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## BOOK REVIEWS: Two Cheers for Capitalism / Does Freedom Work?

Henry Aaron

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## BOOK REVIEW

TWO CHEERS FOR CAPITALISM. By Irving Kristol. New York: Basic Books, Inc., 1978. Pp. xiv, 270. \$10.00. DOES FREEDOM WORK? LIBERTY AND JUSTICE IN AMERICA. By Donald J. Devine. Ottawa, Ill.: Caroline House Books, 1978. Pp. xii, 156. \$10.00.

*Reviewed by Henry Aaron\**

American thinkers have devoted themselves assiduously to the relationship between the peculiar form of capitalism that has grown up in the United States and the equally unique set of institutions that distinguish American politics. Regrettably they have not been able to agree on the nature of that relationship. Conservatives emphasize the efficiency of free enterprise economics and its importance as the bedrock of political freedom. Liberals pay more attention to the inequities of unregulated economic activity and look to the government to correct such flaws. While there is no inherent inconsistency between these two points of view, and although both arguably are essential to hard-headed but humane social policy, many writers seem bent on emphasizing one of these points of view to the exclusion of the other. Such writings often make marvelous polemics, but they make poor political or economic analysis because they miss the complex and ambiguous character of interesting questions of public policy.

Irving Kristol has gathered a number of his newspaper and magazine columns written during the 1970's into a very readable, highly provocative, but ultimately unsatisfying book: *Two Cheers for Capitalism*. The title is drawn from a remark made by E. M. Forster, who "gave only 'two cheers for democracy' because he felt that the full trinity should be reserved for 'love, the beloved republic.'"<sup>1</sup> These articles span a wide range of subjects—the modern corporation, environmentalism, regulation, economic education, the energy shortage, inequality, taxation, income redistribution, and a host of other subjects. Their common characteristic is that they embody Kristol's "neo-conservative"<sup>2</sup> outlook, and, except for a few minor anomalies (due, no doubt, to the fact that the book was published eight years after its earliest components appeared in the *Wall Street Journal*), the chapters reflect a consistent viewpoint.

Kristol's dominant theme is that capitalism, by any objective

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\* Senior Fellow, The Brookings Institution. B.A., University of California at Los Angeles, 1958; M.A., Harvard University, 1960; Ph.D., Harvard University, 1963.

1. I. KRISTOL, *TWO CHEERS FOR CAPITALISM*, at ix (1978).  
2. *Id.* at xiv.

standard, deserves high marks as a system of organizing economic activity and as a foundation for political freedom. Kristol finds, however, that the foundation of capitalism, the corporation, is under ruthless attack and is ill-equipped to resist it. The attack comes from intellectuals and certain nonbusiness professionals who are engaged in a power struggle with businessmen.<sup>3</sup> The enemies of capitalism, Kristol asserts, do not own up to their true objectives, but instead disguise their purposes behind criticisms of the kind of society that capitalism allegedly produces—the tastes it inculcates, the environment it despoils, the numbing boredom it generates. Their real goal is the assertion of values and the substitution of collective for private control of the economy. Kristol finds this attack particularly odious, because capitalism works not only efficiently, but justly as well. Some collective actions to deal with general problems—for example, the enactment of social security to deal with the income problems of the aged—are justified. But measures that call into question what he regards as the basic premise of capitalism—that the market-generated distribution of income is just—Kristol finds reprehensible.

Kristol argues that the public standing of capitalism is low—unjustly low, he believes—but quite low nevertheless. A number of chapters raise, in passing, the reason for capitalism's poor public image. The capitalist class traditionally has been insufficiently interested in ideas; it has given money indiscriminately to intellectuals bent on subverting the capitalist system; and it has abandoned the image of the dedicated, honest, disciplined, and *moral* entrepreneur who grew out of early American philosophy and religious teaching and who peopled the pages of nineteenth-century literature.

Interspersed with this leitmotif, Kristol devotes specific chapters to other issues not directly bearing on the future of capitalism. The brevity of these chapters—most are roughly five small-printed pages long—is both their strength and their weakness. To say something provocative and interesting on a complicated subject in fewer than 1500 words is no minor accomplishment. The best of these chapters quickly sketch a particular point of view, highlight its flaws (generally with lofty scorn), and then present the outline of an alternative point of view.

On food policy, for example, Kristol describes the view that the world is inexorably bound for mass starvation, points out that

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3. Kristol includes in this "new class" scientists, teachers and educational administrators, journalists and others in the communication industries, psychologists, social workers, lawyers and doctors working in the public sector, city planners, staff members of large foundations, and upper-level government bureaucrats. *Id.* at 27.

doomsayers have been crooning such fears of imminent catastrophe for more than a century, and argues that countries suffering the most severe food shortages, not coincidentally, have been those who have adopted policies that take the profit out of agriculture. On the environmentalist crusade, Kristol points out that environmentalism runs the risk of being transformed from another in a long series of honorable reformist movements into a blind and mindless crusade that loses sight of the important relationship between the value of the goals sought and the costs of achieving them. He also points out the need to apply some priorities if growth, particularly in urban areas, is not to be stifled by overregulation. In a chapter on the Republican future, Kristol raises a profound and important question: in response to the welfare state, why has the Republican party not been able to construct a program of its own? Furthermore, what would a conservative welfare state look like? He suggests that the core of such a strategy would consist of creating incentives to encourage people to do for themselves what the welfare state presently does for them.

On balance, Kristol does a disservice to the very cause he embraces—the defense of capitalism and the creation of an intellectual foundation on which its supporters can comfortably rest. This failure probably has three causes: his perception of the threats to which capitalism is exposed seems to be quite exaggerated; he has oversimplified the problems he addresses; and he has adopted a tone toward those with whom he disagrees that does credit neither to himself nor to his arguments.

The corporation, according to Kristol, is the most unpopular institution in American history, ranking even below slavery.<sup>4</sup> The corporation is in critical condition, under attack by “people ‘out there’ who find it convenient to believe the worst about business because they have certain adverse intentions toward the business community,”<sup>5</sup> and the corporation is not defended by its natural bulwark, the authentic shareholder who is a “vanishing breed.”<sup>6</sup> Corporations feed this antipathy by supporting the research of intellectuals who are anticapitalist. As a result, “the corporation today is largely defenseless: a nice, big, fat, juicy target for every ambitious politician, and a most convenient scapegoat for every variety of organized discontent.”<sup>7</sup>

What is one to make of such a vision? There can be little doubt

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4. *Id.* at 5.

5. *Id.* at 27.

6. *Id.* at 114. It should be noted, however, that in another chapter Kristol discusses two other entities that he defines as bulwarks—the courts and lobbyists. *Id.* at 147.

7. *Id.*

that particular corporations deserve a full measure of criticism for some of their actions. There can be little doubt, as well, that some teachers and writers would like to transform capitalism radically. But the vast majority of voters and opinion leaders are usually proud of the way the United States economy works and are interested in correcting such shortcomings as monopoly, inflation, pollution, and poverty when they see them. They do not worship corporations, but neither do they consistently revile them. To perceive capitalism in general, and the corporation in particular, as reeling and about to die strikes this reviewer, at least, as almost comically out of touch with reality.

*Two Cheers for Capitalism* contains thirty chapters, a preface, and an epilogue on highly complex subjects, all in 274 octavo pages. Most of the chapters originally appeared as brief articles on the op-ed page of the *Wall Street Journal*. One should not be surprised, therefore, that many of the chapters are superficial, lack specificity, and contain *ex cathedra* assertions. In the chapter on inflation, for example, Kristol attributes inflation to the rising expectations for economic growth since World War II and lays a large share of the blame for this intellectual transformation at the feet of economists who freed New Deal politicians from the limits imposed by "reality" by spreading the Keynesian message that more or less continuous economic growth is feasible. Now, there can be little doubt that most newspaper readers will find such a message far easier to take with their morning coffee than they would an exploration of the role of tight labor markets, dollar devaluation, oil cartels, and monetary expansion. There can also be little doubt that Kristol's message tells the reader almost nothing about what government officials, business or union leaders, or the monetary authorities should do to curb inflation.

A second example of superficiality occurs in the chapter that begins by asserting that the reaction of the West to OPEC is "about as clear a sign of decadence as one could imagine"<sup>8</sup> and then proceeds to say precisely nothing about how the West should have responded to OPEC. OPEC poses very serious problems for the West. The United States and other oil purchasers can pursue a variety of courses of action, but no amount of art can cram an intelligible presentation of fuel taxes, other methods of conservation, and encouragement of supply, to say nothing of a clear explanation of decadence, into 1500 words.

Another chapter explores why "the welfare state" is in trouble today. Kristol cites the "definitive" description of radio commenta-

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8. *Id.* at 119.

tor M. Stanton Evans, who points to the growth of social welfare expenditures from \$50 billion in 1960 to \$171 billion in 1971 and who then (falsely) asserts that this money went to social workers, counselors, planners, social engineers, and urban renewal experts.<sup>9</sup> Kristol then labels Evans' "definitive" analysis as too crude and notes (correctly) that most of the social welfare expenditures went for benefits to people who were not poor. Kristol further asserts that Evans was right after all because the problems of the welfare state stem from the rhetoric that promised social services to the poor, from the creation of a number of such programs, and from their attendant bureaucracies.

The most unpleasant feature of *Two Cheers for Capitalism* is neither the exaggerated, tremulous prognosis of the health of the United States corporation nor the superficial treatment of important and complex problems. Rather, it is the tone of nastiness, contempt, and lofty arrogance with which Kristol characterizes the people and ideas with whom he disagrees. Of populism, Kristol allies himself with the Marxist characterization that "in America [it] is the radicalism of the . . . traditional-minded and nostalgia-ridden 'common man,' a radicalism of the sullen, the bewildered, the resentful, the anxious, the frustrated. It is . . . myth-ridden and essentially 'escapist'. . . ." <sup>10</sup> Of tax reformers he states:

By now, most public discussion of tax reform takes place on the assumption that, since there are no limits to the government's taxing powers, all the people's monies have already in principle been transferred to government, and the only question is how government should return a portion of these monies to the people.<sup>11</sup>

On those who would prefer to reduce inequality through income redistribution, he claims:

No proposal for the redistribution of large fortunes will get liberal support unless that money goes into the public treasury, where liberals will have much to say as to how it should be spent. That is the 'dirty little secret'—the hidden agenda—behind the current chatter about the need for 'redistribution.'<sup>12</sup>

University teachers are characterized as "those who prefer *being* to having."<sup>13</sup> All liberal economists are labeled as "antibusiness." The idea that poverty is not an absolute concept but rather is related to the norms of society, which change over time, "is blandly to legitimize envy, greed, and rapacity in the name of an ideal equality."<sup>14</sup>

9. *Id.* at 246-47.

10. *Id.* at 227.

11. *Id.* at 210.

12. *Id.* at 224.

13. *Id.* at 18-19. The analogy is derived from a Karl Marx quotation: "The enemy of being is having." *Id.* at 18.

14. *Id.* at 221.

Each of these shortcomings of *Two Cheers for Capitalism* is explainable, in whole or in part, by Kristol's unfortunate decision to publish as an ostensibly coherent book writings more appropriate for a newspaper op-ed page or for a magazine. The basic problem with too many of the book's chapters is that the subjects they address are just too complex to be covered in so little space. The result may be sprightly, journalistic essays, but they wilt between hard covers. Such anthologies sometimes succeed when the components deal with less substantial questions than those Kristol has addressed. This one does not.

Donald Devine's *Does Freedom Work? Liberty and Justice in America* reaches even higher than does *Two Cheers for Capitalism*, and falls far lower. Devine seeks to establish the moral foundation of capitalism about which Kristol and others have expressed such concern. The book is divided into six chapters. In the first and second chapters Devine reviews and comments on the philosophers of the Enlightenment who contributed to the development of capitalism, most notably John Locke and Adam Smith. In the third chapter he attempts to show that economic justice (which is never defined) is greatest when the government sector is smallest. He further argues that if collective action is necessary, such action should be taken by local government. In the fourth chapter Devine deals with racial and religious integration in the United States and argues that action by government has retarded such integration. In the fifth chapter he reviews social welfare policies in the United States, concludes that they are flawed because they are paternalistic, and calls for greater reliance upon voluntary organizations, such as the Red Cross, humane societies, Better Business Bureaus, Boys' Clubs, and the Girl Scouts, to step in so that collective interferences can be terminated. The last chapter presents some information on religious attitudes, views on the proper role of women, attitudes toward life (all drawn from public opinion polls), the imperfections in the record of economic stabilization since World War II, and the problems with budget forecasting. Devine quotes the New Testament and various Popes, and ends with an appeal for the reduction in the role of the central government in order to improve the chances that liberty will survive.

The foregoing description accords *Does Freedom Work?* a far greater degree of coherence than it actually possesses. Most of the book reads as if the author were free-associating while he wrote. Topics tumble one after another in no apparent order. The preceding outline also does not reveal the breathtaking fatuousness of some of the author's assertions. For example, the book contains a table that reports measurements of "The Extent of Liberty in Given

Western Nation-States.”<sup>15</sup> One should note that the idea that liberty is nicely measurable has defied philosophers, political thinkers, and everyone else since the idea of liberty was conceived. The reader may be somewhat disappointed to learn that the proposed index of liberty is simply the percentage of gross national product spent for nondefense purposes in some year around 1960. Having been exposed to this breakthrough, the reader may be braced and ready for the “liberty correlation” that relates in some unexplained way “social satisfaction” (measured by emigrants per 1000), wealth (measured by GNP per capita), health (measured by female life expectancy), and economic equality (measured by percent of income of the top five percent of the income distribution).<sup>16</sup>

A few other tidbits from the pages of this book may give some of its flavor. The Gulf of Tonkin Resolution was debated only a few minutes because “the welfare state de-emphasizes its responsibility in foreign affairs since it does not have time to deal with such questions when billions of domestic benefits are to be distributed.”<sup>17</sup> Government civil rights actions have undermined reconciliation of the races.<sup>18</sup> Agricultural price supports, bans on the carcinogen DES, and ICC regulation of food transportation hurt the poor *and* are part of the “welfare state;” therefore “the welfare state is most injurious in the areas of necessities such as food and clothing . . . since these are so basic to life.”<sup>19</sup> Reading *Does Freedom Work?* is like reading an inept Marxist tract. An ingrained and rigid ideology foreordains the conclusions. Examples are drawn selectively and problems are oversimplified to fit in the Procrustean ideological bed. The numerous unsupported generalizations and the poor organization limit the book’s usefulness even to those who share Devine’s values.

Although Kristol’s book is vastly better than Devine’s—both in style and in content—the two books suffer from a common shortcoming. Kristol sees a central institution of modern capitalism—the corporation—under aggressive attack, and seeks to defend it. One may disagree with his appraisal of the risks, and resent his tendency to tar all critics with the inanities of the most extreme, but he has

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15. D. DEVINE, *DOES FREEDOM WORK? LIBERTY AND JUSTICE IN AMERICA* 27 (1978). The source for this table is: D. RAE & M. TAYLOR, *THE ANALYSIS OF POLITICAL CLEAVAGES* 38-39 (1970). *Id.*

16. D. DEVINE, *supra* note 15, at 39. The sources for this table are: Table 2, *id.* at 27; B. RUSSETT, H. AIKER, K. DEUTSCH, & H. LASSWELL, *WORLD HANDBOOK OF POLITICAL AND SOCIAL INDICATORS* 149-57, 196-98, 231-36 (1964); Kuznets, *Quantitative Aspects of Economic Growth of Nations*, 11 *ECON. DEV. & CULTURAL CHANGE* 13 (1963).

17. D. DEVINE, *supra* note 15, at 38.

18. *Id.* at 68.

19. *Id.* at 100.



a strong case to make—that the rise of modern American capitalism has been a magnificent success story. This success has required an uneasy cooperation between free-market institutions and collective restraints and modifications of market outcomes. By seeing evil in critics of some of the workings of the American economy and oversimplifying complex problems, Kristol fails to contribute to understanding the nature of this partnership. Devine all but denies that there is such a partnership. But such a partnership indubitably exists, even if one yearns for a simpler world in which it would not be necessary. Those who would deny any constructive role for collective action and those at the other end of the political spectrum who deny the accomplishments and strengths of the market economy both retard the needed discussion on whether the balance between these two elements of the partnership is correct and how it should be changed in specific instances. Unfortunately, both Kristol and Devine obstruct such a discussion and instead tend to polarize complex questions from one particular point of view. In the words of Arthur Okun:

[P]olarization is a threat to our system. And the character of that threat has changed. A decade ago, it came mainly from the left—typified by the middle-class youths who emerged from their sports cars to condemn our society for its materialism and greed, for oppressing the masses and for plundering the planet. Today, in my view, the main threat comes from the extreme right—from those who issue a blanket indictment against all government regulation and intervention, who redefine poverty as the 'freedom to fail,' and who basically ignore the values of democracy.<sup>20</sup>

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20. Washington Post, Nov. 25, 1978, § A, at 15, col. 2.