

# *Capitalism and Morality*

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## **AYN RAND AND MURRAY ROTHBARD: CAN'T WE ALL JUST GET ALONG?**

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Many scholars who recognize that the Austrian School of Economics and the Philosophy of Objectivism have so many great things in common with one another have begun to build bridges between the two schools of thought. The similarities arise in their preferred outcomes of little or no government and the best way for society to operate economically and socially. Laissez-faire economics provides the best and only moral way for individual human beings to flourish in society. Both the Austrian School and Objectivism promote the idea that human beings act of their own free will and conscience and that this is what drives society. The two ideas were first brought together by Ayn Rand and Murray Rothbard in the late 1950's. After a few encounters however, Rand and Rothbard had a falling out and the two were at odds for the remainder of their lives.

Ayn Rand and Murray Rothbard are both well known for their love of individual freedom and liberty. Rand and Rothbard shared many of the same ideas relating to economics. The most important and fundamental idea shared by the two was individual freedom.

### **Rothbard's Influence**

Rothbard was a student of Ludwig von Mises and The Austrian School of Economics. The school rejected statistics as the avenue at which to arrive at economic laws and instead was philosophical in the approach to economics. The Austrians (Rothbard included) thought that economics were the product of human action and therefore unpredictable by mathematics. The praxeological approach to economics states that human beings act and that all economic theory can logically be deduced from that point. The action axiom cannot be denied because simply denying it is acting. Humans act to make our lives better, we choose between a number of options and decide what is best for us. Therefore, humans will act, humans will choose what is best personally, and all economic activity will arise from this.

Rothbard considered it a great injustice that the Austrians were virtually ignored in modern economical thought and academics. The reasons Rothbard gave for this is that the school was a century old and mostly forgotten, the school followed a philosophical rather than scientific and mathematic approach, and its individualistic nature was contrary to the collectivist thought prevailing at the time. Also, the works of its scholars including Menger were not translated into English until decades after being published in Europe. Rothbard endorsed Mises's praxeological economics fully and wrote the article entitled "*Ludwig von Mises and the Paradigm for our Age*", declaring it time to fully implement his vision of economics to turn mankind "away from death and despotism." Rothbard praised Mises for his theory of business cycles and its prediction of The Great Depression. Mises explained that when the value of money is artificially inflated by a government the economic "bust" that follows the economic "boom"

is inevitable. These cycles are unnaturally created by continued government intervention and would not occur in a truly free market economy. The only “medicine” is for the government to stay out completely and let the free market work itself out. Mises explained that interference by a coercive government will lead to more interference. This interventionist practice by a government will lead to unforeseen consequences that will tempt the government to intervene again and thus starting an unintended chain reaction of consequence and intervention.

Rothbard remains even in death a leading expounder of the ideas of the Austrians and his mentor Ludwig von Mises. A quote from Rothbard’s article about Mises gives us a great insight into what Rothbard thought of higher education in the U.S. and Mises never being offered a single academic post anywhere in the country, “the fact that a man of Mises’s eminence was not offered a single academic post and that he was never able to teach in a prestigious graduate department in this country is one of the most shameful blots on the non-too-illustrious history of American higher education.”

### **Rand’s Influence**

Ayn Rand praised Aristotle’s philosophy and derived her Objectivism from him. Aristotle believed that humans use reason to decide how to survive and what action to take to survive. Aristotle thought that humans could know reality through sense perception and using reason to decipher what was around us. Aristotle was an individualist, he thought that the purpose of man is to live life most proper to a man, to live happily. To live properly to man, a man must find the knowledge and action that he rationally discovers to further his own life. This very basic description of the philosophy of Aristotle provided the individualistic basis of Objectivism. Aristotle’s three basic philosophical axioms of non-contradiction, excluded middle, and identity were the beginnings of Rand’s Philosophy.

Perhaps a greater influence on Rand than Aristotle was a man who Rand was disgusted by, Immanuel Kant. It was Kant who Rand singled out as destroying man’s mind. She once stated that Objectivism is entirely opposite of the philosophy of Kant. Rand detested Kant’s philosophy that basically held that humans are incapable of knowing reality. Rand and Aristotle believed selfishness to be a virtue by which human beings act to flourish as human beings. Humans should act how it most benefits each of us individually as long as no force or fraud of other human beings is involved. Kant rested on a sense of duty. He believed that anything that was done for personal gain was not moral. Sometimes the best motivation comes from those we disagree with. Rand may have read Aristotle and liked his ideas and integrated them into her novels but the utter contempt that she felt for Kant’s thinking may have pushed her to fully develop her philosophy of Objectivism.

Rand was born in Russia and witnessed firsthand the Bolshevik revolution. When the communists came to power they confiscated her family’s business and the family fled to Crimea. When that area also fell to the Bolshevik’s, Rand burned her anti-Soviet writings and attended the University of Petrograd. When she was granted a visa to visit relatives in Chicago she left the Soviet Union promising never to return again. She started her career in Hollywood and when the House Un-American Committee wanted to ask her questions she was all too happy to answer. Rand vehemently opposed communism, fascism, and all socialist and collectivist thought.

The combined influences of, individualism and the love of reason in Aristotle, her disgust that she had for Kant and that she perceived him to hate mankind and reason, and the firsthand experience of a communist revolution and takeover led her to develop her own philosophy. Objectivism, no matter what its critics say, is a love for the human spirit, the human intellect, and above all the human. Rand’s philosophy is a tribute to the human person, she used Aristotle’s phrase “the best that is within us” in *Atlas Shrugged* for this reason. She believed that the best that is within us is what we should all aspire to reach, because of this she has become an influence, herself, to many people.

## **Rand and Rothbard**

### **Private Property**

Both of these great thinkers derived the natural right to private property from the thinking of John Locke. For both the right of private property is the essential component to freedom. According to both the right to private property is absolutely fundamental if human economic action is ever to exist in its most moral form. Rand held that an attack on private property was a use of force against man himself. Rothbard adhered to the right of self-ownership and first use first own. They would both be very upset at the current abuse of eminent domain by today's politicians at all levels of government.

### **Morality and Ethics**

Rand believed what was good for the individual to flourish and advance his life was moral. Acting selfishly to obtain that which a human rationally chooses to help him survive is moral. According to Rand all decisions derive from one choice, to live or die. That which allows humans to flourish is good, that which harms our prospect to live is evil. This is true of all living organisms, what separates humans from all other animals is the ability to rationally choose what is good and what is evil. All other organisms have a determined nature to survive, but man must learn and rationally choose what is good or evil. Some critics offer the third choice which is not to choose at all. However, not choosing to live is the same as choosing to die. The contempt Rand feels for people who are not able to choose for themselves is apparent when in *Atlas Shrugged*, Dagny shoots the guard who is not able to decide on his own what he should do.

Rothbard separates ethics from morality. Rothbard had a goal to develop a natural law oriented in natural rights. The right that a person has to take a particular action is not the same as the morality of taking that particular action. He thought it ethical to allow human beings to choose for ourselves what action to take, the morality of taking such an action is not judged by Rothbard, but the use of force or fraud against another person may be questioned.

What is morally right according to Rand is for a human to choose to think rationally and choose rationally what is best for him according to the situation. It is usually immoral to lie, however if you are lying to authorities to help a slave escape the Confederate South to the free North or to Canada you are acting perfectly moral. Rothbard would not make moral judgments unless the use of force was involved.

For both the use of force or fraud was unacceptable except in self-defense. Both thinkers held that non-aggression toward other human beings was essential in a free society. Unfortunately the absence of force or fraud has never been at any time existent on Earth. How to best deal with violators of another person's private interest is a place of disagreement for the two.

### **The State**

This is where the two have a disagreement. Rand loved the United States in its original and true form. In her famous speech to the graduating class of West Point she revealed her love for America,

*"I can say--not as a patriotic bromide, but with full knowledge of the necessary metaphysical, epistemological, ethical, political and esthetic roots--that the United States of America is the greatest, the noblest and, in its original founding principles, the only moral country in the history of the world."*

She believed in the minimal state that performed the essential functions for protecting individual rights. The state had the duty to protect its citizens and take retaliatory action against those who perpetrate

crimes when and if necessary. Only self defense and retaliation were permissible for Rand, it was not moral or the duty of the state to initiate violence. This involved police forces nationally and the military internationally. The state would also serve as an arbitrator through the court system to protect the right of contract. The right of contract must be recognized to have the free-market that Rand and Rothbard both wanted.

Rothbard felt that to fully believe in his principles he could not sanction a coercive monopolistic function governed by the state. In Rothbard's view any type of taxation is coercive and should be abolished. He believed that all goods and functions could be provided by the free market. He was a serious advocate for defense, police, and judicial privatization. Rothbard opposed all forms of statism as repugnant to true individual freedom. In chapter one of his book *Power and Market* Rothbard makes his case that private police, military, and judicial activity is the only true way for men to be totally free. He explains that private police and court systems in a free market would be efficient and fair. As a self described anarcho-capitalist, Rothbard was vehemently against any form of taxation that was not voluntary and viewed the judicial and police power of the United States or any country as coercive and monopolistic.

Rand and I both see the same problem of having competing police entities. If police firm A serves me and police firm B serves my neighbor and we have a dispute there is a chance of the conflict leading to direct violence. Competing courts would have the same problem. Rothbard states simply that if two litigants use the service of two different courts they could go to a final third arbitrator to make the decision. Rothbard envisions that there would be many smaller primary courts and a few appellate courts. I laughed when I thought how much this sounded like our present public judicial system.

Rothbard answers that any police force that lends itself to violence would not survive in a market that has competing police forces that tend to follow the basic rule of natural law. He contends that police firms that turn to open violence will go out of business. My view is that as much as we want a peaceful society there are those who turn to violence and theft to gain what they want. In a world void of force or fraud as Rothbard (and millions of other people) wants we would have no need for a police or military force. Unfortunately, this is not now, never has, and probably never will be the case. We will probably always have a need for a police force, whether it should be privatized or not is a lengthy debate.

If Rothbard had his way and police forces were privatized and there was no central government, I think there would be someone who would see the opportunity to seize control of the power that was once the domain of government. If police and military were made private there is nothing to stop the best police force from putting all others out of business, which is perfectly acceptable in a free market. The police force may be just and fair, but we end up with one police force that people will have to subscribe to if they want protection. This is basically the same thing we have today and what Rothbard opposes, with the exception that there is no law that you must subscribe to the protection of the force. This is where things could turn really ugly. People would take self defense and protection of property into their own hands and we would have a lawless society with shootouts at high noon.

If on the other hand, many police forces exist, and exist for the benefit of their clientele nothing would stop them from turning into mercenaries. In a worst case scenario we would have warlords paying their own private armies to exact revenge and punishment on their enemies or to take forcibly what is not theirs.

This anarch-capitalistic society scares me a little. I think it best to stop with Rand at the minimal state. The minimal state keeps private militias from imposing their will on other humans, it deters outside invasion by a hostile government, and it provides an independent and hopefully fair judgment of right and wrong according to the rule of law.

Rand contends that the democratically elected government of the U.S. is ruled by the consent of the governed and has only the powers delegated to it by the people through its elected representatives. Rothbard states that he was not there to sign any document and neither was any other living human being, therefore that pact does not apply today.

## **Money**

Now it is time to return to where the two stand in agreement, gold. Rothbard strongly advocates for a return to the gold standard making money a commodity that is traded like any other commodity. In his book, *What is Money?* Rothbard makes a very strong case for the return to the gold standard of money. He explains that artificial government inflation of money by adding to the money supply, and not capitalism, is the sickness that causes recessions and depressions. Recessions are the inevitable result of the marriage of government and the banking system. He goes back in time to explain that when governments first took control of the money supply they used the stamps of private banks that people trusted. He also answers that gold mining is not inflation because gold has other valuable uses such as jewelry and ornamentation. Also, gold is gold, as opposed to the difference in value of the Euro and Dollar. Transactions between individuals of different nations would not be nearly as complicated and recent problems that have sprang up between nations when one devalues its currency would be non-existent. For anyone who doubts that we as a nation and as humans should return to the gold standard, any of several books written by Rothbard are highly recommended.

Rand also believes in gold as the only true medium of exchange. In her utopia, depicted in *Atlas Shrugged* and symbolized by "Gault's Gulch", her money is worthless because there is no value in a piece of paper just because a government assigns it a value. In her paradise gold is the only medium of exchange. When Ragner returns wealth to the producers he does not do it with paper, he gives Reardon and others bars of gold. Her admiration of the dollar sign as a symbol of wealth and man's ability to gain wealth is only reasonable if that dollar is worth some amount of gold.

## **Philosophy**

Ayn Rand's philosophy of Objectivism is too complicated and extensive to include thoroughly in my confined writing space as is apparent in all the writings, books, and thousand page novels on the subject. The basic idea of this philosophy is that man can know reality through sense perception and rational thought. Rand contends that unlike every other living organism, man is not preprogrammed to survive, but must learn in incremental steps how to survive. This is also the basic choice from which all other choices are made. A man can choose to live or choose to die. The rationality of a choice depends on this one choice. There is the argument out there that says there is no choice, because choosing to die is irrational.

Included in this is her idea of measurement omission. When we are children and are first learning our surroundings we notice measurements such as length and determine what an object is. When we start to form concepts we omit measurement and know that a table is a table no matter what size it is.

I will state explicitly why I am a fan. Rand loves mankind and the ability of man to rationally choose what is best for man. There are no excuses in Rand's philosophy. Each man is responsible for his own decisions and actions. Opponents of this thought are always making excuses for people and constantly pass the blame. The looters in *Atlas Shrugged* are always complaining that it was not their fault or they do not act because they do not want responsibility. In the U.S. the liberal thought is to never blame anyone and forever saying that they cannot help it. The worst kind of taxation is the redistribution of income to those who do not want to work. This type of redistribution provides no incentive for the shameless to ever

work or earn a living. Objectivism is highly individualistic and makes no excuses for the man who does not act to choose what is good for him.

Rothbard seemed to choose not to argue philosophical differences as long as the outcome was the same. For example, his mentor Ludwig von Mises held the Kantian position that the action axiom was prior to man's existence and a law of thought. Rothbard disagreed but did not worry much about how the truth of how the axiom was concluded as long as it was true. Here Rothbard like Rand adopted an Aristotelian view that action was a law of reality that we know from experience. It would seem that the two would agree with one another's philosophy in an Aristotelian manner.

Rothbard concentrated on political philosophy. He wanted to see a society that was totally free of any government control and regulation. As long as there is no forceful action taken against another human being a man has the right to earn wealth and live in any way that he wishes.

### **The Rift**

With all of the ideas that the two held in common such as, nonaggression and self defense, the right to private property, free market laissez-faire capitalism, monetary policy of gold being the best medium of exchange, a similar philosophy in the denunciation of Kantian thought that man could not know reality, and the only significant difference was between having no state or a minimal state the two should have been the best of friends. They were not. With the realization that this topic has been discussed a number of times in many writings, a comparison of the two philosophers would not be complete without a brief mention of the scum.

Rothbard admired Rand's book *Atlas Shrugged* and even wrote to her saying so. After a few brief encounters the two had a falling out and to this day their followers continue the rivalry. Why they did is speculative, but rumor has it that Rand gave the agnostic Rothbard an ultimatum to divorce his Presbyterian wife within six months. Rothbard did not and it is said that Rand's group the "collective" held a trial in his absence and removed him from the group. It is also said that Barbara Branden, a Rand associate, threatened Rothbard with a lawsuit for supposedly plagiarizing her work that would become his published work *The Mantle of Science*. Whatever the reason for the fallout it was and still is ugly to some degree. Rothbard regarded Rand as psychotically running a cult and wrote *The Sociology of the Ayn Rand Cult* and also poked fun at her in his play *Mozart was a Red*. Rand considered libertarians her enemy until her death and disliked their use of her name and work to further their movement.

### **Conclusion**

Both Rand and Rothbard believed in the greatness of mankind. They believed that human beings were and are capable of great things. One only has to read the great works of these two monumental thinkers to realize the enormous faith that these two had in the mind of each human being.

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