

Centenary Symposium  
Ayn Rand Among the Austrians

## Capitalism and Commerce

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*Capitalism and Commerce: Conceptual Foundations of Free Enterprise*

Edward W. Younkins

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This book develops a nicely organized and clearly written moral and rational case for the free enterprise system. Younkins is concerned to defend a laissez-faire capitalism in which state activity is restricted to a few clearly enumerated functions, such as codifying individual natural rights and punishing those who violate the rights of others via coercion or fraud. In this environment, Younkins argues, not just business can flourish and create wealth and prosperity in a competitive marketplace, but so can cooperation towards a variety of desirable social ends.

Following a brief introduction, this book is divided into six parts. Part I sets out the initial premises regarding individual rights and the relationship between individuals, communities and the state. Part II considers ownership, property, and exchanges of all kinds. Part III outlines the nature of entrepreneurship and the conditions of progress in a free society. Part IV examines the role of the state in maintaining the rule of law and the differences between corporations and the state. Part V reviews the various ideological opponents of individualism and limited government, with a compact but in-depth examination of their philosophical roots. Part VI recaps, and ponders the prospects for the kind of free society envisaged in this book.

Part I is, of course, crucial, for it is here that Younkins lays out his premises: rights belong to individuals (not groups); they antecede all governmental structures the justice of which is conditional on their recognition of individual natural rights. Rights cannot be confused

with entitlements. Rights can be exercised by all persons without forcibly interfering with other persons. Entitlements place coercive demands on others to be fulfilled by a state that must expand to fulfill them. A free society must therefore embrace individual rights and eschew granting entitlements. Freedom of association follows. This is the steppingstone to genuinely free institutions in communities. All associations are voluntary and the freedom of persons to form such is respected. The much touted common good, so often invoked by socialists, is actually that state of affairs in which individuals can freely strive to flourish according to their own choices, and in which no one's interests are forcibly sacrificed to enhance the flourishing of others. Younkens is a minimal-statist (as were both Ayn Rand and Ludwig von Mises). The state should be kept as small as possible, and its capacity for abuse calls for vigilance. This is the point of having a written constitution. The job of the state is limited to providing the constitutional and legal framework for the protection of individuals' rights and punishing those that infringe on the rights of others. Justice consists in equal treatment of all individuals under the rule of law. Younkens invokes the principle of subsidiarity, holding that social problems ought to be addressed at the most local level possible and that the central state should be the problem-solver of absolute last resort.

Part I provides the foundation for the rest of the discussion, most of which can be logically deduced from the above. In Part II, Younkens turns to more specific issues of property rights and contracts, and how these generate all the essential features of business and labor. Private property results from man's creative actions on his surroundings, for example: transforming unusable raw materials into usable ones by exercising his individual intelligence. It is important, Younkens argues, to defend this concept with a moral argument. If human beings have a right to life, then they have a right to take the actions necessary for life, and to keep or trade for other goods the fruits of these actions. The results—what they keep and what they trade for—constitute their property. Trade may involve contracts—binding agreements between trading partners ensuring that each party fulfills his end of any trade agreement. Free trade occurs whenever

goods or services are exchanged voluntarily for perceived mutual benefit, with no one else intervening—no government bureaucracies or other bodies, whether to regulate or serve any other purpose. Among the highlights of this section is Younkins' detailed discussion of the Protestant work ethic and its foundations, followed by an account of how this ethic came under attack, and how it has fallen out of favor even among large segments of the American population. The attack was empowered when a secular and materialist worldview replaced that of Christian theism, and when a brand of hedonism valuing leisure above all and living for the present instead of saving for or investing in the future started to prevail among these segments of the population.

Part III shows how rights, property and a strong work ethic in turn create the conditions for expanding entrepreneurship and technological innovation. Entrepreneurs have existed simply because some were born with more capabilities than others, especially capabilities that allowed them to identify an unmet need, plot out a strategy to satisfy that need, and become rich doing so. This process creates employment opportunities, including for the less able, and increases the standard of living of all who participate. It is important, Younkins emphasizes, to avoid thinking of economic life as a zero-sum game. It is false that there is a finite quantity of wealth in the world, so that some can become rich only by exploiting others (the Marxist view). Entrepreneurship creates wealth! It also creates the conditions for sufficient leisure for specific purposes such as research and development. Research and development yield improvements and further technological innovation, meaning progress and still more opportunities. This process continues until another entrepreneur figures out a better way of meeting people's needs. Sometimes the resulting changes precipitate major changes in the employment market. New jobs are created; others are rendered obsolete. Not all change is good, of course. What is important is that the changes resulting from technological innovation be regulated not by government bureaucrats but by the free market, which always responds favorably when the lives of ordinary people are being substantially improved. (Think of the successes of Microsoft, Oracle and other

software giants.)

The role of the state in this process should remain minimal. In Part IV, Younkens expands on his earlier discussion of the state, justice, the rule of law, and corporations. He emphasizes that just acts are by nature voluntary and performed by individuals; this rules out attributing justice to highly centralized (and imaginary) societies such as those envisioned by philosophers such as Plato. Our American conception of justice derives from the Judeo-Christian tradition, especially John Locke's rendering of it, and from the idea of constitutionalism. Justice exists when individuals' constitutionally recognized rights are respected, and when they can conduct transactions under a limited government that refrains from interfering with their free choices. Genuine justice, unlike 'social justice,' does not guarantee economic equality, or equality of outcomes, just equality under the rule of law. The highlight of this section is Younkens' dissection of John Rawls's views. Rawlsian justice-as-fairness deontology has received much more attention by contemporary moral and political philosophers than the kind of position developed here. Younkens notes Rawls's recognition that absolute egalitarianism is impossible, and that coercive redistribution of wealth to enhance equality of outcomes must be limited. Rawls's views begin to go off course with his divorce of ethics and social philosophy from metaphysics, allowing him to develop a systematic position logically severed from the way the world actually operates (like all modern deontologists, he got this from Kant). Rawls starts with a need for 'selflessness' (the 'veil of ignorance') as a precondition of social ethics; he ends with limited calls for coercive redistribution of the fruits of the labors of some to others. He wishes to create conditions that might have held for some individuals had their circumstances of birth or adolescence been different, under the assumption that no one really deserves whatever advantages they have at birth. But no one can know what conditions might have attained had their circumstances of birth been different. Nor is anyone in a free society prevented from acting in ways that might improve their circumstances. In the final analysis, the brand of public policy implicit in Rawls's views could not be furthered without massively infringing liberty and expanding of the

state beyond all of the constitutional limitations imposed by recognizing the rights of individuals.

This provides background for Younkins's discussion of the opponents of individualism and liberty. In Part V, he shifts our attention to present-day obstacles to the kind of society where business can flourish to its fullest. I confess I found this to be the most interesting part of *Capitalism and Commerce*. The first set of opponents is intellectual—for Younkins as it was for Ayn Rand. That is, antirealism and collectivism remain the primary enemies. Take antirealism seriously, and features of the world itself and our relationship to it can seem irrelevant. Collectivism embodies the denial that our nature is one of inherent individuality. Some forms of collectivism both draw on and reinforce cultural relativism, which denies the reality of culture-independent truth. Other forms of collectivism rely on a kind of extreme realism going back to Plato, who envisioned a perfect society in a realm of perfect forms grasped intellectually. In this perfect society, the state and its 'guardians' become analogous to a person's brain and nervous system, ultimately controlling everything. Rousseau envisioned a 'general will' that stood above the wills of individuals, formed by their social contract yielding the 'true' interest of everyone. Hegel, too, elevated the state above the individual. The result, in each case, is that the individual becomes a cipher, completely surrendered to the whole in the name of an abstract vision of societal perfection. Liberty eschews comprehensive central planning in favor of guiding principles, which it firmly grounds in the nature of reality and man's nature. Necessary for liberty is the realization that man is imperfect, thus society will invariably always be imperfect. Moreover, there is too much we do not know and cannot effectively plan for. Thus even efforts of the best intentioned central planners are bound to go off course, with unanticipated side effects apt eventually to create worse problems than those the central planners originally had in mind.

There are other collectivist thinkers, of course. We should also look at Marx and Dewey because of their enormous influence today. Marxism sought to establish a 'dictatorship of the proletariat.' What resulted brought about the bloodiest dictatorships of the twentieth

century, as well as the impoverishment of the peoples who had to live under them.<sup>1</sup> Unfortunately, various forms of cultural Marxism—a brand of Marxism involving capturing significant institutions such as higher education instead of relying on arguments about the inevitability of socialist revolution—remain very much alive on American college and university campuses. They reject violent revolution but remain committed to a zero-sum-game view of life and maintain ideologies of victimhood for officially-designated groups (blacks, women, homosexuals, etc.). Dewey’s brand of creeping totalitarianism has been much more subtle. Dewey gave us ‘progressive education,’ which eschewed academics in favor of ‘adjusting’ the individual to society. This initiated the slow decline that ‘public education’ experienced during the twentieth century, alongside the rise of fashions such as ‘outcome based education’ and more recent versions of educational social engineering discussed below. All collectivist thinkers remove the individual and his rights from the picture and subordinate him to a vision of the whole.

Ideas matter. Their influence extends outward from intellectuals’ offices in universities into society by a kind of cultural osmosis. The most important result of the avalanche of collectivist moral and social philosophy has been a steady erosion of commitment to the institutions on which a free society must be based. This is joined to expansions of the state to supply entitlements implied by collectivist philosophy, and the diminution of the kind of education individuals must receive or give themselves in order to be prepared for life in a free society.

Other challengers to individualism and liberty include philosophies such as cultural relativism and multiculturalism, the idea that all cultures are moral equals, and communitarianism which stresses the primacy of the community over the individual. All strip the individual of inherent rights and call for controls over individuals intended to enhance envisioned outcomes. There is radical environmentalism, which has a number of variants including those claiming the environment has more rights than do individual human beings. Variants on this theme include the ‘animal rights’ movement, which sometimes maintains that animals have the same rights as humans (or, again,

more rights than humans). To my mind Younkins missed one: transnational progressivism—or internationalism—the idea that nation-states should be dissolved and their constitutions essentially voided in favor of regional entities (the European Union is an example) leading in the direction of a world government. Such a government—possibly with the United Nations bureaucracy at its helm—could hardly be expected to endorse individual natural rights or the rights of individuals to associate voluntarily with one another in genuinely private corporations or keep the fruits of their labors.

Furthermore, there are specific statist policies: taxation, which violates individual and property rights even as it creates a drain on individuals' productive efforts; protectionism, in which the state offers favors to local businesses and industries; antitrust laws; regulations generally; and the hidden taxation of inflation that gradually destroys the value of the currency. There are specific institutions, such as the Federal Reserve, which is not federal and does not have any reserves. The Federal Reserve is actually an internationalist banking cartel, operating closely with expansionist government. Since its creation it has devalued the currency by printing unbacked 'fiat money'—the actual cause of inflation seen by the public as higher prices attached to all goods and services. In fact, the Federal Reserve has been the primary instrument taking our economic system further from the gold standard—with President Nixon having taken the final step in 1971. This is why we pay several dollars, e.g., to see a movie in a theater today, whereas our grandparents got in for a quarter apiece. The dollar has lost 96 percent of its value since 1913.

Finally, there is 'public education' (the government school system), mentioned above. First, and again, the Constitution does not empower the federal government to involve itself in education. Second, as federal monies and subsequent control over education has increased (in tandem with movements such as Dewey's 'progressive education'), the actual educational levels attained by graduates have gone steadily downhill. This strongly suggests on pragmatic grounds alone that education should be a function of the family and the marketplace, not the federal government. Participants in the former are closer to the problems and have an important stake in their

solution; bureaucrats based in offices hundreds of miles away can make no such claim. Third, students ‘educated’ in schools sponsored by the federal government are likely to be indoctrinated in statism—which explains, to a great extent, why philosophies based on rights that antecede the institutions of government, which seek to limit government while expanding individual responsibility, are so often portrayed as dangerously anarchic. Most of today’s public graduated from these schools, and has little knowledge of our Constitution or respect for the Founders’ firm belief that concentrations of power are dangerous. Political philosophies rooted in genuine individualism and limited government are struggling to survive in our colleges and universities, as accounts abound of professors being persecuted and even driven from their jobs for defending them: a result of political correctness. Vanishing along with them, to a large extent in the wake of the extreme vocationalism (‘school-to-work,’ ‘workforce investment,’ etc.) in the late 1990s, is the brand of logical instruction that would enable students to defend themselves in exchanges with collectivist professors and against organizations formed by other students around various forms of group identity (race, gender, sexual preference, and so on).

Part V thus leaves us with a sense of much that has to be undone. Part VI consists of a summary and recapitulation, and looks to the future. At one time in the United States, government was much smaller and did not try to do so much. We did not have taxes on our personal incomes; nor did we have a Federal Reserve central banking system to inflate our currency; nor did we have a mountain of regulations encircling all our activities, business or otherwise. Are there any prospects for returning to that state of affairs? We have, it seems to this reviewer, massive hurdles to clear. Whether either Younkins or anyone else defending liberty by writing books clears them remains to be seen. Few authors are aware of how well organized the foes of liberty have been or of the enormity of resources at their disposal. (Huge tax-exempt foundations such as the Rockefeller and Ford Foundations, for example, have funneled millions of dollars into collectivist projects from Dewey’s ‘progressive education’ down through the UN.) The most that can be done is to



take one's case to the people, and to keep making one's case before the people.

The first big hurdles are educational and attitudinal. These in turn generate institutional hurdles. Government schools are turning out graduates ill-equipped to grasp any kind of complete picture that integrates productive work with individual rights, freedom of association and a meaningful human life. If these are conditions for a free society, then we have our work cut out for us! Most of today's graduates have no interest in the kind of perspective that at least appreciates the brand of philosophical reasoning that can place such notions in perspective. They have been conditioned to look to the state for security, and to supply them with entitlements. Their conceptual faculties maimed by today's descendants of 'progressive education' (which go by names such as 'outcome-based education' or 'performance-based education'), they live in the present, which often means simply maximizing personal entertainment while resenting any intellectual demands placed upon them. Moreover, almost no one alive and working today has operated in a business environment free of stifling federal regulations. Among the institutional hurdles are entire occupations, even generations who owe their existence and livelihood to expansionist government or its capacity to deliver entitlements. (Think of the thousands of tax-preparers whose livelihoods depend on the continuation of the income tax; or of the generations now dependent on Social Security payouts, soon to be joined by millions of 'baby boomers'.)

The good news is that a significant minority—to use an Old Testament term given prominence by Albert Jay Nock,<sup>2</sup> a 'remnant'—that is aware of these hurdles and is working to overcome them, often with minimal resources. One could argue that today the 'remnant' is on the move! Home schooling is a flourishing movement likely to gain ground in future years as the failures of government schools become increasingly manifest. Statistics have already emerged indicating how home schooled students are as much as four years ahead of their government schooled counterparts. Numerous independently-funded institutes (the Ludwig von Mises Institute is just one of many examples Younkins mentions) educate new groups

of students every year in such principles as free market economics and limited government. There are more scholarly and popular publications devoted to disseminating such ideas than ever before—especially with the rise of the World Wide Web where anyone with the know-how can publish on his own website. As home schooling and private schooling increase, and as these institutes reach yet more people through a process of networking making full use of the Internet, we may yet see the rise of a critical mass of intelligent, independent-minded and informed citizens who will *demand* that our expansionist government respect their rights as individuals. They will have the arguments based on history to show that expansionist statism does not work, and hopefully they will be prepared to organize.

Younkins (2002, 311) enumerates the kinds of changes necessary: privatizing many government functions including education, abolishing income taxes, abolishing occupational licensure, zoning, labor regulations, and other manacles on freedom of enterprise, association and trade, returning to the gold standard and thus restoring sound money, getting rid of Social Security and Medicare, ending tax-funded subsidies to business, shutting down government bureaucracies that are not explicitly authorized by the Constitution, and ending the dangerous interventionism that has characterized American foreign policy for most of the past century and inspired only anti-American hostility and terrorism.

It will be impossible to carry such a plan forward without changing the minds of a critical mass including influential people whose voices will carry weight. This includes people who understand how to motivate people to take their lives in freedom-enhancing directions. Government's response to their demands for change will be observed by all. If the response is negative or violent, this will inspire still more people to join what will become a burgeoning movement for a return to individualism, liberty, and enterprise. Whatever happens, the kinds of changes necessary to return us to liberty are not likely to come about overnight. But then again, our original constitutional republic was not built overnight, either. This means that the door is wide open to its eventual restoration.

To begin summing up, Younkins offers a comprehensive defense of individual liberty with all that can be deduced from the idea that rights inhere in individuals independently of the strictures of the state, and that it is the obligation of the state to recognize and codify individual rights. He does not, however, offer a comprehensive worldview. He notes that there a number of schools of thought beginning with differing metaphysical vantage points but converging on a rational and moral defense of capitalism: classical liberalism; the Austrian school of economics; economic personalism and other forms of Christian libertarianism; the Public Choice school; Objectivism; neo-Aristotelianism; and others. He is more interested in where these agree than where they differ. All are in agreement that (a) man's mind is competent to deal with reality; (b) it is morally proper for individuals to seek to maximize their personal flourishing and happiness; (c) the only appropriate social, political, and economic system forbids the initiation of physical force and fraud. This system is, of course, laissez-faire capitalism, the "political and economic system in which an individual's rights to life, liberty and property are protected by law" (5). Younkins does not believe we need to reach complete agreement on metaphysical and theological issues to recognize the immense desirability of social, political and economic arrangements that codify and protect individuals' rights to life, liberty, and property, and repudiate the use of coercion, fraud, and violence to deprive others of justly-acquired property. He believes that the different schools of thought should set aside their differences and work together.

Eventually, however, if the free society Younkins' envisions comes about, it is at least conceivable that purveyors of different worldviews would come into conflict. The potential for conflict exists between, for example, openly supernaturalistic worldviews such as Christian theism and overtly atheistic ones such as Randian Objectivism or, for that matter, related forms of libertarianism adhering to an Enlightenment conception of human nature that rejects notions such as Original Sin. Much would turn on whether adherents of each chose the responsible course of agreeing to disagree and then leaving each other alone, or whether one or both demanded the conversion of the other. In the absence of an intrusive state, this would be

exceedingly difficult; but a too-strong desire for conversion could threaten to open the door back to some form of statism as a means of compelling agreement. We could easily find ourselves right back where we started.

There is much of value in this book that I could not cover in a review of this length. For example, I did not, for example, canvass Younkins's discussion of free trade. His discussion would have been improved by a section on why trade agreements such as the North American Free Trade Agreement (NAFTA) yield bureaucratically managed trade rather than genuine free trade, and thus do more harm than good to the workplace. Nor did I examine Younkins's views on labor unions. Of particular value in this book, though, is Younkins's list of organizations and periodicals devoted to the promotion of freedom and free-market oriented thinking, as well as the recommended readings he has placed at the end of each chapter in lieu of page after page of footnotes.

In the final analysis, Younkins has penned a powerfully clear treatise—restating ideas that are familiar to all of us in ways that make them seem fresh and novel. He often maintains reader interest by employing colorful metaphors, e.g., describing Kant's 'phenomenal world' as analogous to having worn red lenses in one's eyes since birth (189) or calling Heidegger's writing the intellectual counterpart to modern art (190). I believe all defenders of individual rights and free markets will benefit from studying this book.

## **Acknowledgments**

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## **Notes**

1. Younkins (2002, 179) doesn't get all the details of Marx's views correct, however. He misstates Marx's concept of surplus value as being the difference between the market value of the product of labor and the monetary payment to labor. This was a 'first approximation' of surplus value to Marx. Surplus value was an 'essence,' not an 'appearance'; it was the difference between 'socially necessary labor' and the labor required to provide a 'proper livelihood' for the laborer.

2. See Nock's celebrated essay "Isaiah's Job," reprinted in Nock 1991, 124-35.

## References

- Nock, Albert Jay. 1991. *The State of the Union: Essays in Social Criticism by Albert Jay Nock*. Edited by Charles H. Hamilton. Indianapolis: Liberty Press.
- Younkins, Edward W. 2002. *Capitalism and Commerce: Conceptual Foundations of Free Enterprise*. Lanham, Maryland: Lexington Books.