

Capitalism and Liberty: Background Concepts

This is not a course in economics, political science, nutrition, geography, etc. Many of the readings we do make claims about matters in these areas of research. It is always important to read critically and consider the evidence for the claims being made. This course is focused on *moral issues* in ethics and politics. So it will be useful to have some background moral and political concepts.

1. Capitalism

A *capitalist* economy is one based on privately owned means of production and in which goods and services are created for profit. There are many different forms of capitalism, depending on the ways and extent to which the state is involved in the economy. For example, under *laissez-faire* or *minimal state* capitalism, there is no regulation of the economy, protections of workers, etc. The role of the state is simply to provide police protection, the basic institutions needed for trade, e.g., the printing of money, and a legal system for protecting property rights. *Social welfare* capitalism is a system in which trade is (more or less) unregulated, but the state provides some form of safety net, e.g., unemployment benefits, social security, subsidized health care, collective bargaining rights. See Appendix of handout with diagram.

A. Exploitation

We considered Iris Young's understanding of exploitation as a form of oppression. She said:

Exploitation occurs "...through a steady process of the transfer of the results of the labor of one social group to benefit another." (*FES* 140)

But is this an adequate definition? There is a steady process by which professors transfer the results of their scholarly activity to benefit students, the general public, etc. Is this exploitation? It seems not.

There do seem to be cases, however, in which workers *are* vulnerable to exploitation. How can we capture this?

Capital goods: material resources, means of production.

Consumer goods: the cool stuff consumers like to buy, and by extension, services they like to have.

Marxian model: How do capital goods become consumer goods? Labor. The capitalist is the owner of the capital goods and hires laborers to produce consumer goods using them.¹ Here's the pinch: the capitalist then sells the consumer goods *for a profit*. What this means is that the consumer goods are sold for *more* than the value of the capital goods (including their upkeep, etc) + labor costs. The capitalist, then, extracts surplus value from the [goods+labor] and pockets it. The surplus value is, some argue, produced by the worker – after all, without the worker the capital goods would not have value to consumers – and yet accumulated by the capitalist. This suggests that in cases where the worker and the capitalist are distinct (i.e., the workers are not the owners of the capital goods) *the worker is not paid his or her true value*, i.e., what the worker actually produces, and so is *exploited*.

But the problem is that workers enter into a contract with the employer and in doing so seems to *consent* to the deal. The idea is that the contract makes the arrangement a fair form of coordination: each gets what they bargain for. And if workers doesn't like the terms of the contract, they can find work elsewhere.

¹ Notice that in the contemporary context, laborers often contribute more than simply their labor, e.g, they may themselves own tools and other means of production and even capital goods, and exploitation can occur at various levels. Consider the farmer who sells corn or soybeans to ConAgra. The farmer's labor plays a role in creating the material resources (foodstuffs) that go into making the consumer goods (packaged foods). If the corporation sells the packaged foods for a profit, then there are several groups of laborers who aren't compensated for the value they contribute: the farmer (and/or farmworker) and the factory worker.

As Wertheimer says in the essay assigned for today, "...consent is *morally transformative*." (561). What does that mean? There is a sense in which consent has the power to change an action from being impermissible to being permissible. It might even change a harmful act into one that is not harmful, or may make it illegitimate to complain about something. This is not to say, however, that consent is all that is relevant in making an act wrong. For example, people may consent to being party to actions that are morally wrong on other grounds. (Wertheimer's example is prostitution, p. 562.)

B. Consent

It seems that merely saying the right words is not sufficient for consent. In medicine we ask for *informed consent*. I don't meaningfully or validly consent if I'm manipulated, or if pressured by threats. How do we determine what's important for valid consent? Wertheimer suggests that we should look at why consent is valuable (564). He suggests it rests on the value of:

- voluntary cooperation (because we aim for cooperation that is mutually beneficial?)
- autonomy (because we value each individual's ability to shape their own life – think of Kant and persons as ends in themselves capable of creating value).

He points out that the value of voluntary cooperation yields a *negative dimension of consent*: you aren't permitted to force me to do something without my consent; and a *positive dimension*: in giving consent, I must be in a position act on my own values that have been formed in response to reasons in a context where I can critically reflect on what is valuable. The idea seems to be that I'm not (fully) autonomous if I just act in accordance with another's will, but must make the values I act on *my own* by reflecting on them and endorsing them.

So what implications does this have for consent? Liberto considers two "clauses" that might be included in an account of wrongful exploitation that correspond to these aspects of consent.

Exploitation theorists usually stipulate two necessary and jointly sufficient conditions for an act being one of wrongful exploitation. There must be something morally problematic about the gain that the exploiter achieves (e.g., the gain is unfair or is motivated by opportunism). One might call this the "Advantage Clause." In addition, there is some predicament that must characterize the circumstances of the exploited persons (e.g., a condition of desperation or a state of being without options). I will call this the "Vulnerability Clause." (*FES*, p. 567)

Liberto considers how to define the vulnerability clause by comparing two conceptions of exploitation (I've used 'W' for worker and 'E' for employer to make the definitions more vivid, but the definitions are intended to apply broadly and not just to workers and employers):

Valdman's: W is wrongfully exploited by E if and only if E extracts excessive benefits from W under conditions *where W cannot reasonably refuse*, i.e., W must have an urgent need that can only be met by E. (*FES*, 567, 568)

Wertheimer's: W is wrongfully exploited by E if and only if E transacts with W to E's advantage in a way that is unfair to W, and where there is a gap between what W agrees to and a "normative baseline" that is set by what two friends would agree to under normal circumstances. (*FES*, 568)

Liberto argues that Valdman's account is too narrow: it is too demanding to say that W is exploited only if W couldn't reasonably refuse. Sometimes we can reasonably refuse but are still exploited. (*Poor Student Renter and Lewd Promotion*, pp. 569-70) But we might worry that Wertheimer's is too broad: if we make a deal that benefits me because I have some advantages in the situation that a friend wouldn't normally use to influence you, am I exploiting you? Is the normative baseline really set by friendship?

Liberto sums things up:

Wertheimer's theory has at least three advantages over Valdman's: it can accommodate the wrongful exploitation that occurs when an advantage is extracted from someone with reasonable

alternatives, when the extraction is only possible because the victim has: an upbringing that has habituated him to the receipt of bad treatment; a subordinate position in a work-related power relationship; or a vulnerable physique in a culture that tolerates rape. Of course, Wertheimer's theory has the disadvantage of calling every case in which one person extracts an unfair advantage from another an act of wrongful exploitation, rendering Wertheimer's theory too broad....(571)

Questions:

- 1) Are you acting freely or autonomously when you are coerced? It seems that you are acting of your own free will in some sense – you could have chosen to be killed instead of giving up your money – but your liberty is clearly being compromised. (See Wertheimer p. 565) Some think that one important role of the state is to protect us from these infringements on our liberty.
- 2) Are you acting freely or autonomously when you are under duress? Again you are clearly acting of your own free will when you choose to enter into a disadvantageous contract, but if others can take advantage of the threats that circumstances pose to your well-being, are you free? Do you have the liberties that society should aim to protect?

2. Negative and Positive Liberty

“Negative liberty is the absence of obstacles, barriers or constraints. One has negative liberty to the extent that actions are available to one in this negative sense. Positive liberty is the possibility of acting — or the fact of acting — in such a way as to take control of one's life and realize one's fundamental purposes.”

(Ian Carter, <http://plato.stanford.edu/entries/liberty-positive-negative/>)

An important source of this distinction is Isaiah Berlin. He suggests we ask:

To determine the scope of negative liberty: “What is the area within which the subject — a person or group of persons — is or should be left to do or be what he is able to do or be, without interference by other persons?”

To determine the scope of positive liberty: “What, or who, is the source of control or interference that can determine someone to do, or be, this rather than that?” (1969, pp. 121–22).

Some have argued that the difference lies in the site of control: am I being controlled “from the outside” or “from the inside,” or am I in control of my own life? “While theorists of negative freedom are primarily interested in the degree to which individuals or groups suffer interference from external bodies, theorists of positive freedom are more attentive to the internal factors affecting the degree to which individuals or groups act autonomously.” (Ian Carter, op. cit.)

Questions:

- 1) When we affirm our right to “life, liberty and the pursuit of happiness,” what are affirming? Are we being given the right to negative and positive liberty? What are our moral obligations regarding the negative and positive liberties of others?
- 2) What qualifies you to having a right to liberty? What about criminals? Do they forsake their right to liberty? What about non-citizens? Do only humans have a right to liberty (in either sense)?
- 3) What is legitimate for the state (or other agents) to do in order to protect liberty?
- 4) If there is a right to private property, what does that right consist in? What are the capitalist's rights?

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