

ABSTRACT
FREE ENTERPRISE AND THE CHRISTIAN WORLDVIEW
BY Jimmie R. Monhollon

Is an economic system based on free enterprise economics consistent with the Christian worldview? Observers as sophisticated as C.S. Lewis have pondered this question and have concluded that free enterprise and Christianity are probably not consistent, saying that if we were to observe “a fully Christian society,” its economic life would be “very socialistic and, in that sense, ‘advanced.’” The purpose of this paper is to address specifically and in some detail the question of whether a free enterprise system of economic organization is consistent with Christianity. Methodologically, the paper first sets forth the essential tenets of the Christian faith. It then examines the implications of the Christian worldview for the social order, including both political and economic systems. Next, the paper presents the fundamental elements of an economic system based on free markets and provides some limited contrast to a system based on command and control exercised by government. Finally, the paper addresses the question of which system is most compatible with Christian theology. The paper concludes: “While not a perfect system, the free enterprise system of economic organization is the best that the world has to offer.” Not only does such a system produce better results, it is more compatible with the basic tenets of Christianity than systems which emphasize and rely on command and control exercised by government.

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by

Jimmie R. Monhollon

Is free enterprise economics consistent with the Christian worldview? To answer this question, it is first necessary to be clear about what one means by the Christian worldview and also by free enterprise. Then it is necessary to assess the degree of fit. Are there irreconcilable inconsistencies? If so, one cannot logically espouse both Christianity and free enterprise.

The Christian Worldview

Everybody has a worldview. A worldview is a framework or paradigm through which one views the world about him. A person's worldview largely determines how he interprets events, evaluates institutional arrangements, and reacts to personalities and situations. His worldview may have been consciously acquired or may simply have been absorbed from the culture.

One who has a Christian worldview interprets the world and its institutions from the perspective of basic, orthodox Christianity. His Christian viewpoint colors the whole of life, including his attitudes, his actions and reactions, and his judgments and evaluations--the whole of how he relates to the world about him. This is not to say that all that he thinks or does is entirely consistent with his Christian worldview. Each of us has the capacity to hold in our minds mutually inconsistent ideas or to act in ways inconsistent with our basic worldview. As we mature, these inconsistencies tend to resolve themselves, but never completely.

The basic question is: can we, over the long haul, espouse both basic Christianity and the free enterprise system of economic organization? Or is there a logical contradiction between the two which drives us over time to look for an alternative to the free enterprise system or an alternative to the Christian worldview?

The Nature of God

A Christian worldview derives ultimately from one's understanding of the nature of God, the nature of man, and the relationship between the two. First of all, a Christian believes that God exists. Moreover, he believes that God is the only entity in the entire universe who has always existed, the only entity having the power of being in and of Himself. It follows that a Christian believes that all else is created, derived, contingent--in short, that everything else is a consequence of God's creative activity.

In addition, a Christian believes that God has certain attributes which can be known. First, He is omnipotent, i.e., He can do anything He chooses to do. Second, He is infinitely good. Therefore, one can count on Him to do only those things which are consistent with His goodness. Third, He is omniscient, knowing everything about everything. Therefore, one can trust Him not to make a mistake. Fourth, God is purposeful, i.e., what he chooses to do he does, not out of whim, but because he has a good reason for doing it. Fifth, God is free, i.e., He is not constrained by any forces outside Himself. Sixth, God is sovereign, i.e., He rules and reigns and what he wills He ultimately causes to happen. Seventh, God is perfectly just, i.e., He is the

perfect judge in that He gives to each person exactly what is due him. Because of His omniscience, He is not confused or mistaken about the facts of the case. Because of his goodness, He is not corruptible and, therefore, renders not only wise but also right decisions. Finally, God is infinitely loving, i.e., He is concerned about our welfare and is willing to extend Himself to the utmost to promote our ultimate well-being.

The Nature of Man

By contrast, man does not have being in and of himself, but rather, came into existence as a result of God's creation. Therefore, he is derived, contingent, dependent on the Source of his being. God in His infinite wisdom and for His sovereign purpose chose to make man in His own image, which is to say God endowed man to some extent with some of God's own attributes. For example, while not giving man omnipotence, God gave him enormous power to do many amazing things. While not endowing him with omniscience, God gave man the ability to discover, to know, and in some limited ways to create. God created Man with a sense of purpose and man cannot tolerate the thought that his life is meaningless. While not sovereign in any absolute sense, God delegated to man certain responsibilities and gave him dominion over much of the created order. God also chose to give man a large measure of freedom--freedom to think and to act according to his own desires and to exercise a large measure of self will.

In exercising his self-will and taking advantage of his freedom, man chose to defy and to rebel against his Creator. He, in effect, shook his fist in the face of the Almighty and said, "I do not need You. I can make it on my own. I am autonomous and can create for myself a worthwhile life apart from You. I can be my own God." This act of cosmic treason resulted in a state of war which continually rages on three fronts. First, man is at war with God and will remain so until he chooses to lay down his arms and live in submission and under the direction of his Creator. Second, he is in a state of war with himself. Inner turmoil rages as the God-like attributes within him struggle for ascendancy against the selfish desire to live autonomously apart from the Source of his being. Finally, he is in a state of war with his fellow man as each man attempts to aggrandize himself at the expense of others. The evidence of this warfare is all around us.

Relationships

How can God relate to a rebellious creature who has chosen to live as if his Creator did not exist and who, in promoting his self-interest, frequently acts in such a way as to injure his fellow man and other parts of God's creation. One option would be for God to ignore man's behavior and allow him do anything he pleases, free of any untoward consequences. But, that option would violate both God's Goodness and His Justice. Another option would be for God to obliterate His rebellious creature. That option would violate God's Love. The story of Christianity is the story of how God chose instead to initiate a rescue operation to salvage his fallen creature and to restore right relationships among all of the warring parties. God in his sovereignty chose to structure this rescue operation in such a way as to be consistent with His nature, satisfying simultaneously His sense of Perfect Justice and His capacity for Infinite Love.

God's rescue operation was to send his Son to earth in human form to pay the penalty for man's rebellion. Jesus Christ, God's Son, suffered, died, conquered death, rose from the grave, and ascended to rule and reign with his Father. The heart of Christianity is that somehow this

sequence of events can change the relationship between man and God from enmity to friendship and fellowship. The issue hinges on "faith." True faith is more than intellectual assent to a set of theological propositions or acceptance of the historical facts. True faith involves recognizing that one is a rebel, expressing sorrow, accepting Christ's vicarious payment of the penalty, resolving to give up being one's own god, and pledging allegiance and obedience to the rightful King of the universe. In short, a changing life is the evidence that God's rescue operation has been successful. God does not insist that everyone be rescued. Consistent with His nature, God is big on freedom. He does not coerce. Each man is free to choose.

Notice that a successful rescue does not mean an instantly "changed" life but a "changing" life. As each new Christian relates to God, adopts His agenda, and follows Him in steps of obedience, relationships are healed. Instead of competing with God, man accepts his proper subordinate role and begins to worship and praise his Creator and Rescuer. The conflicts within himself begin to subside, and interpersonal relationships begin to improve. Attitudes change, and one begins to view the world from a different perspective. In short, as man becomes more Christlike, he develops a Christian worldview.

Implications of the Christian Worldview for the Social Order

The arrangements of the social order, including social, economic, and political arrangements, must be realistic in the sense of being consistent with the nature of man, not only as he was meant to be but as he is, warts and all. It is realistic to establish social, economic, and political institutions on the assumption that man can be depended upon to look after his own welfare, to promote his own interests and those of the immediate family. Establishing institutions on this basis provides a powerful incentive for man to work hard, to save and invest, and to be creative. Unfortunately, in promoting his own interest, man can also be depended upon to take unfair advantage of others and to abuse whatever power he may possess, whether economic or political. This is not a pretty picture of man, but it is a realistic one which has been empirically verified by several thousand years of human history. For institutions to work, they must provide freedom for man to exercise his ingenuity and energy in pursuit of his self-interest goals and at the same time restrain his proclivity to abuse power.

Our founding fathers clearly understood the invariable tendency for man, even the best of men, to abuse power. They also understood that abuses of power would ultimately destroy all kinds of freedom, including the freedom necessary for man to promote the welfare of himself and his family. Consequently, the founding fathers were very careful to erect the familiar system of checks and balances which would keep the abuse of political power within safe bounds. There was no question in their minds that political power would be abused. That was regarded as axiomatic. Therefore, they sought to distribute and to balance power. They reserved to the states all powers not explicitly granted to the federal government, and within the structure of the federal government they provided for entities of countervailing power.

Wise though our founding fathers were, and though they structured our political institutions very prudentially, there has been a tendency and a trend over the years for political power to grow and to become progressively concentrated at the federal level. Is it possible that in addition to internal safeguards against the abuse of political power we need an external countervailing

power to counteract the tendency for political power to grow and become progressively concentrated. Can economic arrangements provide such countervailing power to some important degree?

The ideal economic system would serve three purposes. First, because of man's proclivity to abuse power, it would be a great benefit if the economic system could provide something of an offset to political power. Second, in order to promote man's material well-being, the economic system should take advantage of man's strong incentive to look after his own interest. Third, the economic system should constrain man's tendency to abuse economic power. How well does a free enterprise system of economic organization meet these criteria?

The Essence of the Free Enterprise System

Every student of introductory economics knows that the basic economic problem is unlimited human wants facing the reality of scarce resources. In every economy choices must be made, even in rich countries having abundant natural resources, abundant capital, advanced technology, and well educated labor forces. No economy can produce everything that people want. Choices have to be made regarding what to produce, how to produce it, and how to distribute the output among the members of society. These are the three basic questions that every economic system must answer.

At one extreme, in a command-and-control economy, the equivalent of an economic dictator decides the answer to these questions. He decides what goods and services the people should have, how the factors of production should be combined using alternative available technologies to produce these goods and services, and in what proportions the goods and services should be distributed to the populace. Such a system obviously requires a level of knowledge and wisdom beyond the scope of mankind, even the wisest and best of men (or committee of men). Beyond that, of course, there is the tendency for even the best of men to abuse power and to use the system to promote their own interests to the detriment of others. The collapse of communism around the world is testimony to the unworkability of such a system.

Can a free enterprise system operating on the basis of free markets, a core of widely shared ethical values, and governmentally enforced "rules of the game" do any better. Both logic and empirical evidence suggest that it can. The major characteristics of the system are described below.

The Invisible Hand

The three basic questions--what, how, and for whom--are answered automatically in the context of a market economy as people exercise their freedom to promote the welfare of themselves and their families. As they exercise what Adam Smith called "enlightened self-interest," economic activity is directed by an "invisible hand." No need for an economic dictator or a bureaucratic equivalent. Some modern economists have mistakenly equated Adam Smith's enlightened self interest with pure greed, thereby implying that greed is good and that anything goes so long as one is pursuing his self interest. By contrast, Adam Smith said that one should work to maximize one's own welfare and the welfare of one's family while complying fully with

the laws of the state and also with the moral law. Moreover, the concept of self interest goes beyond looking after one's material well being. The concept has room for spiritual values. One is free to pursue what is important to him. If he has a strong interest in esthetics, he is free to pursue a career in the arts. If he derives great satisfaction from helping others, he is free to be a philanthropist. If he is highly motivated to spread the gospel of Jesus Christ, he is free to be a pastor of a church in his home country, a missionary to AIDs victims in Africa, or a minister on the playing field, in the class room, or in the boardroom of a corporation, or in some other "secular" vocation.

Private Ownership of Property

In a free enterprise economy the factors of production are not owned by the government but by individuals. Individuals are not chattels of the state. They own land, they own physical and financial assets, and, most importantly, in a very real sense, they own themselves and are free to enjoy the fruits of their labor. This concept of private property is not inconsistent with Christianity. Real Christians appropriately look to God as being the ultimate owner, and they regard themselves as stewards and responsible to God who has given them life and the other assets they enjoy. They regard God as the rightful owner, and themselves as dutiful servants. In any case, they, not the government, decide how to deploy the resources for which they are responsible. In most cases, a person's most valuable resource is his capacity to do work, which he can augment by training and education. He exchanges his labor for other goods and services that he freely chooses.

Ownership has two very important implications--the right to enjoy the income from the resource and the right to control the resource. If either of these rights is abridged, the concept of ownership is diminished. Some would say "We don't want the government to own the factors of production, but we do think that it is frequently, if not generally, necessary for the government to control how the resources are used." Government regulation, while necessary in some instances, if carried to extreme, undermines the concept of ownership and the concept of freedom. Ownership implies the freedom to use one's resources as one sees fit.

Freedom

In a free enterprise or market economy, consumers are free to spend their income as they see fit. In the process, they decide what is to be produced by spending their limited income on those goods and services which maximize their satisfaction. Producers, freely pursuing their self interests, diligently try to figure out what consumers want and how to produce what they want using technologies and combinations of inputs in such a way as to maximize producer profits. Owners of factors of production, pursuing their self interests, provide their land, labor and capital resources to those producers who are willing to pay the most for them on a risk-adjusted basis. Income to the factors of production is determined by their contribution to the productive process. Thus, in a free market economy all participants are free to choose, and their choices answer the three basic questions in ways that maximize the benefit of all participants in the process. The goods that consumers really want are the ones produced. Because producers want to maximize profits, the goods are produced using up the least amount of productive resources. Factor owners reap the maximum benefit from the resources they own.

Voluntary Exchange

In a market economy, exchange takes place because both parties perceive the transaction as a win-win situation. If both parties do not expect to benefit, the exchange will not take place. If a person exchanges dollars for shoes, he prefers shoes to dollars, while the merchant prefers dollars to shoes. Both parties consummate the transaction because they expect to gain from the trade. So it is with every voluntary exchange in every market. Not so with decisions which are made politically. Even in a democratic society, if the government decides to spend money on something, only 50.1% may be happy with the deal. The other 49.9% may be unhappy with the deal, but they have no choice but to abide by the will of the majority. An element of coercion enters the picture, accompanied by a loss of freedom. There is an obvious role for political decisions, but, as a general rule, it is usually a mistake to make decisions politically which can be made in the market place.

Voluntary exchange implies two things--the absence of coercion and the presence of informed consent. Human nature being what it is, if one party to the transaction has power, he will be strongly tempted to abuse it. Competition is the best answer to the abuse-of-power problem. If competition in a particular market is not attainable, government regulation may be the only answer. But we should look first for market-based solutions and look upon government as the last resort rather than the first. Second, both parties to the transaction must be well informed so that each is making the decision based on all of the relevant facts. One appropriate role of government in particular markets may be to require full disclosure so that informed decisions can be made by the parties.

Power is limited and diffused

In a free market economy, power tends to be diffused among many parties. As a result, man's natural tendency to abuse power tends to be thwarted by competition. For example, there are many consumers casting their dollar votes for the things they want. No one consumer or small group of consumers can dictate what is to be produced. On the production side, there are at least several producers competing for customers in most markets and generally there are many firms competing for factors of production. Competition, far from being a dirty word, limits the abuse of power. If a customer does not like the price or the way he is being treated by a particular producer, he can take his business elsewhere. The producer, unless he is a monopolist, cannot exploit his customers--either he will learn to satisfy his customers or suffer the consequences. An employee who does not like the terms and conditions of his employment can change jobs. The owner of capital who does not like the rate of return or the risk associated with a particular company can move his capital to another producer. The more vigorous the competition, the less the opportunity for exploitation and abuse of power.

Not only do free markets provide people maximum freedom in the economic sphere of their lives, but freedom in the economic sector serves to advance freedom in the political sphere and serves as a countervailing force to the possible abuse of power in the political sector. For example, political ideas that are not a part of the conventional wisdom of the society may have a hard time getting a hearing. In a market economy, characterized by widespread ownership of property, unpopular ideas can be propagated by wealthy patrons or by raising funds from a large number of people, each of whom contributes a small amount. Thus, a free market economy is consistent with maximum human freedom in both the economic and political realms.

Efficiency and Growth

One result of a market economy is efficiency, i.e., solving the fundamental economic problem of unlimited wants facing limited means. An economy is efficient when it gets the maximum possible output from a given quantity of resources; or, stated the other way around, when a given level of wants is satisfied while using up the least amount of productive resources. Efficiency, in an economic sense, is important because it means higher living standards for the people. It represents good stewardship--using the resources which God has put at our disposal to maximize the physical well-being of His people.

Efficiency is a natural byproduct of the incentives created by exercising enlightened self interest in a free environment. Consumers, motivated by self interest, have a powerful incentive to maximize the satisfaction they derive from their limited income. Producers, motivated by self interest, have a powerful incentive to minimize the use of resources in the production of what consumers want in order to maximize profits. Owners of factors of production, motivated by self interest, have a powerful incentive to maximize the income they receive from the resources they own by placing them where they make the maximum contribution to production.

Incentives also maximize the rate of economic growth. From the dawn of time until approximately the time of the industrial revolution, a few people lived in splendor, frequently as a result of abusing their power, while the vast majority of the people lived in poverty, very close to the margin of subsistence. Growth in real output per capita, the best measure of rising living standards, was the result of increased productivity (output per worker.) Labor productivity improved because over time workers had more and better tools with which to work. They had more tools because of increased saving and investment. They had better tools because of improved technology, which again was frequently the result of increased saving and investment. Pursuing their self interest, people had the incentive to work hard and to save, and these savings were channeled into investment in more and better tools.

The Role of Government

The proper role of government is to facilitate the working of the free market and not to supplant it. As described above, the basic decisions of "What?, How?, and For Whom?", are better made by countless individuals and firms pursuing their individual self interests than by government bureaucrats, however well qualified and well meaning they might be. Making such decisions politically inevitably involves poor decisions, coercion, inefficiency, and a drag on economic growth and living standards.

There is, however, a vital and important role for government in the proper functioning of a free enterprise system. Most importantly, government should provide the following:

1) Political stability. Recent world history dramatizes the importance of political stability. Economic growth and development simply cannot take place in societies characterized by frequent political upheavals, coup d'etats, and civil wars. Much of the African continent is an excellent illustration of this point. 2) An enforceable legal framework within which private decisions can be made and carried out. Modern Russia is an example of a country having great potential but one which lacks a tradition of contract law and effective enforcement. The result has been an environment not sufficiently conducive to voluntary exchanges. 3) Market enhancing interventions in selective cases of "market failure." Sometimes it is necessary for the

government to intervene in order to promote the effective functioning of markets. One example is the presence of monopoly power in certain industries. Since more competition is preferred to less, effective enforcement of well structured anti-trust laws generally promotes the public interest. In cases of natural monopoly (monopoly resulting from economies of scale), well-devised and well-administered regulation of such an industry may be the only alternative. There are other examples of appropriate government intervention. Another example is the failure of some firms to internalize the costs of cleaning up the environment and to pass these costs on to their customers in the form of higher prices or to their stockholders in the form of reduced profits. Appropriately designed policies are necessary in such cases. Still another example has to do with accurate information. Since the effective working of markets requires that parties to voluntary trades be well informed of the relevant facts, sometimes it may be necessary for the government to mandate full and accurate disclosure. 4) "Public goods." In the case of public goods, it may be necessary for government actually to produce the good or service--national defense is an obvious case in point.

Welfare is not a proper role for government--neither corporate welfare nor conventional welfare. Unfortunately, corporate welfare is rife in our society and the tax code is riddled with one subtle example after another. In exchange for political favors, those with political power grant financial favors to special interest groups. These favors, of course, are at the expense of the rest of American taxpayers. Unfortunately, the financial favors are so well disguised and the effect on each person's pocketbook is so small that the vast majority of Americans are not even aware of the subsidies and special tax favors. Consequently, they do nothing to correct the problem, and politicians, knowing that they will not suffer adverse consequences, continue with business as usual. Many politicians express pious devotion to free market principles. Those who are sincere should get serious about rooting out corporate welfare. As for conventional welfare, the government has had to take the lead because of the widespread failure of the Christian church in America to live up to its responsibilities. There will always be those in society who through no fault of their own cannot provide for themselves and their families. As Christians, it is our responsibility to care for such people. In Acts 2:44-45 it is recorded that "All the believers were together and had everything in common. Selling their possessions and goods, they gave to anyone as he had need." Some interpret this as an endorsement of socialism. Not so. The coercive power of government was not involved at all. Rather, the people of the early church voluntarily gave of their resources to help those in need. Moreover, they did it with a personal touch, not in a bureaucratic, arms-length manner.

A Core of Widely Shared Ethical Values

A market economy cannot operate at its best in a society unless there is a widely shared core of ethical values among the population. Implicit in almost every trade is an element of trust. One cannot be sure that the other party is not engaged in some kind of deception or is not withholding some piece of relevant information. When a doctor prescribes a medication, one cannot be sure that he has told the patient about all of the possible adverse side effects. When one boards an airplane, one cannot be sure that the pilot is free of drugs or alcohol and that the maintenance crew has performed all of the prescribed safety checks. Fortunately, the competitive element of the free market system provides us with a large measure of protection. If one loses confidence in his doctor, he can always switch to another. If one is concerned about the safety record of a particular airline, he can fly another, or take the train, or drive. Also, fortunately, it is very difficult to deceive large numbers of people over long periods of time.

Every book on business ethics is replete with examples of companies which have attempted to deceive or to withhold relevant information from the public. Eventually, the truth tends to come out and the adverse implications for the company are generally serious, sometimes even fatal. Thus, there is a built in, self-interest incentive for people to be honest in their dealings. Even so, beyond the built-in safeguards of the system, there must be a widely shared view that all of us ought to behave in an honest, just, and fair manner. The importance of this cannot be over emphasized. Imagine a society in which dishonest, unjust behavior was the norm. The system would break down. Government could not put enough policemen on the street or judges in the courts to enforce proper behavior. And the cost would be so burdensome as to be unworkable. Unfortunately this scenario is fairly descriptive of some countries in the world today. Thus, a free enterprise system assumes a basic core of shared values which most of the people practice most of the time. Hopefully, our institutions of family, church and schools are continuing to build these basic values.

Conclusions

Earlier, it was said that the ideal economic system would serve three purposes. First, it would provide something of an offset to political power, thereby promoting human freedom. Second, in the interest of maximizing man's material well-being, it would take advantage of man's strong incentive to look after his own interests. Third, it would constrain man's natural incentive to abuse power. The free enterprise system not only serves these purposes very well, but it does so better than any other economic system, including democratic socialism, which many people mistakenly prefer.

First, the free enterprise system moves as many decisions as possible from the political arena to the economic arena. In a market economy, there is unanimity with respect to decisions, because every person decides for himself. Moreover, there is prima facie evidence that he is happy with his decision since he voluntarily entered into the exchange. When economic decisions are made in the political arena, there is always a large percentage of the population that is unhappy with the outcome. A majority of the people are happy with the decision, but this is far from unanimity. Additionally, when economic decisions are made politically, there is always an element of coercion because the minority has to abide by the decision or suffer the consequences.

As explained earlier, in another important respect, a market economy provides an offset to political power and promotes human freedom. The accumulation of private wealth makes possible the propagation of alternative points of view. Because of man's natural inclination to abuse power and to restrict the freedom of others, those in positions of political power tend to use the system to stay in power. It is important for the sake of freedom that others be able to mount an effective opposition. It is possible to do this when political opposition can be financed with private wealth. As was also said earlier, God is big on freedom. He gave us the freedom to make the most important decision in the world. We can voluntarily choose to worship and obey Him or we can choose to thumb our noses at Him and strike out on our own. A God who is willing to let us make a decision of such cosmic proportions, surely wants us to have the freedom to buy what we like, work where we want, and invest our resources as we see fit.

Second, the free enterprise system maximizes man's material well-being. This is surely important to God. Of His own free will and for his sovereign purposes, He omnisciently chose to make us physical beings who need physical things to survive and prosper in the material world which He created. Based both on logical inference and empirical observation over several centuries, the free enterprise system obviously results in faster economic growth and higher standards of living than any alternative system. The market system takes advantage of the nature of human beings to promote the material well-being of themselves and their families. In a market system, a person has a powerful incentive to work hard, to save, and to invest. Fortunately, by doing so, he benefits not only himself but others as well. The invisible hand works to coordinate economic activity in the production of those things which people want and need, and to do it in a way that minimizes the use of scarce resources. Clearly, there is much more to life than material well-being. God intends for us to cultivate the spiritual side of our nature as well. But this is not inconsistent with taking care of the material side of our nature in the best way possible. Efficient use of our resources and talents produces the necessary material needs of life, freeing up the people to pursue artistic, creative, aesthetic, and spiritual interests.

Finally, the free enterprise system limits man's natural tendency to abuse power. This is accomplished by a built-in mechanism of rewards and punishments. On the reward side, a business which serves its customers well tends to prosper. It is in one's self-interest to be the best servant of others' needs that he can be. Jesus said, "He who would be great among you must be the servant of all." This was surely spoken to apply primarily to the spiritual and philanthropic realms, but it has material implications as well. Companies which serve the needs of their customers better than their competitors tend to do better financially. On the punishment side, those companies which serve their customers poorly, or actually injure their customers and other constituents, tend to suffer for it. Thus, a market system tends to be self-policing. Those in business must bear the consequences of their behavior.

While not a perfect system, the free enterprise system of economic organization is the best an imperfect world has to offer. As indicated in the section on the proper role of government, there are such things as "market failures." The key to dealing with market failures is, first of all, to make sure that a market failure has actually occurred. Then, the coercive power of government should be used to correct and buttress the working of the market system. It should not be used to supplant the system. There are many who see market failures behind every rock and tree but fail to recognize the reality of "government failures." We must make sure that there are genuine failures of the market system, and we must use appropriate and effective political tools to address them.