

The Problem With Capitalism

Introduction

A lot of blame has been placed at the feet of Capitalism. People seem to place blame erroneously to a term of which they have an assumed definition based on community interpretation. Although I speak about a wide range of topics and try to understand a great variety of ideas, my training is in linguistics, lexicography, and philology. So I take issue with a misinterpretation of a philosophical term. But then again, misinterpretation is a fairly harsh word since the English language is fairly fluid. English evolves relatively quickly in comparison with other modern languages, especially the different American derivatives. The English syntax is extremely fluid as well. Word order doesn't seem to matter much as far as comprehension goes.

Definitions

That brings us to the word 'Capitalism'. It is one of the more controversial words in the world today. With the increased visibility of Marxist thinkers, the meaning of the word Capitalism has taken many forms. So why would I insist on accuracy of language in this instance? I don't often insist on accuracy of meaning because I know that different words embody different ideas and ideals for different people and cultures. Capitalism, however is very specific in its meaning. If I use it in a sentence, I am not talking about a political theory of oppression. I am not talking about an enforced societal system. Capitalism is an observation of the nature of humanity. Regardless of what you were taught, Capitalism has nothing to do with government or society enforcement of an ideal. The definition has nothing to do with the needs or wants of people in a community. It has to do with the natural allocation of resources in a given economy. So let's get a definition.

Capitalism is an economic system based upon private ownership of the means of production and their operation for profit. Characteristics central to capitalism include private property, capital accumulation, wage labor, voluntary exchange, a price system, and competitive markets. In a capitalist market economy, decision-making and investment are determined by every owner of wealth, property or production ability in financial and capital markets, whereas prices and the distribution of goods and services are mainly determined by competition in goods and services markets.

This definition is from Wikipedia, which I think is appropriate since Wikipedia is one of the best observers of the evolution of language and definition. They also allow for a more complete definition, so I encourage you to not only read the entire article on Wikipedia, but follow through the reference links at the bottom.

"An economic system based upon private ownership of the means of production" is probably the most important phrase of this definition. Private ownership indicates the liberty to produce a good or service. It also re-enforces the ideal of individualism. Capitalism, therefore, is a voluntary system without imposed moral sanctions. You either participate, or you don't; but the key is that it is your

choice. There is no collective force that dictates what is and isn't produced, each individual controls his/her own production of goods and services.

Consider the contrasting economic systems. First there is Socialism, wherein the means of production are controlled by the collective. Here's the definition:

Socialism is a range of economic and social systems characterized by social ownership and democratic control of the means of production, as well as the political theories and movements associated with them.

There are many forms of Socialism because it is a system that has been adapted to many different cultures and situations. The means of production are democratically controlled, meaning that they are held in common amongst the citizens. This leaves little room for the individual, and perhaps that sounds nice to some, but there is a more sinister element in the real-world scenarios that history has documented. The enforcement of a democratically controlled economy is done by use of coercive force, meaning that the will of the majority is imposed by the threat of deadly force. This is the main reason that I personally reject Socialism as a moral economic philosophy, because inherent in the system is coercion and deadly force.

There are other forms of Socialism, which Wikipedia outlines, that are a little more cohesive and less dangerous than Marxist Socialism. Anarcho-Socialism is just that form.

Social anarchism (sometimes referred to as socialist anarchism or anarcho-socialism) is a non-state form of socialism and is considered to be the branch of anarchism that sees individual freedom as being dependent upon mutual aid.

This form of Socialism still rejects the individual, but does not use the force of the state to enact its rules. In my experience with Social Anarchism, it is social ostracism that helps regulate the individual rather than deadly force, so that is a moral improvement over Marxist Socialism (i.e. "Socialism"). But this example also shows that the individual is rejected in favor of the masses, which is a stark contrast to Capitalism. In this system, the power of individual will is rejected in favor of the collective will, which is indeed powerful, however individual rights become much weaker in this environment.

Some might then say that Capitalism (as we see it today) uses the same deadly force to enforce its rules. That is true. What people are claiming to be Capitalism in today's world does use deadly force to achieve its ends, but what I intend to show in this essay is that what people call Capitalism today is not consistent with the definition and root principles of Capitalism.

So, what truly is Capitalism, if it is not what we see today in the world? In the US, we call our system Capitalism, but our system doesn't even follow the basic structure of Capitalism. The observations of Adam Smith are rejected in favor of a system of redistribution of capital from some businesses and individuals to others in order to "tweak" the overall economy. This is not a form of Capitalism because Capitalism does not have different forms. Some may call it crony Capitalism, but in reality it is close to what happens in a fascist government. But let's define that because it is also a trigger word with images of Nazis and Swastikas.

Fascism is a form of radical authoritarian nationalism, characterized by dictatorial power, forcible suppression of opposition and control of industry and commerce, which came to prominence in early 20th-century Europe.

Of course we don't have a dictator, but the rest of that definition seems to apply to our current economic state. Control of industry and commerce is the key element that I am extracting from this definition. The US. government (as well as the majority of governments in the world) place hard controls on industry and commerce under the guise of "benefiting the majority" at the cost of the minority. So sure, we aren't living under a purely Fascist government. What our economic system is called is a "mixed economy". Let's pull another definition from Wikipedia for this.

A mixed economy is variously defined as an economic system blending elements of market economies with elements of planned economies, free markets with state interventionism, or private enterprise with public enterprise.

The US has not seen anything near a Capitalist economy since before World War I. Even then calling the US economy a Capitalist economy was a stretch. I think the greatest diversion from a Capitalist economy began with the Presidency of Abraham Lincoln. With the creation of the "green back" currency and the controls placed on industries, Lincoln was a major boost to the transition to the mixed economy and the move away from individual rights. This has nothing to do with the Civil War and abolition of slavery. That was a separate event, though actions taken in the name of abolition didn't help. But even after Lincoln, the US economy was mainly a free and Capitalist economy. I just see his presidency as the beginning of the fall of the principles observed by Adam Smith.

We are left then with the assertion that the above evidence shows that when you call today's economy a Capitalist economy, and when you blame certain evils in the world on Capitalism, you should stop and consider whether or not the evils you describe are a result of free and open trade between individuals or if it is something else more sinister spurred on by some other force that seeks to control the actions of individuals. If you see a large corporation and you say that it is abusing its workers, you have to realize that because of government controls, there are many reasons why something terrible has happened. You also have to consider that there are many factors that go into any event. Nothing is quite as simple as "corporation = bad" and "workers' rights = good". It is more complex than that and there are so many different factors that must be considered before you call for the use of coercive force to correct a problem, because it may be that coercive force was the original cause of that problem. I'm not saying that corporations don't hurt people, but I am saying that the world is not black and white and problems affecting you are not as simple as a lot of the radicals and ideologues claim. Our main tool in this process is Reason.

So let us proceed with the tool that gives humanity the advantage over their primate relatives and use Reason to tackle the "Problem with Capitalism" that is so passively being accepted as fact in today's world.

Before we continue, let me tell you the perspective that I am coming from. I am an Objectivist. I look at issues and theories from the perspective of a mere observer. With that said, I also see reason as king in the development of my world-view and perception.

The Observer Effect

To claim that an economy is Capitalistic, you are making a complex claim with a simple sentence. Such a claim says that the economy is not influenced by a regulatory body. It also means that trade between two or more individuals is not interrupted by another party claiming unsolicited fees/taxes from the transaction. Another implication would be that there would be no impediment on the transaction if the product or service is crossing a political border. What this means is, if there are taxes, tariffs, regulations, or interference, then you are no longer talking about Capitalism.

In physics there is something called the Observer Effect in which the mere attempt to observe the actions of an electron (using the appropriate tools), you change the nature of that electron. It acts like a particle instead of a wave. It is similar with the “observation” of Capitalism. When you try to define Capitalism through your own lens, you modify its nature and it ceases to exist as a “wave” and turns appears to be a “particle”. That doesn’t mean that you can’t define it. The correlation comes in when you consider that when the government tries to adopt Capitalism as their economic system, they change its nature because government’s job tends to be meddling with systems of nature.

That brings us to what Capitalism is. Capitalism is a natural occurrence, it is not a structure set by a government. That is what makes it different from other governmental economic systems. Others require government to impose the system on its subjects, whereas Capitalism does not require a government at all. It does not need government intervention to function normally because it really isn’t a system at all. That is the perspective I hope that I’m communicating.

In history there aren’t many examples of true Capitalism, and many people who claim to be Capitalists claim that there are no examples at all, just like how Socialists and Communists claim that their system has never been implemented effectively. However, there is one example that comes to my mind. It wasn’t purely Capitalist, but it was the closest I have ever learned about in history.

Before Iceland became part of the kingdom of Norway it was a land of farmers and merchants. They had a loose government with a central law giving body. However, for the most part, each farmer or merchant or blacksmith was left alone to do what he or she wanted. Women in their society were not like women in the rest of Europe because they could own land and generally share in the rights of men. The merchants were free to sail everywhere, trading freely with anyone they wished. There was no tariff or real tax to speak of because they didn’t have a “king” at that time. Their economy boomed and the original settlers of Iceland who dug in the dirt and barely made enough to live raised themselves out of poverty and they all became comfortable with their living. They advanced the production of steel because they were allowed to freely trade and learn from other cultures. The merchants would travel as far as East Asia according to some accounts. This was all an example of Capitalism that was able to operate in relative freedom. This was before 1000 CE.

Read the first chapter of Adam Smith’s Wealth of Nations. What he says may be interesting, but read how he talks about industry. He is describing an observation that is uninhibited. He is describing the ideal of Capitalism, uninhibited human action. When you allow people to be free to associate and free to trade with other people. Capitalism is, simply put, having the liberty to

associate and trade with others. This does not make it bad and it does not make it good. To claim the Capitalism is evil is to claim that a natural occurrence is evil. I will not claim that Capitalism is good because you cannot call something in nature good or evil, it simply is.

With that definition in mind, it is easy to extrapolate from that that a system like Socialism is simply placing a “top-level” structure on Capitalism. Like with computers, there is the kernel programming and there are the programs that utilize the kernel. In this context, Capitalism is the kernel and Socialism is Windows XP. The kernel operates on its own freely and Windows leverages the power of the kernel to display things on the screen and to run certain processes. But Windows XP is completely reliant on the kernel. Without the kernel, Windows XP cannot exist. In the same way, without Capitalism, Socialism cannot exist.

Socialism

Socialism is a range of economic and social systems characterized by social ownership and workers' self-management of the means of production as well as the political theories and movements associated with them.

So far we have been defining terms, what is Capitalism, what is Socialism, what is Communism and so on. In this section we will identify the alter-ego of Capitalism, Marx's observation of the ends of Capitalism. If you read or the Communist Manifesto, you will find that Marx foresaw that the end of Capitalism would be a form of social uprising of the masses and the capturing of the means of production by the working classes. What he spelled out was his observation of the natural progression of society and the natural resentment of one man being master over another. Karl Marx observed this progression, much like how Adam Smith *observed* the natural workings of the economy.

The reason that Marx's work is so foundational and long-lived (the reason it didn't die out like much of the other socialist/communist writings of the time) is because he does not appear to be writing with the intent to preach to the masses about his ideas, but he rather appeared to write with the intent only to observe and report what he saw. Like Adam Smith and Charles Darwin, he wrote with a more scientific mind than with the mind of a political activist. Now his personal life is much different. He didn't simply observe his surroundings like a thoughtful philosopher, he wrote for papers and leaflets and urged his readers to take action. In a sense, he fully believed his own writings and lived them accordingly.

The ideas in his crowning achievement, *Communist Manifesto*, were what shaped the world and continues to shape the world to this day. His ideas influenced Lenin, Stalin, and Mao to shape their own nations through their interpretation of his work. The leaders of North Korea implement a derivation of his work to shape their own economy. Anarchists around the world rejoice to read and follow their own exegesis from his work.

With all of those examples, there still remains the question, is his observation of the natural progression of society something that is truly natural, or has it only become natural because he and Engels wrote it down? It is sort of a conundrum because the end results of the experiment with

Marxism has been nothing short of disastrous. The evils that have arisen from Marxism have made the evils of the infamous Hitler look like child's play. I would argue that these evils rose up because the *people* ceded power over themselves as individuals to a few power hungry men and women. The end result so far has merely been a shift of power and a rush to fill the vacuum that forms. For the ideals of Marxism to truly be fulfilled, there would need to exist a society that predicated its identity on the individual and rejects all forms of power over the individual. The result would then need to be that the power that rules over society would be social pressure and social awareness rather than men and women that rule over other men and women. Thus the society would need to be an anarchist one.

The world over has proven so far that it cannot handle anarchism on a grand scale. For such an ideal to exist, the world would need to be divided smaller than the current countries that exist now. Society would be contained within individual communities. A single state in the United States would not exist. That single landmass, known as a state, would instead contain hundreds of communities ruled by their own bent of social pressure and social responsibility. It is a dream, for sure, but not all that bad. Nationalism would be replaced with a pride in one's own community and self. Law would be replaced with a more fundamental moral code, enforced only by your communal society.

This form of anarchism would not necessarily be Socialist either. I only mention it because it is the only logical way I can see Socialism/Marxism existing without the power grabbing of the likes of we have seen, and the creation of 'hell on earth' that the resulting powers have created. And similarly, Capitalism would benefit greatly from this form of societal creation.

As a disclaimer, I do not think that this pipe dream will be realized in my own life time, but it is a thought, an observation. The kind of radical change that would be needed would be so catastrophic that I doubt it will happen in the foreseeable future.

So what separates Marxism from Capitalism is not that they are differing ideals, but rather that they are completely different species of ideals. Marxists who level their aim at Capitalism as evil simply misunderstand the nature of the word they accuse of that very evil. Capitalism is an observation of human nature. Marxism is the observation that human nature will eventually rebel against itself and change to resist the basic instinct of the animalistic nature of humanity.