



# Why Capitalism Is Good for the Soul

*By Peter Saunders*

There is probably nobody in Australia more committed to the proposition that capitalism is bad for the soul than Clive Hamilton. The executive director of the Australia Institute, a green socialist think tank, he is the author of books such as *Growth Fetish* and *Affluenza*, which have achieved some influence in Australia and notched up quite respectable sales. His message, aimed mainly at a disaffected intellectual middle class, is that we have become preoccupied with the pursuit of wealth and are increasingly unhappy and unfulfilled as a result of our materialistic lifestyles. Clive believes we have broken our “magical relationship with the natural environment,” and that the pursuit of money is getting in the way of our ability to reconnect with our “true selves.”



Last fall, at Macquarie University, I debated Clive Hamilton on the proposition that “capitalism is bad for the soul.” Our debate attracted around 500 people. When the Vice-Chancellor put the motion to a show of hands, the tellers judged that the ayes had it, though not by much. This suggests that substantial numbers of people don’t just buy Clive’s books; they also buy his arguments.

### SOULLESS CAPITALISM

The problem for those of us who believe that capitalism offers the best chance we have for leading meaningful and worthwhile lives is that in this debate, the devil has always had the best tunes to play. Capitalism lacks romantic appeal. It does not set the pulse racing in the way that opposing ideologies like socialism, fascism, or environmentalism can. It does not stir the blood, for it identifies no dragons to slay. It offers no grand vision for the future, for in an open market system the future is shaped not by the imposition of utopian blueprints, but by billions of individuals pursuing their own preferences. Capitalism can justifiably boast that it is excellent at delivering the goods, but this fails to impress in countries like Australia that have come to take affluence for granted.

It is quite the opposite with socialism. Where capitalism delivers but cannot inspire, socialism inspires despite never having delivered. Socialism’s history is littered with repeated failures and with human misery on a massive scale, yet it still attracts smiles rather than curses from people who never had to live under it. Affluent young Australians who would never dream of patronizing an Adolf Hitler *bierkeller* decked out in swastikas are nevertheless happy to hang out in the Lenin Bar at Sydney’s Circular Quay, sipping chilled

vodka cocktails under hammer-and-sickle flags, indifferent to the 20 million victims of the Soviet regime. Chic westerners are still sporting Che Guevara t-shirts 40 years after the man’s death, and flocking to the cinema to see him on a motor bike, apparently oblivious to their handsome hero’s legacy of firing squads and labor camps.

Environmentalism, too, has the happy knack of inspiring the young and firing the imagination of idealists. This is because the radical green movement shares many features with old-style revolutionary socialism. Both are oppositional, defining themselves as alternatives to the existing

capitalist system. Both are moralistic, seeking to purify humanity of its tawdry materialism and selfishness, and appealing to our “higher instincts.” Both are apocalyptic, claiming to be able to read the future and warning, like Old Testament prophets, of looming catastrophe if we do not change our ways. And both are utopian, holding out the promise of redemption through a new social order based on a more enlightened humanity. All of this is irresistibly appealing to romantics.

Both socialism and environmentalism also share an unshakeable belief in their own infallibility, which further ramps up their attractiveness. Both dismiss their opponents as either ignorant (“falsely conscious”), or in bad faith, and they are both reluctant to allow counter-arguments, evidence, or logic to deflect them from the urgent pursuit of their proffered solutions. Although they both ground their claims in “science,” their appeal is as much emotional as rational, and both take themselves so seriously that they lose any sense of irony. Rock stars fly around the world in private jets to perform at sellout stadium concerts demanding action on

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global warming, and indignant youths coordinate anti-globalization protests using global communication networks.

Boring capitalism cannot hope to compete with all this moral certainty, self-righteous anger, and sheer bloody excitement. Where is the adrenalin in getting up every day, earning a living, raising a family, creating a home, and saving for the future? Where is the moral crusade in buying and selling, borrowing and lending, producing and consuming? The *Encyclopedia Britannica* describes “soul music” as “characterized by intensity of feeling and earthiness.” It is in this sense that capitalism is soulless, for although it fills people’s bellies, it struggles to engage their emotions.

### **CAPITALISM NURTURES THE HUMAN SPIRIT**

If we want to know if capitalism is bad (or good) for the “soul,” it probably makes more sense to approach the question metaphorically rather than theologically. Approached in this

way, saying something is “good for the soul” implies simply that it enhances our capacity to live a good life. On this less literal and more secular interpretation of the “soul,” capitalism fares rather well.

We have known since the time of Adam Smith that capitalism harnesses self-interest to generate outcomes that benefit others. This is obvious in the relationship between producers and consumers, for profits generally flow to those who anticipate what other people want and then deliver it at the least cost. But it also holds in the relationship between employers and employees. One of Karl Marx’s most mischievous legacies was to suggest that this relationship is inherently antagonistic: that for employers to make profit, they must drive wages down. In reality, workers in the advanced capitalist countries thrive when their companies increase profits. The pursuit of profit thus results in higher living standards for workers, as well as cheaper and more plentiful goods and services for consumers.

The way this has enhanced people's capacity to lead a good life can be seen in the spectacular reduction in levels of global poverty, brought about by the spread of capitalism on a world scale. In 1820, 85 percent of the world's population lived on today's equivalent of less than a dollar per day. By 1950, this proportion had fallen to 50 percent. Today it is down to 20 percent. World poverty has fallen more in the last 50 years than it did in the previous 500. This dramatic reduction in human misery and despair owes nothing to aging rock stars demanding that we "make poverty history." It is due to the spread of global capitalism.

Capitalism has also made it possible for many more people to live on Earth and to survive for longer than ever before. In 1900, the average life expectancy in the "less developed countries" was just 30 years. By 1960, this had risen to 46 years. By 1998, it was 65 years. To put this extraordinary achievement into perspective, the average life expectancy in the poorest countries at the end of the 20th century was 15 years longer than the average life expectancy in the richest country in the world—Britain—at the start of that century.

By perpetually raising productivity, capitalism has not only driven down poverty rates and raised life expectancy, it has also released much of humanity from the crushing burden of physical labor, freeing us to pursue "higher" objectives instead. What Clive Hamilton airily dismisses as a "growth fetish" has resulted in one hour of work today delivering 25 times more value than it did in 1850. This has freed huge chunks of our time for leisure, art, sport, learning, and other "soul-enriching" pursuits. Despite all the exaggerated talk of an "imbalance" between work and family life, the average Australian today spends a much greater

proportion of his or her lifetime free of work than he would had he belonged to any previous generation in history.

There is another sense, too, in which capitalism has freed individuals so they can pursue worthwhile lives, and that lies in its record of undermining tyrannies and dictatorships. As examples like Pinochet's Chile and Putin's

Russia vividly demonstrate, a free economy does not guarantee a democratic polity or a society governed by the rule of law. But as Milton Friedman once pointed out, these latter conditions are never found in the absence of a free economy.

Historically, it was capitalism that delivered humanity from the "soul-destroying" weight of feudalism. Later, it freed millions from the dead hand of totalitarian socialism. While capitalism may not be a sufficient condition of human freedom, it is almost certainly a necessary one.

### HAS CAPITALISM OUTLIVED ITS USEFULNESS?

Interestingly, Hamilton does not deny any of this. In a recent article he admits: "It was not socialism that broke down the barriers of poverty and class, it was capitalism." He even accepts that "the arrival of widespread material abundance in the West for the first time provided the opportunity for the mass of ordinary people to pursue self-realization." Like Marx before him, Hamilton is happy to acknowledge capitalism's historical accomplishments. But, again like Marx, his argument is that capitalism has now outlived its usefulness: What once promoted human progress now restrains it.

Hamilton's complaint is that the opportunity for a full and meaningful life that capitalism opened up has not been grasped. This is because a growing preoccupation with consumption,

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economic growth, and the pursuit of wealth has subverted our search for authenticity and self-realization. The charge against capitalism is that it has gone too far; it has made us too materialistic, and our preoccupation with money has invaded every corner of our lives, driving out much more important concerns. As a result, we are increasingly unhappy and dissatisfied, and only by turning against capitalism will we be able to move on.

### **WHEN SHOULD CAPITALISM HAVE BEEN HALTED?**

When I was a university teacher, I frequently encountered students who argued just as Clive does. We are too materialistic, they told me; we don't need all these possessions; we should stop the capitalist machine and devote our energies to better and higher pursuits. But whenever I asked them at what point in history they thought the machine should have been turned off, they would invariably reply: "now!"

These students wanted everything that

industrial capitalism had delivered to their generation up to that point—the comfortable housing, the audio systems, the cheap flights to foreign countries, the medical advances, and the increased education and leisure time—but they thought future generations should go without the additional benefits that would be generated in the years of capitalism to come. I used to wonder what they would think if their parents and grandparents had reasoned along similar lines, and switched off economic growth 20, or 50, or 100 years ago.

Clive says the problem of excess materialism has come about "over the last two or three decades." So what would we have lost if he had been able to impose his anti-growth ideology in, say, 1980?

The Web is not the only innovation we would have gone without if Clive had been given his head. There would be no personal computers. No satellite navigation (an extraordinary feat of human ingenuity destined to make street maps redundant for pedestrians



and drivers alike). No mobile phones or cheap intercontinental telephone calls. No digital music on CDs or iTunes, and no digital images on cameras, televisions, and DVDs. No hybrid cars and very little solar or wind powered electricity generation. No International Space Station or space shuttle missions to continue exploring the heavens. No genetically modified crops so farmers can guard against insect attack without using insecticides. No human genome map with its potential cures for Alzheimer's and heart disease. No AIDS treatments or MRI scans. And (although Clive detests them) no plasma televisions!

True, most of us could live without all these things. But on what possible grounds could it be argued this would benefit our souls?

### HEADS, I WIN; TAILS, YOU LOSE

No socioeconomic system can guarantee people a good life. All we can reasonably ask of any society is the conditions that will enable us to construct happy and worthwhile lives for ourselves. On this test, capitalism passes with flying colors.

A modern capitalist country like Australia guarantees necessities like food and shelter. By enforcing a clear system of private property rights, it offers individuals security. It allows people to interact freely, forming family ties, friendship groups, and communities of common interest; and it maximizes opportunities for people to realize their potential through hard work and innovation. These are the conditions that Abraham Maslow identified as essential for humans to satisfy their core needs. If these conditions are in place, as they are in modern, capitalist countries, no individual can reasonably claim that external

conditions have prevented them from pursuing happiness.

Traditional critics of capitalism, like Marx, argued that these preconditions of human happiness could not be satisfied in a capitalist society. Marx's theory of the "immiseration of the proletariat" held that capitalism couldn't even guarantee provision of food

and shelter, for mass poverty, misery, ignorance, and squalor were the inevitable consequence of the accumulation of wealth by a tiny capitalist class.

We now know that Marx was spectacularly wrong. Working people today do not just earn a good wage; they own comfortable homes, have shares in the companies that employ

them, go to university, win entry to the professions, set up businesses, and run for high office. The western "working class" (to the extent that such a thing still exists) has been so busy expanding its horizons that it has quite forgotten about its historic mission of overthrowing capitalism.

For a while, this triumph of mass capitalism left western Marxists badly wrong-footed, but in the 1960s, they regrouped around a different kind of critique advanced by that darling of the Parisian *soixante-huitards*, Herbert Marcuse. Marcuse accepted that modern capitalism provides the masses with all the material things they desire, but he said this starves them of any meaning and purpose in their lives. Returning to Marx's youthful writings, and splicing these together with some fashionable Freud, Marcuse suggested that the advertising industry engineers "false needs" for consumer goods that capitalism then provides, while deeper, more authentic desires remain "sublimated" and unfulfilled. The working

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class is “alienated” because all relationships and experiences are mediated through this empty consumption of commodities.

Marcuse turned Marx’s critique of capitalism on its head. Where Marx complained that capitalism cannot supply the masses with the goods they need, Marcuse complained that it supplies them with too many. Clive Hamilton is arguing much the same thing today. It is no more convincing now than it was then.

### ARE WE ALL SUFFERING FROM COLLECTIVE BRAIN DAMAGE?

Wherever populations have a chance to move, the flow is always toward capitalism, not away from it. The authorities never had a problem keeping West Germans out of East Germany, South Koreans out of North Korea, or Taiwanese out of Communist China.

The attraction of living in a capitalist society is not just that the economy works. It is also that if your version of the good life leads

you to turn your back on capitalism, you don’t have to pick up sticks and move away. If you don’t like capitalism, there is no need to bribe people-smugglers to get you out of the country. You simply buy a plot of land, build your mud-brick house, and drop out (or, like Clive, you set up your own think tank and sell books urging others to drop out).

And people do drop out, or at least scale down. A survey conducted by Hamilton’s Australia Institute claims that 23 percent of Australians between the ages of 30 and 60 have taken a cut in their income to get more control over their lives, spend more time with friends and families, or achieve greater personal fulfillment. Clive calls them “downshifters.”

However, 23 percent isn’t good enough for Clive, for it means more than 75 percent of us are still accumulating and consuming. Too many of us are still making the “wrong” choice. Like Marcuse, Hamilton thinks this is

because we are beguiled by advertisers who promote false needs. We are all suffering from what Engels famously called “false consciousness” (or what Frank Parkin mischievously described as “collective brain damage”). We need to have our consciousness raised by those who know better.

In a passage reminiscent of Engels and Lenin, Hamilton writes: “The downshifters are the standard bearers in the revolt against consumerism, but the social revolution required to make the transition to a post-growth society will not come about solely through the personal decisions of determined individuals ... Making [this] transition demands a politics of downshifting.” The phrase is ominous. Just as Lenin couldn’t trust the proletariat to make the transition to socialism, so too Hamilton cannot trust us to make the transition to the “post-growth” society he thinks we should have. Left to ourselves, we’ll never get there. We need a leader to give us a shove. As to who this leader will be, Clive is far too modest to say.

## THE INTELLECTUALS AND CAPITALISM

Andrew Norton notes that disaffected intellectuals since Rousseau have been attacking capitalism for its failure to meet “true human needs.” The claim is unfounded, so what is it about capitalism that so upsets them?

Joseph Schumpeter offered part of the answer. He observed that capitalism has brought into being an educated class that has no responsibility for practical affairs, and that this class can only make a mark by criticizing the system that feeds them. Intellectuals attack capitalism because that is how they sell books and build careers.

More recently, Robert Nozick has noted that intellectuals spend their childhoods excelling at school, where they occupy the top positions in the hierarchy, only to find later in life that their market value is much lower than they believe they are worth. Seeing “mere traders” enjoying higher pay than them is unbearable, and it generates irreconcilable disaffection with the market system.

But the best explanation for the intellectuals’ distaste for capitalism was offered by Friedrich Hayek in *The Fatal Conceit*. Hayek understood that capitalism offends intellectual pride, while socialism flatters it. Humans like to believe they can design better systems

than those that tradition or evolution have bequeathed. We distrust evolved systems, like markets, which seem to work without intelligent direction according to laws and dynamics that no one fully understands.

Nobody planned the global capitalist system, nobody runs it, and nobody really comprehends it. This particularly offends intellectuals, for capitalism renders them redundant. It gets on perfectly well without them. It does not need them to make it run, to coordinate it, or to redesign it. The intellectual critics of capitalism believe they know what is good for us, but millions of people interacting in the marketplace keep rebuffing them. This, ultimately, is why they believe capitalism is “bad for the soul”: it fulfils human needs without first seeking their moral approval.

*Mr. Saunders is Social Research Director at the Centre for Independent Studies, Australasia’s leading free-market think tank. This article is excerpted from a longer article published in Policy magazine, Summer 2007.*

