

Chapter 2
The Diagnosis and Critique of Capitalism

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Anti-capitalism rests to a significant extent on the claim that capitalism as a way of organizing an economic system impedes the fullest possible realization of the values of equality/fairness, democracy/freedom, and community/solidarity. There, of course, are other criticisms of capitalism as well. Sometimes it is argued, for example, that capitalism undermines human flourishing for everyone, for both rich and poor, capitalists and workers. The rich and powerful, after all, are also subjected to the alienating pressures of relentless competition and the market. A common criticism is that capitalism is irrational, creating instability and waste, which is undesirable in its own right even apart from the way this harms people in some classes more than others. Many environmentalists argue that capitalism is destroying the environment for everyone, not just distributing the harms of environmental degradation unfairly. Capitalism is also implicated deeply in military aggression through the connection between militarism and imperialism as a form of global economic domination. These are all important and in different times and places play an important role in motivating anti-capitalism. Our main focus here, however, will be on criticisms connected to the values that most deeply anchor anti-capitalist struggles: equality, democracy and community.

Equality/fairness

Capitalism inherently generates massively unequal access to both the material and social conditions needed to live flourishing lives.

There are two reasons to object to the inequality in material conditions. First, and most directly, the levels of inequality in both income and wealth in all capitalist economies systematically violate egalitarian principles of social justice. Even if one adopts the thinner notion of equal opportunity (rather than equal access to the conditions to live a flourishing life) no capitalist economy has ever come close to that standard: everywhere children living in families at the top of the income and wealth distribution have significantly greater opportunities in life. Everywhere people face advantages and disadvantages that are generated by the capitalist organization of the economy, advantages and disadvantages for which they bear no responsibility. Second, the levels of inequality generated by capitalism are such that some people suffer absolute deprivations of the conditions to live flourishing lives, not simply unequal access to those conditions. Even in very rich capitalist economies like the United States, millions people live an economically precarious existence; they suffer from hunger and poverty-connected ill health; they reside in unsafe neighborhoods; and they are subjected to the social indignities and stigma connected to poverty. Capitalism perpetuates these eliminable forms of human suffering.

High levels of economic inequality are not an accident in capitalism; they are inherent in its basic mechanisms of operation. There are three broad issues at work here: One concerns the central relation between capital and labor within capitalism; the second concerns the nature of competition and risk in capitalist markets; and the third concerns the dynamic processes of economic growth and technological change.

Class and exploitation.

At the very heart of capitalism is a sharp inequality between those who own capital and those who don't. This inequality underlies the existence of a labor market in which the vast majority of people have to look for paid employment in order to acquire a livelihood. Most participants in labor markets need a job much more than any employer needs their labor. The result is an inherent imbalance of power between capital and labor. In a globalized economy where capital can easily move around the world seeking the most favorable sites for investment but labor is much more rooted in particular places, this power imbalance is further intensified. This imbalance of power generates a very specific kind of

economic inequality: exploitation. Where exploitation exists it is not simply the case that some people are better off and others worse off; rather, exploitation implies that there is a causal connection between these conditions: the rich are rich, in part, because the poor are poor. The income of owners of capital is in part the result of exploiting the labor of workers.

Competition and risk

Inequality between capital and labor is the most fundamental inequality in capitalism, but a great deal of income inequality occurs within capitalist labor markets. It is in the nature of market competition that advantages and disadvantages tend to accumulate over time, amplifying whatever initial inequalities exist between individuals. There are winners and losers, and winning at one time makes it easier to win at another. This is true in the competition among capitalist firms, and it is true in the competition within labor markets as well. And on top of this, the volatility and periodic crises in capitalism generally have much greater impact on the lives of workers and people at the bottom of the income distribution than more privileged people. The wealthy are able to insure themselves against risks to a much greater extent than are the poor.

Disruptive economic growth

The dynamics of capitalist economic development add an additional inequality-generating process. Capitalist competition generates considerable pressures on firms to innovate, both in terms of the process of production and the goods and services that they produce. This, of course, is one of the great appeals of capitalism, and perhaps the central feature that is offered in its defense. The problem is that this dynamism frequently destroys jobs and sometimes whole sectors of employment. This might not be such a problem if displaced workers could instantly retrain and move to places with appropriate jobs for their skills and aptitudes. But training takes time and resources, and people's lives are enmeshed in webs of social networks and relations which often make it costly and difficult to move. And even when, somehow, displaced workers manage to get retrained and move to where they think they can find employment, there is absolutely no guarantee that type and number of new jobs available will mesh with the supply of displaced workers seeking those jobs. While capitalist development does create new jobs, and some of these are well-paying, there is no process internal to capitalism through which people displaced by the destruction of jobs are transformed into the people that fill the new jobs. The result is sharp inequality between winners and losers of the capitalist development process. New kinds of jobs are created along with marginalization and destitution of displaced workers.

The unjust inequalities generated by capitalism extend beyond income and wealth. Capitalism also generates severe inequalities in the social conditions to live a flourishing life. Of particular salience here is access to meaningful, fulfilling forms of work. Most jobs that are generated by capitalist firms are tedious, even when they provide an adequate income. Of course, in any process of producing goods and services, there will always be unpleasant, uninteresting tasks to be done. The issue is the grossly unequal distribution of work activity that is interesting and fulfilling and work that is experienced as a burden. Capitalism generates severe inequalities in the distribution of such burdens.

None of these processes mean that in an economy dominated by capitalism nothing can be done about the inequalities generated by capitalism. In some times and places it has been possible to significantly counteract the inequality effects of these processes. This is part of what is meant by what we will call "taming capitalism" in chapter 3. Such taming, however, requires creating noncapitalist institutions operating on noncapitalist principles which, in order to reduce inequality, coercively interfere with capitalist processes and transfer resources from capitalism to the state to be used for redistribution, retraining and other forms of state intervention. Left on its own, capitalism relentlessly

generates levels of inequality in material and social conditions of life that both violate the value of equality/fairness and create real suffering in the lives of many people.

Democracy/Freedom

Many people feel that democracy, and especially freedom, are deeply connected to capitalism. Milton Friedman, in his book *Capitalism and Freedom*, even argued that capitalism was a necessary condition for the realization of both of these values. And it is certainly the case if one takes a long sweep of history, that the emergence and subsequent development of capitalism is closely associated with the expansion of individual freedom for many people and eventually the spread of more democratic forms of political power. It will therefore seem strange to many people to ground some of the central criticisms of capital in the values of democracy and freedom.

The claim that capitalism harms democracy and freedom is more complex than the simple idea that capitalism is opposed to freedom and democracy. Rather, the idea is that capitalism generates severe deficits in realizing the values of democracy and freedom. Capitalism promotes the emergence and partial development of both freedom and democracy, but obstructs the fullest possible realization of these values. Five arguments are especially salient.

First, the way the boundary between the public and private sphere is drawn in capitalism excludes crucial decisions that affect large numbers of people from democratic control. Perhaps the most fundamental right that accompanies private ownership of capital is the right to decide where and when to invest and disinvest. The decision by a corporation to move production from one place to another is a private decision, even if closing a factory in the United States and moving it to a country with cheap labor and lax environmental regulations devastates the lives of people who previously worked in the factory and destroys the value of housing in the surrounding community. The people in the devastated community have no rights to participate in the decision in spite of the fact that it affects their lives deeply. Even if one argues that this concentration of power in private hands is necessary for the efficient allocation of capital in a capitalist economy, the exclusion of these kinds of decisions from democratic control unequivocally violates the core democratic value that people should be able to meaningfully participate in decisions that affect their lives.

Second, private control over major investments creates a constant pressure on public authority to enact rules favorable to the interests of capitalists. The threat of disinvestment and capital mobility is always in the background of public policy discussions, and thus politicians, regardless of their ideological orientation, are forced to worry about sustaining a “good business climate.” The fact that the interests of one class of citizens have priority over others violates democratic values.

Third, wealthy people have greater access than non-wealthy citizens to political power. This is the case in all capitalist democracies, although wealth-based inequality in access to political power is much greater in some countries than in others. The specific mechanisms for this greater access are quite varied: contributions to political campaigns; financing lobbying efforts; elite social networks of various sorts; outright bribes and other forms of corruption. In the United States it is not just wealthy individuals, but also capitalist corporations that face no meaningful restrictions on their ability to deploy private resources for political purposes. This violates the democratic principle that all citizens should have equal access to participate in the control over political power.

Fourth, capitalist firms are allowed to be organized as workplace dictatorships. An essential power of private ownership of businesses is that the owners have the right to tell employees what to do. That is the basis of the employment contract: the job seeker agrees to follow the orders of the employer in

exchange for a wage. Of course, an employer is also free to give workers considerable autonomy in the workplace, and in some situations this is the profit-maximizing way of organizing work. And some owners may grant significant autonomy to workers as a matter of principle, even if this does not maximize profits. But the owner still has the fundamental power to decide when to allow such autonomy. This violates the principle of self-determination that underlies both democracy and freedom.

Finally, the inequalities in wealth and income intrinsic to capitalism create inequalities in what the philosopher Philippe van Parijs calls “real freedom”. Whatever else we might mean by freedom, it is the ability to say “no.” A wealthy person can freely decide not to work for wages; a poor person lacking an independent means of livelihood, cannot reject employment so easily. But freedom as a value goes deeper than simply the ability to say no; it is also the ability to act positively on one’s life plans. Capitalism deprives many people of real freedom in this sense. Poverty in the midst of plenty not only denies people equal access to the conditions for a flourishing life; it also denies people access to the resources needed for self-determination.

These are all intrinsic consequences of capitalism as an economic structure. As in the case of equality/fairness, however, this does not mean that in a capitalist society – a society in which capitalism is dominant in the economy – nothing can be done to counteract these effects. In different times and places, many things have been done to mitigate the anti-democratic effects of capitalism: public constraints can be imposed on private investment in all sorts of ways which erode the rigid boundary between the public and private; a strong public sector and active forms of public investment can weaken the threat of capital mobility; restrictions on the use of private wealth in elections and various forms of public finance of political campaigns can reduce the privileged access of the wealthy to political power; labor law can both strengthen the collective power of workers through unions and create stronger worker’s rights within the workplace, including the requirement that there be workers councils with a role in workplace governance; and a wide variety of welfare state policies can increase the real freedom of those without access to private wealth. The anti-democratic and freedom-impeding features of capitalism can, if political conditions are right, be partially tamed even if they cannot be eliminated.

Community/solidarity

Capitalism fosters motivations that are corrosive of the values of community and solidarity. The driving motivation for capitalist investment and production is economic self-interest. Adam Smith expressed this idea in his classic book, *The Wealth of Nations*: “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our necessities but of their advantages.” The philosopher G.A. Cohen adds fear as an additional central motivation within capitalist markets: “The immediate motive to productive activity in a market society is typically some mixture of greed and fear...In greed, other people are seen as possible sources of enrichment, and in fear they are seen as threats. These are horrible ways of seeing other people, however much we have become habituated and inured to them as a result of centuries of capitalist development.”

Greed and fear are motivations fostered by the nature of competitive markets; they should not be treated simply as character traits of individuals within a market. The CEO of a corporation may be personally generous and make donations to worthy civic projects, affirming the value of community, and yet decide to close down a factory because this would maximize profits even though it imposes great harm on the wellbeing of people in the community. Workers compete for jobs; employees compete for advancement; firms compete for sales. Competition generates winners and losers. The more intense is such competition and the higher the stakes, the more greed and fear are reinforced as operating motivations.

Greed and fear identify motivations of individuals. Capitalism also generates an array of cultural elements that are corrosive of the values of community. “Culture” in this context refers to the broadly shared beliefs and values of people within a social setting. One can speak of the culture of a family, a workplace, an organization, a community, a society. Cultures are always complex, and often contain quite discordant elements. It is certainly an oversimplification to view the general culture of capitalist societies as simply reflecting the imperatives of capitalism. Nevertheless, capitalist cultures generally affirm two clusters of broadly shared values that are in tension with community and solidarity: *competitive individualism* and *privatized consumerism*.

Competitive individualism consists of a set of values and beliefs deeply connected to the lived experiences people have within capitalist markets: the desirability of being intensively competitive and trying to be better than others; the social norm of measuring one’s self-worth through comparisons with others; the moral importance of people taking responsibility for their own fates as individuals rather than relying on help from others; the virtue of being independent and the corresponding stigma of being dependent. In extreme cases these values get distilled into stark slogans: greed is good; looking out for number one; nice guys finish last. But even when people reject such simple formulations, a central theme in the culture of capitalism is desirability of competitive striving for success even when this is at the expense of others.

People, of course, generally still hold other principles that cut in the opposite direction – “I am my brother’s keeper” and “love thy neighbor as thyself” – and many people act on the basis of these more communitarian values at least in some social contexts. This is part of the complexity of culture: the coexistence of opposing principles and values. One of the hallmarks of a relatively stable culture is its success in accommodating such contradictory elements. In a robust capitalist culture this is accomplished by narrowing the social contexts in which most people see the values of community and solidarity as relevant and expanding the contexts in which competitive individualism is operative. Communitarian values are fine within families and perhaps a circle of friends, but become progressively weaker as the boundaries of community are broadened.

Privatized consumerism is the second anti-communitarian element of capitalist culture. A consumerist culture is one in which people are led to believe that life satisfaction depends to a significant extent on ever-increasing personal consumption. *Privatized* consumerism treats public goods and collective consumption as reductions of personal consumption rather than important components of one’s overall standard of living and quality of life. This preoccupation with personal, private consumption reinforces the relative indifference to the wellbeing of others connected to competitive individualism.

Greed and fear as individual motivations and competitive individualism and privatized consumerism as pervasive cultural forms within capitalist societies interact to create a hostile setting for the value of community and solidarity. Traditionally, opponents of capitalism predicted that capitalism would also generate counteracting tendencies that would strengthen solidarities. This was certainly the hope of socialists in the late 19th century and first part of the 20th century who believed, following Marx, that increasing interdependency and homogeneity within the working class would generate an increasing sense of class solidarity. The community of workers, then, would be the basis for the eventual transformation of capitalism into a community of all people.

While solidarities do certainly emerge in the working class, these grand hopes were never realized. Instead of a trajectory of working class homogenization and deepening interdependence, the dynamics of capitalism have produced ever more complex forms of economic inequality and intensified forms of labor market competition and fragmentation. Instead of a tendency towards ever-wider solidarity

among the mass of noncapitalists, with only sporadic exceptions capitalism has generated ever-narrower circles of niche solidarity among people with unequal, segmented opportunities in the market. Particularly when these forms of class segmentation intersect forms of social cleavage rooted in salient identities such as race, ethnicity, and religion, the value of community and solidarity becomes narrowed and fractured.

The cultural salience of competitive individualism and privatized consumerism, combined with the pervasive weakness of broad, countervailing working class solidarities, poses a sharp challenge for anticapitalists. While it may be possible for some individuals to find ways of escaping capitalism on their own, any serious effort at challenging capitalism requires collective agency, and this in turn requires solidarity. This has proven one of the major obstacles to transforming capitalism: forging the broad solidarities needed for such struggles. We will turn to this problem in Chapter 6.

Skepticism

To sum up the argument of this chapter: The moral critique of capitalism is grounded in three clusters of values – equality/fairness, democracy/freedom, and community/solidarity. While in certain specific ways capitalism can be thought of as promoting limited forms of these values, it systematically obstructs their fullest realization. Capitalism generates and perpetuates unjust forms of economic inequality; it narrows democracy and restricts the freedom of many while enormously enhancing the freedom of some; and it cultivates cultural ideals that endorse individual competitive success over collective welfare.

There are two main forms of skepticism about this medley of criticisms of capitalism, even among people who share the core values we have been exploring.

First, many people question that capitalism itself is the culprit for some or all of the problems we have identified. A common view, for example, is that poverty in the midst of plenty reflects a mismatch between the skills people have and the skill requirements of employers, and this in turn is largely the result of technical change. There may be a political failure to provide good training or education, but capitalism is not to blame. Or persistent poverty is the result of the disintegration of the family and a “culture of poverty,” but in any case capitalism itself is not to blame. Environmental problems are attributed to industrialization, not the profit-seeking strategies of capitalist firms. Deficits in democracy are mainly the result of the complexity and scale of contemporary societies, not the political influence of the wealthy or the inherent rules of the game of capitalism. The deterioration of community values is the result of urbanization, societal complexity and high levels of geographical mobility, not the competitive forces of the market or the culture of capitalism. And so on.

These arguments should be taken seriously, not dismissed out of hand. Indeed, in at least some cases the causal processes identified by skeptics are relevant to a complete understanding of issues at hand. The lack of skills relevant to available jobs undoubtedly contributes to poverty; complexity does pose a challenge for democracy; and high levels of spatial mobility can weaken a sense of community. The diagnosis and critique of capitalism does not imply that capitalism is the *only* cause of deficits in the values of equality, democracy and community, but only that it is a significant contributor.

The second source of skepticism concerns the problem of alternatives: people may acknowledge that capitalism is indeed implicated in these problems, but also believe that there are simply no viable alternatives to capitalism, either because proposed alternatives are unworkable and would just make things worse or because, even if in principle there might be a better system, the Powers-that-Be are too

strong and make it impossible to get from here to there. There is either no attractive destination or no way to get there. Alternatives, therefore are utopian, unattainable fantasies.

The rest of this book attempts to address this second kind of skepticism.