

# Testing Ayn Rand's Moral Foundations of Capitalism:

## 20 Testable Hypotheses on the Nature of Capitalism

### 1. Introduction

We plan to explore the moral foundations of Randian capitalism as Ayn Rand defined them and compare these ideas to several prominent western philosophical thinkers. We then plan to line these ideas up with real world economic variables and to test what it is possible to test. Is economic freedom good? Is it correlated with many of the goods we desire? Rand is often considered the modern-day voice of capitalism. She rejects the ever-increasing public sentiment of altruism and instead favors personal freedom, self-interest and the production of goods for profit. She rejects socialism and socialist ideals and fights for laissez-faire capitalism as first proposed in Adam Smith's *The Wealth Of Nations*, stating in her article, "The Roots of War" that "Laissez-faire capitalism is the only social system based on the recognition of individual rights and, therefore, the only system that bans force from social relationships, by the nature of its basic principles and interest".<sup>1</sup> Rand is very serious about her theory and we intend to lay out the full Randian case for liberty from the ground up.

### 2. Primary Research Question

Is the form of laissez-faire capitalism that Rand suggests ethically just? Is it ethical to reject the needs and wants and desires of others at the expense of one's own personal goals? In

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<sup>1</sup> Rand, Ayn "Roots of War", *THE OBJECTIVIST* magazine, June 1966.

order to tackle this great question, it is necessary to establish the definition of “justice”.

Throughout the history of western philosophy, philosophers have debated this central concept of Justice. Plato’s Republic is likely the first systematic account. In order to examine and evaluate Rand’s philosophy, the first step must be to define her conception of Justice and to determine if it stands the test of human reason. What are the criterion for Rand’s definition of Justice? This analysis in section one of our paper will lead to further questions and tests.

### **3. Comparison to Other Philosophical Thought**

The history of western philosophical thought contains within it at least 20 major definitions of justice; Marxist Justice, Feminist Justice, Kantian Justice, Communitarian Justice, Libertarian Justice, Christian Justice etc...Kant is likely the seminal philosopher of our day on the subject of justice, with major disciples at all major universities in the United States. John Rawls of Harvard is likely his star pupil. Rawls is a proponent of the equalization of all rights and goods and liberties and through his metaphor of the “veil of ignorance”, he creates a philosophical base from which everyone would argue for a “fair” distribution”. It turns out that that “fair” distribution results in either a very mixed form of capitalist economy or a socialist system, and Rawls is pretty up front about that outcome. He thinks it is fair and just.

Rand thinks that Kant and his followers are responsible for the major errors in the theory of knowledge and in the theory of ethics. Her views are addressed explicitly in her most famous novel *Atlas Shrugged*. For now we will just say that in Rand, socialism causes even Atlas to Shrug. It does not work. No claim can ever be made on one individual by another individual or the state, and any such intervention is obviously an affront to individual rights.

### **3. Basis of Randian Capitalism**

Rand follows Adam Smith, the father of Western capitalism, as he expresses in his text, *Wealth of Nations* that people need to be self-sufficient. He states that "Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens. Even a beggar does not depend upon it entirely."<sup>2</sup>

In modern society, by contrast, citizens seem to have the complete opposite view. Relying heavily on the benevolence of fellow citizens, many members of today's society seem to think that through government intervention, they will be provided with any and everything that they think they deserve; unemployment insurance, health insurance etc. Most of the elected officials in government seem to encourage this thinking too, proposing fanciful false promises in order to be elected. It is a shame that these Americans, who seem to believe that they are entitled were not alive to hear former president Grover Cleveland announce that "though the people support the government, the government should not support the people."<sup>3</sup> That was only about a century ago. James Madison who penned the Constitution also argued that it is hard to find a line in the Constitution which promises benevolence from the state to the individual. Now over half the federal budget is precisely a payment from the state to the citizen, and half of the citizenry does not pay taxes, precisely the group who receives most of the goods. Is this ethical? Rand would say no. Kant can be read several ways. Rawls would say yes.

#### **4. The United States of America**

The 2010 Index of Economic Freedom currently has the United States ranked the eighth most economically free country in the world, but we have fallen from higher rankings in the past.

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<sup>2</sup> Smith, Adam. *Wealth Of Nations*. 5th ed. London: Methuen & Co., Ltd., 1904. N. pag. Library Of Economics and Liberty . Web. 3 Mar. 2010. <<http://www.econlib.org/library/Smith/smWN.html>>.

<sup>3</sup> Grover Cleveland, 22<sup>nd</sup> and 24<sup>th</sup> president of The United States of America

This downward trend is considerably steeper than any other trend for the top ten nations, and seems to contradict the American mantra “land of the free”. As the government continues to raise taxation and restrict business freedom, Americans will continue to see their personal freedoms to produce and spend decline while an overbearing government grows larger and larger.<sup>4</sup> Can we link Randian philosophical claims to these empirical realities?

Thanks to a recent major study by the World Bank, a host of new freedom indexes are available which makes it possible to correlate economic freedom to a host of other dependent variables such as: life span, health, education, gender roles, race issues, standard of living. The final section of our paper will present over 20 falsifiable/testable claims relating capitalism to these other dependent variables. We should note that Capitalism is not always a positive force. We anticipate that Capitalism has had a negative effect on the family structure in the West, but we will see.

## **5. Conclusion**

There are obviously arguments for and against capitalism and there are both societal advantages and disadvantages to such a system. I plan to examine these advantages and disadvantages; examining whether in fact the advantages of competition and the free market system that Rand so strongly advocates in both her pieces of fiction and nonfiction outweigh disadvantages of capitalism. For Rand, this is almost the case by definition, but social science must to better. The debate must be put forward in falsifiable and testable terms.

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<sup>4</sup> "2010 Index of Economic Freedom World Rankings." *Index of Economic Freedom*. Ed. Jim Weidman. The Heritage Foundation, 2010. Web. 28 May 2010. <<http://www.heritage.org/index/>>.