

Capitalism and Liberty: A Few Background Concepts

This is not a course in economics, political science, nutrition, geography, etc. Many of the readings we do make claims about matters in these areas of research. It is always important to read critically and consider the evidence for the claims being made. This course is focused on *moral issues* in ethics and politics. So it will be useful to have some background moral and political concepts.

1. Capitalism

A *capitalist* economy is one based on privately owned means of production and in which goods and services are created for profit. There are many different forms of capitalism, depending on the ways and extent to which the state is involved in the economy. For example, under *laissez-faire* or *minimal state* capitalism, there is no regulation of the economy, protections of workers, etc. The role of the state is simply to provide police protection, the basic institutions needed for trade, e.g., the printing of money, and a legal system for protecting property rights. *Social welfare* capitalism is a system in which trade is (more or less) unregulated, but the state provides some form of safety net, e.g., unemployment benefits, social security, subsidized health care, collective bargaining rights.

A, Exploitation

Under capitalism, workers are vulnerable to *exploitation*. What does that mean?

Capital goods: material resources, means of production.

Consumer goods: the cool stuff consumers like to buy, and by extension, services they like to have.

How do capital goods become consumer goods? Labor. The capitalist is the owner of the capital goods and hires laborers to produce consumer goods using them. Here's the pinch: the capitalist then sells the consumer goods *for a profit*. What this means is that the consumer goods are sold for *more* than the value of the capital goods (including their upkeep, etc) + labor costs. The capitalist, then, extracts surplus value from the goods+labor and pockets it. The surplus value is, some argue, produced by the worker – after all, without the worker the capital goods would not have value to consumers – and yet accumulated by the capitalist. This suggests that in cases where the worker and the capitalist are distinct (i.e., the workers are not the owners of the capital goods) the worker is not paid his or her true value, i.e., what the worker actually produces, and so is *exploited*.

Notice that in the contemporary context, laborers often contribute more than simply their labor, e.g, they may themselves own tools and other means of production and even capital goods, and exploitation can occur at various levels. Consider the farmer who sells corn or soybeans to ConAgra. The farmer's labor plays a role in creating the material resources (foodstuffs) that go into making the consumer goods (packaged foods). If the corporation sells the packaged foods for a profit, then there are several groups of laborers who aren't compensated for the value they contribute: the farmer (and/or farmworker) and the factory worker.

B. Liberty

Some theorists object to the idea that workers are exploited under capitalism. The idea is that workers are free agents who enter into contracts with employers, and employers are only obligated to keep the terms of the contract and no more.

In thinking about this it is useful to draw a distinction between *coercion* and *duress*. To be coerced into doing something is to be forced to do it on pain of severe harm or death. If someone hold a gun to your head and says "Your money or your life!", that is coercion, and when you hand over your money it is arguable that you don't actually consent to giving the money, you do it just to save your life. Duress (though it can be defined in different ways) is different from coercion in several ways: (i) there may be no one forcing you (it may be circumstances that cause your duress), (ii) the threat may be not be immediate serious harm or death (it may be serious harm over the long term), and (iii) you may consent to the

actions taken under duress (you may enter into a disadvantageous contract to avoid the long term threat of hunger, homelessness, etc).

Questions:

- 1) Are you acting freely when you are coerced? It seems that you are acting of your own free will in some sense – you could have chosen to be killed instead of giving up your money – but your liberty is clearly being compromised. One important role of the state is to protect us from these infringements on our liberty.
- 2) Are you acting freely when you are under duress? Again you are clearly acting of your own free will when you choose to enter into a disadvantageous contract, but if others can take advantage of the threats that circumstances pose to your well-being, are you free? Do you have the liberties that society should aim to protect?

2. Negative and Positive Liberty

“Negative liberty is the absence of obstacles, barriers or constraints. One has negative liberty to the extent that actions are available to one in this negative sense. Positive liberty is the possibility of acting — or the fact of acting — in such a way as to take control of one's life and realize one's fundamental purposes.”

(Ian Carter, <http://plato.stanford.edu/entries/liberty-positive-negative/>)

An important source of this distinction is Isaiah Berlin. He suggests we ask:

To determine the scope of negative liberty: “What is the area within which the subject — a person or group of persons — is or should be left to do or be what he is able to do or be, without interference by other persons?”

To determine the scope of positive liberty: “What, or who, is the source of control or interference that can determine someone to do, or be, this rather than that?” (1969, pp. 121–22).

Some have argued that the difference lies in the site of control: am I being controlled “from the outside” or “from the inside,” or am I in control of my own life? “While theorists of negative freedom are primarily interested in the degree to which individuals or groups suffer interference from external bodies, theorists of positive freedom are more attentive to the internal factors affecting the degree to which individuals or groups act autonomously.” (Ian Carter, op. cit.)

Questions:

- 1) When we affirm our right to “life, liberty and the pursuit of happiness,” what are affirming? Are we being given the right to negative and positive liberty? What are our moral obligations regarding the negative and positive liberties of others?
- 2) What qualifies you to having a right to liberty? What about criminals? Do they forsake their right to liberty? What about non-citizens? Do only humans have a right to liberty (in either sense)?
- 3) What is legitimate for the state (or other agents) to do in order to protect liberty?
- 4) If there is a right to private property, what does that right consist in? What are the capitalist's rights?

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