The Capitalist Conundrum

By Jason Scorse, Ph.D.

The fundamental assumption underlying capitalism and market-based economies is that people trade goods and services, including their labor, voluntarily. Contrary to the rants of its most vocal critics, capitalism is inimical to slavery. If exchange is non-voluntary (i.e. achieved through coercion) it is by definition not a capitalist exchange. The power of this concept is not to be underestimated as it leads to a profound set of conclusions. The most important is that if exchanges are made voluntarily then all parties engaged are by definition better off after the exchange; after all, if they weren’t why would they have agreed to take part in the first place?

Putting aside legitimate issues of perfect information and externalities that accompany this conclusion, the essential logic is sound and helps to explains why market-based systems are dominant almost everywhere in the world, even in places without accompanying political freedoms. It also explains why, overall, no other economic system has been able to improve the material standard of living for so many in such (relatively) short periods of time.

The bottom line: Allowing people to freely trade their labor and goods in the marketplace, and specialize amongst themselves, is the most powerful driver of prosperity in the world.

There is a catch, however, or put another way, a conundrum.

There are many situations in which people find themselves willing to do things voluntarily that are demeaning, obscenely dangerous, and deprive them of their basic human dignity because they are so desperate that they have no other options. Economics as a science rarely differentiates between degrees of voluntarism, but you don’t need to be a moral philosopher to understand that this poses a problem.

For example, slaughterhouse workers in the U.S. are often poor, uneducated immigrants who don’t speak English, and are willing to work in conditions almost identical to the horrific working conditions exposed by Upton Sinclair in The Jungle more than a century ago. While it is true that these individuals volunteered for the job does that mean it is right to subject them to these conditions?

My deciding which high paying and fulfilling job to take is qualitatively different then a woman with no education and no money deciding whether to work in a brothel or a sweatshop in order to survive. (I want to make sure to differentiate this example from someone in the U.S. who chooses to work in a dangerous occupation but is compensated with higher wages. In this case, the individual is not forced to choose the risky job because they have no other options, but they are willing to take the risk for the added reward.)
Once we acknowledge that not all voluntarism is the same, proponents of capitalism cannot take comfort that many of the worst jobs in the world are carried out by people who “volunteered” for them of their own free will. While it is true, as writers like Nicholas Kristof of the New York Times have pointed out, that when sweatshops open up in poor countries there are often many more people who want these jobs than are available, this is not because sweatshop jobs are “good” in any absolute sense. People need to survive, and toiling ten hours a day under miserable conditions in a sweatshop may be preferable to an equivalent amount of work toiling in an agricultural field for less money, finding employment in prostitution or the illicit drug trade, or worse, simply starving.

With the recent string of extremist libertarian Republican candidates running for Congress, the notion that regulations are superfluous, because workers will “choose” not to work under bad conditions, is making a comeback (e.g. by Kentucky Senate candidate Rand Paul). But with the U.S. economy at near 10 percent unemployment, and many older workers lacking the education and training to switch jobs, the belief that workers will be able to exercise sufficient market power to rein in the worst workplace abuses defies logic; when faced with taking a terrible job or losing their home and not being able to provide for their family, most people will “choose” the former. And in the poorest countries of the world, where hundreds of millions of people are vying for an improved standard of living, workers will endure incredible hardships just to secure a paycheck.

Progressives need to constantly challenge the apologists of unfettered capitalism, who believe that anything short of a putting a gun to someone’s head and forcing them to work, automatically bestows a sense of moral legitimacy to the wage-labor exchange.

The question naturally follows: what minimum standards do we societies have an obligation to provide to workers even if they would willingly accept less? Surprisingly, there is very little consensus on the answer to this question; for example, the International Labour Organization’s (ILO) labor standards are quite vague on issues of wages and health and safety conditions.

Even posing this question is contrary to the purest forms of laissez-faire capitalism, but (ironically) it is exactly this type of thinking that has helped capitalism prosper into the dominant system it is today. The many victories of the labor movement in the developed world—the 40-hour work week, mandatory overtime pay, an end to child labor, and robust health and safety standards—have greatly benefited the average worker. But they also played an important role in quelling the widespread discontent directed at the entire capitalist system during the early and middle parts of the 20th century.

Capitalism is much more accepted today because advances were made in labor standards above and beyond the bare minimum. What has already turned out to be excellent social and economic policy in the developed world is the key to capitalism’s legitimacy in the eyes of the billions of people in the developing world, who are only now getting their first experiences of living in a market-based economy.
There is no simple answer to the “capitalist conundrum”, as labor standards will always differ across countries, reflecting a myriad of societal values and priorities. But whether a worker “voluntarily” accepts a job or not should have little to do with how we determine the appropriate norms. Minimum labor standards should be based on our moral aspirations, not the lowest common-denominator.