

The Season of Giving and the Economic System that Fosters Great Generosity

Written by Robert Higgs.

Christmas will soon be here, and preparations for this holiday are proceeding apace. People are buying gifts for family members and friends and making preparations for great feasts at which family, friends, and other loved ones will gather to share the joy and love of the occasion. Notice how much effort and expense are going into giving to and bringing joy to others. Notice, too, how much of the spending people do during this season would be impossible except for the affluence made possible by the remaining elements of the market society that the government, to date, has failed to destroy completely.

The free-market society is often criticized or condemned root and branch for its alleged dependence on the unsavory human trait of greed. Socialists have always claimed that their system would replace one dependent on greed with one based on compassion and caring for the unfortunate. Both theory and history have shown, however, that socialism cannot produce the wealth that makes possible the highly effective expression of compassion and caring. Before one can be very generous, one must have something to be very generous with.

In any event, the idea that the free-market system rests on greed has always been mistaken, if not an outright lie. The system rests on allowing people to pursue their self-interest, to be sure, but self-interest is quite different from greed and indeed often consists of the very opposite. People in general have an interest in, for example, earning more income, and a major reason for this desire is that they wish to have the wherewithal to give to or take care of others more effectively—their own families first of all in most cases, but hardly their own families exclusively. The amounts of money, time, and effort that people devote to making others happier or better off—amounts vividly on display during the holiday season—belie the slander of a free market's dependence on greed. But such transfers also occur throughout the year and amount to an enormous proportion of all the uses to which people in free-market societies put their wealth.

In contrast, the alleged compassion and caring for the unfortunate that many have supposed support socialism are scarcely to be seen. For one thing, the incentives inherent in socialism entail that the socialist society will become or remain lodged in poverty, thereby crippling its capacity for effective compassion and caring in the material realm. For another thing, socialism does not so much eliminate the greed that exists in a population as it alters the forms in which the greed can be directed and expressed. Leaders of socialist societies have a habit of living lavishly amid the squalor of the system they control and despoil—Mao, Castro, and Chavez provide ready examples. Ordinary people in socialist

societies, being deprived of free-market outlets for the pursuit of their self-interest must instead strive to better themselves and those for whom they care by struggling for political power and, often, by diverting resources intended for the general public to their own enjoyment. Socialism does not build the generous character that socialist dreamers have touted; on the contrary.

So, at this time of the year, let us remind ourselves not only of the love and compassion that Christmas calls forth, but also of the systemic economic underpinnings that permit people to express their love and compassion so effectively. The love of family, friends, and others is the greatest blessing, but the opportunity to live in a free-market society—even one as hogtied as ours—is also a great blessing.

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