

The Morality of Capitalism

By Isaac Morehouse

Introduction

It is a common belief that capitalism “delivers the goods” and creates prosperity, but does so only at the cost of our souls, our dignity and our humanity. Many people doubt capitalism not because they fail to see its wealth-generating capacity, but because they believe it to be immoral. I wish to contest the idea that capitalism is immoral and present evidence to the contrary. Not only do I believe capitalism passes the minimum test by failing to violate basic moral standards; I believe it actively promotes a robust sense of morality in a way far superior to any other system.

Before I present my arguments, I would like to define what I mean by the word “capitalism.” I mean only a system where individuals are free to keep, trade, use or give away property that was peacefully acquired. This is merely a negation of the use of force in the use and exchange of goods. I do not mean a system that is pro-capitalist, or pro-business or pro anything but freedom for the individual.

In matter of fact, capitalists and established businesspeople have always been the most active enemies of capitalism. That is because capitalism is decidedly *not* pro-business. It allows for human creativity, competition and ceaseless challenges to vested interests as people continually innovate in order to better serve customers. It is a system that does not allow one to rest on their laurels long, and as such, those who have been successful frequently try to slow capitalism down and look to the state to find shelter from its dynamism.

If the word capitalism is distracting, I encourage you to substitute “free trade,” “free markets,” “voluntary exchange” or simply “freedom.” It will not change the meaning of my arguments in the least. I have chosen to use the term capitalism because it creates a more provocative title and because the term has been embraced by many intelligent classical liberals. There are good arguments both for and against the use of the term capitalism by advocates of free markets, but I wish to avoid this debate at present.

The titles of the next seven sections in this essay provide a clue as to where I am going:

Capitalism is Honest

Capitalism is Peaceful

Capitalism is Humble

Capitalism is Responsible

Capitalism is Not...

Capitalism or What?

Capitalism is Beautiful

Through these sections I will attempt to briefly explain why a system of free enterprise is the best possible way to promote these virtues.

I don't think we should merely accept or “put up with” capitalism, but we ought to embrace it as the key to unlocking human potential—moral, mental, spiritual and physical. There is much more to be said on the morality of capitalism than I will say in this essay, and I mean only to present some of the most basic arguments.

Capitalism is Honest

Capitalism is honest because it accepts reality as it is.

Economist [Thomas Sowell](#) describes two ways of looking at the world, or two “visions:” constrained and unconstrained. Sowell’s book, [“A Conflict of Visions,”](#) is an application of many themes in the work of economist [F.A. Hayek](#); especially Hayek’s views on the dispersed nature of information, the limits to what humans can know about each other, and the problems with attempts to replace organic and decentralized markets with top-down rational planning.

A constrained vision of the world recognizes some things as more or less unchangeable—scarcity and elements of human nature like the desire to better oneself and even frequent greed and nastiness. The best bet is to deal with these realities as best we can, rather than to wish them away. An unconstrained vision sees these as problems to be solved. Humans and our social systems are perfectible, if only we plan and direct our activities in a more rational way.

Regardless of the merits of each respective vision, it is to the great benefit of us all that a capitalist economic system is based on a more or less constrained vision. Even if it is possible that someday people may be better or scarcity may be gone, it’s here, and capitalism doesn’t need it to go away in order to work.

Honest about interest

Greed and self-interest are different. Self-interest is unavoidable. All people are self-interested, even when acting altruistically, because they believe the action will get them closer to where they want to be than inaction. Greed is unknowable to anyone but the greedy person. As [Milton Friedman reminded](#)

[Phil Donahue](#), greed can't be prohibited by any system. Capitalism realizes this, and rather than wishing greed away, it provides an incentive structure that channels self-interest, whether greedy or not, to produce the least harm and the most good.

This is the fundamental insight of [Adam Smith](#), that the butcher doesn't provide meat out of love for his customers, but out of regard for his own self-interest. It's not good if the butcher is greedy, but even if he is, good can result if he's in a capitalist system. Capitalism is not harmed if he is a selfless person, nor is it harmed if he's greedy. In fact, if he is a greedy jerk, it is likely to hurt his business because customers may not like buying from him. Bigots, jerks, scoundrels and greedy people won't ruin capitalism, but capitalism might ruin them.

Contrast this to government, where officials and bureaucrats are supposed to do not what is good for them, but what is good for society. For government programs to achieve their goals, it would require people—voters, politicians, employees—to be always selfless. Voters don't bear the cost of casting selfish votes; politicians can spread the costs of pork across millions of taxpayers and concentrate the benefits to a few; and the workers at the DMV or TSA don't fear losing your business if they treat you poorly. Governmental solutions are not honest about human greed, and they cannot channel it to create benefits for all like the market can.

Honest about scarcity

Capitalism also recognizes scarcity and is honest about it. Love to save trees?
Love to save children?

Say there is a forest that is highly valued by the environmental community. It is also the site on which some philanthropist wants to construct a children's hospital. What's more important? In government-run or managed economies, this becomes a bitter political question, and everyone is forced into the unenviable position of deciding whether they care more for trees and animals or sick children. In a market system, the property owner can accept offers for the land and a price will emerge. Those who truly value it most will place a higher bid and proceed with their plans for the forest.

To many people, this seems cold and calculating. It feels as though markets reduce children and trees to dollars and cents. In reality, it is an honest way to deal with scarcity, and it allows for the most valuable actions, as judged by the people involved, to be completed. What is the alternative? A system of price caps, regulations or government decisions about land use will not result in the best use of the land, but the one that is most beneficial to political interests. It prohibits caring people who might be willing to sacrifice great amounts of their own resources from doing so, in order to please other people who may only mildly care and aren't willing to put any of their own resources behind their desires. "[Price gouging](#)" is another excellent example of the good that results from capitalism's ability to deal honestly with scarcity.

Promotion of personal honesty

Capitalism is not merely a system that honestly recognizes and deals with scarcity and greed, it also encourages and breeds trust among individuals. When I go to the store to buy fish, I don't really consider the possibility that the store may sell me rotten or poisoned fish. No conscious process takes place in which I analyze the incentives facing the store owners and employees and assess my probability of risk. And these are people I've never met, people who don't care about me, and people who I may dislike if I did meet them. Yet the very anonymity and impersonal nature of markets require a tremendous amount of trust from all parties. And we do trust each other! I needn't trust

anyone's motives or knowledge personally, but the market itself has proven to be so trustworthy that I don't feel any suspicion.

Capitalist economies produce trusting people. Contrast that to dictatorships or heavily planned economies. If you've ever spent time in a country with a heavily controlled economy, you've probably experienced things like vendors holding your money up to the light to check if it's fraudulent.

Dream of the real world

Dreams of a world without scarcity or greed are wonderful. But an economic system that is honest about the scarce nature of resources and people of less-than-stellar character is an unheralded blessing for humanity. It helps us make better choices with what we have, it channels the otherwise destructive behavior of others for our good, and it makes us more trusting people which creates a more vibrant civil society.

Capitalism is Peaceful

Free markets are probably the greatest force for peace in history. There are three distinct ways in which capitalism promotes peace.

A negative system

The simplest way in which capitalism is peaceful is by its abstention from direct acts of violence. Free markets offer no positive prescription for what market participants must do. A genuine capitalist system is one of free trade and voluntary association. People are free to do, in the words of [Leonard Read](#), "Anything that's peaceful." There are no "do's," and the only real "don't" at bottom is, "don't use force." All else is permitted, but there is no guarantee the market will sustain or reward it.

Capitalism is not a master plan or a system created ahead of time by planners. It is really just the result of peaceful interactions. It is what emerges if force is only used in defense against force. The absence of violence results in secure property rights, contracts and all of the other institutional trappings that are commonly associated with capitalism.

Every other economic system requires a direct application of violence. Any regulation, fee, tax, trade barrier, licensing regime or mandate offered in any kind of “mixed” or corporatist or socialist or fascist regime is backed by the threat of violence.

Raising the cost of violence

Beyond the absence of force in individual actions, capitalism promotes a much broader peace between people from different regions and of different cultures and backgrounds. Self-interest begets trade; trade begets specialization; specialization begets cooperation. [Ricardo’s law of association](#) demonstrates how much more productive we are when we specialize and trade, which means that over time we come to rely on a vast network of trading partners for our own well-being. Some people find this state of affairs troubling and you hear things like, “What if X country decides to withhold good Y from us? We rely too heavily on imports!” There are plenty of natural and man-made things to fear in the world if you wish to worry, but the cutting off of trade in a truly free market ought not to be one of them. If a person genuinely wants to avoid all reliance on other people (not sure how this would work for a newborn), they are free to live as long as they can only eat what they can find or grow on their own. It’s not hard to see that that kind of “independence” is far more risky than being part of an interdependent trade network.

The more people rely on trade with others, the greater the cost to all parties of a conflict. If I grow apples and trade them to you for chickens, the last thing I

want to do is tick you off and lose my chicken supply and vice versa. On the flip side, if you have a lot of chickens and I have none, and there is no trade between us, I will be tempted to try stealing some. Lack of trade builds enmity. There is a famous saying, attributed to [Frederic Bastiat](#), "If goods don't cross borders, armies will."

In a free market, the cost of belligerence is very high. When governments come in and restrict trade or subsidize violence by building up large militaries, the cost of belligerence is lowered, and the benefits of peace are reduced. It is the state, not trade, which creates conflict.

Friends, not enemies

Pretend you live in a free-market economy. You are friends with your neighbor, who works at a small grocer in town. You find the selection to be limited and the prices high. A new supermarket chain is coming in to town, and you're excited about it because the lower prices and better selection mean you'll have better meals and money left over for leisure activities with your family. Your neighbor is unhappy about the new store because it may cost him his job. The store comes in. You shop there and save while also expressing your heartfelt empathy to your neighbor whose store may soon shut down. You maintain your friendship, even though in the economic sphere you cease to be trading partners.

Now pretend you live in a heavily regulated economic system much like ours today. You and your neighbor the grocer are still friends. This time the chain store is not free to sell in your town without a government permission slip. It goes up for a vote. Your neighbor actively campaigns to restrain the store from opening up, which will prevent you from buying better products for less money. He urges you to join his efforts and put a "No chain stores!" sign in your yard. You tell him that you won't because you wouldn't mind the chain store. It turns into a bitter, possibly friendship-ending disagreement.

Politics makes enemies out of friends. In a market, you are free to express your varied preferences with your own actions and the expenditure of your own resources. If someone sells something you don't like, you don't have to buy. But the very anonymity and absence of compulsion in markets allows you to form community bonds quite separate from your trading choices. You can maintain friendships with all kinds of people whose goods and services you do not necessarily value. You can befriend an orchestral violinist without being a patron of the symphony. But when resources are allocated politically rather than in a free market, that friendship is hard to maintain when you would vote against a tax to fund the symphony hall, which she supports.

Capitalism allows our diverse tastes to be explored and expressed in a way that doesn't restrict choices to zero-sum contests of your preferences over others. A cornucopia of choice exists in the market, and this not only means better products, but also the removal of artificially created conflict between choices A and B, such as those that inevitably spring from government management.

Three kinds of peace

Capitalism relies on voluntarism rather than violence in individual interactions. It also creates cooperative networks that dramatically increase the incentive to get along and raise the cost of conflict, while government intervention does just the opposite. Finally, capitalism allows us to live in harmony despite our different tastes and sometimes conflicting demands for limited resources, while political allocation always forces us to take sides and go to battle against each other. If you want a more peaceful world, promote capitalism.

Capitalism is Humble

In the previous section I talked about the honesty of capitalism; people are not angels. A capitalist economy recognizes this fact, and our greed doesn't ruin

the system. Closely related to the honesty about people's motives is capitalism's humility about people's limits. Humans are not all-knowing, and if force is absent, a free-market is what emerges to deal with this fact and spread valuable and coordinating information the best way possible. Markets are a result of our lack of individual knowledge, and a constant reminder of how fallible we are.

Models vs. reality

It has been well documented, especially during the [Socialist Calculation Debate](#) that absent a free-market, there is no way to allocate resources effectively. If we believe that people (or at least some group of elite experts) have near perfect knowledge of what resources and finished goods are valued to what extent by whom at what time in what location, then certainly a centrally planned economy would be superior to the messy market with all its profit and loss. Every time an entrepreneur starts a new venture that ends up failing, resources are wasted. His incorrect knowledge about how much people would value his products cause losses. A ruthlessly efficient economy wouldn't suffer any such waste.

Indeed, the classical (and still standard in most economics textbooks) model of the ideal economy is one in which "perfect competition" is reached. The condition exists when everyone has perfect knowledge of the availability and cost of all resources and the value to consumers of all goods. There is no profit, no loss, no shortages, no surpluses and no speculation in this idealized economy. Everything is in equilibrium.

Seduced by this economic model, many an economist, statesman, do-gooder, social-reformer and power-hungry despot has attempted to achieve it in practice, and with disastrous results as evidenced in places like the former Soviet Union. The model may be [a useful tool for testing some economic theories](#), but only an ill-informed or incredibly arrogant person would see it as

a desirable or possible end-state for the real world economy. No one has perfect knowledge. It is impossible to even imagine a world in which they could. Since economic value is subjective and changing all the time, how can anyone know how much another person will value one good compared to another at any given time, let alone millions of people in a constantly changing world?

A process, not an end-state

Capitalism is humble enough to realize our limited knowledge. It relies on the price system—a spontaneous, organic result of billions of free choices—to convey information. It relies on consumers, producers, entrepreneurs and capitalists to act on that information. When they get it right, value is created, and it generates new price signals that encourage more of the same. When they get it wrong, loss results and puts a quick end to the waste of resources and sends a signal telling others not to do the same.

The price system conveys so much information in such a small bundle that I can scarcely think of an analogy to show just how valuable it is. It is the most sophisticated communication system the world has ever known. Leonard Read's famous "[I, Pencil](#)" details the way in which the price system coordinates the actions of thousands of individuals who don't know each other and might not even speak the same language, to bring an item as simple as a pencil to the market.

Self-knowledge

Beyond merely helping us know the preferences of others, the market system can actually help us discover our own assets and abilities. A professor once told me of a Canadian man who played the bagpipes and made small metal replacement parts for other bagpipe enthusiasts as a hobby. One day he saw an ad in the classifieds for someone who could make small metal parts for an

airplane manufacturer. He could use some extra cash, and it sounded similar to his handcrafted bagpipe fittings so he gave it a shot. He ended up making good money producing airplane components—an industry he knew nothing about and never fancied himself skilled enough to enter.

If a central planner was trying to make the best use of all the labor and resources in Canada, he might conduct a survey of the skills possessed by the people there. This man could not have made known his skill in airplane manufacture, because he didn't even know he had it! The discovery process of the market revealed to him knowledge about a value he could create for others that was previously hidden. If we don't even know our own economic value, how can we know the values of others?

Greater than the sum

We can't produce what the capitalist system produces. It is greater than the sum of its parts. It conveys coordinating information that lets us each go about our business and produce end results that are beyond our own abilities and comprehension.

Capitalism's features—the price system, failure and success, profit and loss, trade, specialization, even the hated speculator, middle man and advertiser—are the result of and cure for our ignorance. We need them to help us choose actions that are valuable to ourselves and others.

A capitalist system does not require perfect knowledge. Through it, we can produce what no planner ever could. This humble, dynamic, trial-and-error approach produces wealth and innovation like no other system. It also keeps us humble on an individual level. When you contemplate the production of a simple pencil, and how far beyond your own skill level it is, it certainly puts things in perspective. It reveals how much we need our fellow man, and how

much more we can accomplish when we allow this organic market process to coordinate our activities.

Capitalism is Responsible

"All things are subject to the law of cause and effect."

The opening sentence in Carl Menger's 1871 "[Principles of Economics](#)" seems at first glance little more than a truism, but it is an idea so foundational and so often ignored that it deserves great attention. It applies not only to economic activities, but to all human endeavors. If we seek to live moral lives and promote what is morally good, we ought to heed these words.

What often passes for praiseworthy is any action, or *cause*, whatsoever that is taken with a sincere desire to achieve a noble *effect*. The relationship between cause and effect is wholly ignored. But is it moral to take uninformed action that has no causal relationship to the ends sought?

To whom much is given

If I told you that one sick child would get well for every window you smashed, would you be a person of high moral character if you spent the night naively smashing windows with a sincere belief you were doing good? While your heart may be pure as the driven snow, doing good requires at least a genuine effort to understand the world and the likely effects of your actions. As C.S. Lewis said of moral busybodies, "They may be more likely to go to Heaven yet at the same time likelier to make a Hell of earth."

None of us has perfect knowledge, but to the extent that we are able, we are responsible for using sound judgment. In the age of the Internet it would be hard to claim you didn't know better for taking actions that hinder rather than

help the target of your good deeds. A valiant self-education effort is possible in almost every field. To whom much is given, much is required.

Capitalism works

Once we accept the fact that genuine moral goodness requires more than intentions, it becomes immediately apparent that capitalism has a leg up on every other economic system when it comes to the noble goals of poverty alleviation, peace and health.

The desire to help the poor is nearly universal. But when it comes to actual efforts to do so, there is a spectrum of outcomes ranging from absolute oppression to life-changing relief. We need to consider the outcome before we advocate a course of action. [Capitalism is the most powerful force for the material betterment of humanity in the world](#). State interventions like minimum wages, price caps, foreign aid, immigration restrictions, and professional licensing and regulations do unspeakable harm to those of limited means.

Economic theory predicts better outcomes from markets than governments. Observation backs the prediction. The evidence is abundantly clear that economic freedom does more than government interventions ([and private charity](#)) for improving living conditions by every measure. [This video gives a brief overview of some of the data](#).

Many people base their arguments for economic freedom entirely on the fact that it produces better material outcomes. But don't let that fool you into thinking capitalism "delivers the goods" and ignores morality. I've addressed just a few of the ways in which capitalism promotes moral values in previous sections, but let's not overlook the moral component of an improved quality of life for the least of these. If helping the poor is good, and if good intentions must be coupled with results, a free economy is in excellent moral standing.

Individual responsibility

In addition to achieving the ends of poverty reduction, capitalism also promotes responsibility in individuals. Since it is a [negative system](#) in which we can't force people to do what we want, we must learn patience and peaceful persuasion. We have to be ready to accept the consequences of our decisions and learn to act prudently. Freedom allows us to become responsible.

Poet and theologian John Milton [famously argued](#) for free speech by saying that without it, the ability to become a morally responsible individual would cease. Milton said that without the freedom to choose *wrongly* what books to read or doctrines to believe, there would be no concept of choosing *rightly*. People would not become moral, but would be of a weaker character and less able to resist evil when they encountered it. There is no righteousness in not making bad choices that are not available to you. A truly free market leaves open the possibility of bad decisions, but any system that does not allow these decisions makes us less, not more, morally responsible.

Capitalism is NOT...

Capitalism gets saddled with a lot of baggage that doesn't properly belong to it. Some of this is the result of ignorance of basic economics, some of it a poor reading of history, but most of it is due to a bad definition of capitalism. In the first section, I defined what I mean by the term:

[A] system where individuals are free to keep, trade, use, or give away property that was peacefully acquired. This is merely a negation of the use of force in the use and exchange of goods. I do not mean a system that is pro-capitalist, or pro-business, or pro anything but freedom for the individual.

This definition does away with many of the accusations made against capitalism. They may be true of our current system, but not of a genuinely free market. Still, there are a number of claims about capitalism that remain, and I wish to clear up at least a few of the common errors.

Capitalism is not a zero-sum game. For someone to win, it does not require someone else to lose. It is easy to observe a person who has done well and assume that there must be persons elsewhere who had to lose something in order for this person to have gained. That is true of every political system and many simulated scenarios like sporting events, but nothing could be further from the truth in a market.

When exchange takes place in a free market, both parties trade something they want less for something they want more. Of course, either may change their mind later and regret the decision, but at the time of the trade both parties valued what they got more than what they gave; otherwise they would not have traded. It is easy to see how value is created on both sides (because economic value is subjective), and how there was no “loser.” Beyond this simple illustration, over the long run the wealth generation of capitalist trade grows the overall pool of valuable resources and increases choice for all involved. This means the potential for more and bigger “wins” as time goes on and specialization and trade increase. Wealth is created, not distributed.

Capitalism is not for the rich. If there’s any class or group that benefits more from capitalism than any other, it’s not the rich, but the consumer. Of course all of us, rich and poor alike, play the part of the consumer at various times. But it is an inescapable fact that in order to succeed in a market, you must create value for consumers. Ludwig von Mises [sums this up nicely](#):

“The riches of the rich are not the cause of the poverty of anybody; the process that makes some people rich is, on the contrary, the corollary of the process that improves many peoples want satisfaction. The

entrepreneurs, the capitalists and the technologists prosper as far as they succeed in best supplying the consumers.”

The rich do not live at the expense of the poor, nor do the rich feel particularly secure in a free market; they often seek government intervention to protect them from competition. But any gains to the rich not only are the result of creating value for the consuming public, they often lead to direct benefits for the poor over time by way of lower prices and access to new technologies.

Even the most selfish, peasant-hating rich person wants to buy fancy new luxuries. Whether they like it or not, being early adopters of such goods helps fund the continual production, research and development of new technology and can bring the cost of production down over time. There is not a modern convenience in existence that did not begin as a plaything of the super-wealthy. TVs, cars, washing machines, cell phones, etc., *ad nauseam*. If there were no wealthy customers around to purchase these impractical items, it would have been nearly impossible for producers to continue to refine them and lower the cost of production. Rich and poor can certainly dislike each other in a free market, but they cannot avoid helping each other.

Capitalism doesn't concentrate power. Capitalism disperses power. If you look at the list of Fortune 500 companies 50 years ago vs. today's list, you'll notice some familiar names. You'll also notice that the majority of top players 50 years ago don't make the list today, and a great many of them don't even exist. There was a time when Sears threatened to dominate the entire retail industry through its innovative catalog approach. The previous big players in the retail scene, themselves viewed by some as invincible, were put under by Sears. Is Sears a retail hegemon today? Neither will Wal-Mart be tomorrow.

Capitalism is relentless, and consumers want value. They may have brand loyalties, but those only go so far. At the end of the day, the dynamic process of creation, imitation and destruction constantly wreak havoc on the best predictions of who will control the market into the future. Were it not for

massive government interventions—including things like anti-trust, which is purported to break up vested interests but typically does the opposite—we would see even more dynamism and less concentrated power.

It may be a bit disconcerting to realize how dynamic the free market is. The good news is while corporations and products and methods of production are created and destroyed all the time, the human and material resources in the economy are redeployed. It may cause temporary dislocation, but the transition from buggies to Fords was very good for market participants, even though it killed some buggy companies.

Capitalism isn't about taking advantage of people. In fact, it's about people taking advantage of the opportunity it provides. I used the example earlier of price gouging. Higher prices after a disaster are sometimes seen as an example of people being fleeced by the market when they are the most vulnerable. But when we understand what's actually happening when prices rise—those less desperate are encouraged to conserve so those who need resources most can get them; suppliers are signaled to deliver more goods to the affected area, etc.—we see that the market is doing more than any other system could to provide for those who need it most.

I've heard people talk about the way that businesses take advantage of employees and force them into subpar working conditions. Of course we all have to make choices, and we all wish our options were better than they are (which is why we work to improve them). But is it true that capitalism allows companies to take advantage of people's needs? Possibly, but no more than people take advantage of companies' needs.

If you've ever shopped at Wal-Mart, supposedly one of the worst offenders when it comes to taking advantage of employees, you've noticed that most of the employees are not very helpful. I once waited for 30 minutes to pick up something ordered online. The store was not busy and four or five employees

saw me there and did nothing. A few said they were going on break and someone else would help me soon. Some said nothing and just walked past, even when I tried to get their attention. When someone did arrive she was discourteous and messed up the check-out several times. I am far less likely to order from Wal-Mart after this experience.

If Wal-Mart is so good at exploiting employees, why were they unable to make them shorten their break to help me, or treat me with basic kindness, or master the proper checkout procedure? The answer is that Wal-Mart is not any better at getting what they want out of employees than employees are getting what they want out of Wal-Mart. The ease and regularity with which employees quit in the retail business is staggering, and employers often have to tolerate a lot of behavior that is detrimental to their profits to keep needed workers.

I don't like to moralize about who's exploiting who, but if we're going to play that game we ought to consider the many ways in which employees, consumers and shareholders take advantage of managers, investors and corporations. It happens in both directions, but in a free market both are difficult to sustain in the long run. You have to serve other market participants, not cheat or exploit them. It's not perfect, but capitalism does a better job of generating cooperation and limiting exploitation than any other system.

Capitalism doesn't corrode our souls. Sure, free markets give us more choice and make us wealthier, but don't they also make us crude, materialistic and shallow? It is true; in a more abundant market with lower costs, a person can more easily indulge their materialistic impulses. It is also true that countries where few go hungry also have more obesity. The cure is not to restrict the food supply.

A free market forces us to become people of character or suffer the consequences. We have more choices, which means the option of choosing

things that are bad for us. But [being deprived of choice altogether does not make us better people, just weaker people.](#)

A person who has never lied because their tongue is cut out is not what we hope to become when we strive for honesty. Capitalism cannot corrode your soul, but it can provide you more modes of cultivating and expressing what's in your soul—good or bad. You can't escape ultimate responsibility for your choices under any system. Capitalism is upfront about that.

Capitalism or What?

When analyzing any social or economic system, the three most important words are:

"Compared to what?"

Capitalism has its shortcomings. It has shortcomings because life has shortcomings in our own subjective evaluations. That is, we can always imagine a state of affairs better than the one we experience. It is exactly this kind of imagination that has been the driver of human progress. However, when progress has been made it has been by a combination of imagination and an understanding of causal relationships that are unchangeable. The desire to fly, coupled with an understanding of physics, motivated people to create amazing contraptions from airplanes to rockets to parachutes. The desire to fly coupled with a denial of the force of gravity would lead to a much different experience.

When we feel frustrated with the morality of the free market, we should always ask what a better alternative might be. When you get down to it, there are few options. As previously explained, all government intervention is backed by the threat of violence. This is important to keep in mind when considering alternatives to capitalism.

If you think the price of a good is immoral, for example, ask yourself what you would do to address the problem. Price controls mean threatening violence to anyone who wants to sell above a certain price. Imagine storming to your neighbor's garage sale with an armed thug and yelling, "Lower your prices or else!" Does that seem more moral than your neighbor peacefully putting an asking price on her old bowling shoes?

From a moral standpoint, since the alternatives to free markets mean coercion (whether partial intervention or complete control), it's hard to imagine addressing the imperfections that can occur under capitalism with government action. Not to mention the fact that the interventions [don't work at achieving the desired results](#).

Most of the alternatives imagined by critics of capitalism either overlook the coercive nature of the state or rely on a superhuman, all-knowing, all-good state. But if people aren't good enough to act justly in a market, how could they be good enough to wield government power over others? Sound social theory and historical evidence confirm that indeed, power tends to corrupt and absolute power corrupts absolutely. The difference between the power of a business tycoon in the market (assuming it's a truly free market and he's not in bed with government regulators) and the power of a government agent or politician is that the former can only woo while the latter can compel. Much as you mightn't like the perceived power that people can get in the market, state power is far more dangerous. Businesspeople don't conscript customers into war or kicked down doors, except when in cahoots with the state.

There is a philosophical term for the tendency to compare one system to an imagined utopia, rather than to other possible alternatives. It's called the [Nirvana Fallacy](#). This is a prevalent form of argument against markets. A common example is, "Capitalism hurts the poor." But compared to what? [Look at the evidence of free economies vs. less free economies](#).

Minimum wage is an example of how this fallacy can lead to bad outcomes for the intended beneficiaries. It is a result of the notion that some people don't make enough money. But compared to what? What alternative is there to free-market wages that can improve the lot of the poor? Minimum wage laws only price the poor out of the labor market.

If we're honest and use some economic thinking, it becomes clear that even the things we don't like in a market system are better than the alternatives. (Of course, this is not true for the elites who have mastered the art of gaining political power and favors. For them, markets are worse than corporatism. But aren't these just the kind of people we would like to see face the rigors of competition and put in an honest day's work?)

It's not a very fun argument nor is it the most compelling, but the worst that can be said of capitalism is that it is the "least bad" economic system.

Many accusations against capitalism turn out to be accusations against reality itself. We want to eat our cake and have it, too. We don't like scarcity, which means trade-offs and choices. We don't like that some people have no taste for high art ([which is why Creed sold more records than Jimi Hendrix!](#)), or that sometimes we enjoy cheap imported goods, or that fossil fuel allows us to do things that we find fulfilling. Capitalism is the wrong target in these cases; we're frustrated at other people for being different, or ourselves for not being the way we wish we were, or at nature for the materials it yields. We're upset at cause and effect. Certainly we are justified in feeling unease at the failings of those around us or the difficulties nature presents, but we need to [look for solutions in reality](#), not fantasy.

It might seem great if everyone in the world could have twice as much of everything right now. But that's not possible, and capitalism shouldn't take the blame for that any more than cement should take the blame for the fact that falling on cement can produce a skinned knee. We should continue to envision

a better world and strive to create it, but we shouldn't pursue a world that's not possible. Let's make progress through the peaceful coordination of the market, not the false hopes of a "new man" or the eradication of economic laws created by state centralization and coercion.

(I should add that it is extremely difficult in this country to know whether it is a fact of life or some government policy behind many of the problems we confront. This should make us especially cautious of blaming capitalism, since so often it is a lack of capitalism that makes reality seem harsher than it is. There are innumerable difficulties, both big and small, that entrepreneurs have solved but regulators have perpetuated.)

Capitalism is Beautiful

Beauty is not often on lists with virtues like peace, honesty and humility. But true beauty is a virtue—it is awe-inspiring, praise-evoking and brings the kind of joy that humans seek for fulfillment. When I think of life's best moments, beauty is involved; a sunset over Lake Michigan, my wife's smile, a moving piece of music, my kids laughing, a good cigar. These experiences are sensory, emotional and, each in a different way, beautiful.

Odd as it may sound, I also feel a sense of awe when I walk in to a retail store and ponder the myriad products in front of me. Perhaps I'm a little crazy, but the more I think about it, the more beautiful capitalism is. There are times when I actually get choked up at the operations of the free market!

Consider, as Leonard Read famously did, [the production of a simple pencil](#):

I, Pencil, am a complex combination of miracles: a tree, zinc, copper, graphite, and so on. But to these miracles which manifest themselves in Nature an even more extraordinary miracle has been added: the configuration of creative human energies—millions of tiny know-hows

configuring naturally and spontaneously in response to human necessity and desire and in the absence of any human master-minding! Since only God can make a tree, I insist that only God could make me. Man can no more direct these millions of know-hows to bring me into being than he can put molecules together to create a tree.

The wonder only grows as technology progresses. Consider, "[I, Smartphone.](#)"

The products we consume for our survival and enjoyment are not produced by you, me or any of us. Yet they are produced by all of us. How does this happen? How can the provision of the most basic necessities of life be beyond the ability and comprehension of any of the individuals who need those necessities? There is profound beauty in this mystery of human cooperation.

If you've ever been moved by the observance of a stranger coming to the aid of another, nothing should move you more than the operations of the market. A group of volunteers cleaning up and rebuilding homes after a disaster is beautiful. But consider that the same disaster, if markets are allowed to operate, will cause millions of people living thousands of miles away to reduce their consumption of needed water, plywood, generators and flashlights so that those in the affected areas can get enough. It will induce complete strangers, some of whom don't even know of the disaster, to channel their energies toward the production and distribution of goods to the victims of the storm. The market is so powerful, in fact, that it will induce even those who dislike the victims and would wish ill upon them to alter their behavior in ways that alleviate the sufferers.

There is daily innovation in a capitalist economy. Entrepreneurs are in relentless pursuit of ways to make their fellow man happier and better off. The cornucopia of products from around the world available to us in a moment's notice is truly a miraculous exception to the experience of humans throughout history, and it is human creativity unleashed by free market capitalism that

has made it possible. Free and open exchange is one of the most [awe-inspiring](#), community-enhancing, peace-loving, relationship-building, cooperative and coordinating things humans can engage in.

The fact that the prosperity of a capitalist economy is the result of the laws of nature and facts of human nature, rather than anyone's conscious design, makes it all the more inspiring. Consider the unlikely way in which bees are the keepers of flowers; as they seek only their own survival they pollinate the flowers and produce a dazzling garden.

Likewise, it is utterly amazing that billions of individuals seeking to better their condition do more to promote the welfare of their fellow man than any direct effort to do so ever could. I don't want to confuse by saying that capitalism *does* this, because capitalism, or markets, can't *do* anything; they represent the interrelated actions of individuals. It is the action of individuals that make this complex mosaic of harmonious interests and outcomes. But make no mistake; capitalism is the only canvas on which such a work of art can be created.

That, to me, is enough to stand in awe of a genius creator who put things in place to allow for this; or, for the non-religious, a spellbinding universe that is like a benevolent conspiracy of good. Capitalism is what occurs absent the use of coercion in human relationships, where spontaneous order emerges. Capitalism is beautiful.