

Capitalism needs controls to be moral

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London Free Press Feb. 19, 2011

Extreme differences between wealth and poverty raise important ethical questions about equality, justice, and compassion. In general, good ethical principles urge those with great wealth to share some of it with those who have little. The definition of wealth could be extended beyond money and include housing, food, health care, education, and other measures of well-being. These features represent wealth, but their absence constitutes poverty.

Government policies such as the collection of income taxes, are meant to equalize, or at least narrow the gap between the rich and the poor. Whether this approach is effective in limiting the highest income earners is questionable. It may, however, reduce the differences between the living standards of middle and lower income earners. On the other hand, harmonized sales taxes (HST) do *not* have the effect of bringing the poor and the rich closer together.

Except for the relatively few philanthropists, those who are wealthy argue that they have worked hard to acquire their wealth. Many prosperous citizens credit wise management such as planning ahead, judicious decisions, and expedient savings. Lower income citizens see the world differently. They view their work as being at least equally hard and with few luxuries or comforts. Some educational goals lie beyond their reach and health care such as dental work, eye examinations and nutritious food may not be within their means.

The wealthy speak fondly of the *capitalist* system, a term used almost synonymously with democracy, although capitalism also flourishes within both communism and dictatorships. Unfortunately, the inequalities between wealth and poverty in western world capitalism have grown in the past forty years.

Long ago, Adam Smith (1723-1790) in his *book Wealth of Nations* addressed the problems caused by extreme capitalism. Although Adam Smith is frequently quoted by hard-nosed capitalists, he was conscientious in his desire to help the poor. As well as being a distinguished economist, Adam Smith was for a time a moral philosopher at the University of Glasgow. He empathized with the burdens of the labouring class and wrote about the need to develop systems of sharing. To paraphrase his plan, it can be described simply as the government developing controls that worked like a “bungee cord.” When the wealthy became too far above the middle wage earners,

the government could use regulations to draw the wealthy back down to a level closer to the middle wage earners. When the poor became too needy, regulations pulled their level up like a bungee cord, towards the middle wage earners.

Another writer of the same era, John Ruskin (1819-1900), expressed, in his book *Unto This Last*, the need to restrict the limits of extreme capitalism. He tells the story of a village blacksmith who shod horses for the price of \$1:00 per shoe. When a stranger came through town with his horse, which had lost a shoe, the unfortunate traveler was more or less at the mercy of the blacksmith. There was no solution except to replace the missing shoe before he could travel further. In this case, the unethical blacksmith put his most aggressive capitalist impulses to work and charged \$10:00 per shoe. Ruskin used this story to point out that capitalism needs controls if it is to be a moral system.

We can't easily make comparisons between today's prices and those of 100 years ago, but we can question how much is too much for today's highest paid workers. An interesting article appeared in the Jan. 7th London Free Press about Senator Raymond Lavigne, who earned nearly \$390,000 in salary over the past three years and ran up an expense account of approximately \$320,000 for the same period, a total of \$703,855. Also in the Free Press, we read of Canadian executives earning over \$24,217,040 in one year. In 2009, Hunter Harrison earned \$17,343,160 as Chief Executive Officer of Canadian National Railways. Reading this, I thought about the old rusty green CNR overpass on Oxford Street. I wondered how much it would cost Hunter Harrison to arrange for a much needed new paint job.

Since the rich are getting richer and the poor are getting poorer, perhaps it is time to bring out that ethical bungee cord again.