

# Capitalism: Who Are Its Friends and Who Are Its Foes?

by Donald J. Boudreaux

*Marxian 'alienation' is a philosophically esoteric concept projected by intellectuals onto the working class, rather than a passion felt from within that class with such intensity as to drive the proletariat to the barricades.<sup>1</sup>*

—THOMAS SOWELL

One of the standard pillars of Marxist thought is that a person's economic position determines his or her political beliefs. People who are wealthy capitalists or prosperous members of the bourgeoisie support public policies favoring "capital" over "labor," while the ever-growing working class supports pro-labor as opposed to pro-capitalist policies.

As an economist, I always have been skeptical of this piece of Marxist dogma because, in a free market economy, pro-capitalist policies are not necessarily anti-labor, and pro-labor policies are not necessarily anti-capitalist. After all, capital accumulation increases the productivity of workers, which, in turn, increases real wages. Another problem with this Marxist proposition is that most laborers in free market societies are themselves capitalists. It is not uncommon for blue collar workers to directly own stocks in corporations, or, indeed, to own their own businesses. More significantly, nearly all working people in the United States own shares of corporations indirectly

through their pension funds. Thus, Marx's explanation of people's political views is far too simplistic to take seriously.

But over the years I've noticed another problem with this Marxist proposition: Not only is it too simplistic in presuming labor to be opposed to capital, it fails to explain the observed pattern of political beliefs.

Six years ago, when I took a faculty position in economics at George Mason University, it occurred to me that nearly all of my libertarian and classical liberal friends come from working class backgrounds, as I do. Were we the exception that proved Marx's rule? Or is Marx's rule wrong? I couldn't answer this question definitively because, quite frankly, I knew too few people who came from privileged backgrounds. So, when I entered law school two years ago at the University of Virginia, I decided to take note of the family and educational backgrounds of as many of my fellow law students as I could.

## Who Are Capitalism's Intellectual Foes?

Over the past two years I've conducted a casual empirical study of family backgrounds and political beliefs, using law students at the University of Virginia as my sample. This is a good sample set because a large number of my fellow students come from very privileged backgrounds and were

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educated at the best prep schools and undergraduate institutions in the world. But also a sufficient number (though not a majority) of law students at the University of Virginia are products of working class backgrounds and were educated at decidedly non-elite undergraduate colleges. I finally had the opportunity to test the veracity of Marx's explanation of political beliefs.

I found that Marx's explanation is backwards. The more privileged a person's background, the more likely he is to be a leftist. I know not a single classical liberal law student who is a scion of a wealthy family. Students who share my free market political views invariably are sons or daughters of blue collar or middle class workers, or of families whose substantial economic success was first achieved by the parents of these students. No classical liberal students that I know attended elite prep schools, and only a very few received their undergraduate educations at Ivy League universities. Likewise, the most committed leftists in the student body typically attended exclusive prep schools and, almost invariably, received their bachelor's degrees from schools such as Harvard, Yale, Smith, and Stanford. In short, it is the wealthy—or, at least, the children of the wealthy—who most shrilly criticize capitalist achievement and values. Capitalism's defenders come overwhelmingly from the working and middle classes.

An incident during my first year of law school reflects the invidious attitudes of students from privileged backgrounds. Our Constitutional Law class was discussing affirmative action when a black student spoke up against such policies. This student argued that affirmative action is unconstitutional as well as demeaning to minorities. It should be noted that this black student is from the Washington, D.C., ghetto, and, because of his own hard work, he managed to attend Dartmouth as an undergraduate. He also *earned* one of the coveted few positions on the *Virginia Law Review*.<sup>2</sup>

When this black student expressed his opposition to affirmative action, he was taken to task by several white students in the class—all of whom enjoyed an upbringing much more economically and socially privileged than that enjoyed by the black student. One particularly grotesque example of left-liberal presumptuousness took place when a white student (who is from wealthy Fairfax County in Virginia) openly accused this black student of being naive about what it means to be

black! Marx's explanation of political biases clearly doesn't explain the lineup of opinions manifested in that classroom.

## Why Do the Wealthy Promote Self-Destruction?

The findings of my admittedly informal study of family backgrounds and political views suggest the interesting question: Why this pattern? Why do leftists and interventionists come disproportionately from wealthy families, while libertarians and classical liberals come overwhelmingly from working and middle class backgrounds?

Several possible answers come to mind. One is that wealthy families are better able to send their children to Ivy League schools. Because leftist thought is most prevalent in these institutions, children from wealthy families are more likely to be exposed to interventionist ideas than are children from less advantaged families.

Another explanation that no doubt contains an element of truth is that children from wealthy families often feel guilty for being economically privileged. Of course, this guilt occurs when wealthy people come into contact with those who are below the poverty line. But it also occurs when wealthy people learn about working class lifestyles. A friend told me that he knows of a wealthy young woman who expressed surprise and shock upon learning that most people purchase automobiles on installment plans and not outright for cash. People who are accustomed to riding in nothing but new BMWs or Volvos quite naturally feel pity for those who can afford no more than Chevrolets or Toyotas purchased on credit. It normally doesn't occur to persons from wealthy backgrounds that people who are able to get credit to buy Chevys or Toyotas don't pity themselves, but instead feel quite pleased with their purchases. Leftist politics is a way to assuage the guilt that grows from this pity.

There is surely some truth to these explanations, but neither seems sufficient to explain the pattern of political views I detect among my fellow law students. The guilt explanation appears particularly weak.

Earlier I stated that I met in law school a few classical liberal friends whose families are quite wealthy. However, in all of these cases the parents of my classmates are the first generation in their

families to achieve substantial economic success. Therefore, the explanation for leftist bias among the wealthy that focuses on guilt clearly isn't a sufficient explanation.

The factor that distinguishes these wealthy classical liberals from the leftist children of other wealthy families is that the classical liberals are firsthand witnesses to the effort and risk-taking that were required for their parents to achieve great economic prosperity. Children from families whose wealth extends back two or more generations never see the productive source of their families' wealth and, hence, remain unaware of the extent to which hard work and risk-taking were necessary components of their families' substantial material success. My sense is that another factor in addition to Ivy League schooling and guilt contributes substantially to the leftist bias of people who enjoyed privileged upbringings.

My identification of this other factor leading to leftist bias isn't novel, but it does help explain the pattern of my casual observations better than any other hypothesis I can think of. It is this: Children from wealthy families take wealth for granted, whereas children of working and middle class backgrounds do not. The longer wealth has been in the family, the greater the inclination to look upon wealth as something to be distributed rather than something that must be created and continually recreated by hard work, sacrifice, and risk-taking. Children of the economically well-to-do assume that wealth is more or less a fixed stock that always has been and always will be around; the only question is how it is to be shared. In contrast, people who don't hail from affluent families generally understand—often at only an emotional level—that high tax rates, burdensome government regulations, and silly products-liability laws block the path of those seeking to produce wealth.<sup>3</sup>

Wealth isn't thought of by these people as an ever-present and indestructible fund that can be taken willy-nilly from its producers without causing a diminution in its size. Therefore, people from working and middle class families are much less likely than people from wealthy families to be suspicious of those who achieve economic success in the marketplace. Children of the non-wealthy are much more likely than are children of the wealthy to realize that a person who gets rich in the mar-

ketplace does so only by producing new wealth and not by taking it from someone else.

## Conclusion

Quite obviously, my empirical "study" of family backgrounds and political beliefs among my fellow law students is only very casual and impressionistic. And I don't wish to claim that there are no exceptions to my findings. Committed libertarians and classical liberals can be found among the ranks of the wealthiest in our society, and diehard interventionists exist among middle and working class citizens. Nevertheless, I continue to be struck by the prevalence of leftist interventionist thought among people whose families are wealthy and have been so for several generations. And I am equally struck by the disproportionately large number of libertarians and classical liberals whose parents or grandparents are of no more than modest means. I conclude from my casual survey that, to the extent that capitalism is threatened in America, its intellectual enemies come mainly from that group of people who Marx theorized would be capitalism's most staunch supporters. As usual, Marx was wrong. □

1. Thomas Sowell, *Marxism: Philosophy and Economics* (New York: William Morrow, 1985), p. 202.

2. I emphasize that this student earned his position on the law review. Like many law schools, the University of Virginia has a policy of setting aside a half-dozen or so law-review positions each year for minority students. Minority students who don't earn a position on the law review through their grades or writing skills get an additional opportunity to become a member of the law review by writing an essay explaining why their minority status (as opposed to their academic achievements) qualifies them for law-review membership. The black student who spoke out against affirmative action quite admirably refused even to participate in this minority set-aside program. He became a member of the law review solely by virtue of his academic abilities and hard work.

3. By silly products-liability laws I mean statutes and, more often, judicial rulings that impose on manufacturers monetary penalties for injuries to consumers that are caused by consumer negligence rather than by the negligence of manufacturers. A telling example of such a silly law was presented in a segment on CBS's *60 Minutes* several years ago. A farmer used a ladder to climb onto the roof of his barn during the winter months. The ladder remained in place through the spring, at which time, while being used by the farmer to climb onto his barn's roof, the ladder lost its footing. The ladder fell, causing injury to the farmer. The ladder fell for good reason: when the farmer put it in place during the winter, he set it on a mound of frozen cow manure and the manure thawed during the spring. Naturally, the ladder's footing wasn't secure on a mound of thawed cow manure. The farmer sued the ladder manufacturer and won. The court's argument was that the ladder manufacturer was negligent in not warning the farmer of such danger. See generally, Peter W. Huber, *Liability: The Legal Revolution and Its Consequences* (New York: Basic Books, 1988).

# Spending for Spending's Sake

by John Semmens

**F**ew of us are in a position to act as if price were no object. We weigh prices against values, so as to avoid wasting money.

It would seem that this would be a useful way to control public spending. Unfortunately, government's own procurement policies often forbid comparison shopping.

Consider the recent case of a Federally funded study of the need for a new regional airport in Arizona. This expensive study was delayed. The delay wasn't due to doubts about the utility of the study, though doubts were certainly warranted. Neither was the delay due to spending cutbacks aimed at trimming the Federal budget deficit. The delay was caused by the fact that Arizona bureaucrats were attempting to factor in price as one of the elements for deciding whom to hire to undertake the study.

The effort to consider price was relatively meager. In a list of factors to be evaluated, price was to have a total weight of 10 percent. Even this overstates the implied impact of price. Since bids are typically ranked as a percentage of the low bid, even a price twice as high would still get half the allowable points. The norm is for all the bids to fall within a few percentage points of each other.

Nevertheless, the possibility that price might account for as much as 2 to 3 percent of the weight in selecting a consultant to do this study was too much for the Federal Aviation Administration. The FAA's procurement rules forbid bureaucrats from factoring in prices when selecting a consultant. The Arizona bureaucrats were

told they must choose a consultant without considering price.

Eliminating price as a factor defies all logic. Surely, such a bizarre requirement demands an explanation. The only explanations offered, though, ranged from the stubbornly uninformative "we don't allow it" to the old standby of "this is the way we've always done it."

These "explanations" explain nothing. They merely illustrate the intransigence of a bloated government determined to spend more money. Of course, the Federal bureaucracy does have the support of Congress with its own mandates for higher prices (like the Davis-Bacon Act, which forbids contractors on Federal projects from competing on labor costs) and unnecessary purchases (like requiring the Navy to buy obsolete aircraft it doesn't want).

The Arizona bureaucrats resolved the issue of the regional airport study by re-advertising the project and selecting a bidder without regard to cost. The FAA's rules are followed by state bureaucrats because it is the only way to assure that Federal money will be spent in their state. The questions of whether a study was needed or whether taxpayers got the best value for their money were left unanswered.

The only way to answer such questions is to abolish the government program. Determining the need for a commercial airport is a question the market is ideally suited to answer. If a study is needed, it would be worth it for a private business to fund it. A private business would be likely to carefully weigh prices versus values in determining the scope of the study and in selecting who to perform it.

Usually government pretends to be cost conscious. Elaborate bidding rituals are conducted to buttress this pretense. Occasionally, though, the pretense falters, as in the case of the FAA's "no price" bidding regulation. This provides a clearer view of the real objective: spending for the sake of spending.

This clearer view should remind us that over-extended government doesn't work very well. The sooner a majority of us realize this and stop depending on government to do what it is unsuited to do, the sooner we can replace its malfunctioning parts with higher performing free market alternatives. □

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