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Pegasus

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Introduction

The December *Pegasus* digs into some trenchant issues, notably the role capitalism played in ending slavery and the important intertwining of capital and morality.

In his essay, “Capitalism and Slavery,” Steve Young makes a strong case that slavery suffered at the hands of capitalism for many reasons, notable among them the greater efficiency of capitalism as an economic notion. An eye-popping chart on wheat production sharply illustrates how the end of slavery coincided and was driven by an embrace of moral capitalism. “My thesis is that capitalism, correctly understood, is structurally incompatible with slavery,” Steve writes. “It was capitalism that changed the world’s economies and so brought about the end of slavery.”

Steve goes back to Adam Smith and his discussion of slavery’s inherent inefficiency, not to mention that immorality of enslavement. Drawing on writings of Mozi, Karl Marx, Walt Whitman Rostow and Smith, along with others, Steve makes a powerful case for capitalism and its role in ending enslavement.

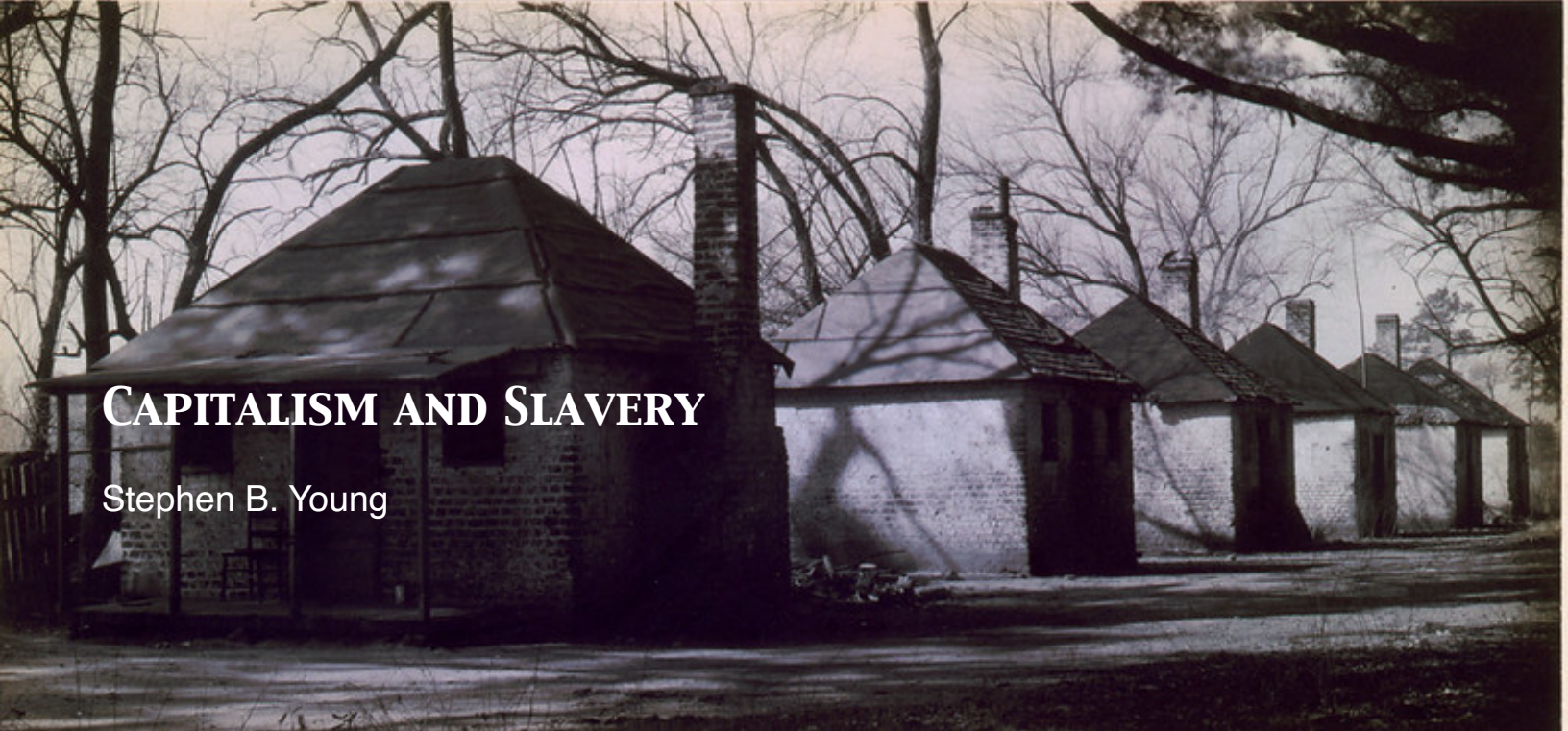
Michael Hartoonian, in his essay “Social Capital and Moral Infrastructure,” also draws on Smith’s writings. He talks about the importance of private wealth and common wealth, as well as the importance of an ethical framework that undergirds the concept of moral capitalism.

He writes deeply about the importance of many aspects of capital, including human capital, institutional capital and social capital. He writes: “The notion of “out of many, one” or *e pluribus unum*, is the perfect context in which to conceptualize the relationship between ethics and morality and to understand why republics fall. He argues about the all-encompassing aspects of moral capitalism, from citizens who hold office, to the importance of engaging these issues “at the family, firm, as well as the city, state, national and international levels.”

We hope you enjoy these thought-filled essays – they certainly are provocative. If you have any questions or comments, please feel free to contact us.

Merry Christmas and Happy New Year.

Dave Kansas
Editor-at-Large
Pegasus



CAPITALISM AND SLAVERY

Stephen B. Young

My thesis is that capitalism liberates human potentials, while its rival, as an economic system – what I call “moneyism” – stultifies and degrades our capacity to be good stewards of divine purposes.

Slavery has always compromised the human soul, sinking it into an abyss of injustice tending towards depravity of conscience. Chattel slavery in the American colonies – English, Spanish and Portuguese – was especially callous and exploitative. Slavery in Brazil oppressed both indigenous people and people imported from Africa.

As discussed below, I associate slavery with moneyism. My thesis is that capitalism, correctly understood, is structurally incompatible with slavery. It was capitalism that changed the world’s economies and so brought about the end of slavery, just as it had brought about the collapse of feudalism and serfdom in Europe.

Slavery fits more securely with economic systems that extract rents in order to sustain the political authority of a self-selecting elite in a theocracy, a monarchy, an oligarchy, an aristocracy, a plutocracy, a kakistocracy or a kleptocracy. These economic systems have lower GDP per capita than do fully-fledged capitalist systems and tend to be sustained only by extractive agronomy, including ores. As a rule, these elitist cultures had no middle classes, small urban communities and little manufacturing.

Today, such extractive systems are mostly crony capitalist kleptocracies, family plutocracies, one-party autocracies or traditional tribalist.

Starting in the Protestant cultures in Holland, Scotland, England and in the Dutch and British colonies in North America, capitalism – as presented by Adam Smith and as generally

practiced since the mid-18th century – does not need slavery. Slavery inhibits the rise of those “animal spirits” in each of us that John Maynard Keynes said drive the rise of living standards and the modernization of technology.

Rather, capitalism can sustain itself and thrive only with access to higher quality human capital, human capital which has benefited from education, which is directed by overt and concrete expressions of individualized agency seeking opportunity and which must be compensated by wages within a framework of contract law and procedural justice.

Where pre-capitalist economies are static and wealth consists primarily in the ownership of land and money, capitalist economies, year in and year out, create new wealth in the increased capacity to produce more and more goods and services, increased productivity per worker, innovation and use of new technologies.

Wealth in capitalism is much more than money as a means of exchange and as a store of value. Capitalist wealth is dynamic and integrates money with social and human capital assets. It is this never-ending process of integration of different forms of capital, one with another, that makes capitalism different and far better than earlier, pre-capitalist social orders. Labor, as a factor of production, becomes better understood as human capital more than muscle power.

Slavery inhibits the capitalist mode of production. Historically, it was mostly associated with agriculture and landlordism.

Modern slavery was introduced to Europe with the Muslim conquest of Spain. The English word “slave” is derived from “Slav,” as the early Norse conquerors of what is now Ukraine sold captive Slavs to Muslim traders in human trafficking markets in Istanbul. For centuries, the Muslim slave trade was most active in West Asia, Eastern Europe and Sub-Saharan Africa.



Zanzibar Slave Market Monument

The oldest written history of the Slavs can be shortly summarized – myriads of slave hunts and the enthrallment of entire peoples. The Slav was the most prized of human goods. With increased strength outside his marshy land of origin, hardened to the utmost against all privation, industrious, content with little, good-humored and cheerful, he filled the slave markets of Europe, Asia and Africa. It must be remembered that for every Slavonic slave who reached his destination, at least ten succumbed to inhuman treatment during transport and to the heat of the climate. Indeed, Ibrāhīm (10th century), himself in all probability a slave dealer, says: “And the Slavs cannot travel to Lombardy on account of the heat which is fatal to them.” Hence, their high price.

The Arabian geographer of the 9th century tells us how the Magyars in the Pontus steppe dominated all the Slavs dwelling near them. The Magyars made raids upon the Slavs and took their prisoners along the coast to Kerkh, where the Byzantines came to meet them and gave Greek brocades and such wares in exchange for the prisoners. [*The Cambridge Medieval History*, Vol. II, 1913] (<https://www.etymonline.com/search?q=slave>)

The slavery ultimately brought to the U.S. originated with Arabs and upon the arrival of Islam in Arabia, was not forbidden by Qur'anic revelations (16:75; 2:221). However, the Qur'an recognizes slaves as equally human as their masters are, with the distinction between master and slave being only social and not divinely instituted. Many Qur'anic verses speak to easing the conditions of slave status, of giving slaves their freedom and of making charitable donation to buy freedom for slaves.

The status of "servus" under Roman law was more like an indentured servant than a person considered without rights and as property only. In the Middle Ages, such people were attached to land and could not own property.

Of all the Africans captured, transported and sold into slavery in the Americas, only some 6% were sold to masters in the North American colonies. The demand for slaves was limited to coastal plantations in the southern colonies. There was little demand for slaves coming from the economies in the colonies north of the Mason-Dixon Line. Rather, free labor was sought to manage farms, enhance towns and cities and grow the capitalist mode of production.



Slaves cutting cane on the Island of Antigua

The vast majority of African persons sold into slavery and transported to the Western Hemisphere were sent to work in the Caribbean islands or Central and South American colonies. The economic system of the Spanish colonies was exploitation of fertile land and animals: the latifundia, the hacienda, the encomienda – private family tyrannies of landlordism extracting muscle power from workers regimented in life-long servitude to extract marketable products from fields or livestock to be sold for the financial benefit of the landlords.

Adam Smith appropriately discussed slavery in the context of agricultural production. In *An Inquiry into the Nature and Causes of the Wealth of Nations*, he used a self-interested, rationality calculus that makes decisions based on costs and benefits to conclude that slavery was an inferior mode of production. "The experience of all ages and nations, I believe, demonstrates that the work done by slaves, though it appears to cost only their

maintenance, is in the end the dearest of any. A person who can acquire no property, can have no other interest but to eat as much and to labor as little as possible. Whatever work he does beyond what is sufficient to purchase his own maintenance, can be squeezed out of him by violence only and not be any interest of his own.”

When considering manufacturing, Smith comes to the same conclusion that using slaves is irrational from the perspective of maximizing productivity: “In the manufactures carried on by slaves, ... more labor must generally have been employed to execute the same quantity of work, than in those carried on by freemen.”

In short, given the incentives fit and proper for a slave, slavery is an irrational use of labor where specialization of function and division of labor – the modern factory system using science and technology – must be put to work in creating wealth.

Previously in his *Lectures on Jurisprudence*, Smith asserted that “... the cultivation of land by slaves is not so advantageous as by free tenants. ... The slave ... who cultivated the land cultivated it entirely for his master; whatever it produced over and above his maintenance belonged to the landlord; he had therefore no inducement to be at any great expense or trouble in manuring or tilling the land; if he made it produce what was sufficient for his own maintenance this was all that he was anxious about. ... On the other hand, as the free tenant pays a stated rent to the master, whatever he makes the farm produce above the rent is entirely his own property. ... This gives them much greater spirit and alacrity for their work; they will then be at expense to manure and improve their land and will soon bring it to that degree of cultivation as to be able to pay 1/3 part to their masters and nevertheless have a much better as well as a more certain livelihood out of the remaining two thirds.”

The use of slaves in Africa, introduced by Muslim elites, similarly consigned such persons to agricultural endeavors and household service. Slaves in Arab dominions were more likely to be members of the master’s household.

Walt Whitman Rostow proposed that modernity evolved through five stages to assume its present form. The first stage was a traditional society, which had only limited production functions based on pre-Newtonian science and technology. The traditional society had a ceiling on the level of attainable output per head. These societies devoted a high proportion of their resources to agriculture.

Next came a period of transition, where the conditions for take-off were put in place. “In the transitional stage of economic evolution, individuals must come to be valued in the society not for their connection with clan, class, race, caste or even their guild, but for their individual ability to perform certain specific increasingly specialized functions.”

Then came take-off, when economic growth became the normal condition and compound interest was built into personal habits and institutional structures. Next was a drive to

maturity, followed by an age of mass consumption. In this last stage, real incomes, per head, rose to a point where a large number of persons gained a command over a level of consumption which transcended basics: food, shelter and clothing. These economies enabled individuals to achieve the higher, more intangible and personally satisfying levels of Maslow's hierarchy of needs.

Marxist communism never really outgrew the transition stage, remaining as a rent extracting economy with a privileged elite lording it over the mass of the population as wage laborers receiving transfer payments from the state. Corruption in these economies took personal advantage of rent-seeking structures of governance.

The incompatibility of slavery with capitalism was openly recognized by the slaveowners of the State of Georgia when, on January 29, 1861, they announced the reasons why they were seceding from the federal union of the United States of America:

While the subordination and the political and social inequality of the African race was fully conceded by all, it was plainly apparent that slavery would soon disappear from what are now the non-slave-holding States of the original thirteen. The opposition to slavery was then, as now, general in those States and the Constitution was made with direct reference to that fact. But a distinct abolition party was not formed in the United States for more than half a century after the Government went into operation. The main reason was that the North, even if united, could not control both branches of the Legislature during any portion of that time. Therefore, such an organization must have resulted either in utter failure or in the total overthrow of the Government. The material prosperity of the North was greatly dependent on the Federal Government; that of the South not at all. In the first years of the Republic, the navigating, commercial and manufacturing interests of the North began to seek profit and aggrandizement at the expense of the agricultural interests. ...

The manufacturing interests entered into the same struggle early and has clamored steadily for Government bounties and special favors. This interest was confined mainly to the Eastern and Middle non-slave-holding States. Wielding these great States, it held great power and influence and its demands were in full proportion to its power. The manufacturers and miners wisely based their demands upon special facts and reasons rather than upon general principles and thereby mollified much of the opposition of the opposing interest. They pleaded in their favor the infancy of their business in this country, the scarcity of labor and capital, the hostile legislation of other countries toward them, the great necessity of their fabrics in the time of war and the necessity of high duties to pay the debt incurred in our war for independence. These reasons prevailed and they received for many years enormous bounties by the general acquiescence of the whole country.

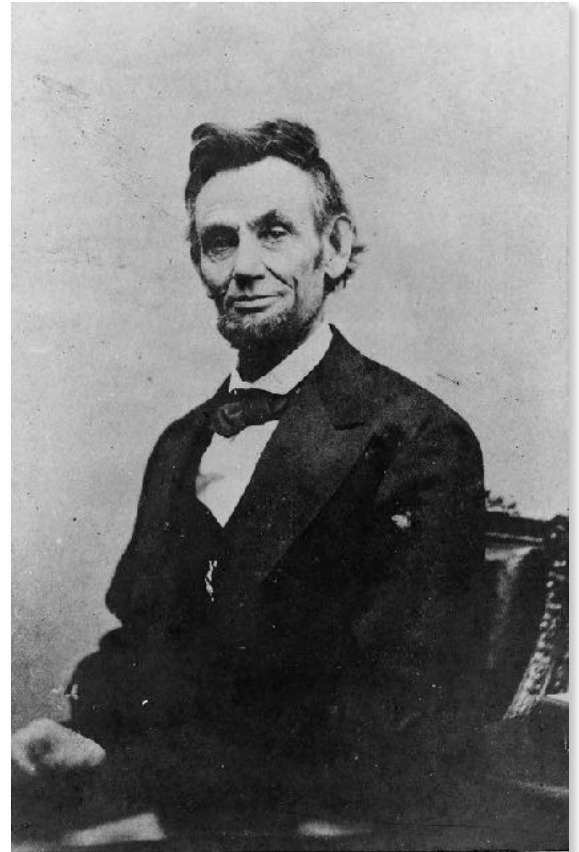
When capitalism reaches a certain GDP per capita threshold, it makes slavery irrational. At that point, the society benefits more from transposing slaves into free persons finding work for themselves in a labor market.

Abraham Lincoln used the advantages of free labor as a rationale for his opposition to slavery. In a speech given at the Wisconsin State Fair in 1859, Lincoln said:

“Let us hope, rather, that by the best cultivation of the physical world, beneath and around us; and the intellectual and moral world within us, we shall secure an individual, social and political prosperity and happiness, whose course shall be onward and upward and which, while the earth endures, shall not pass away.

But the chief use of agricultural fairs is to aid in improving the great calling of *agriculture*, in all its departments and minute divisions – to make mutual exchange of agricultural discovery, information and knowledge; so that, at the end, *all* may know everything, which may have been known to but *one*, or to but a *few*, at the beginning – to bring together especially all which is supposed to not be generally known, because of recent discovery, or invention.

And not only to bring together and to impart all which has been accidentally discovered or invented upon ordinary motive; but, by exciting emulation, for premiums and for the pride and honor of success – of triumph, in some sort – to stimulate that discovery and invention into extraordinary activity. In this, these fairs are kindred to the patent clause in the Constitution of the United States; and to the department and practical system, based upon that clause. ...



President Abraham Lincoln

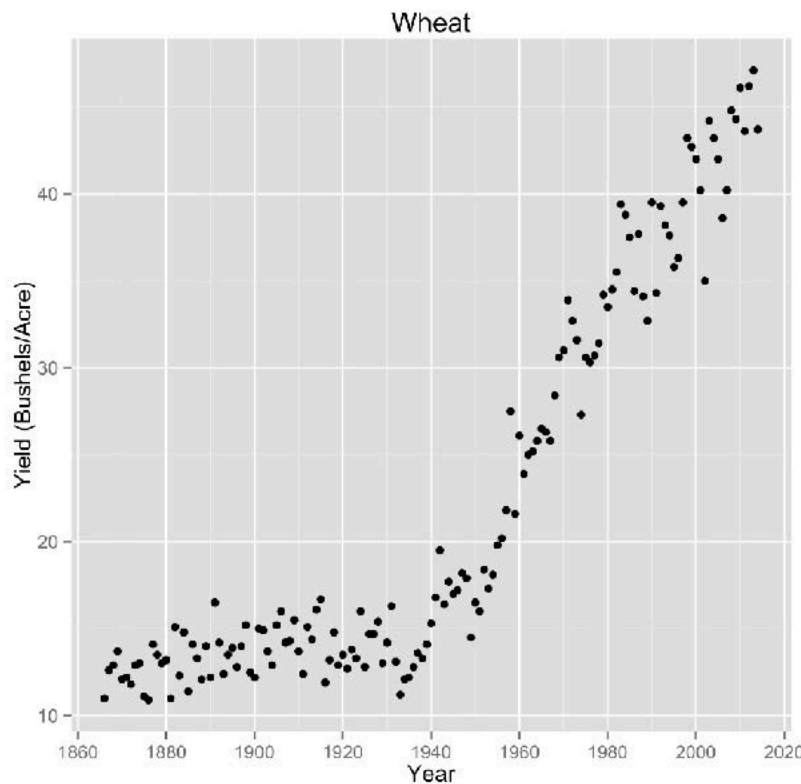
What would be the effect upon the farming interest, to push the soil up to something near its full capacity? ... The successful application of *steam power*, to farm work is a *desideratum* – especially a Steam Plow ...

The world is agreed that *labor* is the source from which human wants are mainly supplied. There is no dispute upon this point. From this point, however, men immediately diverge. Much disputation is maintained as to the best way of applying and controlling the labor element. By some, it is assumed that labor is available only in connection with capital – that nobody labors, unless somebody else, owning capital, somehow, by the use of that capital, induces him to do it. Having assumed this, they proceed to consider whether it is best that capital shall *hire* laborers and thus induce them to work by their own consent; or *buy* them and drive them to it without their consent. Having proceeded so far, they naturally conclude that all laborers are necessarily either *hired* laborers or *slaves*. They further assume that whoever is once a *hired* laborer is fatally fixed in that condition for life; and thence again

hat his condition is as bad as or worse than that of a slave. This is the “*mud-sill*” theory.

But another class of reasoners hold the opinion that there is no *such* relation between capital and labor, as assumed; and that there is no such thing as a freeman being fatally fixed for life, in the condition of a hired laborer, that both these assumptions are false and all inferences from them groundless. They hold that labor is prior to and independent of capital; that, in fact, capital is the fruit of labor and could never have existed if labor had not *first* existed – that labor can exist without capital, but that capital could never have existed without labor. Hence, they hold that labor is the superior – greatly the superior – of capital.”

Proof of Lincoln’s confidence in free labor and the introduction of technology is given by this graph of wheat production in the U.S.:



Capitalism Needs Intangibles to Produce the Wealth of Nations

A common canard about capitalism is that it is raw materialism and nothing more. This reductionism short-changes human genius. As Jesus said: “Man does not live by bread alone.” Intangible factors make life better or worse for people, as well. Valuation, desires, rational thought, emotions, internalized social perceptions, needs for achievement, power and much more, structure human conduct. Capitalism draws on these intangibles in setting in place the action orientations and changes in technology and modes of cooperation that increase productivity and create wealth – material, social/cultural and psychological.

Capitalism evolves beyond labor Smith on dynamics of free market – agency needs of seller marry up with the agency needs of the buyer. A transaction takes place, the world is changed, needs are met, there is more satisfaction with life through expressions of liberty.

The mission of capitalism, in the evolution of humanity, has been and still is to maximize the prosperity – the worth of human capital, social felicity, economic well-being and provide for political systems with checks and balances and dynamic equilibria, in short progress.

Capitalism, we might say, has the assignment of providing the means of exercising and enjoying human rights. It creates capabilities – individual and social.

Amarta Sen and Martha Nussbaum provided a capabilities analysis to accompany micro-economic analysis in providing a roadmap towards optimal human happiness. Their capabilities for individuals include:

1. *Senses, Imagination and Thought.* Being able to use the senses, to imagine, think and reason – and to do these things in a “truly human” way, being able to have pleasurable experiences and to avoid non-beneficial pain.
2. *Emotions.* Being able to have attachments to things and people outside ourselves; to love those who love and care for us, to grieve at their absence.
3. *Practical Reason.* Being able to form a conception of the good and to engage in critical reflection about the planning of one’s life. (This entails protection for the liberty of conscience and religious observance.)
4. *Affiliation.* Being able to live with and toward others, to recognize and show concern for other humans, to engage in various forms of social interaction; to be able to imagine the situation of another. (Protecting this capability means protecting institutions that constitute and nourish such forms of affiliation and also protecting the freedom of assembly and political speech.) Having the social bases of self-respect and non-humiliation; being able to be treated as a dignified being whose worth is equal to that of others. This entails provisions of non-discrimination on the basis of race, sex, sexual orientation, ethnicity, caste, religion, national origin and species.
5. *Control Over One’s Environment: Political.* Being able to participate effectively in political choices that govern one’s life; having the right of political participation, protections of free speech and association.
6. *Material.* Being able to hold property (both land and movable goods) and having property rights on an equal basis with others; having the right to seek employment on an equal basis with others; having the freedom from unwarranted search and seizure. In work, being able to work as a human, exercising practical reason and entering into meaningful relationships of mutual recognition with other workers.

2015 World Bank Report

The World Bank, in its report, proposed that people will make different decisions in taking action for their economic advancement depending on their minds and behaviors. The World Bank proposes that to stimulate more robust economic development, the subjective and culturally specific aspects of mind, habits and behaviors be taken into serious consideration.

Mental models and social beliefs and practices often become deeply rooted in individuals. We tend to internalize aspects of society, taking them for granted as inevitable “social facts.” People’s mental models shape their understanding of what is right, what is natural and what is possible in life. Social relations and structures, in turn, are the basis of socially constructed “common sense,” which represents the evidence, ideologies and aspirations that individuals take for granted and use to make decisions – and which, in some cases, increase social differences. A body of writing by anthropologists and other social scientists points out that what people take to be hard evidence and common sense (their basic mental models of their world and how it works) is often shaped by economic relationships, religious affiliations and social group identities (Bourdieu 1977; Kleinman 2006). Much of that work argues that achieving social change in a situation where mental models have been internalized may require influencing not only the cognitive decision-making of particular individuals, but also social practices and institutions.

A canonical example of a mental model is a *stereotype*, which is a mental model of a social group. Stereotypes affect the opportunities available to people and shape processes of social inclusion and exclusion. As a result of stereotypes, people from disadvantaged groups tend to underestimate their abilities (Guyon and Huillery 2014) and may even perform worse in social situations when they are reminded of their group membership. In these and other ways, the stereotypes can be self-fulfilling and can reinforce economic differences among groups.

Poverty

Poverty is not only a deficit in material resources, but also a context in which decisions are made. It can impose a cognitive burden on individuals that makes it especially difficult for them to think deliberatively (Mullainathan and Shafir 2013). Individuals who must exert a great deal of mental energy every day just to ensure access to necessities such as food and clean water are left with less energy for careful deliberation than those who, simply by virtue of living in an area with good infrastructure and good institutions, can instead focus on investing in a business or going to school committee meetings. Poor people may thus be forced to rely even more heavily on automatic decision-making than those who are not poor (chapter 4).

Capitalism sets in motion changes which alter existing stereotypes, thus expanding choice and sense of mission and purpose and opportunity, leading to inventions, seeking out others

for collaboration, buying and selling.

Socialism has failed to match the accomplishments of capitalism in creating capabilities. It has been consigned to the dustbin of history. Bolshevik Leon Trotsky, referring to the Mensheviks, said: “Go where you belong from now on – into the dustbin of history!” as the Menshevik faction walked out of the all-Russian Congress of Soviets on October 25, 1917 in St. Petersburg.

Slavery and all other extraction systems do not seek to maximize human capabilities. To the contrary, they intently focus on concentrating capabilities with the extractors and denying them to slaves.

Capitalism thrives when individuals have agency. Capitalism, therefore, has a structural need to bring forth agency in individuals, to reward agency and to protect the accomplishments of agency. If there are no individuals or too few individuals with accomplished agency, then capitalism and progress stagnate.

John Locke expressed this program of capitalism as providing for life, liberty and property. The drafters of the American Declaration of Independence put the thought as a human right to life, liberty and the pursuit of happiness, with happiness being understood as fulsome and wholesome agency in action.

The French Revolution of 1789 brought a capitalist perspective on personal agency to the center of French society. The *Declaration of the Rights of Man and the Citizen* demanded that:

-Men are to be born and remain free and equal in rights. Social distinctions may be founded only upon the general good.

-The aim of all political association is the preservation of the natural and imprescriptible rights of man. These rights are liberty, property, security and resistance to oppression.

-Liberty consists in the freedom to do everything which injures no one else; hence the exercise of the natural rights of each man has no limits except those which assure to the other members of the society the enjoyment of the same rights. These limits can only be determined by law.

-Law can only prohibit such actions as are hurtful to society. Nothing may be prevented which is not forbidden by law and no one may be forced to do anything not provided for by law.

-As all persons are held innocent until they shall have been declared guilty, if arrest shall be deemed indispensable, all harshness not essential to the securing of the prisoner's person

shall be severely repressed by law.

-No one shall be disquieted on account of his opinions, including his religious views, provided their manifestation does not disturb the public order established by law.

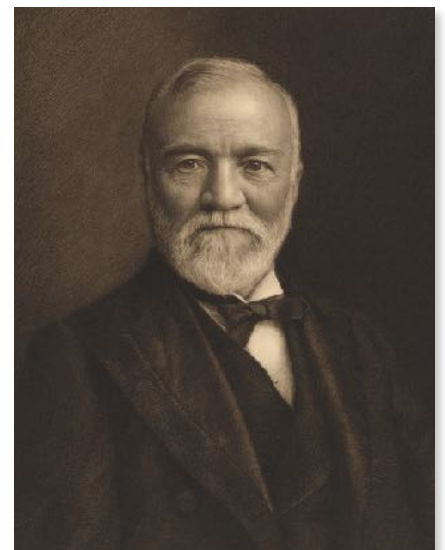
-The free communication of ideas and opinions is one of the most precious of the rights of man. Every citizen may, accordingly, speak, write and print with freedom, but shall be responsible for such abuses of this freedom as shall be defined by law.

-Since property is an inviolable and sacred right, no one shall be deprived thereof except where public necessity, legally determined, shall clearly demand it and then only on condition that the owner shall have been previously and equitably indemnified.

These rights promote and protect the agency of individuals that permits capitalism to thrive.

Andrew Carnegie, a very wealthy man, wrote in 1890 of capitalism that:

But the inevitable result of such a mode of [precapitalist] manufacture was crude articles at high prices. Today, the world obtains commodities of excellent quality at prices which even the generation preceding this would have deemed incredible. In the commercial world, similar causes have produced similar results and the race is benefited thereby. The poor enjoy what the rich could not before afford. What were the luxuries have become the necessities of life. The laborer has now more comforts than the landlord had a few generations ago. The farmer has more luxuries than the landlord had and is more richly clad and better housed. The landlord has books and pictures rarer and appointments more artistic than the king could then obtain. ...



Andrew Carnegie

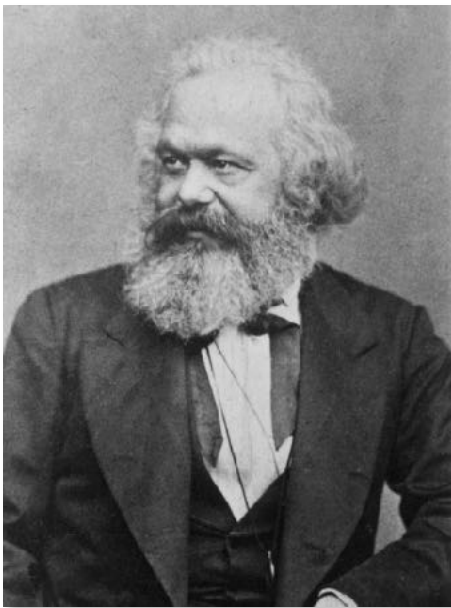
The price which society pays for the law of competition, like the price it pays for cheap comforts and luxuries, is also great; but the advantage of this law are also greater still, for it is to this law that we owe our wonderful material development, which brings improved conditions in its train. ...

Marx Did Not Understand Capitalism and So Denied Poor People Economic Prosperity

Marx and Engles, in their *Communist Manifesto*, confounded the new system of capitalism with pre-capitalist systems of “moneyism.” Moneyism uses money as a store of value and for market transactions, but it does not and cannot create wealth. In moneyism, money is extracted from some for the benefit of others. Moneyism also depends on state power, not

private property, for the creation of money.

In the *Communist Manifesto*, Marx and Engels defined capitalism as a system which “has left remaining no other nexus between man and man than naked self-interest, than callous “cash payment.” “It has resolved personal worth into exchange value.” They saw the world as a “market,” where money pays the pipers and so calls all the tunes in “that single, unconscionable freedom – free trade,” which is only “in one word, exploitation” – “naked, shameless, direct, brutal exploitation.” In this market, laborers are only a commodity for sale at a price, a very low price. And the laborer lives in a monetized society, where currency brings you what life has to offer as one after another the landlord, the shopkeeper, the pawnbroker, takes your cash to line their pockets.



Karl Marx

Under this moneyism, “all that is solid melts into air, all that is holy is profaned.”

In his treatise on “capitalism,” *Das Kapital*, Marx presented the capitalist as “Mr. Moneybags,” perhaps in echo of the fictional character Ebenezer Scrooge in *A Christmas Tale*. Scrooge had been engaged to a young woman, but his love for her took second place to his love of money and so she left him.

In the most principled experiment in communism, attempted by the Khmer Rouge in Cambodia from 1975 to 1979, there was no money. Party cadres, therefore, had to set a commodity exchange rate for transactions. For example, how many baskets of fish would a fishing village have to exchange for baskets of rice from a neighboring farming village?

When the North Vietnamese invaded in 1979, they found in the national bank in Phnom Penh vaults full of untouched money, the currency made for the previous, non-communist regime.

Marx’s Moneyism Loads the Dice to Favor Servitude

Moneyism aids and abets our quite human instincts to make money without taking risks. Rent- seeking and rent extraction – the use of legal, social or political power as economic assets for rent or purchase – have, as their objective, the passive collection of money from others. The more others can be subjected to our extraction of money from their efforts, the more money we can make without much risk. The certainty of obtaining expected funds in the future, as is the case with most rent extraction, makes the present value of future income impervious to market risk. This puts real value on the present servitude of others for our benefit.

Moneyism was known in the Old and New Testaments. Deuteronomy prohibited lending

money, food, anything, upon usury to your brother so that your God will bless you (23:19-20). Jesus taught that we cannot serve both God and money [mammon], for no one can serve two masters at the same time, either hating one and loving the other or hold to one loyalty and despise the other. If it would be money that is chosen, the rest of one's life would be a kind of hell, with hatred and spite tormenting the soul (Matthew 6:24). Jesus drove the moneychangers out of the temple, saying "My house shall be called a house of prayer, but you are making it a den of robbers." (Matthew 21:12)

St. Paul wrote in 1 Timothy 6 that: "But they that will be rich fall into temptation and a snare and into many foolish and hurtful lusts, which drown men in destruction and perdition. For the love of money is the root of all evil: which while some coveted after, they have erred from the faith and pierced themselves through with many sorrows."

A Christian social justice response to moneyism has been charity, the repurposing of money away from oneself to others: "But thou, O man of God, flee these things; and follow after righteousness, godliness, faith, love, patience, meekness." (I Timothy 6:11) But thou, O man of God, flee these things; and follow after righteousness, godliness, faith, love, patience, meekness."

The great American plutocrat, Andrew Carnegie, proposed charity as the right use of what he called "surplus wealth" or money under ownership, unspent and just earning more money from financial investments:

Poor and restricted are our opportunities in this life; narrow our horizon; our best work most imperfect; but rich men should be thankful for one inestimable boon. They have it in their power during their lives to busy themselves in organizing benefactions from which the masses of their fellows will derive lasting advantage and thus dignify their own lives. The highest life is probably to be reached, not by such imitation of the life of Christ as Count Tolstoi gives us, but, while animated by Christ's spirit, by recognizing the changed conditions of this age and adopting modes of expressing this spirit suitable to the changed conditions under which we live; still laboring for the good of our fellows, which was the essence of his life and teaching, but laboring in a different manner. This, then, is held to be the duty of the man of Wealth: First, to set an example of modest, unostentatious living, shunning display or extravagance; to provide moderately for the legitimate wants of those dependent upon him; and after doing so to consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer and strictly bound as a matter of duty to administer in the manner which, in his judgment, is best calculated to produce the most beneficial results for the community – the man of wealth thus becoming the mere agent and trustee for his poorer brethren, bringing to their service his superior wisdom, experience and ability to administer, doing for them better than they would or could do for themselves.

But a foretelling of capitalism in the parable of the talents.

In China, the legalist political philosophers envisioned the state as using moneyism to control the people. Money was private power that could rival state power, so it had to be controlled and the regime's subjects needed to be prevented from accumulating too much of it.

Like Thomas Hobbes in England, Mozi did not value human agency. His view of human nature was dyspeptic: most people, most of the time, were up to no good. Their agencies were disruptive and harmful to good order.

He wrote:

In the beginning of human life, when there was yet no law and government, the custom was "everybody according to his own idea." Accordingly, each man had his own idea, two men had two different ideas and ten men had ten different ideas – the more people, the more different notions. And everybody approved of his own view and disapproved the views of others and so arose mutual disapproval among men. As a result, father and son and elder and younger brothers became enemies and were estranged from each other, since they were unable to reach any agreement. Everybody worked for the disadvantage of the others with water, fire and poison. Surplus energy was not spent for mutual aid; surplus goods were allowed to rot without sharing; excellent teachings (Dao) were kept secret and not revealed. The disorder in the (human) world could be compared to that among birds and beasts.

Thus, Mozi recommended authoritarian rule with superiors directing the energies and activities of subordinates. Liberty and individualism, funded by private wealth, were dangers to such state management of society and culture and were to be restricted through the simple measure of reducing the means of support for such personal autonomy as much as possible. In short, the state should not facilitate the accumulation of private wealth.

When chief minister to the Duke of Chi, Guan Zhong, used the insights of modern micro-economics to control behavior, he realized that people are rational decision-makers for themselves where price is concerned and where the marginal utility of money is in question:

One day, the Duke said to him "I love to wear purple cloth, but it is so expensive."

Guan Zhong replied: "Leave it to me. The next time someone approaches you wearing purple clothing, hold your nose."

[The inference is that the dye used to make cloth purple left an unpleasant smell.]

The Duke did as advised.

Seeing his displeasure, members of his court immediately sold all their purple clothes and cloth. The price dropped to nothing. Guan Zhong then bought all the purple cloth for a song and gave it to his Duke.

Later, under the Han Dynasty, the making of salt and the exploitation of iron deposits were made state industries to prevent the rise of wealthy families. In this way, the Chinese imperial state tried to channel, in its own interest, the political consequences of moneyism.



Mao Zedong

This imperial system of fencing in the private sector was intensified by Mao Zedong with the importation of Stalin's program of state ownership of firms, followed by Mao's Great Leap Forward and then by his Cultural Revolution.

After Mao's death, China experienced early capitalism under Deng Xiaoping ("it's glorious to get rich"), Jiang Zemin and Hu Jintao. Recently, China has regressed under Xi Jinping, moving back to traditional, state-dominated moneyism with priority given to state rent extraction from the economy and rent transfers to the privileged.

In the 1400s, Italian city states like Florence, Sienna and Venice, brought forth wealthy elites profiting handsomely from banking and finance. Those Italians invented double-entry bookkeeping and secure techniques for cross-border transfer of funds. They financed artists like Michelangelo, Botticelli, Raphael and Leonardo de Vinci and built great cathedrals, but they never developed capitalism.

In the 1500s, Spain was the beneficiary of money wealth extracted from its colonies in Latin America. But capitalism never took hold in Spain.

Even in England, Adam Smith noted the ease with which the benefits of free market capitalism could be subverted by those bewitched by the allure of money: "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the publick or in some contrivance to raise prices."

Adam Smith did not like mercantilism. He described it as a form of moneyism, the mis-allocation of assets: "Commerce, which ought naturally to be, among nations as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity." (Donald Trump and tariffs?) He excoriates "the mean rapacity, the monopolizing spirit, of merchants and manufacturers, who neither are, nor out to be, the rulers of mankind." "Merchants and manufacturers are not contented with the monopoly of the home market, but desire likewise the most extensive foreign sale for their goods."

Monopoly market power, leading to monopoly pricing where the sales price asked is higher than the marginal cost of production, is an institutionalization of moneyism.

Smith insists that “In every country, it is and must be in the interest of the great body of the people to buy whatever they want of those who sell it cheapest.” But government policies of mercantilism distort markets to shift the flow of money to a favored few. What Smith called “mercantilism” we today call “industrial policy.”

Smith concluded for Great Britain that the effect of monopoly over trade with its colonies “has been to, not to augment the quantity, but to alter the quality and shape of a part of the manufactures of Great Britain ... to turn a part of the capital of Great Britain from an employment in which it would have maintained a greater quantity of manufacturing industry, to one in which it maintains a much smaller and thereby to diminish instead of increasing, the whole quantity of manufacturing industry maintained in Great Britain.”

“The monopoly hinders the capital of that country, from maintaining so great a quantity of productive labor as it would otherwise maintain and from affording so great a revenue to the industrious inhabitants as it would otherwise afford.”

Smith also noted that “by raising the rate of mercantile profit, the monopoly discourages the improvement of land,” slowing the advance of living standards for the community.

Where the state uses moneyism to dominate or direct the economy and markets, rent-seeking is at work and rent extraction stabilizes existing class relationships by taking from the poor and giving to the rich.

Today, these systems are crony-capitalism or corrupt failed states, Haiti, Venezuela, South Africa, etc.

A Haitian warlord, Monel Felix, used his gang to kill over 180 elderly people living in his zone of control whom he suspected of using witchcraft to give his son a fatal sickness. Such warlords have ransacked even police stations and hospitals. The World Bank estimates that half of Haiti’s 12 million people face acute hunger. The Haitian government is dysfunctional with its police crippled by mass desertions. Gangs control the main shipping and fuel terminals and therefore well-positioned to extract rents. Capitalism and economic growth for the people cannot survive in such conditions.



Monel Felix with gang members

In Russia, since the collapse of soviet communism, an oligarchy has arisen, more recently centered on Vladimir Putin and other former KGB officers, to control the flow of cash from exploitation of natural resources such as oil and gas and government sanctioned monopolies.

American slavery was an institutionalization of moneyism. Money was made by Africans who sold other Africans to European traffickers for shipment to the Western Hemisphere. (Only 6% of all Africans sold into such slavery ended up in the North American colonies.) The traders in slaves made money. The slave owners in the American South made money with which to buy goods from the northern states and from England. Businesses in those northern states made money meeting the needs of slave owners. Money wealth from all these transaction and from slave labor was given to colleges for their endowments.

An adaptation of Marx's objection to moneyism is racial capitalism. In his 1983 book *Black Marxism: The Making of the Black Radical Tradition* Cedric Robinson proposed that all capitalism thrives on racist stratifications. Those on society's top extract rents from those in its lowest strata, while race put one on the top or on the bottom. Robinson believed that "the development, organization and expansion of capitalist society pursued essentially racial directions" and "it could be expected that racialism would inevitably permeate the social structures emergent from capitalism." Jodi Melamed explains that capitalism "can only accumulate by producing and moving through relations of severe inequality among human groups" and therefore, for capitalism to survive, it must exploit and prey upon the "unequal differentiation of human value."

Just as capitalism can adapt itself well to different cultures and religious traditions, it can work off ethnic identities and rivalries, as well. But the way to dismantle hierarchy is to promote individual agency. As Martin Luther King Jr. said in the tradition of the protestant ethic: "I have a dream that my four little children will one day live in a nation where they will not be judged by the color of their skin, but by the content of their character."



Moneyism is present inside capitalism, which needs money and finance to create wealth. But moneyism can become a cancer, feeding off its host. Unrestrained moneyism can de-"moral"-ise capitalism. Think of robber barons and the creators of sub-prime mortgages.

Moneyism undermines the promise of capitalism's, as Smith said, invisible hand. "By directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention." Moneyism can so narrow the mind and harden the heart that one's idea of self-interest shrivels and can never become such an "invisible hand" promoting the common good.

It is very common and very human that moneyism diverts attention away from the negative externalities of one's business decision or one's business model to focus on the profits to be made. The moneyist seeks only short-term profit and lets the devil take care of what happens to customers, society or the environment.

Capitalism requires for its success trust and collaboration, reliance on others and deferred gratification generating investment for future returns. It requires legal, cultural and social systems that provide a return on agency, the enjoyment of betterment in living through one's work. Capitalism flourishes where individuals can have ego-identities centered on personal vocation.

Thus, the core principles of business law, designed to foster capitalist wealth creation, are the keeping of promises and the assumption of duties. Employees are agents with fiduciary duties to their principals. Companies are agents with duties to their owners. Producers and sellers are liable, at law, for misrepresentation.

Moneyism everywhere creates incentives to cheat, to misrepresent, to short-change others, to be governed by unenlightened self-interest. Since money is a source of social power, moneyism has a strong tendency to transform social relationships into power struggles and hierarchies, turning win/win collaborations into win/lose competitions.

When Willy Sutton was asked why he robbed banks, he answered very sensibly: "That's where the money is." He wasn't a capitalist, but an extractor of other people's money.

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Social Capital and the Moral Infrastructure

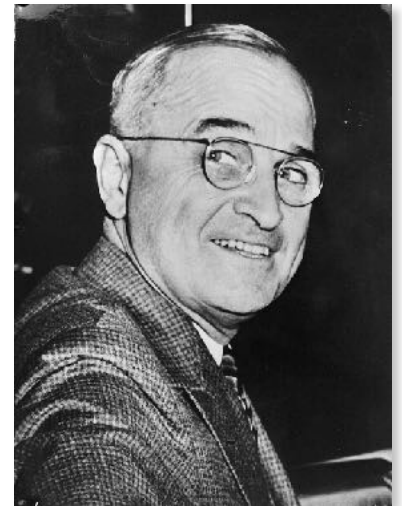
Michael Hartoonian

In 1953, upon leaving the office of President of the United States, a reporter asked Harry Truman how it feels to be leaving the highest office in the land? "I'm not;" Truman said, "the highest office in the land, Is the office of citizen."

Introduction

Truman's statement about the "office of citizen" is one of the best explanations of moral infrastructure, personal agency and human capital, as it links together the essence of citizen, civic, civil and civilization. Unless we, today, understand the deeper relationships among ethics, morality and infrastructure, nothing will change in our abilities for creating human/social capital and common wealth. These are the seedbeds of individual agency. That is, there can be no personal agency without human and social capital.

This creation of agency and human/social capital is in tension across the globe. In this past month, we have seen the fall of a dictator in Syria, an ongoing ground war in Europe, dysfunctional governments in France and South Korea, a general weakening in democratic principles, the rise of isolationist ideologies and migration patterns unheard of in world history. These issues can only be meaningfully discussed within a deeper understanding of social capital and moral infrastructure.



President Harry Truman

The Material and Moral Conceptual Framework

Within the conception of moral capitalism, infrastructure or the common wealth – what we own together – must be seen as having two equal and interactive attributes. One is material, such as transportation, energy grids and communication networks and the second is moral, such as respect for others and the law, as well as knowing that our relationships with others, within society or parts thereof, must be encased in ethics – personal responsibility. Within this structure, there can be no private wealth without common wealth (moral and material infrastructures) and no common wealth without private wealth. Why is this understanding of moral infrastructure and its attending behaviors foundational to creating social capital?

Out of Many, One

Over the years, I have worked with firms interested in increasing their “bottom line,” as well as improving their community or city. Simply, yet profoundly, this means teaching employees and managers how to become citizens of the firm and community. This is not easy because people believe that citizenship is an add-on to their daily lives and not the essence of their identity/purpose. But the truism is to learn and understand that only citizens can create wealth for themselves, their families, their firm and their city. And the better off one entity is, the better off they all are. This means knowing that you must have skin in the game and more importantly, understanding that life is a team sport that relies on moral relationships. In healthy societies, we can see these relationships in service clubs, amateur sports leagues and most important in religious services that people attend and in the local, state and national celebrations in which they participate. Without (taking) these opportunities to come together, society comes apart. This idea of institutional, multidimensional interaction is what Alexis de Tocqueville saw in his study of America (*Democracy in America*) in the 19th century and what Robert Putnam finds missing today. So, what killed civic engagement and is now killing democracy?

The notion of “out of many, one” or *e pluribus unum*, is the perfect context in which to conceptualize the relationship between ethics and morality and to understand why republics fall. Any human organization claiming an understanding of freedom, democratic principles and wealth creation must act on the connections between ethics and morality. Ethics are personal and individual. An individual cannot delegate an ethical decision. You can never pass on your responsibility to the other. You must own it. If you don’t, it will come back and cripple you as you attempt to move forward. Your individual character is your destiny. Given the idea of personal ethics, one still cannot be moral alone. Morality is a relationship with others, in individual/ethical harmony. In this argument, social capital is defined as the knowledge and rationality to build a moral community, which only citizens can do. Creating citizens (not subjects), by definition, creates social capital. Social capital is constructed from institutional capital, which is created from human capital. In other words, the ethical individual (human capital) creates institutional capital, which together creates social capital, manifested in an infrastructure which is both material and moral. This is the essence of the good society. Let’s look at the taxonomy of human, institutional and social capital.

Human Capital

The most common and historical theories for explaining the wealth of a nation are based on the quality and quantity of natural resources contained therein. This notion should have changed in 1776 with Adam Smith’s writings, but the extraction model still holds sway today. There are, of course, examples of wealth creation more aligned with Smith’s ideas, as we can see in Japanese culture. Japan imports most of its energy, food and minerals. What it creates is human capital, the foundation of all wealth. It does this with a laser focus on education, manners and an intentionally created moral infrastructure. In Tokyo, a city of about

9.7 million people, one sees no litter on the streets, no graffiti and gardens wherever there is space for a few flowers. Those who have spent any time there can attest to the ethical and aesthetic focus of the people living there. They seem to have found a workable balance between personal freedom and social equality and common wealth and private wealth that results in a harmonious landscape. A highly educated, healthy and cooperatively engaged people (human capital) will create more wealth than any goldmine ever could.

Institutional Capital

People with high levels of human capital design and build organizations with high levels of institutional capital. Families, firms, government, etc., all manifest ethics, aesthetics and efficiencies, as well as identify themselves as being in reciprocal duty with each other. They understand the Latin concept of “pius” or “pious” – *doing one’s duty*. This is also the center piece of Confucianism. They know that good families make for good schools, good schools make for good firms, government and the creation of common (and private) wealth. In part, what does this common wealth look and feel like in one’s life?



- The housing and building design and construction have perceptible quality. No contractor or bank would put a 30-year mortgage on a building that they know will only last 15 years.
- Since the streets belong to everyone, there is no litter, garbage or graffiti because of voluntary compliance. No signs or laws are necessary. Even dogs know not to defecate in their own house.
- People are safe to walk in any part of the city and are proud of their homes and hometown.

The Consensus for Social Capital

Social capital is derived from institutional and human capital. This is a truism, based on the notion that human capital is the generator of institutional capital and together, they create social capital. Social capital is manifested in private AND in a moral and material infrastructure, better known as common wealth. All capital creation is a cooperative effort or enterprise. It is the intellectual and ethical ability of the citizen to balance private wealth with common wealth, understanding that this is an ongoing debate because people naturally want everything for themselves or naively believe that all wealth can be held in common. Human capital, at the levels needed to achieve a healthy and good society, is dependent upon the quality of the infrastructure and tax policies that will maintain a strong middle class with the attending values of delayed gratification, saving, responsibility, a desire to learn and better oneself, honesty and a strong sense of the aesthetic.

As stated above, across the world today, there is deep and growing economic, historic and ethical ignorance. Wealth is being depleted everywhere because people are paying less attention to the moral infrastructure necessary for free markets and democratic societies.

People are simply becoming more interested in amusing themselves rather than creating wealth. To the degree we spend more time on games than on cultural content, more energy on appearance than on character and more effort on stock buybacks rather than creating real wealth, to that same degree we are telling our children to remain without healthcare, continue to be poorly feed, uneducated and abused. Creating wealth, like being well educated, is to be curious, sensitive, interesting, live with purpose, cooperate with others, and be productive.

One last connection to make is between wealth (excellence) and happiness. The creating of social capital is a precondition of happiness. Happiness is a relational concept. One cannot be happy alone. Happiness is an achievement concept, achievement that improves the common wealth. In the end, the relationships between wealth and happiness are best manifested not in how much you think you love others, but in how much you are loved by others.



Norman Rockwell's Four Freedoms

We Can Still Create Social Capital

Many believe we are at the design limits of democracy and moral capitalism. The engines of social capital are in deep atrophy. This attitude is based on the false premise that democracy and the free market are fixed ideas, a period, in grammatical terms. Far from a fixed concept, democracy and the market are dynamic systems. Above all, they are questions to be asked and answered, over and over again. They are ongoing arguments. When the arguments end, democracy dies and usually in blood.

These civic arguments must be civil and engaging and we must know what the arguments are about. There is an integrity in the debates that allows for individuals to assess their assumptions regarding the coherence between their own private theories about how the world works and the theories advanced by others. So, the starting point is to understand that truth-telling is uncomfortable. That is, you can be

honest or comfortable – not both. It's like the person who believes you can learn anything without discomfort. Never was and never will be. And the reason is that in order to learn, you must jettison one or more of your dearly held assumptions. With this understanding, we can move to bring real debate to the forefront.

The Issues that Need Attention and Balance for Social Capital to Be Created

They include:

- What is the proper balance between concern for self-interest and concern for the material/moral infrastructure?
- What are the logical policy extensions of universal equality and freedom for everyone?
- Why are the values of freedom and equality at odds with one another?
- What degrees of individual, family and firm responsibility are necessary for limited government?
- What responsibility do all citizens have for a united society? What are the fundamental tensions between unity and diversity? Can moral capitalism and democracy exist when one or the other of these values is dominant?
- Why is democracy and moral capitalism dependent on continued learning of all citizens?
- What is the appropriate curriculum for teaching citizenship, both formally in schools and informally by society?
- Outside of teaching virtue and critical thinking, what other content should citizens learn?

Conclusion

These questions must be addressed and readdressed as a prerequisite to any political debate over defense or social program spending. Unless there is a clear and ongoing argument over these questions, political debate becomes nothing more than loud and meaningless noise.

If we are truly interested in creating social capital, then every person that holds the office of citizen **MUST** be engaged in these questions and at the family, firm, as well as the city, state, national and international levels. Perhaps what I am asking is beyond human intellectual and moral abilities and if this is the case, then the principles of free government and markets will be dropped in exchange for enlarging egos, maintaining inequalities of learning and the false belief that the few can fix things for the many. All of this is the mindset of the subject, not the citizen.

Today, the world is encased in moral and intellectual timidity. Every day that we continue down this path, we lose our agency, our freedoms and our future.

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The slave hold at the Slave Market in Stone Town in Zanzibar, which was a major hub for the Arab slave trade for several hundred years.
(Photo Patrick Rhone)

