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# Without Question, Capitalism Is Surpremely Moral

By: Wendy Milling – March 21, 2013

In a Friday column in *The Washington Post*, Steven Pearlstein asks, "Is Capitalism Moral?" He observes that a moral front has opened up in the war of capitalism versus statism, and he walks us through what he believes to be the major arguments in the debate. He wants to steer the debate toward his preferred outcome, of course. His setup calls for a wrecking ball, because it does not recognize the fundamental arguments of the pro-capitalist side.

He implies that the pro-capitalists' sudden maneuver to fight on moral grounds is motivated by a realization that capitalism fails in many ways. "After all, if markets were making most of us better off, regulating their own excesses, guaranteeing equal opportunity and fairly dividing the economic pie, then we wouldn't need government to take on all the things it does."

Consider the enormity of his sweeping claims. He ignores how well millions of the lowest-income people live in market economies relative to others. He posits "excesses" which he does not mention. He does not state why they are excess, why that excess is intolerable, how the markets have failed to regulate them, or why the government should regulate them. He implicitly absolves government of any role in causing any intolerable economic problems. He asserts that government is obligated to guarantee equal "opportunity," that there is a limited "pie" of wealth which government must divide among the population, and that we *need*government to do these things!
All of these positions involve a moral evaluation. They are not self-evident, irreducible facts or goals. Pro-capitalists have shifted to the moral debate because morality is the fundamental issue that divides the two sides. It is not that pro-capitalists believe that free markets fail in important ways. On the contrary, capitalism is the perfect system. It is the most moral system because it respects man's rights, and it allows the greatest abundance to be created precisely because it does respect rights. A free mind is the root of wealth creation. A mind free to succeed is also free to fail, but that mind is also free to pick itself back up and try again. There is no cause for existential hand-wringing in a truly capitalist system, and doing so would be morally wrong.

Statists believe that the failure of individuals within a capitalist system amounts to a moral claim on those who have not failed. They believe these failures are an indictment of capitalism itself. They believe that any failure or suffering anywhere creates a moral imperative for government to intervene in the market. Statists set an impossible standard for a system: It must prevent or eliminate all bankruptcies, misfortunes, differences in wealth, and suffering. By this standard, no system can ever "work" and therefore be completely righteous. We pro-capitalists thus do not share the same values as the statists, and our view of the world is diametrically opposed.

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Pearlstein notes that in an interview, former BB&T CEO and Cato Institute president John Allison blamed the government for the financial crisis because government provided the incentive for market players to take irrational actions in their rightful pursuit of profit-maximizing. What Pearlstein objects to in all of this is not that the government provided these perverse incentives, but that the market players sought to maximize their own profits.

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Pearlstein elides the debate on whether success is earned or due to luck on his way to promoting "equality of opportunity" as the consensus solution. Who could oppose opportunity? By opportunity, he means government aid programs. The task of both sides is only to debate the parameters of those programs without contradiction and without looking dogmatic or mean-spirited. "If our moral obligation is to provide everyone with a reasonable shot at economic success within a market system that, by its nature, thrives on unequal outcomes," he concludes, "then we ought to ask not just whether government is doing too much or too little, but whether it is doing the right things."

Hold it right there. Being born in unfortunate circumstances does not prevent a person from becoming successful. It just doesn't. "A reasonable shot at economic success" already exists, and it is not cavalier to say so. Upward mobility is a reality that is easily observed in the countless rags-to-riches stories that dot Americana. People have risen from the slums to become wealthy. Fortunes have been made despite all kinds of physical and even mental incapacitation. The only true impairment is a lack of motivation, and that is not the responsibility of an economic system, or government, to fix.

The moral obligation of government is to provide *equality under the law*. It absolutely must refrain from providing "equality of opportunity." Equality of opportunity is a Progressive era concept which means that the government should redistribute wealth and prerogatives to those who were born with less than others. But to redistribute wealth is to rob some individuals and give the loot to others. That is immoral, and nothing justifies it. The right thing for government to do is to protect the rights of the individual—full stop.

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Pearlstein's attempt to recap the argument and guide it toward a solution reaches a climax with his rejection of the notion that "markets distribute income in a way that accurately reflects everyone's relative economic contribution." He believes that allowing the productive to keep what they have earned is therefore not necessarily fair. Why does he say that? "[I]n a modern, complex economy, the connection between what is produced and who is responsible for producing it is not so obvious. Modern business is a team sport."

In most places of business, it *is* obvious. Employers keep records and do performance management reviews. Everyone's significant contributions are documented with a high degree of specificity. Employers quantify accomplishments and offer the employee a compensation package that does reflect the employee's relative contribution to the company's profit. Pearlstein and those of his mentality seem to believe that because it is not obvious to*them*, it is their place to deny or downplay the accomplishments of the individual and to dictate the distribution of rewards across society based on that ignorance.

He has a different model of how wealth is distributed under capitalism, and he has a problem with it. He believes "it is determined by laws, regulations, technology, norms of behavior, power relationships, and the ways that labor and financial markets operate and interact." What a hodgepodge. If wages are being determined by laws and regulations, then the system is not a capitalist one, and that is the real problem. Using the force of government to abrogate private judgments and voluntary mutual economic agreements is a violation of inalienable individual rights. That is immoral, and nothing justifies it.

The two moral views are irreconcilable. So while some may assume that both sides share the same goals and hope that we can just find a way to work together to find common solutions on problems, they are hopelessly wrong. We do not share the same goals, and no common solution is possible. We do not even agree on what is a problem and what is not.

We will have the moral argument. One side will win it, and the other will have to lose.