

THE REFLECTION OF THE LIBERAL CAPITALISM FROM THEOLOGICAL PERSPECTIVE

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Introduction

The 2008 Nobel Price winner, Prof. Paul Krugman questions the Liberal Capitalism which was the leading economic theory in the past twenty years. He thinks that the liberal market policy without control is one of the causes for the international financial tsunami in 2008. He supports that the government should intervene the financial market to stop the collapse of economy when it is necessary. In response to the international financial tsunami, the economists discuss not only about the possible policy for sustaining the market, but also whether the Liberal Market Theory of the Chicago School has fundamental weakness or the Capitalism of Adam Smith it is wrong. However, does Adam Smith build up the capitalistic idea on human selfishness? 2009 is the 250th anniversary of the Adam Smith’s great book on *The Theory of the Moral Sentiment*. Chinese premier Wen Jiapao expresses his sympathy of the idea of equality and justice, the share of economic development in a society in Smith’s book on *The Theory of the Moral Sentiment*.¹ How interesting is the leader of a Marxist or socialist China expressing positive comment on Smith’s work. As a Chinese Christian theologian, I regard the reflection of the issue of economic ethics as an extremely important topic for today. It is not only an important question for the global world, but also for the peoples in

¹ “Chinese Premier endorses Adam Smith”, in http://drezner.foreignpolicy.com/posts/2009/02/02/chinese_premier_endorses_adam_smith on 16 March 2009.

China. Based on the concern for the global need and the contextual need in China, I would concentrate in the topics: “The Reflection of the Liberal Capitalism from a theological Perspective”.

From the Roman Catholic side, the director of the Ethic and Public Policy in Washington, Dr. John Mueller points out that there are three main Economic theories in the history of Economics: the Scholastic Economic Theory from 1250 to 1776, the Classical Economic Theory starting from 1776 to 1871, the Neoclassical Economic Theory from 1871 to 2000. Thomas Aquinas is the representative of the Scholastic Economic Period and he puts the four economic activities, namely production, exchange, distribution and consumption under the idea of the theory of Providence and integrated into Aristotle’s and Augustinian’s philosophy. Adam Smith has reduced these four activities into only two: production and exchange. Smith gave up the theory of Utility of Augustine, but presupposed the motivation of “Self Love” stimulating the consumption. Such theory neglects the issue of distribution. The Neoclassical Economic Theory tries to avoid the weakness of Adam Smith’s theory. Dr. Mueller reminds us to follow the theological ethics of Aquinas to develop a theory of Providence in Economics.

Re-reading of *The Theory of the Moral Sentiment*

As a Protestant theologian, I would try to contribute the discussion from a protestant point of view. As a Chinese Christian theologian, I would like to reflect the impact of the international financial tsunami globally and try to get insight of the “Public Theology” from the western theologians. The next step is to discuss the issue locally responding the Chinese context. The American public theologians Max Stackhouse and Dennis McCann expressed the idea that “Capitalism engenders greater cooperation” in the “Post communist Manifesto”.² Theoretically speaking before the publication of *The*

² Max L. Stackhouse & Dennis P. McCann, “A Post communist Manifesto”, *The Christian Century* 16 January 1991, 40.

Wealth of all Nations in 1776, Smith has published a book on *The Theory of the Moral Sentiment* in 1759. Smith thought that we have sympathy and moral consciousness and it is the inborn nature of human being. The same “invisible hand” will create beneficial social pattern out of the economic activities. The “Self-Love” in Smith’s sense is not equal to selfishness. In this sense, Capitalism encourages not the monopoly of the international cooperations, but the cooperation of different organization.

Besides the re-reading of *The Theory of the Moral Sentiment* in 1759 and *The Wealth of all Nations* in 1776, I would discuss the current opinion of the Moral Philosophy of Adam. Dugald Stewart gives a good summary of the parallel reading of the two books,³ the workshops on “Intersubjectivity and Objectivity in Adam Smith and Edmund Husserl” seeks the common ground between these two philosophers empirically and phenomenologically,⁴ the conference of “The Philosophy of Adam Smith” concentrates in studying the book on *The Theory of the Moral Sentiment*.⁵

The Coming of Post-capitalist and Post-socialist Era

Peter Drucker summaries the changes in the history from the rise of cities and urbanization from 13th century to Renaissance, the beginning of capitalism from 1455 to 1517 and the industrial revolution from 1776-1815. These transformations in history have shaped the European civilization. However, the capitalistic society is changing into post-capitalistic society. Even the socialist society is now not necessary socialist anymore. He argues from the change of the society into knowledge management society. His dream for a “non-socialist and post-capitalist society” and “society of organizations” is a possible direction for the change of economic theory after the international financial

³ Dugald Stewart, “Adam Smith’s Other Vision”, in <http://webpages.ursinus.edu/richter/moralsent.htm> on 16th March, 2009.

⁴ “Workshop on Intersubjectivity and Objectivity in Adam Smith and Edmund Husserl”, in http://www.csmn.uio.no/events/2007/smith_husserl.xml on 16th March, 2009.

⁵ “The Philosophy of Adam Smith”, in <http://www.adamsmithreview.org/programme.html> on 16th March, 2009.

tsunami.⁶ Pope Benedict XVI criticizes Capitalism for degrading human into merchandise and Marxism for excluding God from Life.⁷

Theological Response of *homo economicus*

The economists such as Frank Knight, Theodore Schultz, George Stigler, Milton Friedman and Gary Becker are called as the representatives of the Chicago School and they have the assumption that human being has the single motivation for personal utility maximization and therefore human being is *homo economicus*.⁸ However, Samuel Fleischacker points out that Smith rejects Mandeville's reduction of human motivation to self-interest, concerns other far more than David Hume, allows more room for religious faith than Voltaire.⁹ Following this thinking direction, I would like to elaborate the discussion of *homo economicus* by Hans G. Ulrich. He emphasizes that the economic activity is not only human activity, but God's activity. Human being as creature of God lives in God's economy. His reading of Psalm 127 is very insightful and his criticism of the striving and competition mentality is against the will of God. To him, worship means living in God's economy.¹⁰ How could we develop a new kind of piety (Spirituality)?

⁶ Peter Drucker, *The Post-Capitalist Society* (New York: HarperCollin, 1993), 4.

⁷ <http://www.washingtontimes.com/news/2007/apr/14/20070414-122241-2183r/>

⁸ Jack Russell Weinstein, "Review article on Jerry Evensky, *Adam Smith's Moral Philosophy* (Cambridge: Cambridge University Press, 2005)",

<http://www.und.edu/instruct/weinstei/jrweinstein%20-%20The%20Wealth%20of%20Nations%20and%20Univ%20Opulence%20-%20Evensky%20Review.pdf> . On 16 March, 2009.

⁹ Sam Fleischacker, "Economics and the Ordinary Person: Rereading Adam Smith", in <http://www.econlib.org/library/Columns/y2004/FleischackerSmith.html#> on 16th March, 2009.

¹⁰ Hans G. Ulrich, *Wie Geschöpfe leben. Konturen evangelischer Ethik* (Bberlin: LIT, 200, 2 Auflage).