

The
MORALITY
of
CAPITALISM



What Your Professors Won't Tell You

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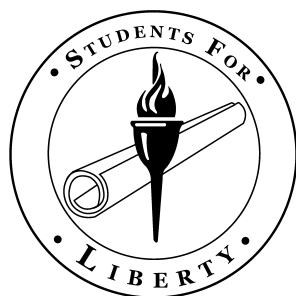
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EDITED BY TOM G. PALMER

The Morality of Capitalism

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Won't Tell You*

Edited by Tom G. Palmer
Students For Liberty & Atlas Network



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Introduction: The Morality of Capitalism

By Tom G. Palmer

This book is about the moral justification of what philosopher Robert Nozick called “capitalist acts among consenting adults.”¹ It’s about the system of cooperative production and free exchange characterized by the predominance of such acts.

A few words about the title—*The Morality of Capitalism*—are in order. The essays in this book are about the *morality* of capitalism; they are not confined to abstract moral philosophy, but also draw on economics, logic, history, literature, and other disciplines. Moreover, they are about the morality of *capitalism*, not merely the morality of free exchange. The term “capitalism” refers not just to markets for the exchange of goods and services, which have existed since time immemorial, but to the system of innovation, wealth creation, and social change that has brought to billions of people prosperity that was unimaginable to earlier generations of human beings.

Capitalism refers to a legal, social, economic, and cultural system that embraces equality of rights and “careers open to talent” and that energizes decentralized innovation and processes of trial and error—what the economist Joseph Schumpeter called “creative destruction”—through the voluntary processes of market exchange. Capitalist culture celebrates the entrepreneur, the scientist, the risk-taker, the innovator, the creator. Although derided as materialistic by philosophers (notably Marxists) who are themselves adherents of materialism, capitalism is at its core a spiritual and cultural enterprise. As the historian Joyce Appleby noted in her recent study *The Relentless Revolution: A History of Capitalism*, “Because capitalism is a cultural system and not simply an economic one, it cannot be explained by material factors alone.”²

Capitalism is a system of cultural, spiritual, and ethical values. As the economists David Schwab and Elinor Ostrom noted in a seminal game-theoretic study of the role of norms and rules in maintaining open economies, free markets rest firmly on the

norms that constrain us from stealing and that are “trust enhancing.”³ Far from being an amoral arena for the clash of interests, as capitalism is often portrayed by those who seek to undermine or destroy it, capitalist interaction is highly structured by ethical norms and rules. Indeed, capitalism rests on a rejection of the ethics of loot and grab, the means by which most wealth enjoyed by the wealthy has been acquired in other economic and political systems. (In fact, in many countries today, and for much of human history, it has been widely understood that those who are rich are rich because they took from others, and especially because they have access to organized force—in today’s terms, the state. Such predatory elites use this force to gain monopolies and to confiscate the produce of others through taxes. They feed at the state treasury and they benefit from state-imposed monopolies and restrictions on competition. It’s only under conditions of capitalism that people commonly become wealthy without being criminals.)

Consider what the economist and historian Deirdre McCloskey calls “*The Great Fact*”: “Real income per head nowadays exceeds that around 1700 or 1800 in, say, Britain and other countries that have experienced modern economic growth by such a large factor as sixteen, at least.”⁴ That is unprecedented in all of human history. McCloskey’s estimate is, in fact, quite conservative. It doesn’t take into effect the amazing advances in science and technology that have put the cultures of the world at our fingertips.

Capitalism puts human creativity to the service of humanity by respecting and encouraging entrepreneurial innovation, that elusive factor that explains the difference between the way we live now and how generation after generation after generation of our ancestors lived prior to the nineteenth century. The innovations that have transformed human life for the better are not merely scientific and technological, but institutional, as well. New business firms of all kinds voluntarily coordinate the work efforts of enormous numbers of people. New financial markets and instruments connect the savings and investment decisions of billions of people twenty-four hours a day. New telecommunications networks bring together people from the corners of the world. (Today I had conversations with friends in Finland,

China, Morocco, the United States, and Russia, and Facebook comments and communications from friends and acquaintances in the United States, Canada, Pakistan, Denmark, France, and Kyrgyzstan.) New products offer us opportunities for comfort, delight, and education unimaginable to previous generations. (I am writing this on my Apple MacBook Pro.) Those changes have made our societies in countless ways dramatically unlike all human societies that have preceded them.

Capitalism is not just about building stuff, in the way that socialist dictators used to exhort their slaves to “Build the Future!” Capitalism is about creating value, not merely working hard or making sacrifices or being busy. Those who fail to understand capitalism are quick to support “job creation” programs to create work. They have misunderstood the point of work, much less the point of capitalism. In a much-quoted story, the economist Milton Friedman was shown the construction on a massive new canal in Asia. When he noted that it was odd that the workers were moving huge amounts of earth and rock with small shovels, rather than earth moving equipment, he was told “You don’t understand; this is a jobs program.” His response: “Oh, I thought you were trying to build a canal. If you’re seeking to create jobs, why didn’t you issue them spoons, rather than shovels?”

The mercantilist and cronyist H. Ross Perot, when running for president of the United States in 1992, lamented during the presidential debates that Americans were buying computer chips from Taiwan and selling the Taiwanese potato chips. It seemed that Perot was ashamed that Americans were selling mere potato chips; he had bought into Lenin’s view that value is added only by industrial production in factories. Economist Michael Boskin of Stanford University correctly noted that if you’re talking about a dollar’s worth of computer chips, or a dollar’s worth of potato chips, you’re talking about a dollar’s worth. Adding value by growing potatoes in Idaho or by etching silicon in Taipei is adding value. Comparative advantage⁵ is a key to specialization and trade; there is nothing degrading about producing value, as a farmer, as a furniture mover (I worked with three movers today to move much of my library and I have a very solid sense of how much value they added to my life), as a financier, and so on. The

market—not arrogant mercantilist politicians—shows us when we are adding value, and without free markets, we cannot know.

Capitalism is not just about people trading butter for eggs in local markets, which has gone on for millennia. It's about adding value through the mobilization of human energy and ingenuity on a scale never seen before in human history, to create wealth for common people that would have dazzled and astonished the richest and most powerful kings, sultans, and emperors of the past. It's about the erosion of long-entrenched systems of power, domination, and privilege, and the opening of “careers to talent.” It's about the replacement of force by persuasion.⁶ It's about the replacement of envy by accomplishment.⁷ It's about what has made my life possible, and yours.

(The only thing that the kings and sultans and emperors had that ordinary people today don't have was power over other people and the ability to command them. They had vast palaces built by slaves or financed by taxes, but no indoor heating or cooling; slaves and servants, but no washing machines or dishwashers; armies of couriers, but no cell phones or Wi-Fi; court doctors and magi, but no anesthetic to ease their agony or antibiotics to cure infections; they were powerful, but they were miserably poor by our standards.)

The History of a Word

Free markets, understood as systems of free exchange among persons with well-defined, legally secure, and transferable rights in scarce resources, are a necessary condition for the wealth of the modern world. But as economic historians, most notably Deirdre McCloskey, have convincingly shown, they are not sufficient. Something else is needed: an ethics of free exchange and of wealth production through innovation.

A few words about the use of the term “capitalism” are in order. The social historian Fernand Braudel traced the term “capital” to the period spanning the twelfth and thirteenth centuries, when it referred to “funds, stock of merchandise, sum of money, or money carrying interest.”⁸ Of the many uses of the term “capitalist” that Braudel catalogued, he noted dryly, “The word is never . . . used

in a friendly sense.”⁹ The word “Capitalism” emerged as a term, generally of abuse, in the nineteenth century, e.g., when the French socialist Louis Blanc defined the term as “the appropriation of capital by some to the exclusion of others.”¹⁰ Karl Marx used the term “capitalist mode of production,” and it was his ardent follower Werner Sombart who popularized the term “capitalism” in his influential 1912 book *Der Moderne Kapitalismus*. (Marx’s collaborator, Friedrich Engels, considered Sombart the only thinker in Germany who really understood Marx; Sombart later became a cheerleader for another form of anti-capitalism, National Socialism, i.e., Nazism.)

In their attack on the “capitalists” and the “capitalist mode of production,” Marx and Engels noted that “the bourgeoisie” (his term for the “class” who owned “the means of production”) had radically changed the world:

The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together. Subjection of Nature’s forces to man, machinery, application of chemistry to industry and agriculture, steam-navigation, railways, electric telegraphs, clearing of whole continents for cultivation, canalisation of rivers, whole populations conjured out of the ground—what earlier century had even a presentiment that such productive forces slumbered in the lap of social labour?¹¹

Marx and Engels marveled at not only technological innovation, but at “whole populations conjured out of the ground,” which is a striking way to describe falling death rates, rising living standards, and increasing life spans. Despite such accomplishments, of course, Marx and Engels called for the destruction of the “capitalist mode of production,” or, to be more precise, they thought that it would destroy itself and usher in a new system that would be so wonderful that it was not necessary—indeed, it was even offensively unscientific—to offer even the slightest hint as to how it might work.¹²

More importantly, Marx and Engels grounded their critique of capitalism (a critique that, despite the failure of all communist

orders to fulfill their promises, remains extraordinarily influential among intellectuals around the world) on a mass of confusion over what they meant by the term “bourgeoisie,” which they connected to the “capitalist mode of production.” On the one hand, they use the term to mean owners of “capital” who organize productive enterprises, but on the other they use it to refer to those who live off of the state and its power, as Marx did in one of his most interesting essays on politics:

[T]he material interest of the French bourgeoisie is most intimately imbricated [Note: a term for “overlapping”] precisely with the maintenance of that extensive and highly ramified state machine. It is that machine which provides its surplus population with jobs, and makes up through state salaries for what it cannot pocket in the form of profits, interest, rents, and fees. Its political interest equally compelled it daily to increase the repression, and therefore to increase the resources and the personnel of the state power.¹³

So on the one hand, Marx identified the “bourgeoisie” with the entrepreneurs who gave “a cosmopolitan character to production and consumption in every country,” who made “national one-sidedness and narrow-mindedness” “more and more impossible,” who created “a world literature,” who brought about “the rapid improvement of all instruments of production” and “immensely facilitated the means of communication,” and who overcame “the barbarians’ obstinate hatred of foreigners” by the “cheap prices of commodities” they offered.¹⁴ On the other, he used “bourgeoisie” to refer to those who live off of “public credit” (i.e., government debt):

The whole of the modern money market, the whole of the banking business, is most intimately interwoven with public credit. A part of their business capital is necessarily put out at interest in short-term public funds. Their deposits, the capital put at their disposal by merchants and industrialists and distributed by them among the same people, flow in part from the dividends of holders of government bonds.¹⁵

Marx saw the “bourgeoisie” as intimately involved in and benefiting from the struggle to control the machinery of the state:

All political upheavals perfected this machine instead of smashing it. The parties that strove in turn for mastery regarded possession of this immense state edifice as the main booty for the victory.¹⁶

In the words of the historian Shirley Gruner, “Marx felt he had got a grip on reality when he found the ‘bourgeoisie’ but in fact he had merely got hold of a very slippery term.”¹⁷ In some texts Marx used the term to refer to those innovative entrepreneurs who organize productive enterprises and invest in wealth creation, and in others he used it to refer to those who cluster around the state, who live off of taxation, who lobby to prohibit competition and restrict the freedom to trade; in brief, to those who invest, not in creating wealth, but in securing the power to redistribute or destroy the wealth of others, and to keep markets closed, the poor in their place, and society under their thumbs.

Because of the influence of Marx and his follower Sombart, the term “capitalism” came into general use. It’s worth remembering that the term was popularized by people who not only confused productive entrepreneurship and market exchange with living off of taxes taken from others, but who advocated the abolition of property, markets, money, prices, the division of labor, and the entire edifice of liberalism: individual rights, religious freedom, freedom of speech, equality before the law, and constitutionally limited democratic government.

Not uncommonly, like many terms of abuse, “capitalism” was taken up by some of those intellectual advocates of free markets against whom the term was wielded. As a result of its history, those who adopted the term “capitalism” for what they advocated, or even simply as a neutral term for social scientific discussion, were disadvantaged by the facts that (1) the term was used equivocally (to refer to both free market entrepreneurship and to living off taxes and government power and patronage), and (2) that it was almost always used in a distinctly negative manner.

Some suggest abandoning the term altogether, because it is so

fraught with conflicting meanings and ideological overtones.¹⁸ That's tempting, but there remains a problem. Merely allowing people to trade freely and to be guided by profits and losses, while certainly necessary for economic progress, is not sufficient for the creation of the modern world. Modern markets both emerged from and fuel a whirlwind of institutional, technological, cultural, artistic, and social innovation that transcends the model of people exchanging eggs for butter. Modern free-market capitalism innovates, not at a glacial pace over millennia, but faster and faster—precisely what both the socialists (notably Marx) and their allies, the anti-market conservatives, found so terrifying about the modern world. In his *Capitalism, Socialism, and Democracy*, Joseph Schumpeter criticized those for whom “the problem that is usually being visualized is how capitalism administers existing structures, whereas the relevant problem is how it creates and destroys them.”¹⁹

Modern free markets are not merely places of exchange, as were the market fairs of old. They are characterized by waves of “creative destruction”; what was new ten years ago is already old, superseded by improved versions, by new devices, institutional arrangements, technologies, and ways of interacting that were unimagined by anyone. That is what distinguishes modern free markets from the markets of old. The best available term to distinguish the free-market relations that have made the modern world from those markets that preceded it, in my opinion, is “capitalism.”

Capitalism isn't a form of disorder, though. It's a form of spontaneous order, which emerges from a process. (Some writers refer to such orders as “emergent orders.”) The predictable constancy of the rule of law and security of rights make possible such innovation. As David Boaz noted in *The Futurist*,

People have always had trouble seeing the order in an apparently chaotic market. Even as the price system constantly moves resources toward their best use, on the surface the market seems the very opposite of order—businesses failing, jobs being lost, people prospering at an uneven pace, investments revealed to have been wasted. The fast-paced Innovation Age will seem even more chaotic, with huge

businesses rising and falling more rapidly than ever, and fewer people having long-term jobs. But the increased efficiency of transportation, communications, and capital markets will in fact mean even more order than the market could achieve in the industrial age. The point is to avoid using coercive government to “smooth out the excesses” or “channel” the market toward someone’s desired result.²⁰

Free-Market Capitalism vs. Crony Capitalism

In order to avoid the confusion caused by equivocal use of the term “capitalism” by socialist intellectuals, “free-market capitalism” should be clearly distinguished from “crony capitalism,” from the system that has mired so many nations in corruption and backwardness. In many countries, if someone is rich, there is a very good chance that he (rarely she) holds political power or is a close relative, friend, or supporter—in a word, a “crony”—of those who do hold power, and that that person’s wealth came, not from being a producer of valued goods, but from enjoying the privileges that the state can confer on some at the expense of others. Sadly, “crony capitalism” is a term that can with increasing accuracy also be applied to the economy of the United States, a country in which failed firms are routinely “bailed out” with money taken from taxpayers, in which the national capital is little more than a gigantic pulsating hive of “rent-seeking” lobbyists, bureaucrats, politicians, consultants, and hacks, and in which appointed officials of the Treasury Department and the central bank (the Federal Reserve System) take it on themselves to reward some firms and harm others. Such corrupt cronyism shouldn’t be confused with “free-market capitalism,” which refers to a system of production and exchange that is based on the rule of law, on equality of rights for all, on the freedom to choose, on the freedom to trade, on the freedom to innovate, on the guiding discipline of profits and losses, and on the right to enjoy the fruits of one’s labors, of one’s savings, of one’s investments, without fearing confiscation or restriction from those who have invested, not in production of wealth, but in political power.

The waves of change that free-market capitalism creates are

often resented by entrenched elites. As they see the world, minorities become uppity and the lower classes no longer know their place. More shocking, from their perspective, is that under free-market capitalism women assert their own worth. Status is undermined. People create relationships based on choice and consent, rather than birth or status.²¹ The conservative hatred of free-market capitalism, which was very neatly summarized and incorporated by Marx into his writings, reflects anger at such change and often anger at the loss of privilege. Leo Melamed (the Chairman Emeritus of the CME Group [formerly the Chicago Mercantile Exchange] whose own life story of escaping from the Gestapo and the KGB and going on to revolutionize world finance is a story of courage and vision), drew on his experience when he said that “in Chicago’s financial markets it is not what you are—your personal pedigree, your family origin, your physical infirmities, your gender—but your ability to determine what the customer wants and where the market is headed. Little else matters.”²² Embracing free-market capitalism means embracing the freedom to change, to innovate, to invent. It means accommodating change and respecting the freedom of others to do as they please with what is theirs. It means making place for new technologies, new scientific theories, new forms of art, and new identities and new relationships. It means embracing the freedom to create wealth, which is the only means to the elimination of poverty. (Wealth has causes, but poverty does not; poverty is what results if wealth production does not take place, whereas wealth is not what results if poverty production does not take place.)²³ It means celebrating human liberation and realizing human potential.

The authors whose essays are presented here come from a variety of countries and cultures and from a variety of callings and intellectual disciplines. Each offers an appreciation of how free-market exchanges are rooted in morality and reinforce moral behavior. The selection includes a mix of essays, some quite short, some longer, some quite accessible, some more academic. It includes two essays that have not previously appeared in English and were translated from Chinese and Russian for this collection. It includes contributions by two Nobel Prize winners, one a novelist

and one an economist, and an interview with a successful entrepreneur who is an outspoken proponent of what he calls “conscious capitalism.” The essays don’t provide all of the arguments for free-market capitalism, but they do provide an introduction to a very rich literature. (A small sample of that literature is listed in the brief bibliography at the end of the book.)

Why does this book only contain vigorous defenses of free-market capitalism? Because there are hundreds—actually, thousands—of books on the market purporting to offer “balanced” discussions that in fact are filled with nothing but indictments of wealth creation, of entrepreneurship, of innovation, of the profit-and-loss system, and of free-market capitalism generally. In the course of my own career, I have read hundreds of books that attacked free-market capitalism; I’ve thought about the arguments and wrestled with them. In contrast, it is unusual to find critics of free-market capitalism who have read more than one author who dared to offer a defense of free-market capitalism. The one author who is most commonly cited, at least in the modern Anglo-Saxon intellectual world, is Robert Nozick, and even then it becomes clear that only one chapter of one book was read, the one in which he offered a challenging hypothetical thought experiment to test enemies of free-market capitalism. Most socialists think it sufficient to read one essay and rebut one thought experiment.²⁴ After reading and rebutting one argument, if those who condemn free-market capitalism even think it worthwhile to continue the critique, they usually rely on one or another misstatement or garbled version of what Milton Friedman or Ayn Rand or F. A. Hayek or Adam Smith believed, offered without citation.

To take one recent prominent example, Harvard professor Michael Sandel offered a rebuttal to the case for free-market capitalism in his recent book *Justice: What’s the Right Thing to Do?*; besides Nozick, he cited Friedman and Hayek, but made it clear that he had not read them. He quoted Friedman asking, “Are we entitled to use coercion to prevent him [someone who won’t save for retirement] from doing what he chooses to do?”²⁵ But he failed to note that in the very next paragraph Friedman actually offered reasons for such coercion²⁶ and stated that “The weight of

this argument clearly depends on fact.”²⁷ (Friedman was invoking the classical liberal principle of the “presumption of liberty,”²⁸ not making a categorical statement about rights, as Sandel incorrectly claims.) Sandel also states that “In *The Constitution of Liberty* (1960), the Austrian-born economist-philosopher Friedrich A. Hayek (1899-1992) argued that ‘any attempt to bring about greater economic equality was bound to be coercive and destructive of a free society’”—a claim that Hayek does not, in fact, make; he does argue that “progressive income taxation” (in which the rates of tax increase with income) is incompatible with the rule of law, for “unlike proportionality, progression provides no principle which tells us what the relative burden of different persons ought to be,”²⁹ but that is not the same as arguing that any attempt to bring about greater economic equality (say, by eliminating special subsidies and privileges for the rich) was bound to be coercive. (Both Sandel’s erroneous claim and his description show that Sandel didn’t even bother to consult Hayek’s book; one wonders whether he would have described Adam Smith’s *An Inquiry into the Nature and Causes of the Wealth of Nations* as a book about how pins are manufactured.)

Serious people should do better. I strongly encourage you, the reader of this essay and this book, to do better. Read the best criticisms of free-market capitalism. Read Marx. Read Sombart. Read Rawls. Read Sandel. Understand them. Be open to being convinced by them. Think about them. I’ve read more arguments against free-market capitalism than most enemies of free-market capitalism have read, and I think I could usually make their case better than they can, because I know it better. What’s offered here is the other side of the debate, the side that is rarely even acknowledged to exist.

So, go ahead, take a chance. Wrestle with the arguments offered by the essays in this book. Think about them. Then make up your own mind.

—Tom G. Palmer
Washington, D.C.



Dr. Tom G. Palmer is executive vice president for international programs at the Atlas Network and oversees the work of teams working around the world to advance the principles of classical liberalism. Dr. Palmer is a senior fellow of the Cato Institute, where he was formerly vice president for international programs and director of the Center for the Promotion of Human Rights. Palmer was an H. B. Earhart Fellow at Hertford College, Oxford University, and a vice president of the Institute for Humane Studies at George Mason University. He is a member of the board of advisors of Students For Liberty. He has published reviews and articles on politics and morality in scholarly journals such as the *Harvard Journal of Law and Public Policy*, *Ethics*, *Critical Review*, and *Constitutional Political Economy*, as well as in publications such as *Slate*, the *Wall Street Journal*, the *New York Times*, *Die Welt*, *Al Hayat*, *Caixing*, the *Washington Post*, and *The Spectator* of London. He received his B.A. in liberal arts from St. Johns College in Annapolis, Maryland; his M.A. in philosophy from The Catholic University of America, Washington, D.C.; and his doctorate in politics from Oxford University. His scholarship has been published in books from Princeton University Press, Cambridge University Press, Routledge, and other academic publishers and he is the author of *Realizing Freedom: Libertarian Theory, History, and Practice*, published in 2009.

Notes

Introduction: The Morality of Capitalism

- 1 Robert Nozick, *Anarchy, State, and Utopia* (New York: Basic Books, 1974), p. 163.
- 2 Joyce Appleby, *The Relentless Revolution: A History of Capitalism* (New York: W. W. Norton and Co., 2010), pp. 25-26.
- 3 David Schwab and Elinor Ostrom, "The Vital Role of Norms and Rules in Maintaining Open Public and Private Economies," in *Moral Markets: The Critical Role of Values in the Economy*, ed. by Paul J. Zak (Princeton: Princeton University Press, 2008), pp. 204-27.
- 4 Deirdre McCloskey, *Bourgeois Dignity: Why Economics Can't Explain the Modern World* (Chicago: University of Chicago Press, 2010), p. 48.
- 5 For a simple arithmetic explanation of the principle of comparative advantage, see tomgpalmer.com/wpcontent/uploads/papers/The%20Economics%20of%20Comparative%20Advantage.doc.
- 6 For a remarkable account of the general decline of the experience of force in human affairs, see James L. Payne, *A History of Force* (Sandpoint, Idaho: Lytton Publishing, 2004).
- 7 Envy as an impulse harmful to social cooperation and inimical to free-market capitalism has been studied by many thinkers. A recent and interesting approach that draws on the Indian classic epic *The Mahabharata* can be found in Gurcharan Das, *The Difficulty of Being Good: On the Subtle Art of Dharma* (New York: Oxford University Press, 2009), esp. pp. 1-32.
- 8 Fernand Braudel, *Civilization and Capitalism, 15th-18th Century: The Wheels of Commerce* (New York: Harper & Row, 1982), p. 232.
- 9 *Ibid.*, p. 236.
- 10 Louis Blanc, *Organisation du Travail* (Paris: Bureau de la Société de l'Industrie Fraternelle, 1847), cited in Braudel, *Civilization and Capitalism, 15th-18th Century: The Wheels of Commerce*, op. cit., p. 237.
- 11 Karl Marx and Frederick Engels, *Manifesto of the Communist Party*, in Karl Marx and Frederick Engels, *Collected Works, Volume 6* (1976: Progress Publishers, Moscow), p. 489.
- 12 For a devastating seminal critique of Marx's economic theories, see Eugen von Böhm-Bawerk, *Karl Marx and the Close of His System* (1896; New York: Augustus M. Kelley, 1949). A better translation of Böhm-Bawerk's title would be, "On the Conclusion of the Marxian System." Böhm-Bawerk refers in his title to the publication of the third volume of Capital, which "concluded" the Marxian system. It should be noted that Böhm-Bawerk's criticism is altogether an internal critique, and does not rest in any way on the results of the "marginal revolution" in economic science that took place in 1870. See also the essay by Ludwig von Mises, "Economic Calculation in the Socialist Commonwealth," in F. A. Hayek, ed., *Collectivist Economic Planning* (London: George Routledge & Sons, 1935) on the inability of collectivism to solve the problem of economic calculation.
- 13 Karl Marx, "The Eighteenth Brumaire of Louis Bonaparte," in David Fernbach, ed., *Karl Marx: Surveys from Exile: Political Writings, Volume II* (New York: Vintage Books, 1974), p. 186. I describe the contradictions and confusions of Marxian economic and social analysis in "Classical Liberalism, Marxism, and the Conflict of Classes: The Classical Liberal Theory of Class Conflict," in *Realizing Freedom: Libertarian Theory, History, and Practice* (Washington: Cato Institute, 2009), pp. 255-75.

- 14 Karl Marx and Friedrich Engels, *Manifesto of the Communist Party*, p. 488.
- 15 Karl Marx, "The Eighteenth Brumaire of Louis Bonaparte," p. 222.
- 16 Karl Marx, "The Eighteenth Brumaire of Louis Bonaparte," p. 238.
- 17 Shirley M. Gruner, *Economic Materialism and Social Moralism* (The Hague: Mouton, 1973), pp. 189–190.
- 18 See, for example, Sheldon Richman, "Is Capitalism Something Good?" www.thefreemanonline.org/columns/tgif/is-capitalism-something-good/.
- 19 Joseph Schumpeter, *Capitalism, Socialism, and Democracy* (London: Routledge, 2006), p. 84.
- 20 David Boaz, "Creating a Framework for Utopia," *The Futurist*, December 24, 1996, www.cato.org/pub_display.php?pub_id=5976.
- 21 The legal historian Henry Sumner Maine famously described "the movement of the progressive societies" from inherited relations, based on family membership to personal liberty and civil society as "a movement from Status to Contract." Henry Sumner Maine, *Ancient Law* (Brunswick, NJ: Transaction Publishers, 2003), p. 170.
- 22 Leo Melamed, "Reminiscences of a Refugee," in *For Crying Out Loud: From Open Outcry to the Electronic Screen* (Hoboken, NJ: John Wiley & Sons, 2009), p. 136.
- 23 I address the issue of poverty and free-market capitalism more systematically in "Classical Liberalism, Poverty, and Morality," in *Poverty and Morality: Religious and Secular Perspectives*, William A. Galston and Peter H. Hoffenberg, eds. (New York: Cambridge University Press, 2010), pp. 83–114.
- 24 This is an especially common attitude among philosophers, perhaps the saddest of whom was the late G. A. Cohen, who devoted much of his intellectual career to attempting, but failing, to refute Nozick's one thought experiment. Citations to Cohen's articles and a demonstration of the failure of his critique can be found in "G. A. Cohen on Self-Ownership, Property, and Equality," in *Realizing Freedom*, pp. 139–54.
- 25 Quoted in Michael Sandel, *Justice: What's the Right Thing to Do?* (New York: Farrar, Straus, and Giroux, 2009), p. 61.
- 26 Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), p. 188: "A possible justification on liberal principles for compulsory purchase of annuities is that the improvident will not suffer the consequences of their own action but will impose costs on others. We shall not, it is said, be willing to see the indigent aged suffer in dire poverty. We shall assist them by private and public charity. Hence the man who does not provide for his old age will become a public charge. Compelling him to buy an annuity is justified not for his own good but for the good of the rest of us."
- 27 Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), p. 188.
- 28 For an explanation, see Anthony de Jasay, "Liberalism, Loose or Strict," *Independent Review*, v. IX, n. 3, Winter 2005, pp. 427–432.
- 29 F. A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), p. 313.

The Paradox of Morality

- 30 Luckily the beggar was an outsider, for if he were from the Land of Gentlemen, the dispute would have continued indefinitely.
- 31 Lei Feng (December 18, 1940–August 15, 1962) was a soldier in the People's Liberation Army who became a national hero after his death in 1962 in a traffic accident. A national campaign to "Learn from Comrade Lei Feng" began in 1963; it called on the Chinese people to emulate his devotion to the Chinese Communist Party and to socialism.

Adam Smith and the Myth of Greed

- 32 “The Secret History of Self-Interest,” in Stephen Holmes, *Passions and Constraints: On the Theory of Liberal Democracy* (Chicago: University of Chicago Press, 1995).
- 33 Quoted in Christine Caldwell Ames, *Righteous Persecution: Inquisition, Dominicans, and Christianity in the Middle Ages* (Philadelphia: University of Pennsylvania Press, 2008), p. 44.
- 34 Adam Smith, *The Theory of Moral Sentiments*, ed. D.D. Raphael and A.L. Macfie, vol. I of the Glasgow Edition of the Works and Correspondence of Adam Smith (Indianapolis: Liberty Fund, 1982). Chapter: a chap ii: Of the love of Praise, and of that of Praise-worthiness; and of the dread of Blame, and of that of Blame-worthiness; Accessed from <http://oll.libertyfund.org/title/192/200125> on 2011-05-30.
- 35 Adam Smith, *The Theory of Moral Sentiments*, ed. D.D. Raphael and A.L. Macfie, vol. I of the Glasgow Edition of the Works and Correspondence of Adam Smith (Indianapolis: Liberty Fund, 1982). Chapter: b chap. i b: Of the beauty which the appearance of Utility bestows upon all the productions of art, and of the extensive influence of this species of Beauty; Accessed from <http://oll.libertyfund.org/title/192/200137> on 2011-05-30.
- 36 Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations*, Vol. I ed. R.H. Campbell and A.S. Skinner, vol. II of the Glasgow Edition of the Works and Correspondence of Adam Smith (Indianapolis: Liberty Fund: 1981). Chapter: [IV.ii] CHAPTER II: Of Restraints upon the Importation from Foreign Countries of such Goods as can be Produced at Home. Accessed from <http://oll.libertyfund.org/title/220/217458/2313890> on 2010-08-23.
- 37 Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations*, Vol. I ed. R.H. Campbell and A.S. Skinner, vol. II of the Glasgow Edition of the Works and Correspondence of Adam Smith (Indianapolis: Liberty Fund: 1981). Chapter: [IV.viii] CHAPTER VIII: Conclusion of the Mercantile System. Accessed from <http://oll.libertyfund.org/title/200/217484/2316261> on 2010-08-23.
- 38 “The specific characteristic of an economic relation is not its “egoism,” but its “non-tuism.” Philip H. Wicksteed, *The Commonsense of Political Economy, including a Study of the Human Basis of Economic Law* (London: Macmillan, 1910). Chapter: CHAPTER V: BUSINESS AND THE ECONOMIC NEXUS. Accessed from <http://oll.libertyfund.org/title/1415/38938/104356> on 2010-08-23.
- 39 H.B. Acton, *The Morals of Markets and Related Essays*, ed. by David Gordon and Jeremy Shearmur (Indianapolis: Liberty Fund, 1993).
- 40 Voltaire, *Letters Concerning the English Nation*, ed. Nicholas Cronk (Oxford: Oxford University Press, 1999), p. 43.

The Market Economy and the Distribution of Wealth

- 41 The argument presented in what follows owes a good deal to ideas first set forth by Professor Mises in “Das festangelegte Kapital,” in *Grundprobleme der Nationalökonomie*, pp. 201-14. [English trans. in *Epistemological Problems of Economics* (New York: D. Van Nostrand, 1960), pp. 217-31].

Human Betterment Through Globalization

- 42 The Foundation for Economic Education. www.fee.org.

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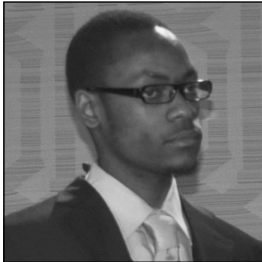
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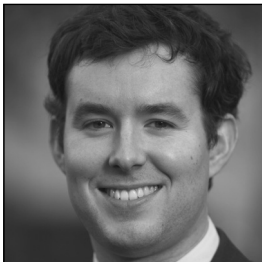
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