

Greed is Not Good, and It's Not Capitalism

By Jay Richards

The “greed myth” (as I have called it) is often perpetuated, as it was on the cover of Newsweek, by the putative *defenders* of capitalism. From Ivan Boesky to the bestselling tomes of Ayn Rand, champions of capitalism have told us for decades that greed is good since it's the great engine of capitalist progress. Even Walter Williams and John Stossel, two of my favorite free marketers, have used this argument in recent years.

Must We Choose Between Capitalism and Christianity, or, More Generally, Between Markets and Morality? I Think Not.

The rhetorical problem with this approach isn't hard to spot. Most Americans are at least nominally religious, with moral sensibilities shaped by the Judeo-Christian tradition. The Bible and the Christian tradition both roundly condemn greed.

The Virtue of Selfishness?

You might recall Adam Smith, the father of modern capitalism, who famously wrote, “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest.” Ayn Rand and others seemed to extend Smith's point by treating greed as the basis of a free economy. There are connections here of course; but Smith *never* argued that greed is good. His view was far different, and far more subtle.

First, Smith argued that in a rightly-ordered market economy, you're usually better off appealing to someone's self-love than to their kindness. The butcher is more likely to give you meat if it's a win-win trade—if there's something in it for him—than if you're just asking for a handout. This is, or should be, common sense.

Second, Smith knew the difference between self-interest and mere selfishness. Every time you wash your hands or take your

vitamins or clock into work on time or look both ways before you cross the street, you're pursuing your self-interest—but none of these acts are selfish. Indeed, generally speaking, you *ought* to do these things. Greed, in contrast, is a sort of disordered self-interest. Adam Smith, the moral philosopher, always condemned it as a vice.

Third, Smith never argued that the more selfish we are, the better a market works. His point, rather, is that in a free market, each of us can pursue ends within our narrow sphere of competence and concern—our “self-interest”—and yet an order will emerge that vastly exceeds anyone's deliberations.

Finally, and most importantly, Smith argued that capitalism *channels* greed. He recognized that human beings are not as virtuous as we ought to be. While many of us may live modestly virtuous lives under the right conditions, it is the rare individual who ever achieves heroic virtue. Given that reality, we should want a social order that channels proper self-interest as well as selfishness into socially desirable outcomes. Any system this side of Heaven that can't channel human selfishness is doomed to failure. That's the genius of the market economy.

And that's the problem with socialism and all sorts of nanny-state regulatory prescriptions: They don't fit the human condition. They concentrate enormous power in the hands of a few political leaders and expect them to remain uncorrupted by the power. Then through aggressive wealth redistribution and hyper-regulation, they discourage the productive pursuit of self-interest through hard work and enterprise. Instead, they encourage people to pursue their self-interest in unproductive ways such as hoarding, lobbying, or getting the government to steal for them.

In contrast, capitalism is fit for real, *fallen* human beings. “In spite of their natural selfishness and rapacity,” Smith wrote, business people “are led by an invisible hand ... and thus without intending it, without knowing it, advance the interest of the society.” Notice he says “in spite of.” His point isn't that the butcher should be selfish, or even that the butcher's selfishness particularly helps.

Rather, he argues that even if the butcher is selfish, he can't make you buy his meat. He has to offer you meat at a price you'll willingly buy. He has to look for ways to set up a win-win exchange. Surely that's good.

So a free market can channel the greed of a butcher. But that's not the only thing it can channel. It can just as easily channel a butcher's noble desire for excellence of craft, or his desire to serve his customers well because he likes his neighbors, or his desire to build a successful business that will allow his brilliant daughter to attend better schools and fully develop her gifts. Capitalism doesn't need greed. What capitalism does need is human creativity and initiative.

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