

## Chapter 7

# Capitalism and Intellectuals

Chapter 5 debunked nine myths about the history and performance of capitalism, and Chapter 6 defended capitalism from claims that it is (or its agents are) immoral. This chapter ends the defense of capitalism by rebutting three rather arcane criticisms of capitalism sometimes found in academic writing on the subject, specifically, that advocates of capitalism are anarchists, that capitalism is part of a conservative plot to deny rights or privileges to some groups, and that capitalism is a relatively recent institutional arrangement imposed by a small elite on the rest of society by force. This chapter ends with a brief explanation of why so many intellectuals seem drawn to these false assertions.

### **LIBERTARIANS ARE NOT ANARCHISTS**

Critics of capitalism often evoke the image of a society with no government at all, and then attack this straw man for everything it supposedly would entail. But this can hardly be right because the strongest defenders of capitalism have said there is a need for government.

Adam Smith found plenty for governments to do, including building roads, bridges, canals, and harbors; subsidizing (though not directly providing) schooling for low-income students; and

“erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual or small number of individuals, to erect and maintain. . . .”<sup>1</sup>

Adam Ferguson, a moral philosopher who was Smith’s teacher at the University of Edinburgh, wrote in 1792 of the relationship between freedom and anarchy, “Liberty or freedom is not, as the origin of the name may seem to imply, an exemption from all restraint, but rather the most effectual application of every just restraint to all the members of a free state, whether they be magistrates or subjects. It is under just restraints only that every person is safe, and cannot be invaded, either in the freedom of his person, his property, or innocent action . . . .”<sup>2</sup>

According to economist Friedrich Hayek, a Nobel laureate and prominent libertarian, there is “a wide and unquestioned field for state activity. In no system that could be rationally defended would the state just do nothing.”<sup>3</sup> Among the tasks he describes are “an intelligently designed and continuously adjusted legal framework” and “the prevention of fraud and deception.” National defense is also expected to be the job of governments, not private agents.

Milton Friedman, another Nobel laureate economist and probably the best known economist in the world, says “the need for government . . . arises because absolute freedom is impossible. However attractive anarchy may be as a philosophy, it is not feasible in a world of imperfect men.”<sup>4</sup>

The fact that Smith, Ferguson, Hayek, Friedman, and many other prominent advocates of free enterprise find room in their theories for a substantial role for government should relieve the

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<sup>1</sup>Adam Smith, *The Wealth of Nations* (1776; reprint, Indianapolis: Liberty Press, 1976), 244.

<sup>2</sup>Adam Ferguson, *Principles of Moral and Political Science*, vol. 2 (Edinburgh, 1792), 258.

<sup>3</sup>Friedrich Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944), 39.

<sup>4</sup>Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), 25.

fear of some critics of capitalism that it is synonymous with anarchy.<sup>5</sup> Government has an important role to play, but it must be kept from interfering with the key institutions of private property, markets, and the Rule of Law if economic growth and prosperity are to occur. As Henry Hazlitt wrote, “It is the proper sphere of government to create and enforce a framework of law that prohibits force and fraud. But it must refrain from specific economic interventions. Government’s main economic function is to encourage and preserve a free market. When Alexander the Great visited the philosopher Diogenes and asked whether he could do anything for him, Diogenes is said to have replied: ‘Yes, stand a little less between me and the sun.’ It is what every citizen is entitled to ask of his government.”<sup>6</sup>

## **GOVERNMENT IS FORCE; CAPITALISM IS FREEDOM**

Capitalism’s critics may believe its advocates are all anarchists because many libertarians are hostile toward government. “The state is essentially an apparatus of compulsion and coercion,” wrote Austrian economist Ludwig von Mises. “The characteristic feature of its activities is to compel people through the application or the threat of force to behave otherwise than they would like to behave.”<sup>7</sup>

Defining government as an institution that “claims a monopoly on the legitimate use of physical force in order to impose its regulation” highlights the different operating principles of capitalism

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<sup>5</sup>Bruce Babbitt, then Secretary of the Interior, was quoted on 8 January 2001 as saying, “The radical property rights crowd are anarchists at heart, and I don’t believe the American people will buy into that.” Matt Kelley, “Babbitt: Changing Clinton’s Rules Will Hurt GOP” (Salon.com Politics).

<sup>6</sup>Henry Hazlitt, *Economics in One Lesson* (1979; reprint, San Francisco: Laissez Faire Books, 1996), 194–95.

<sup>7</sup>Ludwig von Mises, *Omnipotent Government* (New Haven, Conn.: Yale University Press, 1944), 46.

(voluntarism) and government (coercion).<sup>8</sup> It is also a working definition of the state accepted by many prominent sociologists and political scientists.<sup>9</sup> Although not a complete characterization of government (as we explain shortly), linking government with the use of force is not mere rhetoric.

The story of the gradual rise and triumph of individual freedom is also the story of the progressive limitation of the power of government to interfere in the institutions of capitalism. The greatest crimes against humanity in the twentieth century occurred when government was allowed to overrule these institutions, often in the name of advancing the common good. As Richard Pipes writes, "The simultaneous violation of property rights and destruction of human lives was not mere coincidence, for, as we have stressed, what a man is, what he does, and what he owns are of a piece, so that the assault on his belongings is an assault also on his individuality and his right to life."<sup>10</sup>

The process by which property owners and workers proposed and eventually gained acceptance of prohibitions against the use of force, fought every step of the way by despotic governments and the remnants of the preceding feudal order, was long and grueling. Hugo Grotius, the Dutch jurist who asserted the primacy of private property, wrote his book while in prison.<sup>11</sup> The inspirer of the American founders, John Locke, fearing for his life, published his *Treatises* anonymously some 20 years after he had written them.

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<sup>8</sup>Max Weber, "Basic Categories of Social Organization," in *Max Weber: Selections in Translation*, ed. W. G. Runciman (1922; reprint, Cambridge: Cambridge University Press, 1978), 39.

<sup>9</sup>Talcott Parsons, *The Social System* (New York: The Free Press of Glencoe, 1951), 126; Morris Janowitz, *The Last Half-Century* (Chicago: University of Chicago Press, 1978), 14; James S. Coleman, *Foundations of Social Theory* (Cambridge: The Belknap Press of Harvard University Press, 1990), 70; see, generally, Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol, *Bringing the State Back In* (Cambridge, Mass.: Cambridge University Press, 1985).

<sup>10</sup>Richard Pipes, *Property and Freedom* (New York: Random House, Inc., 1999), 210.

<sup>11</sup>Hugo Grotius, *On the Law of War and Peace* (1625).

The opposite of capitalism, and the situation from which capitalism helped us escape, was kleptocracy, “where those in power seize most assets for themselves.”<sup>12</sup> The Founding Fathers of the United States understood this well. They wrote the Constitution with the specific purpose of limiting the scope of government power. James Madison, the “Father of the Constitution,” wrote in *Federalist #51*, “If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: You must first enable the government to control the governed; and in the next place, oblige it to control itself.”<sup>13</sup>

Madison’s insights are not obsolete. Mancur Olson Jr. (1920–1998) was a highly regarded economist and political scientist who consulted with the governments of formerly communist and capitalist dictatorships all around the world. In three seminal books (one published posthumously), he presented a theory of government remarkably like that of the Founding Fathers.<sup>14</sup>

“We need to find out what those in power have an incentive to do and why they obtained power,” he wrote.<sup>15</sup> The criminal, who uses force to accomplish his objectives, can move from victim to victim to acquire his loot, but he will soon discover it is easier and more productive to settle down and extract tribute from those around him. These stationary bandits were the first governments.

“[T]he stationary bandit, because of his monopoly on crime and taxation, has an encompassing interest in his domain that makes him limit his predations because he bears a substantial share of the social losses resulting from these predations,” wrote

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<sup>12</sup>Mancur Olson, *Power and Prosperity* (New York: Basic Books, 2000), 1.

<sup>13</sup>*The Federalist* (New York: Random House, Inc., 1788), 337.

<sup>14</sup>Mancur Olson Jr., *The Logic of Collective Action* (1965; reprint, Cambridge: Harvard University Press, 1975); *The Rise and Decline of Nations* (New Haven, Conn.: Yale University Press, 1982); Olson, *Power and Prosperity*.

<sup>15</sup>Olson, *Power and Prosperity*, 2.

Olson.<sup>16</sup> Long-term investments in equipment, facilities, and human capital make the greatest contributions to productivity, and these require investor confidence in the institutions that protect their investments. The stationary bandit is thus compelled to honor the Rule of Law to attract investment, and he may even concede to democratic demands to ensure peaceful transitions of power. The stationary bandit's subjects, meanwhile, concede to his demands as the only means of securing their lives and possessions.

The notion that most governments get their start through conquest and confiscation is not new.<sup>17</sup> But to hear it from a contemporary expert on the rise and fall of nations, and in such plain language, is a remarkable confirmation of ideas some might consider anarchistic. Olson's theory of the stationary bandit is, as he remarks, entirely consistent with the history of capitalism's emergence between the thirteenth and seventeenth centuries in England. Rights were first won by nobles and then gradually extended into a universal franchise. The success of freedom and property rights in one nation compelled the governments of others to tolerate the development of similar institutions in order to compete militarily or to reap similar tax revenues.

This is only a small part of the history that drives many libertarians to express hostility toward government. That hostility does not rise from a belief that markets are infallible, or that anarchy is better than the Rule of Law. Rather, it comes from an awareness of the defining character of government and the sacrifices made to establish the institutions of capitalism. Unlimited government power has made life harsh and unjust for countless generations, and it continues to do so in those parts of the world still ruled by despotic governments.

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<sup>16</sup>Olson, *Power and Prosperity*, 9.

<sup>17</sup>"The positive testimony of history is that the State invariably has its origin in conquest and confiscation. No primitive State known to history originated in any other manner." Albert Jay Nock, *Our Enemy, the State* (1935; reprint, New York: Free Life Editions, 1977), 20. The classic reference on this subject is Franz Oppenheimer, *The State* (1926; reprint, New York: Free Life Editions, 1975).

## CAPITALISM AND POLITICS

Viewing government as the instrument of coercion in society and capitalism as the embodiment of freedom helps answer the question of government's proper role in society, but it also obscures some subtle but important aspects of the state. One important aspect is the role played by politics in extending the state's role beyond the economic arena.

America's Founding Fathers, following the lead of John Locke, David Hume, and other classical liberal thinkers of their day, plainly believed government could emerge from contract and negotiation as well as conquest. The Declaration of Independence states as fact that "governments are instituted among men, deriving their just powers from the consent of the governed." The Jeffersonian theory of government is filled with references to a social contract between citizens and government.<sup>18</sup>

The social contract theory of government is only somewhat at odds with the conquest and confiscation theory of the state presented above. English history until the eighteenth century was a series of battles between proponents of freedom and private property on one side and monarchy and statism on the other, but between the battles there was plenty of negotiation, or what we now call politics.<sup>19</sup>

Politics transforms the state from an instrument of sovereign authority into an institution for identifying (or hiding) and resolving (or causing) a wide range of conflicts, creating (or preventing) consensus, and mobilizing (or hindering) investment in necessary public goods. Politics complicates the relationship between capitalism and the state in at least two ways.

First, virtually any state program can be defended by appealing to its noneconomic contributions, such as "strengthening

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<sup>18</sup>David N. Mayer, *The Constitutional Thought of Thomas Jefferson* (Charlottesville: The University Press of Virginia, 1994).

<sup>19</sup>Max Weber, "Politics as a Vocation," in Runciman, *Max Weber: Selections*, 223.

democratic values,”<sup>20</sup> providing “a sense of community rootedness,”<sup>21</sup> “safeguard[ing] the human character of . . . labor,”<sup>22</sup> preserving “the goals, values, habits, and institutions of a good society,”<sup>23</sup> and so on. As these examples suggest, there is simply no limit to the supposed beneficial effects of government regulation, spending, and meddling. Critics of capitalism use arguments similar to these to justify a role for government in schooling even if capitalism can do the job more efficiently than government. We return to these arguments in Part 3. At this point it is sufficient to observe that government is indeed more than merely force.

Second, one cannot call for limiting the size and power of the state in the name of protecting capitalism without, perhaps unintentionally, giving it a smaller role in a whole range of other matters that, at least on their face, have little or nothing to do with capitalism. One cannot propose changing the rules under which the state operates—say, to make it more difficult to adopt regulations that cost more than the social benefits they create—without strengthening or weakening the positions of interest groups competing to use politics to achieve noneconomic ends.

In practice, the state’s extensive noneconomic activities mean defenders of capitalism tend to show up most often in the conservative political camp, because their advice gives government fewer resources to regulate, subsidize, and otherwise use to redesign social institutions. This alliance of libertarians and conservatives prompts some critics to attribute to proponents of capitalism some of the ideas and political agenda of conservatives, Republicans, and the Religious Right. But defenders of capital-

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<sup>20</sup>Michael Engel, *The Struggle for Control of Public Education: Market Ideology vs. Democratic Values* (Philadelphia: Temple University Press, 2000), 15.

<sup>21</sup>Murray Bookchin, *The Rise of Urbanization and the Decline of Citizenship* (San Francisco: Sierra Club Books, 1987).

<sup>22</sup>Karl Polanyi, *The Great Transformation* (1944; reprint, Boston: Beacon Press, 1957), 177.

<sup>23</sup>Robert Kuttner, *Everything for Sale: The Virtues and Limits of Markets* (Chicago: University of Chicago Press, 1999), 28.

ism belong to every political party and do not necessarily hold conservative beliefs on cultural matters.

Christians who speak out in favor of capitalism today are often identified as members of the Religious Right, a largely Republican political movement primarily interested in opposing abortion on demand, feminism, pornography, and homosexuality. The Religious Right's positions arise from a conservative theology adhering to the literal truth of the Bible, the divinity of Jesus, the promise of immortality, and the existence of hell. This set of beliefs neither favors nor disfavors using capitalist institutions to organize production in society. A survey of more than one thousand theologians of different Christian denominations, conducted in 1981 and published in 1989, found those who espoused a conservative theology "displayed tremendous variation in their attitudes toward social welfare programs. . . . There was no evidence of an economic consensus, conservative or otherwise."<sup>24</sup>

Laurence Iannoccone cites other survey data of rank and file fundamentalists showing "no signs whatsoever of embracing a distinctive, religiously motivated, economic ethic. They are just as open to income redistribution as other Americans and just as supportive of government programs to promote health, education, and urban renewal, and to alleviate the problems of race, poverty, and the environment."<sup>25</sup> He observes that "this contrasts sharply with their attitudes toward many moral issues, which are indeed different from and more conservative than those of other Americans."

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<sup>24</sup>The survey was reported in Daniel Olson and Jackson Carroll's "Theological and Political Orthodoxy among American Theological Faculty," paper presented to the Society for the Scientific Study of Religion, Salt Lake City, 1989.

This survey (page 15) also found that theologically liberal professors "seem to have attained a liberal consensus on such issues as welfare spending, income redistribution, [not] reducing the role of government, and aid to poor countries. . . ." Although a coherent Religious Right may be a myth, at least among theologians, it appears a Religious Left is a reality.

<sup>25</sup>Laurence R. Iannoccone, "Heirs to the Protestant Ethic? The Economics of American Fundamentalists," n.d., 25.

In the 1980s and 1990s, liberals sought the aid of government in their campaigns to expand the reach of civil rights protections to such areas as gay and lesbian rights, abortion, divorce, and children's rights. Religious conservatives opposed those initiatives and saw, in the libertarian theory of government, a political philosophy that justifies limiting the power of the state. The alliance of the Religious Right with libertarians was on narrowly defined issues and as much a function of personalities and political strategy as theology or economics. Consider, for example, that Pat Robertson and Lou Sheldon, two icons of the Religious Right during the 1980s and 1990s, were in Democrat Jimmy Carter's corner in 1976.<sup>26</sup>

Liberal critics of both capitalism and the Religious Right frequently point out the internal tensions between libertarians and cultural conservatives and confidently predict the collapse of their alliance.<sup>27</sup> Such observations, however, serve only to affirm the more politically relevant point: that a defense of capitalism does not rely on conservative or religious doctrine and is not necessarily a part of the agenda of conservative or religious political movements.

## CAPITALISM'S DEBT TO THE STATE

Modern liberals often claim that libertarians overlook government's role in creating the conditions that make the institutions of capitalism possible. The previous discussion of how capitalism differs from anarchy puts the lie to some of that rhetoric, but there is genuine disagreement over just how large a debt capitalism owes to the state.

Initially at least, Britain's nobles fought to expand their own privileges versus both the crown and the common man. Libertarians contend that popular rights and democracy origi-

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<sup>26</sup>Steven F. Hayward, *The Age of Reagan* (Roseville, Calif.: Prima Publishing, 2001), 486.

<sup>27</sup>Jeffrey R. Henig, *Rethinking School Choice: Limits of the Market Metaphor* (Princeton: Princeton University Press, 1994), 191.

nated in the efforts of these aristocrats, even if that was not their intent at the time. Liberals, by contrast, say popular rights were secured only when the aristocrats' special pleading was overcome by the commoners' protests. Typical of the liberal perspective is that of Orlando Patterson, who contends Britain's independent parliament arose from the bureaucracy created to serve the king, "and not in the selfish, essentially grasping, and exploitative assertion of liberties by the aristocracy."<sup>28</sup>

Murray Bookchin, the late Karl Polanyi, and other neo-Marxists go further, contending the entire enterprise of industrial capitalism was possible only because Britain adopted laws that destroyed alternative development paths based on traditional notions of communal property, nonmaterial values, and direct (rather than representational) democracy.<sup>29</sup> Polanyi wrote, "the road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism. To make Adam Smith's 'simple and natural liberty' compatible with the needs of a human society was a most complicated affair."<sup>30</sup>

Recent work in economic anthropology and history contradicts the Marxist critics. Capitalist institutions, for example, were more widely utilized, and at an earlier age, than can be explained by aristocratic demands for special privileges.<sup>31</sup> "Medieval men bought and sold everything from grain to bishoprics," writes economic historian Deirdre McCloskey. "The Vikings were traders, too. Greece and Rome were business empires. The city of Jericho dates to 8000 B.C. The emerging truth is that we have lived in a world market for centuries, a market run by the bourgeoisie."<sup>32</sup>

<sup>28</sup>Patterson, *Making of Western Culture*, 370.

<sup>29</sup>Bookchin, *Rise of Urbanization*, 46.

<sup>30</sup>Polanyi, *Great Transformation*, 140.

<sup>31</sup>See, for example, Alan MacFarlane, *The Origins of English Individualism* (New York: Cambridge University Press, 1978) and, by the same author, *The Family Life of Ralph Josselin* (New York: W. W. Norton & Co., 1970).

<sup>32</sup>Deirdre N. McCloskey, "Bourgeois Virtue and the History of P and S," *The Journal of Economic History* 58, no. 2 (June 1998): 315.

Still, McCloskey, Pipes, and Olson credit Britain's centralized state as favorable to the establishment of the socially contrived institutions necessary to the birth of capitalism, suggesting there is more common ground in the debate than either side admits.

Let us return, finally, to Mancur Olson's portrait of the state as a stationary bandit conceding rights to its subjects and using its loot to finance public goods in order to maximize its own revenues, power, and prestige. Olson shows how the profit-maximizing bandit will encourage the creation of the capitalist institutions of private property, markets, and the Rule of Law because these are largely self-enforcing and efficient, whereas attempting to centrally control a large and prosperous economy poses endless opportunities for evasion, corruption, and error. Although some of capitalism's institutions emerge spontaneously—even the poorest cities in Africa often have vibrant street markets, for example—others require government decisions to enforce certain contracts and rights. Olson describes some of those arrangements: "To realize all the gains from trade, then, there has to be a legal system and political order that enforces contracts, protects property rights, carries out mortgage agreements, provides for limited liability corporations, and facilitates a lasting and widely used capital market that makes the investments and loans more liquid than they would otherwise be. These arrangements must also be expected to last for some time."<sup>33</sup>

In helping to create these institutions, the state acts "at least to some degree, in accord with the social interest, even when serving the public good was not part of the intention."<sup>34</sup> This language may sound familiar. It is very similar to the language Adam Smith used to explain how individuals acting in a capitalist economy advance the common good even though they aim only at their own selfish benefit.

Olson provides a deductive theory of how states are created and why they allow capitalist institutions to emerge. That theory

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<sup>33</sup>Olson, *Power and Prosperity*, 185.

<sup>34</sup>*Ibid.*, 13.

desanctifies the state, which otherwise enters discussions of political economy with an unearned aura of virtue. The theory corresponds almost exactly to what we know to be the intertwined histories of capitalism and government. And, finally, it tells us what the proper relationship is between capitalism and government: Government should be “powerful enough to create and protect private property rights and to enforce contracts, yet constrained so as to not, by its own actions, deprive individuals of these same rights.”<sup>35</sup>

## CAPITALISM AND INTELLECTUALS

Why, if capitalism is the benign set of institutions described above, is it so widely condemned by social philosophers and other intellectuals? The answer is a combination of intellectual curiosity, self-interest, and self-selection that makes colleges and universities incubators for anticapitalist sentiment.

Classical liberalism enjoyed widespread support among intellectuals until about 1890, the start of the Progressive Era. By then, classical liberals had settled into the routine, and often unexciting, task of filling in the details of the theory. Its leading proponents spent little time teaching the next generation about the institutions of capitalism, which they either took for granted or thought could be improved by government intervention. The best and brightest minds started avoiding Grotius, Locke, and Smith and choosing instead the easier and more popular task of

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<sup>35</sup>From Charles Cadwell, foreword to *Power and Prosperity* by Mancur Olson, p. x. We have focused on Olson's work in this chapter partly to simplify the discussion. Other writers who have reached conclusions very similar to Olson's include Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962); Friedrich Hayek, *Law, Legislation, and Liberty*, 3 vols. (Chicago: University of Chicago Press, 1973, 1976, 1979); Robert Nozick, *Anarchy, State, and Utopia* (New York: Basic Books, 1974); Thomas Sowell, *Knowledge and Decisions* (New York: Basic Books, 1990); Richard Epstein, *Principles for a Free Society* (Reading, Mass.: Perseus Books, 1998); and Andrei Shleifer and Richard W. Vishny, *The Grabbing Hand: Government Pathologies and Their Cures* (Cambridge: Harvard University Press, 1998).

denouncing inequality and advocating vague yet attractive propertyless socialist utopias.

Socialist utopia requires government interference in precisely those areas that Adam Smith and the rest had convinced earlier generations were off-limits to the state. This only made the new project more attractive to a generation of social critics, brilliant people by nearly all accounts who confidently endorsed socialism yet seldom bothered to learn the true history of capitalism or how capitalist economies worked.<sup>36</sup>

Many intellectuals saw themselves as prime candidates to advise or lead the government agencies that would reform and improve the institutions of capitalism. "Advocacy of extensive reform," Frank Knight wrote in 1935, "is practically the solicitation of the position of king on the part of the reformer."<sup>37</sup> Paul Johnson observes that the trials of the Great Depression gave intellectuals "a new sense of power."<sup>38</sup> And Richard Pipes, describing the French socialists of the eighteenth century, wrote, "For in a world in which material assets were perfectly equalized, superior social status and the power that goes with it would derive from intellectual capabilities, with which they believed themselves uniquely endowed."<sup>39</sup>

The leftward lean of most college and university faculties also reflects self-selection by those who oppose the institutions of capitalism. In a prosperous and growing economy, talented people who have no objection to capitalism have many avenues available to them for achieving influence and power, including business, law, and medicine. Those who object to capitalism, however, see in the academy opportunities to publicize their ideas and win public support for their reform agendas.

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<sup>36</sup>For example, George Bernard Shaw, Upton Sinclair, Paul Tillich, Richard Wright, Albert Einstein, H. G. Wells, Buckminster Fuller, and Lewis Mumford.

<sup>37</sup>Frank H. Knight, *The Ethics of Competition and Other Essays* (1935; reprint, New York: Augustus M. Kelley, Inc., 1951), 351.

<sup>38</sup>Paul Johnson, *Modern Times: The World from the Twenties to the Eighties* (New York: Harper & Row, 1983), 248, quoting Edmund Wilson.

<sup>39</sup>Pipes, *Property and Freedom*, 43.

Opponents of capitalism are overrepresented in the K–12 teaching profession for these as well as other reasons. Since Plato, educators have been drawn to abstract theories about such high ideals as equity, equality, and democracy but have tended to overlook or ignore lessons learned from past efforts to achieve those ideals. Philosopher John Dewey observed in 1933, “[T]he teacher’s calling tends to select those persons in whom the theoretic interest is specially strong and to repel those in whom executive abilities are marked. Teachers sifted out on this basis judge pupils and subjects by a like standard, encouraging an intellectual one-sidedness in those to whom it is naturally congenial, and repelling from study those in whom practical instincts are more urgent.”<sup>40</sup>

As James Traub has written, “in the world of education, a great deal of moral power attaches to practices that are aesthetically appealing; but justice is very often better served by the merely effective.”<sup>41</sup> By participating in socialist-inspired campaigns for social change, educators have ignored Adam Smith’s discovery that the social good is more likely to be served through free and spontaneous cooperation than by deliberate planning and use of government authority. This error has had disastrous consequences for children.

## CONCLUSION

When most people ponder whether schools are best delivered by the institutions of capitalism or government, they do not imagine that embracing capitalism means embracing anarchy, the agenda of the Religious Right, or a set of institutions imposed by force by one social class on another. Yet these notions thrive on many college campuses, fed by a set of institutional incentives that are

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<sup>40</sup>John Dewey, *How We Think: A Restatement of the Relation of Reflective Thinking to the Educative Process* (Boston: D. C. Heath and Company, 1933), 60.

<sup>41</sup>James Traub, “The Class War over School Testing,” *The New York Times Magazine*, 7 April 2002, 50.

seldom exposed or admitted in the growing antiprivatization literature.

Libertarians and other proponents of capitalism do not speak with one voice, and this chapter is not intended to suggest they do. Nevertheless, it is safe to say that few of them call for the outright abolition of government or necessarily support all of the policy objectives of their sometime allies in the political arena. The case for capitalism rests firmly on values and institutions that are deeply rooted in Western civilization and continue to define the requirements of a free society today. Understanding these truths is necessary for rebutting those who advance contrary assumptions in the public debate, causing mischief and sowing confusion.

### RECOMMENDED READING

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- Hayek, Friedrich, ed. *Capitalism and the Historians*. Chicago: University of Chicago Press, 1954.
- Olson, Mancur. *Power and Prosperity*. New York: Basic Books, 2000.
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