

Capitalism's Two Cultures

Ryan Patrick Hanley

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“One half of the world cannot understand the pleasures of the other.”¹ So says Jane Austen’s Emma in a line that merits all the attention and notoriety it has received. The line itself beautifully captures the polarization and opposition that defines much of our contemporary political world, as well as the alienation and isolation that constitutes much of our contemporary psychology. But Emma’s notion of mutual misunderstanding has a special import in the wake of the recent financial crisis and our ongoing debates about capitalism’s future. For among the most striking and distressing elements of this debate has been the ‘mutual incomprehensibility’ of the business and academic worlds.²

The root of the problem is all too familiar, and lies in our convenient distinctions between the practical and the theoretical, the concrete and the abstract, the world of affairs and the world of ideas. At the heart of such distinctions is an important truth: namely that our single world contains multiple spheres, and the virtues or methods that bring success in one sphere are not always those that bring success in another. But that’s hardly contentious as far as it goes. More crucial are the implications of this distinction for the debate over capitalism. For too often the legitimate distinction between the two spheres threatens to degenerate into suspicions and mutual hostility—a hostility fatal to the shared interests that in fact unite the camps for all their genuine differences.

¹ Jane Austen, *Emma*, ed. Fiona Stafford (London: Penguin, 1996), 79.

² For an excellent comprehensive overview of the history of the antipathy of intellectuals to capitalism, see Alan S. Kahan, *Mind vs. Money* (New Brunswick, NJ: Transaction, 2010), and esp. his treatment of “our mutual incomprehension” (pp. 127–30).

R. P. Hanley (✉)
Department of Political Science, Marquette University,
P.O. Box 1881, Milwaukee, WI 53201-1881, USA
e-mail: ryan.hanley@marquette.edu

This is in some sense an ancient debate and its history and implications have been well described by others, including such luminaries as Wilhelm Roepke and F. A. Hayek. Thus in *A Humane Economy* Roepke observes that when it comes to certain types of questions, the “hard-boiled business world” either “ignores such questions or leaves them, with contempt, to the ‘unbusinesslike’ intellectuals,” while “these same intellectuals’ distrust of the business world match and mutually exacerbate each other.” Roepke saw in this the seeds of a tragedy, and his account of this tragedy deserves quotation, even at some length:

If the business world loses its contact with culture and the intellectuals resentfully keep their distance from economic matters, then the two spheres become irretrievably alienated from each other. We can observe this in America in the anti-intellectualism of wide circles of businessmen and the anti-capitalism of equally wide circles of intellectuals. It is true that intellectuals have infinitely less social prestige in America than in Europe and that they are much less integrated into the network of society and occupy a much more peripheral place than their brothers in Europe. They retaliate for this seating plan at the nation’s table with their anti-capitalism, and the businessmen and entrepreneurs repay the intellectuals’ hostility by despising them as “eggheads.”

In so dynamic a competitive economy, the American intellectuals have to admit that the gulf between education and wealth, which is derided in Europe in the person of the nouveau riche, is the rule rather than the exception, as it should be; on the other hand, American businessmen easily fall into the habit of treating the intellectual as a pompous and would-be-clever know-all who lacks both common sense and a

sound scale of values. Since in both cases the caricature is often not very far from the truth, the result is a vicious cycle of mutually intensifying resentment which threatens to end up in catastrophe. One has to break out of this vicious circle by making the world of the mind as respectable to the business world as, conversely, the business world to the world of the mind.³

Roepke's account is as striking for its rhetoric as for its critique of both parties to the dispute; clearly he thinks there is plenty of blame to go around. And he is hardly alone. Hayek was likewise struck by the fact that the "propertied class" of his day was "almost exclusively a business group," indeed one that "lacks intellectual leadership and even a coherent and defensible philosophy of life."⁴ It would of course be well worth exploring the relative truth of this proposition today, yet our focus here must be the implications of this fact for our current debate. On this front, the final two lines of Roepke's passage do the heavy lifting. Here he suggests that the current standoff, if left unresolved, must necessarily end in "catastrophe," and that something must be done "to break this vicious circle."

Well and good, some might say: but what exactly ought we to do? How ought we attempt to overcome this divide? We might begin by identifying its causes. In general, it seems right to say with Roepke and many others that today's professoriate is generally skeptical towards capitalism and to business. Yet it would be wrong to assume that such skepticism owes to fondness for some sort of competing ideology. To write off academics today as "Marxists" or "postmodernists" or some similar thing would be to miss (and to miss by a considerable margin) the reality of universities today, in which such ideologies in fact have a limited role. The general academic skepticism towards markets is less the result of the professoriate's embrace of a competing ideology than the result of the fact that the values of capitalism are seen to be in disaccord with the democratic values the professoriate genuinely embraces.

This fact gives rise to a specific problem. When the business world defends the values of markets it often appeals to values; businesspeople are just like everyone else in this respect. But the specific values that they often invoke tend to be values not shared by academics. In defending capitalism businesspeople are thus prone to argue that it is ethically valuable insofar as a) it affords everyone the opportunity to become wealthy; and b) allows individuals to remain wealthy insofar as it protects their right to use their wealth as they will. Now, however legitimate such

arguments may or may not be, seen as a means of persuading professors they are deeply flawed, insofar as they appeal to a set of values simply not held by most academics. Put bluntly: few academics are rich, and even fewer, one suspects, chose to enter academia in the hopes of becoming so. In this sense, self-selection serves to determine academics as a group that simply doesn't much admire wealth. That itself is significant; if true, it may mean that the academic attitude to the pursuit of wealth is less due to moralistic sneering or even envy and resentment than to simple factors of group selection. But however this may be, a degree of relative personal indifference to wealth seems to define academics rather broadly—and indeed pro-capitalist academics nearly as much as anti-capitalist academics—and that there exist legitimate explanations for this indifference that do not require recourse to some theory of academic attachment to rival ideologies.

In any case, this leads to a question. If in fact there really is a "values divide" that separates the business from the academic world, what hope is there for persuading the academic world of the benefits of markets? I actually incline to some optimism on this front. For however hopeless the task may be of persuading academics to adopt values to which they are constitutionally skeptical (if not downright hostile), a different approach may bring success: namely the effort to demonstrate to academics the virtues of markets by appealing to the values and convictions that already animate them.

Let me give two examples of what I mean. Academics, for all their indifference to wealth, have no shortage of attachments—often fervent attachments—to other values. One is their attachment to diversity. Both those on and off university campuses can of course instantly recognize this concern. Questions of diversity have shaped the campus climates of American universities for some time now, and one would be hard pressed to name a more widely held contemporary academic value. But what implications does this have for the debate over capitalism itself? Clearly the concern for diversity has led many to march under the banner of anti-capitalism. Yet it may be that appreciation of genuine diversity might lead one in a quite opposite direction—or so, at any rate, argues Hayek. In his *Constitution of Liberty*, Hayek argues that among the greatest benefits of a free society—as well as its chief engine—is an enthusiasm and openness to "experiments in living."⁵ Such experiments, Hayek suggests, at once enable individuals to develop their talents and pursue their interests, and also to innovate in a creative and collaborative manner that promotes the progress of society. Indeed, it was this—and not the simple capacity of a free society to generate wealth—that led Hayek to defend it so fervently. Yet today this argument is relatively rarely heard; diversity and toleration are grounds for opposition to the free society built on free markets rather than support of it.

³ Wilhelm Roepke, *A Humane Economy* (Wilmington, DE: ISI Books, 1998), 115.

⁴ F.A. Hayek, *The Constitution of Liberty*, ed. Ronald Hamowy (Chicago: University of Chicago Press, 2011), 194.

⁵ *Ibid.*, 98–100, 195.

The widespread academic commitment to diversity is thus one academic value to which defenders of that capitalism might wish to appeal. A second is the perhaps no-less widespread concern with social justice. Social justice is a strikingly common academic value; what decent person after all could be against it? Yet as Hayek himself explained at length, the concern for social justice often leads to an embrace of values and ideologies opposed to capitalism. This process is as familiar to us as it was to Hayek. As it happens, I first wrote these lines in Tel Aviv in early September 2011, where just days previously an estimated half million Israelis had taken to the streets to demonstrate in the name of social justice. My revision of these lines a month later coincided with my return to the US, where the “Occupy Wall Street” movement clearly echoed many of the concerns on the street in Tel Aviv. In any case, both protests are only the most recent instantiations of the strikingly ubiquitous propensity of the demand for social justice to manifest itself as opposition to the inequalities and injustices perpetrated by capitalism. Yet for all this, one might wonder whether the concern for social or distributive justice need necessarily lead to hostility to the free market. On the contrary, if social justice is understood to be a concern to fight poverty as opposed to a concern to fight inequality (two concerns too often confused) then it may be that such a concern might well lead one to take quite a different position. Scholars today increasingly recognize that one of Adam Smith’s key lessons was to disaggregate the concern for poverty from the concern for inequality.⁶ As Smith knew well, this latter concern was what animated critics of the market then and now in their campaigns against the evils of commercial society. Yet as Smith sought to demonstrate in response, the effect of commercial society was to generate not simply wealth for the few, but also and more importantly the “universal opulence” that Smith hoped to see extend “to the lowest ranks of the people.”⁷ In Smith’s eyes, capitalism and social justice are in closer accord than the critics of capitalism have sometimes assumed. This however is again a side of the debate rarely heard, to our collective detriment. For by reminding us that the original argument for commercial society was its capacity to promote the well being of the worst-off among us, arguments such as Smith’s can serve to demonstrate that the free market is in fact not simply an engine of wealth generation for the few, but one capable of advancing the betterment of the condition of all that lies at the heart of the universal desire for social justice.

To this point our focus has been on why businesspeople might wish to consider reorienting their arguments away

from values they themselves hold to the values that academics hold, diversity and social justice prominent among them. At the same time, academics could stand to make some changes too. Their values are hardly limited to the concerns with diversity and poverty on which we’ve been focused to now. Others are more problematic, and one in particular: namely skepticism towards profit.

I introduce this with an anecdote. A colleague of mine teaching at a university in New York once told me that as far as he could tell, he was the only faculty member on his campus who encouraged his students and advisees to go into business. I can imagine it. Most of our graduates leave with the assumption that profit seeking is to be regarded as suspicious, whereas non-profit work is to be regarded as noble. But even those who genuinely value and respect social work and service work might see this as a shame. For not only does the antipathy to profit tar with much too broad a brush, it creates much too rigid a distinction between the moral value of for-profit work and the moral value of non-profit work. As we all know, the motives for volunteer work are many, and not all of them disinterested. So too it may be that work for profit deserves to be rethought. For just as there exist many types of and reasons for non-profit work, there may be more than one way of thinking about for-profit work—and indeed it may be that we err no less in denigrating all types of profit than we do in celebrating all types of non-profit.

When academics speak critically of profit seeking, they seem to mean either of two things: first, a sort of zero-sum game in which all profits of individuals come at the expense of other individuals; or, second, a type of activity motivated by plain greed and indifferent to the nature of the activity or the product or the effects of such an activity, so long as it generates a profit. Now, insofar as academics and others are skeptical of this sort of profit seeking, they’re right to be so; greed isn’t praiseworthy, and promoting self-advancement at the conscious expense of the well being of others isn’t something that many of us will celebrate. The problem is that these hardly exhaust the meaning of profit. As economists will tell us, activities are often profitable because they fulfill the deeply felt needs of many individuals. While such a definition hardly exhausts the range of reasons why a given activity is profitable, it does help to remind us that the need-fulfillment of others—an activity that all decent people committed to social justice will welcome—is the end of much for-profit activity. And while it can take a little extra effort to see, profitability often serves not merely as a signal to the selfish as to how to direct their activities to get ahead, but also as a signal to prompt activity that meets the needs of others.

It can be argued—and indeed should be argued—that actions done for others without hope of reward deserve a

⁶ See e.g. Jerry Z. Muller, “The Portrait and the Painter,” *Adam Smith Review* 2 (2006): 229–30.

⁷ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. R.H. Campbell and A.S. Skinner (Indianapolis: Liberty Fund, 1981), vol. 1, p. 22.

different sort of esteem than actions done for others in the hope of compensation. To reject this out of hand would be to reject a very powerful stream of our philosophical heritage, one that unites thinkers from Aristotle to Aquinas to Maimonides and Smith. But that question, however important, shouldn't be confused with the question of the best means of organizing a polity and economy that efficiently meets the needs of its many citizens. It is for this reason that the activities of business require rethinking by academics. For once we disaggregate the motive for profit seeking from the effects of profit seeking, we can see that however unattractive or even repellant the former sometimes is, its effects are almost always genuinely beneficial to many.

Now, whether all or many or even some academics are likely to come to speak of matters this way is not something of which we can be sure. Nor can we be sure whether businesspeople will think it so needed to persuade academics of markets that they will be willing to engage in the sort of hard work described here. Nor can we even be sure that this is the best method of bringing the two sides together.⁸ But we can be

sure about two things. First, today's debate over capitalism is every bit as polarized and seemingly intractable as the notorious "two cultures" debate described by C.P. Snow and to which the title of this essay refers.⁹ Second, the attempt to articulate the benefits of the system one group espouses in a form and with categories the other group genuinely appreciates is likely to be far more productive and much more in our collective best interest than the simple failure of each community to engage the other that has defined our debates over capitalism to this point.

Ryan Hanley is the author of *Adam Smith and the Character of Virtue* (Cambridge, 2009), and co-editor, with Darrin M. McMahon, of *The Enlightenment: Critical Concepts in History*, 5 vols. (Routledge, 2010). He is the editor of the Penguin Classics edition of Adam Smith's *Theory of Moral Sentiments* (Penguin, 2010), and current President of the International Adam Smith Society. This article was written for a conference co-sponsored by the Manhattan Institute and *Society*. Grateful acknowledgement is given to the Marilyn G. Fedak Capitalism Project for its support.

⁸ For one alternative, see Kahan's suggestion that the best means of bridging this "abyss" would be a "détente" established by affording intellectuals a new role as sources of moral culture (*Mind vs. Money*, esp. pp. 20–26, 271–92).

⁹ C.P. Snow, *The Two Cultures* (Cambridge: Cambridge University Press, 1993).