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Capitalism and Coercion

by Allan Levite

A century and more ago, when Marxism was in its ascendancy as a theory, its followers (as well as many others) naturally believed its dogma about workers being the helpless pawns of capitalists—forced to sell their labor at less than its true worth, with no real alternative. But now, despite Marxism's collapse as both a theory and a founding ideology of communist governments, a very similar idea seems to be gaining ground: that big corporations force citizens to participate in the capitalist market system, or "compel" consumers to buy their products. Indeed, this idea can even be found in a good and useful book on the writing of history—written to *refute* the relativist, "postmodern" notion that historical reality is not objective fact, but only "socially constructed." The book is *Telling the Truth about History*, by Joyce Appleby, Lynn Hunt, and Margaret Jacob, all history teachers at UCLA. Here are the relevant quotes:

> One of the distinguishing features of a free-enterprise economy is that its coercion is veiled. . . . The fact that people must earn before they can eat is a commonly recognized connection between need and work, but it presents itself as a natural link embedded in the necessity of eating rather than as arising from a particular arrangement for distributing food through market exchanges. . . . Presented as natural and personal in the stories people tell about themselves, the social and compulsory aspects of capitalism slip out of sight and out of mind. . . . Far from being natural, the cues for market participation are given through complicated social codes. Indeed, the illusion that compliance in the dominant economic system is voluntary is itself an amazing cultural artifact.[1]

What is really amazing is how these three historians misunderstand the market process, especially the way it evolved naturally, over millennia, through trial and error—motivated by the efforts of all buyers and sellers to advance their well-being. This is not "far from being natural"; it is as natural as breathing. Furthermore, these authors make it sound as if capitalism became dominant because some authority imposed it on humanity. But history (especially recent history) clearly shows that capitalism won out over such competing systems as socialism because it works, while the competing systems failed miserably. To say, almost with an air of disdain, that capitalism is the dominant economic system, is like complaining that diesel locomotives have "dominated" (and replaced) the less-efficient steam engines. Historians, even more than others, should possess a greater ability (or willingness) to distinguish between mere

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metaphorical "force" and *actual* force.

We also need to examine the notion that injustice and exploitation exist whenever people are "forced" by circumstances to accept dangerous or low-paying jobs, or to buy products from capitalist firms. This deterministic view ignores the fact that the human race as a whole is indeed "forced" either to work for its bread or to starve—and to purchase most goods and services from *someone*, since humanity has long since passed the primitive stage in which each farm-household was self-sufficient and able to make everything it needed. To write their book, the three historians would formerly have had to buy a typewriter from a capitalist firm or write the entire manuscript in longhand, a laborious and time-consuming process. More likely, they purchased a word processor or personal computer and wrote their book far more efficiently. Were they "forced" to do so—or did they do it because they saw the tremendous advantages of such electronic equipment?

As for employment, accepting the best (or only) offer available, as unattractive as it might be, is *not* the equivalent of slavery—a situation in which actual violence, or the threat of it, is used to compel people to labor without pay and without the option to seek other work. That circumstances limit one's choices does not prove that one has neither the capacity nor the opportunity to choose, since everyone's choices are limited.

Having few alternatives instead of many is hardly the same thing as being compelled by physical force to make a particular choice. A merchant who is driven by competition to sell his wares at lower prices than he had hoped might just as well complain that he too is a victim of circumstances, "forced" to sell at "unjust" prices. In fact, quite a few businesspeople have been saying exactly that for a long time—complaining about competitors undercutting their prices—which is why U.S. manufacturers constantly beseech Congress to enact higher tariffs to stop the Japanese and the Taiwanese from "dumping" low-priced goods on the U.S. market. This is also how the so-called "Fair Trade" laws—a domestic version of the same principle—came to be passed. (Fortunately, they were repealed some years ago.)

And speaking of prices, it would be well to remember that capitalism's critics, especially during the 1970s, were bewailing the rising prices that government-produced monetary inflation had caused, blaming them on corporate "greed." Yet the *falling* prices of the subsequent period, especially noticeable in the case of PCs, VCRs, cellular phones, and other new technology, seem to have largely escaped the notice of such critics.

If the three historians were looking for "compulsory" features in an economic system, they should have been examining socialism, not capitalism. It is precisely the competitive aspects of the capitalist market that assure consumers real choice, instead of the compulsion of having to buy *one* government-manufactured product without competitive models to choose from. Indeed, at other times, writers with such views—when they let their guard down—complain about how capitalism has produced too much and allows for too many choices! French Marxist writer Simone de Beauvoir, visiting America, complained of the "shameless profusion of goods" in the drugstores.[2]

The Illusion of Corporate "Power"

Often critics of capitalism complain that corporations undermine democracy because of their possession of such economic assets as buildings, capital equipment, and large sums of money. The critics sometimes claim that the assets of the larger corporations exceed the GDPs of some smaller nations. But it is hardly fair to contrast corporate assets—which were gained by producing and selling goods consumers were willing to buy—with the revenues of governments, which extract taxes by genuine compulsion, or the threat of it. If I refuse to use Microsoft Word for Windows on my home PC and stick to Word Perfect for DOS instead—as indeed I still do—nothing happens to me. If I refused to pay my *taxes*, little imagination is required to predict what would happen to me. To harp about nothing but *corporate* "compulsion" in the face of the horrendous atrocities and injustices perpetrated by *governments*, especially during the twentieth century, is the height of folly. If corporations ever did take over and begin ruling the world, as some Marxist writers think they might, this could hardly be worse than having governments rule the world.

Critics of capitalism seem to treat current corporate control of economic assets as if it were permanent and unassailable. But just as "God is no respecter of persons," capitalism is no respecter of corporations. Firms that sell products consumers do not wish to buy either go bankrupt or lose money on the product and soon discard it, as Ford did with the Edsel.

The history of capitalism is littered with such examples. There was a time, not so long ago, when Sears had such a vise grip on American retailing that it looked like no power on earth could upset its hegemony. Then along came a small, little-known regional chain of stores called Wal-Mart—ruthlessly efficient and catering quickly and responsively to consumers' needs—and it knocked Sears right off its perch. There was a time when Sears executives would have laughed at the mere mention of Wal-Mart. But now they must be weeping instead, since by the late 1990s Wal-Mart's sales figures were more than double those of Sears. That's not the end of the story, however. Wal-Mart is now experiencing competition from merchants on the Internet, which might eventually spell disaster.[3]

At IBM during the early 1980s, who would have believed that the tiny firm from which it licensed its operating system—Microsoft—would by the late 1990s have a market value almost triple that of IBM? But that is just what happened. As these examples show, the "control" of economic assets under capitalism is hardly as permanent and threatening as it is made out to be. Since it is constantly in flux and highly transitory, changing hands from one competitor to another at the whim of consumers, how can anyone contend that this wealth is "controlled"?

The "corporate control" argument also insinuates that capitalists will typically make the right decisions and use their assets efficiently, in order to maintain that "control." But many don't, and they are the firms that soon miss the market dominance they might have obtained. Xerox may be the prime example. It invented its own personal computer, as well as the graphic user interface, the mouse, and PC networking—*before* such competitors as Apple Computer did. If Xerox had simply followed through effectively on the technological breakthroughs it already possessed, it would have reaped billions and would probably have controlled the PC market for years. But Xerox top management, not very farsighted, saw little market potential in these innovations; and when it finally rolled out its PC products, they were too late, too high-priced, and too clumsily marketed.[4] Having such "control" over product research and development was no help to Xerox in that industry.

Blame Enough to Go Around

A noteworthy feature of the argument that the free market is actually an instrument of coercion is that huge corporations are not the only ones blamed. Soon it becomes *self*-blame. For example, a college student recently claimed that "each and every one of us is at fault [for poverty]. In tolerating and even supporting a viciously capitalistic society, *we* are to blame."

Another writer maintained that "the *real* responsibility lies with the consumer. . . . *We* are to blame for the logging of the rain forest, ozone depletion, unsanitary work conditions, sweat shops, child labor violations, sexism, racism, homophobia and human rights violations every time we put money toward a company that participates in or indirectly contributes to these transgressions. When money is put toward a product, we essentially reinforce everything else the manufacturing company is doing." (This brilliant analysis was the product of a journalist. Kalle Lasn, previously a documentary filmmaker, similarly advocates holding shareholders personally responsible for corporate misbehavior.)[5]

Clearly, these writers' self-blame overrules their logic. Politicians routinely deceive their constituents, abuse their powers, sell their votes to vested interests—and vote to finance wars on other nations. In the twentieth century alone, wars claimed tens of millions of lives. So, by using the same reasoning, anyone who has ever cast a vote for a politician should share the blame for his actions and their consequences, which are often deadly. The only way to avoid taking on this burden of accountability would be to avoid voting altogether—making monarchy morally superior to democracy.

In much the same way, to befriend someone would imply moral indifference to every sin that the new friend might have ever committed. Living up to this standard—by reserving one's friendship only for those without sin—would result in a very lonely world indeed. This consumer-responsibility argument, however, has been used very selectively. Boycotts were organized against companies that did business with South Africa, since buying their products was said to support apartheid. When Western firms started trading with the USSR and Maoist China, however, it was said that buying their products did *not* imply support for those governments, but was rather a contribution to world peace and understanding.

Benevolent Lies

The corporate "coercion" idea implies that this power will be used for selfish ends that will inevitably tend to work against the public interest. From every news medium, as well as from films and television shows, we are bombarded by the argument that corporations lie and deceive because they have an economic interest in doing so—as if governments, by contrast, have a vested interest in telling the truth. A few examples will suffice to demonstrate that this is hardly the case.

> WASHINGTON [AP]—Social Security Commissioner Stanford G. Ross said Thursday people must *forget* "myths" about contributing to their own retirement and recognize the payroll deduction for what it is—a tax to support the elderly, the disabled, and their families.
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> Ross, who is resigning next month, criticized what he said is a *widely held belief* by the nation's workers that Social Security benefits are a "a sacrosanct entitlement" earned from "*contributions*" to the system.
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> The "*myth*" that the Social Security levy is a contribution, not a tax, "*proved valuable in the early days of the program*, but . . . is helping to confuse the debate over Social Security today," he said.[6]

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> Former Food and Drug Administration Commissioner David A. Kessler and former surgeon general C. Everett Koop bowed out of scheduled appearances today before a key House subcommittee studying the proposed tobacco settlement.
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> The No. 1 reason?
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> *They didn't want to testify under oath.*
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> After committee staff members told them to expect to be sworn in, they declined to appear, saying the oath-taking was designed to put them "on some sort of parity" with five tobacco executives who testified in January, according to the pair's letter to the committee. . . . "We have devoted much of our professional careers to . . . working for the public health. . . . We see no reason for the committee to suggest that *our* testimony about tobacco now *requires* that we be . . . treated akin to tobacco executives."
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> . . . The tobacco executives were sworn in with much fanfare in January; major *government* witnesses have *not* been.[7]

This seems to have been a judicious decision on their part. In July 1998, a federal judge vacated the EPA's 1993 report on the dangers of secondhand smoke, because it was spurious. One courageous newspaper columnist summarized what the EPA did:

> 1. It started with a conclusion.
> 2. It cherry-picked the studies it would include in its analysis.

3. When even the cherry-picked studies failed to show a statistically significant correlation [between secondhand smoke and cancer], it changed its methodology from the standard 95 percent to 90 percent.
4. Even by the bogus 90 percent standard, the cherry-picked studies showed only a very small risk.
5. It hid from the public the information that it was supposed to make available.
6. It lied about why it changed the standard.[8]

This was not the first time the EPA violated the 5 percent confidence rule, which is an established statistical principle. EPA studies in support of the claim that 20,000 people die annually from radon gas in their homes used the same tactic. Analysts ran radon exposure studies using the 5 percent rule and found nothing, so they increased the parameter to 10 percent. Suddenly the computers spit back what appeared to be a "nationwide epidemic of radon death," and the EPA then declared radon to be a major threat.[9]

As these examples of official deceit indicate, bureaucrats can hardly be said not to have a vested interest in maintaining their power and jobs. Much of what they do is done not to actually accomplish anything, but to justify the size of their budgets and keep them from being trimmed when the next fiscal year's budget is being written. And while consumer boycotts can damage the profitability of capitalist firms, bureaucrats need never worry about having to cater to public demand. They are insulated from criticism. Having been appointed rather than elected, they cannot be directly voted out of office. If anything, "coercion" comes from government bureaus, not corporations.

In the face of all this evidence—much of which is obvious—one cannot help but wonder why so many people see coercion where it does not exist. Part of the answer lies in H. L. Mencken's adage that Puritanism is the haunting fear that someone, somewhere, may be happy. The counterpart of this is that today's statists are people who constantly worry that someone, somewhere, is using free will to make a *choice*. To them, choice is the root of all evil. If they had to concede that human action is freely chosen, the entire structure of their many-faceted argument for socialism or government intervention would collapse. If individuals' behavior is based on choice, then the freer their choices, the greater the extent to which their utility is maximized, and the better off they are. This leaves little room for a government with any more power than that of the proverbial night watchman: to protect the public safety and leave everything else alone. Only by denying that free choice exists—and implying instead that human action is "coerced" by some "power structure" such as corporations—can one build a rationale for the interventionist nanny-state. But it is not far from philosophical *denial* of free choice to physical *prevention* of it—all "for your own good," of course. We may indeed see the face of coercion to an ever-greater extent, but if it comes, it will be delivered by the state, not the market. □

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1. (New York: Norton, 1995), pp. 120–21.
2. Quoted by Richard Pells, *Not Like Us* (New York: Basic Books, 1997), p. 167.
3. Lester C. Thurow, *Building Wealth* (New York: Harper, 1999), pp. 25–26.
4. Paul Freiberger and Michael Swaine, *Fire in the Valley: The Making of the Personal Computer* (New York: McGraw-Hill, 2nd ed., 2000), pp. 324–26. For the complete story, see Douglas K. Smith and Robert C. Alexander, *Fumbling the Future: How Xerox Invented, Then Ignored, the First Personal Computer* (New York: William Morrow & Co., Inc., 1988).
5. www.faith-and-the-economy.org/Thm4Art-Lasn.htm (a reprint of an article from *The Ecologist* Magazine, May-June 1999).
6. "Social Security Chief Hits 'Myth of Entitlement,'" *Chicago Tribune*, November 30, 1979, Sec. 1, p. 8. (Italics added.)
7. Saundra Torry, "Kessler, Koop Decline to Testify to Congress," *Washington Post*, March 5, 1998, p. A-6. (Italics added.)
8. Charley Reese, "It's A Shame that Americans Can't Trust Their Own Government." *Orlando Sentinel*, July 30, 1998, p. A-12. For a more detailed treatment, see *Passive Smoke: The EPA's Betrayal of Science and Policy* by Gio B. Gori and John C. Luik (Vancouver, B.C.: The Fraser Institute, 1999), especially Chapters 4, 5, and 6. The complete text of the judge's decision is reproduced in the Appendix.
9. Gregg Easterbrook, *A Moment on the Earth: The Coming Age of Environmental Optimism* (New York: Penguin Books, 1995), p. 246.