

Capitalism, the Unknown Ideal Study Guide

Capitalism, the Unknown Ideal by Ayn Rand

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Plot Summary

Capitalism: The Unknown Ideal by Ayn Rand is a collection of essays about capitalism. It is not a book on economics but a series of essays on capitalism or more appropriately, what Rand calls the moral aspects of capitalism. Most of the articles collected for this book come from newsletters or lectures and papers. There are contribution from Ayn Rand, but also Nathaniel Branden, Alan Greenspan and Robert Hessen, all of them discussing various aspects of capitalism.

Rand presents her views of capitalism and other economic systems in this book. Her novels reveal her views through the various characters, like John Galt in Atlas Shrugged, who make comments and observations about various situations. Rand has a system called objectivism that is applied to all of the situations she analyzes. Objectivism results in the avocation of various principles. It all begins with the concept that man exists and because there is existence, there is a reality existing independent of all. The only chance man has of understanding reality is through reason. Objectivism consists of three aspects: objectivist epistemology which is basically reason, objectivist ethics which incorporates the role of self-interest and individualism and objectivist politics which is basically concerned with capitalism. This is the approach she takes to her analysis and observations about human nature and capitalism because objectivism finds its basis in laissez-faire capitalism.

Man differs from other animals in that man can think. Since man can think, he can work out his own means of survival. However, man needs a system based on individual rights in which to function and the only system that guarantees individual rights is the capitalism. So most of the book is concerned with comparing and contrasting capitalism and statism and man's nature and existence in both systems. Capitalism is the only system that allows for the rationality man requires. Statism, many other systems and even the Catholic Church, take an altruistic view of the situation. However altruism, according to Rand, is anathema to capitalism. Capitalism is based on the individual and the individual rights whereas altruism is based on man doing things for the good of the community or the country. Man himself is unimportant. Rand considers altruism to be the cause of many problems in a society because man cannot exist for long in this kind of situation.

This book exhibits the objectivism which is the philosophy of Ayn Rand. She is concerned with capitalism because she does not find any other system in which man can exists that allows him the rationality and individual rights he needs in order to function. Rand presents various issues, like big business, war, the student protest movement of the sixties, and altruism within the context of objectivism. This is a good book to read for those looking for a way to learn the philosophy of Ayn Rand to see how it is applied to various real world situations.



What is Capitalism?

What is Capitalism? Summary and Analysis

Rand begins this selection by discussing the disintegration of philosophy. The disintegration begins in the nineteenth century and leads to a collapse in the twentieth century. Science, according to Rand, is collapsing. Scientists who cannot interpret their own data are leading to the renewal of a period of primitive mysticism. To Rand this is evident in psychology and political economy. Psychologists do not consider man conscious when they study his behavior. In political economy, the experts do not pay any attention to man when they study social systems.

The criteria for studying various areas of knowledge come from philosophy. The study of political economy is defined as a study of how scarce resources are used. It does not seek to define who owns these resources and they are more or less treated as communal. From that point of view, the question is how can these resources best be used for the common good? Man is considered to be a resource just as other productive inputs are and the productive situation is looked at in terms of what is the best way to do things for the community.

Man is presented as a tribal being through the lens of the morality of altruism. In tribal European culture, man was not considered to be a free and independent entity. The tribe was the important unit. Man was only a part of that unit and he was an expendable part. Rulers were also considered a part of the unit and were considered privileged because of the services they offered to the tribe. Even the nobility owed their existence and property to the king. The noble furnished services of defense to the king and this service was valued but, ultimately, he was chattel just like the serfs were. The concept of private property did not exist in the days of feudalism; it did not come into being until the days of capitalism when laws came into being protecting private property.

The concept of the Rights of Man undergo a change when man stops being considered as a slave of the king but is looked on as a slave of the people. They cannot conceive of a non-tribal view of man. Gradually society changes and instead of having galley slaves they have steamboat owners. Capitalism comes into being when a relationship formed between the owners of the non-personal means of production and the owners of labor and this is what determines the shares of income between the various owners. Talk of a productive or a social surplus is nonsense. The term surplus implies the existence of some kind of a norm but it ignores the idea of ownership. Wealth is the result of someone's productive effort and it belongs to someone. The missing piece overlooked in capitalism was freedom.

The concept of a tribal premise is the concept underlying capitalism. Most political economists take the approach of studying man to learn about society and this is an approach that cannot work. When it comes to existence, they cannot relate the absolutes to the concrete. The political economists, with their tribal approach, assume



that man, no matter his occupation, is working for the good of society. Man survives by using his mind. He needs to be able to think in order to do things and he is capable of learning from other men. Even when men work in a group, they still must use their own minds to think, use logic and rationalize. Man only has what he can acquire and produce. If he cannot think to do this, then he must follow some routine that is the result of someone else's thinking. Man makes his own choices and must be free to do so. Man uses his rationality to survive. When he acts irrationally, he functions as his own destroyer.

The term rights is looked upon as a moral principle that comes from man's rationality. Basic to the concept of freedom is property rights. If there are no property rights, then there are no other rights. Given these facts, then what can we say about an appropriate social system? A social system consists of the moral, political and economic concepts that underlie the society's mechanism. This means laws, institutions and governments. The fundamental question is whether or not the social system acknowledges individual rights and bars the use of physical force. Is man a free individual or is he the property of the tribe? Under capitalism, man is free and this is the only system under which man has his freedom. Individual and property rights are the basis for capitalism and government exists to protect rights. This is the difference between capitalism and other systems.

From a philosophical point of view, there are four keystones of capitalism. They are the requirements of survival, reason, individual rights and freedom. They form the basis for the approach that must be taken for an understanding of capitalism. Capitalism results in the most efficient allocation of resources because man and his mind and the system are morally justified on the basis of being consistent with man's nature. In regards to the common good, there are three theories. In the intrinsic theory, good is embodied in various actions irregardless of benefits and consequences. With the subjectivist theory, the good is a product of man's sub-conscious and has no relation to reality. In the objective theory, the good involves rationally evaluating reality.

It is only capitalism that has an objective theory of values as its basis and the discovery of these values must come from man's mind. When talking about values, the question is who values something and how much. If the discussion concerns the economic value of someone's work, that value depends on what others are willing to exchange for that work. Elvis Presley would earn more money than Einstein would. What happens when there are crises and depressions in the economy? These are the result of government interference. This is the basis of classical economics along with the belief capitalism results in the most efficient allocation of resources.

The Roots of War

The Roots of War Summary and Analysis

The threat of a nuclear holocaust terrifies many people because they and their leaders feel helpless when confronting war. The majority of the people are not in favor of war and never has been. Man knows there is always the possibility of war because they have never rejected the use of physical force to get what they want. This belief comes from the political philosophy of statism, which is also known as collectivism. This is the source of both peace and war propaganda. The peace proponents are against war and the threat of nuclear weapons. They do not believe nations should be allowed to use armed force against one another yet at the same time they find nothing wrong with dictatorships. This means, according to Rand, that they oppose the use of weapons against other nations but not against their own people.

The concept underlying statism is the tribe owns the members and has the right to sacrifice them whenever it wants. Man then, has to kill or be killed. Looking over history shows the bloodiest conflicts have been civil wars. Once they begin to abrogate individual rights, there is no way to ascertain who has what rights. Rand compares statism to gang rule. If a country does not respect the rights of its own citizens, it will certainly not respect the rights of neighboring countries. Statism survives on war, not peace. Most wars have been started by nations with controlled economies. The longest period of peace in history took place under capitalism or mixed economies.

Capitalism promotes and thrives on free trade. This is trade without any trade barriers. Trade routes should be opened up without any restrictions and competition should prevail. Free trade brought the world out of feudalism. Businessmen do not start wars; governments do. Statism is often linked to militarism. People cannot oppose war without opposing statism. If someone is killed, it does not really matter how they are killed because dead is dead.



America's Persecuted Minority: Big Business

America's Persecuted Minority: Big Business Summary and Analysis

Rand looks at the meaning of the word persecution in this chapter. She considers American businessmen as falling into this category. Persecution is not a word describing only religious and racial minorities. It also describes businessmen. Businessmen are condemned in their dealings with labor unions and in the drive for profits. Businessmen are blamed for many problems. They are the ones that negotiate with labor unions and are condemned for this behavior. If the workers have a low standard of living, then the businessmen are blamed. Since the businessmen make the decisions that result in corporate actions and profits, they take the blame for the results.

According to Rand, when a minority group is being persecuted, there is something more to it. There is another group somewhere using the minority as a scapegoat to hide their own motives and actions. Any kind of dictatorial movement needs a scapegoat and for movements of statism, the scapegoat is usually the businessman.

Government can use physical force. Private organizations do not have this right. Governments of free countries should protect the rights of their citizens and protect them from physical force. The government has the right to use physical force against those who initiate its use. However, one of the functions of government is to protect the rights of its citizens. The police protect citizens from criminals, the courts protect property, the military protects against foreigners. Statism results in dictatorship and destruction. How does economic power enter into this? In a free market, economic power is determined by supply and demand. People become rich when they make a product for less money than others do. The number of purchases and sales determine wealth in a market.

Given these concepts, what, then, is the difference between economic and political power? Economic power is the result of a positive since it functions by rewarding people or by offering something positive as an incentive. Political power, on the other hand, functions by the use of negatives. The negatives include the threat of imprisonment or punishment. Where values are the basic tool of business, fear is the basic tool of the bureaucrat. Most problems that arise are due to government intervention in the economy.

One particular act Rand points out is the Sherman Act, the first of the anti-trust legislation. The Sherman Act put business practices under the scrutiny of the bureaucrat.



British civil servant and author A.D. Neale looks at the antitrust laws in the United States and concludes they are written in such a way that they cannot be understood. There is no way to ascertain whether or not an action is legal or illegal. People have to read all of case law to see how something is interpreted. Laws are not supposed to be retroactive. Laws cannot be made to cover an act committed before the law was enacted. "The legal treatment accorded to actual criminals is much superior to that accorded to businessmen. The criminal's rights are protected by objective laws, objective procedures, objective rules of evidence. A criminal is presumed to be innocent until he is proved guilty. Only businessmen—the producers, the providers, the supporters, the Atlases who carry our whole economy on their shoulders—are regarded as guilty by nature and are required to prove their innocence, without any definable criteria of innocence or proof, and are left at the mercy of the whim, the favor, or the malice of any publicity-seeking politician, any scheming statist, any envious mediocrity who might chance to work his way into a bureaucratic job and who feels a yen to do some trust-busting" (Chapter 3, p. 51).

Under many of the antitrust laws, businessmen became the scapegoats for the actions of various politicians. Many of the railroads and other big businesses were associated with a lot of political privileges and these are what many businessmen functioned as scapegoats for. These actions basically resulted in more political controls over the economy. Freedom was destroyed by rules and actions said to protect freedom. This is what the first antitrust laws did. They ended up doing the opposite of what they were intended to accomplish since there is no way competition can be determined legislatively. Businesses can reach the same decisions and take the same actions without conspiring, even if it looks like they conspired. Antitrust cases were successfully prosecuted against ALCOA and General Electric and other companies who brought major and minor appliances to the population. They engaged in price fixing and did not contest the charges brought against them by government. Seven of their executives were imprisoned for their crimes.

Businessmen serve the purpose of distinguishing a capitalistic economy from a totalitarian regime. All other groups exist in dictatorships but the businessmen of capitalism.

Antitrust

Antitrust Summary and Analysis

This chapter on antitrust is written by Alan Greenspan. He describes the business world with antitrust as a world that lauds competition, yet if there is too much competition then it is deemed to be cutthroat. Greenspan says they should review the entire antitrust system. To understand why, he says, one must look at the history of the antitrust laws on the economic principles on which they are based. The popular belief was if businesses were left free to do as they wanted, the result would be arbitrary power.

When the railroads were being constructed, they were needed for development so they were subsidized in the form of land grants. Land grants were based on the fact that there could be no other competing railroads in the area. The result was there was a lot of sub-standard construction done for the purpose of obtaining the land grants. The arbitrary power these railroads had as monopolies came from the government, not from the market. A fear of trusts developed which eventually led to the passage of the Sherman Act. These trusts represented a form of efficiency which is why they kept being formed. According to classical economics, producing and selling as much as possible was the basis of competition.

Competition is regulated by the capital market. When capital flows freely, it tends to flow to those areas where it receives the best rate of return. Capital markets affect prices because the producer will seek the lowest possible production costs in order to increase profits. Aluminum Company of America (ALCOA) is an example of a monopoly in the sense that the company had control over its price but was not as independent as a true monopolist. It held a position as the only producer of primary aluminum. It did not raise its prices so it did not attract new firms to the industry. Greenspan concludes the antitrust laws to be a gross misinterpretation of history and a naïve and unrealistic way of viewing economic theory.



Common Fallacies About Capitalism

Common Fallacies About Capitalism Summary and Analysis

This chapter is authored by Nathaniel Branden, who comments on some basic economic concepts. Branden begins by asking what prevents the formation of monopolies in a system of laissez-faire capitalism. He claims it is a fallacy of Marxism and economists to believe you cannot have free economies without the development of monopoly. The term evils of monopoly refer to coercive monopoly. This is a situation where a monopolist is completely independent of the market in setting his prices and production policies. It is a situation where competition is impossible and it is a situation only created by government in terms of special licenses, subsidies, actions or some kind of special privileges. A coercive monopoly is an entity like the electric or phone company and can only come into being through the existence of the principle of statism.

The rules of competition dictate that as a company raises its prices and earn economic profits, new firms are attracted to the industry and the economic profits are eliminated. As long as capital can flow freely, it will flow to where it earns the highest rate of return. In capitalism, the non-coercive monopoly, the only kind that can exist, is responsive to the market. So the only kind of monopoly that should be considered to be bad is a coercive monopoly.

The next issue Branden addresses is the issue of depressions. Are they an inherent part of capitalism? According to the statist, depressions are a part of laissez-faire capitalism. A depression occurs when there is a significant decline in trade and production. Other features include a decline in output, investment, employment and capital assets. Major depressions are worldwide. Any one industry or market can experience a period of surplus merchandise. The industry adjusts through falling prices and changes in capital and investment. When the economy is unregulated, the adjustments take place quickly. The economy will cure its own problems. From this point of view, government intervention in the economy was the cause of the Great Depression of the 1920s.

If the economy had been free, the depression would not have happened. Government policy kept interest rates low and made money easily available and this is what fueled the speculation. A free banking system would have reacted automatically. A system with government restraints on it could not react. Institutions continued to extend credit and massive speculation continued unchecked until the crash occurred. When interest rates finally were raised, it was too late to help the economy. When investors realized they had a problem, they all tried to get out of the market which resulted in the panic selling. Loans were called in and people all tried to withdraw their money from banks, which resulted in bank panics.



The blame for the Depression was placed on capitalism, not on the government policies. The recovery policies brought the economy closer to statism. Government intervention, they claim, creates a state of uncertainty because the participants never know what will happen when. The Depression, when it came, was very severe and affected most of the world. What helped bring the U.S. economy out of the recession was a war. The Great Depression was not the only depression the United States had suffered, but it was the worst depression.

Labor unions are also a topic of interest to Branden. A major fallacy is the belief that the high wages and benefits of American labor is due to labor unions. This is basic economics. Wages depend on productivity and high productivity comes from technology, innovation and investment. Workers in the United States make more than workers in other countries because there is more capital investment on a per capita basis in the United States. Labor markets function on the basis of competition just as other markets do. Wages below the market rate result in a loss of workers for the employer. Above market rate wages result in higher costs and lower profits. The result is that most businesses pay wages close to the market rate.

What led employers to be willing to pay higher wages and benefits to their workers even without unions? It was in the economic best interests of the companies to do so. The employer who paid higher wages attracted better workers and experienced greater efficiency. The rising wage rates and the high standard of living of American workers are a direct result of technological progress, the accumulation of capital and the growth of industry. Workers have the right to join a union, for whatever reason. Unions serve a valuable service in representing the worker before the employer. They also have enough market power to negotiate an above market wage rate for the worker.

The higher wage rate negotiated by a union affects other entities. The higher wage rate results in higher costs and cuts in production eventually. Marginal firms are forced out of business. Firms also cannot hire as many workers at the higher wage rates as at lower rate rates so fewer workers are hired as a result of the higher union negotiated wages. This means the result of the union negotiated wage is unemployment. Other industries also feel the effects. Many will raise wages to be competitive or they will lose their workers. When considering rises in wages, care must be taken to distinguish between nominal and real wages, the difference between the two being inflation.

Public education is another issue addressed by Branden. He discusses the right of the government to remove the child from his home and force him to attend school and receive an education and whether citizens be forced to pay the expense. Most supporters of individual rights say no, they should not be forced. Some people question the role of the state to do so on moral grounds. Most children attend public schools because their parents pay the taxes for those schools and cannot afford private schools. Education is not a free gift because it must be paid for.

Inherited wealth is the right of the owner of the wealth, the individual that produced the wealth, not the individual that receives the wealth. The heir is not the one who produced the wealth and therefore does not have a right to that wealth. The greater the amount of

wealth there is in existence, the easier it is for everyone. A worthy heir is one who can manage the wealth and withstand the forces of competition.



Gold and Economic Freedom

Gold and Economic Freedom Summary and Analysis

This chapter, written by Alan Greenspan, considers the role of gold and looks at the gold standard. The gold standard was the mechanism by which the international monetary system functioned until the end of World War II. Money functions as the common denominator in all transactions and it is a means of savings. The existence of money allows people to avoid the problems of barter and this promotes the division of labor. To function as a medium of exchange, the item must be durable and sturdy which is what a metal is. The metal is homogenous and divisible. A single commodity used as a medium of exchange is very beneficial for a society.

Two metals widely accepted as a medium of exchange are gold and silver. Currency and deposits can take place in a bank system based on gold. This situation accommodates production and a gold standard facilitates trade and growth. Economies are coordinated through the use of the common unit of gold as the basis for a currency. The money, or the gold, will go to whatever country pays the highest rate of interest. The gold will flow from the low interest rate country to the high interest rate country. When the system was based on gold, the banking system was not as controlled as it is. When it was thought a shortage of bank reserves was causing economic problems, the Federal Reserve System was formed. It was hoped the Fed would help ease temporary reserve shortages.



Notes on the History of American Free Enterprise

Notes on the History of American Free Enterprise Summary and Analysis

"If a detailed, factual study were made of all those instances in the history of American industry which have been used by the statist as an indictment of free enterprise and as an argument in favor of a government-controlled economy, it would be found that the actions blamed on businessmen were caused, necessitated, and made possible only by government intervention in business" (Chapter 7, p. 102). Many of the things business was blamed for were not the result of business but the result of government and government control of the economy. Many businessmen end up taking the blame for what government does and the government then uses this to expand the crime.

An example of the above claim are the railroads. The railroads were built using some government money and many of them went bankrupt. The railroads that were in the best position were the ones that never received any financial aid from the government. The ones that did receive aid were not always responsive to the market. They were just looking for the government handout and some unscrupulous businessmen took the money and never built the railroads. At one time the railroads in California held a virtual monopoly that allowed no other railroads into the market. The railroad rates were so high that many of the users were profitless. The railroad was the Central Pacific and the situation was created by government intervention, not by the businessmen, but the businessmen took the blame. People like J.J. Hill and Commodore Vanderbilt were condemned as businessmen for their roles in the development of the railroads. Author Stewart Holbrook discusses the corruption surrounding the railroads.



The Effects of the Industrial Revolution on Women and Children

The Effects of the Industrial Revolution on Women and Children Summary and Analysis

Robert Hessen is the author of this chapter which examines the role of children and women in the Industrial Revolution. Many children found jobs in factories that allowed them a way to survive. "The factory system led to a rise in the general standard of living, to rapidly falling urban death rates and decreasing infant mortality—and produced an unprecedented population explosion," (Chapter 8, p. 110). The plight of the children was painted by the authors and poets of the time. The children in the factories did not have hard jobs that were physically demanding. The first labor laws aimed at children were targeting those working as chimney sweeps in 1788. The first laws concerning factories were to cover children who were parentless and sent to factory work by the government.

These early labor laws did not end child labor. Child labor came to an end when it became economically feasible, when their parents could earn enough money to support them so they no longer had to work. Hessen points out the Industrial Revolution is a product of capitalism and could never have occurred in a planned economy.

It is often considered that the Industrial Revolution was a degrading experience for women. In earlier centuries there was serfdom and slavery and very unhealthy living conditions with a very poor diet. Most textile production was performed in the home before the advent of factories. The immediate effect of the Industrial Revolution was to shift the production of textiles from the home to the factory. Women no longer worked in the home. They left the home to work and earned their own wages, just as the children did. The factories were blamed for encouraging all kinds of behavior, including early marriages and neglect of children. Women became more independent by working in factories because they had their own income.

The Assault on Integrity

The Assault on Integrity Summary and Analysis

In this chapter, written by Alan Greenspan, the protection of the consumer is examined. Without some sort of protection, like the Pure Food and Drug Administration, the consumer would be at the mercy of the businessmen who would attempt to pass off unsafe food and products. Greenspan claims the best protection for the consumer is the profits of businessmen. Firms with reputations for being honest and producing good products do better than firms with bad reputations. Firms with bad products or reputations tend to drop in market value. Firms spend years building their reputation and they cannot afford to slip up because the public can turn against them very easily. The reputation of established firms is a force that newer firms have to contend with as they spend years trying to build their own reputation.

Government regulation does not protect the consumer in the same way the force of competition does. It tries to provide protection through force and fear instead of through quality products and accurate information. The problem is that when there is protection by force, this lessens the effort of the firm to provide protection by incentive. All firms are treated as equals under protection by force. The firms with the good reputations and quality products are not treated any differently than other less reputable firms. Companies only have to comply with the rules. Their reputations and records are not relevant as long as they comply with minimum standards.

The purpose of government regulation is to prevent a bad from happening. The result is the regulations tend to be negative in defining what the company can and cannot do in various areas, such as drug experimentation. Sometimes it is easier for the business to pay a bribe than to conform to the requirements. Having the required license does not make the businessman moral and ethical. It just means he conformed to the standards enough to qualify for a piece of paper. Regulation does not enhance the competitive nature of the marketplace. It may actually be harder to uncover unethical behavior in the presence of regulation.



The Property Status of Airwaves

The Property Status of Airwaves Summary and Analysis

Rand feels "Any material element or resource which, in order to become of use or value to men, requires the application of human knowledge and effort, should be private property—by the right of those who apply the knowledge and effort" (Chapter 10, p. 122). Rand applies this principle to the airwaves, whose usage requires the definition of some kind of property rights or people would be trying to use the same frequencies and jamming each other. Rand feels U.S. government has failed in this area.

Rand uses the Homestead Act and the settling of the western lands in the U.S. as an example of how property rights can be established. Public land was put into private hands when the settlers settled on the land and worked it for a specified period of time. The settlers did not have to pay for the land. Rand feels the government should have used this method with the airwaves. This would mean people would buy and sell radio wave property rights. In the early days of radio, the use of the airwaves was slightly chaotic as users tried to make agreements among themselves. The problems experienced were the result of the lack of property rights.

Rand considers the way the government established licensing to be a form of nationalization and points out it was Herbert Hoover, who was then the Secretary of Commerce, who brought the airwaves under government control. Defining the airwave service as being in the public interest allowed the government to take total control of the airwaves. Some businessmen are protected from the forces of competition by the government license in this respect. The license protects him from having to compete for the right to use the frequency.

The licensing also leads to some censorship of the use of the airwaves since judgments are made about who does and does not receive a license. This censorship, Rand feels, will lead to censorship of other forms of media such as books and magazines. The only way to make the industry responsive to the market is to make airwaves a form of private property which is bought and sold.

Patents and Copyrights

Patents and Copyrights Summary and Analysis

Patents and copyrights are a way of claiming property rights and a way of protecting the results of creative thinking. These are ways of acknowledging the mental effort that goes into the production of a product or idea. These instruments protect the mind's effort in producing a good or service or idea and are based on the belief man has the right to what his mind produces. What is produced by the mind is called intellectual property. Patents and copyrights protect intellectual property and mean that ideas cannot be copied without the originator's consent. Patents apply to inventions and copyrights apply to ideas. They both protect the mental work and creativity of the inventor and are one of the reasons people are willing to take risks inventing things in a market economy. Discoveries do not fall into this category since they are mainly concerned with identifying facts of nature, like electricity. Finding out lightening bolts are electrical is more or less finding something that already exists. Using that electricity to building an appliance is the result of the creative process and can result in a patent.

An inventor or originator of an idea protects their property rights when they obtain a patent or copyright. These property rights do not last forever but only for a specific period of time. In the United Kingdom, copyrights are for the lifetime of the originator plus fifty years. The owners of intellectual property do not have to apply for a patent or copyright unless they want to. They have the right to give their intellectual property away if they want to.

Intellectual property is different than material property. Intellectual property represents wealth than can be created from a process or an invention. Material property represents wealth that already exists and can be used up by the heirs. Unlike material property, intellectual property cannot be transferred in the same sense that intellectual ability cannot be transferred. The result of intellectual property may be able to be transferred but the intellectual property itself cannot be. The intellectual property products' rights may end up in the public domain but they do not become public property.



Theory and Practice

Theory and Practice Summary and Analysis

Capitalism, according to Rand, is based on altruistic principles and this is one of the ways in which conservatives try to justify a capitalist society. This means the capitalist must be willing to sacrifice to achieve his goal. It means the individual is willing to sacrifice for the common good. This causes problems because one individual's welfare cannot be increased by another's sacrifice and this is why there are failures. Pre-capitalists societies were based on the wealthy class exploiting the lower classes with little protection of individual rights. Capitalism cannot function with slaves. The North fought the South in the Civil War to free the slaves for the economic need of a free labor market. Capitalism was the reason for the end of feudalism and slavery.

Capitalism, based on freedom, has achieved standards of living much higher than other systems have attained. The contrast between what was once East and West Berlin is given as an example of this. Many people blame capitalism for poverty and many of the under-developed nations ask for foreign aid. Many poverty stricken nations are the ones asking for foreign aid and find much of it comes with conditions to help establish capitalism. If the country wants the foreign aid, they must implement the various programs to establish stronger capitalism. This is why many of these nations condemn capitalism. These are also some of the countries that nationalize foreign companies and the intellectual property of inventors.

Foreign aid has to be paid for through taxes in the country granting the aid. This means some of their citizens have to sacrifice to support the foreign aid programs. The citizens who have to make the sacrifices are not in a very altruistic mood. Many nations like Algeria, throw off their foreign rulers through civil war, and then must establish their own government. In Algeria's case, after fighting the French for independence, once that battle ended, the various tribes began to fight with one another.

In systems based on majority rule, the majority may vote away the rights of the minority. This mechanism can deprive people of their life, liberty and pursuit of happiness and this can continue until the minority acquires enough members to mount a challenge. People have to work together to form a nation based on political freedom. It takes many years and a lot of hard work. The system that the American Founding Fathers developed was based on theory that began with Aristotle and is based on individual freedoms and rights, not majority rights.

Let Us Alone!

Let Us Alone! Summary and Analysis

Rand looks at the origins of the term *laissez-faire* in this chapter. She looks at the reign of Louis XIV, whose chief adviser was Colbert. At one point Colbert asked business leaders what he could do to help them and they replied, in French, '*laissez-nous faire*' which means "leave us alone." The best help the government could give them was to leave them alone and not to interfere in the marketplace. This way they could follow the market signals and do what competition required instead of what government interference wanted. They would not be constrained by government rules and regulations. Coercion does not help the marketplace. The intelligence of man is responsible for production and prosperity. Government intervention in the marketplace is the use of physical force. The two are not compatible. The coercion interferes with the intelligence. Taxation, for whatever purpose, results in lower levels of production. Any kind of government controls result in lower levels of production and interfere with a nation's prosperity.

At this time France was an absolute monarchy. This means Louis XIV ruled on the basis of total power. He determined all of the goals and policies of the nation. Achieving national goals cost money and resulted in the imposition of taxes which places a burden on businesses. This is why Colbert asked businessmen his now famous question of what could he do to help them. What was true then is also true today. The differences between East Germany and West Germany are an example of this. One of the main reasons for the Berlin Wall was to stop the brain drain as many of the educated tried to flee to the West. Many times East Germany had problems feeding its population in spite of the fact they had some of the best farm land in Europe.

Rand says there was no difference between the French minister Colbert and President Johnson in trying to achieve prosperity for their nations. Taxation results in the government taking unearned wealth from its population, whatever the funds are used for. It makes no difference if the taker is Colbert or Johnson. The fact is a part of the national product is taken away, even if the funds are used for redistribution of wealth in the national interest. Louis XIV made France an international power by creating a welfare state, but he basically wrecked the domestic economy. Men work better in an atmosphere of freedom than in one of coercion.

The Anatomy of Compromise

The Anatomy of Compromise Summary and Analysis

The disintegration of an economy occurs when men cease to think in terms of principles and abstractions. Rand refers to a principle as a general truth. This means there are other things which depend on this general truth. Rand looks at the practical man in this chapter. There are three rules Rand presents. The man with the most consistent behavior is the one who will win when there is a disagreement between groups with the same principles. When they do not have the same principles, the more evil or more irrational entity will win. If principles are clearly defined and the groups hold opposite views, the more rational one will win. The more irrational one will win when the principles are hidden and not clearly defined.

There are reasons for these rules. In the first case, a conflict between entities having the same principles means one of them is inconsistent or they would not have a disagreement. In this case, the one who is more consistent will prevail as they give and take on the various issues. Sometimes they seek the same end but through different means. Many times, the Democrats and Republicans fall into this category. The second case, wherein the basic principles are different, Rand claims the one with the more evil or more irrational views will win if the two collaborate. The one with the rational view cannot gain anything in the collaboration like the one with the irrational view can. The one with the irrational view gains by being associated with the values and gains of the rational side. Rand claims this happens in the United Nations when countries side with the Soviet Union. The last example is more or less obvious. When the irrational side's goals are hidden, it has to be deceitful to keep its goals a secret.

Is Atlas Shrugging?

Is Atlas Shrugging? Summary and Analysis

In this chapter, Rand compares the events in *Atlas Shrugged* to the events of current times. She poses the question of whether the novel is historic or prophetic and claims that if it is historical, then it has to be prophetic. People commented to Rand that current events were like the things discussed in the book. "The political aspects of *Atlas Shrugged* are not its theme, but one of the consequences of its theme. The theme is: the role of the mind in man's existence and, as a corollary, the presentation of a new code of ethics—the morality of rational self-interest" (Chapter 15, p. 150).

The book presents the conflict between two antagonists with opposing points of view. Rand refers to one as 'reason-individualism-capitalism' and the other as 'mysticism-altruism-collectivism.' The conflict between them is political, economic, moral and philosophic. The second position is described by Rand as being anti-life, anti-man and anti-mind. She goes on to discuss the problem of the brain-drain in Great Britain, a situation from her novel that has actually come true as various newspapers are cited showing the departure of scientists from Great Britain. The government has tried appealing to the scientists to keep them from leaving their country but to no avail.

Socialized medicine is a part of the British economic system and has been for many years. Socialized medicine changes the relationship with the family doctor and results in fewer applicants to medical schools. The same situation does not exist in the United States because the United States does not have socialized medicine. Doctors in various countries have fought against the socialization of medicine. Rand goes on to draw the parallel with a situation in *Atlas Shrugged*. Businessmen are the first scapegoats of the mystic-altruist-collectivist axis followed by doctors. These groups become the targets of the attacks by the axis. Money becomes so important that some practices and actions become inhumane. People should be more important than profits.

Other newspaper editorials talked about the need to end the income from jobs link and to say the way to progress was through sacrifice and self-denial. Man's ideas determine the course of history.



The Pull Peddlers

The Pull Peddlers Summary and Analysis

Rand looks at the foreign aid program in this chapter. Foreign aid programs stem from the belief in a duty to help under-developed nations. If we do not help them, then they will become a threat to us. So nations help them, even if they risk bankruptcy. Why do the powerful nations feel threatened by the underdeveloped nations? Either they are so weak they cannot become a threat or they are powerful enough to be a threat in which case they should not require foreign aid. Neither viewpoint is correct, according to Rand. Rand says societies following the wrong course are using rationalizations to try to justify their decisions and she feels there is no consistency in the foreign aid program and the big loser is the United States.

Lobbying is a way of trying to influence the legislators. Lobbying activities can range from cocktail parties to blackmail and all lobbyists are required to be registered with the government. Lobbyists are men hired by various special interest groups to help protect their group with favorable legislation. Many tend to be lawyers or public relation specialists. "So long as a concept such as 'the public interest' (or the 'social' or 'national' or 'international' interest) is regarded as a valid principle to guide legislation—lobbies and pressure groups will necessarily continue to exist. Since there is no such entity as 'the public,' since the public is merely a member of individuals, the idea that 'the public interest' supersedes private interests and rights, can have but one meaning: that the interests and rights of some individuals take precedence over the interests and rights of others" (Chapter 16, p. 170).

Lobbyists sway legislators to vote in a way favoring the group the lobbyist represents, even on foreign aid issues. Sometimes legislators are open to bribes, a fact which bewilders the public.



Extremism, or the Art of Smearing

Extremism, or the Art of Smearing Summary and Analysis

Rand examines the concept of smear campaigns in this chapter. These smears are done at all levels of government and are evident during political campaigns. She uses a Republican National Convention as an example of a call for a repudiation of extremism. The people calling for the elimination of extremism did not ever define the word or the activities they wanted eliminated. They kept it going by not explaining any of their reasons or criteria for selecting which groups to smear. People are willing to fight for something they strongly believe in. Rand mentions various groups like the Communist Party, the Ku Klux Klan and the John Birch Society. Nothing links these three groups together no matter how hard the moderates try. They try to claim evil is the common denominator.

Smears fall into the category known as libel. "Are we to regard wholesale slaughter, lynch-murders, and libel as equal evils?" (Chapter 17, p. 174). The only real issue for the Republican Convention was the John Birch Society calling Eisenhower a Communist. The debate created an atmosphere that had people arguing about the issue of extremism without there ever being any clear definition of the word. So people use the term and argue about extremism without knowing what it means. This was tied in with the use of the word isolationism in the 1930s which replaced the word patriotism. The late 1940s and 1950s were also the period of McCarthyism, a term coined for a Wisconsin Senator who held hearings into Communism. The result was a lot of character assassination.

This leads to the formation of anti-concepts which come into being to destroy concepts and to do so without any kind of public discussion. What does this accomplish in politics? The crucial questions of the time are those of capitalism versus socialism or freedom versus statism. The liberals basically are against the concept of capitalism and want it destroyed. Their purpose has been to bring on welfare statism. Socialism or statism cannot win through open debate but only by default. Underneath the conservative-liberal conflict is the capitalism-socialism conflict. The extremists-moderates were the anti-concepts of this conflict and the term rightist denoted capitalism and the term leftist denoted socialism. Fascism and Communism presented themselves as opposites until the end of World War II, when it became obvious how alike they both were. They are both forms of statism. The main issue in both is man versus the state and individual rights versus totalitarianism.

When smears take place, they are usually aimed at beliefs in values or principles. They are directed at men of integrity. Anti-concepts do not bring about an intellectual movement's collapse. The collapse comes about when the movement has nothing to offer and calls for moderation.

The Obliteration of Capitalism

The Obliteration of Capitalism Summary and Analysis

Rand begins the chapter by discussing what she meant in the chapter about smears and how liberals introduce statism. She mentions a comment by Governor Romney that we do not have a system of capitalism but one of consumerism. Most who support capitalism have varying definitions of the term. Many feel the producer's role is more important than the consumer's in capitalism. Many businessmen stress the point that the major part of income goes to labor and the smallest part is profit. They try to hide the true nature of capitalism. What they are trying to hide is capitalism as a system based on individual rights. Altruism insists the system is portrayed as an evil and this is why capitalism and altruism are not compatible.

The use of the term consumerism suggests the consumer is superior to the producer and has a separate status. The economic system is called a mixed economy, not a pure capitalist system and it is a combination of statism and capitalism. Rand refers to this as a conflict of pressure-groups. One of the tactics of the communists was to paint capitalism as evil and to view socialism as benevolent. Some nations talk about their special brands of socialism. Rand presents several excerpts from newspaper articles showing the different views of socialism. One presents capitalism as a dirty word and sees no connection between socialism and communism. Another asks how there can be a safeguard of individual rights if the government is enforcing its concern for the poor. A favorable opinion of socialism is found in various countries of the world, even among those who have had fascist dictatorships.

Many less developed countries feel threatened by capitalism and the United States. The United States try to change their way of life by offering them freedom and a chance for economic development. This threatened them so they hate America for her success.



Conservatism: An Obituary

Conservatism: An Obituary Summary and Analysis

Rand begins the chapter by saying there is agreement between conservatives and liberals that there is a fight to save civilization. They both agree this is a conflict involving communism but they do not know what to call the other side. What they are really talking about is a conflict between capitalism and statism. Both groups claim their side represents freedom and then they present their programs, which include taxes and various forms of government controls and government programs. These programs and controls are forms of statism.

Freedom usually means being free of coercion by government. People still have to work and provide for their livelihood but they do not have coercion from government. Conflict involves the struggle between man and the state by whatever name they want to call it. Supporters of freedom must support individual rights. This basically means they support the political economic system of capitalism. The major issue, as always, is freedom versus dictatorship. The pressure-group conflicts are the result of choosing slavery and dictatorship. This leads to groups fighting over who controls what. The only choice that matters is the first choice between capitalism and statism.

Rand talks of proponents of each side using stealth to obscure their views. They are both hiding their real positions from the public. They do not tell the public the true purposes of their programs. The liberals want to put statism into place without ever revealing their true purposes. The conservatives, on the other hand, are not forceful enough in stating their true positions as proponents of freedom. They promote capitalism without calling it that because the principles of altruism mean man must exist and work for a greater cause and not for his own purposes. This is why capitalism and altruism are always in conflict.

The basis of American freedom is the idea man exists for himself and acts in his own best self-interests. He does not exist for the good of the group. The exchange between men as traders is to act in mutually beneficial ways. The reason capitalism is having trouble sustaining itself is due to the absence of a moral base. Conservatives have refused to confront the issue of altruism. The embodiment of altruism is represented by Soviet Russia, a society not based on individual rights, where man exists and acts for the benefit of the group. The fact conservatives have apologized for the success and wealth of America has done more to help the Soviet cause than any kind of propaganda they could come up with. The conservatives have realized their own weaknesses here and their attempts to correct the situation are destroying any claims they have to intellectual leadership.

Conservatives try to justify capitalism on the basis of faith, tradition and depravity. Their moral justification comes from religion, a private matter that must not intrude on political matters. When Khrushchev visited the United States, he claimed the superiority of



communism was scientifically proven. The American answer was that the U.S. system was based on faith in God. This led to a severe drop in American credibility in the eyes of the world. The country came into being because men broke with tradition. Since many of our values come from tradition, tradition is usually preserved. Depravity can be a result of abandoning tradition and values. People will not support a dictator if they believe the man is depraved.

This is not a time to join groups with no ideology but which do things based on faith. There is no basis for any of these groups. The only way to save capitalism is to eliminate the source of the destruction and this means destroying altruism. The best argument for capitalism is based on man's right to self-esteem which means his right to exist. If people want to fight for capitalism, they must break with the conservative label. "Capitalism is not the system of the past: it is the system of the future—if mankind is to have a future. Those who wish to fight for it, must discard the title of 'conservatives.' 'Conservatism' has always been a misleading name, inappropriate to America. Today, there is nothing left to 'conserve': the established political philosophy, the intellectual orthodoxy, and the status quo are collectivism. Those who reject all the basic premises of collectivism are radicals in the proper sense of the word: 'radical' means 'fundamental.' Today, the fighters for capitalism have to be, not bankrupt 'conservatives,' but new radicals, new intellectuals and, above all, new, dedicated moralists" (Chapter 19, p. 201).



The New Fascism: Rule by Consensus

The New Fascism: Rule by Consensus Summary and Analysis

Rand begins the chapter by presenting the dictionary definitions of the terms socialism, fascism, and statism. Of the three terms, statism has the broadest definition with socialism and fascism being variants of statism. A major point of both socialism and fascism has to do with the ownership and control of property. In socialism, property is publicly owned and controlled. In fascism, property is privately owned but controlled by the government. Property owners do not control their own property but have the responsibility for that property. The government has the use of the property without any responsibility.

Rand feels there is no difference between socialism and fascism in practice and that socialism is the more honest of the two systems. The individual's rights are negated under both systems. When considering which ism society is moving toward, Rand states there is no relevant ideology today. There are no visions of the future or goals. There is only fear dominating society. Rand compares the situation to a boat with the captain's bridge empty. The boat is drifting without any direction or leadership; it is just rocking back and forth. Obliterating concepts and principles does not erase the need for them. An anti-ideology develops that becomes the current ideology of the society and this is what becomes known as government by consensus.

When talking about political views, one of the relevant terms is, "are the views acceptable?" Then the question becomes acceptable to whom. Who is the consensus that views must be acceptable or non-acceptable to? This then leads to a discussion of major and minor segments of the population. With any system, any government action is going to pose a direct threat to some segment of the population and an indirect threat to other segments. Some segment benefits from the action. What represents moderation between the two views? When there are opposing principles, there can be no compromise between the two and this is what extremism is.

In a mixed economy, there is a mixture of government controls and freedom. There are no rules or principles to define or guide either. Rule is accomplished by various pressure groups and is based on compromise. If there was no compromise in a mixed economy, various groups would get out of hand and there would be a form of legalized plunder. The whole mechanism is threatened if there is no compromise and integrity is the enemy. Eventually the system reaches a point where it has to fall into dictatorship or it has to repudiate the controls. In this kind of system, no one is safe without compromise. Anything goes in this type of situation.

Nationalization has not been a big part of the United States' economic system and the real issue at stake here is the two different systems. In a system based on private property, government functions to police and safeguard the system and protect



everyone from physical force. A pure laissez-faire economic system has never existed but elements of it exist in a mixed economy. The then current administration of Lyndon Johnson never advocated the socialization of industry even though he put many public spending programs into place.

One of the outgrowths of pressure groups is guild socialism which basically is a way of freezing people into their positions without any way of them breaking away from the rigid rules. Critics claim Roosevelt's New Deal programs were closer in scope to Mussolini's fascism and fell into the category of guild socialism. Rand looks at some of the comparisons between the two. The system is headed for fascism but it can still be averted.



The Wreckage of the Consensus

The Wreckage of the Consensus Summary and Analysis

Rand begins the chapter by discussing how compromise is the basis for a mixed economy. The various pressure groups result in a gang mentality as they jockey for position and control in the economy. The result is basically gang-warfare. The cold war was a form of gang-warfare. Rand views the term cold war to be a Hegelian term, a concept viewed in terms of itself and its negation or opposite. War is not exactly the same thing as a cold war. Warring nations often engage in smear campaigns about atrocities. Countries do not engage in wars if they know they cannot fight the wars. A non-war occurs when the United States cannot gain from it. A dictatorship is the cause of many wars.

An examination of the situation in Viet Nam reveals that Rand thinks the war is one in which the United States has no national interest. She discusses the war and issues relating to it in terms of the hypocrisy and yin-yang nature of the government actions. National leaders contradict one another depending on what their viewpoints are, like the hawks and the doves. The hawks are the war's supporters whereas the doves support peace.

Rand feels Viet Nam is a war the U.S. should never have entered and once involved, it became more or less trapped. It was in a "damned if you do and damned if you don't" situation. They were trapped by their own history of foreign policy. The U.S. would need to elect leaders with totally different foreign policy views if they were to withdraw and allow the world to live in peace. They would have to be willing to support U.S. self-interests and rights and to repudiate foreign aid. She concludes these kinds of politicians do not exist. The only choice then is to fight the war.

The existence of the military draft is the reason why countries are pressed into one war after another. The existence of a draft allows politicians to engage in war and is the epitome of statism since a man's life belongs to the state and not to the man himself. The individual does not have the right to say no. In this situation, the man's rights are negated. The government is no longer man's protector. A draft is not moral, according to Rand, and a volunteer army is a more moral and proper way to defend a country. Rand goes on to point out people will not fight for a morally corrupt government, even with a draft and not many people will volunteer for wars of aggression.

One of the arguments against a volunteer army is the cost. The pay scale would have to approximate the market wage in order to attract volunteers and this is estimated to cost approximately four billion dollars. The years fifteen to twenty-four are crucial in young man's life and they face choices, war or LSD, potentially devastating to them. Rand refers to the situation as a moral obscenity—sacrifice is considered good, self-improvement is not. Men are sacrificed for the sake of sacrifice.



The Cashing-In: The Student

The Cashing-In: The Student Summary and Analysis

The chapter begins with Rand discussing the student protest at Berkeley in 1964 which involved a group of students protesting a university ban on their protesting on a certain strip of land on campus. The result was a three day struggle that eventually led to the resignation of the Chancellor and the university accepting most of the protesters' demands. People were amazed this did not end the protest as more was demanded whenever demands were granted. William Petersen, a Professor of Sociology, examined the situation and concluded the struggle was not over free speech as everyone said. The real issue was power and control. He also looks at the various groups involved and decides their tactics are best described as being Castroite. He concludes the University is not any better off after the encounter ends.

The protests involved outsiders and organizers. The organizers, or radicals, came to help out with the protest efforts for whatever their purposes were. Many of the student leaders admitted they believed in socialism and the Soviet Union. Rand points out anti-ideology is the basis for any activist movement and these kinds of movements are always opposed to any kinds of labels, definitions or theories.

Rand presents a variety of articles excerpts about the student protest movement of the sixties. There was a discussion as to whether or not the Berkeley protest was politically motivated. Most conclude the majority of students who participated were not interested in Marxism. They viewed the protests as a form of participation in the social revolution of the time. There are no long-range goals, only a concern with issues. Many students came to view the university administrators' role as, basically, housekeeping and safety, with the faculty and students being left free to do what they want. According to Governor Brown, the students want to exercise their rights but they wanted to do so outside the constraints of due process. Brown dubs this situation as idealistic hypocrisy.

The students who attended the universities came out with existential beliefs. This meant they were not accepting the reasoning of the time. Rand blames modern philosophy for warping students' hopes and viewpoints. Instead of bringing out the best in students, it brought out the worst. They reject reason and not through error. Most young people accept what comes their way and need to see how things fit into their view of life. They need a meaning and a purpose. Most are not independent thinkers, even in the university. Many just accept what they hear and these are the activists of today. When reason is abandoned, then physical force becomes viable.

The student protest movement of the sixties basically forced civil disobedience as a form of political action upon the country. Rand sees this as an attack on rights, not as a form of exercising rights. The Berkeley experience tried to distinguish between force as an acceptable form of protest and violence that is not acceptable. They also used free

speech in a broad enough definition to include actions. When the ban on physical force is breeched, then there is no political freedom.



Alienation

Alienation Summary and Analysis

In this chapter, Nathaniel Branden examines the issue of alienation. Hegel is the philosopher who introduced the concept of alienation. Man does not recognize his own alienation because he is lost in the world of social institutions. Karl Marx took the Hegelian concept and applied it to the worker and claimed it was an inevitable part of the division of labor. The worker is separate from the product his labor services help to create. Because of this he feels he is an object instead of a human being. Because of the alienation, man is searching for an identity.

"What is responsible for this crisis? What has alienated man and deprived him of identity? The answer given by most writers on alienation is not always stated explicitly, but—in their countless disparaging references to 'the dehumanizing effects of industrialism,'—'soul-destroying commercialism,' 'the arid rationalism of a technological culture,' 'the vulgar materialism of the West,' etc.—the villain in their view of things, the destroyer whom they hold chiefly responsible, is not hard to identify. It is capitalism," (Chapter 23, p. 272). Capitalism is the scapegoat.

Erich Fromm is a psychologist and author who has written about man and alienation. To Fromm, man is overwhelmed by his feelings of alienation. He feels he is cut off from other humans and from nature. He does not have the pre-human harmony with nature that birds and animals have because man has a mind. Since he is alienated from nature, he is forced to confront the contradictions in life. What are some of these contradictions? Death is one. Because man can think, man can visualize his own death yet all of his instincts make him want to stay alive. His lifespan is too short to allow him to realize all of his potentialities. Man must be alone to make his decisions yet he cannot stand to be alone. Man struggles with these contradictions which he cannot solve.

Preoccupation with these issues or non-acceptance leads to mental problems. Tramps sleep on park benches because they prefer to live as animals. Preoccupation with death leads to confinement in mental institutions.

Fromm feels the feeling of being separate causes anxiety. Man can reason and man can love and these are just two different ways of comprehending the world. Love is a form of help to man. Through love he relates in a positive way to other human beings and finds release from the alienation. According to Fromm, capitalism intensifies alienation. Even though there were many restrictions on man's freedom and independence during medieval times, man still had a concrete individualism which was eliminated when capitalism appeared. With capitalism, man has to be responsible for himself and plan his own survival and this leads to feelings of isolation.



The division of labor inherent in capitalistic production processes means man only produces a tiny part of a product. The rest of it is assembled or manufactured someplace else so the worker is cut off from the final product of his labor. This is the source of alienation for the worker. Workers are anonymous in the capitalist market. It is the market that determines the wage rate, not the worker or the employer. Fromm portrays both workers and employers as helpless in the marketplace. The employer must grow according to the forces of the market whether he wants to or not. Both buyer and seller try to make the best deal in both the input and output markets. They try to get the best price based on the market.

Fromm goes on to say consumers are also alienated by the forces of capitalism. The consumer is overwhelmed by the myriad of products he must select from. He is driven to attain higher standards of living to keep the system going. Man must have a high degree of conceptual perception in order to function in a technological society. This puts him above the animals and man's relationship to other men is also a source of alienation. Capitalism gives men the right to choose who they want to associate with. Man also has a desire to be loved unconditionally and deserves love. Fromm proposes a decentralized state with a blend of guild socialism and syndicalism. Industrial units will be in comprehensible sizes and each person will be given his subsistence. This will be true whether the person works or not and man will continue to have problems of alienation and personal identity. A man feels alienated when he lacks a firm personal identity and vice versa.

A man that thinks is a man that must make choices. This is what rationality implies. The man can choose how to live his own existence. Some men try to define their identity in terms of their belongings but this creates mental problems. Man avoids reality when he substitutes the thinking of others for his own thinking. Capitalism in its pure form does not exist and today there is a mixed economy, but man is still alienated, just as man was alienated under communism. Freedom is a necessary but not a sufficient condition for man's fulfillment and this only exists under capitalism.



Requiem for Man

Requiem for Man Summary and Analysis

Rand begins the chapter by reiterating her point that capitalism is incompatible with altruism and mysticism. She cites an encyclical by Pope Paul VI which expresses contempt for capitalism. The document is written from a mystic-altruist point of view. The system functions on the basis of profit and this is what motivates the economic participants. The system is based on private ownership and functions on the basis of competition. These are the bases for which the system is condemned. A nation functioning on this basis is America, and the fact is the only way to raise the standard of living is to raise the productivity of labor. When government sets the objectives to be obtained, then it is a totalitarian state.

The one thing the encyclical does not do is to define terms. Rand asks what is meant by liberty or private initiative. There is a code of ethics behind every political theory and that is true for the theory involved with the encyclical. The theory behind the encyclical is rich nations have a duty to help poorer nations. Rand feels free trade can no longer function to keep international relations equitable and the wealth of the rich nations must be made available for the poorer nations. Are the wealthy ready to pay higher taxes to help the less wealthy? Will the American housewife give up some part of her budget to help those in less developed countries?

Man must acquire the taste to be creative and find better ways of doing things. The encyclical warns of placing too much emphasis on work. Work can be a part of the creative process but when men work together, then they share in the process. Productive work produces pleasure. The power this produces is considered to be evil and the money is considered to be evil if the people who earn it keep it. There can only be benefits from sharing if men do not earn equal amounts. Rand's character from *Atlas Shrugged*, John Galt, would not have accepted much of this but would claim mystics needed slaves to protect them. Calling for public ownership of the means of production is the same things as calling for public ownership of the mind. Furthermore, capitalism is the only system based on freedom and allows for the production of abundance. No matter what kind of system a nation chooses, richer nations should be obligated to help out the poorer nations, according to the encyclical.

The West should help the underdeveloped countries and should help them to understand the nature of capitalism. The question of military service also arises since there is usually some sort of obligation for some sort of social service. In terms of landed property, there is some logic to expropriate it in Latin America since they did not have systems based on individual rights. The system that prevailed in most Latin American countries was a form of fascism. It is an area of undeveloped countries that have problems feeding their population.



The encyclical is based on the premise of tribalism. The United States and capitalism do not embody tribalism. If capitalism is eliminated then so is the United States and the prevailing structure will then be one of tribes. The encyclical basically looks forward to this day and addresses itself to this kind of society. It is altruistic in nature and overlooks the fact man needs an environment based on rights in order to survive. Some have suggested the pope was not really condemning capitalism but other people's views of capitalism.

"Observe the indecency of trying to justify capitalism on the grounds of altruistic service. Observe also the naiveté of the cynical: it is not their wealth nor the relief of poverty that the encyclical is after," (Chapter 24, p. 319).



Characters

Ayn Rand

Ayn Rand is the primary author of the book since she wrote most of the chapters. She also authored other books, such as *Atlas Shrugged*, the subject of Chapter 15. *Capitalism*, a non-fiction work, clearly expresses the author's political views. She states her views on various subjects in this book ranging from free markets to smear campaigns. This book allows Rand readers to learn the author's views on various economic and political subjects as she freely states her views and positions on various issues without having to do it within the framework of a story. Most of the chapter selections come from newsletters and articles which the author wrote or collected over the years. This is a much more direct and easy way for the reader to learn Rand's philosophy than to read her novels.

Alan Greenspan

Alan Greenspan is one of the contributing authors to the book. He is a former chairman of the Federal Reserve System and is well-respected in the world of economics and finance. Greenspan's astute management of the Fed and the monetary system resulted in years of stability for the economy. Greenspan writes of the reason for antitrust legislation and why it was necessary for the economy. One of the functions of government is to maintain a competitive marketplace for the market participants and part of the way they do this is through the use of antitrust legislation. He also contributes a selection on the gold standard and why it was important for the world. He also authored the chapter, *The Assault on Integrity*. This chapter looks at the practices and beliefs of businessmen of various kinds and why reputation is so important in the marketplace. Greenspan discusses how regulation is implemented with the intent of protecting the consumer, when the best form of consumer protection comes from reputation and competition.

Businessmen

Businessmen and other representatives of big business are considered a part of a persecuted minority by Rand. The businessmen are the ones engaging in labor negotiations and coming into conflict with the worker's union. They are the ones blamed when workers have a low standard of living. The businessmen are the ones leading the drive for corporate profits and making the decisions of the business.

A.D. Neale

Neale is a British author who wrote *The Antitrust Laws of the United States*. The author is a British civil servant and a liberal. His basic premise is that restriction of free trade is



the basis of antitrust laws. He claims the laws are written in such a way nobody can figure out what they mean without studying all of case law to see what meanings there are. There is no way to determine a priori if an action is illegal. There is no way to give any broad interpretation to any statute.

Benjamin F. Fairless

Fairless was the President of United States Steel Corporation. He commented on the state of business and antitrust saying all businesses would end up being run from the inside of prisons if current practices continued. He feels the laws are basically unfair to business. He quotes others who comment on the confusion of the laws and the fact there is no way to know if an action will be considered legal.

Stewart H. Holbrook

Holbrook is the author of *The Story of American Railroads*. This book proposes the view many railroads came into existence as a result of government assistance and most of them resulted in bankruptcy. Holbrook claimed the railroads independent of government were better run and financially in better shape than the others. Holbrook blames the railroads for being corrupt.

John Locke

Locke was a researcher and writer who did a report for the Board of Trade in 1697. The report studied the role of children and concluded families could not support more than two children. He went on to recommend children over the age of three should earn their own living in working schools. This would provide them with better food than they could expect in their own homes.

Ludwig von Mises

Ludwig von Mises was a professor who also studied living conditions during the Industrial Revolution. He points out factory workers were paid wages better than workers could earn in other forms of employment. By offering employment to women and children, the factory provided them with a livelihood which saved many of them from starvation. The women had nothing to do in their homes and the children were not in school or playing. They were all starving. The factories saved the lives of many of them.

Herbert Hoover

Hoover was the Secretary of Commerce when the airwaves for brought under government control. Hoover was the one who fought to make the airwaves subject to



the control of government. He believed the airwaves were a public concern, not a form of private property. As such, they must be viewed in terms of the public interest and treated as a form of public utility. Since he kept trying to extend government control beyond the limits set by legislation, there were many court cases. He was also involved in laying the framework for the Act of 1927 that established the Federal Radio Commission which became the basis for the Federal Communications Commission.

William Petersen

Petersen is a Professor of Sociology at the University of California who wrote an article entitled What's Left at Berkeley. This article was published in the Columbia University Forum. Petersen looks at the situation over the demands for free speech and concludes free speech is not the real issue. The real issue is power and control.

Erich Fromm

Fromm is a psychologist and sociologist who writes about theories of alienation. Man basically feels alienated, according to Fromm, because he can think. This is what distinguishes him from other animals.

Karl Marx

Marx is the German philosopher and economist who wrote Capital. Part of Marx's premise is that division of labor leads to alienation, a theme Erich Fromm picked up on.

Harold Fleming

Fleming is the author of Ten Thousand Commandments which is a book that looks at the U.S. antitrust laws. He tries to describe the antitrust laws for the layman.

Georg Hegel

Hegel was a German philosopher who viewed things in terms of opposing forces or dialectical opposites. His theories formed the basis for Marxism

Nathaniel Branden

Branden is one of the contributing authors of the book.

Robert Hessen

Hessen is one of the contributing authors of the book.

Pope Paul VI

The pope is the author of an encyclical which is the subject of the last chapter of the book.



Objects/Places

England appears in non-fiction

England during the Industrial Revolution was examined in a study by John Locke.

Factories appears in non-fiction

As a result of the Industrial Revolution, production, mainly of textiles, shifted from the home to the factory. The factory became the place where families spent their waking hours.

Western Frontier appears in non-fiction

The Western lands of the United States were opened to settlement by the Homestead Act of 1862.

Germany appears in non-fiction

Germany was the home of Hitler and Nazism.

Italy appears in non-fiction

Italy was the home of Mussolini and fascism.

Algeria appears in non-fiction

Algeria is an African country whose civil war resulted in independence in the 1960s.

United States appears in non-fiction

The United States is used as an example of a capitalist society.

Japan appears in non-fiction

Japan is also a country that had a fascist dictatorship during World War II.



Soviet Russia appears in non-fiction

The former country of Soviet Russia is referred to several times as an example of communism and a planned economy.

China appears in non-fiction

Pre-revolutionary China is used as an example of the chaos which results when there is no law and order but rule by conflicting gangs and groups.

Viet Nam appears in non-fiction

Viet Nam was the site of a war between the North and the South which drew the United States in.

Berkeley, California appears in non-fiction

Berkeley is the home of the University of California and the site of student protests in 1964.



Themes

Objectivism

Objectivism is one of the themes running throughout the book. Objectivism is the name given to the philosophy of Ayn Rand and its components can be found in all of her writings. Objectivism is a way of explaining man's relation to his own existence. Man is different than the other animals and life forms because man has a mind and can think. Because of this, man can determine his own survival and existence in many ways. Reality is what exists independent of man. The only way man can perceive reality is through the use of reason and this is a function of the mind other animals do not have. Rand's objectivism is concerned with the nature of man and his relationship to existence.

Objectivism has several requirements. First of all, it requires a laissez-faire economy. Objectivism is not as concerned with politics as with the type of economic system there is. Capitalism is a requirement because it protects the rationality of the individual. It is a system based on individual rights which is also a condition required for rationality. The enemies of capitalism and freedom are statism and altruism. Statism does not allow for individual rights and neither does altruism. The elements of rights and government are of tantamount importance to Rand and her philosophy of objectivism. The philosophy of objectivism is the driving force behind the book and the discussions taking place in the various articles in the book.

There are three elements of objectivism Rand talks about. First is the concept of epistemology. This basically means a system is based on reason and man's ability to reason. The second has to do with the ethics of the situation. Man exists for man's self, not for the good of the community or group. Individual rights are most important and man should not be expected to sacrifice himself, such as in a military draft. The third element of objectivism is capitalism, since it is the system that provides the freedom man requires for his existence.

Freedom

A second theme running throughout the book is the theme of freedom. Freedom is an essential part of objectivism since objectivism finds its basis in capitalism. Capitalism is a system based on individual choice and individual rights. Man, who is distinguished from other life forms by the existence of his mind and ability to think, must use this ability to determine his own survival and existence. He must be based in rationality in order to function and this requires he is in a system based on individual rights.

A capitalist system allows man to use his resources in any way he wants. He can act in his own self-interest and in pursuit of his own happiness. This is something inconsistent with altruism, which requires man act in the interests of the group or the government,



not in his own best interest. A military draft is an example of this. Man is expected to sacrifice himself for the good of others. This is anathema with objectivism and its ethic that man's individual rights are the most important concept. Man should also be free from the threat of physical force being used against him to compel him to do something violating his own individual rights and freedoms.

Even though all men do not have the same capabilities and intellectual or physical capacities, they should all have the basic individual rights and freedom. This is the basic premise Ayn Rand expresses in her philosophy of objectivism.

Capitalism vs. Statism

Another common element running through the book is capitalism versus statism. Capitalism, or laissez-faire economics, is a system based on freedom and individual rights. All economic entities have the right to act in their own self-interest. They are not expected to sacrifice themselves for the good of society. They make the choices most consistent with their own abilities and wants, whether they are buyers or sellers in the input or output market. As a result of functioning on the basis of competition and the self-interests of all buyers and sellers, it is a system that results in an abundance of output.

Statism is a system with groups or gangs and dictatorship. The individual basically has no value since he is expected to act in the interests of society and not in his own best interests. In a statist society, the common good or the public interest takes precedence.

Statism is a system like fascism or communism. There may or may not be private ownership of property but that is not the most important point. The important factor is who controls the property. With statism, the government controls the property and if it is in a system of private ownership, such as fascism, the government has all of the advantages of the property ownership without any of the disadvantages.

The different articles in the book look at different situations and view them in terms of capitalism and statism and what alternatives there are for man in either situation. Rand is overwhelmingly emphatic about capitalism being the preferred system of choice.



Style

Perspective

Ayn Rand is a well-known writer and a proponent of the philosophy of objectivism. She is basically involved in philosophy but says politics is a part of philosophy and politics and economics are a part of philosophy. She is a well-known proponent of laissez-faire capitalism and individual freedoms and rights, since these is what her philosophy require for man to function. As a strong proponent of capitalism, she is obviously a foe of communism, which took over the country of her birth, Russia.

Rand's interest in capitalism is obvious and her purpose in this book is to look at the factors destroying capitalism and to identify them. She looks at each system and what is required by each. She blames the world's problems on the over-forty generation since they are the ones who are responsible for the situation man finds himself in. Therefore, her intended audience for this book is younger people, those under forty and those who think young. The intended audience includes those who are not afraid to explore and discover the problems of capitalism and those who are creating its problems. The impact on the reader is having to be ready to accept the challenge when Rand presents it in this way.

Tone

The book is comprised of different chapters by different four different authors: Ayn Rand, Nathaniel Branden, Alan Greenspan and Robert Hessen. Most of the articles are written by Rand and all are written in the first person point of view in which the authors openly propose their views. Each of the authors is telling the reader his/her point of view about a various subject, all of which fall under the framework of objectivism. The authors each support their views with various examples.

When a book of this type is written in the first person point of view, it makes it more personal for the reader because the author is literally telling the reader what his or her views are in the "I think" format. This makes it easier for the reader to identify with the point of view being proposed and even though each of the author's firmly believes in capitalism and the views of Rand, they are not forcing these views and positions on the reader. They are presenting their points of view in a matter-of-fact way, leaving the reader to make up his/her own mind. This does not mean the authors are not persuasive.

Structure

The structure of the book is relatively simple. There is an Introduction, two parts with a total of twenty-four chapters, two appendices, a Bibliography and an Index. This structure works well for a book of this kind because each of the chapters is written by

one of four authors. Most of the chapters are written by Rand, but there are contributions from Nathaniel Branded, Alan Greenspan and Robert Hessen. Most of these articles are reprinted from newsletters or from other publications. Each chapter has a different subject matter related to the role of capitalism in Rand's framework of objectivism.

The overall structure works well for the book. There is no need for the reader to backtrack very much because each chapter is self-contained. The existence of the bibliography directs the reader to other publications on related topics and the index makes it easy to look up terms if one needs to. The format of the different authors exposes the reader to different styles of writing and different points of view within the framework of objectivism.



Quotes

"There were many reasons for this tribal view of man. The morality of altruism was one; the growing dominance of political statism among the intellectuals of the nineteenth century was another. Psychologically, the main reason was the soul-body dichotomy permeating European culture: material production was regarded as a demeaning task of a lower order, unrelated to the concerns of man's intellect a task assigned to slaves or serfs since the beginning of recorded history. The institution of serfdom had lasted, in one form or another, till well into the nineteenth century; it was abolished, politically, only by the advent of capitalism; politically, but not intellectually," (Chapter 1, p. 12).

"In a culture where such a statement is made with intellectual impunity and with an aura of moral righteousness, the guiltiest men are not the collectivists; the guiltiest men are those who, lacking the courage to challenge mysticism or altruism, attempt to bypass the issues of reason and morality and to defend the only rational and moral system in mankind's history—capitalism—on any grounds other than rational and moral," (Chapter 1, p. 34).

"Consider the plunder, the destruction, the starvation, the brutality, the slave-labor camps, the torture chambers, the wholesale slaughter perpetrated by dictatorships. Yet, this is what today's alleged peace-lovers are willing to advocate or tolerate—in the name of love for humanity," (Chapter 2, p. 36).

"The tragic irony of that whole issue is the fact that the antitrust laws were created and to this day, are supported by the so-called 'conservatives,' by the alleged defenders of free enterprise. This is a grim proof of the fact that capitalism has never had any proper, philosophical defenders—and a measure of the extent to which its alleged champions lacked any political principles, any knowledge of economics, and any understanding of the nature of political power. The concept of free competition enforced by law is a grotesque contradiction in terms. It means: forcing people to be free at the point of a gun. It means: protecting people's freedom by the arbitrary rule of unanswerable bureaucratic edicts," (Chapter 3, pp. 52-53).

"Businessmen are the one group that distinguishes capitalism and the American way of life from the totalitarian statism that is swallowing the rest of the world. All the other social groups—workers, farmers, professional men, scientists, soldiers—exist under dictatorships, even though they exist in chains, in terror, in misery, and in progressive self-destruction. But there is no such group as businessmen under a dictatorship. Their place is taken by armed thugs: by bureaucrats and commissars. Businessmen are the symbol of a free society—the symbol of America. If and when they perish, civilization will perish. But if you wish to fight for freedom, you must begin by fighting for its unrewarded, unrecognized, unacknowledged, yet best representatives—the American businessmen," (Chapter 3, p. 62).

"ALCOA is being condemned for being too successful, too efficient, and too good a competitor. Whatever damage the antitrust laws may have done to our economy,



whatever distortions of the structure of the nation's capital they may have created, these are less disastrous than the fact that the effective purpose, the hidden intent, and the actual practice of the antitrust laws in the United States have led to the condemnation of the productive and efficient members of our society because they are productive and efficient," (Chapter 4, p. 71).

"When the State assumes financial control of education, it is logically appropriate that the State should progressively assume control of the content of education—since the State has the responsibility of judging whether or not its funds are being use 'satisfactorily.'" But when a government enters the sphere of ideas, when it presumes to prescribe in issues concerning intellectual content, that is the death of a free society," (Chapter 5, p. 90).

"This is the shabby secret of the welfare statist's tirades against gold. Deficit spending is simply a scheme for the 'hidden' confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights. If one graphs this, one has no difficulty in understanding the statist's antagonism toward the gold standard," (Chapter 6, p. 101).

"Government controls of the economy, no matter in whose behalf, has been the source of all the evils in our industrial history—and the solution is laissez-faire capitalism, i.e., the abolition of any and all forms of government intervention in production and trade, the separation of State and Economics, in the same way and for the same reasons as the separation of Church and State," (Chapter 6, p. 109).

"One is both morally unjust and ignorant of history if one blames capitalism for the condition of children during the Industrial Revolution, since, in fact, capitalism brought an enormous improvement over their condition in the preceding age. The source of that injustice was ill-informed, emotional novelists and poets, like Dickens and Mrs. Browning; fanciful medievalists, like Southey; political tract writers posturing as economic historians, like Engels and Marx. All of them painted a vague, rosy picture of a lost 'golden age' of the working classes, which, allegedly, was destroyed by the Industrial Revolution," (Chapter 8, p. 111).

"Let me add that the Industrial Revolution and its consequent prosperity were the achievement of capitalism and cannot be achieved under any other politico-economic system. As proof, I offer you the spectacle of Soviet Russia which combines industrialization—and famine." (Chapter 8, p. 113).

"But it is precisely the 'greed' of the businessman or, more appropriately, his profit-seeking, which is the unexcelled protector of the consumer," (Chapter 9, p. 118).

"It is the proper task of the government to protect individuals rights and, as part of it, to formulate the laws by which these rights are to be implemented and adjudicated. It is the government's responsibility to define the application of individual rights to a given sphere of activity—to define (i.e., to identify), not to create, invent, donate, or expropriate," (Chapter 10, p. 123).



"The details of a country's economy are as varied as the many cultures and societies that have existed. But all of mankind's history is the practical demonstration of the same basic principle, no matter what the variants of form: the degree of human prosperity, achievement, and progress is a direct function and corollary of the degree of political freedom. As witness: ancient Greece, the Renaissance, the nineteenth century," (Chapter 13, p. 142).

"The spread of evil is the symptom of a vacuum. Whenever evil wins, it is only by default: by the moral failure of those who evade the fact that there can be no compromise on basic principles," (Chapter 14, p. 149).

"It is the philosophy of the mysticism-altruism-collectivism axis that has brought us to our present state and is carrying us toward a finale such as that of the society presented in Atlas Shrugged. It is only the philosophy of the reason-individualism-capitalism axis that can save us and carry us, instead, toward the Atlantis projected in the last two pages of my novel," (Chapter 15, p. 165).

'It is useless to point out to the advocates of our foreign policy that it's either-or: either the 'under-developed' nations are so weak that they are doomed without our help, in which case they cannot become a threat to us—or they are so strong that with some other assistance they can develop to the point of endangering us, in which case we should not drain our economic power to help the growth of potential enemies who are that powerful," (Chapter 16, p. 167).

"Among the many symptoms of today's moral bankruptcy, the performance of the so-called 'moderates' at the Republican National Convention was the climax, at least to date. It was an attempt to institutionalize smears from the private gutters of yellow journalism to the public summit of a proposed inclusion in a political party platform. The 'moderates' were demanding a repudiation of 'extremism' without any definition of that term," (Chapter 17, p. 173).

"The same atmosphere dominates the public controversy now raging over this issue. People are arguing about 'extremism' as if they knew what that word meant, yet no two statements use it in the same sense and no two speakers seem to be talking about the same subject. If there ever was a tower-of-Babel situation, this is surely it. Please note that that is an important part of the issue," (Chapter 17, p. 175).

"It is true that we are not a capitalist system any longer: we are a mixed economy, i.e., a mixture of capitalism and statism, of freedom and controls. A mixed economy is a country in the process of disintegration, a civil war of pressure-groups looting and devouring one another. In this sense, 'consumerism' might be the appropriate name for it," (Chapter 18, p. 185).

"When one grasps this, one knows that it is no use arguing over political trivia, or wondering about the nature of altruism and why the reign of the altruists is leading the world to an ever widening spread of horror. This is the nature of altruism, this—not any sort of benevolence, good will, or concern for human misfortune. Hatred of man, not the



desire to help him—hatred of life, not the desire to further it—hatred of the successful state of life—and that ultimate, apocalyptic evil: hatred of the good for being the good," (Chapter 18, p. 190).

"But what is the nature of that conflict? Both groups answer: it is a conflict between communism and ... and what? - blank out. It is a conflict between two ways of life, they answer, the communist way and ... what? - blank out. It is a conflict between two ideologies, they answer. What is our ideology? Blank out," (Chapter 19, p. 192).

"Immoral as this might be, what is one to think of men who evade the issue for fear of discovering that their goal is good? What is the moral stature of those who are afraid to proclaim that they are the champions of freedom? What is the integrity of those who outdo their enemies in smearing, misrepresenting, spitting at, and apologizing for their own ideal? What is the rationality of those who expect to trick people into freedom, cheat them into justice, fool them into progress, con them into preserving their rights, and while indoctrinating them with statism, put one over on them and let them wake up in a perfect capitalist society some morning?" (Chapter 19, p. 194).

"In this respect, socialism is the more honest of the two theories. I say 'more honest,' not 'better'—because, in practice, there is no difference between them: both come from the same collectivist-statist principle, both negate individual rights and subordinate the individual to the collective, both deliver the livelihood and the lives of the citizens into the power of an omnipotent government—and the differences between them are only a matter of time, degree, and superficial detail, such as the choice of slogans by which the rules delude their enslaved subjects," (Chapter 20, p. 203).

"The consensus-doctrine has achieved the exact opposite of its alleged goal: instead of creating unity or agreement, it has disintegrated and atomized the country to such an extent that no communication, let alone agreement, is possible. It is not unity, but intellectual coherence that a country needs. That coherence can be achieved only by fundamental principles, not by compromises among groups of men—by the primacy of ideas, not of gangs," (Chapter 21, p. 235).

"As a result, a student came out of a modern university with the following sediment left in his brain by his four to eight years of study: existence is an uncharted, unknowable jungle, fear and uncertainty are man's permanent state, skepticism is the mark of maturity, cynicism is the mark of realism, and, above all, the hallmark of an intellectual is the denial of the intellect," (Chapter 22, p. 247).

"All social institutions, all cultures, all religions and philosophies, all progress, asserts Fromm, are motivated by man's need to escape the terrifying sense of helplessness and aloneness to which his reason condemns him," (Chapter 23, p. 277).

"It is notorious that, in the Middle Ages, human relationships were characterized by



mutual suspiciousness, hostility and cruelty: everyone regarded his neighbor as a potential threat, and nothing was held more cheaply than human life. Such invariably is the case in any society where men are ruled by brute force. In putting an end to slavery and serfdom, capitalism introduced a social benevolence that would have been impossible under earlier systems. Capitalism valued a man's life as it had never been valued before. Capitalism is the politico-economic expression of the principle that a man's life, freedom, and happiness are his by moral right," (Chapter 23, p. 284).

"What if the kind of society they choose makes production, development, and progress impossible? What if it practices communism, like Soviet Russia?—or exterminates minorities, like Nazi Germany?—or establishes a religious caste system, like India?—or clings to a nomadic, anti-industrial form of existence, like the Arab countries?—or simply consists of trivial gangs ruled by brute force, like some of the new countries of Africa? The encyclical's tacit answer is that these are the prerogatives of sovereign states—that we must respect different 'cultures'—and that the civilized nations of the world must make up for these deficits, somehow," (Chapter 24, p. 309).

"On the question of what political system it advocates, the encyclical is scornfully indifferent: it would, apparently, find any political system acceptable provided it is a version of statism. The vague allusions to some nominal form of private property make it probably that the encyclical favors fascism. On the other hand, the tone, style, and vulgarity of argumentation suggest a shopworn Marxism. But this very vulgarity seems to indicate a profound indifference to intellectual discourse—as if, contemptuous of its audience, the encyclical picked whatever clichés were deemed to be safely fashionable today," (Chapter 24, p. 314).



Topics for Discussion

How does capitalism differ from other systems? What are the implications for the rights of man? Why is this system incompatible with altruism?

From what philosophy is the use of physical force derived?

What is monopoly? Why does government feel compelled to control monopoly?

What are the three rules mentioned by Rand involved in the conflict resolution process?

What happens in a situation where there are no well defined property rights? Use radio airwaves as an example in your answer.

What is a smear campaign? How does McCarthyism fit into Rand's discussion of smear campaigns?

Explain what is meant by statism.

How does capitalism lead to alienation?