



Episode 586: Why Capitalism Is Morally Superior to Socialism

Guest: Jason Brennan

WOODS: I am a big fan of your book *Why Not Capitalism?*, and I hope you can start off by explaining to people the real meaning behind the title. I mean, on the surface of it, it seems like a perfectly sensible title for somebody to use, but there's a reason, there's significance behind the choice of this particular title, and it has to do with G.A. Cohen.

BRENNAN: Yes, that's right. So G.A. Cohen or Jerry Cohen Marxist philosopher in academia really in the past 100 years and just also one of the most prominent philosophers period, or political philosophers period in the past 100 years. And right before he died, he published a short book called *Why Not Socialism?*, which is meant to be kind of his final moral argument for the moral superiority of socialism. So my book is meant to be a direct response. It has the opposite title, and even the cover of the book is in a sense a parody of his cover. So his cover has one, lone, sickly-looking rose on the front, and mine has a whole bouquet of healthy roses.

WOODS: I didn't know about the cover of his book. Okay, now it's even more rich in its significance.

BRENNAN: That's right. We even thought about making the roses yellow and black so they would be anarchocapitalist colors, but it didn't look quite right.

WOODS: (laughing) Yeah, okay.

BRENNAN: So it's still in red and black for him.

WOODS: Okay, maybe for some kind of a special collector's edition some day, with gilded edges.

BRENNAN: That's right.

WOODS: All right, let's go through then a little something about Cohen's argument, but let's do it by means of the illustration that he uses of the camping trip.

BRENNAN: Okay, good. So Cohen thinks that deep down, almost everybody is a socialist in the following sense: everyone believes that if we were better people we

would be socialist. The reason that capitalism works is only because we're selfish, bad people. It's a good system for that, but if we were nice we'd be socialist. And to prove that, he has this thought experiment in which he says, imagine, like, we all go together on a camping trip, and suppose we're genuine friends who genuinely care about each other and love each other. Well, even though we come with out private property, because we care about each other we're going to share everything kind of freely, and because we care about each other, we won't free ride or take advantage of other people's work. Because we love and care about each other, we're going to try to ensure that everyone has a roughly equal good time and we won't shirk in our responsibilities or anything like that.

He says, now imagine this camping trip — and I've been on a few camping trips, and some of them are roughly like that. You know, when I'm with my family perhaps that's what it's like. Now suppose, he says, people start acting like they do in a capitalist society. He says, like, imagine that, say, one person on our trip says, you know, I know how to catch extra fish, and I'm willing to catch more fish, but only if I get to eat more than the rest of you. Or someone says I'm willing to teach you all how to crack nuts. Like suppose there are a lot of nut trees near where we're camping, and I'm willing to teach you that, but only if you pay me extra or I get out of having to do some of the dirtier chores that we've been sharing equally. Or suppose another person happens to have a really well stocked pond, like, happens to know where all the fish are, and uses that — say because his father years ago left him a well stocked pond near the camping trip, and he uses that to get more food, and at dinner he gloats over having more than the rest of us. We would find that kind of behavior repugnant.

But then Cohen says that's exactly what happens in capitalism. When this camping trip was sort of the socialist version, and when it's the kind of capitalist version of it, we think it's horrible. So then his point is, wouldn't it just obviously be better if we could make the whole world kind of like that socialist camping trip, and isn't it kind of nasty that we have to put up with the capitalist stuff instead?

WOODS: All right, now, let me think about the way — it's funny that of course in the book you've identified the way that I've tried to respond to that, and I now see how completely inadequate it is (laughing), but one way to respond to it is to say that obviously the whole world is not bound together the way extremely close friends are, and so we can't expect to impose a model that emerges spontaneously among close friends on this huge aggregate of disparate individuals. But as you rightly point out in the book, this still takes for granted the moral superiority of socialism. We're still basically saying, well, if we *could* replicate the camping trip on a global scale, we really would want to, but unfortunately we're just not good enough to live up to the standards of socialism. So if we make that type of argument, we're still basically walking into more or less Cohen's conclusion.

BRENNAN: Yeah, that's exactly right, and this is why I wanted to write this book. It's clear the economic argument for capitalism is superior to the economic argument for socialism. Cohen, despite being a Marxist philosopher, actually concedes that. He says bourgeois economics, by which he just means economics, is basically sound. But his

point is to then say what you're saying is that these institutions don't work because of what people want, because of the kinds of preferences they have, and they have kind of nasty, bad preferences.

So unfortunately just making the economic argument concedes the moral high ground to the socialists, and it's important not to do that, because we think about the debate we've had with the socialists over the past, say, 150 years. In effect it was an economic argument, and then we won that. The capitalist side won that. Most people recognize that. But the socialists have sort of retreated to this moral high ground by saying, nevertheless, a perfectly just and ideal society would be socialist, and the reason we don't have that is fundamentally because we're not good enough for it.

WOODS: Now, is part of the reason we're not good enough for it that — well, let me ask it this way. There are a couple of reasons people might say we're not good enough for it, that even supporters of capitalism might say, sure, in theory we might want to have socialism, but we're not good enough for it. They might say, well, human nature makes it impossible, because, let's say, human beings have only a limited horizon of people they can think of as really being close to them or people are selfish or whatever. But there could also be the kind of response that I would think somebody might make, which would be that it's not necessarily that we are naturally born to be anti-socialist or for socialism not to work, but because we are — I don't want to say indoctrinated, but the structures, the institutions, the value system of capitalism warps our natural moral instincts.

BRENNAN: Yeah, that's right. Cohen doesn't want to be — early Marxists had this view that human nature was very fungible and highly dependent upon the institutions that you live under. And so an early economist wouldn't say things like that will never work; they would say, oh, that's just because of what you just said. People have been socialized under capitalism, and capitalism makes you meaner. Cohen, to his credit at least, recognized that that's probably too strongly stated, but nevertheless he does say in the book and elsewhere that he thinks that capitalism, not only does it reward greed, but it leads to a hypertrophy of greed. It increases it and makes us kind of more self-serving.

And so one of the things I do in this book — there's actually a big empirical literature on that question. There are a number of people — Paul Zak and Henrik and just a few others — who have gone out and done these experiments trying to sort of test whether this is true. And what they find is — like Herbert Gintis is another person. They find actually the opposite. So one of the things you might do is you might play games with people and put them in a prisoner's dilemma-type game, put them in what's called an ultimatum game, or these other kinds of economic games where people have the opportunity to cheat one another, to steal from one another, to be unconditionally generous, and play these games where real money is at stake and have them play with strangers and see what they do.

And surprisingly — there's a large literature on this now — what you find is people who come from market-based societies are actually much nicer than people from non-

market societies. So being from a market society empirically predicts that you will be trusting, trustworthy, unconditionally generous, kind, that you'll keep your word, that you're less likely to cheat, as compared to either socialist societies or to traditional non kind of market-based societies.

So it's interesting because Herbert Gintis, one of the people I mentioned before, he, early on in his economic career, was kind of this unusual Marxist economist. You don't very many Marxist economists like he was. And he did this work because he wanted to prove that Marx was right, and then he went and did it and he kept getting the opposite conclusion, and he changed his mind. He said, oh, I guess he's wrong, and he changed his whole mind about socialism too, in part because of that.

So unfortunately for Cohen, it sounds maybe plausible from the armchair that, oh, being in a capitalist society makes you greedy or meaner, but if you get off the armchair and go look, that's not what the evidence shows. It shows the opposite, in fact.

WOODS: Can you take just a moment to try to construct what you're getting at in the next chapter in which you use *the Mickey Mouse Clubhouse* example as a counter to the camping example of Cohen?

BRENNAN: Sure. So I have a parody — Chapter Two of the book ends up parodying Cohen almost paragraph by paragraph, and I say, instead of a camping trip, imagine that there's the Mickey Mouse Clubhouse village, and this is actually based on a real television show, *The Mickey Mouse Clubhouse*, which is a CGI-animated cartoon involving Mickey and Donald and Minnie and everyone living kind of together. And what I noticed about that world is that they're capitalists, in that they're morally flawless; they always do the right thing for the right reason; they share; they care; they help one another. They have even principles of what you might call social justice, because their institutions are designed to ensure that everybody does well. But nevertheless, they own factories. They own farms. They buy, trade, and sell things in a capitalist market. And when you look at that world, there's nothing that any socialist could really complain about with it.

And then I say, imagine, however, that the Mickey Mouse Clubhouse starts acting like real-life socialism. So suppose that Mickey installs himself as premier and institutes five-year plans, and they're a complete disaster, and as a result you have mass starvation. Suppose that they try to squash opposition by throwing people in gulags. Suppose that they end up starving whole portions of the world, because they see them as an outsider class. And you see all these kind of horrific behaviors that you see in real-life socialism. If I were to make that kind of argument, I think socialists would say I'm not really being fair. And there's a sense in which they're right, but when you realize what's kind of wrong with that kind of parody, then you see what's sort of wrong with Jerry Cohen's argument as well.

WOODS: Having listened to this all being laid out, what's the upshot of that counter example?

BRENNAN: All right, so if you're a socialist, you're going to say this isn't fair, because what you've done with the Mickey Mouse Club example is you've said, let's imagine a world that's capitalist but stipulate that the people in it are morally flawless and then look at how that might go, and then compare that to real-life socialism with flawed, real-life people, where people will take advantage of power and shirk their responsibilities and so on. That's not fair. You're not comparing apples to oranges. And that's exactly right, but that's exactly what Jerry Cohen's doing too. When he has you imagine the camping trip as socialist and as capitalist, what he's actually doing is saying, imagine socialism with morally flawless people. Now compare that to real-life capitalism, where people are not morally flawless. Which do you like better? Most people say they like the socialism better.

But there's two variables there: how good the people are and what kind of social system they have. So what he should have done is ask, if people were morally flawless, how would socialism go and how would capitalism go. And then a separate question is, given that people are the way they are and given in part that their motivations are indigenous to their social system, which social system or economic system works better. That's what you'd have to do to make a fair comparison.

Cohen actually concedes that in the real world capitalism works better than socialism, but he thinks he's shown us that socialism is better because he's sort of imagining an ideal system. But it never occurred to him to ask the question, well, what would capitalism look like if we stipulated that people were morally flawless. And when you do that kind of comparison, I think what you find is that actually, if people were morally good, if I could wave a magic wand and make everyone perfectly virtuous, then we'd still want to be capitalist, and that form of capitalism would be superior to the socialist alternative. So that means that if that's true then capitalism has the moral high ground. It's better for real people like you and me, but it's also better for angels.

WOODS: Can we clarify exactly what definition of socialism Cohen is working with?

BRENNAN: Yeah, unfortunately, Cohen is — I think he's a very good philosopher, even though I think he's pretty much wrong about everything — but he kind of is sloppy on this. So sometimes he's defining socialism correctly. He's defining it as an economic system in which the means of production are collectively owned. He means to be an anarchist, so he means owned by groups, not by the state. Sometimes, though, he defines socialism not as that but instead as sort of kindness and fellow feeling and caring.

So you know I finished this book, but when I was writing it I presented it at another philosophy department at one point, and one of Cohen's former students was there, and she said, well hold on, the Mickey Mouse Clubhouse world that you're describing, that's socialist, because they're nice to each other. And I'm like, no, kindness and friendship and love and fellow feeling and altruism, that's not socialism or capitalism; that's just kindness, fellowship, and love. You know, a capitalist system a system in which the means of production are privately owned, in which there's significant

freedom for people to make choices about how they use these things, and a socialist system is one in which they're collectively owned and individuals don't have that individual freedom. That's what those things are. What relationship they have to fellow feeling, love, generosity, and so on is an open question. It's not a conception question.

WOODS: Now I want to get into some of your moral arguments in favor of private property, but before we do that, let's thank our sponsor.

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When we get into the second half of the book, you start — now we've moved away from our constructs, and now we get into some more traditional-style philosophy. And in here, we have some arguments in favor of private property, and they're not the sort of arguments, well, you have to have private property, because again, people are bad and private property — we can't live up to the goodness of a system without private property. You don't make the argument that way. That's the whole point of the book. But in fact, you make a whole bunch of claims in defense of private property, so I'd like to hear about that, because even I — I'm a huge supporter of private property. For some reason, even I when I hear private versus public, public somehow sounds vaguely more magnanimous than private. Private sounds like selfish. It sounds like all I care about is myself, and it's private, get out of my yard, and stuff like that. And so it's hard to overcome that kind of prejudice that we have beaten into us, I think.

BRENNAN: Yeah, that's right. So if you think about the sort of standard economic arguments for private property, they're thing like, you know, we need private property, because we need a market because of the information calculation problem of socialism. Or we need private property, because we have to avoid the tragedy of the commons. And some of those arguments don't apply under a kind of utopian system. So what Cohen is asking us to do is say if people were morally flawless, what kind of institutions would they have. And what I want to argue is, actually there would still be grounds for having private property in the means of production. And so to sort of show that, what you need to do is explain why people who are morally flawless might want private property rights, not just in personal goods but in productive goods.

So just to kind of clarify, when we're talking about a private property right, it's really a bundle of rights. It includes rights to exclude people from using things, includes rights to modify and use things, to sell them for profit, to give them away, and in some cases destroy them. And if we're going to be talking about why would morally flawless people have private property in the means of production, you're going to be appealing to a lot of high-minded values.

So here's a few of the arguments. One is that people are different. And Cohen doesn't want socialism to be like the Borg in Star Trek. He recognizes that people have different goals and desires and so on. And because people are different, many people have a desire to pursue projects over the long term. Some people want to make art; some people want to do other things. And to pursue projects, given that we're

material people, requires for most of us to have sustained access to private property that we can control for ourselves and leave the way that we want, that's not just up for anybody to use.

Socialists actually concede this very point when they're talking about personal property. So Cohen would say it's okay for you to have a car as long as people don't pay you to drive them around. It's okay for you to own a guitar as long as you're not Eddie Van Halen using it to make money. It's okay for you to have a house as long as you don't rent it as a capitalist landowner. So he accepts this argument holds as a reason for you to have personal property.

But then they say, well, why would you need to have private property in the means of production, though. And here I say to them, like, if you can understand why, say, a philosopher might want to write a paper by herself rather than having the paper being written by a committee where she's only one of many authors, then perhaps you can understand why, say, Willie the Giant in the Mickey Mouse Clubhouse wants to have his own farm. He has a vision of how farming has to go. He wants to try out his vision so he can feel at home in the world, and it adds value to his life to have exclusive control over that farm. If you understand that, you can understand why Clarabelle Cow might want to have her own store and so on. I mean, there are socialist objections to markets; like, they think they lead to exploitation and so on, but that wouldn't happen in a kind of ideal utopian system, because they're too nice to do that.

Further, one reason why they want to buy and sell things. So you might wonder if Mickey Mouse is such a nice guy or Minnie Mouse is such a nice person, why is it that she owns in the TV show a "bow-tique," a bow-making factory and bow store. But she really cares about everybody, so why is it that she sells to them, rather than just giving them the bows that they want? Well here, one reason to do that is she wants kind of personal affirmation of the value of what she's doing.

So if you've seen the movie version in the '90s of *Great Expectations*, the character Finn becomes a famous artist, and people are buying all of his artwork. But he discovers at the end that actually only one person's been purchasing his artwork; it's an escaped convict that he'd helped when he was a child. And when he realizes this, he's devastated, because the convict isn't buying his artwork because he thinks the artwork is good. He doesn't want it for his own sake. He's buying the artwork to help Finn as a favor. And if you're a craftsman or anything like that and if you produce things, you want people to buy things for their own selfish reasons. You want them to buy it because they think it makes their lives better, not simply as a favor to you.

So these are some of the reasons why people would need private property in the means of production. Not everyone will. Not everyone wants to be a capitalist. But, like, they want to be able to control their own kind of economic destiny; they want to pursue projects in their vision of the world, and you can't really do that if you're only allowed to own, say, a toothbrush and a car.

WOODS: That *Great Expectations* example is just devastatingly on target. That is absolutely excellent.

BRENNAN: Oh good, thanks.

WOODS: In this chapter on Utopia and Capitalism, I like one of your points that within the capitalist system, you can set up — there's nothing stopping you from setting up voluntary or so-called intentional communities that organize themselves according to very different values if you choose. As long as you don't hurt anybody else, you can have a commune if that's what you want, or you can have means of production that are commonly owned. You can do any of those things, whereas in the socialist system we can't have our little capitalist enclave.

BRENNAN: Yeah, that's right. I presented this work probably in front of, at this point, I don't know, maybe 6 or 700 philosophers. Philosophers tend to be quite left-leaning, and at the end I always ask them, well, let me ask you: if you had to choose between living in Cohen's camping trip-style world or, say, a Mickey Mouse Clubhouse village-style world but with humans rather than anthropomorphic animals, which would you pick? Generally speaking, I get 99 out of 100 people saying they prefer to live in the capitalist utopia. And then I ask them, so you might think this makes it better, but actually it's a trick question, because the Mickey Mouse Clubhouse village has no problem with, say, the Smurfs coming in and setting up their little Smurf commune in the middle of the village, as long as the Smurfs are willing to tolerate kind of capitalist activities among consenting adults elsewhere.

So what's cool about this is Jerry Cohen's original book — his first major book that really made him famous was a critique of the libertarian philosopher Robert Nozick. And Nozick at the end of *Anarchy, State, and Utopia* argues that one of the reasons why libertarianism is utopian or the best system is because it's actually a framework that allows lots of different kinds of voluntary communities. And that's important, because there's no such thing as utopia per se. There's no such thing as the one best social system for everybody. There's so much variation among people that what would be your best system might be different from me, and we might want to live in very different communities. And what libertarianism is a framework that allows these kinds of communities to coexist as long as everyone in those communities is there voluntarily.

So oddly, one reason that a capitalist utopia is better than a socialist utopia is because for some small percentage of people socialist utopia is better, and capitalist utopia allows for that. Whereas socialist utopia, Jerry Cohen says, nope, no one can own the means of production; no one can have any kind of other lifestyle other than basically a bunch of kibbutzim next to each other.

WOODS: Your book makes a whole bunch of arguments I think very effectively in a fairly short space, and it's also written, even though it's written by a philosopher, it's written in a way that can be understood by the general public, which is apparently for some philosophers not an easy task, but I would say that you have executed it quite

well. Is there — given that in a 25 to 30-minute conversation of course we're just scratching the surface, but I want to give you the last word if there's something about the general thesis or one of the particular arguments of your book that we've overlooked that's particularly critical to what you're trying to do.

BRENNAN: Yeah, I think it's worth talking about, because I think your readers are familiar with this. They understand the calculation problem with socialism. They understand that socialist economies have a hard time working, like, won't work on a large scale because of limited knowledge. And it's maybe worth talking about what Cohen thinks about that. He understands that that's true. He's a little bit heterodox and thinks, well, maybe some form of market socialism can't work.

But I think you can actually use the calculation argument to make a moral argument for capitalism, and here's how it goes. So think of it this way: suppose Mickey Mouse and Minnie Mouse, they're altruistic and they care about other people. And then suppose they learn that in order to promote human welfare you need markets. Well, for that reason, in order to harness the information power of capitalism in order to benefit other people, they would want to use capitalism. They would want to have markets precisely because they think markets serve the common good.

So it's not just that socialism doesn't work, but rather, if you understand why capitalism is effective because of the information issues, then that's going to be another reason why you would think capitalism is important. It's going to be important that we have a market-based economy, not just to serve ourselves but to serve others.

WOODS: All right, and with that, I will tell people that you can get obviously *Why Not Capitalism?* at Amazon, but we're going to link to it in particular on the show notes page for today, TomWoods.com/586. Jason has a website: JasonFBrennan.com. You'll also see that book and other books by him on that site. Jason, thanks for your time, and congratulations on the book.

BRENNAN: Thank you very much. I appreciate it.