

LECTURE 02

CAPITALISM: SELF-INTEREST AND SOCIETY

“There is no such thing as society!” This is the quote and the sentiment most often attributed to Margaret Thatcher. “There is no such thing as society!” It fits perfectly with the idea of her as an opponent of *proper community ties*; an enemy of the values of *social solidarity* which are central tenets of belief for anti-capitalists and more generally for everybody on the left of the political spectrum.

However, let us look more closely at what she actually said during the oft-quoted interview with *Woman's Own* in 1987:

"I think we've been through a period where too many people have been given to understand that if they have a problem, it's the government's job to cope with it. 'I have a problem, I'll get a grant.' 'I'm homeless, the government must house me.' They're casting their problem on society. And, you know, there is no such thing as society. There are individual men and women, and there are families. And no government can do anything except through people, and people must look to themselves first. It's our duty to look after ourselves and then, also to look after our neighbour. People have got the entitlements too much in mind, without the obligations. There's no such thing as entitlement, unless someone has first met an obligation." [Margaret Thatcher, *Women's Own* magazine, October 31 1987] ¹

Whether you agree with her or not, it is clear that Thatcher was *not* saying that people do not have responsibilities towards each other. She was

¹ Margaret Thatcher, talking to *Women's Own* magazine, October 31 1987. See also <http://briandeer.com/social/thatcher-society.htm> .

drawing attention to the manner in which the word ‘society’ is often tossed about as an abstraction: ‘Society’ should do this, ‘Society should do that, ‘Society’ should do this, that and the other. She was attacking an abstraction; she was *not* saying that people do not have responsibilities towards each other. On the contrary, she was saying precisely that they do have responsibilities towards their neighbours, but that these must rest upon their initial or prior responsibility to look after themselves.

In the arguments around this quote and its widespread distortion as the supposedly Tory slogan: “There is no such thing as society!” we can see the manner in which anti-capitalists and left-wing people *conflate* the conception of *self-interest* central to right-wing or conservative or neo-liberal thought, and the *selfishness* which people on the left typically accuse capitalism of promoting.

Selfishness or *Self-interest*; the distinction is not a trivial one. The one, *selfishness*, extends a moral attribute commonly associated with individual conduct or personality to an entire social system. Namely: capitalism. The accusation of ‘selfishness’ enables the left to depict capitalism as a social and economic system organised around the ‘greed’ and the rapacious pursuit of profit and the personal satisfactions of individual capitalists in careless disregard of the poor and disadvantaged. Bill Gates, media moguls, industrialists, advertising executives, bankers, and stockbrokers are depicted

as people pursuing their own narrow interests in complete disregard for the rest of us. They have apparently built and sustained an entire social system upon their own will to power and private greed.

On the other hand stands the principle of *self-interest* promoted by Margaret Thatcher and many others on the right. On this view, *self-interest* as distinct from ‘selfishness’, is rooted in profoundly conservative observations concerning the way in which social solidarity arises within society – Because, for the conservative or neo-liberal thinker self-interest is not *opposed* to society, but is, on the contrary, the basis or foundation of all cooperation within society.

This idea – the idea that self-interest is the foundation of co-operation within society – has its origin in the work of the classical political economist Adam Smith.

With the publication of *The Wealth of Nations* in 1776 Adam Smith spelled out, among many other things, his view that pursuit of self-interest was the basis upon which all the diverse and even conflicting interests in society were able to come to an accommodation with each other. It was, he argued, the pursuit of self-interest that enabled all the different productive elements of society to work together, and in the process to produce outcomes beneficial to all:

[M]an has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.[My Emphasis]²

In this way Adam Smith was able to demonstrate that productive economic co-operation is rooted in the pursuit of self-interest: “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.” This is undoubtedly true and its explanation lies in the nature of trade (what Smith often calls ‘trucking’) and is fully revealed in the role of the division of labour, not merely *within* particular branches of manufacture or production, but *between* all branches of production.

Smith makes the point that the division of labour between the various activities required to make something as simple as a pin is extremely complicated. In the interests of efficiency and enhanced production, the manufacture of any article is broken down into many separate stages; manufacture at each separate stage is consequently greatly simplified. The

² Adam Smith, 1776, *An Inquiry into the Nature and Causes of the Wealth of Nations*, London: Penguin Books, 1999, pp.118-119.

workman specialises in a specific part of the process and consequently becomes much faster and more accomplished in performing his particular job. This division of labour between the various activities required to make a pin or any other manufactured article leads to vast improvements in productivity and quality.

Smith then extends this observation to the economy as a whole. He describes in some detail how the humble items of furniture or clothing of a common labourer represent the most fantastic number of different productive activities and transactions. After enumerating all the different trades and activities involved in making the labourer's coat he continues:

How many merchants and carriers, besides, must have been employed in transporting the materials from some of those workmen to others who often live in a very distant part of the country! [. . .] [H]ow many ship-builders, sailors, sail-makers, rope-makers, must have been employed in order to bring together the different drugs made use of by the dyer, which often come from the remotest corners of the world! What a variety of labour, too, is necessary in order to produce the tools of the meanest of those workmen!³

And so on, Smith goes through the smelting of metal, the mining of coal, and the firing of bricks. By these highly detailed but simple descriptions Adam Smith sought to convey the complexity of what he called 'commercial society' and what know of as 'capitalism'.

³ See *The Wealth of Nations*, pp.115-117.

When one contemplates the complexity of the economic relations described by Smith and of those in which we live today the question immediately arises how does it all work? The motive for production is simple enough: profit. People engage in commodity production in order to make profits. But, how are the innumerable different transactions and exchanges *within* particular branches of commerce or industry organised? How are the myriads of exchanges *between* the different sectors of commercial and industrial activity carried out? In a situation in which complexity is piled upon complexity, how does anybody know what to produce, in what quantity, at what level of quality, and what to charge for it?

Smith's answer and Milton and Rose Friedman's answer to this question is: the market. According to thinkers like Von Mises, Von Hayek, or Milton Friedman, it is the operation of the market that enables people to know what to produce, to determine the level of quality required and the quantity of particular sorts of goods that are needed. More specifically, they would argue, it is through the operation of the price mechanism that people know what to produce.

In Milton and Rose Friedman's example, instead of Adam Smith's pin manufacture, we get a detailed discussion of the production of pencils – ordinary pencils – in the course of which the Friedmans are able to demonstrate the key role of prices in communicating information throughout

the bewildering web of relationships which make up the market. The free movement of prices enables people scattered throughout the world to calculate whether they should increase or reduce their production or whether they should begin to produce something else or some other entirely different service. It is through the operation of profit motive and the workings of the price mechanism that pro-capitalists argue the economic activity of widely dispersed individuals is coordinated and directed in a manner, which cannot be improved upon.

Anti-capitalists, socialists, anarchists, communists, and those on the left more generally, would take issue with this. They would draw attention to the fact that because, under capitalism, profit is the *motive* and price the *mechanism* through which most economic activity is determined, many goods and services which people actually need do not get produced. They would cite public housing, public transport, health care, even food and clothing in many poor countries where people are living on less than a couple of dollars a day. In such situations, producing a good or a service for which people are unable to pay will produce no profit. Consequently, no matter how desperately people might need food or housing or clothing, if they cannot pay it will not be produced. Market forces – the profit motive and the price mechanism – will determine that goods and services for the destitute or the poor will simply not be produced. Consequently, the anti-capitalist would argue it is absolutely essential to look beyond profits and

the operation of market values and prices when deciding what should be produced.

This involves weakening the distinction between political and economic life. It necessarily demands the insertion of what are essentially political decisions into the economic process. The state or some other representative of the community should replace the profit motive and the price mechanism with the decisions of state officials or planning committees. Instead of allowing the profit motive and the rise and fall of prices on the market to organise production officials are appointed who will decide what should be made, at what quality, and in what quantity. Now, whether this process is run by a central dictatorial authority as in the Soviet Union or in Maoist China, or whether it is envisaged as being carried out by democratic trade unions, housing associations, or grass roots community groups the intention is similar – the radical weakening (or even the outright abolition) of the profit motive and the operation of market prices.

Instead of allocating resources on the basis of prices, instead of allowing the market to determine how much labour time should be spent on building houses or making motor cars or running tanning shops, the anti-capitalist option would be to empower public officials of one kind or another to decide what needs to be done; public officials would decide what was produced and how it was distributed throughout the community. The

distinction between economics and politics insisted upon by pro-capitalist thinkers would be abolished as all economic decisions became in effect political decisions based upon a rational assessment of what goods and services society actually needs.

However, the principal problem for this anti-capitalist outlook has been the abject failure of socialists, anarchists, and communists, to put any of this into practice. Every time socialists, anarchists and communitarians have attempted to defy the logic of the capitalist market mechanisms the utopian community or the co-operative enterprise has either been sucked back into the capitalist marketplace or it has collapsed in complete ruin and failure.

Time and time again anti-capitalist attempts in the nineteenth and twentieth centuries to build up alternatives to capitalism have failed.

Most recently, of course, we have witnessed the failure of the most ambitious and far-reaching attempts to defy the logic of the market – the communist economies of the Soviet Union and Eastern Europe. Between 1989 and 1991 these regimes, in which all economic activity was either directly run or closely controlled by the political authorities, collapsed.

The nature of the revolutions and coups, which resulted in the end of the Soviet Union and of her allies in Eastern Europe, require detailed study. As do the development of economic and political life in Cuba or North Korea

or Myanmar or Iran who all, in profoundly different ways, find themselves trying to manage economic and political life outside (or beyond the logic of) the capitalist market and the profit motive.

However, it is clear enough that none of these societies offer a model of social or economic development, which could be broadly applied with any hope of improving upon (or even sustaining) the material conditions made possible by the operation of the profit motive and the working of market prices commonly associated with fully developed capitalist societies.

This is the sort of observation, which pro-capitalists have been making for the best part of a century. In their advocacy of the pursuit of self-interest and the operation of the market they have developed a sustained critique of anti-capitalist, or socialist, or communist ideas. As early as 1922, barely five years after the Bolshevik Revolution, Ludwig von Mises in his book *Socialism*⁴ argued that without the profit motive and market prices it would be impossible to regulate economic activity properly. You would never really know what was actually needed, you would never be able to ensure the production of the quantity, or to determine the quality required through central planning. Ludwig von Mises argued that state or community officials, working solely with political decisions and fixed prices, would never have the level of precise information required to make effective

⁴ *Die Gemeinwirtschaft: Untersuchungen über den Sozialismus*, Jena: Gustav Fischer, 1922.

decisions. He argued that without the information provided by the free movement of prices on the market socialist officials would be in the dark; they would be unable to decide what or how much of anything should be produced. And, so it proved to be. The allocation of resources and labour and the distribution of goods and services turned out to be much more chaotic and unpredictable in the Soviet Union than even the capitalist marketplace. The communist state could fight wars and send men into space; it could manufacture large quantities of machinery, it could build vast numbers of flats, and feed and clothe its population, but it could only do this by huge food imports, by switching resources suddenly from one sector of industry to another in a form of crisis management that made the regulation of supplies or the sustained control of quality virtually impossible. The political management of the economy by the party-state resulted eventually in stagnation and in a radically de-motivated population. The kind of dynamic development associated with successful capitalist activity – the sort of lively development associated with the pursuit of profit and self-interest proved impossible or illusive for the anti-capitalist economies.

However, this experience of the failure of socialism in practice has never undermined the anti-capitalist critique. Anti-capitalists have always regarded the failure of practical attempts to establish socialist or harmonious kinds of social relationships as the product of (1.) unpromising circumstances, (2.) mistakes by anti-capitalist movements, (3.) harsh

repression, or (4.) sabotage by capitalist forces. Consequently, anti-capitalists have always been able to point to the brutal character of the capitalist system and the heartless character of the operation of the profit motive. Unemployment, war and famine, have always provided them with ample evidence of the iniquity of the capitalist system.

This ability to avoid thinking about the practical organisation of the economy of post-capitalist society is deeply embedded in socialist thought. It is a central tenet of anti-capitalist belief that you cannot know *in advance*, what a socialist or anarchist society would be like – this is because the practical details of how social and economic life would be organised *after* the overthrow of capitalism, *after the revolution*, if you will, is a matter for those people in the future to decide. And, even in the modern anti-capitalist movements practical questions of how a non-capitalist economy might work are approached in such a diffuse, localised, and unfocused manner as to defy or elude any overall description.

As a result anti-capitalists have always been able to direct their energies and attention at the manner in which capitalist ideas or *bourgeois ideology* promotes gross forms of competition which, socialists, anarchists, communists, and radicals in general, have always argued, work against social harmony and against social solidarity.

This focus upon ideological battles has often led anti-capitalists into a critique of capitalism, which directs attention away from discussion of practical alternatives to the profit motive and the market system. Insofar as profit is discussed or targeted it is thought of as an aspect of selfishness or greed rather than as a practical, motivating, organising force and principle able to provide a reliable foundation for practical economic activity.

Consequently, anti-capitalists have focused upon a critique of competition, greed and selfishness, which they see as inherent within the capitalist system. However, they do not see these characteristics as in any sense 'natural' or as 'natural' expressions of 'human nature'. On the contrary most anti-capitalists do not see competition, greed and selfishness, as natural at all – but rather as negative responses produced *historically* by the operation of class antagonism and capitalist development. These negative qualities, competitiveness, greed, and selfishness, are produced by society not by nature. Therefore, if you change society you will change the way in which people are able to function.

This kind of focus has led most people upon the left ignore the formal and precise arguments of pro-capitalists. By and large anti-capitalists do not answer the criticisms of Von Mises, Von Hayek, or Milton Friedman. They prefer to criticise the profit motive and the market while paying scant

attention to the need for developing precise and practical alternatives to capitalism. By and large anti-capitalists express their aspirations for a better future by criticising the greed and selfishness promoted by capitalism and by embracing some form of humanism – forms of humanism in which our capacity to act *historically* to transform society are emphasised. These forms of humanism aim to bring about the transformation of society so that the best qualities of human beings – our capacity for solidarity, for cooperation, for altruism, for love – can be given full expression.

Next week, I will talk about this humanism in relation to the emergence of the New Left and the antecedents of today's anti-capitalists.

READINGS:

Milton & Rose Friedman, *Free to Choose: A Personal Statement*, London: Secker & Warburg. [Chapters 1 & 2]
Adam Smith, 1776, *The Wealth of Nations*, London: Penguin, 1999. [Book 1: Chapters 1 to 4]