

Capitalism and Morality- Twins separated at Birth



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The Brahma of Economics, Adam Smith envisioned it as conjoined twins comprising Capitalism and Morality. Even before he came up with Wealth of Nations, he was of the firm opinion that the invisible hand of market forces will clutch the hand of morality in creating a new world order. However as in case of Siamese twins, the weaker morality was pushed to oblivion whereas the capitalism part became the driving force. Modern enterprises always carry an aura of greed, corporate gluttony and cronyism. Changing this negative perception has always been a costly affair for every business accused of misdeeds.

1. Introduction

The aim of the paper is to present some reflections on the morality of capitalism – the economic, social and political system which dominates today's world and is seen by many as the only proper system to steer the global economy. However there exists many critics of this system who call it inhuman, unjust and highly exploitive and have proposed alternatives for capitalism. These were then challenged by advocates of capitalism and they criticize the other alternatives to capitalism and have tried to prove that freedom, individualism, innovation, economic growth and wealth and increased standards of living can be best achieved in capitalistic system. Although many advocates of this admit that capitalism has some faults but also say that there is no better system. Being an economic, social and political system, it is natural that it is closely linked to ethics and morals. It is regarded as giving the most possibilities to individuals and groups for initiatives, development, creativities etc. compared to other socio – economic systems. It is also regarded as giving the most freedom to the society. Free market and democracy are strongly bonded with each other in capitalism. It is believed that capitalism strengthens democracy and vice versa. However there are also some moral and ethical problems associated with capitalism like selfishness, ever widening gap between rich and poor, the role of the state, monopoly, exploitation, globalization etc. They arise because capitalism allows growth of a pluralistic society whose main features are social and cultural pluralism. Basic assumptions of a pluralistic society are simultaneous existence of independent and autonomic entities that compete with each other while in pursuit of their own unique objectives. When different systems of values, ideas, ethics and morals are used to build the socio-economic system, frictions are bound to appear and it may even lead to destruction and disintegration of the society. Therefore one cannot say that capitalism is flawless. It bears some important moral problems but is the only system to have survived this long.

2. Genesis – Capitalism and Morality

Helder Camara-“When I give food to the poor, they call me a saint. When I ask why the poor have no food, they call me a communist.”

Almost everyone would agree that capitalism is by far the best economic model that human kind could conceive especially after the collapse of Communism. However the capitalistic system is far from perfect and many critics still contend that morality is virtually dead when one invokes the principles of capitalism.

Morality is something that becomes useless until an individual is given an opportunity to select between different choices without any coercion or fear of repercussions. A capitalist system sounds almost perfect as it is based on freedom of choice and provides a conducive environment for morality and character development. It rewards business for various activities undertaken by them in an appropriate manner. Capitalism was envisioned as a philosophy and way of life that combines business with morals. Adam Smith, in his book “The theory of moral sentiments” rejected the idea that Man was capable of forming moral judgments beyond a limited sphere of activity, again centered around his own self-interest.

There has to be moral justification about what philosopher Robert Nozick called “capitalist acts among consenting adults.” Capitalism is about the system of cooperative production and free exchange which is characterized by the predominance of market forces. Morality of capitalism is not confined to abstract moral aspects, but also takes support from economics, logic, history and other interlinked disciplines. The fundamental discussion is about morality issues of capitalism. The term capitalism has a broad meaning. In a sense, it doesn't refer only to exchanging of goods and services freely. This form of trade has existed since time immemorial. Capitalism actually refers to the system of innovation, wealth creation and a change in the social order which eventually uplifts people from poverty and helping them achieve prosperity which was beyond the reach of earlier generations.

Capitalism refers to a highly evolved and a complicated system of legal, social, economic, and cultural environment that fosters innovation—what the economist Joseph Schumpeter called “creative destruction”—through the voluntary processes of market exchange. Capitalist culture rewards risk-takers and the innovators although termed as materialistic tendencies by Marxist philosophers.

Some economists who strongly suggest that capitalism has morality inbuilt in it say so because capitalist interaction is highly structured by ethical norms and rules.

3. Why Some Consider Capitalism as Evil

Many are of the opinion that Capitalism does not inspire morality and in fact does the exact opposite of that. To understand this perspective, let us look at the meaning of the term morals and ethics from a capitalistic perspective. According to modern social context, morals will refer to ethical principles, avoiding practices and organizations that do harm to the environment. Capitalism, as an economic and political system where trade and industry are controlled not by the state but by private owners for profit and directed by invisible market forces, seems to render ‘moral capitalism’ a contradiction in terms.

Karl Marx considers capitalism to have emerged from a separation of the forces of production from surplus value, which comes to be owned by a small upper class. If one carefully understands Max Weber’s ‘protestant work ethic’: separating faith from everyday practice, one can conclude that capitalism revolves around the thought that surplus value is always owned by a small upper class. Morality and value systems often rest on religion and faith related matters. However, separating faith from everyday business results in dilution of business ethics. With this separation, the idea of a common goal disappears and man starts thinking only about himself. The consequences of our economic transactions are no longer seen as their cause, in a never-ending production process that always must end in surplus. When there are no more resources to exploit, this capitalist system divides up and distributes small packages of social services, mortgages, and human dignity. The final outcome of this is that we are left with an economy where no one is responsible or accountable, but which is ‘too big to fail’ because we can no longer imagine an alternative.

Neoliberal capitalism is of some concern as it has overwhelmed all other forms of economy. Hunter-gatherer societies, nomads, and small-scale farming communities operate within a mode of production that no longer aims for sustenance, but creates surplus value for export – what economists like to call “growth”. This leads to utilization of a number of resources and eventually results in shifting of people from rural to urban areas. For the cities, this means that there is a continuous flow of factors of production in the form of land, labour, capital and resources which are beyond the control of any entity living or otherwise leaving human lives in as much flux as the derivatives on the stock exchange.

When the United Nations realized that sustainable development will be an issue considering rampant abuse of limited resources, it came up with the Brundtland commission. In 1987, the Brundtland commission proclaimed “economy, society and nature as equally important pillars in a sustainable future for present and future generations”. But the main bone of contention with this statement is that this conclusion wrongly assumes that capitalism is able to care for people’s “needs” as it is in direct conflict with the central objective of pursuit of profits.

This logic of capitalism leads to overexploitation of resources, both human and natural: will not go away until we are able to shift our economy away from growth towards sustenance. Till then we will keep robbing resource bases from groups that practiced different forms of economy long before we extracted ‘value’ from their lands. A turn to a sustainable economy will require a turn to an economics where ethics emanate from a care for the environment – including people – as its first priority.

4. Capitalism and Greed

One of the most common fallacies is the idea that Adam Smith sanctified greed, that free enterprise is brutal “every man for himself and the devil take the hindmost.” Again, this has been a common view, held by both capitalists and socialists. But this was not Smith’s version of

Capitalism. This misconception has no doubt been the most damaging to free enterprise of all the accusations leveled against the system. In his book “Theory of Moral Sentiments”, Smith mentions about sympathy, morals, ethics and their connections to business and economy. Seventeen years later “Wealth of Nations” was written. Modern mankind always has a negative outlook towards business despite the fact that economies relies on enterprises for not only fulfilling needs and wants but also for basic survival. This negative outlook towards the business arises from lack of trust, cut throat competition and dubious strategies adopted by modern enterprises. Corporations are often looked upon as resources sucking parasites whose only goal is profits while having an utter disregard for people and planet. Modern enterprises always carry an aura of greed, corporate gluttony and cronyism. Changing this negative perception has always been a costly affair for every business accused of misdeeds.

5. Capitalism – Whether Morality Matters in Business

People sometimes forget that business morals at its core is about excellence and high attainment rather than misdeeds and malfeasance— Lynn S. Paine

One of the great raging debates of modern capitalism is whether or not morality matters in business. The most frequently asked question is “Should the purpose of corporations be directed to good? Or instead, should corporations focus solely on maximizing shareholder returns, within what the law allows?” The former implies that companies, like people, should be held to moral standards. The latter implies a relationship between a referee and a player, the state defines the playing field, while

the company plays the game to the best of its abilities. However this is highly a myopic way of looking at moral aspects in a business.

The alternate way of looking at morality is thinking of companies as a group of individuals rather than pure economic entities. This will shift our perspective of morality because individuals are motivated by moral purpose. Companies can't consider themselves amoral or apart from society anymore—that the relationship between companies and society at large necessitates bringing a moral dimension to decision making. Morality in management affects business culture and the growth of innovation. The financial crash of 2008 had reignited public debate on the issue of morality in business. Organizations often try to balance way too many objectives which are not in tune with each other. Conflict arises when organizations try to balance profits and morals. Pursuing both beyond a certain limit has its own limitations. However, it is possible to meet profit and moral objectives of a business. When these two objectives meet, corporate values shift.

The primary responsibility of any management is to define the organization's purpose and instill loyalty, so that employees work for the organization's good rather than for their own advancement. This kind of loyalty is achieved only when employees are satisfied. Management has to keep the employees satisfied, rather than viewing them simply as economic production inputs. The morality that underlies enduring cooperation is multidimensional and satisfying multiple moral codes, like responsibilities to customers and shareholders is the key objectives that an organization should follow.

For capitalism to achieve its full potential as a potent economic system, it should change its image so that general perception can be changed. If one compares capitalism to an ocean, morality is its anchor. Morality has to be brought back from oblivion to the forefront so that sustainable development of all economies can take place. Only when morality and capitalism goes hand in hand, a new economic order can be created which really benefits all the stakeholders.

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