**An Analysis of the Failures of and Inherent in Capitalism**

“He who fights with monsters might take care lest he thereby become a monster. And if you gaze for long into an abyss, the abyss gazes also into you...”-Friedrich Nietzsche

Upon the publication of Adam Smith’s *The Wealth of Nations*, the economic atmosphere remained forever changed. Indeed, the popularization of the Scottish philosopher’s musings upon commerce marked a moment of vital importance for citizens of the world, as the seeds of Western capitalism were sewed. Although its roots stem from 1776, modern-day, recognizable, North American capitalism found its rebirth in the decades just before the Cold War (Amadae 1). In a post-World War II context, Marxism showed increasing popularity. U.S. leaders, fearing Marxism posed a dire threat to both Western Democracy and the stretch of U.S. power across varying countries, supported a very specific method of capitalism, entailing a few key premises from which all further economic, and soon political, social and psychological, theory would be based around. These premises are as follows:

* All actors in an economic sphere can be considered “rational.” The rational actor is both self-interested and strategic at all times. Thus, leading into the second premise
* All subjects in the economic sphere act in a self-interested manner at all times; every action committed is to satisfy the selfish end of an individual.
* Posing individuals, in the economic sphere, in a constant state of competition yields the best results for all involved; the greatest advances come when individuals are placed in competition with one another
* Efficiency in the economy is of the upmost importance; efficiency in the U.S. model of capitalism should remain a key goal
* All commodities, material or non, can be valued on a scale of dollars and cents, thus providing the measuring tool for all goods in the economic sphere. This final premise provides the basis for the ultimate and most significant capitalistic assumption:
* All things can be valued in terms of money—money is the ultimate end to happiness; to have more money is to have the means to more happiness.

Additionally, one can assume the following definition when considering capitalism, as defined by Merriam-Webster dictionary: “A way of organizing the economy so that the things that are used to make and transport products (such as land, oil, factories, ships etc.) are owned by individual people and companies rather than by the government.”

The grave assumptions one can draw from the capitalistic premises listed above can be lost upon no one; at no point does one find evidence that justice, equality or happiness were considered when designing what can easily be considered the most influential structure in North America. In this paper, I will attempt to prove two major arguments. The first being that U.S. capitalism, as we know it today, cannot provide citizens with a satisfactory method of economic structure as it is based around seeking the multiplication of wealth for the individual. The wealth of the individual provides no equality, justice, freedom or, most vitally, happiness. I will attempt to argue this point through the reference of thought from thinkers spanning many centuries and disciplines, eventually concluding that, simply put, money cannot buy happiness, and a nation which relies its economic structure solely upon the multiplication of money can never expect its citizens to feel truly and wholly fulfilled.

The second argument will attempt to dismantle the premises of capitalism, asserting that, furthermore, capitalism cannot suffice as a satisfactory economic structure as it misunderstands human nature. I will, again, reference various thinkers in an argument geared at proving humans succeed best when they are encouraged to cooperate rather than compete, often act in an unself-interested manner, and, finally, rarely operate in a rational way.

In September of 2013, Denmark was crowned the happiest country in the world, according to an extensive study completed by a British Think Tank, called the New Economics Fund’s, *World Happiness Report* (Denmark 1). Common among the happiest countries in the world were characteristics such as a high GDP per capita, high life expectancy and a lack of corruption in government. Positive scores in these three categories separated the top quarter of high-ranking countries from the bottom seventy-five percent, as many would expect, the majority of these high-ranking countries being highly-developed nations. A high GDP per capita means that all citizens of a country have a higher disposable income than those in other countries and have access to a larger amount of resources than those in other countries. A high life expectancy marks a citizen’s access to necessary medical and nourishment resources, and a lack of corruption in government marks a relatively fair allocation of these resources, among other benefits.

Possessing positive scores in all three of the above categories placed the United States in the top twenty-five percent of happiest nations, along with most other highly developed nations. It is within this highly developed category that the disparities begin to appear. The *World Happiness Report* identified three other key principles that separated successful highly-developed nations from highly-developed countries with citizens that are truly thriving; an atmosphere of social support, support and freedom when making important life choices, and a culture of cooperation and giving. Specific characteristics within these three categories included high-quality universal health care, paid parental leave for extended periods of time (U.S. employers offer an average of 10.3 weeks while Denmark offers an average of fifty-two weeks for parents of both sexes), and, a concept emphasized especially in Denmark, a feeling among citizens of responsibility to one another. When held to these above standards, the United States falls to the twenty-first spot of happiness amongst its citizens among thirty highly developed nations.

The above study affirms what many psychologists have asserted for decades; happiness is dependent upon an individual’s most basic needs being met, additional material variables beyond this realm produce little additional happiness. Additional happiness can only be achieved through more abstract additional inputs, i.e.: a job in which the work is intrinsically fulfilling, an adequate amount of leisure time etc. To illustrate this point further, consider the following proposal utilized in the documentary *Happy*, a film examining the various sources of human happiness: A researcher is studying the varying happiness levels between three different individuals. The first, a homeless individual experiencing frequent food insecurity, the second, a middle-class citizen who acquires enough income to maintain steady housing and satisfy all basic needs, and the last, a wealthy individual who can afford various luxuries in addition to necessities. The researcher would likely find a large increase in happiness between the first and second individual, as the first individual lacks in fulfilling many basic human needs, but the happiness between the second and third individual would likely be comparable. A line graph demonstrating the happiness of the three subjects would likely show a sharp increase between the first and second individual, followed by a stagnating line between the second and third individual.

The outcome demonstrated in the above scenario has been demonstrated in studies across the world; money doesn’t buy happiness. A millionaire and an individual adequately supporting his or herself on $40,000 dollars annually could exhibit the same levels of happiness. This begs the question: Why create an economic structure rooted in the multiplication of money when it cannot serve to create thriving citizens?

Science is not the only discipline to address the relationship between the accumulation of wealth and happiness. Indeed, all major religions conclude that while wealth holds a designated role in human life, happiness does not lie in the accumulation of wealth. Passages from *Timothy* assert the following:

"People who want to get rich fall into temptation and a trap and into many foolish and harmful desires that plunge men into ruin and destruction." (Bible Study Tools)

"For the love of money is a root of all kinds of evil. Some people, eager for money, have wandered from the faith and pierced themselves with many griefs." (Bible Study Tools)

Additionally, natural law philosopher Thomas Aquinas interpreted passages from the Bible on wealth as such:

“Hence it is evident that neither is wealth man’s supreme good. For wealth is not sought except for the sake of something else: because of itself it brings us not good, but only when we use it, whether for the support of the body or for some similar purpose. Now the supreme good is sought for its own, and not for another sake. Therefore wealth is not man’s supreme good.” (Murray 89)

The above passages demonstrate the condemnation of wealth as a means to happiness throughout the Bible and its interpretations. Additionally, the Quran lists various passages supporting the assertion that man’s happiness does not lie in wealth:

Abu Huraira narrated that the Prophet said: Wealth is not in having vast riches, it is in contentment (Soundvision).

The Quran recognizes that man must accumulate some wealth if he is to sustain himself and do good for his community, although this must be done in a lawful manner. Upon this concept, the Quran states:

It is reported by Jabir that the Prophet said: The flesh and body that is raised on unlawful sustenance shall not enter Paradise. Hell is more deserving to the flesh that grows on one's body out of unlawful sustenance (Soundvision).

The Buddha is also reported to have promoted a similar attitude expressed in the Quran; a lawful accumulation of wealth used to sustain the community. The Buddha is said to have once stated:

“Grass is to be sought for by those in need of grass. Firewood is to be sought for by those in need or firewood. A cart is to be sought for by those in need of a cart. A servant by him who is in need of a servant. But Headman, in no manner whatsoever do I declare that gold and silver be accepted or sought for.” (Buddhist Broadcasting Network)

The Buddha also advocated for a balance between material and spiritual achievement, proposing that all actions committed to the accumulation of wealth should be done with spiritual enlightenment and the benefits of others in mind, so as to prevent ever-increasing greed. In a 2009 article published in the *New York Times* written by Pico Iyer, a journalist traveling with the Dalai Lama, Iyer stated the following:

“... ‘My profession’,” said the Dalai Lama instantly, as if he hardly had to think about it. His answer could mean many things, but one of the better things it meant to me was that that kind of happiness is within the reach of almost anyone...True happiness, in that sense, doesn’t mean trying to acquire things, so much as letting go of things (our illusions and attachments). It’s only the clouds of short-sightedness or ignorance, the teachers from the Dalai Lama’s tradition suggest, that prevent us from seeing that our essential nature, whether we’re Buddhist or not, is blue sky.” (Iyer 1)

The above passage captures how the pursuit of wealth serves to blind man to the pursuit of true happiness, as is demonstrated in all of the above passages from religious texts. Major religions have condemned the accumulation of wealth as the ultimate end and a means to happiness since their origins, yet this seems to be a principle of religion that many Americans have not found important enough to impose into the governmental structure. This is not to suggest that religious ideals should be implemented into government, merely that out of the many religious ideals Americans have attempted to impose into government statute, the concept that the accumulation and multiplication of money cannot be considered the ultimate means to happiness has been ignored.

Perhaps one may find it difficult to advocate that a structure as vast as the U.S. economy be built upon an idea so abstract as happiness. While I cannot completely disregard this objection, it is most effective to respond to this objection with another question: “Why structure the U.S. economy around the concept of efficiency?” An economic structure built upon the constant strive towards efficiency cannot possibly provide intrinsic fulfillment to its citizens, for what internal human needs can be satisfied by efficiency? Efficiency, considered as an ultimate end, provides no manner to serve the needs of its citizens. David E. Lilienthal captures the mindset of the U.S. economic structure when he states:

“What kind of country is it we want? As I see it, the kind of America we want to live in, the kind of human society we want for ourselves (and hope might appeal to the rest of the world), has certain functional characteristics among which one would include some or all of the following... an efficient and a ‘speedy’ society. We set great store by efficiency and speed; we regard inefficiency and slowness as marks of inferiority.” (Lilienthal 93)

Lilienthal also highlights the importance of an “increasingly productive society,” a cost-conscious mindset, as well as a rational economic and social system. While the previous characteristics receive paragraphs of explanation, Lilienthal concludes his work by stating one sentence asserting that the economic and social system should be an ethical society. There is no mention of equality amongst citizens, or a means to obtaining the basic necessities to survive. This notion of an efficient economic structure makes no mention of fulfilling citizens’ needs, hence proving it cannot properly serve citizens. One may respond to this with the assertion that it remains important that a state continues to grow economically; one may even reference the growth of gross domestic product, or GDP. To this, I, again, return to my previous assertion. What is the importance of the growth of GDP over whether citizens can experience justice and fulfillment? Happiness may be an abstract concept, but it’s no more relative than efficiency.

The additional assertion may be made that the current model of U.S. capitalism is not a true form of capitalism, and many of the poor inner workings and outcomes of the current model result from an incorrect application. For instance, a capitalist structure in which less government restriction was placed on large business might result in a more desirable outcome. To this assertion I respond with the following: an absolute model of capitalism correctly applied still fails to set a beneficial goal to its participants. For many economists, capitalism exists as an assumed structure, functioning by a number of processes—there is no ultimate goal, and certainly not one so abstract as “happiness.” For capitalism to function as fulfilling, it must be created with such fulfillment in mind, rather than assumed as a correct and all-encompassing structure. It must promote justice and wellbeing, and foster an environment of collective duty to one’s peers.

As stated above, capitalism fails as a satisfactory form of economic structure not only because its singular purpose is to further produce money, but because it misunderstands human nature. As listed in the introduction, capitalism relies largely on a few key assumptions regarding human nature, abbreviated, these are as follows: all humans act in rational manner at all times, all humans act in a self-interested manner at all times, and the best results are yielded when humans are posed in competition with one another. In this section of the paper, I will attempt to prove these three assertions show a significant misunderstanding of human nature, referencing both thought and practical example.

David Hume summarized it most accurately when he wrote: “Man is a very variable being, and susceptible of many different opinions, principles, and rules of conduct. What may be true, while he adheres to one way of thinking, will be found false, when he has embraced an opposite set of manners and opinions.” (Murray 157) Simply put, man is an irrational being. Decisions of man are often guided by current emotions or temporary states of being, if not fleeting passions. Rarely is an ultimate truth considered upon the conclusion of a decision. The prime example of this irrationality lies in the erratic nature of the U.S. stock market.

As defined by experts, a stock can be considered to reflect the most accurate value of a company, as the price of a stock reflects all publically known information about this specific company; this can be referred to as the efficient markets hypothesis. The second assumption of the efficient markets hypothesis entails that all economic actors will choose to purchase or not to purchase stock based on all the publically available information about the stock, again contributing to the conclusion that the stock market reflects the most accurate depiction of the value of a company. Additionally, when new information regarding a company becomes available, the stock price experiences a change. This phenomenon is referred to as informational efficiency. The above system is based on the underlying assumptions that actors in this system will operate in a rational manner (Mankiw 186).

While the above system seems legitimate, there is much evidence to suggest that this rational system rarely functions as it is supposed to. Stock prices sway based on arbitrary events, or sometimes, nothing at all. Economist John Maynard Keynes famously suggested that markets are controlled by the “Animal Spirits” of investors, writing:

“Even apart from the instability due to speculation, there is the instability due to the characteristic of human nature that a large proportion of our positive activities depend on spontaneous optimism rather than mathematical expectations, whether moral or hedonistic or economic. Most, probably, of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as the result of animal spirits—a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities.” (Dow)

The above passage best articulates how irrational humans truly are, and how foolish it was to create a significant economic system around the premise that humans act rationally when just the opposite has been demonstrated. While the instance of the variations in the stock market provides a concrete instance of human irrationally, one need only examine their own feelings to find irrationally. Never did one employ rationality when falling in love, or experience rationality during fits of anger. Employing rationality to underwrite a system based on human nature demonstrates a momentous misunderstanding of human nature, further contributing to the failure of capitalism.

Capitalism further assumes that all actors will conduct themselves in a self-interested manner at all times; that humans are inherently selfish. Again, political theory and practical events support just the opposite, that humans possess an inherent empathy for all other beings and often act in a way that benefits solely others, in lengths both great and small.

The notion that humans act either selfishly or non-selfishly largely stems from theory on how humans view their counterparts, the most important implication of this being that humans either feel an innate sense of belonging to other humans, or the happenings to their counterparts hold no impact. On this topic, Jean-Jacques Rousseau wrote:

“I am referring to pity, a disposition that is fitting for beings that are weak and as subject to ills as we are; a virtue all the more universal and all the more useful to man in that it precedes in him any kind of reflection and so natural that even animals sometimes show noticeable signs of it.”(Rousseau 53)

Rousseau writes of pity as an innate feeling of disgust in seeing another human harmed. Perhaps it is for this reason that many experience feelings of relief and joy upon aiding another. Humans are not meant to constantly pursue their own interest; we have been gifted with the extraordinary capacity to empathize with others, and to act in the interests of others out of this emotional phenomenon. Rousseau further writes:

“It is therefore quite certain that pity is a natural sentiment, which by moderating in each individual the activity of the love of oneself, contributes to the mutual preservation of the entire species.” (Rousseau 54)

The additional assertion above encapsulates that humans were granted the ability to feel pity as it serves to further the preservation of the human race. Humans would not have evolved to pity had it not been a necessity to the survival of the species. Some may assert that humans only act in an unself-interested manner because of the warm feelings received in doing so, making the action self-serving rather than serving of the other. To this I respond that these warm feelings arise out of committing an action in harmony with true human nature, for if it was natural to constantly pursue one’s own interests, there would be no positive feelings associated with aiding others. Humans serve others because it aligns with true human nature, not due to the positive feelings. The positive feelings only arise from committing an action that aligns with the deepest of human instincts.

Tales of this extraordinary human instinct come in all forms. In the 2007 Virginia Tech Massacre, Professor Liviu Librescu reacted quickly to shield his classroom door so his students could escape through a window as the gunman approached his classroom. Mr. Librescu paid for this extraordinary duty with his own life. Just months before, New York City resident Wesley Autrey waited for a subway train when a man collapsed, falling across the tracks as a train rapidly approached. Without hesitation, Mr. Autrey jumped on to the tracks, pulling the man to safety in the middle of the tracks, right beneath the train. After the event, Mr. Autrey was quoted as saying: “I don’t feel like I did something spectacular. I just saw someone who needed help, I did what I felt was right.” (Lichtenburg 1). Mr. Autrey’s choice of words best articulates that humans are not conditioned to constantly act in a self-interested manner. Mr. Autry did what he “felt” was right, at a potentially great cost to his own well-being, an empathetic consistency uniquely demonstrated in humans. Great acts of valor are not the only demonstrations of human pity, small acts of kindness reflect much the same instinctual pull.

The final salient assumption of capitalism concerns placing humans in competition with one another to achieve the greatest results. This theory that competition yields the best outcome stems from Charles Darwin’s theory of natural selection, which has been popularized to assert that the strongest will survive when all are placed in a state of competition. The phrase “survival of the fittest” may come to mind. This concept was applied to the market place, with the assumption that the strongest firms would survive out the weak, and the most cunning individuals would prosper while the less fortunate perish. Unfortunately, a significant flaw exists in this manner of thinking. The first part being that Darwin’s theory of natural selection was mistakenly interpreted (Darwin never used the term “survival of the fittest,” it was coined by Herbert Spencer), the second being that this incorrect interpretation was applied to an arena in which it had no place being applied.

Darwin’s Theory of Natural Selection has largely taken on a mind of its own, with many associating this theory in the economic sphere, rather than its original context of a state of nature. Darwin, himself, had no delusions about attempting to apply his biological theory to a social context; he was often quoted as asserting he was “incompetent to discuss the social application of his theory.” (Rogers 1). However, Darwin’s neglect to fit his biological theory into a social context did nothing to dissuade others from attempting this feat, as the term “Social Darwinism,” referring to a social application of the theory of natural selection, was coined in the 1870’s. When examining why Darwin’s theory of natural selection was chosen to justify various social actions, James Allen Rogers writes:

“…It suggests that Darwin’s theory of natural selection was simply another discovery in the natural sciences misused to rationalize social preconceptions...Why did the so-called Social Darwinists select Darwin’s theory of natural selection to rationalize their diverse creeds of individual and collective competition?”(Rogers 1)

As is clearly asserted above, Darwin’s theory of natural selection was manipulated to promote a specific set of interests. Thinker R. J. Wilson suggested that: “Nothing in Darwin’s theory of natural selection makes a direct application of it to social theory inevitable.” (Rogers 2). Additionally, Darwin himself and many other thinkers would often assert that the theory of natural selection is simply an observation of a biological phenomenon, and possesses no kind of “good” or “evil” connotations. In addition to the rampant amount of misinterpretation of Darwin’s theory, much of what is commonly thought to be Darwin’s theory is actually the work of Herbert Spencer, the thinker who coined the term “survival of the fittest.”

As is demonstrated above, Darwin’s theory of natural selection has not only been mistakenly interpreted, but mistakenly applied in a social context. In fact, many thinkers would assert that, rather than competition, cooperation yields the greatest results. Philosopher Peter Kropotkin opposed Darwin’s theory of natural selection and instead asserted: “That all living creatures are determined by a sense of solidarity instead of struggle.” (Puymbroeck 2). On the interdependence of man, Rousseau wrote:

“What progress could the human race make, scattered in the woods among animals? And to what extent could men mutually perfect and enlighten one another, when, with neither a fixed dwelling nor any need for one another, they would hardly encounter one another twice in their lives, without knowing or talking to one another.” (Rousseau 57)

Both passages demonstrate an interdependence of man rather than an opposition. Additionally, it is important to note that attempting to impose a biological observation into a social context can have dangerous consequences, as has been demonstrated with elements of Darwin’s theory of natural selection being asserted into western capitalism, the largest result being that a miniscule percentage of the population controls the majority of the wealth, leaving most at a disadvantage.

It may also be important to note that the current use of the theory of natural selection can hardly be considered correctly applied when independent small businesses face competition from multi-national, multi-billion dollar corporations who receive many additional benefits including advantageous tax and legal treatment, which is denied to small businesses.

As is demonstrated in the previous pages, United States capitalism exists as a deeply flawed economic structure due to both its shortcomings in creating a wholly fulfilling economic system for its participants, as well as its failure to accurately conceptualize of human nature. To reiterate what is stated above: happiness does not stem from the accumulation of wealth, humans do not always conduct themselves in a self-interested manner and rarely operate in a rational manner, and, finally, mankind benefits most completely when humans are encouraged to cooperate rather than compete.

 Nietzsche’s words in the opening speak to a grander scheme surrounding the ideas presented in this paper; he who seeks great change should partake in self-examination-- a system once created in the vain of freedom and equality can quickly disintegrate into a monster that feeds on justice and fulfillment when not properly examined and understood at all stages. I conclude only with the plea that participants of Western democracy call for a reexamination of human nature; a reexamination of what fills their heart and motivates their action, and demand that these desires be accounted for in their commercial arrangement, and protected by the state. Only then, can mankind know whole fulfillment.

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