

The Virtues of Capitalism and the Profit Motive



If you are a businessperson, do you feel you are under attack? You should. You are. Capitalism and the free enterprise system are under the most relentless assault seen in the post war era. American businesses operate within the capitalist system, but many may not feel comfortable defending it. Yet, capitalism is more virtuous and morally superior to socialism, or statism (i.e., power and decisions are vested in the state or government).

Talk about capitalism's moral superiority the next time you hear someone parroting the politicians, entertainers, academics, clerics, and professional rabble rousers who are all bemoaning the failures of capitalism. Their only answers are to dust off the same old prescriptions that have been tried, tested, and found wanting again and again.

What is Capitalism?

Swiss Guardsman, Andreas Widmer, asked Pope John Paul II if a Christian could be a capitalist...

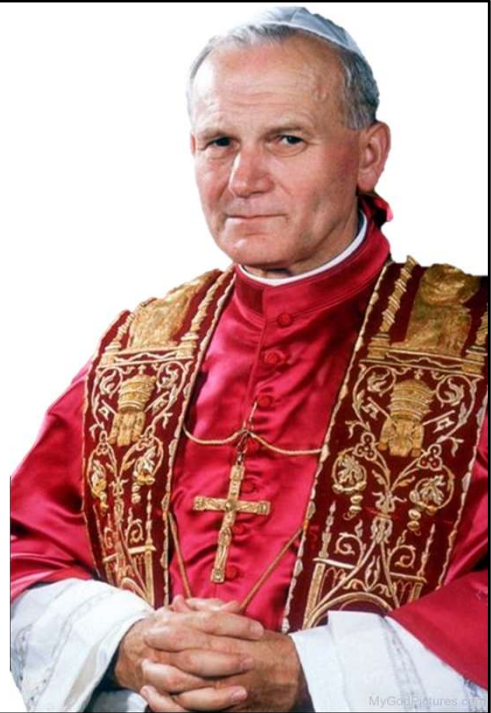
"It depends what you mean by capitalism.

If you mean the free market economy, that has three components to it —

**freedom of association,
economic association, and
the moral public culture,**

**this is the ideal environment to promote prosperity
and human flourishing."**

- Pope John Paul II



Source: <https://business.purdue.edu/daniels-insights/posts/2025/what-is-capitalism.php>

Before we embark on a quest to defend the virtues of capitalism, we should seek a definition. For a moral definition, how about a Pope? Specifically, Pope John Paul II. He was asked by one of his Swiss Guardsmen if it was possible to be a capitalist and a Christian. To answer, John Paul first defined capitalism as a free market economy with freedom of association, economic association, and a moral public culture. The latter is the most under assault today.

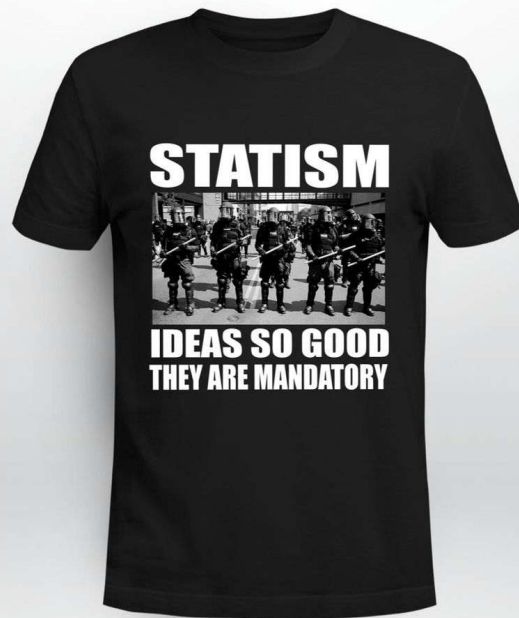
John Paul said that under his definition, capitalism was the IDEAL environment to promote prosperity and human flourishing. Note that John Paul speaks of the virtue of prosperity. Anti-capitalists, statist, tend to promote poverty as though it is virtuous. Poverty exists. Christ said the poor will always be with us, but poverty is never something to be sought. Statists live in an upside-down world.

Voluntary Exchange



For me, the key element of capitalism is voluntary exchange. What about capital, you ask? It is possible for someone in the American free enterprise system to start with no capital and build capital. The “rags to riches” Horatio Alger stories that we once taught in schools still apply in America. I know. I did it, starting a business with little capital of my own, building it into a worldwide enterprise, and selling it for millions. The American dream is still alive and well for those who seek it.

Involuntary Exchange (Statism)



In contrast to voluntary exchange, we have the involuntary exchange of statism. The state mandates choices. If the choices pushed by the state were any good, there wouldn't be a need to mandate them or subsidize them.

Socialism

National Socialism (Fascism)

Marxism

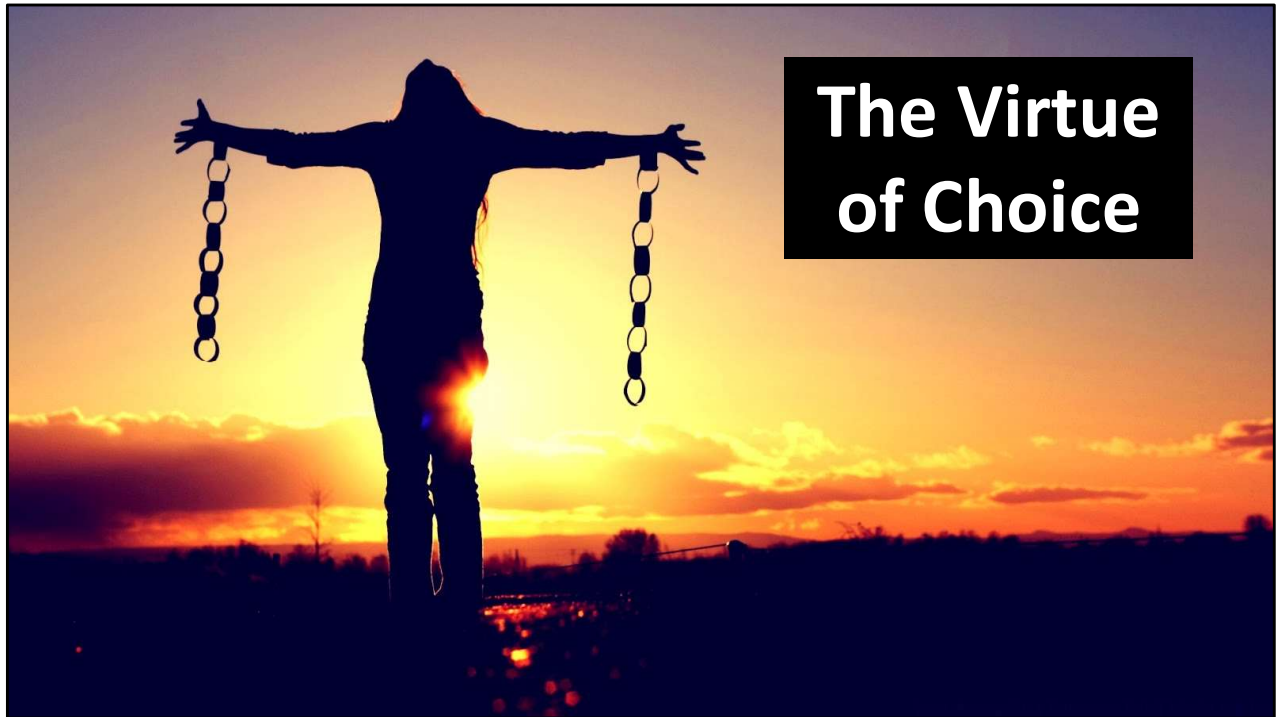
Communism

Sharia



**BIG BROTHER IS
WATCHING YOU**

Statism takes many forms, but all are totalitarian, differing only in the degree of state control. These include socialism, national socialism (which is fascism), Marxism, communism, and sharia. Sharia is not a religion, but a statist legal system advocated by a religion. Some call it Islamofascism, but that's a misnomer. It is its own unique form of totalitarian statism.



The most basic freedom is the freedom to make choices. Capitalism promotes choice. It promotes the ability of people to decide what they want to buy, how much they want to buy, where they want to live, where they want to work, and so on. With statism, choices are limited. The government decides, for example, what kind of light bulb is available, how much water a toilet can use, the minimum factory efficiency of an air conditioning system, whether homeowners can heat their homes and cook with gas, and more.



Before the Soviet Union fell, the Iron Curtain divided Germany. At the border was a simple post to mark the West German border. The East German border had a fence with machine guns mounted to spray bullets towards the East German side if the fence was disturbed. Beyond the fence was an open field, patrolled by armed soldiers and dogs. Then, there was more barriers and guard towers. Visiting this in high school, I was struck that East Germany wasn't a country, it was a prison country where they would rather kill their citizens than allow them the choice to leave. This was communism. This was slavery.

The removal of simple choices reduces freedom. The removal of all choices is slavery. The direction of statism is towards slavery. The direction of capitalism is towards freedom. Capitalism is more virtuous and morally superior.

The Virtue of Cooperation



If I want a new air conditioning system installed in my home, I call a contractor. We have to agree on a price where I consider it better to own the new comfort system than to keep the money it costs. Likewise, the contractor considers it better to take the money paid than to keep the equipment in inventory (or pick it up from the supply house) and perform the installation. We have to voluntarily cooperate and agree on the price.

Next, the contractor must elicit the labor of his employees to perform the installation, in return for compensation. Then, he must cooperate with the supply house or distributor regarding the purchase of the material and equipment. The distributor must buy it in turn from a manufacturer who builds the equipment as the outcome of thousands of acts of cooperation upstream.

An excellent video describing the cooperation that results from free markets and capitalism is [I Pencil: The Movie](#), based on the essay by Leonard E. Read. Take a few minutes to watch it.

Statism denies cooperation. Central planners make decisions that are forced on people. Statists eschew cooperation because left on their own, people make decisions the statist disagree with. An example is the imposition of any type of wage and price controls like the minimum wage.

If, for example, a plumber wants to hire a high school student for a few hours after school to clean his shop and help stock his trucks at the end of the day, the plumber and the high school student should be able to agree amongst themselves on the right compensation. Because the high school student hasn't learned good work habits, has no experience, and will require close supervision, the plumber may decide that the student is not worth the required minimum wage. Because the state forces the plumber to pay more than he can justify, he must find another way to get the work done and the student is denied both pocket money and the more valuable work experience that will lead to greater pay in the future.

Cooperation is more virtuous and moral than force. Capitalism is again, the more virtuous and moral economic system.



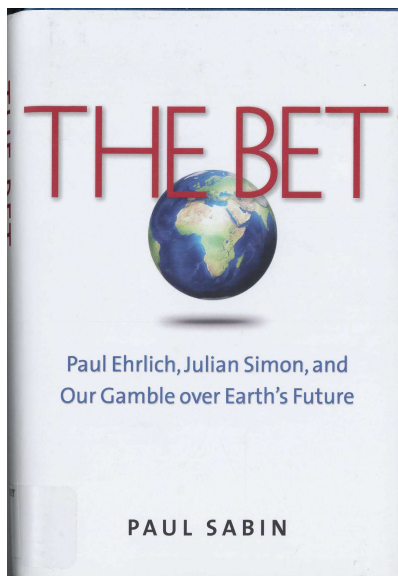
“ It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. ”

~ Adam Smith

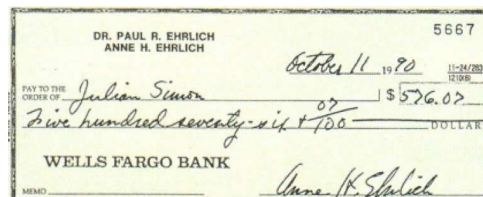
QuotesCosmos

1776 was not only the year when America was born, it was the date one of the world's most important books was published. Scottish economist, Adam Smith wrote "The Wealth of Nations," where he described how people were led to voluntarily cooperate with each other when seeking to serve their own interests. Smith wrote that an individual is "led by an INVISIBLE HAND to promote an end which was no part of his intention."

This trips up many well meaning but misguided people who see one form or another of statism as being virtuous and superior. They just the economic system on its INTENTIONS. With capitalism, intentions matter less than RESULTS. The intentions are less important than superior results.



The Virtue of Optimism



Capitalists live in a world of opportunity. They constantly survey the landscape looking for possibilities to gain, to build, to expand, to create. Statists, on the other hand, focus on scarcity. They see a world of limited resources, which gives them reason to ration and allocate.

Paul Ehrlich was a butterfly scientist who wrote, “The Population Bomb,” in 1970, predicting global famine before the decade’s end due to overpopulation. He guested on all of the right talk shows and got all of the favorable news coverage, becoming a celebrity. Never mind that Ehrlich was wrong, not just this time, but again and again and again.

Julian Simon was an economist who loved to point out Ehrlich’s failings. He made a bet with Ehrlich in 1980 that a thousand dollars worth of any five commodities Ehrlich picked would cost less in ten years. The loser would pay the winner the difference between the price of the commodities and a thousand dollars. All five commodities Ehrlich picked dropped in price.

What the statists overlook is the unlimited power of human ingenuity. Time and time again, statists have predicted the world would be unable to feed itself. Yet, agricultural innovations result in more food production on the same or less land. Statists scared the public with peak oil and limited fossil fuels, yet thinks to the combination of horizontal

drilling and fracking, the U.S. alone sits on a 200 year supply of oil.

There is a moral aspect in play. Focusing on limits and living within them becomes a self-fulfilling prophesy. The statist suppresses man's hopes and prospects. Capitalism again, is more virtuous and moral.

The Virtue of Faith In the Common Man



The capitalist believes that people can make their own best decisions. This is the basis of the free market with millions of people making individual choices. Statists believe the common man is incapable of making good choices, so an elite must intervene and make choices for people.

Integral to capitalism is a belief in the goodness and intelligence of the common man, despite inherent frailties and shortcomings of individuals. Statists look down on and denigrate the public. Again, capitalism is more virtuous and moral.



Income inequality is the cry of the statist. Equality of opportunity is the anthem of capitalism. People will never be wholly equal. Because of my four-inch vertical leap, I will never be able to dunk a basketball. In a basketball game against LeBron James, I will lose ten times out of ten. Even if I practice hard and improve my game significantly, I will probably never be able to overcome LeBron's inherent athletic gifts.

The capitalist would point out that my attempt to compete resulted in improvements in my basketball skills and ability. LeBron may still pound me into dust, but the overall game between us improved. I am better off as a result of my effort.

The statist takes a different view. LeBron's basketball superiority is unfair. Therefore, he must be handicapped in some way. He must be forced to give me credit for some of the baskets he scores. This does nothing to improve the game or improve my performance. In fact, I have less reason to improve my game. I might have to work for my points instead of taking LeBron's.

The cry about income inequality is one of the biggest loads of crap being foisted on the public today. The statist sees a static world where a low-income earner today is a low-income earner tomorrow, when the truth is just the opposite. People can change their income through their own efforts. I may never earn as much as Elon Musk, but I can earn

more than I do today. When I strive to earn more, I help expand the economy. Taking money from Musk and giving it to me may benefit me personally, but it will do nothing to help the economy.

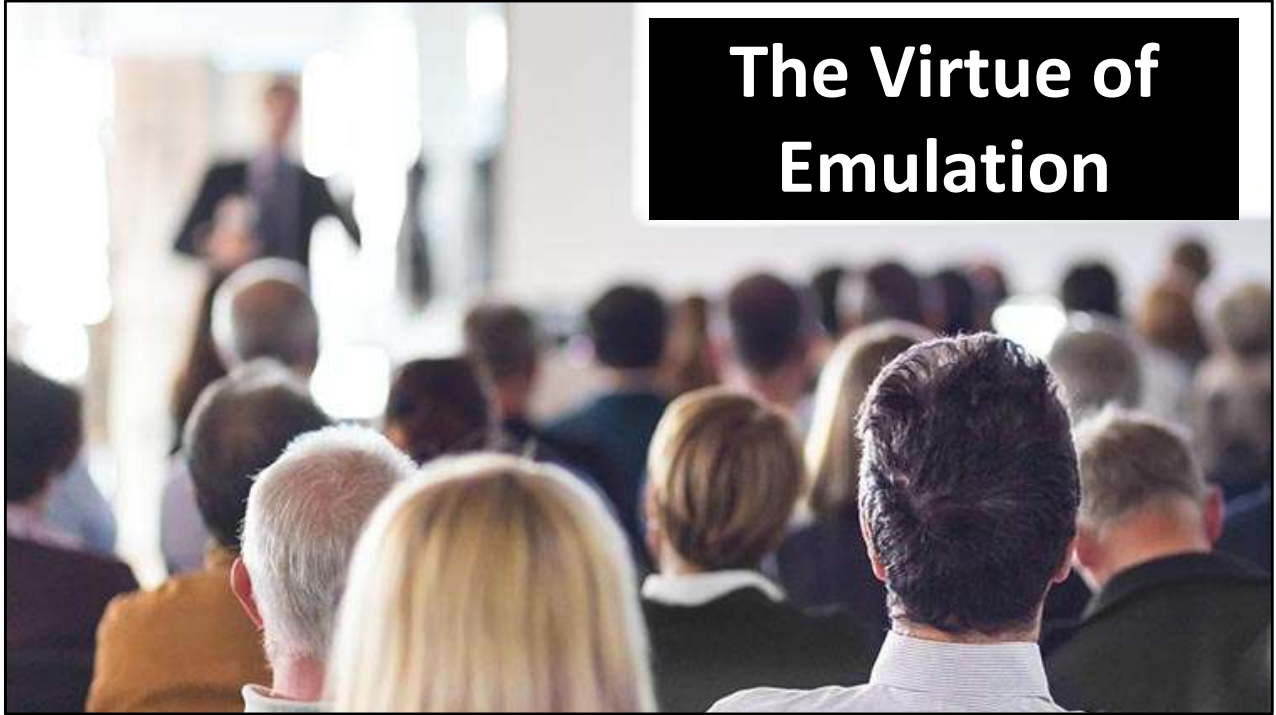


The inherent vice of capitalism is the unequal sharing of blessings; the inherent virtue of socialism is the equal sharing of miseries.

— *Winston Churchill* —

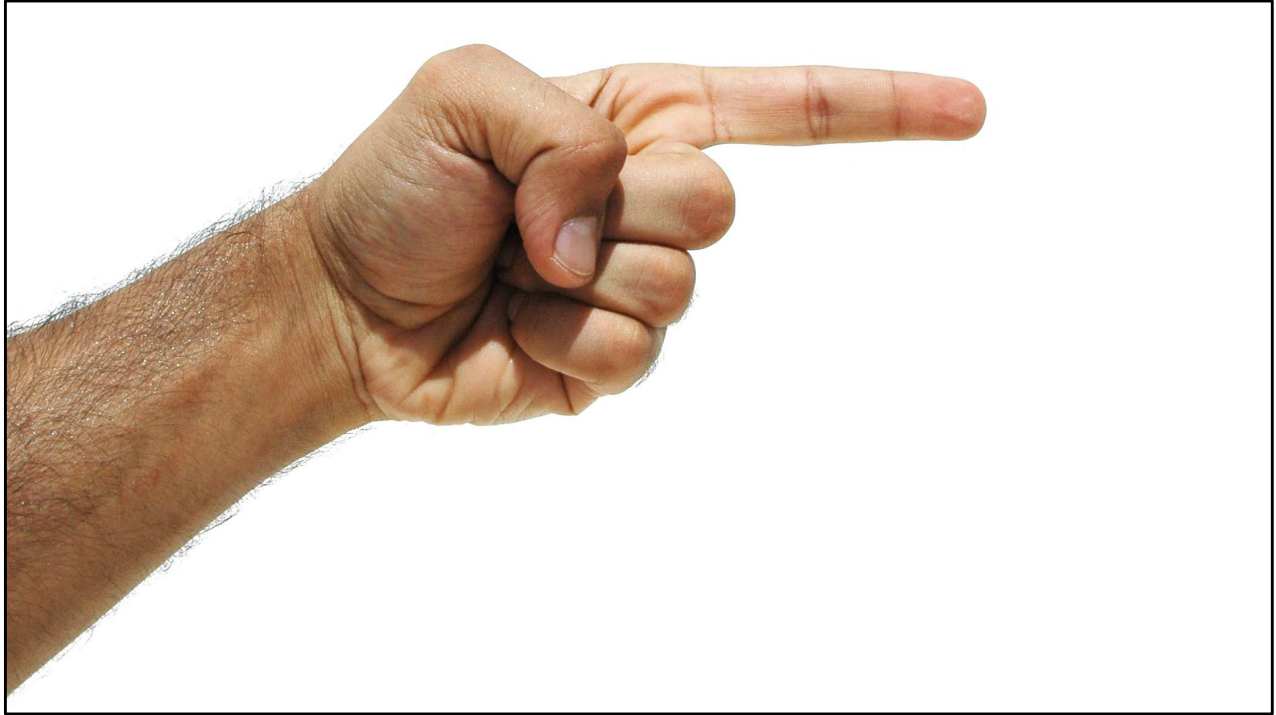
AZ QUOTES

Winston Churchill said, “The inherent vice of capitalism is the unequal sharing of blessings; the inherent virtue of socialism is the equal sharing of miseries.” By focusing on opportunity and not outcome, capitalism is the more virtuous and moral economic system.



Income inequality talk stirs up envy. Statists want us to envy and resent the wealthy and high-income earners. Capitalists want us to emulate them. Do not resent those more successful than you. Emulate them.

Envy is dangerous. We see it in small business every day. Competitors who are the most successful are often slammed and slandered by their less successful peers who envy them without attempting to learn from them. Envy generates excuses. Without envy, we must face the fact that we can change our own reality. If others can do it, so can we.



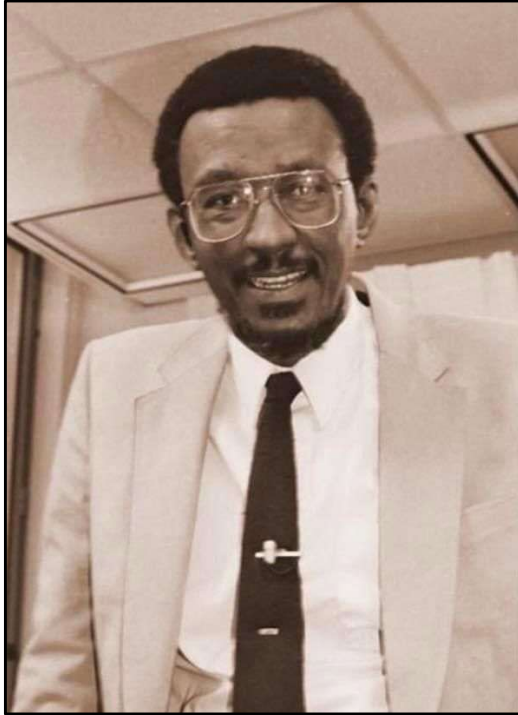
What the jealous peer who envies his more successful competitor fails to realize is that when he points a finger at his competitor, three fingers are pointed back at him. Emulation is more virtuous and moral than envy, one of the seven deadly sins. Capitalism is more virtuous and moral than statism.

The Virtue of Value Creation



Your income and wealth are a direct reflection of the value you generate for others. Deliver more value under capitalism and you will ultimately receive commensurate rewards. Statists, on the other hand, reward connections and political power. The wealthy in a statist system exploit position and connections to prosper.

In the United States, we have a mixed system where we can see examples of both. We see entrepreneurs who become wealthy by building great companies. We also see crony capitalists who leverage government connections to gain advantage. Finally, we see representatives of the people who are elected to congress with pennies in their pockets and emerge in a few years with millions in their bank accounts.



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~ *Walter Williams*

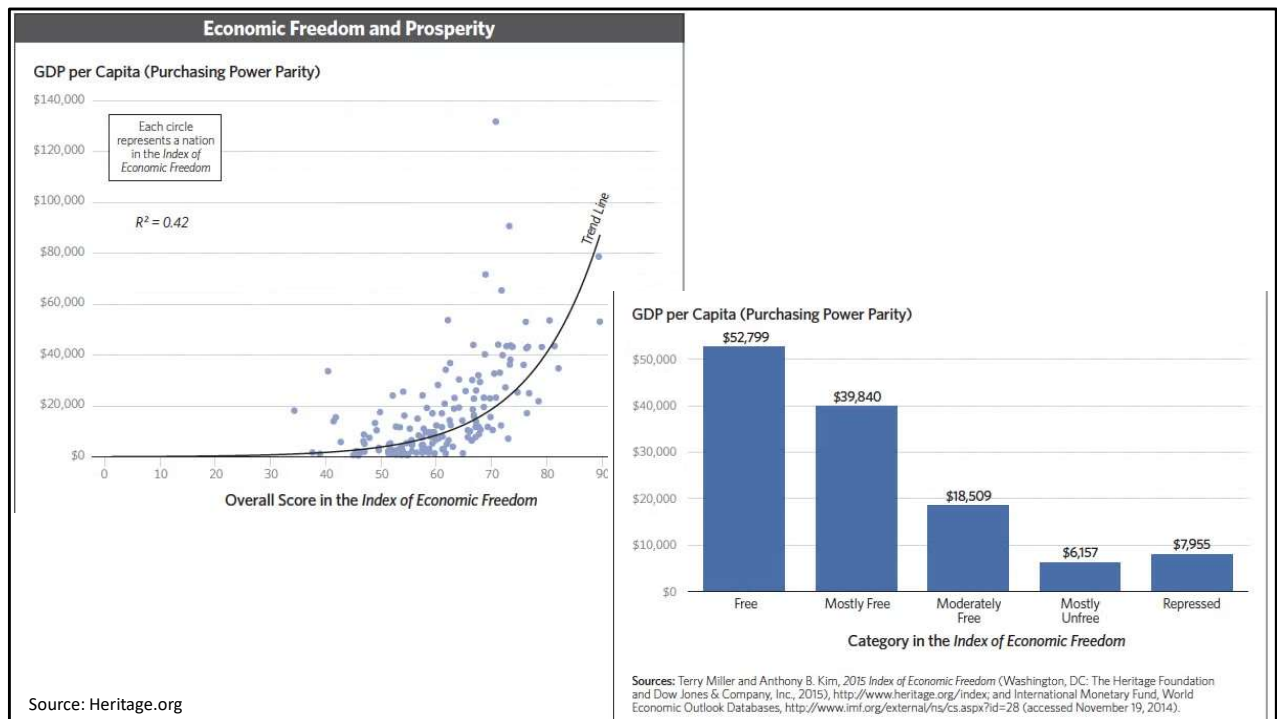
The late, great economist, Walter Williams said, “Prior to capitalism, the way people amassed great wealth was by looting, plundering and enslaving their fellow man. Capitalism made it possible to become wealthy by SERVING your fellow man.”

Wealth from value delivered is more virtuous and morally superior to wealth from connections exploited. Capitalism is more virtuous and morally superior.

The Virtue of Prosperity and Human Flourishing



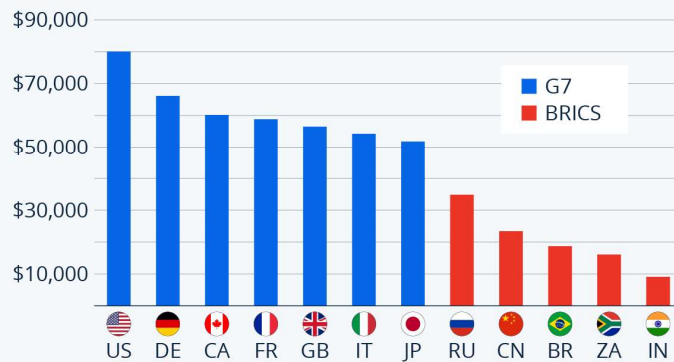
The smartest guy in the room is not smarter than the collected intelligence of everyone else in the room. Markets are always smarter than government planners. In the free market, millions of individual decisions are made, which result in a more optimum outcome than the smartest guy in the country planning for everyone. This is why socialist countries tend to be economic basket cases.



Statistically, the greater the economic freedom a country enjoys, the higher the per capita GDP.

BRICS Nations Still Trail G7 in Per-Capita GDP

G7 and BRICS countries' GDP per capita in 2023 in international dollars at purchasing power parity



Data based on IMF estimates as of April 2023
Source: IMF World Economic Outlook



statista

A lot of people worry about the new BRICS nations, consisting of Brazil, Russia, India, China, and South Africa. Yet, despite their vast populations, due to their repressed economies, their per capita incomes continue to trail free market Western economies.



Reagan noted that, “millions of individual making their own decisions in the marketplace will always allocate resources better than any centralized government planning process.”

The more the state controls decisions through top-down autocracy, the worse the outcomes.

A better outcome may or may not be considered more virtuous or morally superior, but it is superior. Capitalism is the better system.

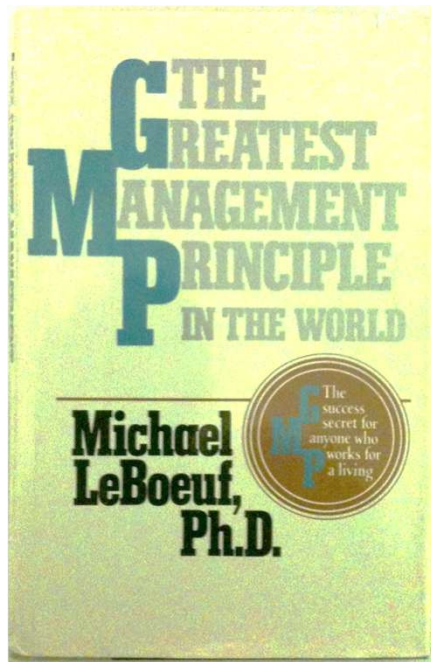
The Virtue of Consistency With the Human Condition



Incentives matter. If a full commission salesperson is put him on salary, what happens to his performance? It declines, of course. Tell anyone he will make the same amount of money no matter how hard he works and most will not work very hard. This is human nature.

Capitalism is built on the notion of incentives. Everyone has an incentive to build, create, and serve others. Statists suppress incentives. They shill about income inequality and redistribute money earned by the most productive to give to those not producing at all.

It is human nature to strive to improve and achieve. If we were content with the status quo and just acted on urge and instinct, we would be little more than animals. The statist attempts to turn us into cattle or sheep. Capitalism reflects our true nature and the human condition. It is more virtuous and morally superior.



What Gets Rewarded Gets Done

University of New Orleans professor, Michael LeBoeuf wrote in his seminal book, “The Greatest Management Principle in the World” that what gets rewarded, gets done. Rewards are not always financial. This is why every parent worries about peer pressure and why, we as a nation, should worry about our national culture and values.

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The Virtue of a Clean Environment

Statists love to moan about the environment. However, environmental conditions are best where wealth is greatest. Wealth correlates closely with capitalism. It is wealthy nations that clean up environmental messes, like Love Canal or the Cuyahoga River in Cleveland. It once caught fire. Today, people canoe down it.

Moreover, capitalists believe in private property and property rights, which is better for the environment. [The Tragedy of the Commons](#) explains how public ownership is worse than privatization. Individuals have an incentive to look after their property. No one has an incentive to take care of “the commons.” Yet, statists believe the state should own and control as much property as possible.

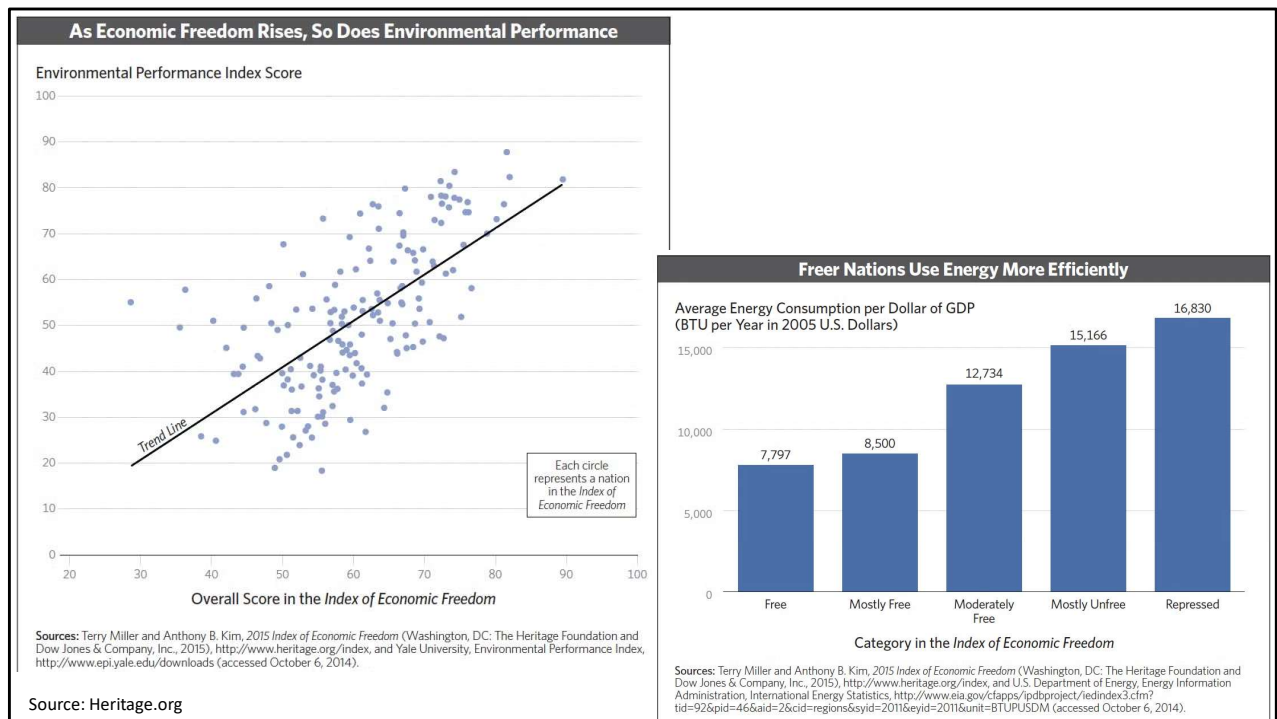


That which is common to the
greatest number has the least
care bestowed upon it

~ Aristotle

AZ QUOTES

This is not a new notion. Aristotle wrote, “that which is common to the greatest number has the least care bestowed upon it.”



If anyone doubts, there is a direct statistical correlation between economic freedom and the environment. Moreover, free nations are more apt to use energy efficiently.



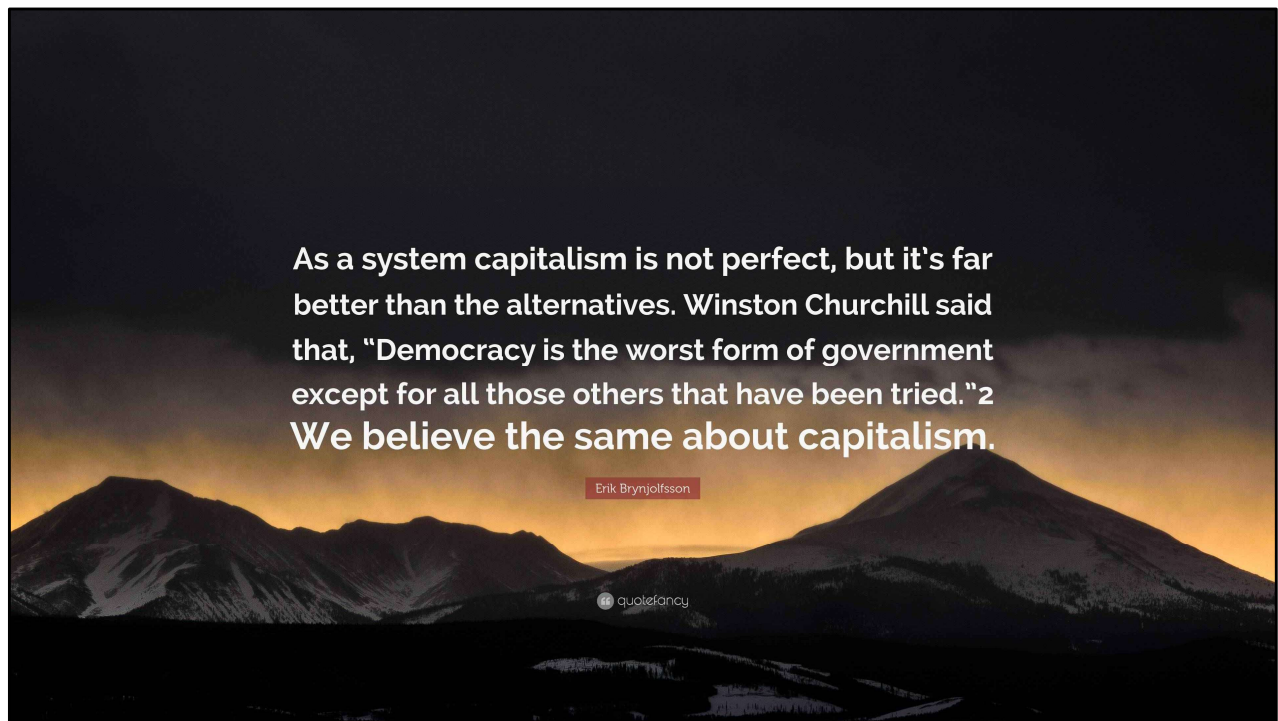
The communist nation of China with the most repressive state control of individual liberty is also one of the most polluted in the world. This is what statism does to the environment.

Combine the reduced wealth of a totalitarian economy with public ownership and you see the economic devastation that characterized many Soviet bloc countries following the fall of communism. Again, capitalism is morally superior.

- The Virtue of Choice
- The Virtue of Cooperation
- The Virtue of Optimism
- The Virtue of Faith in the Common Man
- The Virtue of Equality
- The Virtue of Emulation
- The Virtue of Value Creation
- The Virtue of Prosperity and Human Flourishing
- The Virtue of Consistency With the Human Condition
- The Virtue of a Clean Environment

Capitalism is More Virtuous

These ten virtues of capitalism demonstrate the inherent morality of the capitalist system.



Capitalism may not be perfect, but it is far superior to any alternative every attempted.



The only corporate social responsibility a company has is to maximize its profits.

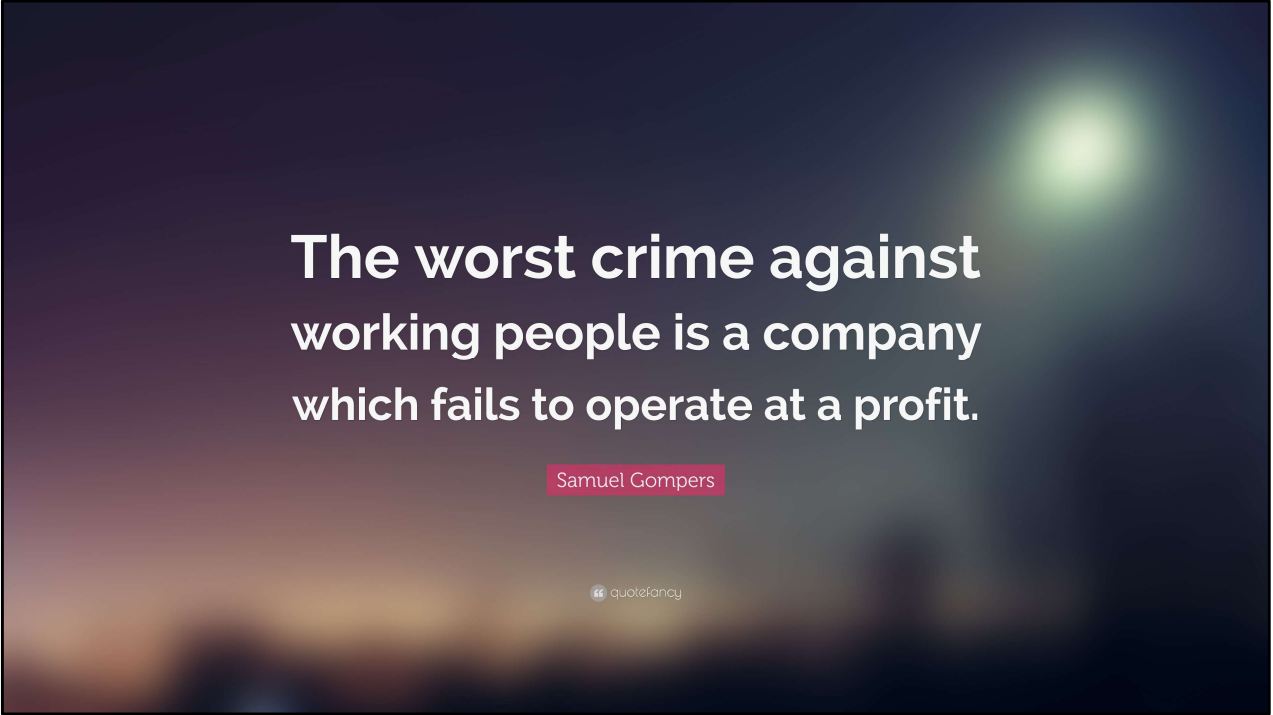
— *Milton Friedman* —

AZ QUOTES

If you've been paying any attention to politics lately, it seems like the nation's slid into the pages of a George Orwell or Ayn Rand novel. Not only is capitalism is under attack from demagogues on all sides of the ideological spectrum, business has never been more demonized and profitability has never been more derided. Our nation's leaders are acting as though businesspeople should be ashamed of making a profit.

Enough! Profitability isn't shameful. It's moral. The ethical generation of profit is a business' single most moral act.

Businesses don't exist to create jobs. They exist to maximize shareholder value and that requires profitability. Grow a profitable business and job creation naturally occurs. Fail and jobs cease to exist.



**The worst crime against
working people is a company
which fails to operate at a profit.**

Samuel Gompers

quote fancy

Samuel Gompers, one of the founders of America's organized labor movement said, "The worst crime against working people is a company which fails to operate at a profit."

How can a union guy understand what America's political elite fail to comprehend? Gompers learned and practiced a trade before becoming a union organizer. Unlike academics, professional politicians, and many of today's labor leaders, Gompers once held a real job. He saw how business worked. Plus, he was a capitalist, correctly believing that the lot of the working man was better under capitalism than socialism.

To Gompers, profit was moral. Profit was imperative. He was correct. Profit is both moral and imperative.



Do you doubt the morality of profit? In Christ's Parable of the Talents, which appears in the books of Matthew and Luke, the servants who doubled their master's capital were praised and rewarded with more gold and responsibility. Yet, the servant who did nothing with the capital entrusted to him was called wicked and lazy and thrown out into the darkness.

Christ declared, "Whoever has will be given more, and they will have an abundance. Whoever does not have, even what they have will be taken from them."

It sounds like Christ was a capitalist to me. Even if one argues that the parable was about faith, works, or stewardship, Christ used a business analogy that was comfortable to Him and His Disciples. Those who invest wisely and work hard, profit and prosper in accordance to their ability and fortune, which is praiseworthy. In other words, profitability is moral.

Furthermore, Christ didn't set a limit. He didn't say that a little profit is okay, but a LOT of profit... Well, that's just immoral. He did just the opposite. He noted that the greater the profit, the greater the servant's reward and responsibility.

- **Solomon wrote numerous proverbs about creating wealth honestly and ethically.**
- **Christ warned about coveting money.**
- **Paul encouraged generosity.**
- **David summed it up in the 62nd Psalm stating,**

**“Put no trust in extortion;
set no vain hopes on robbery;
if riches increase, set not your heart on them.”**

Psalm 62:10

The Bible is the most moral book ever written. Nowhere does the Bible promote the virtue of poverty. When wealth and money are discussed, it is usually in the context of how it is earned and the importance one places on it. Solomon wrote numerous proverbs about creating wealth honestly and ethically. Christ warned about coveting money. Paul encouraged generosity. David summed it up in the 62nd Psalm stating, “Put no trust in extortion; set no vain hopes on robbery; if riches increase, set not your heart on them.”

The Bible doesn’t celebrate poverty. The celebration of poverty is not moral. It’s sad.



It's the ethical pursuit of profitability that's moral. It is only when a business is profitable that it can pay employees and fund benefits. It is only when it is profitable that it can invest in future growth. It is only when it is profitable that it can pay suppliers. It is only when it is profitable that it can support the local community. It is only when it is profitable that it can pay taxes. It is only when it is profitable that it can reward investors.

This seems obvious. That's why it's stunning to hear the anti-capitalist rhetoric from our nation's leaders. It is the pursuit of profit that fuels the pursuit of innovation, improvement, and wealth creation. Absent, the profit motive, society stagnates.

When everyone lines up to collect their take from a business, the investor finds himself standing last in line. Given the risk, why should an investor bother? Why not keep the money safe? In a word, he seeks to profit.



It is the pursuit of profit that lures wealth from safety towards the risk of new business ventures. The greater the risk, the greater potential for profit must be to attract investment. When investments are made without an eye towards profit, the result is Solyndra.



It's the Travant. It's the Chevy Volt, which no one seemed to want despite a quarter of a million subsidy per vehicle shipped.

Businesspeople should take pride in profitability. Shame rests not with the profitable business owner, but with the protesters and politicians deriding capitalism and free enterprise.

**Business Revenue = Exact Measure of
Value Delivered
To Society**

**Business Profit = Measure of How
Efficiently Value
Is Delivered**

Matt Michel

Here is a hard truth. The revenue of a business is an EXACT measure of the value delivered. To increase revenue, a business needs to serve more people, offer more products, enhance the overall value delivered across the customer base.

Likewise, the profit of a business is a measure of how efficiently the value is delivered. Profitable businesses are efficient businesses.

Solomon had something to say about the results of real work versus the results of political rhetoric. In Proverbs 14:23, he wrote "All hard work brings a profit, but mere talk leads only to poverty."



Tired of politicians belittling businesses and profitability? King Solomon had something to say about the results of real work versus the results of political rhetoric. In Proverbs 14:23, he wrote “All hard work brings a profit, but mere talk leads only to poverty.”

Solomon was the wisest man whoever lived. Take his advice and get to work.