

Against Utilitarian Arguments for Capitalism

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1. Current Context

In Australia currently – and at many times throughout history, and in other countries – utilitarian arguments are dominating debate on politics. Those who defend the market and those who defend socialism or interventionist policies are repeatedly using the same utilitarian arguments against each other. It is as though they have given up convincing their opponents, and are only arguing to defend and prove that they themselves still feel the way they do. Those participating in the debate do not espouse any particular legal theory, so they don't have any other grounds than utility on which to argue. This essay discredits both sides of the debate. As almost no other opinion can be found in any of the think tanks or opinion columns in Australia, it effectively disposes of their entire content and puts the Australian intellectual political debate on a clean slate.

The end of the essay hints towards the fact that capitalism has a legal (distinct to legislative) basis and that socialism or interventionism does not. But the aim of this essay is not to focus on this – although the fourth section “Utility *Ex Ante* and *Ex Post*” and the last section do go quite a long way towards explaining it. The aim is to clear away utilitarian arguments and encourage a debate on the law. Not, what is now the case, law “legitimated” by often faulty economics. Those interested in this, should read Murray Rothbard's *The Ethics of Liberty*, which is available online here: <http://www.mises.org/rothbard/ethics/ethics.asp> . Also Hans-Hermann Hoppe's *A Theory of Socialism and Capitalism*, especially ch. 7, provides a more academic approach. It is available here: <http://www.hanshoppe.com/publications/Soc&Cap.pdf> .

A note on word usage: Utility and happiness are used interchangeably in the essay, and they essentially mean the same when you consider that both are subjective. Libertarianism and capitalism are also used interchangeably.

2. Utility is Not Intersubjectively Comparable

An individual might know if he is happier than he was or what he would prefer to strive towards, but there is no valid way to ascertain this for other people, as there is no unit of measure for happiness. Consider the phrases, “Do you know what I'm thinking?” and “How much do you love me?” People ask them, when sincerely, because they do not know the answer. And love, like happiness, is quite subjective. What unit is love measured in? Would different people appraise and measure it in the same way?

What pleases one person may upset another. It could be argued that most philosophies and lifestyles support capitalism, but it would be a bit rich to claim they all do. Robert Spillane has personally and illustratively argued that people live heroically, rationally, cynically, stoically, religiously, politically, mindedly, sceptically, romantically, naturally, existentially

or in many other ways.¹ Some of us live in many of these ways at the same time and change occasionally, often or erratically. And there are many different ways the above categories can be lived under. To show the relevance of this to the essay, try answering these questions: Would the hero prefer capitalism to feudal monarchy? What reason for preferring it would the stoic give?

Even if someone's belief is erroneous, their belief, being what is under discussion, cannot be corrected without defeating the whole exercise. And there are many *purely utilitarian* reasons, not resulting from ignorance, against capitalism anyway.

Not everyone cares for freedom and many try² to give up on it by killing themselves or being obedient; they prefer following instructions/expectations to questioning them.³ Others consider happiness an entitlement of their existence and play the victim. Despite fallacious reasoning, they are rewarded with government handouts, so they do benefit.

What makes people happy is highly varied and impossible to know, let alone measure. Below, more errors of utility (happiness) analysis and its application are addressed.⁴

3. Utility Cannot be Used for Comparative Historical Analysis

The addition of time to an investigation into relative happiness provides a further impasse to arguing for changes in happiness-levels. As Wyndham Lewis said, "Could you penetrate the distant future ... you would behold the same world, but one storey up, still perspiring, fighting and fuming to give actuality to the existence of the next-storey-up."⁵ Similarly, Max Stirner correctly predicted, "The men of the future will yet fight their way to many a liberty that we do not even miss."⁶ Inversely, Robert Burton states, "when a thing has once been done, people think it easy; when the road is made, they forget how rough the way used to be."⁷

What appeals to many people is the thrill/novelty/routine/religion/morality of chasing something higher/further/faster. Other people would be just as happy living in a less technologically-advanced and capital-rich age, especially if they were unaware of what the future had in store. And we should not forget certain so-called environmentalists.

¹ Robert Spillane, *An Eye for An I* (Melbourne: Michelle Anderson Publishing, 2007).

² Voluntary slavery is oxymoronic, but to act as if one is a slave is possible and often self-fulfilling.

³ See, for example, Wyndham Lewis, *The Art of Being Ruled*, ed. Reed Way Dasenbrock (Santa Rosa, CA: Black Sparrow Press, 1989), pp. 130, 131, 132, 151, 357.

⁴ See also, for further critique of utilitarian economics, Murray N. Rothbard, *The Ethics of Liberty* (New York and London: New York University Press, 2002), pp. 201-14. And for further critique of utilitarianism, see Hans-Hermann Hoppe, *A Theory of Socialism and Capitalism* (Boston/Dordrecht/London: Kluwer Academic Publishers, 1989), esp. ch. 7 on utilitarian ethics.

⁵ Wyndham Lewis, *Time and Western Man*, ed. Paul Edwards (Santa Rosa, CA: Black Sparrow Press, 1993), p. 427; see also pp. 218, 219, 223, 426.

⁶ Max Stirner, *Ego and Its Own*, trans. Steven Tracy Byington, ed. David Leopold (Cambridge, UK: Cambridge University Press, 1995), p. 114.

⁷ Robert Burton, *The Anatomy of Melancholy*, ed. Holbrook Jackson (NY: NYRB, 2001), p. 27. There is a reference to Lucius here, but I cannot determine if it quoting, paraphrasing or inspired by him.

It cannot be demonstrated that anyone would be happier in a different time. What you thought would make you happy in the past, might not have made you happy, or might not make you happy any more; or you might not have thought it would, but you might now, or in the future; and on it goes. In the next section further difficulties in analysing utility through time are addressed.

4. Utility *Ex Ante* and *Ex Post*

Just because people think they are going to benefit by a trade – which by definition they must, otherwise the trade would not take place (if a “trade” is forced it is theft) – it does not mean they benefit after it. This may seem obvious, but even those who acknowledge the distinction between utility *ex ante* (before trade) and *ex post* (after trade) often ignore it. *Ex post* utility cannot be demonstrably proven, because it cannot be proven that expressions of *ex post* utility are not really evidence of acting, joking, lying or playing. But insincerity assumes rather than denies there is something to treat insincerely. Therefore, it is incorrect to talk of the beneficence of trade on the basis of *ex ante* utility alone. In Murray Rothbard’s reconstruction of welfare economics he rightfully limits his analysis to *ex ante* utility.⁸ But more emphasis is needed, to avoid misunderstandings, on the fact that *ex ante* utility is only suitable for showing whether trade is voluntary, not whether it is beneficial.⁹

Ex ante utility analysis fails when it is used to show the benefits of trade rather than its consensual nature. This is so even allowing for the exemption of *ex post* utility from consideration, because *ex ante* utility analysis, when it is not used to determine consent, is misleadingly used as an imaginary construction of a situation with no historical setting. Whether capitalism is desirable is not just a question of whether we prefer it to government control; it is *also* a question of whether we prefer bothering with the extra – or different – effort, risk and uncertainty required to get rid of government programs and safeguard our liberties, especially when such ends are already compromised.

We may willingly acquiesce to and benefit from what we do not consent to. For example, prisoners can help wardens imprison them without consenting to their imprisonment. They might think this method gives them a better chance of reprieve or better treatment. Anyway, a benefit that one is deluded about still brings satisfaction, for utility is subjective. Even if the end aimed at is impossible¹⁰ or becomes disliked later, it does not eliminate the possible satisfaction that may be experienced in failing to get there or trialling it. As Adam Smith said, “happy contrivance of any production of art, [is] often ... more valued, than the very end for which it was intended; and ... the exact adjustment of the means for attaining any conveniency or pleasure, [is] frequently ... more regarded, than that very conveniency or

⁸ Murray N. Rothbard, “Toward a Reconstruction of Utility and Welfare Economics”, in his *The Logic of Action One* (Cheltenham, UK: Edward Elgar Publishing, 1997), pp. 211-54.

⁹ A similar application of this observation can be found in Walter Block, “Libertarianism and Libertinism,” *The Journal of Libertarian Studies*, vol. 11, no. 1 (Fall 1994), pp. 117-28.

¹⁰ Pure communism is an example, because no individual could do anything without violating communist principles, but communism could not survive unless individuals took into account their own preferences, but then it would not be pure communism. See Ludwig von Mises, *Economic Calculation in the Socialist Commonwealth*, trans. S. Adler (Auburn, Ala.: The Ludwig von Mises Institute, 1995).

pleasure, in the attainment of which their whole merit would seem to consist.”¹¹ What was once merely a means to an end often becomes an end in itself, further marginalizing economic arguments, which are only applicable to, or favourable to capitalism with, more typical or traditionally defined ends. For example, the end can simply be the success of interventionist ideas, and many people are so committed to this that the supposed ends of the interventionist idea takes a backseat. Joseph Schumpeter understood this:

Political criticism cannot be met effectively by rational argument. ... [T]he only success victorious defence can hope for is a change in the indictment. ... For [many], it is the short-run view that counts ... and from the standpoint of individualist utilitarianism they are of course being perfectly rational if they feel like that.¹²

Ludwig von Mises realised the same, “Progress in the division of labour depends entirely on a realization of its advantages, that is, of its higher productivity.”¹³ Do monopolistic services really tend to produce an inferior quality product at higher cost than if there was competition to contend with? If so, wouldn't that mean that competitive enterprise should have out-competed government services?

If trade really were necessarily beneficial, then people would be aware of their perceived benefit – otherwise it would be no benefit at all (although it could be misidentified, as the next paragraph addresses) – and because government rests on the acquiescence of the masses, it would consequently disappear¹⁴ – not that the argument from utility *ex ante* to the benefits of trade acknowledges that government, which relies on non-voluntary transactions, ever existed in the first place.

It is true that people can like something, but not realise that it is due to trade and the division of labour that such a thing is possible. But it still does not mean that trade is beneficial, for it may well be, when they discover their error, that their embarrassment and humiliation will outweigh anything else – maybe even the satisfaction the defender of trade might have felt in helping them to see the truth (not that satisfaction can be quantified anyway). If they are not made to see that the market satisfies them better than government could, and it then leads them to support government (as said above, government relies in such support for its existence), and government then disadvantages them compared to if they understood the goodness of the market and ceased supporting government, then it

¹¹ Adam Smith, *The Theory of Moral Sentiments*, ed. D.D. Raphael and A.L. Macfie (Indianapolis: Liberty Fund, 1982), pp. 179-80, IV.1.3.

¹² Joseph A. Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper Perennial, 1976), pp. 144-45.

¹³ Ludwig von Mises, *Socialism*, trans. J. Kahane (Indianapolis: Liberty Fund, 1981), p. 286; see also Joseph T. Salerno, “Ludwig von Mises as Social Rationalist,” *Review of Austrian Economics*, vol. 4, 1990, pp. 26-54, esp. pp. 49-53. An implicit corollary of Mises's statement is that government rests on the acquiescence of the masses. For more information on this is provided in the following footnote.

¹⁴ For explanation of this important point, consult Albert Jay Nock, *Our Enemy, The State* (Caldwell, ID: Caxton Printers, 1946), p. 3; see also, for elaboration, Étienne de La Boétie, *The Politics of Obedience*, trans. Harry Kurz (Montreal: Black Rose Books, 1984), p. 46; David Hume, “Of the First Principles of Government,” in his *Essays: Moral, Political, and Literary*, ed. Eugene F. Miller (Indianapolis: Liberty Fund, 1987), p. 32; Gustave LeBon, *The Crowd* (New Brunswick, NJ: Transaction Publishers, 1997), pp. 90, 92, 99; and Ludwig von Mises, *Human Action* (San Francisco: Fox & Wilkes, 1996), pp. 189, 190, 863.

cannot be said that the market better satisfies people than government, for why else would they support government if they thought the opposite?

Ignorance is one answer, but it does not defend capitalism, for the “ignorance” is of the benefits of capitalism. To claim that government is economically inferior to capitalism, you must deny that capitalism has failed to communicate the benefits of capitalism as well as government (and capitalism) has successfully communicated the “benefits” of government.

This is an example of demonstrated preference, even if it involves acquiescence rather than consent and a large number of people. Libertarians often argue that demonstrated preference is supportive of capitalism, but they ignore the application here discussed. More and mostly simpler examples of one-sided reasoning by libertarians are addressed in the next section.

5. The Möbius Effect

A common philosophical error is to use a “tendentious selection”¹⁵ of examples to defend and justify an argument. The purveyors of this error may not intend it; although they are guilty of being prematurely enthusiastic.¹⁶ The examples they list might be correct, but they are partial, and often people even go so far as to consider their partial examples as proof of an axiom or tendency, without giving any further evidence than their examples. The result of using a biased list of examples is a twisting of the facts. You end up with a very curious thing, like a Möbius strip.¹⁷

The error has not gone unnoticed by libertarians, who often talk about “what is not seen” and “the forgotten man”,¹⁸ which are more popularly considered (though not exhausted) under the rubrics of opportunity costs and unintended consequences. However, many libertarians have made the same mistake.¹⁹

They point out that when you forcibly take money off someone they are unable to put that money where they would have otherwise, and therefore they lose out, because where they would have put their money voluntarily is where they most wanted to put it. But it could just as easily be argued that they benefit, for one could say that what they had in mind for their now expropriated property was probably a silly thing anyway, and the theft prevents such a personalised consequence to the misuse of the resource. (This is a value-judgement, but so is the claim that people do know how to look after themselves, and I am not using it to justify force, only to agree with what many people discover after they have made a trade:

¹⁵ David Stove, “The Columbus Argument,” in his *Cricket versus Republicanism and Other Essays*, ed. James Franklin and R.J. Stove (Sydney: Quakers Hill Press, 1995), pp. 58-62; see also James Fitzjames Stephen, *Liberty, Equality, Fraternity*, ed. Stuart D. Warner (Indianapolis: Liberty Fund, 1993), p. 4 ff.

¹⁶ Cf. Joseph A. Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper Perennial, 1976), p. 264: “Selective information, if in itself correct, is an attempt to lie by speaking the truth.”

¹⁷ A Möbius strip is a length of paper joined in a loop with half a twist. It has only one edge and one face.

¹⁸ See, respectively, Frédéric Bastiat, *Selected Essays in Political Economy*, trans. Seymour Cain, ed. George B. de Huszar (New York: Foundation for Economic Education, 2001), pp. 1-50; and William Graham Sumner, *What Social Classes Owe to Each Other* (Caldwell, ID: Caxton Printers, 1974), pp. 107-31.

¹⁹ For a most blatant example, see F.A. Hayek, *The Constitution of Liberty* (Chicago: Gateway, 1972), p. 31.

that they shouldn't have made it or made the wrong one or that it was not as beneficial as they thought it would be.)

Libertarians necessarily argue – for how else are they to explain why Lysander Spooner and Ludwig von Mises are not household names? – that success in the marketplace of ideas is neither necessarily nor tendentially a sign of their truth or value. Yet they often claim there is no such thing as market failure when the existence of government itself must be an example to the contrary. (There are many libertarians who do not use the concept of market failure, so this criticism is not applicable to them.)

Libertarians often list all the good, peaceful and civilised things that trade has made possible: improved medicines, educational facilities, toilet-paper, hygiene, and much, much more. But they never seem to emphasise things like improved availability of terrible newspapers, silly self-help guides and books against liberty. There is no greater threat to liberty than a free press.

Many libertarians criticise Karl Marx for his inconsistency in using capitalist means of distribution to communicate his ideas. Yet most of these same people claim that trade is or tends to be beneficial. Marx's own words are instructive:

[T]he Protective system in these days is conservative, while the Free Trade system works destructively. It breaks up old nationalities and carries antagonism of proletariat and bourgeoisie to the uppermost point. In a word, the Free Trade system hastens the Social Revolution. In this revolutionary sense alone, gentlemen, I am in favor of Free Trade.²⁰

Lord Acton made some similar comments:

[The] idea that it is better to spare error and let it be free is the triumph of Liberalism. Conservatism tends to suppress error. Liberalism to treat it on equal terms. ... If happiness is the end of society, then liberty is superfluous. It does not make men happy.²¹

Acton seems to exaggerate and generalise a bit here. I include his comments for two reasons: (1) they might be correct in particular circumstances and (2) they display the opposite sentiment to, but same degree of overstatement as, most defenders of trade.

To return to Marx: even if the “antagonism” Marx talks of is based on incorrect reasoning, it can still be antagonistic, as it was for the millions who suffered and died, in large part due to capitalist distribution of Marxist writings. Trade, therefore, far from leading to increased happiness, may lead to unhappiness. And if it sometimes may lead to unhappiness, there is no sense in saying that there is even a tendency towards increased happiness, as we are dealing with the presumption of free will. To claim otherwise is to make a deterministic

²⁰ Karl Marx, “Speech on the Question of Free Trade,” in Karl Marx and Frederick Engels, *Collected Works*, vol. 6 (London: Lawrence & Wishart, 1976), p. 465.

²¹ Lord Acton, *Essays in Religion, Politics, and Morality*, ed. J. Rufus Fears (Indianapolis: Liberty Fund, 1985), pp. 566 and 490-91.

argument where freedom and economics are nonsense. Some people might argue that there is a tendency which has not yet come to fruition, but how much longer than the entire span of human history, so far, will it take? Government can only come to exist after there is something to be govern and tax, so voluntary transactions really have had longer than coercive ones for their tendency to better satisfy people to display itself. The incidence of imprisonment on psychiatric – as distinct from criminal – grounds is further proof.²²

Capitalism might enable more cultural and learning opportunities, but there is reason to believe them to have the opposite effect, as Erik von Kühnelt-Leddihn observed:

It is true that a book used to cost during the Middle Ages the equivalent of two to five hundred dollars whereas [they] can [now] be bought [for] \$1.49 and even less. Libraries [in less capital-rich times] were the privileges of a very few. But on the other side people enjoyed books far more, and the purchase of a book was a greater event in life than today the acquisition of a Cadillac. Nowadays one walks nonchalantly into a bookstore, pushes two and a half dollars over a counter, reads the book and forgets it[,] sometimes in the suburban train.²³

Ludwig von Mises claimed, “Only nations committed to the principle of private property have risen above penury and produced science, art and literature.”²⁴ But was Voltaire’s France or Solzhenitsyn’s Russia committed to private property? Was Cervantes justly imprisoned and what would he have written if he were rich, free, uninjured by war and never collected tax? As H.L. Mencken proposed, “all authors should be benefited by a [jail term], and ... all other men who devote themselves to telling humanity what [life] is all about.”²⁵ He gives an example in support, “In manner and aspect Cosima [Richard Wagner’s wife] was far nearer a police sergeant than a sweetie, and life with her must have been comparable to going through an earthquake every day, or fleeing endlessly from a posse of lynchers, but the effect upon Wagner was superb.”²⁶

Quantity can decrease respect for quality. Efficiency can compound error. Peace can lead to war. Tyranny can inspire great unique ingenuity. Of course, bad things often lead to bad things too, so don’t think I favour them.

6. Methodological Individualism and Utility

There are many criticisms of capitalism on utilitarian grounds. No matter whether it is argued that capitalism is too tough or too lenient, government cannot logically be argued an

²² On the relationship between utilitarianism and psychiatric tyranny, see the work of Thomas Szasz: for example, his *Faith in Freedom* (New Brunswick, NJ: Transaction Publishers, 2004), pp. 83-93.

²³ Francis Stuart Campbell, pseudonym of Erik von Kühnelt-Leddihn, *The Menace of the Herd* (New York: Gordon Press, 1978), p. 86. And let us not forget the disadvantages of being educated: for some examples, see Albert Jay Nock, *The Disadvantages of Being Educated and Other Essays* (Tampa, Florida: Hallberg Publishing Company, 1996), pp. 13-27.

²⁴ Ludwig von Mises, *Socialism* (Indianapolis: Liberty Fund, 1981), p. 533.

²⁵ H.L. Mencken, *A Second Mencken Chrestomathy*, ed. Terry Teachout (New York: Alfred A. Knopf, 1995), p. 341.

²⁶ *Ibid.*, p. 342.

improvement; for such arguments are ultimately statements about the goodness of the individuals involved, and since government consists of these same individuals the predicament cannot be escaped.²⁷

Libertarians generally counter utilitarian criticisms of the market erroneously. They do not claim that government could do no better for it consists of the same ignorant or evil people, but instead argue that the free market caters better to individual desires than government (or tends to). The sections above have shown how wrong this claim is.

7. Environmental Impact Statement

The logical use and treatment of utility analysis, as exemplified in this essay:

- Neutralises utilitarian arguments against capitalism. (As the section immediately above illustrates.)
- Illegitimizes the use of force to impose and fund government programs in the name of increased utility.

In addition to these two points, avoiding utilitarian arguments or using them negatively has another advantage for libertarians. They provide themselves with the strongest defence – short of injuring or killing their accusers – against being derided as optimistic, uncritical, utopian or having an overgenerously positive view of man.

However, not every defender of capitalism will benefit. For example, their reputation as a logical writer might be compromised, some will choose not to advocate capitalism as passionately and others will dislike the exclusion of secondary consequences from consideration. And on it goes.

I *vouch* only for the truth of this essay.²⁸ I do *hope* it will please everyone, although I admit enjoying heckling the ignorant and the wicked from my vantage on the moral – that is, the purely voluntarily enforced and established – high-ground.

²⁷ This is a refutation of the Hobbesian myth. We never get out of the state of nature. If you get rid of the natural liberty of some people, all well and good, but who governs the governors? They remain in the state of nature, in anarchy. And if the rulers are in the state of nature, then those who are ruled are ruled by the state of nature; that's progress for you. The separation of powers does nothing to prevent this, for that which is the supreme power has no higher authority to refer to, and there must eventually be some end to cross-referencing, otherwise there is no separation of powers, or rule, at all. This also shows that there is no such thing as limited government; although there can still be small absolute government. An essay I am currently working on will address this more fully.

²⁸ Even if the essay were not logically correct, its immeasurably negative *feeling* towards utilitarianism/happiness studies cannot be ignored by its practitioners, according to their own beliefs.