

THE MORAL NATURE OF FREE ENTERPRISE¹

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In the marketplace, the consumer is "king." To become wealthy in free enterprise usually involves mass production for mass material consumption. The free market rewards entrepreneurs for their correct anticipation of consumer demand. It showers people like Thomas Edison, Henry Ford, Alexander Graham Bell, John D. Rockefeller, and Andrew Carnegie with tremendous wealth, because they dramatically improved the consumer's quality of life.

Contrast this with socialist or pre-capitalist society. Those societies excel in producing an abundance of grinding poverty, famine, disease and oppression. Their parasitic government officials live in opulence while creating only misery and chaos. Free enterprise radically changes this picture by creating a broad based, middle class and consumer society.

The productive achievements of capitalism should render it the most loved system in the world. Yet, it is hated, denounced, and routinely smeared by many intellectuals. When the Left clings stubbornly to socialism, its logic reaches an impassable chasm, asserting "while the free market works, it is not ethical." Who legitimately claims the moral high ground, entrepreneurs or enlightened socialists? Business executives generally have no clue why free enterprise is under assault. What enrages the Left are capitalism's greatest moral virtues. The ethical trinity of free enterprise consists of political freedom, individual rights, and private property.

Capitalism rests upon a foundation of private property rights. Voluntary cooperation, mutual reciprocity and human respect are its guiding principles.

The market setting is an amazing triumph of existential architecture. Free enterprise is "a social temple" serving no collective purpose, end or value. Rather, it serves billions of divergent human needs. Everyone, producer and consumer, is free to pursue their own vision of the good life. Accomplishing that goal requires an elevation of contract to the center of social relations.

Force and fraud demolish the foundation of contractual society and are inconsistent with free enterprise. Contracts are based upon respect for the property rights of others. Bargaining replaces violence and domination in moral and legal disputes. Honesty and integrity uphold the spirit of contract as well as reinforce human character. Prosperity and social harmony naturally flow from the ethical virtues of free enterprise.

The "moral consensus" implied by contract directs unbridled human greed into socially beneficial outcomes. The market, then, becomes a win-win process, not a "zero-sum game" where the victors plunder the losers in their acquisition of wealth. Both parties to the transaction must gain, or voluntary social cooperation ends. Compare the ethics of capitalism with any variant of socialism. Socialism requires sacrificial animals for the politically defined "National Purpose." What if someone does not fit into the goals of the PLAN? Inevitably, government begins denying our right to exist and grow as free autonomous human beings. "The Gulag System" is not an accident, rather it is a rational extension of socialist moral/economic policy.

Before free enterprise, society was based upon class, status, race, caste, power, and exploitation. Free markets and property rights elevate individuals above routine barbarism and destruction to the moral stature of traders. Individuals trading human values in peaceful cooperation defines the social morality of free enterprise. Capitalism demolishes all economic barriers unleashing our maximum human potential. Not only does free enterprise lead to social cooperation within a given society, it also produces international peace. During the nineteenth century, the world came closest to a free-trade regime, including goods, capital and human migration. This was a century of unprecedented peace and economic growth. Once countries began trading and investing freely within each others borders, they formed a vested interest in the peace and stability of their neighbors. People preoccupied with earning money have little time to engage in warfare. Once human appetites for conquest and domination are suppressed, the desire for profits and mutual gain increases. Profits are the moral symbol of human growth earned from productive enterprise. In the free marketplace, no one can advance without making others in society profit as well. Entrepreneurial prosperity is created only through voluntary cooperation.

Yet profits have a bad name. They are incessantly castigated everyday by political, academic, and media elites. It is all too common to hear our so-called "leaders" denounce profits as if they were wrong and shameful. American presidents routinely condemn profits and self-interest as "obscene," yet the business community retaliates with dead silence.

¹ <http://www.acton.org/publicat/randl/article.php?id=117>

The politics of class warfare is a conscious war on this economy's most industrious, creative, and risk-taking individuals. Blaming business for inept political failures is so common that it has become the norm. While the country faces a "crisis" caused by misguided public policy, politicians blame industry for our economic woes. Industries such as steel, oil, chemical, pharmaceutical and insurance, are prominent on the political roulette wheel of scapegoating. The main reason forWhile Americans enjoy a standard of living unparalleled in the world, it is not because we work harder than other people. Rather, our prosperity was created by great business heroes of yesteryear. Where would America be without the "greed" of Eli Whitney (interchangeable parts); John D. Rockefeller (oil refining technology); Thomas Edison (electric lights, phonograph, and motion pictures); Alexander Graham Bell (telephone); Henry Ford (assembly line-automobiles)?

Look at the life of Henry Ford, this century's premier entrepreneurial capitalist. Within a few years, Ford's organizational genius lowered the price of cars by a factor of 15, while tripling labor productivity and wages at the same time. Along the way, he became the richest man in the world.

How much of this nation's wealth owes its creation to Henry Ford? More than is ever acknowledged. Politicians, on the other hand, trade in envy and resentment, and are always assuming the fruits of entrepreneurial creativity will somehow just always "be there"! This illustrates a lack of moral and economic understanding. There are categorical differences between looters stealing for a living and the genuine creators of wealth.

Remember the story of Prometheus in Greek mythology? His crime consisted of bringing fire to man. For this, the Gods' chained Prometheus to a rock to have his liver pecked out by a vulture. This story has it's own parallels in modern America's cultural environment; our political Gods' have declared that business success in the 1980's was "evil" and "unfair." Now they intend to chain down free enterprise to have government peck it to death.

Today, for instance, the anti-trust laws make every business pricing decision illegal. With arbitrary law, everything is illegal. It is against the anti-trust laws to raise your price (evidence of monopoly power), lower your price (incipient predatory theory), or charge the same price as the competition (evidence of tacit price fixing).

When a creative genius prospers through competition, he is certain to get on government's "hit list." Look at Microsoft. Bill Gates created and organized the greatest computer software company in the world. Microsoft employs thousands of highly paid, highly skilled professionals who make every personal computer come to life. Bill Gates made the mistake of serving the consumers and getting rich and now the anti-trust authorities are preparing to destroy Microsoft.

Today, we punish our best corporations with discriminatory taxation, arbitrary regulations, and continuous slander from the political, artistic and academic communities. If Thomas Edison invented electric lights today, the government would descend upon him with excess profits taxes, new regulations, and anti-trust prosecution, all in the name of preserving free enterprise!

Remember the old saying, "Build a better mousetrap and the world will beat a path to your door"? Do that today, and a flurry of bureaucrats will break down your door, impound your records, seize your property, and initiate legal proceedings!

In spite of modern cultural trends, America should not despair. Every new entrepreneur means hope for tomorrow. For while America seems to have forgotten the moral and economic virtues of free enterprise, the rest of the world is just discovering them anew. We should rejoice in the prospect of free enterprise transforming the lives of our global family.

Unlimited prosperity and opportunity allows every human to fulfill their deepest values in the peace of social harmony. Maybe in the next century, America will relearn that important lesson from our global neighbors.

And maybe, just maybe, a greater vigilance for economic freedom will preserve the great spiritual treasure of entrepreneurship that is hidden within each of us.

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