

THE DEATH OF THE GROWN-UP
7/7/ INTERVIEWS AUTHOR DIANA WEST

LUST: VIRTUE OR VICE?

THE NEW INDIVIDUALIST

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THE TWO FACES OF AMERICAN CAPITALISM

BY Robert L. Bradley Jr.

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BY ROBERT JAMES BIDINOTTO



Yes, there *is* a difference, which **Robert Bradley Jr.** explains in this issue's cover feature. Rob ought to know: He was a former official at Enron Corporation, where he got to see, vividly and up close, the difference between true capitalists and what he refers to as "political capitalists." It's a vital distinction: *TNI* defends *capitalism*—the system of private property and free markets; but not all *businessmen* are good representatives of the free-enterprise system, as Rob makes clear.

Senior editor **Roger Donway**, ever the intellectual provocateur, considers the "corruption" that pervades the ranks of public officials—and concludes in his "Private I" column that perhaps we need *more* of it, not less. What in the world could he possibly mean? His answer may provoke you to rethink some cherished moral assumptions.

Meanwhile, **Jack Criss** offers us several goodies in this issue. Our business columnist warns business people not to become suckers when people demand that they help to fund "education": First, find out what those schools are *teaching*. Jack then presents his interview with syndicated columnist and author **Diana West**, who has some harsh but insightful things to say about our culture of "perpetual adolescence"—thoughts expanded in her controversial book *The Death of the Grown-Up*. Finally, Jack reviews a fine new book about Aristotle. What's remarkable is that *The Life and Times of Aristotle* by **Jim Whiting** is written for *children*.

To my chagrin, last month in this space I neglected to introduce you to **Michael Newberry**, *TNI's* new art critic. Don't take "critic" in a negative way, because Michael aims to focus on *positive* art in his fledgling "Artist's I" column. Here he aims his aesthetic spotlight on a remarkable contemporary painter, **Jeff Larson**.

DEFENDING CAPITALISM— NOT BUSINESS

Another blooper here last month was a sin of commission, not omission, when I bestowed upon **Bradley Doucet** a new first name. "Brian" he is not. But he *is* a damned fine writer and reviewer, which he proves once again with the third in his on-going series of reviews of books about "the seven deadly sins." He'll have no problem attracting readers because this month's topic is *Lust* by **Simon Blackburn**.

After a long hiatus, the eminent classics scholar **Bruce Thornton** re-enters our pages with a review of **Lee Harris's** disturbing book *The Suicide of Reason*. The book sounds fascinating, but I said "disturbing" because it also apparently contains some views—endorsed by Professor Thornton—to which I take friendly exception. I outline my differences with the author and the reviewer in my editorial "Soliloquy," where I also explain why I sometimes publish views that I don't share.

One can't-miss addition to your reading list will have to be *Mises: The Last Knight of Liberalism* by **Jörg Guido Hülsmann**. **Edward Younkins**, editor of the recent *Ayn Rand's "Atlas Shrugged,"* reports that it is a stirring and comprehensive biographical portrait of the great Austrian economist Ludwig von Mises. I met Mises once, and I look forward to reading this life of one of my major intellectual heroes.

Entertainment editor **Robert Jones** has seen a lot of flicks lately, and in his roundup for this issue he reviews three notable recent ones. Daniel Day-Lewis took home the Oscar for Best Actor for his searing portrait of a ruthless tycoon in *There Will Be Blood*. Robert found it powerful and haunting—but not entirely in a good way. Meanwhile, *Americanizing Shelley* presents a much cheerier view of the American way of life, as a foreign-born girl finds independence during her quest for romance. And another film about women seeking independence is *Offside*, an offbeat little film about the life of women in Iran—and how they quietly rebel against male repression. Sounds like a charmer. Something worth checking out at the video store. . .

. . . after you finish reading your magazine.



Robert James Bidinotto



**THE TWO
FACES
AMERICAN
CAPITALISM**

BY ROBERT L. BRADLEY JR.



*Editor's note: This essay is based on Mr. Bradley's forthcoming book *Capitalism at Work* (Salem, Massachusetts: M. M. Scrivener, 2008), the first volume in a trilogy titled *Political Capitalism*. Copyright 2008 by Robert L. Bradley; all rights reserved. For more information, see Mr. Bradley's website, www.politicalcapitalism.org.*

Photo by Temple Webber Photography

The new century's continuous procession of business scandals, collapsing bubbles, and financial meltdowns have left defenders of capitalism nonplussed. The business leaders who have been most prominent in the news are a peculiar mix of the incompetent, the sleazy, and the criminal, as the names Jack Grubman, Bernie Ebbers, John Rigas, Jeff Skilling, and Ken Lay attest. Pundits' predictions that computers and communications would lift America to unimagined heights of productivity and the stock market to unheard of levels (Dow 36,000) turn out to have been hype. And many of the nation's companies, even whole industries, can be found running to Washington and other government capitals for special subsidies or even bailouts.

Readers of Ayn Rand's *Atlas Shrugged*, which so notably portrayed the American businessman as a hero, may well be wondering what to say about it all. They should say: Ayn Rand was right. She comprehended business in its highest and lowest forms.

I conclude as much after years of research and writing following December 3, 2001—the day I was suddenly jobless after working for sixteen years at Enron Corporation. My quest to understand what happened to the company that *Fortune* once ranked as “America's most innovative” has taken

me as far back as the Industrial Revolution and as deep down as postmodern philosophy.

What I have discovered is that there have been two fundamentally different types of business leaders in America. These have been recognized in the works of some of capitalism's greatest philosophers, prominently including Ayn Rand's epic novels and nonfiction essays.

Missing: Advocates of Capitalism

When speaking of two types of business executives, on one level there are those who stand up for capitalism and those who do not. Business leaders have a responsibility to explain the logic of free markets from a moral and economic viewpoint, yet remarkably few do—as Rand lamented. In 1957, when a just-published *Atlas Shrugged* was being denounced by intellectuals, Rand remarked to her associate Nathaniel Branden: “The question is, what of the people I am defending, the men of ability? Where are they? Why don't they come forward? Why don't they speak up?” Good question.

Worse than the intellectual shirkers are those business leaders who publicly appease anti-capitalists. They become traitors to the economic system behind prosperity and create a great problem for capitalism's defenders, as well as for capitalism itself. As Ayn Rand declared in her last public speech:

Appeasement is a betrayal not only of one's own values, but of all those who share one's values. . . . [I]t would be better if [businessmen] kept silent rather than spread the horrible advertisements that make us cringe with embarrassment. By “us” I mean advocates of capitalism. Mobil Oil ran ads in the *New York Times* which stated the following (I quote from memory): “Of the expression free, private, responsible enterprise, we strike out ‘free’ and ‘private’ as nonessential.”

The Mobil Oil of her day now would be the many energy companies that have succumbed to ideologically motivated critics of carbon-based energy by timorously implicating their own emissions as causing potentially deleterious climate change. It is as if the physical science is settled in favor of climate alarmism (it is not), and government intervention to “stabilize climate” is cost-beneficial (it is not).

Then there is a third category of capitalist worse than the coward and the appeaser: the entrepreneur who purposefully espouses, and indeed facilitates, government intervention into markets for his own competitive advantage. In 1971, Rand described the dynamic by which some capitalists turn into interventionists:



It's high time to distinguish between between real and fake capitalists.

As a group, businessmen have been withdrawing for decades from the ideological battlefield, disarmed by the deadly combination of altruism and Pragmatism. Their public policy has consisted in appeasing, compromising and apologizing: appeasing their crudest, loudest antagonists; compromising with any attack, any lie, any insult; apologizing for their own existence. Abandoning the field of ideas to their enemies, they have been relying on lobbying, i.e., on private manipulations, on pull, on seeking momentary favors from government officials. Today, the last group one can expect to fight for capitalism is the capitalists.

The repeated reliance on government intervention by business led economist Milton Friedman to complain decades ago: “The two greatest enemies of free enterprise in the United States . . . have been, on the one hand, my fellow intellectuals and, on the other hand, the business corporations of this country.”

Economics versus Politics

There are two fundamentally different types of business leaders because there are two very different means for achieving financial success.

The first is the *economic means*, whereby goods and services are voluntarily produced and sold to consumers in open competition. When profits are won by such economic means, private and public wealth is created, and virtually no one, except less-efficient competitors, are made worse off.

Free-market capitalism is the institutionalization of the economic means. Under this social system, entrepreneurs formulate their business plans based on economic calculation, but consumers ultimately determine the number, size, and functions of firms. Profits reward

the successful participants, shifting the resources of land, labor, and capital from the less able to the more able. A growing economy allows more firms to succeed than fail, but no enterprise is forever. The “invisible hand” of the market includes the process of creative destruction. Even bankruptcies are manifestations of progress amid change in a free economy, as good replaces bad and better replaces good.

But a second instrument of possible business gain is also available: the *political means*. Entrepreneurs who take this route are “political capitalists”: individuals who turn to government to supplement, and even override, consumer choice. And whenever these political capitalists win, consumers, business rivals, and/or taxpayers lose. Examples of political entrepreneurship include an industry establishing certification requirements to block the entry of new competitors, or a domestic seller acquiring tariffs to hamper foreign rivals.

Ayn Rand understood this distinction early and clearly. In 1949, when she had just begun *Atlas Shrugged*, she wrote to her friend DeWitt Emery, president of the National Small Business Men’s Association:

What on earth do you mean when you say that my reference to my new book sounds ominous and that you expect to be both surprised and angry? I thought you knew what I thought about businessmen. In my new book, I glorify the real kind of productive, free-enterprise businessman in a way that he has never been glorified before. I present him as the most heroic type of human being, more so, in a way, than Howard Roark. *But* I make mincemeat out of the kind of businessman who calls himself a “middle-of-the-roader” and talks about a “mixed economy”—the kind

COMMENTS ON “POLITICAL CAPITALISTS”

“I expect all the bad consequences from the chambers of Commerce and manufacturers establishing in different parts of this country, which your Grace seems to foresee. . . . The regulations of Commerce are commonly dictated by those who are most interested to deceive and impose upon the Public.”

—Adam Smith, 1785 letter. In E.C. Mossner and I. S. Ross, editors, *The Correspondence of Adam Smith* (Indianapolis: LibertyPress, 1987), page 286.

“Many key businessmen articulated a conscious policy favoring the intervention of the national government into the economy. . . . Important businessmen did not, on the whole, regard politics as a necessary evil, but as an important part of their larger position in society.”

—Gabriel Kolko, *The Triumph of Conservatism* (New York: The Free Press, 1963), page 5.

“Capitalism’s biggest political enemies are not the firebrand trade unionists spewing vitriol against the system but the executives in pin-striped suits extolling the virtues of competitive markets with every breath while attempting to extinguish them with every action.”

—Raghuram Rajan and Luigi Zingales, *Saving Capitalism from the Capitalists* (New York: Crown Business, 2003), page 276.



**“Political capitalists”
turn to government to supplement, and
even override, consumer choice.**

that runs to government for assistance, subsidies, legislation, and regulation (Michael Berliner, *Letters of Ayn Rand*, pp. 441–42).

She was as good as her word.

The Two Types of Businessmen

In a 1963 article for *Cosmopolitan*, Rand distinguished the “money-maker” from his opposites: the “money appropriator,” who “may become a politician—or a businessman who ‘cuts corners’—or that destructive product of a ‘mixed economy’: the businessman who grows rich by means of government favors, such as special privileges, subsidies, franchises; that is, grows rich by means of *legalized force*.”

What Rand describes here is a distinction on the level of politics and economics—the distinction between the *true capitalist* and the *political capitalist*. But Rand’s philosophic mind took her deeper and deeper into the nature of the distinction between these two types. From the level of politics, her descriptions moved to the level of morality, psychology, and epistemology: Capitalism versus interventionism became independence versus dependence, substance versus sham, and reason versus emotion. In the end, as one would expect of a novelist, two distinctive archetypes emerged.

The true businessman, for Rand, begins with a foundation of meaningful, inspired work. He is “committed to his work with the passion of a lover, the fire of a crusader, the dedication of a saint and the endurance of a martyr,” with “his creased forehead and his balance sheets . . . the only evidence of it he can allow the world to see.” The true entrepreneur, Rand continues, “learns everything he can about the business, much more than the job requires.” The capitalist is a doer, not a talker, and proceeds in the spirit of

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John D. Rockefeller, who once said, “We do not talk much—we saw wood.” He is a George Stephenson, the British railway entrepreneur, described by Samuel Smiles as “diligent and observant while at work, and sober and studious when the day’s work was over.” The rational, indeed heroic, business leader practices frugality, attends to detail, and strives for continual improvement, even perfection. His firm is reality-centered, forward-looking, and authentic. He does not seek government favors—he seeks market solutions. And he does not glorify money for its own sake nor for its purchasing power alone, but as the just reward for a job well done.

Against this type, in Rand’s world, stands the pseudo-businessman. He is an “essentially noncreative [person], who seeks to get rich, not by conquering nature, but by manipulating men, not by intellectual effort, but by social maneuvering.” He “hires personal press agents and postures in the public spotlight” and “flaunts his money in vulgar displays of ostentation; he craves ‘prestige’ and notice and hangs eagerly on the fringes of ‘café society.’” This style-over-substance leader has a gift for making his businesses popular and receiving “good press.” He is detached from the nitty-gritty of the home office, working on what is considered bigger things in a marquee city. He has “Washington ability,” whereby skillful actions result in legislative favor. His firm produces glossy annual reports and he makes many speeches. Of great importance to him is the company’s slogan, symbol, and “noble plan.” The flawed leader seeks security in hiring “very promising young men, all of them guaranteed by diplomas from the very best universities.” The CEO looks upon himself as a Great Man, creating a legacy with an autobiography in mind. He is extremely confident, believing that reality will be what he wants it to be. And when

things go sour, he is full of excuses.

For former employees or students of Enron, Rand’s description of the fake company under the phony leader is eerily familiar.

Defending Capitalism— Not Business

For many businessmen of Ayn Rand’s second type, things have clearly “gone sour” during the past seven years. And Rand predicted that, too. “He who lives by a legalized sword,” she wrote, “will perish by a legalized sword.” Unfortunately, the reputation of capitalism has suffered unjustly as a result of these metaphorical deaths, and that is a problem for advocates of free markets.

It is high time to distinguish between real and fake capitalism—and between real and fake capitalists. Defenders of the free market should not allow the system to be discredited by the failures and machinations of *political* capitalists. Just because an individual runs a private-sector business, such as Enron, does not make him or it an example of the free market. Nor are their failures free-market failures.

In self-defense, therefore, those of us who are pro-capitalists must invest even more time and effort denouncing the political capitalists of the private sector than we devote to denouncing the interventionists of government. The latter are at least open and honest enemies and may be opposed as such. But the former are fifth-columnists—capitalism’s “enemy within,” who must be rooted out and shamed.

Until capitalists are clearly distinguished from political capitalists in the public mind, capitalism has little chance of winning the hearts and minds of ordinary people. Nor should it—because a system that fails to distinguish producers from parasites or predators is worthy of little respect. **TNI**

SPECIES OF “CORPORATE WELFARE”

These governmental constraints on competition—imposed at the expense of taxpayers, consumers, and/or competitors—have characterized “political capitalism” from at least the mid-nineteenth century until today:

Import restrictions. Tariffs or quotas on foreign goods that allow a “protected” domestic industry or business to raise prices and/or increase its market share.

Price supports. A price floor, as for agricultural products, that guarantees government-backed businesses greater and more predictable revenue.

Grant protection. A government permit, franchise, or license to enter into a line of commerce that reduces the number of competitors in order to advantage the established or politically favored firm(s).

Loan guarantees. Taxpayer-backed obligations that reduce or eliminate risky business investments.

Antitrust laws. The spectrum of laws against charging more, the same, or less than one’s rivals—called “monopolistic,” “collusive,” or “predatory” pricing, respectively—and that can be employed to harm or benefit targeted companies.

Subsidies. Governmental grants given to favored businesses considered to be operating in “the public interest,” such as non-polluting energy technologies.

Quality standards. Legally imposed minimum standards that advantage larger firms or firms at the high end of the quality range at the expense of lower-end competitors.