

# Capitalism and Morality

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## “THE ROAD TO VIRTUE AND JUSTICE IS PAVED WITH FREEDOM: MURRAY NEWTON ROTHBARD”

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*The harm done . . . was that they removed economics from reality.*

—Ludwig von Mises

The future is uncertain. With the unpredictability of human choice due to changing ideas, values, and natural phenomena it is impossible to predict the future, especially in terms of political economy. So why do so many economists, philosophers, and political scientists claim to have all the answers? They are simply not dealing in reality. The fact that humans act, makes political economy unpredictable. If economics and politics were predictable there would be no reason for humans to act. Murray Rothbard comes from the school of thought which is based on an orderly universe, objective standards of truth, and the idea that there is a Natural Law which can be rationally apprehended, by all men, of all places, and all times. In short, The Austrian School of Economics is grounded in reality.

### Praxeology

Austrian Economics begins with the action axiom as the basis for economic thought. This axiom simply states that all humans act. Praxeology is the science of human action. This science begins with the following propositions. First, all humans act purposefully. It is from this basic starting point that Rothbard and other Austrians have deduced an entire edifice of economic truth.<sup>1</sup> Any attempt to deny this principle is self-refuting, because to deny that humans act is an act in itself. While some Austrians, such as Ludwig von Mises, held that this is an a priori truth, Rothbard's own position is in the Aristotelian and Thomistic tradition. His is an empirical position resting on reasoned generalization from the constant testimony of sense experience. Human action is an attempt to replace a less desirable condition with a more satisfactory condition. This is in full agreement with St. Thomas Aquinas who held that every agent acts for an end and acts for at least a perceived good. In *Summa Theologica* Aquinas writes, “All things contained in a genus are derived from the principle of that genus. Now the end is the principle in human operations, as the Philosopher states (Phys. ii, 9). Therefore it belongs to man to do everything for an end.”<sup>2</sup> Human action is willful action; any act not arising from the will is not properly called a human action. Similar to Aquinas, praxeology excludes non-purposeful behavior and that which is purely reflexive. That which does not act purposefully cannot properly be called human. The fact that men act by virtue of their being is indisputable and incontrovertible. It is the non-rational creature which acts according to instinct. Man is the sole creature which has the freedom to act against his natural inclinations, or irrationally.<sup>3</sup>

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<sup>1</sup> Thomas Woods, *The Church and the Market* (Lanham, MD: Lexington Books, 2005). 16

<sup>2</sup> St. Thomas Aquinas, *Summa Theologica*, Prima Secundæ Partis, Question 1

<sup>3</sup> Murray Rothbard, *Man, Economy, and State; Second Ed., Scholars Ed.* (Auburn, AL: Ludwig von Mises Institute, 2004) 101-102 and Woods, *The Church and the Market*, 16-17

Secondly, only individuals have ends. Collectives or groups have no independent existence aside from the actions of their individual members.<sup>4</sup> Only individuals have needs, desires, and ends for which they can act. Groups, whether public such as a government, or private such as a corporation, become meaningful only through the influencing actions of their individual members. When a software company is said to lower prices, it is not Microsoft which decides to lower the prices. The lowering of the prices is a decision made by individuals who after consideration decided it was a more satisfactory condition for them to have the price of their product lower than it was previously. The same is true for government. A government's action, and existence, is only meaningful because an individual, or individuals, have decided to act. The United States did not just invade Iraq. The invasion was the result of individual choice in the halls of Congress and the Office of The Presidency. If it were possible for collectives to have ends, there could be no difference of opinion in any group. Every member of a collective would have to be in lockstep agreement with all other members of the group. This is clearly not the case. All members of the Republican Party do not agree on everything which is part of the Republican platform. All union members do not agree with one another when it comes time to vote for a new contract or to go on strike. The votes cast by Republicans and union members are the result of an individual act designated by individuals as the best decision for them individually. Consequently, there can be no such thing as an end of the collective which does not take place as the action by a specific individual or individuals.<sup>5</sup>

Next, it is insufficient that an individual has unachieved ends he would like to fulfill. The agent must believe himself able to fulfill the end, desire the end, and have a plan to fulfill the end. A person may desire sunshine, but because it is two o'clock in the morning he has no way of achieving the end and therefore does not act.<sup>6</sup>

Praxeology is not ethics or psychology. The science of human action does not ask why. While Praxeology does give us data to make ethical judgments of actions, it is not concerned with the morality or immorality of the action. "It is important to realize that economics does not propound any laws about the content of man's ends. The concept of action involves the use of scarce means for satisfying the most urgent wants at some point in the future, and the truths of economic theory involve the formal relations between ends and means, and not their specific contents. A man's ends may be "egoistic" or "altruistic," "refined" or "vulgar." Economics is not concerned with their content, and its laws apply regardless of the nature of these ends."<sup>7</sup> Decisions can be made hastily or with deliberation, calmly or heatedly. This does not affect the fact that the action is being taken. Praxeology and economics deal with any given end and with the formal implications of the fact that men have ends and employ means to attain them.<sup>8</sup>

As previously stated, Praxeology is the study of human action. Human actions are the movement from a less desirable condition to a more desirable condition. The new condition is the end, the tools used to achieve the end are the means. In deciding what end to choose, there is one immense overriding factor. That factor is time. Human reason cannot even conceive of an existence or an action that does not take place through time.<sup>9</sup> Time is a means which is omnipresent in all human actions. Time is always scarce. Therefore man's ends become ordinal. For example, given three choices a man may only have time for one choice. The choice he most desires will be ranked first, the next desired second. Rothbard also notes that the action of continuation is still action. Faced with the decision of continuing to watch baseball or go for a drive, a man chooses to continue watching baseball. The fact that he passed up the opportunity for change is not inaction.<sup>10</sup>

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<sup>4</sup>Rothbard, *Man, Economy, and State*, 101

<sup>5</sup> It is not assumed that individuals are isolated from one another. Humans can be influenced by other individuals. See endnote 6 of chapter 1; Murray Rothbard, *Man, Economy, and State*

<sup>6</sup>Rothbard, *Man, Economy, and State*, 102

<sup>7</sup>Rothbard, *Man, Economy, and State* Appendix A Chapter 1

<sup>8</sup>Rothbard, *Man, Economy, and State* Appendix A Chapter 1

<sup>9</sup>Rothbard, *Man, Economy, and State*, 103

<sup>10</sup>Rothbard, *Man, Economy, and State*, 104-105

## Natural Law

A political-economic system based in reality must include the recognition of natural law. Natural law is the body of rules which man is able to discover through the use of reason. The fact that man is capable of discovering natural law through the use of reason is nothing more than a restatement of the Scholastic notion of a rational foundation of ethics.<sup>11</sup> Rothbard writes, “Thus, let there be no mistake: in the Thomistic tradition, natural law is ethical as well as physical law; and the instrument by which man apprehends such law is his reason-not faith, or intuition, or grace, revelation, or anything else.”<sup>12</sup> Rothbard is not insinuating that natural law is opposed to theology. Consider Aquinas’ statement when confronted with the notion that natural law does not need reason, “Since law is a kind of rule and measure, it may be in something in two ways. First, as in that which measures and rules: and since this is proper to reason, it follows that, in this way, law is in the reason alone.”<sup>13</sup> What Rothbard and Aquinas both mean is that humans, even if there were no revelation of the Ten Commandments, would still know through reason that acts such as murder, thievery, and adultery are wrong.

Rothbard is simply stating that those who believe that religion is a prerequisite for natural law are mistaken. This is a mistake which natural law opponents gladly accept.<sup>14</sup> The opponents of natural law theory find it much easier to dismiss the science of natural law as supernatural and toss it out of scientific discourse. Thus, Rothbard writes, “The believer in a rationally established natural law must, then, face the hostility of both camps: the one group sensing in this position an antagonism toward religion; and the other group suspecting that God and mysticism are being slipped in by the back door.”<sup>15</sup> However, “the assertion of an order of natural laws discoverable by reason is, by itself, neither pro- nor anti-religious.”<sup>16</sup>

## Realism

It should now be clear that human action must take place in reality. In fact, Austrian Economics does not question the nature of reality. This school recognizes that man is part of reality which exists independent of man. Mises wrote that, “From the praxeological point of view it is not possible to question the real existence of matter, of physical objects and of the external world.”<sup>17</sup> This external environment cannot be changed.

That which cannot be changed are the general conditions of the external environment. For example, gravity is not a means, it is a general condition of man’s external environment. General conditions cannot be the object of man’s actions. The fact that general conditions exist, cannot be changed, and cannot be the object of human action, is proof that an external reality independent of man’s mind exists.

Mathematical laws, physical laws, and economic laws are part of reality. Too often man ignores the fact that economic laws are as true, valid, and ascertainable as mathematical and physical laws. Changing, ignoring, or manipulating these laws is as absurd as ignoring gravity, changing mathematical law from two plus two equals four to two plus two equals five, or manipulating physical law to alter  $E=MC^2$  squared to  $E=MC^3$  cubed.

It is unthinkable that principles in math, physics and morality would be ignored, but to ignore economic laws, which are also rationally apprehended is to ignore reality. Government intervention in the free market amounts to government manipulation of standard, objective, and rationally apprehended laws of nature. Although the intentions are usually well-meaning, intervention leads to unintentional consequences. For example, the notion that everyone should receive an education is certainly noble. However, the interference in the free market supply of education inevitably leads to higher costs, poor education, and even poorer educational services. Public education, like most other public services, ignores human choice and freedom. It is not merely a “free education” that the government

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<sup>11</sup> Murray Rothbard, *The Ethics of Liberty*, (New York, NY, New York University Press: 1998) 48

<sup>12</sup> Rothbard, *The Ethics of Liberty*, 50

<sup>13</sup> St. Thomas Aquinas, *Summa Theologica*, Prima Secundæ Partis, Question 90

<sup>14</sup> Rothbard, *The Ethics of Liberty*, 47

<sup>15</sup> Rothbard, *The Ethics of Liberty*, 47-48

<sup>16</sup> Rothbard, *The Ethics of Liberty*, 48

<sup>17</sup> Ludwig von Mises, *The Ultimate Foundation of Economic Science* (online edition, <http://www.mises.org/books/ufofes/default.aspx>) 6

offers. Public education is mandatory and contains the same curriculum for all students as though they have no difference in talent, skills, and goals. Consequently, the public school system is rampant with problems such as ever-increasing taxes to pay, ever-increasing expenses, the millions of students who graduate with little or no skills needed to find gainful employment or advance to higher education, and the lack of discipline indicative of students who have no desire to attend school.

Another example worth considering is the government intervention in the money supply. The government's control over the money supply leads to such instability that one overheard word from the chairman, or even former chairman, of the Federal Reserve sends the stock market into a frenzy. An economic system which is stable enough that we can make the correct financial decisions which creates jobs, wealth, and a high standard of living cannot be subject to the whims of human choice. Mathematical law, physical law, and morality are not subject to human choice, the same should be true for economic law.

Problems such as these are indicative of government programs which are not driven by the needs and desires of those who are supposed to benefit from the programs.

Conversely, an institution in the free market can only be driven by the needs, wants, and desires, of its beneficiaries. Otherwise, it would perish.

## **Ethics**

In relation to ethics, Rothbard also mentions the Spanish Scholastics and the Jesuit Suarez. They contended that the natural law of ethics does not depend upon God's will. Even if God did not exist, if there is in man a dictate of right reason to guide him, it would still have the same nature of law as it now has. Though Praxeology does not judge the actions of man, man can use Praxeology in conjunction with natural law to make ethical judgments. This is the essence of realism. Man acts by a rational nature. Man is part of reality. Man is able to deduce a solid ethical formulation using his reason. This is certainly not opposed to religion or the nature of reality. According to the eminent historian of philosophy, Father Copleston, "Aquinas emphasized the place and function of reason in moral conduct. He [Aquinas] shared with Aristotle the view that it is the possession of reason which distinguished man from the animals and which enables him to act deliberately in view of the consciously apprehended end and raises him above the level of purely instinctive behavior."<sup>18</sup> Hence Rothbard concludes, "Moral conduct is therefore conduct in accord with right reason."<sup>19</sup>

This conclusion is opposed to the modern Humean notion that reason is a slave of the passions. In accordance with modern social science, relativism teaches that we can use reason to know what means to use to obtain specific ends, but it cannot tell us what ends should be preferred. Thus Rothbard replies, "If rational conduct consists in choosing the right means for the right end, relativism teaches in effect that rational conduct is impossible."<sup>20</sup> An example of this type of relativism would be; it is rational to know that to kill someone, shooting them is a sufficient means. This completely ignores the fact that killing a person is irrational.<sup>21</sup>

## **Metanormative Justice**

Rothbard agrees with the assertion that if natural means anything at all it refers to the nature of man and when used with law, natural must refer to an ordering that is manifested in the inclinations of a man's nature and to nothing else.<sup>22</sup> Here, Rothbard turns to John Locke. For it is the Lockean focus on the individual as the unit of action which the concept of natural law based politics establishes the natural rights of each individual. Rothbard chooses this definition of rights, "When we say that one has the right to do certain things we mean this and only this, that it would be immoral for another, alone or in combination, to stop him from doing this by the use of physical force or

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<sup>18</sup> Rothbard, *The Ethics of Liberty*, 50

<sup>19</sup> Rothbard, *The Ethics of Liberty*, 51

<sup>20</sup> Rothbard, *The Ethics of Liberty*, 51

<sup>21</sup> Excluding Defending oneself or others.

<sup>22</sup> Rothbard, *The Ethics of Liberty*,

the threat thereof.”<sup>23</sup> Rothbard does not mean that any use of the right is moral. He states this is a question of ethics, not political philosophy. For example, at the metanormative (political) level of justice, man has the right to his earnings, he should not have his earnings forcibly taken away, and he does not have to share his earnings. At the normative (ethical) level of justice it would be wrong for a person to hoard all of his money, not use it to help his fellow man, and not give money in the name of charity.

Before the notion of rights is explored further it is necessary to explain metanormative justice (political philosophy). Metanormative justice is concerned with how political institutions are created and the criteria which guide them. According to Edward Younkens, justice on the metanormative level is concrete, objective, and a recognizable principle which provides the foundation for a free society, “Metanormative justice provides a criterion for law and for the possibility of individual morality and normative justice.”<sup>24</sup> Thus, it is metanormative justice which supplies the moral criteria for social structures.

For Rothbard, Younkens, and others, it is natural law and natural rights which define what is just and unjust. Younkens compares the structuring of society to the structuring of a building or bridge.<sup>25</sup> The general conditions of nature, such as gravity, do not allow humans to build structures which are contrary to the laws of nature. Similarly, man cannot build social structures which are contrary to nature. Like the bridge built with no regard to the laws of nature, a social structure that is contrary to the natural law, the natural rights of man, and justice, will collapse. Metanormative justice dictates that man must be free to use his own reason to act freely without interfering with the rights of others. It is this idea of natural rights which can be used to create a system that makes it possible for individuals to be virtuous and pursue happiness.<sup>26</sup>

### **Private Property**

Returning to rights, Rothbard grounds every human right in property rights.<sup>27</sup> He maintains that no other rights are absolute unless they are grounded in property rights. To make his point, Rothbard discusses the right to free speech. The freedom of speech is certainly not absolute in the absence of the right to be present on the property from which the speech is made. For example, one does not have the right to protest a recent court decision in another person’s home. In the public square, permits may be required, the public may stop the protest because of the distraction and litter the protest causes, or the government may not like the protest message and shut it down. In none of these cases is the right to free speech absolute. Rothbard goes on to dispel the myth that not being allowed to yell fire in a crowded theater is a proper restriction of free speech. This myth was used by The United States Supreme Court to show that the restriction of free speech is sometimes necessary. Rothbard says it is not the speech which is punishable, but it is the violation of property rights which is punishable. If a patron who induces a panic in a crowded theater, the patron has violated the property right of the theater owner to hold a performance on his property and he has violated the property rights of patrons to enjoy the performance for which they paid the admission price. If it is the theater owner who causes the panic, he has violated the property rights of the patrons from whom he accepted payment for their right to see the show. What is said, or if anything is said at all, is irrelevant to the people who have had their property rights violated.

The right to publish written material is also bound by property rights. No one who is not in possession of the material, such as paper, printer, and methods of production, can print a political pamphlet. Anyone can write a letter to the newspaper, but the paper has the right not to print that letter on their property. Therefore, Rothbard concludes that any right to speech is less than absolute when ownership is not present. “In general, those problems where rights seem to require weakening are ones where the locus of ownership is not precisely defined, in short where property rights are muddled.”<sup>28</sup>

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<sup>23</sup> Rothbard, *The Ethics of Liberty*, 68

<sup>24</sup> Edward W. Younkens, *Principles of Metanormative Justice* (Online Article; Rebirth of Reason.Com) [http://rebirthofreason.com/Articles/Younkens/Principles\\_of\\_Metanormative\\_Justice.shtml](http://rebirthofreason.com/Articles/Younkens/Principles_of_Metanormative_Justice.shtml)

<sup>25</sup> Younkens, *Principles of Metanormative Justice*

<sup>26</sup> Younkens, *Principles of Metanormative Justice*

<sup>27</sup> Rothbard, *The Ethics of Liberty*, 152

<sup>28</sup> Murray Rothbard, *The Ethics of Liberty*, 156

How does property become owned, and how else does it affect man's natural rights? We turn once again to John Locke. Locke writes "[E]very man has a *property* in his own *person*. This nobody has any right to but himself. The labour of his body and the *work* of his hands, we may say, are properly his."<sup>29</sup> This is how property comes to be owned. When man makes use of property which is not owned, he mixes himself, his property, with the property of nature therefore removing the property from nature and now rightly possessing it himself.

The only other way for property to be owned is the voluntary agreement to trade and sell property. The terms of sale, trade, and all action is still governed by the natural law. "If, then, the natural law is discovered by reason from "the basic inclinations of human nature . . . absolute, immutable, and of universal validity for all times and places," it follows that the natural law provides an objective set of ethical norms by which to gauge human actions at any time or place. . . . In fact, the legal principles of any society can be established in three alternate ways: (a) by following the traditional custom of the tribe or community; (b) by obeying the arbitrary, *ad hoc* will of those who rule the State apparatus; or (c) by the use of man's reason in discovering the natural law—in short, by slavish conformity to custom, by arbitrary whim, or by use of man's reason. These are essentially the only possible ways for establishing positive law. Here, we may simply affirm that the latter method is at once the most appropriate for man at his most nobly and fully human, and the most potentially "revolutionary" *vis-à-vis* any given status quo."<sup>30</sup>

### Conclusion: Anarcho-Capitalism

Given the facts, laws, and realism involved in human action, Rothbard cannot reconcile a coercive state with the freedom toward which man is naturally inclined. His conclusion is a stateless society guided by principles of morality, justice, contracts, charity, and capitalism. He gives this political-economic system the name of Anarcho-Capitalism. Not in the sense of chaos or mob rule, but in the sense that there exists no government to coerce (education), steal from (taxes), and enslave (conscription), its citizens. These are actions which are clearly contrary to Natural Law and yet are routinely and regularly taken by governments.

Whether or not the total lack of government is actually feasible is certainly debatable. However, what is not debatable is that any government which goes beyond a minimal state which protects its citizens from force, fraud, and injustice is not compatible with human freedom. Man, using his reason, is capable of knowing right from wrong, deducing economic laws, acting for the right end, and making ethical decisions.

That humans should be free is a given if there is to be justice and virtue. Humans cannot act virtuously if not given the opportunity to act basely. Humans cannot act justly if they are not free to apprehend what is just and unjust. There is no freedom to choose what is just and virtuous, but there is no possibility to be just and virtuous if there is no freedom to choose to be so.

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<sup>29</sup> Murray Rothbard, *The Ethics of Liberty*, 65-66

<sup>30</sup> Murray Rothbard, *The Ethics of Liberty*, 61

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