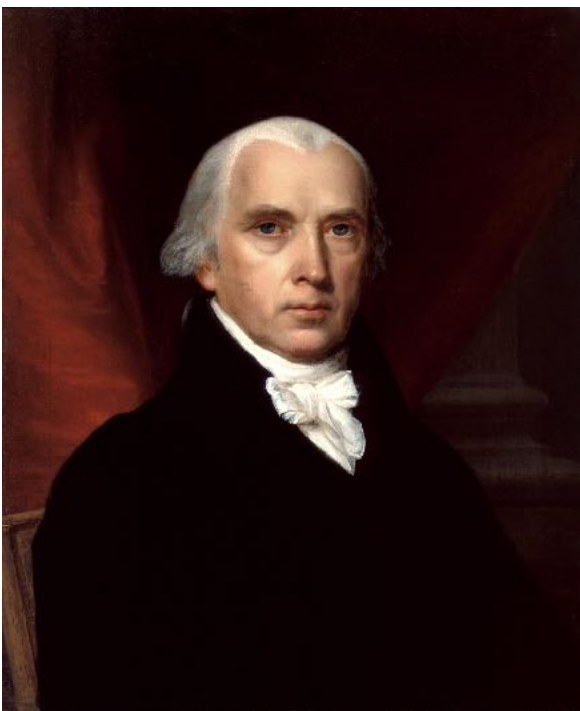
If we forget this and unctuously presume that money is the heart and soul of the system; if we reify money into that which it is not, we subvert the system and end up with dysfunction and unhappiness.

What, then, is money?

It is power.

And what is power to us mortals? Not the way to happiness.

As Lord Acton quipped: “Power tends to corrupt. Absolute power corrupts absolutely.”



James Madison

As a rule, we lack the personal character to stand up to power, to rule it and not have it rule us.

James Madison wrote in Federalist No. 48 defending a constitution that, on the one hand, allocated power, while on the other, was fearful that power would be abused, noted that “It will not be denied that is of an encroaching nature and that it ought to be effectually restrained from passing the limits assigned to it.”

From his perspective, “reason” could be trusted to decide as to the proper use of power, but not “passion.” “The passions, therefore, not the reason of the public, would sit in judgment. But it is the reason, alone, of the public that ought to control and regulate the government. The passions ought to be controlled and regulated by the government.” (Federalist No. 49)

Madison added, “If men were angels, no government would be necessary.” (Federalist No. 51) As the civil war was to break out in his America, President Abraham Lincoln called upon his people to “follow the better angels of their natures.” I suppose, therefore, that even capitalism, if run by angels, would have won the approval of Karl Marx.

In his own way, Jesus set a standard for us of living by a higher law.

As Jesus rebuked Satan, “Man does not live by bread alone, but by every word of God.” (Matthew 4:4)

When Satan offered him power over all the lands, Jesus simply said “Satan, get thee gone” – don’t waste my time. (Matthew 4:10)

The Book of Samuel (1:8) in the Old Testament of the Christian Bible, tells us about the dangers of seeking happiness through power:

And it came to pass, when Samuel was old, that he made his sons judges over Israel. ... And his sons walked not in his ways, but turned aside after lucre and took bribes and perverted judgment.

(For such men as Samuel’s sons, money speaks to their hearts and their hearts listen and so there is no justice in the land. Karl Marx would not be surprised.)



Jesus of Nazareth

Then all the elders of Israel gathered themselves together and came to Samuel unto Ramah, And said unto him, Behold, thou art old and thy sons walk not in thy ways: now make us a king to judge us like all the nations.

But the thing displeased Samuel, when they said, Give us a king to judge us. And Samuel prayed unto the LORD.

And the LORD said unto Samuel, Hearken unto the voice of the people in all that they say unto thee: for they have not rejected thee, but they have rejected me, that I should not reign over them. Now therefore hearken unto their voice: howbeit yet protest solemnly unto them and shew them the manner of the king that shall reign over them.

Samuel then told the people that asked of him a king:

“This will be the manner of the king that shall reign over you: He will take your sons and appoint them for himself, for his chariots and to be his horsemen; and some shall run before his chariots. And he will appoint him captains over thousands and captains over fifties; and will set them to ear his ground and to reap his harvest and to make his instruments of war and instruments of his chariots. And he will take your daughters to be confectionaries and to be cooks and to be bakers. And he will take your fields and your vineyards and your oliveyards, even the best of them and give them to his servants. And he will take the tenth of your seed and of your vineyards and give to his officers and to his servants. And he will take your menservants and your maidservants and your goodliest young men and your asses and put them to his work. He will take the tenth of your sheep: and ye shall be his servants. And ye shall cry out in that day because of your king which ye shall have chosen you; and the LORD will not hear you in that day.

Nevertheless, the people refused to obey the voice of Samuel; and they said, Nay; but we will have a king over us; That we also may be like all the nations; and that our king may judge us and go out before us and fight our battles.

And Samuel heard all the words of the people and he rehearsed them in the ears of the LORD. And the LORD said to Samuel, Harken unto their voice and make them a king.”

As Samuel understood and so accurately predicted for his people how their kings were to be, power casts an avaricious spell, one never satiated, always on the prowl in the manner of a psychopath.

If money too can cast such an avaricious spell, it is no wonder that Jesus, as had Samuel, warned us against it. And Jesus lived long before capitalism had its birth in the Calvinist societies of Holland, Scotland and England and the Dutch and English colonies in North America. (See: Max Weber, *The Protestant Ethic and the Spirit of Capitalism*)

Jesus understood that money does not help us “walk in the way of the Lord”:

Money carried the image of Caesar, therefore Jesus said, Then saith he unto them, Render therefore unto Caesar the things which are Caesar's; and unto God the things that are God's. (Matthew 22:21)

Keep two sets of books, so to speak, one for your accounts here below and another for your account with God.

That would align with Jesus’ advice to:

“Lay not up for yourselves treasures upon earth, where moth and rust doth corrupt and where thieves break through and steal: But lay up for yourselves treasures in heaven, where neither

moth nor rust doth corrupt and where thieves do not break through nor steal: For where your treasure is, there will your heart be also.”

Jesus had little faith that those with lots and lots of money and of the power that money can bring you could maintain a healthy net surplus in their account with God:

Then Jesus said to his disciples, “Truly I tell you, it is hard for someone who is rich to enter the kingdom of Heaven. Again, I tell you, it is easier for a camel to go through the eye of a needle than for someone who is rich to enter the kingdom of God.”

When the disciples heard this, they were greatly astonished and asked, “Who then can be saved?”

Jesus looked at them and said, “With man this is impossible, but with God all things are possible.” (Matthew 19:23-26)

So, then, where is your most important account – that kept with men or that kept with God?

When money was brought into the shrine of the Lord, Jesus protested. He entered the temple in Jerusalem and “drove out all who were selling and buying in the temple and he overturned the tables of the money changers and the seats of those who sold doves. He said to them, “It is written, ‘My house shall be called a house of prayer,’ but you are making it a den of robbers.” (Matthew 21)

The Apostle Paul said quite strongly: “The love of money is a root of all *kinds of* evil, for which some have strayed from the faith in their greediness and pierced themselves through with many sorrows.” (1 Timothy 6:10)

Don’t say we weren’t warned long before capitalism found ways to inundate us with money.

What, then, is the best account for us to keep of our assets and our liabilities? From the advice given by Jesus, is it not our accountability to God and our accountability to our neighbors?

When Jesus was asked what is our greatest duty to God, he replied: “Love the Lord your God with all your heart and with all your soul and with all your mind. This is the first and greatest commandment. And the second is like it: Love your neighbor as yourself. All the Law and the Prophets hang on these two commandments.” (Matthew 22:37)

How, then, are we to understand the Parable of the Talents? Is Jesus urging us to make money off money?

For it will be like a man going on a journey, who 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 the 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, "Master, 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 knew you to be a hard man, reaping where you did not sow and gathering where you scattered no seed, so I was afraid and I went and hid your 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 sown and gather where I scattered no seed? 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 has the ten talents. For to everyone who has will more be given and he will have an abundance. But from the one who has not, even what he has will be taken away. And cast the worthless servant into the outer darkness. In that place there will be weeping and gnashing of teeth." (Matthew 25:14-30)

Could this be a parable about personal agency and power, not really about money? If so, the lesson here would be to put money to work, to put our agency to work, to build a city upon a hill perhaps. Made in the image of God, we should try to contribute to creation, as God empowered Noah and his sons after the flood. This parable provides a moral vision perhaps for capitalism.

So, what is it about money that will keep us out of Heaven? Surely, not that it is coins, bars of gold and silver, banknotes, bank deposits or other measures of exchange value. No, money is not the problem Jesus pointed out. Money is just raw power, undisciplined, in our hands.

The problem is rather with us – we are the problem. We don't hear every word of God when we have earthly power in our hands. We lose our way. We forget to love God. We forget who

is our brother or sister; who is our friend or neighbor. Power leads to self-deification.

In Greek terms, power makes possible our taking things too far only on our own terms – to indulgence in hubris, when hubris draws down Nemesis upon us, as the night follows the day. Using the power of flight, Icarus loses his life. Prometheus willfully asserted himself, stole fire from the Gods of Olympus and gave it to humanity. He was punished by Zeus to suffer for eternity. Sisyphus was a tyrant who killed his guests to show his power. He, too, was punished by the Gods, also for eternity. Power used can be power abused.

In the Old Testament, Ezekiel 34 tells us what Yahweh thought of elites who abused their powers and how he would punish them for using a lens to look at the world which centered their thoughts and narratives only on themselves and their desires:

The word of the LORD came to me: “Son of man, prophesy against the shepherds of Israel; prophesy and say to them, even to the shepherds, Thus says the Lord GOD: Ah, shepherds of Israel who have been feeding yourselves! Should not shepherds feed the sheep? You eat the fat, you clothe yourselves with the wool, you slaughter the fat ones, but you do not feed the sheep. The weak you have not strengthened, the sick you have not healed, the injured you have not bound up, the strayed you have not brought back, the lost you have not sought, and with force and harshness you have ruled them. ... Thus says the Lord GOD, Behold, I am against the shepherds and I will require my sheep at their hand and put a stop to their feeding the sheep. No longer shall the shepherds feed themselves. I will rescue my sheep from their mouths, that they may not be food for them.

Money has this effect on us because it makes a reality of our personal agency. It imposes our intentionality on the world. It concretizes our individual human dignity. Without power, where is my agency? Without power, how do I make my presence known to the cosmos? Or to my neighbors?

Jeremy Bentham, the great utilitarian advocate, defined “utility” in a way that applies very well to money, which is a form of property:

That property in any object, whereby it tends to produce benefit, advantage, pleasure, good or happiness ... [or] to prevent the happening of mischief, pain, evil or unhappiness to the party whose interest is considered.

Money empowers us with “utility” with which to live better and happier lives. As for property, John Locke had trusted us with rights to life, liberty and property, though knowing that each right in the wrong hands could be abused.

Personal “utility” – power – is a necessary human good, but it must be rightly used if it is not to trespass on the “utility” of others.

As free agents, who are we anyway? Shakespeare put it coldly:

*“And all our yesterdays have lighted fools
The way to dusty death. Out, out, brief candle!
Life’s but a walking shadow, a poor player,
That struts and frets his hour upon the stage,
And then is heard no more. It is a tale
Told by an idiot, full of sound and fury,
Signifying nothing.” (Macbeth)*

Money power gets into our conscience. It can become a bias, consciously or unconsciously, at work in our decision-making and in the shaping of our personality. If we come to value money too highly, we will underprice other goods, such as love.

Let us consider briefly the inability of the Beatles to settle on the value of money.

In one song, they insist:

*The best things in life are free
But you can keep 'em for the birds and bees
Now give me money (that’s what I want)
That’s what I want, yeah, That’s what I want.*

But in another song, their story changes:

*Say you don’t need no diamond rings
And I’ll be satisfied
Tell me that you want the kind of things
That money just can’t buy
I don’t care too much for money
Money can’t buy me love*

We can include money among the other afflicting emotionisms discussed in Buddhism: it simulates “greed”; is very compatible with “delusion” and “conceit”; it encourages “shamelessness” and “recklessness”; it can lead us to hold “wrong views.”

Money, in short, is two-faced. It can bring comfort, status, pride in accomplishment, security to our lives and it can bring us lots of trouble and heartbreaks.

So, when wealth is said to lie in money – in getting and accumulating money – what I will call *moneyism* is placed in the driver’s seat of capitalism. There are consequences in doing that. Most of what we fear and don’t like about capitalism actually comes from *moneyism* having too great a say in free market decisions.

Finance is all about *moneyism* – the acquisition and investment of money. Speculation in assets – buying low/selling high – is *moneyism*. Money prices of assets in markets gyrate from high to low – the 1620s tulip mania in Holland, to the 2007 subprime mortgage irrational enthusiasm in the U.S. The lesson of history is that, generally, in financial speculations, the few end up taking money from the many, as happens in casino gambling. It is systematic in *moneyism*.

We have learned that recessions and inflations come and go depending on money in circulation. Both recessions and inflation favor the rich over the poor. In recessions, the value of money goes farther for the rich. In inflations, money loses value and so those with less money must consume less and have less value in their savings. So, with inflation, money also benefits the rich much more than the poor.

At the same time, as more and more money circulates in various markets, for the rich, they earn more on their savings and easily add to their savings, as their consumption does not increase as much as their assets appreciate. For the poor, they consume their savings, earn precious little interest and never have enough money.

When *moneyism* drives corporate decision-making, management focus turns to share price – the money price available in markets for ownership shares in the corporation. The interests of other stakeholders – especially society and the environment – are marginalized. The enterprise does not seek to increase its costs by internalizing negative externalities or to reduce its sales by taking harmful products off the market.

Much of the discontent over capitalism turns on how we answer the old Roman question: *Cui bono?* – Who benefits? Capitalism is accused of an inherent inability to provide enough social justice in its distribution of rewards and advantages. How should a company's earnings be allocated between owners and employees? Are employee restrictive covenants fair? How much should suppliers be paid? How much should a company spend to reduce risks to customers? What tax burden should companies carry to provide public goods for the community? When *moneyism* drives decision-making, fairness often loses out to social Darwinism: those with money do what they can; those without, accept what they must.

Moneyism has the further dysfunctional proclivity of prioritizing the short term over the long term; the immediate over the prudent; the self-serving over the wise. Consider the folk wisdom of “taking the money and run,” letting the devil take the hindmost” or “eat, drink and be merry, for tomorrow we die” or even that “in the long run, we are all dead.”

“The long run is a misleading guide to current affairs. In the long run, we are all dead,” wrote John Maynard Keynes in his 1923 work, *A Tract on Monetary Reform*.

The consequences of turning a company over to *moneyism* are seen in the current struggles of Boeing and the breaking up of General Electric.

Private equity investment firms live and breathe *moneyism*, searching for companies to buy and then repurpose to generate more cash flow to owners.

Last week, according to Gretchen Morgenson of NBC News:

Red Lobster was America's largest casual dining operation, serving 64 million customers a year in almost 600 locations across 44 states and Canada. Its May 19 bankruptcy filing and closing of almost 100 locations across the country has devastated its legion of fans and 36,000 workers. The chain is iconic enough to be featured in a Beyoncé song.

The technique, colloquially known as asset-stripping, has been a part of retail chain failures such as Sears, Mervyn's and ShopKo, as well as bankruptcies involving hospital and nursing home operations like Steward Healthcare and Manor Care. All had been owned by private equity.

Asset-stripping occurs when an owner or investor in a company sells off some of its assets, taking the benefits for itself and hobbling the company. This practice is favored among some private-equity firms that buy companies, load them with debt to finance the purchases and hope to sell them at a profit in a few years to someone else. A common form of asset-stripping is known as a sale/leaseback and involves selling a company's real estate; this type of transaction hobbled Red Lobster.

Companies with great market power are rewarded by *moneyism*. Consider the high share valuations consistently accepted for Meta (META), Amazon (AMZN), Apple (AAPL), Netflix (NFLX) and Alphabet (GOOG).

One of the seemingly disequilibria in today's American capitalism is the amount of money CEOs are paid annually. CEO compensation, since the early 1990s, has taken advantage of *moneyism*. Companies don't actually pay their CEOs that much money in cash recorded on their profit and loss statements. Federal tax law limits the amount of cash that a company may deduct as an expense in compensating its employees. So, guided by some clever minds, companies (or CEOs) found a run-around: they issued shares of company stock to CEOs and other employees. Stock certificates are pieces of paper – tokens, if you will – most importantly of a right to receive cash in the future distributed as dividends. Like pieces of paper money, stock certificates can be exchanged with any willing recipient for something of value. Since there is a public market for such shares, they can just be transferred for a cash price. The shares have a money price giving the associated certificate a money function. Just as I will take ten dollars from you, I might just as easily take your share certificate from you and turn it into my cash money later on.

Thus, in the U.S., CEO compensation became part of *moneyism* lock, stock and barrel.

Tesla now proposes to provide its CEO, Elon Musk, with a compensation package which can

be given a money price of \$56 billion. The package has no salary or cash bonus and sets rewards based on Tesla's market value, rising to as much as \$650 billion over the 10 years from 2018. Tesla's board chair, Robyn Denholm, told the Financial Times that Musk deserves the pay package because the company hit ambitious targets for revenue and its stock price.

But given the rules of *moneyism*, Musk is taking a risk in this speculative contract. If the share price of Tesla stock does not rise as required, he does not get paid. Or depending on the stock's future per share price, his pay may be less than hoped for.

In the case of CEO compensation, is it capitalism, therefore, that should be held to account for the inequality in wealth created for a handful of individuals by this expansion of *moneyism* through smart, legal innovation?

Conclusion

As Vladimir Lenin once famously challenged his Russian socialist comrades: "What is to be done?"

Let me, then, propose new accounting principles and standards within capitalism creating a new form of double-entry bookkeeping.

We don't want to throw the baby – wealth creation and the optimization of humanity on this planet – out with the dirty bath water – *moneyism*. With its corrupting effects on personal decision-making and its potential to torment our search for meaningful happiness as fully deployed human persons, *moneyism* needs to be compartmentalized in our thinking – put in its proper place – and exposed to critical examination, day in and day out.

The unexamined life is most likely disappointing and unhappy.

It is that self-interest "understood upon the whole" which is most valuable. It is a net concept, taking into account all the risks and trade-offs associated with our different decisions, value choices and preferred behaviors.

This, I think, was, in effect, the approach to money taken by the Calvinists as they brought forth capitalism, say, in Benjamin Franklin's Protestant virtues of thrift and self-control or Adam Smith's explication of our moral sentiments, provided checks and balances within our minds and hearts to minimize the avarice that can ooze out of money.

Then, following Franklin, we should keep accounts of our decisions in various ways. A balance sheet to document when we have added to assets and when we have depleted assets. Some assets will be categories of *moneyism*. Others will be more intangible forms of cultural, political, social and human capital. We might have a human capital account that tracks

happiness, including self-assessment of stress, fears, insecurities and resentments. Decisions that avoid risks should be positively monetized with offset liabilities as opportunity costs. Decisions that take risks should have an offset liability to balance the expected positive return.

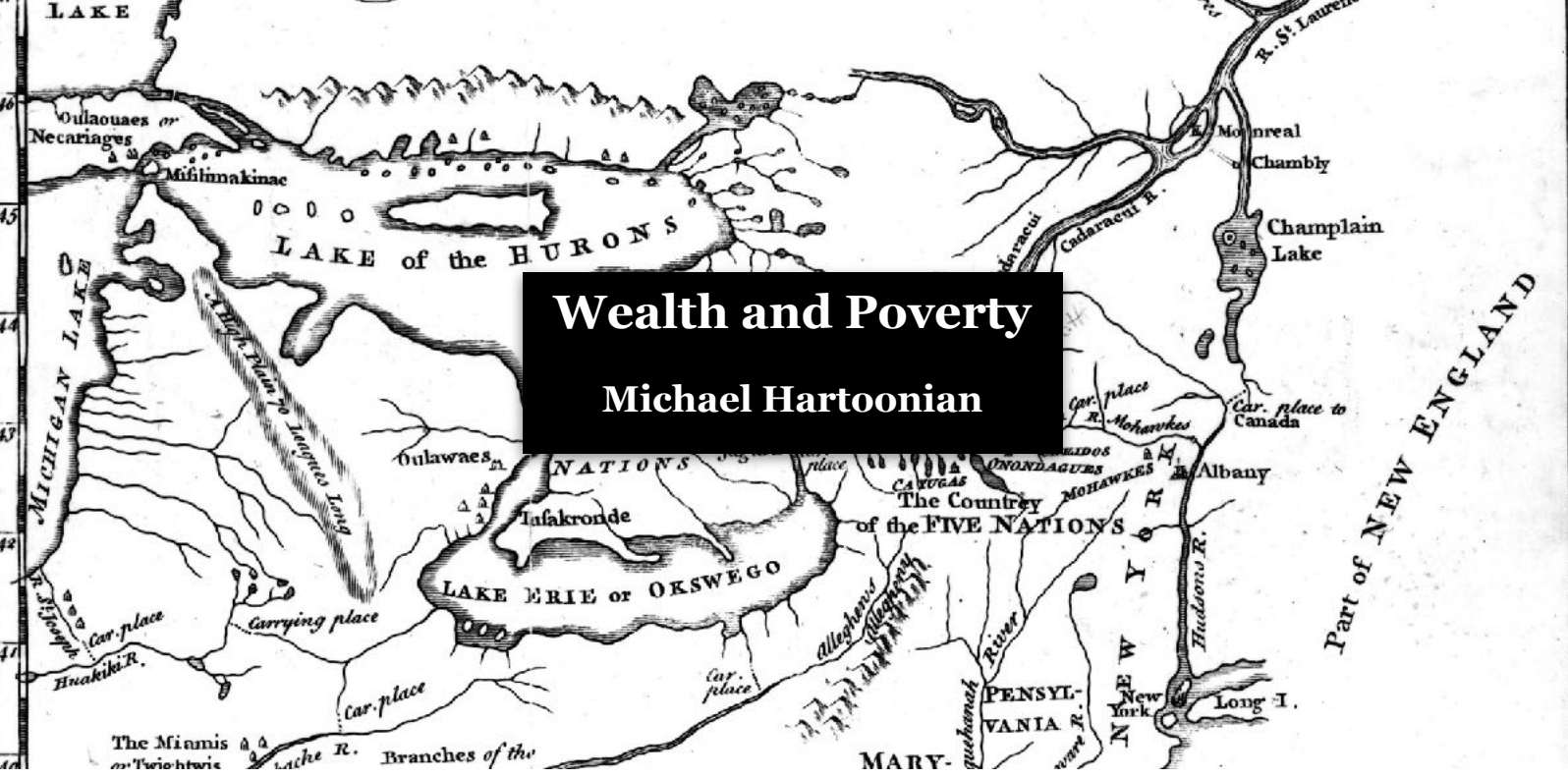
So, we will use accounts for capitalism overall that include subaccounts for *moneyism*.

We can imagine accounts for capitalism that show growth and prosperity, but simultaneously, accounts for *moneyism* that show growth in our addiction to “profit.” Those subaccounts presenting the effects of our *moneyism* should provide us with warnings from time to time that we need to slow down before things get worse, reflect, take stock and re-examine our assumptions and ambitions – and our current level of happiness. If a change in course seems to have advantages, as Yogi Berra advised, we take it.

The author of Federalist No. 55 – either Hamilton or Madison – made a case for accepting the risk of human frailty in the conferring of power upon a person to be prudent: “As there is a degree of depravity in mankind which requires a certain degree of circumspection and distrust so there are other qualities in human nature which justify a certain portion of esteem and confidence.”

We just need to tip the scales, the accounting rules, of capitalism in favor of those qualities which “justify” our having a certain portion of esteem and confidence in our neighbors.

Stephen B. Young is Global Executive Director of the Caux Round Table for Moral Capitalism.



Wealth and Poverty

Michael Hartoonian

*Excellence is never an accident.
It is always the result of high intention,
Sincere effort and intelligent execution;
From many alternatives,
It represents the wise and happy choice.
It is not achieved by chance, but by character.*
-Aristotle

Introduction

This is the first of three essays on the causes of wealth creation, as well as reasons for poverty in individuals, institutions and nations. This essay will begin with some definitional work on the revolutionary and counterintuitive meanings of wealth and poverty.

The attributes of wealth and poverty that will be addressed here are:

- 1) Freedom and equality.
- 2) Money and talent.

Later essays will focus on 3) profit and rent and 4) markets and relationships, including the tenacious grip of poverty on humans. These concept pairs represent and present tensions, as well as synergies that must be addressed if we intend to understand the philosophical and practical elements of moral capitalism and democratic governance. We will see in the third essay that these ideas are made operational by human capital. That is, they function in proportion to the level of character owned and used by individuals in concert with others who are in moral relationships within families, firms, communities and nations.

The Historical Struggle

The relationships and struggles of the ideas of wealth and poverty have been with us for ages. That is, these ideas date back well before the modern era. As suggested by archeology and evolutionary psychology (see Graeber and Wengrow, for example), these ideas may have existed ten thousand years ago and we know that they appeared from time to time in Europe, Asia, Africa, North and South America and Australia/Oceania.

While often associated just with Europe and the Enlightenment, these value tensions and their attending arguments, together with periodic wars and even human sacrifices, were ongoing across the world, even before the so-called ages of bronze, iron or steel. For our example here, let us look at the indigenous community known as the Iroquois Confederacy in the Eastern woodland regions of North America at the time of contact with Europeans. The first European/native communications were arguably between the Jesuits and native tribes. Yes, there existed, in the “new” world, barbarism, although on a much smaller scale than the 20th century. At the time of European contact, however, native governing practices of the Iroquois and other tribes honored freedom, equality and wealth distribution, as well as values of merit and reason, among both men and women. As practiced and viewed by French missionaries, this native philosophy and behavior also presented a critique of Europe’s social arrangements at the time. The ideas from native cultures were carried to Europe through the journals of the 17th century Jesuit missionaries and were edited and reproduced by revolutionary European philosophers like Montaigne, Rousseau, Diderot and Voltaire and would appear in rationales for the American, French and Russian revolutions. This would not be strange for the Jesuits to do. While brutal in much of their interactions with native “barbarians,” they were highly educated, spoke native languages and were close enough to the teachings of Jesus of Nazareth (see the Gospel of Matthew, Sermon on the Mount) to base their Christianity on *universal benevolence*, the bedrock of Christian belief and practiced, in no small manner, by native peoples.

A Bridge to the 18th Century

It seems clear that even Adam Smith and John Locke were aware of indigenous ideas. Ben Franklin adapted ideas from native peoples for his Albany Plan of governance, seeing it as a way to unify 11 of 13 colonies. The plan came to be seen as superior to the Articles of Confederation and provided one of the conceptual frameworks for the U.S. Constitution.

Since it was difficult for Europeans to embrace Rousseau’s idea of the “noble savage,” they simply believed it as sarcasm, as no hunter or gatherer could be noble. Rousseau, perhaps, believed it too. However, Europeans developed theories, with no evidence, that civilization was only possible after an agricultural revolution. New scholarship has proven this incorrect. It was and is becoming clearer that without the “primitive” contacts, concepts like equality and inclusion would not have been discussed, as the concept of equality did not exist in European political discourse until the 16th century. No need for it because the social/political

hierarchical structures were set by God, so the thought of being equal, in any manner, was irrational to the practices of human and land extraction and to the way things simply are.

The Arguments Continue

The first modern European democratic and moral capitalistic arguments were raised over the balance of freedom and equality. And the indigenous peoples may have instigated the debate through their criticism of European (French) behavior toward each other, as well as toward the native peoples. These arguments over freedom and equality, as well as the arguments regarding the other tensions listed above, are still ongoing and hold the key to understanding wealth and poverty.

The essays to follow, over the next several months, will study these tensions and necessary arguments for a flourishing life and society. Our final inquiry will address the causes for the ubiquitousness of poverty and its random and unequal distribution across time and place.

We will start with a discussion of wealth and poverty.

Wealth

Wealth is a measure of excellence. It is a storehouse of self-respect. Wealth will never make others poor. It is a vision that sees what could be and a virtue that sees what should be. Wealth is flourishing.

We all know people with a great deal of money and things who are miserable in their daily lives. These people are anything but wealthy. And we have also known people with little money who are extremely wealthy. Why? Well, wealth has much more to do with excellence and character than with money and things. Later in this essay, we will discuss money and its relationship to wealth. What is imperative now is to apply the criteria of character, excellence, respect and happiness to our lives and institutions and hope to discover that wealth is something different and something much more valuable than money or things. Like happiness, wealth is counterintuitive and is best understood as doing both the right and the good thing. At its foundation, wealth, whether personal, institutional or societal, is a function of how well we treat others. This understanding of wealth creates a moral network and also begs the question: why can't all people be wealthy?

Poverty

Poverty, like wealth, is a social, as well as an individual choice. It is a causal relationship between individual and social capital. Each one, social and individual, is so interdependent with the other that it is useless to talk about individual poverty without also engaging in social poverty. It is contextual, social, individual and deeply disrespectful of life. As a person cannot be a moral agent alone, neither can they be in poverty alone – by their own making.

Poverty is both an individual and a social choice and both, together, are responsible for life in community. Poverty is a sanctioned cultural (political) choice. It does not happen by chance. We say that the poor have always been with us. Of course they have, but that is not a natural situation. It is a social/individual choice. Poverty has three foundational attributes that must be addressed before it can be reduced. Poverty must be understood as having definitional, factual and value contradictions. But if these contradictions cannot be held in mind and discussed to resolution, poverty will expand and take on many different faces. Poverty can even manifest itself in the desire to give up identity and freedom, which again, has little to do with money.

The bell-shaped curve, with all its diversity delineated along every human characteristic, will never be flattened to the point of eliminating poverty. If tried, all wealth would be destroyed. Natural diversity is something to be appreciated and embraced. However, the benefits of natural diversity can only be harvested within a unity of a cultural and political system – a system based on inclusion and civility. Finally, reason and virtue, as well as personal, institutional and social feedback loops of criticism and education, must be the coin of the realm. If these things can be done, poverty diminishes. But it will never disappear. You cannot declare war on poverty. It is completely the wrong metaphor. Poverty, as a social construct, can never be defined outside a community. For example, if you want better schools, you need better families. Poverty, like wealth, like love, is in relationships. And at its base is human capital or should we say, the lack thereof.

In essays over the next few months, we will explore the tensions listed above and the individual and social practices that can help reduce poverty. Two tensions will be explored now: freedom and equality; money and talent.

Freedom and Equality

The most important thing to understand about these two values is that one is fully capable of destroying the other. And history would suggest that they usually do. People seem to value or at least admire freedom, but only in theory. In practice, most find the responsibility of freedom too challenging and give it away. This allows the powerful to keep freedom for themselves and destroy equality for the large majority of people. The pivotal tension throughout the history of human society has been the argument between freedom and equality. Democracy and capitalism, at their best, must be a continuous struggle to balance these ideals. All history can be read as attempts, at one time, to promote freedom over equality and at the other, to favor the reverse. Like a swinging pendulum, one value or the other seems to be more popular and persuasive during a particular cycle of history.

Like other value tensions, emphasis on either freedom or equality results in too little of one or the other. An imbalance is undemocratic and bad for people, in general. For example, when conventional wisdom favors freedom, the power and resources of a society tend to flow into the hands of the few. In turn, those in power develop rationales and structures to justify this

distribution. Left unattended, this imbalance of money and power undermines markets and society and threatens to destroy any nation.

However, when the pendulum swings, the national persuasion favors redistributing wealth in the name of compassion and economic justice. In its wake, personal freedom tends to suffer. While laws were enacted to protect workers and promote civil rights, they often resulted in a heavier hand for government. People will use the government to hold their own advantage, regardless of ideology.

In a democratic republic, citizens need the freedom to achieve knowledge, justice and wealth. It is society's task, which is to say all of ours, to ensure that these elements are distributed using morality and merit as criteria.

The expansive development of technology and particularly of AI, has been a magnificent expression of any nation's freedom to invent. It also can be seen as a threat to equality among people, as well as a subtle, dangerous undermining of personal freedom. This includes the powerful effect on the culture in more recent times of the automobile, television and computers. Advancements in technology are seen as both inevitable and good. All in their particular ways have furthered our freedoms through improved communications, more sophisticated information, faster transportation and the like. Yet, modern technologies also have had some, often unintended, negative side effects, such as environmental pollution, auto fatalities, compulsive use, violation of privacy and the proliferation of trivial media. To the extent that we allow uncontrollable technological development, it becomes difficult or even impossible to expand the best of inclusive traditions and institutions.

However, "republican equality did not mean the elimination of all distinctions," stated the historian, G. S. Wood. Republics would still have an aristocracy, but it would be, in Jefferson's words, a "natural aristocracy." Our aristocracy or leaders should not be those of opulence or wealth, but people of talent, such as writers, painters, scientists and creative states people. It also would include the reserved, disinterested heroes like America's George Washington, who are not there by hereditary right. ¹

But even Washington had his reservations. He once called the common people "the grazing multitude." And John Adams referred to them as the "common Herd of Mankind." Republicanism was both a profound and radical idea. Only the few were capable of reasoning and intellectual achievement, wrote the British political philosopher John Locke, but everyone could use their senses and develop common sense. With this understanding, Thomas Jefferson included in the U.S. Declaration of Independence the words, "all men are created equal." This sentiment has become the conventional wisdom of all new democratic republics.

1. Wood, *The American Revolution*, p. 100.

Still, people of the Enlightenment understood that being guided by one's senses in a chaotic environment could lead to what they called excessive sensations. To temper this Lockean possibility, they deferred to thinkers, such as the Adam Smith, the Scottish moral philosopher, who wrote, as did Aristotle before, about man's natural social disposition. Our moral gyroscope, Smith taught us, is held in place by natural affections and benevolence.

Just as we understood the physical world to have gravitational forces that held heavenly bodies together, so too, our social world had its interpersonal forces. These might include "love between humans," as some believed, "was the gravity of the moral world." People had a natural instinct to be sociable and benevolent.² This was the glue that would bring together potentially self-serving individuals into community and a republic.

In order for people to live together in society, it was necessary to give up a portion of their freedom. And a key role of government is to serve as an equalizer among the people. Governments are instituted for the purpose of managing the freedom individuals donate to the common good, insuring a measure of equality before civil and natural law. This is the stuff of a cohesive and good society. Yet, there had to be laws to also ensure that the government would never take too much individual freedom.

The world has traveled a long, uneven, tortuous road over the past two centuries. Seldom has any nation been at ease with a balance between freedom and equality or been able to finely mesh these two powerful concepts. Some nations have fared poorly in this matter, others better. So, today, in some places, the pursuit of unbridled individualism has resulted in a rather harsh, even unforgiving environment for those relegated to the underclass. When we appeal, for example, to the wisdom of Adam Smith, we often and incorrectly emphasize competition at the expense of cooperation or what we mistakenly think of as "self-interest." Smith, himself, would counter that a market devoid of benevolence and ethical content and the attending moral "invisible hand" can never be free, only expensive, sluggish and corrupt.

Money and Talent

The tension between these values are subtle and counterintuitive. We often think of money as the lubricant of market transactions. But money has relational and existential components that are much more important. George Simmel, writing in 1900, *The Philosophy of Money*, suggested that money presented a duality of object and symbol. He also called money a tragedy of culture because it led to extreme individualism and the diminishment of cultural unity. Transactions would replace relationships, he argued.

We often think we know talent when we see it, but too often confused it with money. "She must be smart, look at all the money she has." In so many ways, today, money and talent are

2. Wood, *The American Revolution*, pp. 103-04.

confused and confusing. It has long been true that the wise have warned us about this confusion. You will recognize:

- Render unto Ceasar that which is Ceasar's and unto God, that which is God's.
- The love of money is the root of all evil.
- We tend to know the price of everything and the value of nothing.

These warnings are about how the loss of talent and character can often be tied to the pursuit of money as the end state of living. This always suggests an unexamined life. Certainly, talent has opportunity costs. But we should ask Aristotle's question: "What is your potential and how do you achieve it?" To Aristotle, the answer to that question was not about money or things, but about happiness. The goal of money can and often gets in the way of learning and potential and thus, truncates happiness.

The proper use of money can also be a useful and often positive value, as long as we see it in relationship to talent, as well as to others and as simply a by-product of wealth – of excellence. Pursue excellence and you stumble on money. Pursue money and you stumble.

Conclusion

We have begun our journey into the landscape of wealth and poverty. To move toward wealth – excellence – it is necessary to first understand the tensions between freedom and equality and between money and talent. Without the arguments needed to balance these values, one drifts away from character and merit and toward meaninglessness and depression. When this happens, people try to escape through drugs, through social media and even through suicide, the amount of money or freedom they have notwithstanding.

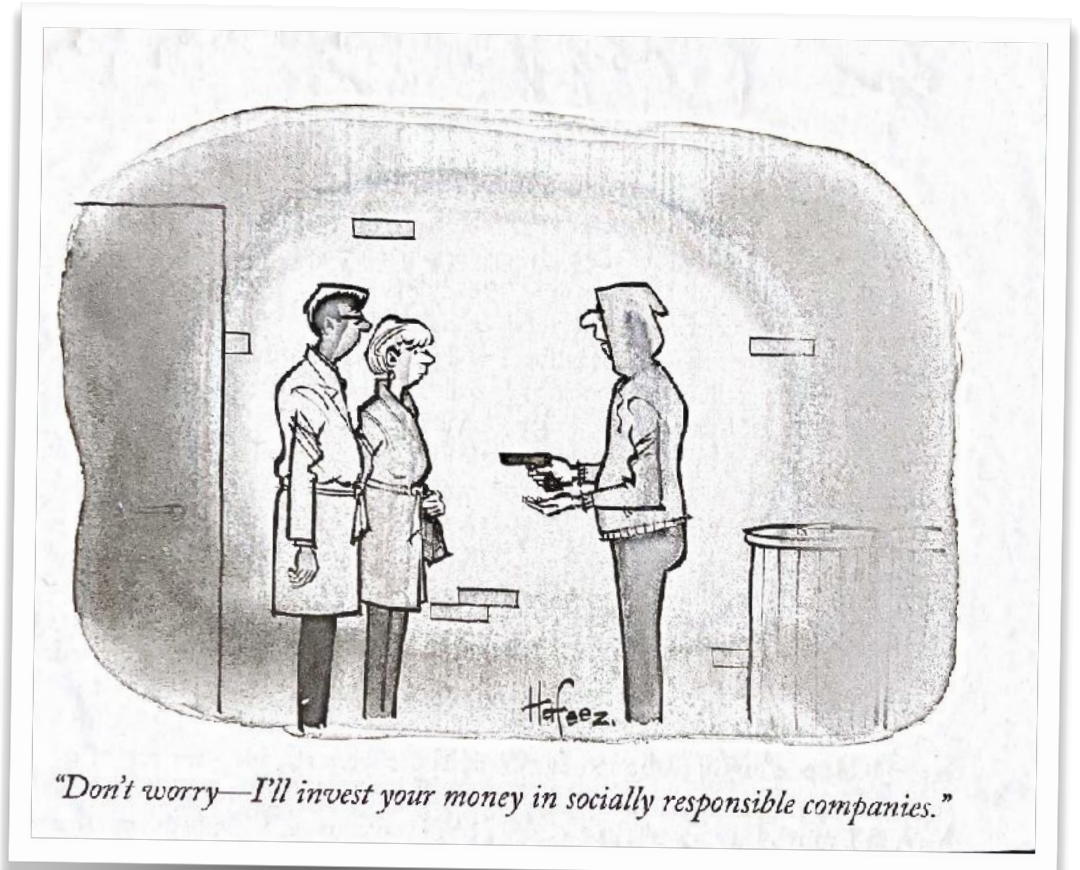
Wealth and virtue demand rightful effort and time, a delayed gratification, if you like. Is it worth the effort and time? Only an examined life holds the answer.

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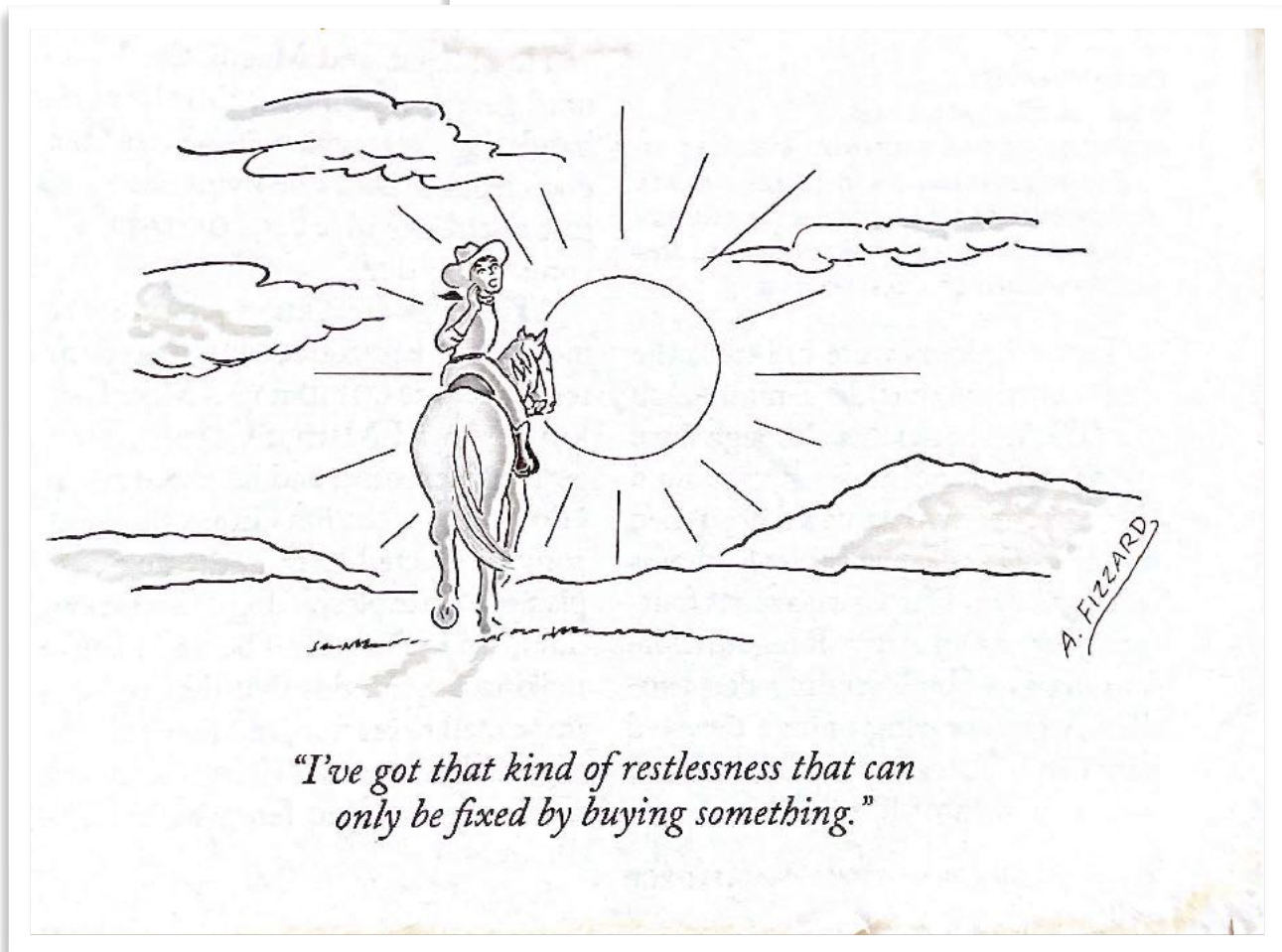




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