

- Speaker 1: Welcome to the Bill Walton Show, featuring conversations with leaders, entrepreneurs, artists and thinkers. Fresh perspectives on money, culture, politics and human flourishing. Interesting people, interesting things.
- Bill Walton: Money, greed and God. We know from history and evidence all around us, which economic system works, and which one makes people the happiest, it's the economic system of free enterprise, but is it the most moral?
- Bill Walton: Free enterprise, a system that Karl Marx demonized as capitalism, now seems to be blamed for almost every social problem. Everywhere, business has become the villain and socialism, as Alexandria Ocasia-Cortez tells us, is the new promised land. It's not, and never has been, but advocates for economic freedom are doing a lousy job making not only the economic but the moral case for capitalism.
- Bill Walton: For example, it's not based on greed. What it is about, and why it's not only moral but also Christian is explained in a terrific book, Money, Greed and God, by my guest today, Doctor Jay Richards. Jay is at Catholic University, a senior fellow at Discovery Institute, an executive editor of The Stream. He's also author of The Human Advantage. Welcome, Jay.
- Jay Richards: Thanks, Bill. Great to be with you.
- Bill Walton: So why did you write a book with this great title, Money, Greed and God?
- Jay Richards: Well, it was honestly, when I originally wrote it, it was out of frustration more than anything else. I mean, I myself had gone through a kind of socialist stage in college, had been convinced that moral people and as a Christian I thought Christians ought to be socialists. But I kept reading, I stumbled upon economist Thomas Sowell and people like that.
- Jay Richards: So by my senior year in college, I was convinced that the live alternatives, free enterprise, that is an economically free system, is the best that we're going to get this side of glory. But I didn't feel like anyone was really making that argument all that clearly.
- Bill Walton: You also went through an Ayn Rand phase.
- Jay Richards: I did, I went through a very short Ayn Rand phase.
- Bill Walton: And you read Atlas Shrugged how many times?
- Jay Richards: Well, once plus I read, this is John Galt speaking, several times in a row. Yeah, and she was the most bracing defender of quote capitalism or freedom that I had read up to that point. And I found her critiques of communism and collectivism really compelling. But I found her moral framework not especially

compelling. In fact, off putting. And for a while I thought, well if we rely on Ayn Rand's argument for capitalism, we're probably in trouble. But honestly, I didn't deal with-

Bill Walton: So she exalted greed. And loathed altruism.

Jay Richards: ... altruism, in fact she has a book called The Virtue of Selfishness, which you know, she defines these words in idiosyncratic ways, nevertheless, I think that's a rhetorical non-starter.

Bill Walton: Well it's also interesting you point out John Galt, who was a very Christlike figure. So ... hence the God in the title. So how is, what do you see as the moral basis for free enterprise, I mean, you've got a lot of elements in the book, but I wanted maybe the headline.

Jay Richards: Well the headline is, first let's define our terms. What is free enterprise? Well free enterprise, it's an economic system with rule of law limited government, a vibrant civil society and culture, and then a large arena for individuals and firms to be able to engage each other freely, for mutually beneficial gain. That's what I mean by free enterprise.

Jay Richards: And so if you frame it that way, then the question is, okay what is the system, short of utopia which we can't get, that is best for the human person. Best allows cultures to emerge from poverty, best allows people to exercise their ingenuity and creativity to create wealth for themselves and others. If you ask the question that way and you define the terms properly, there's just one answer and it's free enterprise.

Bill Walton: And it's another way of saying human freedom.

Jay Richards: Absolutely. It's human freedom but it's not the freedom that people will often think when they hear the word freedom, they think well that just means me doing whatever I want to do. No, that's the law of the jungle, right? Where everybody just does what he or she wants to do, and in that case, the strong enslave the weak. That's not what we're talking about when we're talking about economic freedom. That's why the importance of rule of law and property rights, you need a basic rule of law in order to have a culture that actually enjoys economic freedom in a robust sense.

Bill Walton: So, you've reissued Money, Greed and God, this is the tenth anniversary of the original. What changed? What prompted you to reissue the book?

Jay Richards: A lot of it was just a lot of the detail. So I talk about eight myths in the original book, it's the same eight myths in the revised edition, but honestly when I first wrote the book I focused a lot on socialism and my editor though, ah you're beating a dead horse, you know, this was 2007, the book came out in 2009. Nobody's talking about socialism, so we cut a bunch of the treatments of

socialism, and then the revision, my new editor said, actually why don't we beef up the socialism discussion because if anything, whereas before it was sort of behind the scenes, socialism is now endorsed publicly in American political debate and critiques of the market come from both the left and the right. So I felt like I needed to update it to account for that.

Bill Walton: Well when AOC and Bernie Sanders and it seems every Democrat candidate for president talks about socialism, they don't seem to be talking about the same thing, there are different versions of it. I mean what, let's do the hard case for socialism. What is it?

Jay Richards: Well, I say if we're going to talk about an idea, let's first look and see what the dictionary says it is, right? If you look up in Merriam-Webster what socialism is, it's, the two main things are it's a system in which the government owns the means of production, so all the productive property's owned by the government, and second, it's a system in which private property is abolished.

Jay Richards: Now I suspect if you asked a millennial, first defined the term in that way and then asked them if they liked socialism, you wouldn't get a lot of takers. But instead I think what they're picturing is something like their imagined scenario of a Scandinavian village, a little fishing village in Norway where everybody has a Volvo in their garage and plenty of fish to eat and they're able to sing together at the morning at the library, things like that, right?

Jay Richards: It's a mental picture that stands in for socialism, as opposed to the actual definition of the word and the actual history of the 20th century whenever socialism has been tried. So I think half the argument is just actually getting clear what we're talking about.

Bill Walton: Well the, AOC was on TV not too long ago and she was saying, somebody said, well you don't want us to be like Venezuela or Soviet Union or Cuba, and she said no no, I have in mind nice countries like Sweden. But even Sweden, as I understand it, about 80% of the schools are privately operated, no government school system, and so, and the government ownership of most of the businesses, they don't own it.

Jay Richards: No that's exactly right, if you just stick with the standard definition of socialism, AOC doesn't want to talk about actual socialist countries such as Venezuela but she wants to talk about countries that maybe have a large social safety net, but aren't socialist. In fact all the Scandinavian countries are always very high on the annual index of economic freedom. In fact it's easier to start a business in some Scandinavian countries than it is in the United States. And so it's only by really twisting the definitions, avoiding the actual socialist practice and preferring your own private definition, I think that this debate even gets off the ground.

Bill Walton: Well don't some of the millennials just think it's mainly people being really nice to each other?

Jay Richards: Oh absolutely, even AOC once when she was asked what she meant by socialism it was something like, well a system in which everyone is accorded a basic level of dignity. Well everybody wants that. Of course, I suspect every well meaning American wants us to have a system in which everyone's rights are respected, that's not the question, the question is, what's the best economic arrangement this side of the kingdom of God for a culture to actually be able to emerge from poverty, that's I think the key moral question when it comes to economics.

Bill Walton: Well and it's not, you make the point, and it's true, we take the benefits of free markets for granted. I mean we're surrounded everywhere by things that were created by the free market. And I love your story about the way entrepreneurs proceed and how we ended up with something everybody who owns a cat uses.

Jay Richards: Kitty litter, absolutely. It's an amazing story that I stumbled on when I was working on the book, this guy named Ed Lowe that was selling Fuller's clay and figured out, you know, maybe this stuff would be useful to help all these, in his view these kind of crazy cat people that have cats peeing in sandboxes.

Jay Richards: It seemed like a non-starter, it ended up being an amazing innovation, it's a very lowly innovation but it's now a multi billion dollar industry. This is the typical thing that entrepreneurs do. They don't hoard their wealth, they put their wealth at risk in pursuit of a vision which if it is fulfilled will inevitably serve some human need or desire.

Bill Walton: We've talked about the myths around free enterprise and capitalism and the kitty litter story I think really speaks to what you call the materialist myth. What's the materialist myth?

Jay Richards: The materialist myth is treating wealth as if it's merely transferred rather than created. I mean if you hear people say well so-and-so got more than his fair share, or he took more of the pie than someone else, that implies that the total amount of wealth is this fixed sum like a pot of gold or a cherry pie, when in fact in vibrant economies, of course, the total amount of wealth grows over time. We have this capacity to create wealth that was not there before.

Jay Richards: And so that suggests to me that wealth must be something more than mere matter, it's more than mere physics and chemistry. It has something to do with the activities of human creativity. And we know this intuitively that the iPhones. Apple did not get iPhones by stealing them all from homeless people, obviously, right? They participated in a process of wealth creation. That's actually a really interesting fact that I think explodes the idea that the only way to get wealthy is by taking wealth from someone else.

Bill Walton: So the ... coming back to ... one of the things you quote in here is Oliver Wendell Holmes says, "Think things, not words." What did he mean by that?

Jay Richards: It's perhaps my only quote that I ever used of Holmes honestly, but think things not words. In other words, don't allow just these terms with all your connotations, all these things you associate with it, to control the way you think. Think about reality.

Jay Richards: So rather than saying I don't like capitalism or you know, I don't like free enterprise, say okay well let's think about economic reality. What are the rules and principles that we know from studying history and economic reality, actual economic experiments that we just need to take on board.

Jay Richards: So the relationship between supply and demand or the price function. They don't care about your feelings. You want to know those things so the question is always okay, well what's economically true and then if we first ask that question, we think things. Economic reality rather than terms, I think we're much more likely to find a solution.

Bill Walton: So when we talk about an abstract word like socialism, you got to drill down and say okay, what does this really mean day to day?

Jay Richards: Yeah, what does it mean, what's the definition and also, when it's been applied, when people claiming to be socialists have actually tried to implement it in history, what has resulted. That's a relevant question, so people that advocate socialism can't just simply avoid the 40 or 50 or 60 actual socialist experiments.

Bill Walton: What are some good examples of socialism tried and failed?

Jay Richards: Obviously the late Soviet Union, certainly under Lenin and Stalin was a catastrophe that led to the deaths of millions of people. The communist revolution in China led to probably 65 million deaths. The most recent one of course is in Venezuela. People often say, well we don't believe in these violent revolutions, we want democratic socialism where you get socialism with the ballot box. They have that in Venezuela.

Bill Walton: What happened in Venezuela? Venezuela's cruising along, one of the wealthiest countries in the Americas, and then got new leadership, new leadership did what five things that caused it to crash? What did they do?

Jay Richards: The big thing of course it was initially Hugo Chavez who as a kind of left wing populist convinced enough voters that their system was unjust and so once he got into power he started nationalizing industry, so Venezuela has a huge petroleum industry, they started nationalizing that. They did the sorts of things that socialists do.

Bill Walton: Okay, so [inaudible 00:12:44], they nationalized petroleum. Now, okay, why is that a bad thing?

Jay Richards: Well that's a bad thing because if you've got a private company, it's going to have to compete for customers, right? It has to compete based on global prices, if customers don't like it they might go somewhere else. Well, whenever an industry is nationalized, we know this again from the 20th century, it becomes hugely inefficient and has a very difficult time responding to supply and demand, it lacks all the basic incentives. So if you have a company that is nationally owned, just think of the DMV, there's a reason you are treated differently at the DMV than you are treated when you go to say, Chick fil-A or MacDonald's, right? There's no competition for the DMV.

Bill Walton: I always get into the first class line at DMV.

Jay Richards: Yes, exactly. I always look for that, never find it. No but I mean this is the reality, in a socialist system, incentives are not to serve customers. Your incentive is to curry favor with whoever the regulator or the person in power is.

Bill Walton: So Venezuela nationalized the oil, what else did they do?

Jay Richards: Well they messed of course with currency, so it's sort of a cluster of different things. I think collectivization or nationalization of industry was the big thing, massive corruption which you know, socialists aren't the only form, that's not the only form of political corruption. But of course there is massive corruption so you lack the rule of law.

Jay Richards: This is what you often see in socialist countries. You have a government that's extremely large but doesn't even do the basic things the government is supposed to do which is to play a neutral umpire and to protect people from violating the rights of others. It ceased to do that, and very quickly it's ended up you know, one of the major basket cases in Latin America, and Maduro the new leader has continued Chavez's policy and it's anyone's guess what exactly is going to happen in the next few years. But as long as they maintain these policies, they're certainly not going to get out of the mess they're in.

Bill Walton: Well that brings us back to the United States, what's nationalized healthcare?

Jay Richards: Yeah, I mean this is the argument that essentially remember we were told before, we had this private free enterprise healthcare system prior to 2008 that needed to be reformed. In fact, we didn't. We had a kind of semi-socialist system already in which we had what economists call a third party payer in which the customer, that is the patient and the doctor, the provider.

Jay Richards: You don't actually know is a medical customer, but what the price of your goods is, so the thing we actually needed is to increase the supply and increase competition and healthcare would have increased the quality and brought the price down. Instead we centralized it partially under Obamacare and people are saying, well let's go ahead and totally centralize it. I mean this is absolutely crazy

and if you want to know what happened, just look at the three market segments in which government has been most involved.

Jay Richards: So you've got higher education which would be college. Healthcare, right? And banking, especially mortgage banking. These are the three places in our economy that generally tend to be messes and they're the three places where the federal government has had the most intimate involvement, unlike say, the internet and tech innovation in which you know, value goes up year on year.

Bill Walton: I make this point repeatedly. When we talk about all these institutions and industries, we're not talking specifically, they're not filled with bad people. They're filled with decent people, most of them, and they're trying to do the right thing as they see it, most of them. But institutionally you can't sit in Washington and decide what student loan programs are going to be, or what mortgage program ought to be. You need to be close to the action. Could you amplify?

Jay Richards: Yeah that's exactly right, I mean there's this sort of bias that people working in business [inaudible] were sort of venal and selfish motives whereas presumably government regulators act only for sort of altruistic motives. Of course, real human psychology and motives are complicated, but the truth of the matter is we always hear about the five or six bad actors in business. We don't hear about the tens of thousands of private companies and public companies that are serving their customers and actually creating value.

Jay Richards: But almost everything around us, Bill, it's been created by either a current or a past business. Everything we wear, every car we drive, every building we occupy, every house we live in. Those things are produced by businesses, and so this idea that those are the primary sources of evil in our country, I think we need to challenge that, we need to make people aware of the fact that first of all, human beings are sinful in any enterprise, so there are coaches and there are priests and there are schoolteachers that are selfish, but there's nothing uniquely selfish about business or about free enterprise.

Bill Walton: Well the way I think about it is you take two people, two kids, that both go to Penn State, one of them goes to work for I don't know, pick a big company, Microsoft. And the other one goes to work for the Department of Health and Human Services. And then, but they've had the same education, they come from the same neighborhoods, they have the same socioeconomic background, go to the same churches or not.

Bill Walton: And all of a sudden you fast forward 15 years later, one of them's the executive at Microsoft, the other one's a regulator at well I don't know, let's say the FCC. And one is presumed to have only good intentions, that's the regulator. And the Microsoft executive is presumed to have not good intentions.

Jay Richards: Only bad intentions, yeah.

Bill Walton: Break that down.

Jay Richards: I mean this is crazy because if you actually think, how do businesses in a law abiding country, right. So I'm not talking about Haiti, I'm talking about the United States or one of these beloved Scandinavian countries.

Bill Walton: Yeah I don't want to talk about them.

Jay Richards: Right? How do businesses generally succeed? Do they do it by ripping off their customers, by defrauding the public? No, generally they succeed by bringing prices down, providing goods and services in a better and more affordable way than their competitors.

Jay Richards: So yes they're competing against competitors, but they're also competing for your business. That requires that businesses that are going to succeed have to be other directed. In other words, yeah maybe they're interested in the bottom line, it doesn't mean that's not one of the motives. But they have to be focusing on the needs of customers.

Jay Richards: And so this is why George Gilder has often said and said for decades that enterprise, free enterprise is ultimately altruistic. Altruistic in the sense that altruism is about acting for the benefit of the other, that's the normal way that a business succeeds in this country.

Bill Walton: Well just in preparation for the show and a couple of other shows, I always like to curl up with my copy of Karl Marx's Selected Writings, and the-

Jay Richards: Well dog-eared, I see, yeah.

Bill Walton: ... well, The Communist Manifesto I've read pretty carefully, just because it's so really, what a work of fiction. Turns out that Karl Marx had never been in a factory, had never met a laborer, had never really been involved in any kind of private enterprise, he was an intellectual, wrote the book sitting in the British library, and he based a lot of it on reports from problems in factories that had been put together by agencies, I don't know what people were doing in England in 1840 or 1850 when he was writing.

Bill Walton: But it turns out that all the stuff that he claimed as terrible practices, 10, 20 years on, those industries, those factories, had fixed all the problems because they couldn't afford to have anybody working in those conditions, they wouldn't attract employees, their customers wouldn't like buying from somebody that was producing stuff in a bad factory, so the industry self regulated.

Jay Richards: Absolutely, I mean we have to always remember that in a competitive environment, there's competition for labor, so it's not like okay, there was just one factory and everyone had to work in that one factory, and as the country



got more prosperous, in this case England there was even more competition for labor.

Jay Richards: Bill, what I think that was the most telling prediction of Marx in the Communist Manifesto is he claimed that the wages of workers should go down under what he called capitalism and in fact, factories just a few miles away from where he was writing that at the time, wages were going up rather than down. So in other words, economic realities said exactly the opposite of what his theory said.

Bill Walton: We've got a lot to cover and we've got a short time to cover it, but I did want to cover something in a book that you wrote called The Human Advantage. And that really gets to this question, England got more prosperous, they paid higher wages in the factories, but then these higher wages caused businesses even back then to begin to automate, machines replaced people, horses were replaced by other things, but people generally were pushed out of old jobs and somehow they found new jobs.

Bill Walton: Let's fast forward to now, there's a lot of issues about what's going to happen when computers take over the world and there's going to be no jobs left for everybody else.

Jay Richards: That's the prediction is that sometime in the next 20 years, about 50% of all jobs are going to get automated and disappeared by either robots or really advanced smart computers. This kind of argument, Bill, this basic claim has been made for hundreds of years, it's just it has a kind of high tech twist to it. If that were true, if new technology permanently created unemployed people, all of human history would be a long depressing story of increasing unemployment.

Jay Richards: But of course, that's not what happens. What happens is that yeah, some old ways that we do things become obsolete and we find more efficient ways of doing it, but that opens us up to new and very often much better things and new jobs that we need to do.

Jay Richards: Now I'm not saying there's not going to be a problem, I do think that automation is going to lead to disruption, but the problem is not permanent technological unemployment, it's okay what do we do to help people transition during that disruption so that they find new and better, more productive things to do.

Bill Walton: Well it's also true though that there's many people that are not going to be able to make that transition. If you've been working in a factory and you're now expected to go be a healthcare worker, you may not have the skills, but I think we are saying that from generation to generation, we're wildly adaptable. And people are training to go into these new occupations which didn't exist before.

Jay Richards: No that's right and I actually think if anything we're more adaptable now, if you think of someone at the time of the American founding, right, in 1776, they lose

their family farm. They probably had literally nothing that they could do as a live alternative.

Jay Richards: Most people in the United States actually do have alternatives. Now it might be that if you're a long haul trucker, you're not going to be a healthcare worker, but it might be, and could be quite likely that with a little training you could do a skilled trade job for which there's millions of skilled trade jobs that remain unfilled because of simply lack of work.

Jay Richards: And so that's the kind of transition I would see. Everybody's not going to become a computer engineer, but we don't want everyone to become a computer engineer. There's going to be all sorts of so called white collar and mental work. There's also going to be a lot of physical work left to do.

Bill Walton: Well and also, I think it's true, we're graduating about twice as many kids as we need from college.

Jay Richards: Well that's exactly right. We're preferring college.

Bill Walton: There're tens of millions of jobs that are going, they're open.

Jay Richards: They're going unfilled because we have for decades preferred college education over-

Bill Walton: There's a kind of elitism that we got, yeah.

Jay Richards: ... that somehow that's inappropriate to human dignity to say, be an electrician or a painter or a landscaper. I think that's a serious mistake and I'm glad to see that some policymakers are starting to realize that.

Bill Walton: So, in the few moments we have, one thing I wanted to go back to in your book was the greed myth. Believing that the essence of free enterprise is greed.

Jay Richards: That's the key myth that I think sort of stumps everyone, the question's not whether there are greedy people, look I'm a Christian, I think that the human race is fallen, gather two or three people and there's going to be some greed in the mix. The question is whether free enterprise as a system is based on greed. That's absolutely untrue.

Jay Richards: If anything and this has been argued since Adam Smith first argued it, what free enterprise system does is it channels both people's ingenuity and their creativity into socially beneficial outcomes and it has the capacity even to channel our greed and our selfishness into beneficial outcomes.

Jay Richards: So the butcher, the brewer, the baker for instance, even if he or she is selfish, in order to make a profit, the best thing he can do is actually provide something

that people will freely buy. So markets, while they can channel greed, are absolutely not based on greed.

Bill Walton: Well and you also make the point that people can have impure motives but if they want their businesses to succeed, doesn't matter what their motives are, it matters whether they've created something the marketplace wants.

Jay Richards: That's exactly right.

Bill Walton: And you point out the guys from, that founded Home Depot, didn't exactly do it as, not as angels, maybe as fallen angels.

Jay Richards: Yeah, they wanted revenge over their former employer.

Bill Walton: So how's that story?

Jay Richards: Yeah, I mean they worked for Handy Dan, they essentially got fired, and got together and said okay, let's make a better competitor. But to make a better competitor, they didn't blow up Handy Dan, what they did is they created a company that was a heck of a lot better and now most people don't even remember Handy Dan. That's the market.

Bill Walton: The, explain, you quoted Adam Smith just a minute ago, and he came up with something and I'm not sure I completely understand which is the invisible hand of the market, which is if people acting like Bernie and like Arthur Blank get, and creating Home Depot, and there're all sorts of other people like that building their own businesses and they've got some buyers, somehow this self organizes in a way that he called the invisible hand.

Jay Richards: That's right. The idea is that this just happens under any circumstances, just get a bunch of people together and you're going to get an amazing well distributed market, but rather in what he called the natural system of liberty in which we have the rule of law and private property rights, all those things are in place.

Jay Richards: Then what happens is that people just pursuing their sort of ordinary interests, right, like well I need to make some money to pay for my daughter's braces, will participate in a system that creates wealth for everyone overall so that you have a system that is ordered and structured and looked designed but isn't designed intentionally by any one person.

Bill Walton: The book we're talking about that Jay has written is called Money, Greed and God and it's one of the best books I've come across in explaining how markets work, why they're moral, why they're good for people. Jay in this closing minute or two, do you want to describe for us again why, what your essential theme is in this?

- Jay Richards: Absolutely, if we ask the question okay, what economic system, that we know of, is best at allowing cultures to emerge from poverty, allow individual people including recent immigrants to go from poverty to relative wealth, that is best at channeling people's creativity and ingenuity, best allowing us to exercise our proper freedom. If we ask what system that is, there's only one answer and it's free enterprise. That's the central message of the book.
- Bill Walton: Great. Thank you.
- Jay Richards: My pleasure, good to be with you, Bill.
- Bill Walton: We've been talking with Jay Richards, author of the Money, God and Greed, highly recommend it, on Amazon. Lot to learn in here, we've covered about 2% of what I wanted to cover, which brings me to my next point, we're going to be continuing our conversation with Jay in our after show which will continue, we'll be on the internet, on the website for us and so, hope for you to join us there as well for the continuation of a conversation with a very smart economist and moral philosopher, Jay Richards.
- Speaker 1: Thanks for listening, want more? Be sure to subscribe at the Bill Walton Show dot com or on iTunes.