



Arguments for and against capitalism

Philosophy of Economics

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“Capitalist Realism”



Think about the strangeness of today's situation. Thirty, forty years ago, we were still debating about what the future will be: communist, fascist, capitalist, whatever. Today, nobody even debates these issues. We all silently accept global capitalism is here to stay. On the other hand, we are obsessed with cosmic catastrophes: the whole life on earth disintegrating, because of some virus, because of an asteroid hitting the earth, and so on. **So the paradox is, that it's much easier to imagine the end of all life on earth than a much more modest radical change in capitalism.** -- Zizek

Two Dimensions of Questions

- External Question: Should we have **capitalism** or some other system? (Should we buy a car?)
- Internal Question: What **type of capitalism** should we have? (What kind of car?)
- Abstract Question: **Abstracting** from concrete historical, social, and economic realities, what type of economic system should we have? (Should people have cars/what type?)
- Concrete Question: **Taking into account** our concrete historical, social, and economic situation, what type of economic system should we have? (Should we have a car/what type?)

Contents

1. **Consequentialist and Non-Consequentialist Arguments**
2. Types of Arguments
3. The Contribution of Philosophy

Sen, “Moral Standing of the Market”

- “The Consequent Good or the Antecedent Freedom?” (p. 2-8)
 - ❑ Distinguishes two ways to think about the justification of markets: consequentialist and non-consequentialist
 - ❑ Criticises the non-consequentialist approach
- “Optimality and Inequality” (p. 9-14)
 - ❑ Introduces the two basic (mathematical) theorems of welfare economics
 - ❑ Argues that neither theorem is of much relevance to justifying free markets
 - ❑ These results are only interesting if they presupposed important moral values
- “The Producers’ Rights to the Product” (p. 14-17)
 - ❑ Discusses Bauer’s “personal production view”: you own what you produce
 - ❑ Rejects the view as being inapplicable in an interdependent production process
- **Overall upshot:** markets need not be justified in consequentialist terms, through careful empirical consideration of both values and evidence

Consequentialism and Non-Consequentialism

- **Consequentialism:** An economic system (like capitalism) should be evaluated only on the basis of its results
 - ❑ This is the basic method of economics
 - ❑ Relies on **empirical, contingent** claims about how the social system operates
- **Non-consequentialism:** An economic system (like capitalism) should be evaluated intrinsically, on the basis of its intrinsic features
- An example of consequentialism: **utilitarianism**. An economic system is best if it brings about maximum total happiness
- An example of non-consequentialism: **rights-based view** (Nozick). An economic system should respect natural rights to property rights, independent from results.

Sen's Critiques

Critique of Rights-Based Views

If respecting a system of natural rights has disastrous consequences (ex. famine), why should we continue to adhere to it?

Critique of Utilitarianism

There is more to consequences than just welfare—freedom matters too

Sen's Own View

- We should accept a form of consequentialism—social systems should be evaluated by their consequences
- But: rights and freedoms are themselves part of what makes consequences good

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Types of Arguments

	In favour of capitalism	Against capitalism
Non-consequentialist Arguments No reference to consequences; purely philosophical argument	Argument from freedom <i>Capitalism is justified because it grants to everyone the maximum amount of individual freedom.</i>	Argument from exploitation <i>Capitalism is unjustified because workers are necessarily deprived by capitalists of the value they add to a product.</i>
Consequentialist Arguments Reference to consequences; partially empirical argument	Argument from efficiency <i>Capitalism is justified because it maximises living standards, wealth, and technological innovation.</i>	Argument from inequality <i>Capitalism is unjustified because it leads to repugnant and unjust inequality in opportunities and welfare.</i>

Types of Arguments

- One and the same argument can sometimes be interpreted in a consequentialist, and sometimes in a non-consequentialist way
 - ❑ Is “capitalism leads to the maximum amount of freedom” something we can know a priori (before any empirical evidence) or a posteriori?
- Sometimes, capitalism is justified with respect to abstract economic models, or with respects to assumptions about human nature
 - ❑ Are those consequentialist or non-consequentialist?
 - ❑ (There are difficult questions here about economic models.)
- Sen: all the good arguments (for **and** against!) are consequentialist
 - ❑ You cannot rely just on philosophy!
 - ❑ But: you cannot just rely on empirical sciences either!

Other Arguments

- Argument from **property rights**. Capitalism guarantees respect for natural rights, especially a right to acquire and own property.
- Argument from **desert**. Under capitalism, effort and talent are rewarded, such that people overall get what they deserve.
- Argument from **community/tradition**. Capitalism destroys and undermines established communities, traditions, and identities.
- Argument from **alienation**. Under capitalism, most people will be alienated from the fruits of their own labour.
- Argument from **unsustainability**. Capitalism cannot be upheld in the long-run: it will destroy the environment and/or our ability to rule democratically.
- Argument from **history**. The history of capitalism is one of slavery, colonialism, land theft, and other forms of structural injustice. This taints it to this day.
- Other arguments?

Exercise

- Go into groups of 3-4 people. You have about 30 minutes.
 1. Go through the proposed arguments. What kind of argument do you feel intuitively strongest? (both pro or con)
 2. How is that argument best interpreted—consequentialist or non-consequentialist?
 3. If it is a consequentialist argument, what are the relevant valued consequences? What empirical claims do we need to know for the argument to succeed?
 4. If it is a non-consequentialist argument, what kind of moral principle is the argument based on?

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What can philosophy contribute?

- A non-consequentialist argument relies on abstract claims about morality
 - ❑ Philosophy is obviously helpful here—this is its bread and butter
- A consequentialist argument relies on claims about consequences
 - ❑ We obviously need the social sciences/history to know what the results are
 - ❑ But we also need to know: *which results are valuable?*
 - ❑ This is a normative question. You cannot answer it empirically.
- An example: economics
 - ❑ Economists often claim to pursue value-free science
 - ❑ Take the claim “*the market delivers optimal results*”
 - ❑ If this claim is to have any relevance, it must rely on implicit value assumptions

Implicit Value Assumptions in Economics

(1) Policy P achieves economic efficiency

+ Economic efficiency is Pareto-optimality in terms of welfare ([Assumption 1: Economic definition of efficiency](#))

(2) Policy P achieves Pareto-optimality in terms of welfare

+ Pareto-optimal distributions are morally best ([Assumption 2: Moral theory of distribution](#))

(3) Policy P achieves the morally best distribution of welfare

+ A policy should be chosen if it leads to the morally best distribution of welfare—no other values (like freedom, autonomy, justice) matter ([Assumption 3: Moral theory of welfare consequentialism](#))

(4) Policy P should be chosen

When economists say (1), they often also mean (4)—but they must make several implicit value assumptions to get from (1) to (4)!



Summary

- ❖ There are two types of arguments for/against capitalism, consequentialist and non-consequentialist
- ❖ Consequentialist arguments rely on claims about results, and need input from the social sciences
- ❖ Non-consequentialist arguments rely on claims about morality
- ❖ Neither type of argument can be understood without philosophical analysis



Summary

- ❖ What does a non-consequentialist theory of morality look like? [Nozick, sessions 6-8?](#)
- ❖ What are the basic theorems of welfare economics? [Session 11](#)
- ❖ The rest of the course is structured around various consequentialist arguments!
- ❖ What is capitalism? [Next week!](#)
- ❖ **Two texts, reflections due on one of them!**