

BOOK REVIEWS

Debunking Neosocialism

GARY JAMES JASON

Selfishness, Greed, and Capitalism: Debunking Myths about the Free Market

Christopher Snowdon

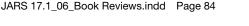
London: Institute of Economic Affairs, 2015. xxii + 204 pp.

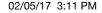
ABSTRACT: In this article, the author reviews in detail Christopher Snowdon's recent monograph *Selfishness, Greed, and Capitalism: Debunking Myths about the Free Market*. In the book, Snowdon sets about to debunk a number of distortions of—and outright myths about—free market economics. The distortions include strawmen such as the claim that free market economics assumes all people are motivated solely by selfish greed. The myths include views such as the Easterlin Paradox. The author suggests a number of ways Snowdon's analysis could have been improved.

Every semester in my business ethics classes, when I hand out the syllabus and give my introductory lecture, I tell the students at the outset that I am pro–free market—though not always pro-business. (It depends upon what the business does—hence the title of the course.) I then add that by "the free market" I mean what is often pejoratively called "the capitalist system"—though I personally welcome the term.

With this confession, most of the students look relieved. Most of them are business majors, and they are happy to discover that their ethics teacher doesn't regard them as automatically immoral for planning to work in our capitalist

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economy. But some—usually those humanities students who have been tutored by tenured socialists—look at me with hostility. And I know that they will they will raise a number of mistaken criticisms of free market economics, mistaken ones that recur semester after semester.

Readers of *The Journal of Ayn Rand Studies* should welcome, as do I, the publication of Christopher Snowdon's fine new monograph debunking the common myths about capitalism. Certainly, my emotional life is simplified. I can assign the book as an auxiliary text, and watch as 99 percent of the canned and rehearsed criticisms of capitalism evaporate. Snowdon, the author of several other books, is the Director of Lifestyle Economics at the IEA (Institute of Economic Affairs), and a historian by training.

After a brief foreword by IEA fellow Philip Booth, Snowdon outlines his goals for the book in a short preface. The book has two parts. The first addresses "strawmen," that is, common distortions of some of the principles of free market economics commonly advanced by many contemporary leftist critics of capitalism—critics I refer to as the "Neosocialists." The second section addresses outright falsehoods peddled by Neosocialists. He ends the preface with a sarcastic dedication of his book to the *Guardian*, the left-wing British newspaper that routinely bashes capitalism, and is notorious most recently for its unwavering support of Venezuela's socialist regime.

In chapter 1, he addresses the criticism that capitalist economics is based on the view of human beings as solely motivated solely by selfish greed. He quotes from a recent best-seller, 23 *Things They Don't Tell You about Capitalism*, by Neosocialist Ha-Joon Chang (2012), which tells the reader that free market economists view humans as "tunnel-visioned self-seeking robots," "totally self-ish," and "selfish, amoral agents." Chang supports these overwrought claims by citing Adam Smith's famous maxim that the butcher, brewer, and baker serve us a good meal not out of love of humanity but out of self-interest. How can such a view be correct, Chang implicitly asks, when we see altruistic acts quite commonly?

In response, Snowdon first points out that Smith was talking about human behavior in the marketplace, not in all of human life. I would be surprised if a child's mother fed him out of self-interest; but I would be equally surprised if the owner of the restaurant where the mother and child are dining was *not* motivated by self-interest—unless the mother and child are family or friends. I would add here that it is a common leftist supposition that the same love and altruism people experience in their family lives can somehow be made the norm in a large society of people who have not met the vast majority of their fellows.

Snowdon second notes that critics of free market economics often conflate self-interest with greed or selfishness, but they of course are different.









"Greed" connotes benefitting myself at someone else's expense, whereas "free market transactions only take place when two self-interested parties see a mutual benefit" (Snowdon 2015, 5). Again, he notes that critics of free market economics often equate self-interest with avarice; however, while deciding to have an orange juice with breakfast is simple self-interest, it becomes avarice if I steal it from a thirsty child.

Snowdon also observes that prominent free market economists have themselves readily acknowledged that self-interest doesn't mean only a desire for money. He quotes Milton Friedman on this point, saying that self-interest includes many different goals: the scientist who seeks to further knowledge and the philanthropist who wants to help the poor are pursuing their self-interest just as much as the businessman pursuing profit. Snowdon adds that Smith by no means thought that wealth was all that people do or should desire; Smith's personal life made that clear, and Smith's other major work, *The Theory of Moral Sentiments*, focuses on the centrality of sympathy in human life.

But the fundamental goal in business is to make a profit—unless it is a charity—and Smith's view is that in a free market, this interest in profit gets channeled into serving society. So even if a businessman is narrowly interested in his own financial reward, the discipline of the market will make him produce what others want. And Snowdon rightly suggests that this notion—that is, that people who are motivated primarily or even entirely by profit seeking can still produce good social results—is what sticks in the Neosocialists' craws. He quotes Smith's famous gibe at those who view profit seeking as grubby or disgusting: "I have never known much good done by those who affected to trade for the public good" (Smith 1904, 9).

As for the claim that "greed is good," Snowdon reminds us that this was spoken not by any real free market economist, but by a fictional moral monster invented by a leftist filmmaker (Oliver Stone) in the anticapitalist propaganda film *Wall Street* (1987). No, free market economists don't hold that greed is good, and—as a quote from Tom Palmer points out—greed is as often seen in socialist economies as in capitalist ones. I would add that Public Choice Theory suggests that it is just as common in government as in private enterprise.

In chapter 2, Snowdon addresses the strawman that economists believe that people are completely rational. Here again, he wants to explain what is true in the claim and what is false. Economists themselves vigorously debate this issue, with Nobel Prizes going to scholars (like Gary Becker) who hold that people are highly rational, and Nobel Prizes going to others (like Daniel Kahneman) who hold that people are highly irrational. Part of the confusion here is about the role of modeling in economics. Economic theorists often employ models—highly abstract descriptions of institutions—such as asking what would happen to prices in a perfectly free market with perfect competition. No economists







would say that there are now or ever have been in reality any perfectly free markets with perfect competition, just as no physicist talking about how objects would move on a frictionless surface would say there are now or ever have been in reality any frictionless surfaces. But the model leads to useful predictions about (say) what will happen to prices if we reduce barriers to entry in a market.

Moreover, while the basic economic model that lower prices result in higher sales isn't *invariably* true, it *tends* to be true generally, and this has been empirically shown. As Snowdon puts it, "economics is not a science, but it *is* a social science. It studies human activity, and therefore can never predict behavior with the precision with which we associate the natural sciences" (25). Similarly, while *Homo economicus* or perfectly rational man is a gross simplification, it does capture a major domain of human behavior: we tend to try to maximize our preferences, and—as James Buchanan has shown with Public Choice Theory—the model continues to explain otherwise seemingly inexplicable behavior.

In addition, economists from Herbert Simon to Bryan Caplan, Ronald Coase, Ariel Rubenstein, Vernon Smith, Cass Sunstein, and Richard Thaler, along with psychologists such as Daniel Kahneman and Dan Ariely, have developed behavioral economics into a flourishing field of thought. Snowdon summarizes what behavioral economics (more exactly, behavioral decision theory) has found. It is that—using Dan Ariely's phrase—people are "predictably irrational." People are irrational from the standard model (that is, mathematical decision theory, or game theory) in uniform ways. For example, people are "loss averse," that is, more afraid of losing what they have than of not gaining more. Snowdon says that while perhaps much of such "irrationality" is just lack of information, there has been enough demonstrated that rational choice theory is not tenable "in its most rigid form" (27).

Snowdon then performs a reversal of an argument that critics of free market economics—such as the aforementioned Ha-Joon Chang and Dan Ariely—typically push, namely, that the fact that people are often irrational decision makers justifies government intervention in the market. But government is composed not of angels but of people, no less irrational than other citizens, so why suppose that government decisions will be rational? In fact, government officials are making decisions affecting the governed based upon the self-interest of the self-same officials, not of the governed. Thus, those officials are inclined to pander to special interests, because those special interests have more to gain from government action, so they will follow what the government does more closely that the average citizen. Moreover, the voters who elect the officials are irrational as well: voters to this day typically believe most of the economic sophisms the Bastiat refuted 150 years ago, such as the ideas that protectionism and heavy government taxing together with spending generate prosperity. Why would we think that a state run by irrational people elected











by irrational people will therefore run the lives of millions of irrational people better than they themselves can? And, Snowdon nicely adds, people spending their own money have an incentive to gather information to decide more rationally; whereas voters in an election have little incentive to gather information about policies and politicians—and politicians have little incentive to gather information about policies—to decide for the common good.

In chapter 3, Snowdon deals with the strawman that free market economists think that GDP is all that matters. He quotes a number of writers—such as Joseph Stiglitz, Andrew Simmons, Stephen Lacey, and George Monbiot—accusing free market economists of being neurotically hung up on or addicted to economic growth. But Snowdon starts by replying that it is dubious that any economist, "neoliberal" or otherwise, ever held this. Even the economist who formulated the GDP as a measure, Simon Kuznets, explicitly said (in testimony before Congress) that the welfare of a nation can hardly be inferred from the GDP.

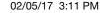
Yet as Snowdon observes, GDP is just one of a number of measures economists use to judge the health of an economy—just as blood pressure is one of many measures a doctor uses to judge the health of a patient. Of course, economists also look at measures of inflation, wages, inequality, and such, as well. Here he makes an ironic point: if growth at all costs were the goal of Western governments of the last thirty years, then why haven't we seen waves of major deregulation, wide-open immigration, massive tax reductions, the ending of tariffs and subsidies, and so on? In fact, we have seen the reverse: burgeoning environmental regulation, growing restrictions on immigration, as well as end-less regulations on health, safety, diversity, equality, and workers' rights.

He also quotes from a number of writers—such as Monbiot—who wrote in 2007 and 2008 that a recession would be welcome to correct people's unhealthy focus on wealth and consumption. But, he adds, when the "Great Recession" hit, and then dragged on for several years, this "disdain for growth lost its allure" (43).

Snowdon ends by noting that many of the critics of GDP growth really just mouth the platitude that wealth isn't all there is to the meaning of life—an antimaterialist critique of capitalism that goes back at least to Rousseau. But while the production and consumption of wealth isn't the entire meaning of life, it is certainly an important feature of it. And he adds an important point: what free market economists value is freedom—to buy and sell freely, from which wealth grows as a by-product. If some people want to pursue happiness some other way—such as by taking a vow of poverty and eschewing wealth acquisition—they should be free to do that as well.

In chapter 4, Snowden debunks the last strawman; namely, the claim that economists believe that modern capitalist economies are free markets. He again







quotes Ha-Joon Chang, who says that the free market is an illusion, because modern economies are highly regulated in terms of labor conditions, environmental impacts, what can be sold, and conditions of immigration.

The strawman here is to equate free markets with a "Hobbesian state of nature" (50); that is, to claim free markets can only occur in anarchies. But of course even the most ardent free market economists have made it clear that some government is necessary. They simply say that this governmental role should be limited. "From Smith to Friedman, objections to state interference in private industry have not been rooted in some fundamentalist obsession with whittling away the state—although others have made the argument for a minimal state on philosophical grounds (e.g., Nozick)—but because over-regulation frequently increases costs, stifles innovation and fails to solve the problems it sets out to address" (52). And he names many regulations free market economists find unnecessary: prohibitions against the sale of drugs and human organs, minimum wage laws, immigration curbs, and so on.

To the criticism that the only regulations that free market economists support are those that benefit big business, Snowdon replies that it was Adam Smith himself who spent so much effort warning about the danger of business trying to get laws enacted aimed at stopping competition; that is, rent-seeking. Snowdon points out that a free market economy is not the same thing as crony capitalism, and free market economists abhor crony capitalism. Moreover, it isn't just businesses that rent-seek: environmentalist groups, labor unions, and bureaucrats do so as well. The goal of free market economics is "not to eliminate all regulation, but to foster competition, innovation and efficiency" (58).

In chapter 5, Snowdon starts refuting the outright myths, the falsehoods, peddled by the Neosocialists. He starts with the oft-repeated claim that (in the words of a 1921 American hit song) "the rich get richer, and the poor get poorer"—a claim with which contemporary Neosocialists like Zygmunt Baumer, Naomi Klein, Zoe Williams, and Oliver James agree (as Snowdon shows by citing their own words; 65–66). This Neosocialist claim is just a restatement of Karl Marx's famous "immiseration thesis," his prediction that capitalism will immiserate the workers: "The modern laborer—instead of rising with the process of industry, sinks deeper and deeper below the conditions of existence of his own class. He becomes a pauper, and pauperism develops more rapidly than population and wealth" (66–67).

There is, of course, one problem with the "immiseration thesis"—it is completely and demonstrably false.

Snowdon cites figures from Britain's Office for National Statistics that between 1970 and 2009, household income had risen by almost 250 percent. And in terms of distribution, from 1977 to 2012, there were major income







increases for all five income quintiles—with the bottom fifth rising 93 percent and the top by 149 percent. In 2002, the bottom quintile earned in real terms more than the second quintile earned in 1977. Since 1975, wages have gone up 101 percent for full-time workers and 87 percent for part-time workers. In the bottom decile, full-time workers saw a rise of 96 percent, while part-time workers saw an increase of 106 percent (in constant dollars). And the proportion of full-time workers on the 2013-level minimum wage dropped from 45 percent in 1975 to 2 percent in 2013.

Looking next at share of Britain's national wealth—total household wealth—in 1970, the poorest 50 percent of the British owned essentially 0 percent of the national wealth, but by 2010, it had risen to 14 percent. On the other hand, the share of national wealth owned by the top 1 percent fell from 61 percent in 1923 to 21 percent in 2003, and for the top 5 percent it fell from 82 percent to 40 percent.

And as Thomas Sowell has noted, who constitutes the rich changes dramatically over time—people will move from lower brackets to higher and vice versa. For example, U.S. data show that an amazing 40 percent of Americans will make it to the top 5 percent of income earners at some point in their lives, and 75 percent will make it into the top 20 percent.

Snowdon concludes with two final points. First, income inequality is misleading: relative poverty is often defined as earning less than 60 percent of the median income, whereas absolute poverty is typically defined by an actual income level—say, earning less than two dollars a day. Absolute income can go down when relative income rises, and vice versa. When GDP rises, absolute incomes tend to rise but relative poverty tends to rise as well. This leads to the second point, namely, that Neosocialist critics will switch from one concept of poverty to another when it advances their critique.

In chapter 6, Snowdon explodes the myth that we are working ever more hours—which is really just an alternative version of Marx's immiseration thesis. Snowdon quotes from an article from the *Guardian*: "What would they [futurists such as Keynes in the early part of the twentieth century] have thought, if they had known that in 2012, the 9-5 working day had in the UK become something more like 7am to 7pm?" (78).

But like the other version of the immiseration thesis, this one is demonstrably false. OECD figures show that in 1900, workers in the developed world worked 3,000 hours a year on the job, but by 2013 it had dropped to 1,800. More recently, U.K. workers worked 38.1 hours per week in 1992, but by 2000 it had dropped to 37.7, and by 2011 it was down to 36.4 per week. That includes both part-time and full-time workers, of course; however, the average number worked by just full-time workers was 42.6 per week or 8.5 hours per day—not the 12 hours alleged by the Neosocialists quoted earlier.





More generally, while the period from 1880 to 2000 saw real incomes in the industrialized world explode nine- to tenfold, average hours worked dropped by 50 percent.

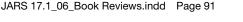
Ironically, any increase in the length of the work week seems to be focused on the higher earners. Between 1979 and 2006, the percentage of American men working more than fifty hours per week increased by 11.1 percent in the top income quintile yet decreased by 8.4 percent in the bottom quintile. So it is the wealthy who work longer—which is likely part of the reason the rich are rich.

In short, increased productivity has allowed average work weeks to decline in hours. And there are two other reasons why workers are experiencing more leisure time than ever before. For one thing, people now live an average of twenty years longer than they did in 1930, so their retirement lives are longer. Moreover, there has been a massive increase in the availability of labor-saving devices (such as dishwashers).

Finally, if Keynes's prediction back in 1930 that by now the average work week would be fifteen hours was wrong, it was wrong for two reasons: First, we probably could live a 1930-era worker's level of life today (living in a tiny apartment, no air conditioning, no car, and so on) for fifteen hours of work—but we all want a far higher level of material comfort. Second, work for most of us has evolved past stultifying factory work into more interesting service and knowledge work. We want to work more than fifteen hours. In fact, recent surveys of Australian and OECD workers indicate that the number of hours people want to work generally matches the number of hours they actually do work.

In chapter 7, Snowdon revisits the question of GDP growth as a good. He reviews the amazing growth of GDP. Over the twentieth century, GDP per capita rose 400 percent in the United Kingdom, 550 percent in the United States, and a stunning 1,400 percent in Japan. This was combined with a continuous improvement in product quality: a midlevel car in 2000 was far better than one in 1960, which in turn was far better than one in 1920. And this increase was not limited to the richest countries. From 1950 to 2010, world GDP per capita rose by 400 percent.

Snowden quotes Neosocialist Naomi Klein, who says that the last decade has seen a "massive redistribution and stratification of the world's resources" to the wealthiest people. But a recent study of 138 countries covering 93 percent of the world's population shows that the world has seen a dramatic reduction in poverty: it has dropped by 50 percent since 1990. He points out that much of the critique here is the old Malthusian myth, more recently prominently pushed in the 1970s by the Club of Rome's book *The Limits of Growth*. Here he reminds us of Milton Friedman's point that "the consumer movement, the ecology movement, the Hippie movement, the organic-food movement, the protect-the-wilderness movement, the zero-population-growth movement—have had only one thing in common. All have been anti-growth" (92).







reported happiness, adult literacy, and infant mortality.

Snowdon replies in several ways. First, he reminds us that wanting growth means wanting to expand people's abilities to get what they want—and that need not be selfish wants only. Second, would we really have been happy if growth stopped when the Club of Rome issued its report? At that time, half of U.K. households had no telephone, half of them had no central heating, and a third of them no washing machine. Indeed, as late as 1973, two million people in England and Wales had no indoor toilet, bathtub, or running hot water. I would add that nobody in the world had cell phones, email or Facebook accounts, laptops, streaming music and TV, or search engines at their disposal. Third, GDP does correlate with other measures of well-being, such as life expectancy,

In chapter 8, Snowdon takes on the Easterlin Paradox, based on famous research done by Richard Easterlin in the 1970s. Easterlin examined data on per capita GDP levels and levels of self-reported life satisfaction in several countries between 1946 and 1970. Easterlin's work purported to show that wealthier countries were happier than poor ones; within a country, wealthier people were happier than poor people; but within a country, as wealth increased, happiness leveled off and did not grow. The first two results were expected; however, the third was counterintuitive, to say the least. And it seemed to be just the sort of result that would buttress the antimaterialist critique of capitalism.

Now, Easterlin's work has been empirically challenged by a number of scholars recently, most notably by Betsey Stevenson and Justin Wolfers, and by Angus Deaton. But curiously, Snowdon dismisses the empirical issue, and suggests that the Easterlin argument is simply illogical; that is, even if Easterlin's data are correct, his analysis wouldn't follow. (I suggest below that this is not fully convincing.)

Snowdon's critique is straightforward: "If economic growth has failed to increase well-being, then so has everything else" (100). He argues here by "Logical Analogy." That is, from the premise that while per capita GDP has risen, self-reported happiness has remained constant; Easterlin concludes that rising wealth doesn't make people happier. But Snowdon points out that in the same period (1) while life expectancy has increased, happiness remained constant; (2) while crime has decreased, happiness has remained constant; (3) while the divorce rate has increased, happiness has remained constant; and (4) while the size of the welfare state has increased, happiness has remained constant. Yet do the antimaterialist Neosocialists conclude from 1, 2, and 3 that whether a person lives long or not, is a victim of crime or not, or is divorced or not have nothing to do with happiness? And the antimaterialists typically favor heavy redistribution of wealth via taxation to provide more welfare services for the poor and reduce inequality—which by their own reasoning should *not* make people happier.











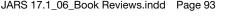
Snowdon also points out that no happiness surveys were done before the 1940s, so—for all we know—human happiness levels have been flat since Roman times. And he points out that it might be that human beings react to good and bad fortune by temporarily increasing or decreasing their happiness short term, eventually moving back to their normal level (the "set-point" theory of happiness). Here he reviews some fascinating research on happiness levels of lottery winners (about 4.0 on a 5-point scale) and paraplegics (about 2.96), and concludes that while people have an amazing tendency to adjust to bad times and good, there are still objective preferences—the blind would rather see, all things being equal. Snowdon's conjecture is that despite objective improvements in our living conditions, we adapt so quickly that we show no dramatic improvement in our subjective our subjective well-being.

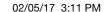
Snowdon reviews some of what those who believe that the "new science of happiness" (to use Richard Layard's phrase) tell us. People such as Layard advocate government intervention to raise general happiness. These measures include higher income taxes to discourage "excessive" work and to increase equality; food rationing to discourage "excessive" eating; taxing or banning advertising to discourage the desire for new and "luxurious" goods; and a steeply progressive consumption tax to discourage the consumption of luxury goods. But Snowdon points out that studies have shown that much of a person's happiness level is simply innate, and other studies point to factors beyond governmental control, such as religious belief, marital status, and age.

Snowdon adds that many antimaterialist critics are not solely motivated by evidence. He quotes Robert and Edward Skidelsky, who say that much of their anti-growth agenda rests not so much on the Easterlin Paradox as on their own vision of what people should want. (I would add here that it is odd how many economists complain about philosophers doing economics, but how few complain when economists do philosophy—specifically, ethical theory.)

Snowdon also attacks many antimaterialist critics of growth as being themselves quite wealthy. These critics are angered by the overconsumption of *other* people. Coming in for much of Snowdon's specific criticism is Robert H. Frank, whose book *Luxury Fever* decries the sinful consumption of luxury goods by the ultra-rich, and who wants a massive consumption tax (reaching 70 percent), but who himself fancies expensive Porsche sports cars. Snowdon points out that these antimaterialist writings invariably have three common elements: the "ideal" level of wealth and consumption is arbitrarily defined by these leftist authors—who view their own preferences as rational but everyone else's as irrational, and who view the social norms of their academic communities as superior to those of the average person in reining in conspicuous consumption.

But Snowdon replies persuasively to these points: First, the level of consumption the antimaterialists consider ideal is open to question. Was John Kenneth







impress your neighbor.

Galbraith right to say that the average standard of living in 1950s America was ideal, and that having more prosperity than that was pernicious? Second, these modern critics of conspicuous consumption differ among themselves about the "ideal level" that results in the happiest lives. Third, they falsely dichotomize that something is either a necessity or else merely a status symbol—as if wanting a bigger house than you currently have necessarily means you are trying to

In chapter 9, Snowdon debunks the myth that British inequality is rising. Again, he quotes a number of leftist writers who make this claim. But he shows that while inequality has grown recently in a group of rich nations (including Germany, Israel, Sweden, the United States, and others), income inequality hasn't grown in the United Kingdom in the last twenty-five years. This is true if you measure inequality by the Gini coefficient—the last rise in inequality was in the 1980s, and that was due to changes in the ways pensions were adjusted (leading to lower pensions) and the globalization of the market for highly talented producers.

He also documents how the already steeply progressive income tax and welfare programs in the United Kingdom serve to reduce inequality. So in 2012, while the income gap between the upper and lower quintiles pre-tax and pretransfer benefits was fourteen to one, after taxes and benefits are added in, it drops to four to one. He adds that in the most recent recession, the level of income inequality actually decreased, because the top earners saw their incomes fall while low-income earners—often pensioners and welfare recipients—saw their incomes hold steady. He notes that between 2008 and 2012 (the so-called "Great Recession"), the top decile saw their real income drop by 6.8 percent, while for the bottom decile it rose by 1.2 percent. The top quintile saw disposable income drop by 6.8 percent while the bottom quintile saw theirs rise by 6.9 percent. And while the very top earners (that is, the top 1 percent) have increased their lead—again, because the globalization of demand for top entertainment, management, and science/engineering talent—the Neosocialists have been unable to arouse much envy on that basis. As even ur-Neosocialist John Kenneth Galbraith noted, people are most prone to envy success in their neighbors and other people they regard as their peer group.

In chapter 10, Snowdon devotes considerable effort to demolishing the notion that inequality is the cause of various health and social ills. His focus is on a recent book, *The Spirit Level* (2009), by Richard Wilkinson and Kate Pickett. In that book, the authors present a welter of scatterplots of data on inequality and measures of various other phenomena within countries. Wilkinson and Pickett purport to show that low levels of income inequality are correlated with doing better on a variety of measures. They go beyond correlation to causality by claiming that the psychosocial stress caused by







inequality—that is, having an "unfair" economy—acts like a pollutant in a society, hurting rich and poor alike.

Snowdon demolishes this thesis by pointing to eight major defects in the analysis. First, there is evident selection bias at play in the Wilkinson/Pickett research. For example, the Wilkinson/Pickett data include just twenty-two rich countries, while a twenty-third—Singapore—is sometimes included, sometimes not. They got this sample set by taking the fifty richest countries and discarding the ones for which there are no inequality data or with populations below three million people. Their analysis postulates that further economic growth will not make these countries happier or healthier. But why did they take the richest fifty countries, and not the top sixty, say? Why exclude those with fewer than three million people, rather than say two million? And why have Portugal in the lineup, but not countries as wealthy or wealthier, such as the Czech Republic, Hong Kong, or South Korea? Suspiciously, when those countries are included, many of the Wilkinson/Pickett statistical relationships collapse.

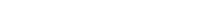
Second, Wilkinson/Pickett include outliers when convenient. For example, their claim that there is a strong correlation between inequality and homicide rate rests on just one country: the United States. Remove that outlier, and the correlation collapses. As Snowdon notes, it is hard to believe that America's relatively high income inequality *causes* it to have a high murder rate, when countries with similar income inequality (such as Singapore and the United Kingdom) have much lower rates of murder.

Third, Snowdon raises the problem that Wilkinson/Pickett dismiss the role that economic growth plays in social life. They do this because (they say) in the wealthiest countries, wealth doesn't correlate with longevity. But this is bizarre. One should look for all correlates in searching for causes. Certainly, while wealth correlates with happiness, inequality doesn't. And in the United States, wealthier states do better on their index of health and social measures than do the poor ones.

Fourth, Snowdon observes that Wilkinson/Pickett ignore history in their analysis. Under their analysis, inequality is the direct cause of various social and health problems. Therefore, we should see that as inequality rises, so should infant mortality and murder rates, while life expectancy should go down. But Wilkinson/Pickett do almost no such historical analyses. And, in fact, there is almost no historical support for their theory. For instance, life expectancy has risen in all developed countries for decades, irrespective of their levels of income inequality. Crime peaked in the 1990s across most of the Western world, and has dropped since, even in America—again, irrespective of inequality rate.

Fifth, Snowdon points out that the mechanism Wilkinson/Pickett posit to explain the relation between inequality and social ills—the stress of being at the





bottom of a hierarchy—seems to be a feeble explanatory factor. To begin with, most people are unaware of the income inequality in their country. Moreover, the connection between income inequality and hierarchy is dubious—for example, Japan has low income inequality but is a very hierarchical society. Moreover, there is evidence that while inequality (and therefore presumably hierarchy stress) has been increasing, so has the average reported self-esteem of the citizens of those countries. While it might be true that perhaps the self-esteem data, if refined to report the average self-esteem of the rich and the poor separately, might reveal a correlation between inequality and lower self-esteem in the poorer citizens, Snowdon's point is that Wilkinson/Pickett don't even bother to look for one. Also, it is hard to see how hierarchical stress could explain variation in levels of foreign aid or of recycling. Finally, there is no correlation between inequality and the level of heart disease, as one would expect if inequality caused stress.

Sixth, Snowdon points out that Wilkinson/Pickett are biased not just in their selection of countries, but in the social ills they select to study. They include rates of drug abuse but not of alcohol usage or smoking levels. They include the rate of recycling but not those of unemployment, suicide, or divorce.

Seventh, Snowdon cites a survey of all the relevant literature published on these topics in the last decade, which shows that income inequality is not generally correlated with health differences, despite the claims of Wilkinson/Pickett that the "consensus" of science is behind them.

Eighth, Snowdon suggests that Wilkinson/Pickett are trying to "medicalize" a question in political philosophy; namely, how much and what sort of income inequality should be tolerated in exchange for increasing general wealth. Turning inequality into a kind of disease makes it tempting to bring government to bear to "solve the problem," and it makes their research look like hard physical science in its quality and in being—unlike most sociological "research"—nonideological. Snowden adds that the sort of "ecological studies" that compare aggregate data from across countries (of which Wilkinson/Pickett is just a case) are generally considered the least reliable of social scientific studies.

In chapter 11, the final chapter, Snowdon tackles the myth that in the United Kingdom, if you are born poor, you will die poor. (He confines himself to Britain, though I suspect his analysis would work for the United States and other developed countries as well.) Like the alleged rise in inequality, leftist authors decry the lack of social mobility in recent times.

Just as with income inequality, one must distinguish relative from absolute mobility. Absolute mobility is moving from a fixed income class, and it is not zero-sum. Over time, a society could see the class of people earning (say) ten thousand dollars or less annually dwindle to nothing over time. But relative



income inequality—say, between the lowest quintile and highest quintile—is zero-sum. If one person moves up, another mathematically must move down. Also, there is a difference between class as defined by income level versus by occupation.

Snowdon argues that the claims that mobility in the United Kingdom is declining and is worse than in other countries rest on one dataset (from economist Jo Blanden), which compared data from two "generations" born only twelve years apart (1958 and 1970). He cites research criticizing the Blanden data and the statistical significance of it (Snowdon 2015, 172). And while there is debate about whether mobility between income classes has decreased, "it should be noted that none of the academics involved claim that movement between *occupational classes* has become less fluid over time" (172–73). And even looking at income classes, while there is debate whether there has been a decline in relative mobility, nobody claims there has been a decline in absolute mobility.

Snowdon concludes by reviewing a study by Peter Saunders that suggests that the major predictor of whether a child will wind up in a higher class is not the parents' social class nor the type of school the child attended, but the child's IQ test result at age eleven. So the United Kingdom is (like most of the rest of the developed world) increasingly a meritocratic state. "Half of the variance in occupational outcome at age 33 can be explained by cognitive ability alone" (179). Snowdon ends by pointing out that "[t]here are greater opportunities for British workers than ever before in absolute terms and, while social mobility is imperfect in relative terms, there remains an enormous amount of movement between different income groups" (181).

As good as Snowdon's book is, there are a few suggestions worth making for any future new edition. To begin with, the book has no index, which is always a drawback in a scholarly work.

Another problem is that Snowdon's discussion of self-interest versus greed is tangled. He should have made several major distinctions. First, we should distinguish between the purpose of a business and the purpose of its principal(s). Unless the business is a nonprofit, its purpose is to turn a profit for the principals: the owner(s) if it is unincorporated, the shareholders if it is incorporated. A point Snowdon might have made here is that one reason it is morally defensible for a business to focus on making a profit is that it is very hard to be profitable in real life. For example, the U.S. Small Business Administration notes that of all new (start-up) businesses, 50 percent fail in the first five years, 67 percent fail in the first ten years, and 75 percent fail in the first fifteen years. In other words, only one-fourth of all businesses ever make enough profit to survive even fifteen years.

On the other hand, the purposes of the principals in running the business are often varied. Yes, the most common purpose of the principals in for-profit





businesses is to keep the money for themselves, but others may not have that purpose. A fine illustration of this is the food company Newman's Own, founded in 1982 by the actor Paul Newman and the writer A. E. Hotchner. The principals—originally Newman and Hotchner, but with Newman's death in 2008, now Robert Forrester holds the company—contribute all the after-tax profits to charity. This charity is specifically the Newman's Own Foundation (which distributes the money to a variety of charities and nonprofit organizations). The purpose of the *company* is to produce and market profitably a wide variety of food products (pasta sauce, salad dressing, frozen meals, and the like) in the competitive market, but the purpose of the *owners* is to give away those profits to charity.

Related to this is the distinction between what is ultimately desirable—that is, desirable in and of itself—and what is merely instrumentally desirable—that is, desirable as a means to get something else. The fact that the principals of a business may desire profit—money—doesn't mean they value money ultimately. Unless they are misers, they want the money for what it can buy, which can be goods they value for themselves (fancy cars, expensive cigars, or the like), or it can be goods for other people. One suspects that in the twenty-eight million small businesses in America today, for example, the vast majority of principals want profits to feed, clothe, and house not just themselves, but their families. People helping their families survive are indeed acting "altruistically," not in a strictly "self-sacrificial" way but as a form of "kinship altruism," to be exact. Put another way, the preference to help your kin (like the preference to help society generally) is an "other-regarding" preference, as opposed to purely "self-regarding" preferences such as the desire for things for oneself alone.

Also, we ought to note that while people often have pure or simple motives, people also often have compound motives. A simple motive is a case where one is trying to achieve one preference or goal, such as the simple desire to eat. A compound motive is one where one is trying to achieve multiple goals. For instance, I teach out of a number of goals: I enjoy the subject, want to help educate young people, and, yes, desire to have an income. Similarly, business owners are often motivated in part by the desire for profit, but also by a desire to render an excellent product or service—in short, pride in their work or profession.

Finally, as Aristotle held, regarding self-interest, we can say that there is a vice of deficiency, a vice of excess, and a mean of virtue. Too little self-interest hardly has a name—we might call it "self-neglect." "Prudence" is having a reasonable amount of self-interest. True "greed" is having an excess of self-interest.

So greed rightfully understood is an excess of purely self-regarding self-interest. While some businesspeople can very accurately be called greedy—such as Ken Lay, former CEO of Enron, or Bernie Madoff, the man who ran the



largest Ponzi scheme in American history (aside from the federal government's Social Security system)—the vast majority of business principals clearly are not. Either they are at least partly other-regarding in seeking a profit—seeking that money to help their kin and friends survive—or else they seek a profit not for themselves but to fund charitable causes, or else they want a profit for themselves but also want to render a good product/service for others, or else they are purely motivated by self-regarding goals, but are in no way excessive about it. And even the truly greedy are constrained in great part by market discipline.

Another issue is that the discussion of whether economics is a science is tangled. It could have been helped by distinguishing deterministic from statistical or stochastic causation. A "deterministic" cause is one that produces its effect in every case. A "stochastic" cause is one that tends to produce its effect in a population. Accordingly, deterministic laws are universal, while stochastic laws are statistical only. The law of falling bodies states that all objects without exception when released near the surface of the earth in a near vacuum will fall downwards with an acceleration of 32 ft./sec²; whereas the medical law that heavy smoking causes lung cancer doesn't say all heavy smokers will develop lung cancer, nor that all nonsmokers will never develop lung cancer, but only that in a large, representative population, those who smoke heavily will have statistically significantly higher rates of lung cancer.

So of course economics is a science. But whereas deterministic laws are commonly found in the physical sciences, they are less often found in the biological sciences and almost never in the behavioral and social sciences—there, stochastic laws are the norm.

Another problem concerns Snowdon's discussion of behavioral decision theory. It would be improved by talking about the "smart heuristics" approach of psychologist Gerd Gigerenzer. Gigerenzer holds that while people may not use mathematical decision theory in decision making, they are not therefore simply "irrational." Rather, people often employ smart heuristics, meaning cognitive rules of thumb that have in human evolutionary history proven reliable. Rational decision making (in his view) involves choosing the right heuristic from our individual and institutional "adaptive toolboxes" to make quick but typically accurate decisions without having to engage in massive data gathering followed by complicated calculations of probabilities.³

Regarding his discussion of the notion that free market economists take wealth to be the meaning of life, Snowdon might have distinguished between the materialist and the antimaterialist (socialist) critiques of capitalism, and then examined the role of the antimaterialist critique plays in contemporary leftist thought. The *materialist critique of capitalism* is that capitalism doesn't create wealth as well as does socialism—a "properly run" socialist state would deliver wealth more effectively than free markets. This critique was what Marx





advanced in *Das Kapital*, and after Marx, the traditional left tried to convince people that they should want socialism since it would deliver greater GDP growth. However, the history of socialism in the twentieth century has completely exploded this dream of "scientific socialism."

The antimaterialist critique of capitalism is that while capitalism does produce much material wealth, material wealth (beyond a certain basic level) makes people unhappy. The antimaterialist critique was first advanced in modern philosophy by Rousseau, and was also given by Marx in his "romantic socialist" period (for example, in his *Philosophical Notebooks*)—though it was implicitly advanced even by Plato. Modern New Left critics such as Monbiot, Chang, and so on deeply desire socialism, generally because they view wealth equality as the ultimate good. So the modern anticapitalists—these Neosocialists—try to convince us that wealth isn't a big deal anyway.

In other words, Snowdon's gibe—that if wealth were the be-all of modern economic systems we wouldn't have the current degree of state intervention we have—should have led him to realize that contemporary critics of capitalism really believe the contraposition of that claim. That is, since the collapse of Marxist regimes, modern ("New") Leftists understand that to achieve equality of income—along with their other preferences, such as short work weeks, the end of using fossil fuels, and so on—GDP growth will have to grind to a halt. So they now try to convince people that they shouldn't want GDP growth.

Concerning his discussion of the strawman that free market economists think that the free market requires anarchism (chapter 4), while Snowdon is right to focus on the long line of mainstream classical liberals from Adam Smith to Hayek and Friedman, he ought to mention that some free market economists have in fact argued for anarchism: Murray Rothbard's anarchocapitalism comes to mind here.

As regards his discussion of the immiseration thesis in chapter 5, his data are only from the United Kingdom. Similar data from the EU, Canada, Japan, and the world as a whole would have increased the power of the debunking. Granted, he was writing a book published in the United Kingdom, but how does the reader know that the United Kingdom is representative of capitalist economies?

Turning now to Snowdon's treatment of the Easterlin Paradox, several points should have been made. To begin with, while Snowdon rightly notes that recent empirical work—especially by Betsey Stevenson and Justin Wolfers, and by Angus Deaton—has refuted Easterlin's work, Snowdon doesn't review any of it. The Stevenson/Wolfers research in particular is extensive, covering many countries and looking beyond surveys of happiness. It corrects Easterlin's own earlier data, and robustly supports the view that in no case does increasing GDP *not* correlate with increasing happiness, although the relationship is









logarithmic rather than linear: you would have to give ten times as much to a person earning a million dollars annually as you would to a person earning a hundred thousand to see the same increase in happiness.

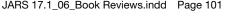
More importantly, Snowdon doesn't explain why Easterlin's putative result was considered paradoxical. It is that under the standard economic view, happiness consists in having your preferences—be they self- or other-regarding—met, and money is a medium that allows a person to do this, so it would seem axiomatic that increasing income would correlate with increasing happiness.

This suggests that Snowdon's own critique of Easterlin (and more recent similar Neosocialist arguments) is not deeply compelling. Snowdon says that while the antimaterialist skeptics conclude from the premise that happiness is constant even as income per capita rises that income doesn't cause or create happiness, these critics don't conclude from (for example) the fact that happiness is constant even as the average life span increases that longevity doesn't cause or create happiness. But there is nothing paradoxical about the second argument. My life span and the life span of those around me could be rising without my knowing or perceiving it. But even if I didn't notice my increasing wealth—which is hard to imagine—I would still be getting more of my preferences met, which *should* result in increased happiness.

While considering the logic of Snowdon's critique of the antimaterialists, I would add that the ad hominem attacks on (among others) Robert H. Frank—who is ever worried about conspicuous consumption in American society but himself drives around in Porsches—aren't particularly persuasive. So Frank is a hypocrite—so what? Does that mean there is no such thing as conspicuous consumption?

Touching upon a point I made earlier concerning Gigerenzer's notion of adaptive heuristics, I would suggest that a more fruitful defense of seeming affluence and status seeking against antimaterialist critiques is simply this. We are evolved hominids, and the desire for status display lies deep in our desire to reproduce. By displaying wealth, a man in particular signals to potential mates his fitness for taking care of offspring, hence his fitness for reproduction. And that is a biologically deeply rooted preference, hardly one that can be dismissed as irrational.

Finally, in his critique of the claim that inequality causes health and social ills, Snowdon might have pointed out that inequality and other such data indexes are notoriously dicey. For instance, there is a difference between measuring income per person versus per household. In a time of rising divorce rates, household income data will show an artificial decline, since formerly wealthier two-income households become separate poorer one-income households. Again, regarding infant mortality, the United States looks deceptively bad—because hospitals here try to keep very premature infants alive, ones that other countries let die and do not count as ever having been alive. Longevity data that







do not pull out deaths due to murders and auto accidents will again make the United States look artificially bad. That we prefer cars to mass transit may or may not be a problem, but it is separate from how healthy people here are in fact. Worse, infant mortality and longevity data are self-reported by countries, and any authoritarian regime will be inclined to twist or falsify those data to make itself look better.

In short, the idea that the Wilkinson/Pickett research is of the quality of physical science is beyond absurd—it is in the realm of the daffy.

However, these are minor problems in an otherwise fine book. This book would be useful in business ethics, political philosophy, and social philosophy courses.

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NOTES

- 1. Snowdon made the same argument in his contribution to Philip Booth's anthology (Booth 2012).
- Online at: https://www.sba.gov/sites/default/files/SurvivalRatesAndFirmAge_ ADA_o.pdf.
- 3. For a detailed discussion of Gigerenzer's criticisms of Kahneman, and whether there are, in the end, major differences between the two scholars, see Vranas 2000. My point is simply that Snowdon should have at least mentioned the possibility of a third perspective here.



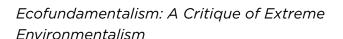


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Debunking Ecofundamentalism

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ABSTRACT: Rögnvaldur Hannesson, an international authority on natural resource management, has written a well-argued book against ecofundamentalism, which, for him, puts nature before man. He cogently discusses the problems of applying notions of sustainability and biodiversity to the human condition and suggests that in the foreseeable future fossil fuels should still be utilized as energy sources. Hannesson regards models of global warming as scientific but as too uncertain for mankind to radically alter its ways of life. But he does not distinguish clearly between reasonable environmentalists and the real ecofundamentalists who disguise conflicts between themselves and others as conflicts between man and nature.

Reasonable, decent people want to take good care of the environment so that we can live better, both practically and aesthetically. In this sense, most people are





