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PEGASUS

A NEWSLETTER FOR THE CAUX ROUND TABLE FOR MORAL CAPITALISM
NETWORK LOOKING AT BUSINESS ABOVE THE CLUTTER AND CONFETTI



Pegasus

Introduction by Rich Broderick	Page 2
Socialized Capitalism: A New Challenger to Moral Capitalism by Stephen B. Young	Page 4
The Will to Creative Power: Nietzsche and the Birth of Existential Freedom by Rich Broderick	Page 37
Outro by Michael Hartoonian	Page 39

Introduction

Our first article in this month's *Pegasus* is written by Stephen B. Young, Global Executive Director of the Caux Round Table for Moral Capitalism.

In detail and wide dimension it examines the distinctions between what he describes as Custodial vs. a Moral – and sustainable – form of Capitalism governed by individual foresight and optimism.

In much of the post-Industrial Age of the world's most prosperous nations, the word "neo-liberalism" often takes on a definition that is problematic at best when not condemned outright.

As the word suggests, neo-liberalism is the new or current form of what in the mid-19th Century came to be known simply as "liberalism." Pioneered in England, Liberalism back then had essentially two components, one of which would most likely be rejected by the majority of individuals who embrace the political philosophy that today is called "liberalism."

This earlier definition of Liberal was a form of governance that a.) promotes the expansion of the right to vote and participate by other means in political decision-making at every level of government and b.) strictly adheres to laissez-faire capitalism in which, to the degree possible, industry and commerce are allowed to operate without government oversight or regulation.

In an ironic twist, these principles are espoused with certain exceptions by contemporary conservatives, most whom embrace both definitions of "liberalism." An outlier to this definition of conservatism is the one promoted by "social" conservatives who back a hands-off philosophy of government regulation of the economy while at the same time supporting a larger role by government and especially self-appointed moral elites in what is social and individually permitted for the population as a whole. Needless to say, this dichotomy creates a degree of tension among conservatives.

Today, of course, "liberal" and "liberalism" have come to mean a belief not only in opening up participation in the political system but also the essential need for government to intercede in the economy to promote fairness and justice. This calls for a more even distribution of wealth, while at the same time embracing shall we say, a "laissez faire" approach to social and individual morality. In the past several decades, this form of liberalism is often called "social democracy."

As Marx, who embraced Hegelian philosophy, rightly proclaimed, political systems are formed by the economic system out of which they rise. The Age of Capitalism as he called it he did not condemn but actually praised for having spawned unprecedented wealth -- between the beginning and the middle of the 19th Century, the GDP of England had multiplied by more than 300 percent and today boasts average incomes 30 times higher than in 1800. But now, the time had come, as Marx declared in the Communist Manifesto, for some form of centralized redistribution of wealth according to the dictum of "From each according to his ability to each according to his needs."

For some 30 years now, The Caux Round Table has advocated for what it calls “Moral Capitalism.” Such a form of capitalism is one that adopts, without political interaction, one that we also call a “sustainable” capitalism in which industries and individual enterprises embrace a “stakeholder” rather than merely “shareholder” form of capitalism. In other words, a system in which companies provide a return not just to a limited number of shareholders but also to the employees, region, citizens and, ultimately, the natural environment as a whole. A capitalism that promotes a long-term vision of the future rather than one governed by goals for the next quarter’s returns.

Such a sustainable form of capitalism also implicitly accepts the idea of individual governance rather than a “Divine Word” that can be altered only by God and not in any way by human beings. It may seem odd, but Moral Capitalism can also be described a form of optimistic existentialism – one that differs quite dramatically from more familiar forms of pessimistic existentialism.

Our second article in this issue of *Pegasus* is one I composed. It examines the concepts of Nietzsche of this famous – and to some degree infamous – philosopher. Contrary to the common belief when Nietzsche declared “God is dead,” he had not collapsed into despair but into a guarded optimism about the freedom to govern our own lives that the loss of faith in the unlimited power of God or Gods. This power was now in our hands to use wisely or with a failure to foresee the outcome of decisions made by individuals and societies as a whole.

Shall we act in ways that sustain individual freedoms and the right to chose or collapse into the dung-heap of systems like Communism and Fascism? Which do we prefer? It’s up to us. In a nutshell, he outlined the nature of faith in our ability to choose wisely and well.

That faith in our ability to choose wisely and well, without capitulating to faith in some Divine Order, is essentially the same faith encapsulated in CRT’s definition of “Moral Capitalism.”

Read on. And keep the faith. It proclaims our power to create a world that grows ever closer to our most profound hopes for tomorrow.

Sincerely,

Richard Broderick
Director of External Relations
Caux Round Table for Moral Capitalism

Socialized Capitalism: A New Challenger to Moral Capitalism

Stephen B. Young

When I wrote my 2004 book as a proposal for a moral capitalism based on the Caux Round Table Principles for Business, I thought of the principal alternative to a moral capitalism as a “brute” capitalism, a decentralized system structured by the ideal of social Darwinism and the rules of market fundamentalism, Marxism no longer possessing any intellectual credibility.

Today, there is a new challenger to moral capitalism. Many today speak of a capitalism which can be managed to deliver public goods, such as an end to global warming and social justice. What is recommended is a managed capitalism, where businesses, non-profits and government are jointly guided by a professional and caring elite.

Recently, Professor Jeffrey Sachs on CNN made a moral case for such a custodial capitalism: it would be “doing the Lord’s work, not only in scriptural terms to lift the poor, but in patriotic terms to fulfill America’s founding credo that we are all created equal.”

Sachs believes that providing such social justice is “as pragmatically achievable as it is morally right.” He agrees that the U.S. federal government budget is a “moral document that exposes the priorities and values” of the nation. Such a system should coordinate American lives to “end – once and for all – the oligarchy of rich whites by creating an America in which all are equal at the voting booth, the school, the clinic and the workplace.”

Sachs’ devout conviction about the desirability and efficacy of such a custodial capitalism applies to all countries – even Afghanistan – ending the oligarchies of their rich and bringing equality to all their citizens at the voting booth, school, clinic and workplace.

Here is a proposed confluence of public power, cultural priorities and wealth creation with the inter-relationships among those social sectors intentionally managed rationally and legalistically by trained experts allocating investment funds and setting key performance indicators.

In TIME Magazine’s April 26th issue, an *Ideas* commentary stated that: “There

are three key pillars to a new managed market approach: effective regulation, sizable private investment and careful macroeconomic supervision. A managed market requires centralized, accountable institutions embracing their power to create stable and competitive markets where innovation can flourish and labor shares in the wealth. ... when an accountable state effectively manages markets, those markets can create widely shared, stable prosperity.” The title of the commentary was: “The Free Market is Dead. What will Replace it?”

Jeffery Sachs and TIME Magazine are not alone in proposing a new paradigm for wealth creation by human societies.

Two years ago and not unrelated to the search for a new and more reassuring model of capitalism, the Business Roundtable adopted a vision statement for American corporations: to put stakeholders first as those who should “profit” from business success:

While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders. We commit to:

- *Delivering value to our customers. We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.*
- *Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.*
- *Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.*
- *Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.*
- *Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders.*

Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country.

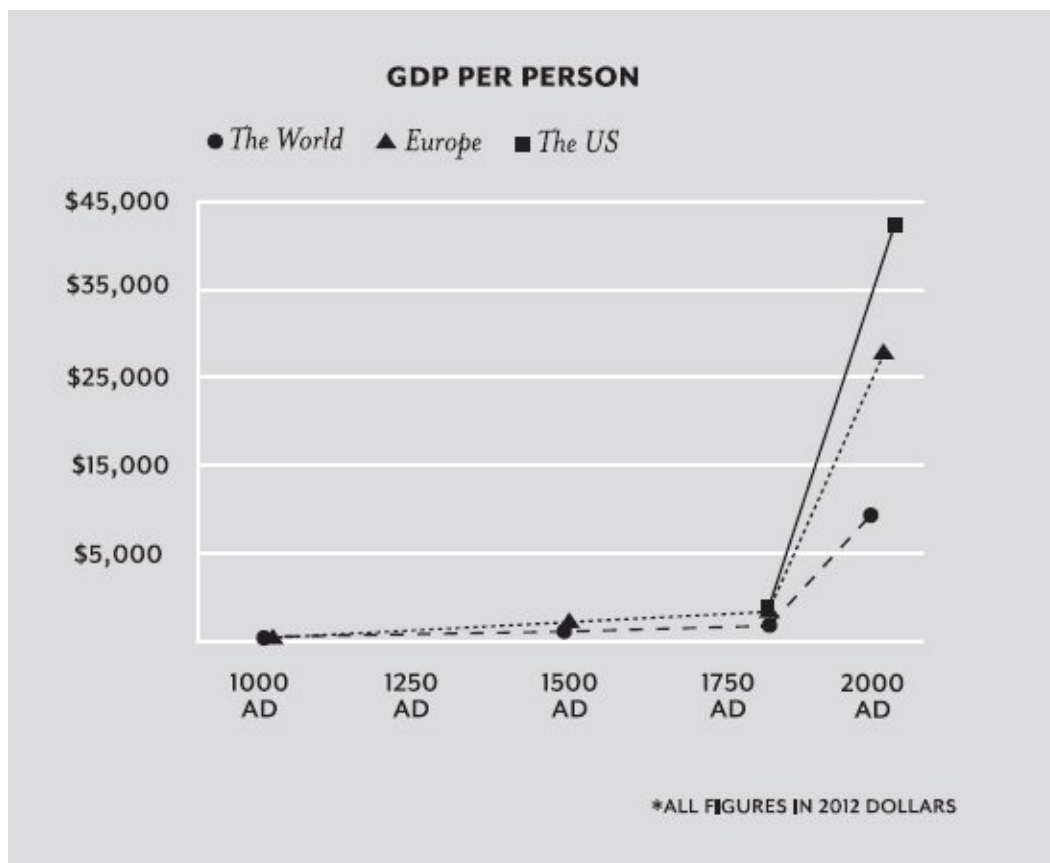
One prominent, but very controversial and extreme example of a socialized capitalism is now overseen by the Chinese Communist Party in what we might call capitalism with “Chinese characteristics.” This modality of capitalism now

has a socialized purpose: “common prosperity.” Achieving “common prosperity” will require empowering workers and the disadvantaged and limiting the income and wealth of those who own private capital. Communist Party leader Xi Jinping describes “common prosperity” as an “essential requirement of socialism.”

To achieve such socialized outcomes, the state takes custody over the use of capital. We can also think of such a social ideal as “custodial” capitalism.

Moral capitalism links private interest with the public good through the decision of autonomous moral agents. Moral capitalism is a theory of agency, of individual responsibility, not of socialized or custodial management of firms. Moral capitalism does not deify the state, but respects the autonomy of both the state and civil society. Moral capitalism is a dynamic systems theory of interdependence among business, government and civil society decentralizing decision-making and value optimization to those whose office it is to work.

The goal of moral capitalism is to raise living standards through wealth creation, drawing on social and human capitals for innovation, investment and making goods and services available to others for purchase. The achievement of capitalism, to date, in raising wealth has been:



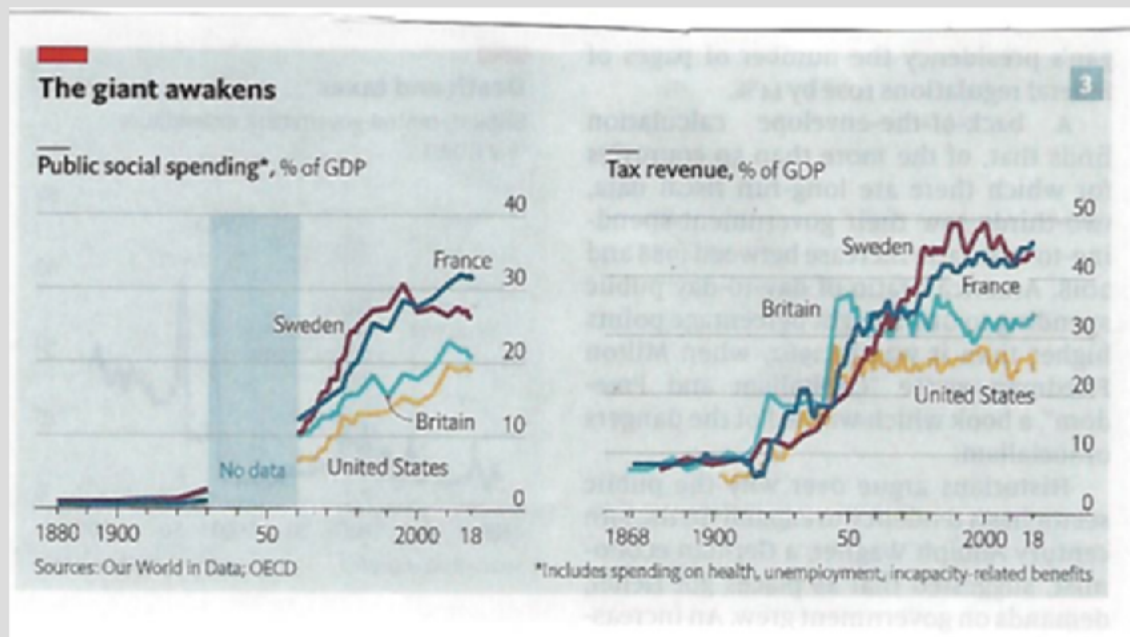
The intentional optimization of social and human capitals in moral capitalism “socializes” wealth creation, guiding it away from producing only private goods to also providing society with quasi- private/public goods, quasi-public/private goods and fully public goods, including avoidance of public “bads.”

Moral capitalism degrades into “brute” capitalism whenever social and human capitals are abused or ignored as necessary factors of production leading to optimal profitability.

Successful moral capitalism provides government with revenues through fees and taxes paid and civil society with revenues through donations and purchases of goods and services. Both government and civil society depend on the wealth created by moral capitalism for their funding. Wealthy OECD countries have governments which are better funded and civil societies which are more robust than do poor countries.

Moral Capitalism

Capitalism and State Effectiveness



Socialized Capitalism

The goal of socialized capitalism is to direct private interest towards the creation of public goods, which includes avoiding the imposition of “bads” on the public, as well. Another current way of conceptualizing socialized capitalism is to speak of “net impacts.” Firms are expected to increase the net value of their externalities – maximize good impacts and minimize bad impacts.

Socialized capitalist idealism can be seen in the environment, society and governance (ESG) movement among investment funds.

It is also touted by woke advocates in the U.S. who pressure private firms to evangelize their employees to eschew white privilege and systemic racism. Many of these advocates further demand that all organized power structures, including private firms, provide preferential advantages to those employees not classified as heterosexual, cis-gendered, Caucasian males.

Socialized or custodial capitalism is the successor variant of capitalism as proposed by the business ethics movement of the early 1990s, the corporate social responsibility movement of the late 1990s and then the sustainability movement, seeking implementation of the U.N. 2030 Sustainable Development Goals.

What these movements have in common is to stand outside private firms looking in and gratuitously setting objectives for them without accepting any responsibility for their success or failure in achieving such goals.

A socialized capitalism is one where private property still has a role to play, but one quite submissive to state direction and supervision. Private ownership is restricted to become something like a constructive trust at common law, a joint venture, a usufruct where private appropriation is permitted subject to conditions to be imposed by others, rather like a leasehold interest protecting the asset value of the owner who holds title. The result is a blend of public and private interests in the same property holding.

Assets, goods and services have both public and private components. If the public good component is paramount, the assets, good or service can be called a quasi-public good. If the private good component is robust, the asset, good or service can be called a quasi-private good.

Socialized capitalism privileges the public good components of property and services as the basis for its regulation of the economy. Public good is favored, while private good is suspect as mostly an object stimulating greed and exclusion of others. One thinks of stern Victorian nannies dressing down wayward boys and upbraiding self-absorbed little girls: “No cookies and milk for you today! We know what is best for you in the long-run.”

The Problem

Having faith in custodians to make a new heaven on this earth is a foolish dream of those who have an existential mistrust in the capability of persons – individuals and in groups – to be wise and just and so to manage their affairs for the best. To use a biblical example, we might say that, as an alternative to trusting other persons, we elevate a few chosen custodians in our esteem and give them charge of our destinies, as we might supplicate golden calves for our protection and prosperity. A golden calf is a social imaginary constructed in our minds by an act of psychic self-abasement designed to counterbalance and assuage our inner fears with dependency on and supplication of an all-powerful “other.”

Plato did not trust individuals to put reason in charge of their emotional lives. Therefore, he recommended that philosopher kings – as golden calves – hold all sovereign power over the community.

In China, the pragmatic activist Mozi (470-391 BCE) believed that “In the beginning of human life, when there was yet no law and government, the custom was “everybody according to his own idea.” Accordingly, each man had his own idea, two men had two different ideas and ten men had ten different ideas -- the more people, the more different notions. And everybody approved of his own view and disapproved the views of others and so arose mutual disapproval among men. As a result, father and son and elder and younger brothers became enemies and were estranged from each other, since they were unable to reach any agreement. Everybody worked for the disadvantage of the others with water, fire and poison. Surplus energy was not spent for mutual aid; surplus goods were allowed to rot without sharing; excellent teachings (Dao) were kept secret and not revealed. The disorder in the (human) world could be compared to that among birds and beasts.” (*Identification with the Superior I*)

Mozi’s solution to this inherent distemper in human nature was submission before a ruler with all power.

Like Mozi, Thomas Hobbes insisted that “Whatsoever therefore is consequent to a time of war, where every man is enemy to every man; the same is consequent to the time, wherein men live without other security, than what their own strength and their own invention shall furnish them withall. In such condition, there is no place for industry; because the fruit thereof is uncertain; and consequently no culture of the earth; no navigation, nor use of the commodities that may be imported by sea; no commodious building; no instruments of moving and removing such things as require much force; no knowledge of the face of the earth; no account of time; no arts; no letters; no society; and which is worst of all, continual fear, and danger of violent death; and the life of man, solitary, poor, nasty, brutish and short.” (*Leviathan*, i. xiii. 9)

Hobbes, therefore, recommended giving all power to the state as a great beast, a leviathan, which would provide security through enforced civil obedience.

The problem with making some of us into golden calves is that their human nature goes with them, as they are elevated above the rest of us. Those who set themselves up as rulers, wise and just, still have an Achilles heel of combining pride, hubris and corruption of their morals. The question these autocratic regimes put before humanity is: who shall guard the guardians? (*Quis custodiet ipsos custodes?*)

Lord Acton is quoted to this point, saying “Power tends to corrupt and absolute power corrupts absolutely.”

Transfer Payments

One method for the state to increase the public benefit to be obtained from quasi-public and quasi-private goods is to provide transfer payments to consumers of such goods and services. With transfer payments for services such as education, health, care for seniors and the disabled and food, which are private goods with positive public externalities, consumption of such goods will increase and so the “social” impacts of having more educated and healthy members of the community will also increase. Much of President Joe Biden’s proposed spending is to increase social enjoyment of public goods with transfer payments to individuals to help them access private consumption having positive public impacts.

In other transfer payments, President Biden has proposed hiring some 10,000 to

20,000 workers to deliver projects limiting global warming; spending \$180 billion on research and development of clean energy and related new technologies; \$50 billion on semiconductors; \$300 billion to manufacture new products; and \$100 billion for additions to the country's energy infrastructure. With such transfer payments, the state acts as a consumer, buying what the private market is not producing.

Taking Custody of Transactions

In other proposals, President Biden goes beyond having the state function as a consumer of goods and services to having it supervise and manage economic activity, including individual transactions among firms and between firms and employees.

He proposes to give more decision-making authority to unions through banning right-to-work laws and safeguarding union elections and to establish a "Grid Deployment Authority" within the U.S. Department of Energy to support the construction of high voltage transmission lines.

President Biden established a White House Competition Council within the Executive Office of the President to coordinate, promote and advance federal government efforts to address overconcentration, monopolization and unfair competition in the private sector. With respect to patent law, he wants to avoid the potential for anticompetitive extension of market power beyond the scope of granted patents and to protect standard-setting processes from abuse.

To ensure Americans have choices among financial institutions and to guard against excessive market power, the Attorney General, in consultation with the Chairman of the Federal Reserve, Chairman of the Federal Deposit Insurance Corporation and the Comptroller of the Currency, is encouraged to review current practices and adopt a plan, not later than 180 days after the date of this order, for the revitalization of merger oversight under the Bank Merger Act and the Bank Holding Company Act.

President Biden views the state as determining what is "fair" in economic transactions, fairness being a socialized standard of permissible conduct. Under his new regulations, the government will seek to curtail the unfair use of non-compete clauses and other clauses or agreements that may unfairly limit worker mobility; unfair data collection and surveillance practices that may damage competition, consumer autonomy and consumer privacy; unfair anticompetitive

restrictions on third-party repair or self-repair of items, such as the restrictions imposed by powerful manufacturers that prevent farmers from repairing their own equipment; unfair anticompetitive conduct or agreements in the prescription drug industries, such as agreements to delay the market entry of generic drugs or biosimilars; unfair competition in major internet marketplaces; unfair occupational licensing restrictions; unfair tying practices or exclusionary practices in the brokerage or listing of real estate; and any other unfair industry-specific practices that substantially inhibit competition.

The Cultural Genealogy of Socialized Capitalism

In France, Jean-Jacques Rousseau was distressed that “Man is born free, but everywhere he is in chains.” To provide both liberty and fair treatment for all, Rousseau proposed that the wise among us should create a social program – an idealistic “general will” seeking the good of all – and should be given all power in the state to implement their program.

During the French Revolution, the Jacobins made a God out of reason, replacing Christianity with secular rationalizing. Their “enlightenment” propelled them to create a new earth under a new heaven. Their chosen contractor for building out their design was the State, public power given totalitarian authority over culture, society, politics, the economy and individuals.

Rousseau’s model of how to achieve the just society became the actual political templates for Lenin’s Soviet Union, rightly guided by a vanguard party of Bolsheviks and for Hitler’s German Reich, rightly guided by a Fuhrer and other senior leaders of the National Socialist German Workers Party.

The Jacobin episode, in many ways institutionalized by Napoleon during his dictatorship, set up a conceptual golden calf before which humanity would submit in grateful supplication. Recent Papal encyclicals have denigrated such subjugation of our lives before the merely human as “anthropocentrism.” Catholic teachings encourage us to conclude that such hubris, which goads to believe that indeed we can build out a marvelous heaven on earth, is, really, the driving force behind many of the threats and challenges we face today, such as global warming, concentrations of wealth, terrorism and war. Such hubris is a cognitive bias, preventing us from accepting our responsibilities to one another in all humility.

Germany

In 1821, the German philosopher Georg Wilhelm Friedrich Hegel followed Rousseau to marry his idea of Reason (*Begriff*) to the state.

It is said about Hegel that he proclaimed the legal state to be the final culmination of the embodiment of right, subsuming family and civil society in order to bring them to perfection. He called the union of all three “ethical life” (*Sittlichkeit*), giving the state and its officers control over culture and values.

An individual’s “supreme duty is to be a member of the state,” Hegel wrote in *Elements of the Philosophy of Right*, section 258. “It is only through being a member of the state that the individual himself has objectivity, truth and ethical life.” The state and its workers, thus, take on religiosity, a duty to evangelize and proselytize the citizens into psycho-social conformity with the “right,” which acts through the administration of public power. Thus, does the state, for Hegel, attempt to make all citizens “ethical.”

In 1875, two German socialist parties merged, adopting a platform which promoted a “national,” as opposed to an “international,” socialism. The “nationalist” Gotha Program was ambitious: “The socialist labor party of Germany endeavors by every lawful means to bring about a free state and a socialistic society, to effect the destruction of the iron law of wages by doing away with the system of wage labor, to abolish exploitation of every kind and to extinguish all social and political inequality.”

The new party proposed that the German state adopt the following policies:

1. The widest possible expansion of political rights and freedom according to the foregoing demands.
2. A progressive income tax for state and municipality instead of all those existing, especially in place of the indirect tax which burdens the people.
3. Unrestrained right of combination.
4. Shortening of the working day according to the needs of society. Abolition of Sunday labor.
5. Abolition of child labor and all female labor injurious to health and morality.

6. Protective laws for the life and health of the worker. Sanitary control of the homes of the workers. Supervision of the mines, factories, workshops and hand industries by an officer elected by the people. An effectual law of enforcement.
7. Regulation of prison labor.
8. Full autonomy in the management of all laborers' fraternal and mutual benefit funds.

Karl Marx was not very happy with the Gotha Program. The program was national only, not international, saying "The working class strives for its emancipation first of all within the framework of the present-day nation state." Marx grouched that this conceived the workers' movement from the narrowest national standpoint "in opposition to *The Communist Manifesto* and all earlier socialism." But the genie of national socialism, of socialized capitalism, was now out of the bottle of ideas and in the real world to become part of the human drive for progress.

In the 1880s, Otto von Bismarck, Chancellor of Germany, brought about the first modern welfare state. He sought to marginalize the socialist party with its Gotha Program by adopting some of the most beneficent proposals to improve the lives of workers and their families. He justified his reforms as achieving "practical Christianity." His program included sickness insurance, accident insurance, disability insurance and a retirement pension, none of which were then in existence to any great degree.

This German jurisprudence of using state laws and administrators to improve society was immediately seconded in the U.S. by the progressive movement under the leadership of Theodore Roosevelt and Woodrow Wilson and supported by university trained intellectuals.

We might say that while international socialism maintained the dialectical materialism of Marx, its cognate "national" socialism was more Hegelian. National socialism privileged the noumenal over the material, the *geist* (spirit) over the forces of production. National socialism began with culture as the frame of systems and not as a dependent superstructure. And culture is found in peoples, communities – *volks-gemeinschaft* in German.

Hegel's teachings on the superiority of reason for the organization of human communities was adopted after the American Civil War by an elitist movement to build universities, to value science over faith and to train expert professionals to run the state and society. The model for promoting the "rationalization" of

American culture, politics and economy from the elite down to the masses was Johns Hopkins University in Baltimore, founded to imitate Heidelberg University in Germany.

United Kingdom

While Otto von Bismarck and the German socialists were competing to establish a welfare state, in the United Kingdom, labor unions and the Fabian Society sought similar ends. But they never deified the state in German fashion, keeping their socialism within the British constitutional commitment to the rule of law and circumscribed state authority. The constitutional principal first enunciated by Bracton in 1267 was *non sub homine sed sub deo et lege* – “Not under persons, but under God and the law.”

Immediately upon its inception in 1884, the Fabian Society began attracting many prominent contemporary figures drawn to its socialist cause, including George Bernard Shaw and H. G. Wells. Fabians, Sidney and Beatrice Webb, Graham Wallas and George Bernard Shaw founded the London School of Economics in 1894.

At the core of the Fabian Society were Sidney and Beatrice Webb. Together, they wrote numerous studies of industrial Britain, including alternative co-operative economics that applied to ownership of capital, as well as land. The Fabians, in favor of a capitalist welfare state modelled on the Bismarckian German model, lobbied for the introduction of a minimum wage in 1906 and for the creation of a universal healthcare system in 1911.

The British Labor Party was founded in 1900, having grown out of the trade union movement and socialist parties. It has never sought to impose a dictatorship, but always sought to achieve its policy goals through the process of parliamentary elections.

In 2019, the British Labor Party proposed a “green industrial revolution,” saying “We must confront this change while dealing with the growing inequality and insecurity in Britain. Labor led the U.K. Parliament in declaring a climate and environmental emergency. The next Labor government will lead the world in fighting it, with a plan to drive up living standards by transforming our economy into one low in carbon, rich in good jobs, radically fairer and more democratic.” The party also proposed an economic order where “Work should provide a decent life for all, guaranteeing not just dignity and respect in the workplace, but also the

income and leisure time to allow for a fulfilling life outside it.”

France

As the 19th century came to a close, a national socialist movement arose in France called syndicalism. It proposed not international collaboration of proletariats, but a national mode of organizing production through worker organizations at the firm level. Georges Sorel wrote his book, *Reflections on Violence*, to promote the syndicalist opposition to the bourgeoisie order of production and politics.

Italy

Then, in 1919, in Italy, Mussolini founded a national socialist party he called *fasci italiani di combattimento* or Fascist Combatants. Mussolini had been a socialist of the syndicalist school of local action, a proponent of Sorel’s fascination with myth and civic violence. The policy objectives of Mussolini’s new fascist party echoed the Gotha Program:

- The formation of a national council of experts for labor, for industry, for transportation, for the public health, for communications, etc. Selections to be made of professionals or of tradesmen with legislative powers and elected directly to a general commission with ministerial powers.
- The quick enactment of a law of the state that sanctions an eight-hour workday for all workers.
- A minimum wage.
- The participation of workers’ representatives in the functions of industry commissions.
- To show the same confidence in the labor unions (that prove to be technically and morally worthy) as is given to industry executives or public servants.
- Reorganization of the railways and the transport sector.
- Revision of the draft law on invalidity insurance.
- Reduction of the retirement age from 65 to 55.
- A strong progressive tax on capital (envisaging a “partial expropriation” of concentrated wealth).

Germany Under National Socialism

The next year, 1920, in Germany, the new National Socialist German Workers Party adopted its policy demands: "We demand that the state be charged first with providing the opportunity for a livelihood and way of life for the citizens."

Among their specific demands for state governance of economic conditions were:

All citizens of the state shall be equal as regards rights and obligations.

The first obligation of every citizen must be to productively work mentally or physically. The activity of individual may not clash with the interests of the whole, but must proceed within the framework of the whole for the benefit for the general good. We demand therefore:

Abolition of unearned (work and labour) incomes. Breaking of debt (interest)-slavery.

In consideration of the monstrous sacrifice of life and property that each war demands of the people, personal enrichment due to a war must be regarded as a crime against the nation. Therefore, we demand ruthless confiscation of all war profits.

We demand nationalization of all businesses which have been up to the present formed into companies (trusts).

We demand that the profits from wholesale trade shall be shared out.

We demand an expansion on a large scale of old age welfare.

We demand the creation of a healthy middle class and its conservation, immediate communalization of the great warehouses and their being leased at low cost to small firms, the utmost consideration of all small firms in contracts with the state, county or municipality.

We demand a land reform suitable to our needs, provision of a law for the free expropriation of land for the purposes of public utility, abolition of taxes on land and prevention of all speculation in land.

We demand struggle without consideration against those whose activity is injurious to the general interest. Common national criminals, usurers,

profiteers and so forth are to be punished with death, without consideration of confession or race.

We demand substitution of a German common law in place of the Roman law serving a materialistic world order.

The state is to be responsible for a fundamental reconstruction of our whole national education program, to enable every capable and industrious German to obtain higher education and subsequently introduction into leading positions. The plans of instruction of all educational institutions are to conform with the experiences of practical life. The comprehension of the concept of the state must be striven for by the school [Staatsbürgerkunde] as early as the beginning of understanding. We demand the education at the expense of the state of outstanding intellectually gifted children of poor parents without consideration of position or profession.

The state is to care for the elevating national health by protecting the mother and child, by outlawing child labor, by the encouragement of physical fitness, by means of the legal establishment of a gymnastic and sport obligation, by the utmost support of all organizations concerned with the physical instruction of the young.

Walter Lippman, the noted 20th century American public intellectual, waxed eloquent in his 1929 book, *A Preface to Morals*, about the dawning of a new age for humanity. He had concluded that the intellectual and emotional acids of modernity, forms of cognitive bias, had brought about a loss of certainty, a culture and political regime where “Whirl was king, having driven out Zeus.”

Humanism and science were to now dethrone whirl and re-establish moral authority, creating for humanity a “great society.” Science was a high religion, capable of maturing human character.

Lippman’s optimism on how a new socialized economics could be instituted by experts was based on thoughts such as these: *The motives and habits of mind which ... are brought into play at the very heart of modern civilization are mature and disinterested. Following scientists, leaders have developed an elaborate method for detecting and discounting their prejudices.*

One conclusion Lippman drew from his optimism about the new stage of human evolution was a conviction that market capitalism had to be replaced with new institutional arrangements. He was convinced that: *For the notion that an intricate and delicately poised industrial mechanism could be operated by uneducated men snatching competitively at profits [had been] exposed as a simple-minded delusion.*

Naïve capitalism therefore was deeply at variance with the real character of modern industry. For any person to pursue their own interest in their own way is a fairly certain way to disaster.

The theory of natural liberty is fallacious. The only kind of liberty which is workable in the real world is the liberty of the disinterested man, of the man who has transformed his passions by an understanding of necessity.

The socialists are right, as the early Christians were right, in their profound distrust of the acquisitive instinct as the dominant motive in society.

United States

Lippman thought that the Bolsheviks and fascists were more realistic than the naive capitalists in seeking an “oligarchy of dictators as a conscious, enlightened, superior and heavily armed minority, as trustees to administer the industrial machine for the common good.” But Lippman was wise enough to realize that modern industry was too complex to be successfully managed by a few: “A mature industry because it is too subtly organized to be run by naively passionate men, puts a premium upon men whose characters are sufficiently matured to make them respect reality and to discount their own prejudices.”

To govern the state, Lippman similarly proposed giving power not to politicians, but to “statesmen,” personages who gets citizens to “realize and assent to those hidden interests of theirs which are permanent because they fit the facts and can be harmonized with the interests of their neighbors.” The politician says “I will give you what you want.” The statesman says “What you think you want is this. What is possible for you to get is that. What you really want, therefore, is the following...” To govern as a statesman would require the insight which comes only from an objective and discerning knowledge of the facts and a high and imperturbable disinterestedness.

The business of the moralist is to elucidate ideals by which to civilize the

passions. A mature understanding of the place for passions in an adult environment, Lippman thought, would transform them into public goods.

Lippman, in effect, summarized the heritage of national socialist thinking with a formula for intellectual, cultural, social, political and regulatory action: there should be custodial supervision of the immature and the infantile among us. What was missing was a cadre of platonic philosopher kings, who lived above crass and tawdry worldliness.

After World War II

After World War II, under the aegis of the United Nations mission to end wars, an international standard of right living was proclaimed in the 1948 Universal Declaration of Human Rights.

The declaration provided, in part, for individual entitlements:

Article 22

Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each state, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.

Article 23

Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment. Everyone, without any discrimination, has the right to equal pay for equal work.

Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity and supplemented, if necessary, by other means of social protection. Everyone has the right to form and to join trade unions for the protection of his interests.

Article 24

Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.

Article 25

Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing

and medical care and necessary social services and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

An American Green New Deal

In 2019, a number of members of the U.S. House of Representatives introduced legislation for the federal government to, in effect, take custody of the American economy in order to achieve certain beneficial outcomes. The legislation set goals for the economy as follows:

*Resolved, That it is the sense of the House of Representatives that
— it is the duty of the Federal Government to create a Green New Deal:*

(A) to achieve net-zero greenhouse gas emissions through a fair and just transition for all communities and workers;

(B) to create millions of good, high-wage jobs and ensure prosperity and economic security for all people of the United States;

(C) to invest in the infrastructure and industry of the United States to sustainably meet the challenges of the 21st century;

(D) to secure for all people of the United States for generations to come (i) clean air and water; (ii) climate and community resiliency; (iii) healthy food; (iv) access to nature; and (v) a sustainable environment;

(E) to promote justice and equity by stopping current, preventing future and repairing historic oppression of indigenous peoples, communities of color, migrant communities, deindustrialized communities, depopulated rural communities, the poor, low-income workers, women, the elderly, the unhoused, people with disabilities and youth (referred to in this resolution as “frontline and vulnerable communities”); (A) building resiliency against climate change-related disasters, such as extreme weather, including by leveraging funding and providing investments for community-defined projects and strategies; (B) repairing and upgrading the infrastructure in the United States, including—(i) by eliminating pollution and greenhouse gas emissions as much as technologically feasible; (ii) by guaranteeing universal access to clean water; (iii) by reducing the risks posed by climate impacts; and (iv) by ensuring that any infrastructure bill considered by Congress addresses climate change; (C) meeting 100 percent of the power demand in the United States through

clean, renewable and zero-emission energy sources, including (i) by dramatically expanding and upgrading renewable power sources; and (ii) by deploying new capacity building or upgrading to energy efficiency; (D) building or upgrading to energy-efficient, distributed and “smart” power grids and ensuring affordable access to electricity; (E) upgrading all existing buildings in the United States and building new buildings to achieve maximum energy efficiency, water efficiency, safety, affordability, comfort and durability, including through electrification;

(F) spurring massive growth in clean manufacturing in the United States and removing pollution and greenhouse gas emissions from manufacturing and industry as much as is technologically feasible, including by expanding renewable energy manufacturing and investing in existing manufacturing and industry;

(G) working collaboratively with farmers and ranchers in the United States to remove pollution and greenhouse gas emissions from the agricultural sector as much as is technologically feasible, including (i) by supporting family farming; (ii) by investing in sustainable farming and land use practices that increase soil health;

(H) overhauling transportation systems in the United States to remove pollution and greenhouse gas emissions from the transportation sector as much as is technologically feasible;

(J) removing greenhouse gases from the atmosphere and reducing pollution by restoring natural ecosystems through proven low-tech solutions that increase soil carbon storage, such as land preservation and afforestation;

(K) restoring and protecting threatened endangered and fragile ecosystems through locally appropriate and science-based projects that enhance biodiversity and support climate resiliency;

(L) cleaning up existing hazardous waste and abandoned sites, ensuring economic development and sustainability on those sites;

(M) identifying other emission and pollution sources and creating solutions to remove them;

Quis Custodiet Ipsos Custodes?

The imprudence of socialized capitalism lies in its confidence in the integrity and competence of those who become the custodians of social well-being. In short,

they can't be trusted. One way of putting the problem is to think of faithless agents. Agents are not always good stewards; their self-interests override their duties of loyalty and due care for those they serve.

The problem was noticed in the Old Testament:

And it came to pass, when Samuel was old, that he made his sons judges over Israel. And his sons walked not in his ways, but turned aside after lucre and took bribes and perverted judgment. Then, all the elders of Israel gathered themselves together and came to Samuel unto Ramah and said unto him, Behold, thou art old and thy sons walk not in thy ways: now make us a king to judge us like all the nations.

But the thing displeased Samuel, when they said, Give us a king to judge us. And Samuel prayed unto the LORD.

And the LORD said unto Samuel, Hearken unto the voice of the people in all that they say unto thee: for they have not rejected thee, but they have rejected me, that I should not reign over them. Now, therefore, hearken unto their voice: yet protest solemnly unto them and shew them the manner of the king that shall reign over them.

And Samuel said, This will be the manner of the king that shall reign over you: He will take your sons and appoint them for himself, for his chariots and to be his horsemen; and some shall run before his chariots. And he will appoint him captains over thousands and captains over fifties; and will set them to ear his ground and to reap his harvest and to make his instruments of war and instruments of his chariots.

And he will take your daughters to be confectionaries and to be cooks and to be bakers.

And he will take your fields and your vineyards and your oliveyards, even the best of them, and give them to his servants. And he will take your menservants and your maidservants and your goodliest young men and your asses and put them to his work. He will take the tenth of your sheep: and ye shall be his servants.

And ye shall cry out in that day because of your king which ye shall have chosen you; and the LORD will not hear you in that day.

And according to the Book of Ezekiel, Chapter 34, God said:

“Woe to you shepherds of Israel who only take care of yourselves! Should not shepherds take care of the flock? You eat the curds, clothe yourselves with the wool and slaughter the choice animals, but you do not take care of the flock. You have not strengthened the weak or healed the sick or bound up the injured. You have not brought back the strays or searched for the lost. You have ruled them harshly and brutally. I am against the shepherds and will hold them accountable for my flock. I will remove them from tending the flock so that the shepherds can no longer feed themselves. I will rescue my flock from their mouths, and it will no longer be food for them.”

The lesson of the Old Testament is to beware of who you make custodians of your lives and fortunes.

When power is concentrated and the ecology of a human social system is subordinated to a monad of thought and command, then there is no self-sustaining equilibrium drawing appropriately on the excellences of the different sub-systems. Without checks and balances, such an ecology can degrade, destabilize and even collapse from internal disorder and discord.

In a socialized capitalism, politics dictates the economic rewards; a business and financial oligarchy then comes to dictate politics and an elite civil society legitimates the collaboration between political power and wealth creation.

Recent Books on Socialized Capitalism

Three recent books illuminate the ideals and the tribulations of our contemporary explorations in custodial capitalism: *Stakeholder Capitalism* by Klaus Schwab, *IMPACT: Reshaping Capitalism to Drive Real Change* by Sir Ronald Cohen and *The Dictatorship of Woke Capitalism* by Stephen Soukup. The arguments made by Schwab, Cohen and Soukup resonate well with the thesis of an earlier book by Jonah Goldberg titled *Liberal Fascism*.

Klaus Schwab - *Stakeholder Capitalism*

One of the clarion cries for custodial capitalism in 2020 was the Great Reset initiative of the World Economic Forum. The case for placing capitalism under a custodial administration was put this way:

“The Covid-19 crisis and the political, economic and social disruptions it has

caused is fundamentally changing the tradition context for decision-making. The inconsistencies, inadequacies and contradictions of multiple systems – from health and financial to energy and education – are more exposed than ever amidst a global context of concern for lives, livelihoods and the planet. Leaders find themselves at a historic crossroads, managing short-term pressures against medium and long-term uncertainties.

As we enter a unique window of opportunity to shape the recovery, this initiative will offer insights to help inform all those determining the future state of global relations, the direction of national economies, the priorities of societies, the nature of business models and the management of a global commons. Drawing from the vision and vast expertise of the leaders engaged across the Forum's communities, the Great Reset initiative has a set of dimensions to build a new social contract that honors the dignity of every human being."

Klaus Schwab, Founder of the World Economic Forum, has recently written a book titled *Stakeholder Capitalism*. He envisions one global economy which "works for people, progress and planet." He proposes "stakeholder capitalism" as a third way between "shareholder" capitalism and "state" capitalism, each of which has serious shortcomings. For Schwab, there should be a capitalism integrated with state public functions benefiting all stakeholders in which amalgam companies will optimize for more than short-term profits and governments will be the guardians of equality of opportunity, a level playing field and a system which will fairly distribute to all stakeholders sustainability and inclusiveness. In shareholder capitalism, only one stakeholder – owners – dominates all the others. In state capitalism, it is the state apparatus and its managers who dominate all other stakeholders.

Schwab wants an economy where private individuals and companies have considerable freedom, but follow metrics which take into account broader societal interests. In short, private economic advantage must dedicate itself to providing public goods. To accomplish this promotion of public good, all impacted interests – stakeholders in the system of production and distribution – must have influence in the decision-making of private firms as a check on their selfishness.

Schwab's category of "stakeholders" is one of interdependence – we are today, he says, interconnected with our planet and with people in every part of the world. As global citizens, we have a duty, he proposes, to optimize the well-being of all.

The multiplicity of those who are interconnected can be reduced to four clusters: governments, civil society, companies and international organizations. Every stakeholder gets a seat at the table of decision-making that concerns them. How much of a voice – a veto power? – they each will have Schwab does not say. What procedures, such as majority or super-majority voting or form of debate and investigation of facts and alternatives, should be followed? Again, Schwab does not discuss.

Value, then, is not created by firms alone in an isolated sub-system, but by educators, scientists, cultural actors, government institutions, by society itself and the natural environment.

What competence and specialized role should be played by these different stakeholders? Schwab does not say.

Schwab is convinced that all companies need to do to switch from a too narrow concern for owners to optimization of the good of all is to adopt grand visions of seeking the well-being of all persons and the planet as a whole. In this way, interconnectivity will be achieved.

Metrics must be invented in order to carry out custodial decision-making. The new metrics must calculate each stakeholder's true value creation or destruction of financial wealth and achieving ESG objectives. Schwab is silent on what happens if the metrics reveal that what is value creation in the eyes of one stakeholder constituency is value destruction for another.

He calls for a decision-making process, whereby each stakeholder will be charged (in money?) for what it takes from society and will receive a share (also in money?) of the total "pie," commensurate with its contributions to such value creation, both locally and globally.

He has no comment on how such calculations will be audited and by whom to ensure their accuracy in measuring all value creation and all value destruction.

Companies and governments should no longer make a "fetish" of profits, while companies must look beyond profit and loss statements. Companies, thus, need to find some "purpose" for their existence which does not embrace profits as the ultimate source of legitimacy and which serves all stakeholders simultaneously without, presumably, favoring some over others. Profits must be only a means to

some end which encompasses diverse interests and aspirations.

Schwab is astute enough to worry over “power imbalances” among stakeholders, so he calls for checks and balances to maintain a center of gravity, some mechanism of stakeholder engagement. Here, he acknowledges the ancient Athenian quip that “The strong do what they will; the weak what they must.”

Sir Ronald Cohen - *IMPACT: Reshaping Capitalism to Drive Real Change*

Sir Ronald Cohen has written a book to the same effect as Klaus Schwab’s proposal for a stakeholder capitalism, but employs different terminology as the rationale for enlisting private enterprise in the cause of creating social and environmental good. Cohen calls his proposal “impact capitalism.” For Cohen, “impact” connotes an action’s benefit to people and the planet – “It goes beyond minimizing harmful outcomes to actively creating good ones by creating positive impact. It has social and environmental dimensions.” Impact investing is now a major player in financial intermediation.

He describes impact capitalism as aligning the private sector with government, so that the two work in harmony, rather than opposition, harnessing capital and innovation to solve social and environmental issues. Cohen believes that our current economic system generates negative impacts – public bads, in other words – and uses public resources of government and charity to undo the effects of the public “bads” created by economic activity.

Impact ventures are profit with purpose enterprises.

Cohen was “present at the creation” of social impact bonds, which financed the production of positive impacts by compensating private firms for their efforts. Such bonds link financial support to the achievement of specific social and environmental outcomes – reduction in the number of criminal recidivism, for example.

He wants to find a new system in which a “sense of mission reins in self-interest” and which would distribute opportunity and outcomes more fairly and propose effective solutions to our great challenges.

Social impact denotes improvements in the lives of persons and communities.

Environmental impact is preserving the sustaining fruitfulness of our planet. Impact must be ingrained in society's DNA, part of a triple helix of risk-return-impact which will be taken into account in every decision about consumption, employment, business and investment.

Cohen proposed a new understanding of risk limited to the probability of adverse outcomes which will cost investors money. Such a hit to profits might come from government taxing what is undesirable and customers, employees and investors shunning companies which are believed to do harm. Cohen emphasized the role of investors as imposing costs on companies by withholding financial capital from companies which do not make positive impacts on society and the planet. Such investors, Cohen estimates, now hold some \$1 trillion in assets.

Cohen believes that impact investors “can open doors for innovation by placing their money with companies taking new approaches.” Thus, capitalism can be placed in the hands of well-intentioned custodians, but not public servants. He notes, with approval, the business models of such companies as Unilever and Danone. The intellectual framework for companies to be custodians of social good without government supervision he finds in French President Macron's idea of business for inclusive growth and Harvard Business School professor Michael Porter on how private firms can “share” value with their stakeholders. Thirdly, Cohen notes that corporations are citizens and, as private citizens, can give wealth back to society through charity.

Yet, he acknowledges that impact investment fund managers must still show a combination of good social impact and financial returns. Thus, his “impact” capitalism needs metrics in order to come alive and shoulder its responsibilities: “Once we measure and value impact properly, investors and businesses will factor impact into their decisions as second nature; eventually all investing will be impact investing.” Cohen proposes a new intellectual skill – designing financial accounts prioritized for impacts. His impact weighted accounts put monetary value on social and environmental impacts created by business, apply impact coefficients to sales, wages, cost of goods sold, assets and liabilities on balance sheets and derive an impact weighted profit – not cash profit.

Government, says Cohen, should require companies to report their impacts, establish an impact policy ministry, calculate and publish the costs of social issues, propose a shift of planning focus from inputs to outcomes, create public funds which will pay companies to deliver desired social outcomes and provide

tax incentive for social investments. Cohen sees government less as an active manager, but as creating new ways for private companies to earn returns, ways which will guide them to socially approved outcomes. Non-profits and civil society thinkers can propose sensible ways to measure the social outcomes achieved by government spending.

Governments, he affirms, always need business to play a central role in developing new solutions.

Stephen Soukup - *The Dictatorship of Woke Capital*

Stephen Soukup has recently written a critique of proposals for a custodial capitalism. He accurately describes the attributes of such a capitalism and insightfully dissects them, exposing to public view the system's inner truths.

Soukup begins his book with Larry Fink, the CEO of BlackRock, which manages \$9 trillion in investment fund assets, quoting him, saying "Sustainability should be our new standard for investing." Fink has indeed aligned himself with the ESG movement. Soukup charges that some of the best-known men and women in American business are endeavoring to change capitalism, the securities markets and the fundamental relationship between the state and its citizens.

Soukup views advocates of ESG as utopian, fundamentalists, a new kind of Calvinist, who believes that a company's value as an investment is an outward sign of its adherence to the precepts of sustainability. This faith has come to dominate those who work on Wall Street.

For Soukup, the advocates of ESG presume that most people are not capable of knowing accurately their best interests. If left to their own devices, say, in engaging with free markets as they act on their self-interests, they will not step up to the needs of the times. Soukup frames the moral vision of the activists as "Someone else has to make changes for them." A vanguard of the enlightened is needed to save society and the planet. The efforts of such an elite in taking custodial responsibility for capitalism results in what Soukup calls a "dictatorship of woke capital."

One stream of activism he finds contributing to this reign of the righteous comes from the 18th century Enlightenment project of European philosophers to construct a reason-based moral system to replace the Judeo-Christian framework

for right-living. Soukup credits the founding of Johns Hopkins University after the American Civil War as the first bridgehead of the Enlightenment project in the U.S. The university's first President, Richard Ely, was directly involved in the emergence of progressivism as a social philosophy and political movement arguing that the state has to fix all of humanity's societal problems; that the state should be the natural and necessary administrator of society. "We regard the state as an educational and ethical agency whose positive aid is an indispensable condition of human progress." Administration of a state should be separated from its politics and given over to experts. The economy was to be managed by an integrated political and economic apparatus.

But to enable the state to accept this responsibility and develop a rational administrative capacity to manage society's affairs, new and more talented administrators needed to be recruited and trained. Needed, according to Soukup, was a "class of professional administrators trained in the science of administration to manage society more rationally and carefully than the masses ever could if left to their own ideas and capacities."

Here was the contribution of graduate schools in law, sciences, sociology, economics and public administration. New associations were formed for highly educated professionals – the American Economics Association, the American Political Science Association and the American Bar Association, for example.

The German welfare state, as invented by Bismarck, was the model for many American progressives, President Woodrow Wilson being the most notable. President Theodore Roosevelt, too, on the Republican side, was very much a reformer of government in line with progressive elitist ideals. The mission of progressives was to design and engineer, in lieu of the people, a better, more efficient, more equitable society, asserts Soukup.

The second flow of ideas culminating in today's woke capitalism, according to Soukup, was the Hegelian thinking of the Italian socialist Antonio Gramsci. Gramsci proposed that activists concentrate on culture and education, rather than organization of the proletariat. Those seeking to perfect societies should take a "long march through the institutions" to take into their hands the norm-creating and norm-maintaining institutions of a society, such as universities and the intelligentsia. Gramsci had concluded that the real class conflicts were cultural, not based on roles in the system of economic production. So, first, wage war on culture to bring about a new culture, one that would delegitimize

bourgeois culture and its imposed priorities and best practices. This was the first step in replacing it with a better, more “progressive” culture for any society.

After Gramsci, thinkers from the German Frankfurt School carried forward and elaborated on his insights. Their work flowed into contemporary woke capitalism through Herbert Marcuse and the new left of the Students for a Democratic Society in the 1960s. This march through the institutions of higher education was then supported by French post-modernist thinking on deconstructing cultural beliefs with critical theory.

The conclusion when the two streams of progressive thought – elite management of society united with cultural deconstruction of capitalism and constitutional democracy – was, according to Soukup, that American capitalism rested on delusions, on false premises and self-seeking conceits; that American capitalism needed to awake, break with the past and adopt new thinking and practices. Thus, Soukup writes, was born woke capitalism to put shareholders in a subordinate position, elevate stakeholders and shift the purpose of companies away from short-term profits to providing public goods for the long-term, well-being of all.

In the U.S., Soukup traces the trajectory of woke capitalism from socially responsible investing in the 1980s with the Domini Social Index and Alice Tepper Marlin’s work on factory working conditions with Social Accountability International, the Aspen Institute’s Beyond Grey Pinstripes program to the U.N. Global Compact, the Principles for Responsibility Investment, to the recent ESG investment decisions of asset managers at BlackRock and CalPERS and the Sustainability Accounting Standards Board on the impacts of private firms on public goods and “bads.” Soukup holds up as giving leadership to woke capitalism wealthy business owners like as Michael Bloomberg, Laurene Powell Jobs, Marc Benioff, Jeff Bezos and firms such as Apple, Disney and Amazon.

Jonah Goldberg - *Liberal Fascism*

In 2007, conservative intellectual Jonah Goldberg wrote a study of the affinities between American progressive social thought and policies and “fascism” and of the shared intellectual genealogy both political philosophies have in originating with Jean-Jacques Rousseau’s dream of making a new heaven here on earth.

“National socialism” is a less pejorative way of expressing the essential

orientations of certain socialism focused on one people or as the German national socialists proposed, one *volk*.

Goldberg defined the national socialist idea as:

“It is a religion of the state. It assumes the organic unity of the body politic and longs for a national leader attuned to the will of the people. It is totalitarian in that it views everything as political and holds that any action by the state is justified to achieve the common good. It takes responsibility for all aspects of life, including our health and well-being and seeks to impose uniformity of thought and action, whether by force or through regulation and social pressure. Everything, including the economy and religion, must be aligned with its objectives. Any rival identity is part of the “problem” and therefore, defined as the enemy.”

The linking of both national and international socialisms to Rousseau had been previously analyzed by J. D. Talmon as the origin of modern totalitarianism. Rousseau had noted that the mechanisms of constitutional governance were “hardly ever necessary where the government was well-intentioned.”

Goldberg’s insights parallel Soukup’s focus on the progressive moment and the administrative state managed for the common good (Rousseau’s “general will”) as at the root of the cultural movement, which Soukup calls woke capitalism.

National socialism arose as part of modernity – the replacement of tradition with reason and science. God was dead and his place could only be taken by human contrivance. Mussolini, therefore, proclaimed that the 20th century would be the century of fascism.

Mussolini was inspired by Sorel and syndicalism and a theory of corporatism, wherein society was divided into sectors to be managed rationally by law. Mussolini saw that internationalism had crumbled with the onset of World War I and that “The sentiment (myth) of nationality exists and cannot be denied. Everything in the state; nothing outside the state; nothing against the state.”

This organic concept where every class, every individual, was part of the larger, whole redeemer state, needed compliant companies, markets and individuals. Supremacy of public need over private possessions.

With a view to exalting national purpose, national socialists call for the putting aside of differences, the coming together of workers and owners, putting collaboration over competition and providing coordination (*gleichschaltung*) to overcome differences and bring about social harmony and political order.

This program proposes that its avatars capture every institution of the society and subordinate it to political direction, believing that there is not anything which is not political.

Moral Capitalism

Moral capitalism realizes, first and foremost, that the state cannot create wealth. As a consequence, if socializing capitalism goes too far towards custodial capitalism, wealth will not be created and social justice will, therefore, lose ability to enhance human well-being.

Who does create wealth? No order from the government telling people to plant corn; no general will conceptualizing some ideal of money for all. There is a serious mind/body problem in expecting the state to create wealth – no mind can will wealth into being.

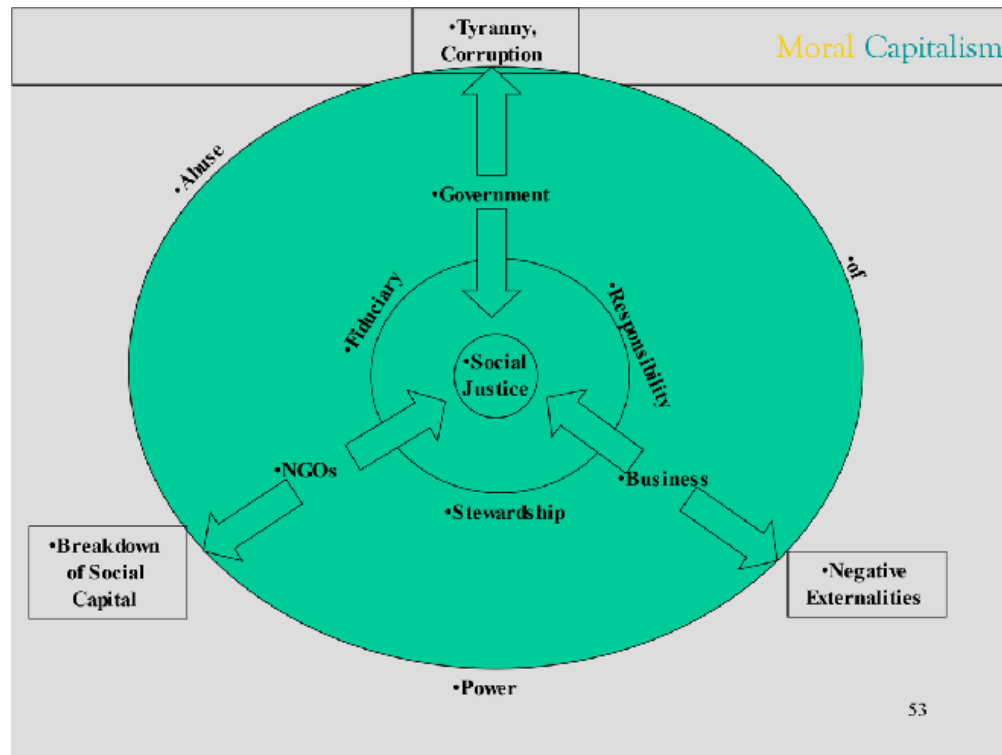
Here, Marx was insightful – something like work, labor, the decision of an individual to do something – is the origin of all wealth. The actual origin of wealth is intangible – a faith in the future which moves people to act, to take risks and thus, to work.

At best, the state can provide incentives so that people are willing to create wealth. Protection of property rights and other freedoms draw forth constructive behaviors conducive to wealth creation. Such protection fosters the development of social and human capitals which, in turn, make and use financial capital. The state has further functions to provide checks and balances on human nature, preventing private property from excessive self-aggrandizement. Providing money and reliable and prudent systems of credit is another foundational role of the state in wealth creation.

Moral capitalism provides a social context for capitalism without subordinating it to politically appointed custodians. Moral capitalism avoids the danger of having custodians who need to be kept under close supervision. Each part of the system

is custodian of its own powers, as well as the powers of others. This happens in an open society faithful to the rule of law.

Moral capitalism has three subsystems: business, government and civil society.

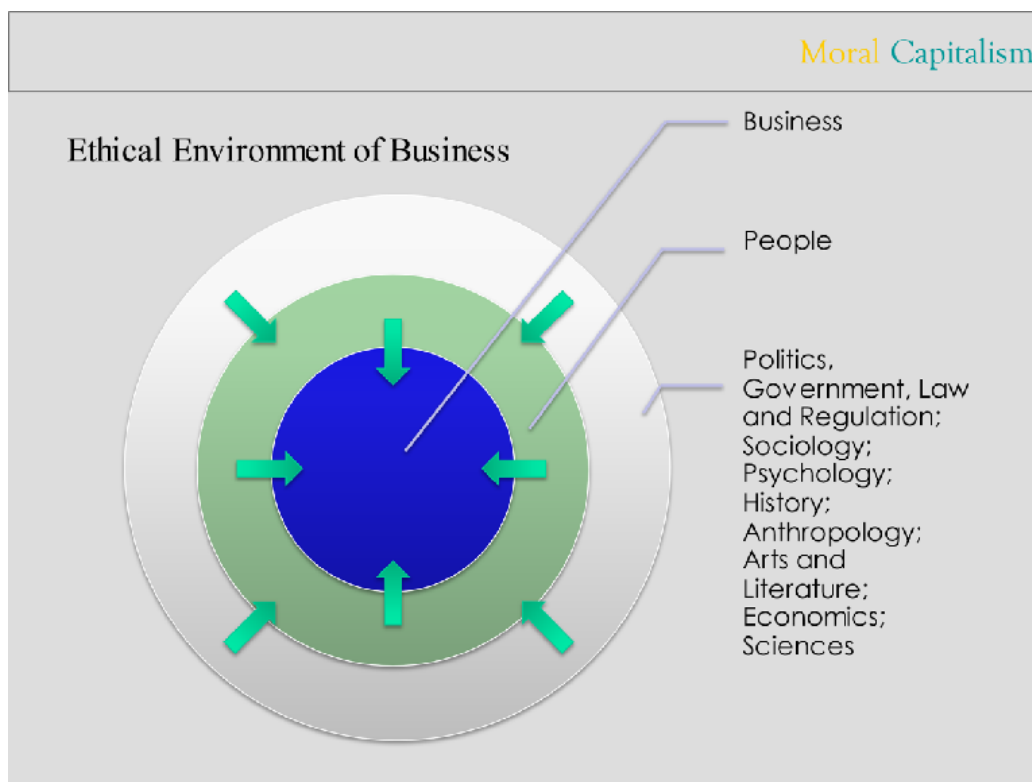


Business creates wealth which is shared with both government and civil society; government provides laws and protections of rights; and civil society fosters the flourishing of social and human capitals.

Necessary for the success of such a system are individuals inspired by the moral sense of personal responsibility. The ground of justice is among the people, just as the cartoonist Walt Kelly expressed in one of his Pogo cartoons:



Capitalism is already a socialized process of human persons engaging with one another, as this chart illustrates:



So, the foundation for capitalism is the human person possessed of the capacity to develop and deploy a befitting moral sense. Moral capitalism seeks to create a common good which also balances and optimizes individual goods, as well. Its architecture is open, permitting flexibility and freedom within just restraints. Open systems preserve choice, encourage innovation and creativity and ratify personal agency. They create good through process philosophy and pragmatism, where feedback loops correct excess and call forth sustaining inputs, both tangible and intangible. The preferred mindset, excellence in social and human capital achievement, is one of problem solving, not a blind fixation on some absolute ideal intolerant of all, save its divine-like certitude.

Persons don't have to be re-engineered in order for capitalism to serve them and their communities, but they do need to apply themselves virtuously for the system to optimize goods, both public and private, and minimize "bads." It is their moral sense which principally keeps entropy in the system low to limit the waste caused by chaotic releases of energy.

When social and human capitals promote virtue, when checks and balances prevent abuses of power, when ethics and self-interest are in harmony, custodians of capitalism are not needed. Competition, decentralization of power, autonomy for business and civil society and constitutional democracy are the necessary foundations for a just social order, where the power of any would be guardians of the commonwealth and their hubris neutralized

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The Will to Creative Power: Nietzsche and the Birth of Existential Freedom

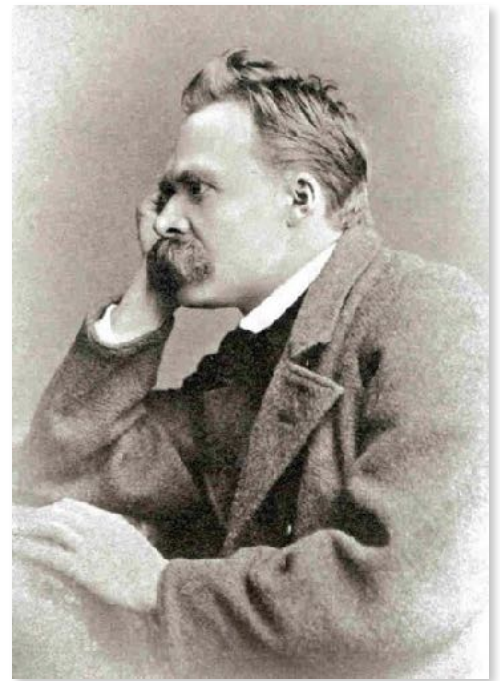
I got my way through a very difficult adolescence by staying up all night, every night, reading from 11:00 pm when Jean Shepherd's WOR-AM radio program ended until 5:30 am, or so, the next morning when I'd catch an hour of sleep and then go off to school for the day (gee, wonder why I had headaches almost every afternoon?).

I read all of Friedrich Nietzsche, along with a lot of other weighty tomes. The guy was a real gas – The Will to Power identified and analyzed by a man unable to support himself.

Still, he was brilliant and it's a pity that he had a mental breakdown and that editorial control (and adulteration) of his work ended up in his sister's hands. Nietzsche himself despised anti-Semitism. His sister, Elisabeth, was a rabid anti-Semite, married to an even more rabid anti-Semite. The pair founded an Aryan settlement in Paraguay, Nueva Germania, which, amazingly enough, still exists today.

It was Elisabeth who carefully edited out all the condemnation of anti-Semitism and foreshadowing of fascism's curse from Nietzsche's oeuvre and became close pals with Hitler. The infamous photo of Hitler admiring a bronze bust of Nietzsche took place at Elisabeth's house, with her looking on in rapt admiration.

Poor Friedrich. When he declared "God is dead," he was not celebrating. The son of a Lutheran bishop who fell into a coma and then died when Friedrich was four years old of a mysterious disorder that ate away half his brain – in all likelihood the same genetic disorder that killed Friedrich and not the "tertiary syphilis" to which his illness was sneeringly attributed – his declamation about God's death was a cry of warning. The Judeo-Christian God who was paid lip service by Europe's bourgeoisie culture exerted, in reality, no control over the real world.



Friedrich Nietzsche

Nietzsche foresaw that this dichotomy would result in a destructive war among European powers and the rise of a violent, race-based political movement – fascism – that would instill a deadly sense of purpose and solidarity on nations and, finally, the world.

Unfortunately, he had it right.

Still, there is a less fearsome side to Nietzsche's ideas. It probably is not quite right to describe his complete oeuvre as a philosophy. They ranged from his first work, *The Birth of Tragedy*, which argued that in classic Greek drama, tragedy was not a simple, single-source event, but the result of a synthesis of both the Apollonian idea of enlightened will and the Dionysian notion of a world governed by chaos and ungoverned passion (an idea quite out of

step with late 19th Century European complacent certainty about the centrality of enlightenment in civilized affairs). And went through a series of related ideas synthesized into the central theme of perhaps his best known work, Thus Spake Zarathustra, but continued to grow and change until his tragic mental collapse in 1889.

Given the dire concern he expressed about the fate of a Europe drifting along with any real comfort inspired by faith in a timeless and utterly secure source of all values and laws, it is easy to reach a judgment of Nietzsche as an existential nihilist with little to offer but predictions of ultimate catastrophe.

Nietzsche was, indeed, one of the wellsprings of existentialism but it seems too limited to label him a nihilist. Certainly he did warn about what the not-so-distant future might hold for us. But those warnings, that strain of pessimism, are more than balanced not by vague optimism but a passionate faith of what human beings, as a whole, can create if we each accept a newfound, if haunting, possibility, of reshaping the world in ways that would offer us a greater freedom and sense of joy in our existence.

It may seem odd, but I perceive a link between Nietzsche's ideas and the concepts that govern the Caux Round Table's in the need for, and our ability to create, a world in which we can achieve a just and sustainable economic system – what we term “Moral Capitalism” if we continue in a relentless pursuit for the principles of such a good life based upon human, rather than divine, sources of revelation.

Farewell Friedrich – the irony of a man who could not earn a living yet could see the unpredictable future of human history -- remembered now as one of the thinkers who helped shape the world in which we live.

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Outro

The essay written above by Steve Young on “socialized capitalism” is a history in need of repeating in these times of categorical thinking. The perspectives presented illuminate not only the temporal scope of the question of who should rule, but also the question of why it is important to think carefully about the character of human nature.

Here are five questions I would like to suggest as we carry the discussion on into policy creation and evaluation:

- 1) We seem to understand that moral capitalism must include in its DNA the ability for creative destruction, such that when a firm or industry become dysfunctional to its purpose and to consumers, it dies or renews itself, but how do we apply the concept of creative destruction and renewal to government when it no longer can do governing and is dysfunctional to its purpose and to citizens?
- 2) Throughout western history, there has been the tendency to think in disjunctive sets, being jealous of sharing ideas and holding to the notion that believing is seeing. How do we come to embrace an inclusive, uncertain and global reality where thoughts are not dismissed out of hand?
- 3) Have the algorithms employed of Facebook, Instagram, WhatsApp, etc., made it impossible to consider employing the concept of synergy to thinking or mindfulness?
- 4) If moral capitalism embraces diversity of people, thought and behavior, how do we (people) create a unity of individual ethics sufficient to sustain and improve life’s quality for all, as well as the will and skill to embrace civilization, civility and welling?
- 5) What role does education, writ large, have to play in the resolve of such questions?

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