

The Philosophical Underpinnings of Capitalism

Diana Mertz Hsieh (diana@dianahsieh.com)

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Capitalism

Capitalism doesn't have a very good reputation. Both the left and the right blame capitalism for just about everything alleged to be wrong about the world: pollution, racism, warfare, pornography, alcoholism, poverty, rising healthcare costs, child labor, the subjection of women, and even Microsoft Windows. Those on left tend to see capitalism as system of oppression and exploitation. For many on right, capitalism is a system promoting moral decay and degeneration of society. Whatever their differences, both sides agree that the capitalist system is deeply flawed, that at the very least it needs to be controlled and regulated and reigned in by government.

For us libertarians, these critiques of capitalism are often pretty mind-boggling. After all, capitalism is simply the economic system where people are free to trade what they wish with whom they wish. Capitalism says that if you want to interact with others, then you cannot use force, threats, or fraud. You must interact with others based upon the principle of trade, the principle of voluntary exchange to mutual benefit. How could that simple principle of freedom of trade be the cause of so much evil, as critics of capitalism allege?

Of course, it's not just the theory of capitalism that looks good to us libertarians. The practical results of allowing people this simple freedom to trade are staggering. Even in the mixed economy of the United States, we have a vast array of good and services unimaginable to those who live without freedom. Grocery stores are stocked full of thousands of items. Laptop computers today are more powerful than huge mainframes from a decade ago. New drugs are continuously streaming into the market to help with just about every medical ailment: heart disease, migraines, diabetes, and even hair loss. We have disposable income to spend on vacations and movies and silly new toys for our kids. Even my dogs are better off in capitalist economy. One of my dogs, Kate, has bad hip dysplasia in both hips. But due to advances in veterinary medicine, she just got one of the first cementless artificial hips. Only in capitalist country would such treatment be not just available to the dogs but also affordable to the humans. Capitalism is amazing!

The opponents of capitalism are largely blind to these benefits of capitalism. Why? For some, opposition to capitalism may be due ignorance of economics, ignorance of the benefits of freedom of trade. But many others don't care that a free society is more prosperous and technologically advanced. The economic arguments for capitalism are irrelevant to such people, for there are deeper philosophical issues at stake.

After all, the principle of trade isn't a philosophical axiom. As will see, it rests upon four more basic philosophical principles: reason, egoism, harmony of interests, and mind-body integration. These are the ideological pillars that support arguments for freedom of trade. If we reject any of these four pillars of trade, then the principle of trade easily collapses into one of four forms of statism. That's all very abstract, so let's just dive into these four pillars and the four forms of statism associated with their rejection.

Reason and the Paternalistic State

Think for a moment of the paternalistic state, designed to protect us from ourselves, to protect us from our own bad decisions. So the paternalistic government bans corrupting influences

like prostitution, gambling, and drugs. It might heavily tax other “sinful” items like cigarettes, alcohol, and fatty McDonald's hamburgers. It might outlaw dangerous activities like driving without a seatbelt or riding motorcycle without a helmet. The paternalistic government will also likely provide incentives through tax cuts or subsidies or price fixing for activities deemed virtuous, like recycling or growing soybeans or eating vegetables. And when people object to this sort of paternalism, we hear that we can't repeal these laws because that would send a signal to the regular folks that these evils are moral and acceptable.

The justification for the paternalistic state is that regular people just aren't capable of deciding and doing what is right all by themselves. We ordinary people would screw up our lives royally if the government left matters up to us. So we need army of government experts, from restaurant health inspectors to OSHA bureaucrats to Al Gore to keep us on track in all areas of life. We private citizens, the paternalists say, just aren't rational or smart or knowledgeable enough to live our lives without the “gentle” advice of those experts in government.

So for the advocate of the paternalistic state, freedoms must be curtailed because ordinary people just don't have the capacity to make good decisions. Reason is seen as an inadequate tool for ordinary citizens to determine what is and is not in their own best interests. And if people can't effectively use reason to make determinations like “Food is good for me, but crack cocaine is bad” or “I'm better off with my wife than with a prostitute” then had better ban crack cocaine and prostitutes before whole country starts spiraling down the path of self-destruction. So the paternalistic government sees itself as doing us a favor by limiting freedom because it is preventing us from making the self-destructive choices that our feeble system of human reason would inevitably advocate as good for us.

The committed paternalist likely knows that banning drugs and gambling creates and encourages violent crime, but argues that such is a small price to pay for protecting our children. As a society, we have to take a stand. In other words, economics is irrelevant when compared to the moral issues at stake.

So the first pillar of freedom of trade is reason. Contrary to the advocates of the paternalistic state, people do have the capacity to determine what is and what is not in their best interests. Of course, some people will choose to act irrationally with this freedom. They will choose an evening of crack cocaine with a prostitute over a delicious meal cooked by a loving wife. But so long as people have a capacity to reasonably determine what is in their best interests, the freedom to trade is secure.

After all, not even the paternalistic state can force people to be rational. It can only force people to go through the motions of rationality, to move here or there or do this or that. But the state cannot force people to think. And the paternalistic state actually encourages irrationality, encourages unthinking obedience to authorities. It protects people from the consequences of their own bad thinking. As Homer Simpson said, “But Lisa, that's why we have government officials, so we don't have to think.” That's the dream of the paternalistic government.

In sum, reason is the first pillar of freedom of trade because we need to be able to determine our own best interests in order to trade to mutual advantage. If we eliminate that principle of reason, the paternalistic state follows.

Egoism and the Welfare State

Now let's turn to that form of statism that consumes so much of our paychecks: the welfare state. As we all know, the welfare state is designed to provide a safety net to the poor. Government, the argument goes, needs to prevent the poor from starving on the streets while an

indifferent populace callously steps over their dying bodies. So we have general welfare programs for the poor. We have Social Security for the elderly and disabled. We have unemployment programs and Medicaid and Medicare and homeless shelters and on and on.

The justification for the welfare lies in the argument that society has a duty to the poor, that the well-off are morally obliged to help those less fortunate. In other words, other people's needs justify a lien on our paychecks. We see this principle in action in the idea that giving away money is usually regarded as a greater virtue than making it. Giving people alms that they do not deserve is more noble than giving them the paycheck that they do deserve. Even giving away other people's money, as politicians do with our tax dollars, is a great virtue!

Central to this argument for the welfare state is the idea that what you might have wanted to do with your money isn't important. Sure you might have wanted to buy a house in a safer neighborhood or send your kids to private school or buy a car that doesn't break down every 500 miles. But your goals and purposes aren't important -- at least not in comparison to the needs of the needy, to the needs of society at large. Your life and happiness is just not important enough to warrant spending all that money you make on it.

So the welfare state is justified by the moral ideal of altruism. Not altruism in the sense of being nice to other people, of voluntarily helping out friends and even strangers when you can. But altruism in the sense that your own life and happiness aren't important, that service to others is the highest moral ideal, regardless of the cost to yourself, and that welfare of society as a whole ought to be your primary concern. In politics, altruism says that your life can and should be used as a mere means to the goals of society -- as represented by the government, of course.

So for the advocate of the welfare state, curtailing the freedom to trade by taking large hunks of money out of our paychecks is justified because it serves this moral ideal of altruism. In fact, the state is once again doing us a favor, this time by enforcing our moral duties to others. Surely those in need ought not suffer because you, the selfish bastard that you are, want to keep your paycheck for yourself! And think about this: trade is two people seeking mutual advantage, seeking to fulfill their own selfish purposes. The welfare state, however, answers to a higher moral ideal, or so its advocates claim.

Once again, the economics of prosperity doesn't matter to the advocates of the welfare state. So what if government is less efficient than private charities? We need government to make sure that everyone pays their fair share and that no one falls through the cracks!

So the second pillar of freedom of trade is egoism. Not egoism in the sense of stomping on other people to get ahead, but rather egoism in the sense of the legitimacy of pursuing your own life and happiness. Egoism in the sense that your life matters, that your goals and aspirations and desires matter, and that two people pursuing the mutual benefit of voluntary exchange is moral and good.

In sum, the freedom of trade rests upon the moral ideal of egoism, of pursuing your own life and happiness. If we reject that principle, then the welfare state follows shortly thereafter.

Harmony of Interests and the Egalitarian State

Now let's turn to the egalitarian state. With the egalitarian state, the goal of government is not to prevent self-destruction or serve the needy, but to make everyone equal, to eliminate the unnatural advantages that some people have over others. So we have progressive income tax where the rich don't just pay more in absolute terms, but pay greater percentage of income. And we have affirmative action for minorities, to make up for past discrimination. And businesses are supposed to "give back to the community" presumably because have taken so much from it. The goal of the

egalitarian state is not just equality before the law or even equality of opportunity, but rather equality in fact, equality of outcome. Everyone should share in the wealth of a society equally according to the egalitarian.

The egalitarian state is justified on the grounds that we all helped create the wealth of society, but due to the injustices and randomness of capitalism, some grow richer while others grow poorer. The rich didn't create their wealth out of thin air; they don't deserve their fortunes. They made their money on the backs of the poor; they stole it from hardworking people. Wealthy are like a piggy fat boy at 3rd grader's birthday party who eats most of the cake. The other, smaller kids are simply pushed aside by this piggy fat kid, leaving them with just piggy boy's leftover crumbs.

On this view, wealth isn't ever created, just moved and shifted around. The total wealth of the world is a static, fixed amount, like the birthday cake. So if I'm wealthy, because I took money from you and you and you. My gain is your loss. Such are the inequities of capitalism, of allowing people to trade freely. In philosophical terms, this is the principle of inherent conflicts of interest. It is the idea that we are in a war of all against all for the goods of society. After all, if you eat that hamburger or put that gallon of gas in your car, then I can't use it. Conflict is everywhere! Life is a zero sum game! So the job of government is to step in and make sure that everyone gets a slice of cake and that everyone's slice of cake is equal. The result is high taxes and the redistribution of income.

Again, the economics of redistribution is unimportant for many egalitarians. Even if the egalitarian state makes us all poorer, at least we are all equally miserable.

So the third pillar of freedom of trade is the idea that people have a general harmony of interests. I can pursue my life and happiness without interfering with your pursuit of the same. This is the same essential idea as Adam Smith's invisible hand, that when we are free to trade as we see fit, our interests align. We are likely even helping others out, whether we intended to or not -- even people we have never met. So when medical treatment or technology first comes on the market and only the rich can afford it, that's okay, because they are driving the cost down to where soon even the poor can afford it. Think of how expensive VCRs were when they first arrived on the market compared to now. Another essential aspect of the principle of harmony of interests is that wealth isn't just some static amount that is shifted and moved around in society. People create wealth where none existed before, by inventing a new product like the printing press. People create wealth by creating products more efficiently like selling software and manuals through the internet rather than in boxes and books. People have a harmony of interests -- when trading within a capitalist system.

In short, defending the freedom of trade requires a defense of the idea that people have a harmony of interests. Without that idea, the mutual advantage promised by trade is just a pipe dream. And the egalitarian state becomes the reality.

Mind-Body Integration and the Theocratic State

Fourth and finally, let's turn to the theocratic state. In the theocratic state, the goal of government is fulfilling the purposes associated with a higher spiritual realm. The concerns of the material world are unimportant in comparison. Those spiritual purposes might be explicitly religious, as in the Spanish Inquisition, where Church was torturing bodies, but saving souls. Here in US, separation of church and state forbids most explicitly religious government action, but it is not entirely absent. We still have blue laws in many areas preventing businesses from opening on Sunday.

But the more common form of the theocratic state in the US is the elevation of intellectual matters over material ones. So the rights of business owners to free association, to hire and fire whom they wish, are systematically violated through anti-discrimination laws and ADA. But the government would never dream of forcing people to meet quota of ethnically diverse and disabled friends in private life. The reason is that businesses are seen as just crass materialistic concerns, so it's okay to subject them to all sorts of regulation if we have a higher spiritual goal in mind. Another common example is that people who vigorously defend First Amendment as protection against unjust government will often (if not usually) ignore and denigrate the Second Amendment. But as we all know, the Second Amendment just as important for defending liberty against tyrannical government, if not more so. But theocracy creeps in when people argue that the First Amendment concerns those lofty intellectual matters, whereas the Second Amendment merely concerns the brute force of a gun!

The underlying philosophical justification for this sort of theocratic state is a split between the mind and the body. Intellectual and spiritual matters are considered to be wholly separate from and far more important than simple materialistic concerns. So the government recognizes rights and freedoms in the intellectual and spiritual realms, but not in the materialistic realms of business and property. The regulation of the material world of business, as with affirmative action or environmental regulations, is justified on the grounds that it serves a higher spiritual and moral purpose, such as a colorblind society or a healthy earth. What this all means is that the theocratic state is deeply embedded in what philosophers call the mind-body dichotomy.

Yet again, we see that the economics is irrelevant to the proponents of the theocratic state. Economics is the province of the material realm, but theocrats claim a higher calling in the form of religion or morality or the intellect.

So the fourth pillar of freedom of trade is mind-body integration. The principle of mind-body integration means that we recognize that material and spiritual matters inherently intertwined. Thus running a business requires the same mental powers of reason and creativity and dedication -- and thus the same freedoms -- that are required by intellectual pursuits like writing a book on philosophy or religion. And the principle of mind-body integration means that we recognize that neither material things nor spiritual things are inherently more important than the other. Thus our freedom to earn an honest living is as important as freedom to practice the religion of our own choosing.

So freedom of trade rests upon the idea of mind-body integration, the fourth pillar. To make spiritual matters more important than material ones is to invite in the theocratic state.

Conclusion

So a defense of capitalism, of freedom of trade, requires these four philosophical ideas: reason, egoism, harmony of interests, and mind-body integration. The rejection of any of them generally leads to statism. The rejection of reason leads to the paternalistic state. The rejection of egoism leads to the welfare state. The rejection of the harmony of interests leads to the egalitarian state. And the rejection of mind-body integration leads to the theocratic state.

Of course, both here in the US and elsewhere, don't just find one pure form of statism. These varieties of statism are all present in government; they merely vary in degree. The reason is that most cultures have only partial commitments to each of these pillars of freedom of trade. The result is a mixed economy and big government instead of laissez-faire capitalism and a minimal government. The result is statism instead of liberty.

But we don't just have the negative examples of what happens when we reject these four philosophical ideas underlying freedom of trade. If we look back to the history of the Enlightenment, to that period of intellectual and scientific flowering in the 17th and 18th centuries, we see these philosophical ideas everywhere. We see the power of reason to solve the problems of life. We see the pursuit of happiness as worthy and noble goal. We see that peace and harmony between people is possible with system of trade. We see that material world is as amazing and wondrous as spiritual one. So it is no accident that ideals of Enlightenment actively shaped the principles of our Founding Fathers. The philosophical foundation for freedom was laid very carefully in the ideas of the Enlightenment.

And those of you familiar with Ayn Rand's philosophy of Objectivism will also see these four pillars of freedom of trade as essential ideas in her philosophy. In particular, they are ideas that her political conclusions, her libertarian principles, cannot do without. [Note: Objectivist philosopher David Kelley has also argued for three of these four ideas as essential to the defense of liberty.]

So these four ideas of reason, egoism, harmony of interests, and mind-body integration are essential to defending liberty. People reject the principle of trade, the principle of voluntary exchange to mutual benefit, as the guide to all human interactions not just because of economic confusions, but because they reject one or more of these underlying philosophical principles. So in defending reason, egoism, harmony of interests, and mind-body integration, you are defending liberty -- even if politics is never discussed. You are planting the seeds of libertarianism by arguing for its foundations.

Thank you.