

Capitalism vs. Socialism: The Bruenig-Caplan Debate

On Saturday at LibertyCon, I debated Elizabeth Bruenig of *The Washington Post* on “Capitalism versus Socialism.” Here’s my opening statement. Here’s hers.

“Capitalism” and “socialism” – what do these words even mean? You could just say that capitalism is the economic system of countries like the United States, and socialism is the economic system of countries like the former Soviet Union. In that case, I’d say that capitalism is at least ok, while socialism is hell on earth. Perhaps my opponent would even agree! It’s more fruitful, though, to treat capitalism and socialism as positions on the *ideal* economic system. Something like: the capitalist ideal is that government plays very little role in the economy – and the socialist ideal is that government plays the leading role in the economy. In that case, I say that capitalism is awesome, and socialism is terrible.

What’s so awesome about the capitalist ideal? It’s a system based on individual freedom and voluntary consent. You’re allowed to do what you want with your own body and your own stuff. If other people want to cooperate with you, they have to persuade you; if you want other people to cooperate with you, you have to persuade them. Can consent really be “voluntary” if some people have a lot more to offer than others? Absolutely. Some people are vastly more attractive than others, but that does nothing to undermine the voluntariness of dating. Under capitalism, *how* people use their freedom is up to them; they can try to get rich, they can relax, they can help the poor, all three, or none of the above.

Society by consent: Capitalism is such a compelling moral ideal that I’m tempted to rest my case right now. But there’s a looming doubt: Is capitalism one of those ideals that sounds wonderful, but works terribly in real life?

How can we even begin to answer such a sprawling question? Simple: Start by looking at the most capitalist countries that actually exist. Next, weigh the probable effects of the main policy reforms necessary to bring those countries into harmony with the capitalist ideal.

By usual rankings, the world’s most capitalist countries are Hong Kong and Singapore; other exemplars include the United Kingdom, Canada, and the United States. By world and historic standards, all are incredibly rich and pleasant countries. This wasn’t true for Hong Kong or Singapore in 1950, but after decades of top rankings, they’re two of the richest and most pleasant countries on Earth. All of these countries still have *relatively* poor people, but there’s very little absolute poverty. Indeed, the poor in these countries have

such a nice life that people around the world eagerly immigrate there to work in hard, low-skilled jobs.

The reason is clear. Free markets channel the fundamental human desire to better oneself in socially productive ways. If you can deliver a product that people like at a price they find attractive, you get rich. This doesn't just lead to mountains of cheap, amazing products. It also leads to constant innovation, a ceaseless effort to do more with less. Of course, most of us aren't huge successes in business. But since business competes for both customers and workers, most of the benefits ultimately go to us. Amazon has got to be the best store in human history, providing a cornucopia of great, convenient deals. But its lifetime profits sum to just a few billion.

To repeat, none of the world's most capitalist countries actually live up to the capitalist ideal. But they still provide a useful benchmark. How is the status quo likely to change if government's role drastically shrinks? I've only got time for the highlights:

1. *Even the most capitalist countries heavily restrict immigration.* Non-citizens need government permission to live and work there – and such permission is almost impossible for most of humanity to attain. If these laws were repealed, there would be massive international migration. People around the world would move from countries where their labor produces little to countries where their labor produces much. A standard long-run estimate is that this would double the production of the world – and drastically reduce global poverty and inequality in the process.
2. *Even the most capitalist countries tightly regulate construction, especially in high-wage areas.* If these laws were repealed, there would be a massive increase in the supply of housing in the most prosperous areas of the country, soon followed by massive intranational migration. Standard estimates of even *modest* housing deregulation say it would raise U.S. GDP by 10% – and markedly reduce poverty and inequality in the process.
3. *Even the most capitalist countries engage in massive involuntary redistribution.* Strangely, however, this redistribution focuses not on the poor, but the old. If these laws had never existed, a large majority of people would have simply taken care of their own retirement – and taxes would be so much lower that saving wouldn't be hard. What about the minority who can't take care of themselves? It would cost so little compared to the status quo that it's not unreasonable to leave it to private charity. If that seems like wishful thinking, just retain a small welfare state for poor children and the severely handicapped.
4. *Even the most capitalist countries heavily subsidize education.* In my new book, *The Case Against Education*, I argue that the main effect of these subsidies is not to prepare people for good jobs, but to spark fruitless credential inflation. If these laws were repealed, we'd still be literate and numerate, but become independent and self-

supporting years earlier. What about poor kids? Again, my preferred answer is private charity; but if that's not good enough for you, then a means-tested voucher program solves the problem.

Now what's so terrible about the socialist ideal? It's a system based on government authority and coercion. Democracy is a decent way to mitigate the mass murder and slavery of socialist dictatorships. But even under democratic socialism, the individual is at the mercy of popular opinion. And popular opinion is not pretty. Just look at the shameful way American democracy treats peaceful immigrants like criminals – to popular acclaim.

Socialists like to compare their ideal society to a family. But in actual families, you don't have to support your siblings if you don't want to. Indeed, you don't even have to support your parents who gave you life. Why should your moral obligations to complete strangers be any stronger? The idea that the rich are morally obliged to give away everything they don't need until poverty is vanquished has some superficial appeal. But objectively speaking, almost all of us have vastly more than we need, especially if you remember the market value of all your free time. I loathe hyperbole, but if a socialist government enforced the obligation to give away all your surplus to the poor, you would literally be a slave.

Once again, though, there's a looming doubt: Is socialism one of those ideals that sounds terrible, but works wonderfully in real life? To resolve this, let's return to my same two-step procedure. First, start by looking at the most socialist countries that actually exist. Next, weigh the probable effects of the main policy reforms necessary to bring those countries into harmony with the socialist ideal.

By usual rankings, the world's most socialist countries are North Korea and Venezuela. No decent socialist upholds these hell states as ideals, and I certainly am not accusing my opponent of doing so. There are many praiseworthy ways to bring relatively socialist countries into harmony with the socialist ideal, starting with: stop murdering and jailing people to keep the ruling plutocrats in power. But as long as the North Korean and Venezuelan governments play the dominant roles in their economies, they'll remain impoverished and oppressive societies. How would democracy fix that, short of abandoning socialism? To be fair, if I were a socialist, I'd want to start with Sweden as my benchmark – and work from there. But that's crazy; by most measures, Sweden is only modestly less capitalist than the U.S.

People often mock socialists for insisting that “true socialism” has never been tried. I'm not going to say that, because I don't think “true capitalism” has ever been tried, either. But if we want to forecast the effects of the true version of either system, it still makes sense to start with the closest existing approximations, then analyze the probable effects of bringing their policies into harmony with the ideals. When we do so, we see that

capitalism is a wonderful ideal that's likely to work wonderfully in practice, and socialism is a terrible ideal that's likely to work terribly in practice.