

The Cruelty of Capitalism

By Fred E. Foldvary

Pope Benedict XVI has written a book, *Jesus of Nazareth*, in which he says that “capitalism” is cruel because it exploits the poor. It is his first book as the Pope; he wrote several books previously. The English-language edition of this book is scheduled for release on May 15, 2007. Fortunately, in the book the Pope does not speak *ex cathedra* when he uses the word “capitalism,” because anyone who uses the term to criticize the status quo is not thinking clearly.

Indeed, the Pope has stated that the book does not claim to be Roman Catholic Church doctrine. He stated, “Everyone is free, then, to contradict me.” Good, so I offer my contradiction here.

Anyone who criticizes the “cruelty of capitalism” in today’s world and in history is using the term as a label for the existing economies. All economies have been mixed economies, a blend of markets and government intervention. When one deplores some mix, it is not clear which elements of the mix one is pointing to. Is it the market, or is it government? Most such critics have not really analyzed this, and don’t even realize that they are referring to a mix.

The problem arises because the word “capitalism” is also used for a market economy, meaning only the market. Indeed, defenders of free enterprise and private property often use the word “capitalism” to refer to the aspect of our economies that involve private enterprise. They unwittingly fall victim to the triumph of Marxist or coercively state-socialist propaganda, the forked-tongue use of the word “capitalism.”

Coercively socialist propaganda can be boiled down to three sentences:

1. Today’s economies are capitalist.
2. Today’s economies have poverty, pollution, and violence.
3. Therefore, capitalism causes poverty, pollution, and violence.

If you are capable of thinking clearly, you will spot the fallacy. The meaning of “capitalism” has slyly shifted in #1 and #3. In #1, “capitalism” is a label for today’s economies. In #3, “capitalism” means private enterprise and the pure market.

It is meaningless to say that the mixed economy causes cruelty, because all that says is that there is cruelty in today’s economic system, without analyzing and identifying the cause. Anyone who says that “capitalism is cruel” has not thought it through. I’m sorry to criticize, but I have to call things as I see them, and as I see it, the Pope has yet to become enlightened about economics.

The Pope is only reflecting the triumph of coercively socialist propaganda, which brilliantly exploits the ambiguity of the term “capitalism” to condemn markets, with no analysis of whether it is government intervention that causes these problems.

The pure free market is an economy in which all activity is voluntary for everybody. In a pure

free market, the government does not intervene to alter peaceful and honest human action. In a truly free market, there is no tax or restriction on one's self-ownership.

If all activity is voluntary, there can be individual cruelty, but no systematic cruelty. For example, in a free society, suppose Betty loves Roger, and Roger says "I love you" to Betty, but then he falls out of love and leaves her. He does not even bother to abandon her kindly and gracefully, but instead slips a curt note under her door. His action is cruel, but is that the fault of society? Is the system evil because some individuals are unkind? Should we abolish the institution of marriage and the family because some spouses and parents behave badly?

The answer, of course, is that we should not abolish the ability of people to be friends and lovers just because some individuals are inconsiderate and behave in a disgusting way. This is a human failure, personal faults rather than of the institutions of friendship and family.

Likewise, in a pure free market, there can be entrepreneurial failure and there can be heads of firms who are hard-hearted. But one cannot logically blame the market for any outcome from force and fraud, because these are not voluntary acts. There is no slavery in a pure free market. In a truly free market, any cruelty cannot involve coercion, because that puts the act outside the market.

The most important statement ever made in economics was written by the 19th-century American economist Henry George in *Social Problems*: "There is in nature no reason for poverty." The pure free market has harmony within society and with nature. Labor is the ultimate limit to production, and the evidence is clear that economic freedom maximizes growth and income, so with today's productive economy, there would be no poverty if the world had a pure free market. A global free market would have full employment, high wages, minimal pollution, and social peace.

If a pure free market has peace, prosperity, and harmony, then the absence of these today must have its cause in government intervention, which creates war, subsidizes pollution, protects land monopoly, depresses wages with taxes and restrictions, and obliterates liberty. Those who criticize today's economies should learn the difference between voluntary market action and intervention that restricts freedom, and then clearly say which one they think is the problem: is it freedom, or the restriction of freedom, that causes social problems?

-- Fred Foldvary

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