
Can Capitalism be Ethical?

“Capitalism is essentially a *cultural* phenomenon for which the property relationship is foundational.” This is the starting point for Dr Rowan Williams - former Archbishop of Canterbury and current Master of Magdalene College, Cambridge - in his thought-provoking response to the question: Can Capitalism be Ethical?

Dr Williams' lecture launched the 2016/17 programme of the Capitalism on the Edge series of lectures organised by Murray Edwards College.

The problem with property

To answer the question, he says, we must first define capitalism. “In capitalist activity, we own, we exchange, we seek to accumulate, to translate other relationships into property relationships, like labour, and we compete about all these processes.”

In aspiring to generate surplus income, he continues, the resulting web of property relationships leads to the complex phenomenon we call the market, “there is competitive deployment of what we already possess in order to create more possession.”

Dr Williams accepts that his sketch of capitalism is broad brush, but it helps us to understand some of the features historically embedded in the capitalist system: the need for a money economy to back it; the need for interest on money - to cushion against risk, and the need for guaranteed return on investment to justify the risks being taken. Managing risk, he adds, also led to the evolution of a limited liability model for economic activity in the early capitalism of the 16th and 17th centuries.

“On this basis,” says Dr Williams, “We can also understand why capitalism is regularly associated with private rather than social initiatives; why capitalism is resistant to regulation or direction from outside the trading unit.”

Here, he points out that a trading unit can be an enterprise, or even a state - such as today's China - which is hostile to regulation or direction from outside.

From this perspective, argues Dr Williams, capitalism is *not* an ethical system. Rather, “it is a cultural practice, based on one particular model. As we will see, one of the risks in the model is that it tends to devour all other available models.”

Do desirable results make capitalism ethical?

If capitalism is not ethical in itself, then surely - it is argued - it can be called ethical in virtue of its desirable results. After all, these include:

- generating and strengthening the motivating force of competition and innovation, which delivers liberties and change for individuals and communities;
- creating wealth, arguably lifting populations and economies out of dependency;
- generating new resources;
- stimulating creative thought.

“It is because of these results,” says Dr Williams, “that capitalism claims to value liberty; the liberty of generating your own resources, of increasing your property, and the opportunities and political liberties that these bring.”

Other arguments pile up: capitalism is a progressive force - not simply by being innovative, but also by resisting static models of human interaction; capitalism has a critical edge, because the current state of affairs can always be improved - and in that sense, capitalism is also a politically critical power.

But - and it is a significant “but” in his argument - Dr Williams points out that all this leads to one of the celebrated paradoxes of the subject, first articulated in Bernard Mandeville’s Fable of the Bees in the early 1700s, which illustrates how private vice produces public good.

In other words, says Dr Williams, “The motivation which capitalist practice assumes is self-directed. It is about giving *oneself* more property, more resource, more opportunity. By some miraculous or providential situation, the sum total of individual and corporate selfishnesses produces social good.”

“This is a problem because it suggests that social benefit is accidental; it only happens when we are not thinking about it.” The question this raises is how can we systematically create or nourish the motivation to address public good or need?

It's a very basic question, insists Dr Williams. "Capitalism is not an ethical system; it can plausibly be said to have ethical by-products in certain circumstances, but so long as they are by-products, we have a problem about the basic motivation which can keep going not only the system of capitalist exchange but the institutions of public good in a society."

The paradox of Enlightenment

There are other paradoxes to consider. Capitalism proclaims it is on the side of liberty and opportunity, yet historically it has been associated with the sacrifice of power and liberty. Karl Marx saw this with respect to labour, noting the alienation of the producer from what they produce.

More specifically, much energy of early capitalism derived from slave supported economies. The paradox of 17th and 18th century "Enlightenment", says Dr Williams, was that it was an age "in which a system proclaiming the maximisation of liberty rested, systematically, on the enslavement of particular agents."

These are uncomfortable thoughts, and there are others: what about the negative effect of competition on those who lose; the marginalising of non-profit activities, and the normalising of the profit motive?

And what about the impact of capitalism on culture? Dr Williams highlights a number of recent writers (Richard Sennett, Michael Sandel, Dany-Robert Dufour) who have examined the cultural impact of developed capitalism, and identifies a common theme in their work. "If you reduce your cultural practice to the norms of profit creation, there are a great many practices which become abnormal, eccentric, and finally unacceptable."

"The cultural critique of capitalism focuses on precisely the point with which I began," says Dr Williams. "The problem with capitalism is that it is a practice resting on property relationships and prone, again and again, to redefine every other relationship in terms of property, profit and exchange."

This, says Dr Williams, brings us back to a sticking point. "Whatever the positive effects of capitalism are, the abiding difficulty is that at the heart of capitalist practice lies an issue about motivation, and whence we can derive the motivation systematically to address questions of common good or public benefit."

Not ethical on its own

This might all seem to lead to the simple conclusion that capitalism can't be ethical. Full stop. But Dr Williams adds a qualification: "On the basis of what I have said so far, capitalism can't be ethical *alone*." What does this mean?

Granted, he says, that capitalism has ethically positive effects which include virtuous aspects of work, such as discipline, patience, prudence and resistance to intrusive and restrictive government. "The question is rather, whether the basic motivational issue corrupts the whole picture and what we can do about that." This leads us to also consider whether capitalism ends up subverting its own aims and goals.

Dr Williams argues that "pure classical capitalism" can only work in a predictable environment, because rational economics needs to be able to calculate and predict. "In a world that is arbitrary and unpredictable, this practice is deeply at risk," he says.

Therefore, we need to invest energy and creativity in the social order and its institutions to create the predictable, stable environment that capitalism takes for granted. "So even for classical capitalism to be operationally effective from moment to moment, it requires aspects of motivated work that are *not* driven by immediate private profit."

Failing states are not good for capitalism

On the surface the classical capitalist model implies that our relationship even with our own material environment is one of property; to use and trade with as we please. Yet, we ignore the laws and limitations of the natural world at our peril. "How does any kind of economic practice survive if that environment is under threat and subject to major disruptions?" asks Dr Williams.

"The world in which national economies are driven to poverty and destitution; in which national economies are regularly unsettled or destroyed by international competition is a world in which violence and conflict are generated," he says.

And a world with a lot of failed states is not a good world for capitalist practice to work in. "So capitalism, if left to itself, is always on the edge of shooting itself in the foot."

This is why, says Dr Williams, we need to recognise that the rationality at the centre of classical economics - based on the calculation of profits under ideal circumstances - is not reflected in the real world.

In the real world, we rationalise in varying ways, using a whole set of values. “We *do* sometimes sacrifice what seems like obvious economic advantage for another kind of more personal advantage.” He says.

“We may actually prefer to take our custom to a more expensive retailer. We may support a retailer because their produce is ethically sourced. In other words, we might be willing to re-define profit and profitability.”

Time for a new civic dimension

Now this kind of behaviour is nothing new. Dr Williams cites the recent work of Stephano Zamagni, who describes late medieval civic economies in Italy, where communal city life, rituals, relationships and controls on cut-throat competition were all seen as part of a good economic pattern. Yet this civic dimension - the acceptance of other motivations in the city - disappeared as capitalist practice took on its classical shape from the 16th century.

In a series of books and articles, Zamagni offers a powerful and significant critique of civic free capitalist philosophy and suggests how a civic dimension might be restored or reinvented,. Williams finds the message echoed in other work, such as John Milbank and Adrian Pabst's *Politics of Virtue*, and Richard Turnbull's book on Quaker capitalism.

A common thread in them all, says Dr Williams, is summed up by Zamagni when he says that market exchange is ethically acceptable *if* it complies with, and does not destroy, the principle of reciprocity; when it intensifies a sense of mutual obligation and dependence.

“For that to be reality, the practice in question must be one which genuinely increases rather than denies the agency of all,” says Williams.

“The problem with classical unregulated capitalist practice is that it depends on denying the agency of some - such as in the alienation of producer from product, or of an imperial power from the subaltern race which is the source of cheap labour.”

To recap then, certainly ethical benefits have emerged from capitalism over the centuries, but they are overshadowed by capitalism's tendency to reduce everything to commodity and property, and the effect of unregulated practice on character and community.

We must step back from the void

There is another significant, but less discussed, problem which Dr Williams warns should concern us: “the conspicuous failure of the market itself in an unstable and violent world.”

In what Marx called the fetishism of exchange, he identified the void at heart of capitalism, where if everything is exchangeable then everything has a price. Nothing is anything in itself. Marx saw this as a factor that would inevitably bring about the collapse of the capitalist economy. “What Marx missed,” says Dr Williams, “was the enormous public investment in keeping the institutions of capitalism alive.”

Dr Williams believes that Marx’s warning has come home to roost in the last decade or so; that the void at the heart of capitalism has led to a would-be risk free economic activity, “which has as little as possible to do with the making or trade of actual objects, and as much to do with the paper maximisation of profit.”

It is what we saw in the generation of financial instruments like subprime mortgages, which triggered the global financial crisis of 2008 and its aftermath. “That collapse of what had been assumed to be functioning market practices suggests that capitalism is - more and more - threatened by this nemesis of abstraction built into its own isolation from other aspects of culture; a nemesis built in because of a denial of the complexity of really rational activity and choosing.”

Rowan Williams agrees with writers like Eric Weinstein who argue that in the world of quantitative easing and public rescue of banking, every resource is deployed to avoid the verdict of the real market. “The verdict of the market is bankruptcy and disaster, but because some institutions cannot be allowed to fail, the preservation of the facade of capitalist institutions overrides all other considerations.”

“That is the elephant in the current capitalist room. Not only are we looking at a system whose ethical basis is highly questionable, we are looking at a system which will repeatedly tend towards its own subversion, and in subverting its own practice it brings down quite a lot else, as we have seen in last decade or so.”

The cultural challenge

Dr Williams has come full circle, back to his first point; that capitalism is a cultural practice. “It is something human beings do,” he says. And this being the case, our challenge is to restore the *cultural* map in which capitalist activity is a part. It may be a part which is ambivalent and overshadowed by moral ambiguities but it is not incapable of being made to work for good, so long as capitalism is not working in isolation.

So, what specific issues and programmes could deliver a more ethical future for capitalism? To restore the civic environment of capitalist activity, Dr Williams suggests that we need to be asking how we can:

- normalise a higher level of stake-holding by labour in capitalist enterprises?
- avoid the spiral of the securitisation of fictional or toxic assets that brought about the financial crash of 2008?
- create transparent and just tax regimes across the world (keep in our sights the still uncomfortably prevalent culture of squirrelling resources in tax havens of one kind or another)
- de-incentivise destabilising currency transactions taking over from the actual exchange of goods?

“All of these things, I think, would be a reasonable part of any imaginable political proposal to humanise capitalism,” he says, urging that an achievable political agenda is now an urgent task.

In spite of all the forecasts that the financial world would never be the same again after 2008, Dr Williams is disturbed by how it has quietly reassembled itself, “with very little structural alteration but perhaps just a little bit more bad conscience.”

However, that bad conscience is one of the things that gives him hope. “The human cost of the collapse of 2008 was visible to everybody,” he says. “The sense that certain kinds of relationship had been undermined or destroyed in the development of the financial services industry in the early years of the century led many to ask how *do* we supplement and contextualise what we are doing in a human way?”

Socialising the beast

The answers lie in more than just ticking the box of Corporate Social Responsibility, and Dr Williams is encouraged by what he sees as a genuine growing awareness of the problem that capitalism alone will be reductive and destructive. At least, he says, “the business world is more hospitable now, than ten years ago, to such discussions.”

Cynics might give this trend the label “virtue signaling”, but Dr Williams takes a more pragmatic view. “If hypocrisy is the tribute that vice pays to virtue, then I think that is something we can work with and argue about.” He says.

To conclude, Dr Williams is clear that capitalism cannot be ethical on its own. It can’t even be coherent or self-sustaining on its own. The main job we have is to recognise, with greater clarity than in the past, “the focal ethical risk within capitalist practice - which is what I have called the reduction of all relationships to ownership, purchase, commodity; and the reduction of motivation to acquisitiveness; the reduction of all rationality to calculation.”

In capitalism, says Dr Williams, humans have created a potentially lethal monster; one which we can’t un-invent, ignore and - only with difficulty - suppress. So that the question he leaves us to ponder is whether it can be socialised?

“Whether the Frankenstein’s creation we have generated can manage to speak, to be within a culture that it does not control, to converse with the cultural environment, not to devour it; whether we can or cannot achieve that is not at all clear at the moment. But I submit that the challenge is real and urgent and the possibilities are finite, but strong.”

Questions

Questions highlighted the dilemmas, complexities and unintended consequences encountered in striving for a more civic capitalism in our globalised and fast-changing world, and how to respond.

- Is civic capitalism being used as a regulatory tool (for example, the Modern Slavery Act) and can consumer pressure really achieve much?

- How can those with responsibility to manage resources - particularly in the not-for-profit sector - make ethical decisions, when faced with the need to restructure or make redundancies? And how to achieve a fairer distribution of the surplus that capitalism generates?
- How might capitalism be checked, especially where the market has massive social impact as we are seeing with increasing automation in industry?
- If capitalism has the ability to devour the institutions it has contact with, how can people working in these institutions protect them?

In responding, Rowan Williams acknowledged that the unintended consequences of more ethical capitalism could not be easily resolved, but he saw consumer pressure as an important element of change. Highlighting the ethical sourcing of food, he said he was “not unhopeful” by the considerable shift in climate in the last thirty years.

As a practical suggestion towards civic capitalism - and in resistance to unfettered practice - he stressed the crucial role of wider participation in decision making as well as wider distribution of surplus, in what he called the “distribution of voice and leverage.”

Finally, the former Archbishop of Canterbury was asked if he thought capitalism was compatible with religion? “In many religions,” he answered, “the root of all evil is the love of money, and I don’t think this means anything more than saying that most ways human society goes wrong can be traced to acquisitiveness.”

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