

Christians Socialism?

Promoting

“Socialism,” said Richard John Neuhaus, “is the religion people get when they lose their religion.” While that might have been true in Neuhaus’ day, many young Christians are now attempting to have their faith and socialism too.

I never got the opportunity to meet Fr. Neuhaus. He died in January 2009, two months before I started working as the web editor at the magazine he founded, *First Things*. I suspect, though, that the staunch advocate of democratic capitalism would be surprised and dismayed to find his publication now has editors who identify as socialist and columnists who claim capitalism is inimical to Christianity.

I’d also be curious to hear what he thought of the baffling article published yesterday in his magazine in which Andrew Strain claims a truly free market is as mythical as a unicorn. I loathe to appear to be picking on Mr. Strain, but by analyzing his essay, we can see a common pattern that is emerging, even in once conservative publications: writers, who don’t know the first thing about free markets, explaining why they are inferior to socialist policies.

The theme of Strain’s article is that, “So-called free markets are not actually free. Recognizing this, we are at liberty to evaluate economic life by other, higher criteria than market freedom.” In a sense, this is not a controversial claim. Because of state intervention, many markets are indeed not free.

But this is not what Strain means. He is arguing that because the state intervenes in markets they are not free, and thus we need more state intervention. Strain says:

Neoliberals often invoke a dichotomy between public and

private: The private (“the market”) operates according to competitive self-interest, whereas the public (“the state”) is a coercive expression of politics. But the foundation of markets in western economies is the commercial corporation, and commercial corporations are not simply private.

While he touches on an important point by highlighting “competitive self-interest” and “coercive expression of politics,” Strain’s understanding of the market is incomplete. It’s also absurd to claim, as he does, that the foundation of markets is the commercial corporation. A better way to think about markets is through what the legendary hedge fund manager Ray Dalio calls a “transactions-based approach”:

An economy is simply the sum of the transactions that make it up. A transaction is a simple thing. Because there are a lot of them, the economy looks more complex than it really is. If instead of looking at it from the top down, we look at it from the transaction up, it is much easier to understand.

A transaction consists of the buyer giving money (or credit) to a seller and the seller giving a good, a service or a financial asset to the buyer in exchange. A market consists of all the buyers and sellers making exchanges for the same things—e.g., the wheat market consists of different people making different transactions for different reasons over time. An economy consists of all of the transactions in all of its markets. So, while seemingly complex, an economy is really just a zillion simple things working together, which makes it look more complex than it really is.

A market consists of all the buyers and sellers making exchanges for the same things. The buyers and sellers can certainly be commercial corporations, but they can also be individuals, non-profits, partnerships or even the government. When it comes to markets, there is absolutely nothing special about corporations.

Having started off with a misunderstanding of markets, Strain then proceeds to highlight his misunderstanding of corporations:

As David Ciepley has pointed out, [corporations] are neither fish nor fowl. They rest on private initiative but depend on the state to co-create and sustain them. The distinctive features of commercial corporations are impossible to maintain without the state's ensuring them. Ciepley explains: "The business corporation depends on government for its contractual individuality, or 'personhood'—its right to own property, make contracts and sue and be sued as an individual ... The corporation depends on government for its governing rights: its right to establish and enforce rules within its jurisdiction." The corporation is defined by its government-created and -conserved properties: limited liability, asset shielding and asset lock-in. The corporation as a market institution is a product of the state, and what it means to be a corporation is inseparable by its very nature from governmental power.

Strain makes an error that is all too common today: assuming that if a government recognizes or regulates an institution then the state must have created the institution. The most obvious example of this thinking is on the institution of marriage. Many intelligent people believe that since the state has the ability to regulate and redefine what it will consider to be marriage that it has the power to change the ontological status of marriage. It does not.

Nor, for that matter, is the ontological status of corporations dependent on the state. A corporation is merely a group of people who choose to act as a single entity. They almost always seek government recognition, of course, because it makes it easier to deal with our ubiquitous legal environment. But the state does not "co-create" a corporation any more than the state "co-creates" a marriage when it issues a marriage license.

Strain is correct, of course, in implying that the corporation depends on government to recognize and enforce its rights. But that is true also for individuals. While government does not establish our natural rights as humans, we rely on the state to recognize, protect and enforce these rights when necessary. That is one of the primary functions of the state.

Up to this point, Strain appears to be merely confused about markets and corporations. However, he next uses this confusion as the basis for a peculiar argument:

This fact has devastating implications for those who subscribe to the notion of a self-regulating market. A laissez-faire economy that has corporations is a contradiction in terms, since in corporations the private is intertwined with the public. In the age of corporations, a truly free market is as mythical as a unicorn. Once we recognize this, and discard the public/private dichotomy, we can cease to decry state intervention as such, and begin to think about the best way to manage our economy. Intervention should be judged on its merits—how well it serves the common good—rather than condemned on principle. And the common good, contrary to neoliberal tenets, is not a utilitarian aggregate of material goods, but the order of justice and peace participated in by all the members of a society. This order and its demands are the true basis for assessing government intervention.

This paragraph is such a mess that it's hard to know where to start. But let's unpack it as best we can.

First, the claim that “a laissez-faire economy that has corporations is a contradiction in terms” is nonsensical. Laissez-faire is merely the idea that “the less the government is involved in the economy, the better off business will be—and by extension, society as a whole.” Even if we concede that corporations are wholly birthed by the government it would not be a contradiction to claim that businesses, once

born, should have as minimal interference with their parent as possible.

Second, the claim that “in the age of corporations, a truly free market is as mythical as a unicorn” is easily disproven. The market or the economy is merely an aggregate of all markets. Some of these markets are free, others less so. For example, as a seller of his writing, Strain entered the market for online articles and engaged the buyer, *First Things* magazine. That market is relatively free of government interference. No one from the state told Strain or *First Things* how much had to be paid for the article, what the word count must be, when it could be published or other such information. The fact that Strain never recognized that he was engaged in a market activity—much less engaging in a free market—merely reveals how constrained his thinking is on this issue of markets.

Third, he claims that, since corporations rely on the government to enforce their rights, then we should “cease to decry state intervention as such, and begin to think about the best way to manage our economy.” This is a question-begging conclusion. Those of us who advocate for free markets and “decry state intervention” do so precisely because we think it’s the best way to manage the economy.

Fourth, Strain engages in reification when he says, “Intervention should be judged on its merits—how well it serves the common good—rather than condemned on principle.” Before we can judge the merits, we must ask who is doing the intervention? Strain would say “the State.” But who is the State? Is it the consensus of a democratic majority? The Congress? Unelected bureaucrats?

What Strain is saying is that some other people—rather than those directly engaged in the market activity—should decide what is best for those involved. Unfortunately, many people tend to prefer government interventions to market-driven

solutions because of this fallacious reified thinking. As Pascal Boyer says:

[H]umans may be motivated to place their trust in processes that are (or at least seem to be) driven by agents rather than impersonal factors. This may be why there is a strong correlation between being scared of markets and being in favor of state interventions in the economy. One of the most widespread political assumptions in modern industrial societies is that “the government should do something about x”, where x can be any social or economic problem. Why do people trust the state? The state (in people’s intuitions, not in actual fact) has all the trappings of an agent. It is supposed to have knowledge, memories, intentions, strategies, etc. Now it may be that people are vastly more comfortable trusting an agent to provide help or impose sanctions, than they would trust an impersonal, distributed and largely invisible process. That would be mostly a question of intuitive psychology (highly salient in our reasonings about social processes) versus population thinking (highly unintuitive, difficult to acquire and engage in without sustained effort).

Fifth, Strain says we should judge interventions on their merits. But what he fails to note is that, once the state has intervened, we often have no say in whether the intervention was good or bad. The state has spoken and we are to fall in line. That is another reason free market advocates prefer that, before being implemented, interventions be as minimal as possible and proven to be for the common good.

Sixth, Strain says “contrary to neoliberal tenets, [the common good] is not a utilitarian aggregate of material goods, but the order of justice and peace participated in by all the members of a society.” It’s hard to know what to make of this slander. I’ll be generous and assume the comment was made out of simple ignorance and that he isn’t aware of why most free market advocates believe it serves the common good. As Rev.

Robert Sirico has explained, the true goal of free markets is solidarity:

[W]e speak well of the market economy not because we embrace a soulless ideology about, or practice an idolatry of, the market. It is instead because of our respect for human liberty and our desire for social structures that affirm the dignity of all. This implies finding an economic system which, while providing outlets for human freedom in the marketplace, can also help alleviate poverty, increase general standards of living, respect private property, and minimize coercion. We seek economic growth, but not for its own sake. Our true goal is genuine human development through solidarity, a component of which is economic growth. Genuine human development through solidarity implies growth that is aimed at human betterment and the furthering of the common good of all people. Growth must be for the increased welfare of the community and the individual, and not for the isolated improvement of a select few. This means that all must have the opportunity to choose and live in accord with their vocation. All must have access to the physical capital needed to earn a living, whether producing for their own consumption on a farm or producing for exchange in an enterprise where they earn a just wage. Such a system is, nearly by definition, a just economic order. The dignity of the human person leads us to conclude that a society in which we are free (in the sense explained above) is a just social order. The free market economy then is one aspect of this just social order through which we can achieve solidarity.

After all of this bashing of the free market, you can probably guess the solution Strain proposes will involve socialism. I give Strain credit, though, for loosely concealing it in the guise of syndicalism. Strain uses Pius XI's encyclical *Quadragesimo anno* to advocate that "State-established syndicates of workers and employers would work together, with

the state acting as a judge of last resort when no agreement can be reached.”

As with all advocates of socialism, Strain believes something magical happens when you take freedom and power away from individuals and give them to state-controlled collectives. Whereas people were unable to freely choose to act in a way that advances the common good, according to Strain, the common good will suddenly and magically become maximized by the state adjudicating how “workers and employers would work together.”

Strain says this will be an advancement over the way the “neoliberal conflation of the common good with so-called market freedom” which, he says, “leads to confusions.” His primary example is a panel discussion at the recent Acton University conference in which Rev. Sirico, “the president of the neoliberal Acton Institute criticized the creation of laws against child labor in Thailand.”

Again, I’ll try to give Strain the benefit of the doubt and assume he wasn’t being intentionally dishonest. He does, after all, link to the video which allows us to see the full context of what Rev. Sirico said:

We think we can just fix the problem of child labor ... by making laws in Thailand to abolish child labor that we’ve sent these kids off to nice schools and that’s not what happens. If they can’t work a factory—usually with their parents in homes— that what ends up happening is they’re trafficked, and you know that if you’ve worked with trafficking [organizations]. So I think that these kinds of things need to be looked at with a different lens, but with a moral concern not just with the economic concern but with the effects, the consequences of good and well-intended legislation.

We see that Strain has completely misrepresented Rev. Sirico’s position, which does not “conflate the common good with so-

called market freedom” but does the very thing Strain implores us to do: judge state interventions based on the standard of the common good.

Again, I don’t mean to pick on Mr. Strain or *First Things*, a publication I admire. But this shows how easy it is for otherwise conservative outlets to promulgate the most economically ignorant claims.

A key problem is that magazines, think tanks and non-profits are often staffed by the same type of cheap labor—young people who all went to the same elite or semi-elite schools, all live in the same liberal urban environs and who have never done any real work outside of academia or have any real experience with business or the market economy. Often, these staffers have no economic background yet think they are qualified to pontificate on the problems with markets because they read a few old encyclicals.

In Catholic circles, they tend to align with or at least sympathize with the recent Tradinista! manifesto” As John Zmirak says:

To generalize, Tradinistas are mostly liberal arts grads that soaked in the political theories of pre-Christian philosophers who accepted slavery and scorned honest commerce. Tradinistas have only the crudest understanding of economics. It’s a discipline they sneer at, because the truths it uncovers expose the hopelessness of utopia.

Instead, they quaff a few economically confused essays by writer and poet G.K. Chesterton, activist Dorothy Day, or theologian David Bentley Hart. They pretend that past papal reflections are infallible divine revelations. Then they act as if this dilettante’s hodgepodge makes up for their willful ignorance of the science of human cooperation – economics.

If the moldy and discredited ideas of the new breed of

Christian socialists were quarantined on the left, it wouldn't be so troubling. But if they can invade the former free market advocating institutions like *First Things*, then we are in danger of having them spread the contamination everywhere. It would be troubling enough to have these neo-socialists use the megaphones of conservatism to miseducate their peers. But having an entire generation be deceived because they trusted the gatekeepers at formerly conservative outlets would be a travesty.

"Where orthodoxy is optional, orthodoxy will sooner or later be proscribed," said Richard John Neuhaus. What he meant was that, when beliefs about what are right and wrong are allowed to become optional, "the old orthodoxy that is optional is proscribed by the new orthodoxy, which is never optional."

We may soon see a variation of "Neuhaus's law" applied to the economic sphere. Because conservative Christians are too timid to defend the moral superiority of the free market system, we may soon find that we have socialism forced upon us by those who we assumed were our allies. {eo}

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