

Cambridge University Press

978-0-521-11407-3 - Capitalism, For and Against: A Feminist Debate

Ann E. Cudd and Nancy Holmstrom

Excerpt

[More information](#)

---

# Part I

Cambridge University Press

978-0-521-11407-3 - Capitalism, For and Against: A Feminist Debate

Ann E. Cudd and Nancy Holmstrom

Excerpt

[More information](#)

# 1 For capitalism as a feminist ideal and reality

*Ann E. Cudd*

## 1 Introduction

A WOMAN BORN IN THE LATE SEVENTEENTH CENTURY in Europe had a life expectancy of less than thirty years.<sup>1</sup> She would have expected to bear seven children, and spend her days gathering wood and water, spinning yarn and making clothing, preparing food, and tending children. If she were born to a wealthy, aristocratic family she would have served mainly as a pawn in a diplomatic game between aristocratic families run by men and serving the interests of the oldest and most dominant among them. She did not look forward to any sort of political voice let alone power of her own unless she were one of the small handful of queens by birth. If she were born to a peasant family, she would have been illiterate. Much of her life was spent in hard labor and dirty, cramped conditions of life. She had little control over the timing or number of children she would bear, and she would likely bury most of her children before dying herself in childbirth.

My maternal grandmother was born in the late nineteenth century in the upper Midwest of the United States. She bore five children, four of whom lived until maturity, and she lived to be eighty years old in good health until her final days. When she was in her thirties, the Nineteenth Amendment to the US Constitution was ratified and she became eligible to vote in federal elections,

1 James C. Riley, *Rising Life Expectancy: A Global History* (New York: Cambridge University Press, 2001), 32–33. Life expectancy statistics for this period vary widely, but none are greater than thirty.

Cambridge University Press

978-0-521-11407-3 - Capitalism, For and Against: A Feminist Debate

Ann E. Cudd and Nancy Holmstrom

Excerpt

[More information](#)

## 4 ANN E. CUDD

although she never lived to see a woman elected as governor or as a senator from her state. She graduated from high school and lived the hard working life of a farm wife, but her children were more educated, and her youngest daughter, my mother, was able to earn a Master's degree and have a professional career. While my grandmother was born in an age of horse-drawn vehicles, she lived to ride in cars, watch television, and have a phone in her home.

Today, a girl born in Europe or North America can expect to live into her eighties.<sup>2</sup> She will learn to read at an early age and grow up surrounded by ready access to information and entertainment. She will carry a phone in her pocket that she can use to communicate with virtually anyone on the planet. She will be able to choose when and whether to bear children, and the gender and sex of her intimate partners. With varying amounts of effort and good luck (depending on her race and class position at birth), she can live a professional life just like her brothers. She can participate fully in social and political life, with almost as good a chance of gaining real power as any man.

These massive changes in the lives of women and girls are due in large part to the development of capitalism, the now dominant economic system on the planet. Capitalism has been the incubator of ideas from technology to marketing, and morality to politics. In my contribution to this book, I will present the case for the claim that capitalism has been the main force in the advancement of women and of society more generally, and that it can continue to be a liberating force for women around the world. As convincing (or so I shall argue) as the historical case seems, though, there are reasons for skepticism about the positive value of capitalism in the contemporary world and going forward into the future. While the quality of life for women and girls in the middle and upper classes of North America and Europe is beyond question better on virtually any

2 Central Intelligence Agency of the United States, *CIA World Factbook*, Central Intelligence Agency, 2008, available at: [www.cia.gov/library/publications/the-world-factbook](http://www.cia.gov/library/publications/the-world-factbook), accessed September 5, 2009. The 2008 *CIA World Factbook* reports life expectancies of 80.97 for the United States, 83.86 for Canada, 83.63 for Switzerland, and 84.23 for France.

Cambridge University Press

978-0-521-11407-3 - Capitalism, For and Against: A Feminist Debate

Ann E. Cudd and Nancy Holmstrom

Excerpt

[More information](#)

measure than could ever have been imagined even by my grandmother, women and girls in much of the global South live far lesser lives than their contemporaries in the global North.<sup>3</sup> Capitalism also clearly creates and sustains massive inequalities in wealth around the world and within wealthy societies. Although men are also the victims of global poverty and inequality, women are far more vulnerable to these twin ills. Women are also trafficked in greater numbers than are men, and this trafficking is motivated in part by greed and enabled by the great inequalities in wealth in the world. Women, as a group, remain dominated by men in all societies, with the possible exception of the Scandinavian countries, which have reined in the workings of capitalism through significant, democratically implemented, government interventions in market and social life. These facts notwithstanding, I shall argue that women's best opportunity for liberation from both poverty and domination by men exists in the development of an enlightened capitalism.

### Defining capitalism

A defense of capitalism must begin by clarifying the meaning of "capitalism" in order to classify societies, or possible societies, that fit under the term. To provide both a realistic assessment of the performance of capitalist societies and at the same time to look forward to a more enlightened form of capitalism, I seek an operational definition of the term as it can be applied in the actual world to pick out economies that can properly be called "capitalist." With this operational definition I will examine the empirical and theoretical case for capitalism as it has existed to this point in time. To create a reasonable hope for future improvements, however, I will also offer a normative ideal of capitalism. Defining capitalism is thus both a normative and an explanatory task. It is also a political task, in the sense that the form of capitalism that I choose to define stakes out a territory to defend in practice against opposing forms that exist in practice.

3 By "Global South" I mean to denote poor and so-called developing societies, many of which are located in the southern hemisphere (sub-Saharan Africa, South America), but some of which lie in the southern parts of the northern hemisphere, including Central America and southern and eastern Asia.

Cambridge University Press

978-0-521-11407-3 - Capitalism, For and Against: A Feminist Debate

Ann E. Cudd and Nancy Holmstrom

Excerpt

[More information](#)

## 6 ANN E. CUDD

*The defining conditions of capitalism*

Since economic activities have evolved greatly over human history, it makes sense to provide an operational definition that picks out capitalist economies as they have evolved. Capitalism is a term that was coined by Marx. By “capitalism” Marx meant an economic system whose core, defining feature is private ownership of the means of production, that is, of capital inputs to production:

[Capitalism] can spring into life only when the owner of the means of production and subsistence meets in the market with the free laborer selling his labor-power. And this one historical condition comprises a world’s history. Capital, therefore, announces from its first appearance a new epoch in the process of social production.<sup>4</sup>

Let us call this first feature of capitalism highlighted by Marx the *private ownership of capital condition*. Because ownership rights are defined within a community or a nation, economies are bordered by the boundary within which such rights obtain. I will refer to these bounded units as economies. Where private ownership of capital is possible, making very minimal assumptions of differences in individuals’ preferences and/or initial distribution of capital inputs, along with their freedom to engage in voluntary exchanges (as entailed by their ownership rights), markets will develop, including markets for labor.<sup>5</sup> The feature on which Marx focused his moral critique of capitalism was production by free wage labor.<sup>6</sup> This definition served well to mark a line between the late Middle Ages in Europe, characterized by agricultural serf labor and a small landowning class, and the beginnings of industrial capitalism, where large numbers of workers freely contract

4 Robert Tucker (ed.), *Marx–Engels Reader*, 2nd edn. (New York: W. W. Norton, 1978), 339.

5 This is the basic idea of general equilibrium, a proof of which can be seen in just about any contemporary microeconomics textbook.

6 Philippe Van Parijs, *Real Freedom for All: What if Anything can Justify Capitalism?* (Oxford: Clarendon Press, 1995), 3. Van Parijs defines capitalism in a manner very similar to this: a system in which the bulk of a society’s means of production is privately owned and people in some important sense own themselves.

Cambridge University Press

978-0-521-11407-3 - Capitalism, For and Against: A Feminist Debate

Ann E. Cudd and Nancy Holmstrom

Excerpt

[More information](#)

their labor services with the small number of wealthy owners of capital. Let us call this the *free wage labor condition*.

There are a few problems with taking Marx's definition of capitalism as the operative definition, let alone the normative ideal. First, Marx's definition of capitalism is of a descriptive ideal type that no longer exists, if indeed it ever did. Taxation on capital, regulation of the use of capital, and outright government ownership of productive capacities restrict, to a greater or lesser degree, private ownership of capital in all countries of the world. Yet we would not want to say that capitalism therefore no longer exists. Second, in Marx's time, industrial production was the main form of production and material resources the major form of capital in economies that we would want to call capitalist, but that is no longer the case. "Means of production" specifically meant material, nonlabor inputs. To Marx, capitalist labor meant undifferentiated labor power. Now financial capital and human capital are much more prominent inputs into the production of value in the world. Third, in Marx's time the ownership of capital marked a sharp distinction between classes that no longer obtains. Today, most middle-class persons in the United States, for instance, are partial owners of a large number of firms through their retirement accounts and other forms of savings. Yet they are hardly the capitalists of Marx's imagination. Finally, Marx's definition fails to highlight the features of capitalism that make it most attractive, namely, the ability of markets to aggregate information about consumer preferences and the availability of, and demand for, capital, labor, and goods without the guidance of a central planner. Thus, if the definition is to fit both the historical and the contemporary cases of capitalism, the descriptive, operational definition of capitalism will have to be altered.

Harold Demsetz, a contemporary neoclassical economist, updates the simple Marxist definition of capitalism as follows: "an economy based on decentralized private ownership of resources and open markets."<sup>7</sup> Demsetz's definition speaks of "resources"

<sup>7</sup> Harold Demsetz, *From Economic Man to Economic System: Essays on Human Behavior and the Institutions of Capitalism* (New York: Cambridge University Press, 2008), 81.

Cambridge University Press

978-0-521-11407-3 - Capitalism, For and Against: A Feminist Debate

Ann E. Cudd and Nancy Holmstrom

Excerpt

[More information](#)

## 8 ANN E. CUDD

rather than means of production, which allows for financial capital and highly differentiated human capital, and adds the elements of “decentralization” and “open markets.” Both of these ideas imply that governments do not control centrally what is made or consumed, but rather what is determined by the uncoordinated private decisions of individuals who are free to contract to buy or sell their labor, capital, goods, and services with each other with relative freedom from constraint by government. Let us call this the *decentralized open market condition*. Demsetz’s definition is too spare, however, in that he leaves out the important aspect that Marx focused on: production of commodities. But commodities are at the heart of capitalism; we can defend capitalism partly because it produces them so well, and we can criticize capitalism for the ways that it makes us all too aware of how many material things we have. The definition also fails to elaborate the kinds of intervention and constraints that are permissible. Depending on how strictly we read the phrase “based on,” Demsetz’s definition still suffers from a defect similar to that of Marx because, as I stated earlier, the real world does not contain countries where private ownership of resources is complete nor is there a country where markets are completely free of any government intervention. If we read “based on” somewhat more loosely, we move in the direction of an operative definition of capitalism, which requires an economy relatively free of undue government intervention in markets or private ownership of resources.

What should count as undue government intervention for the sake of our operational definition? There are two levels on which we can ask this question. On the descriptive level we can ask: what are the limits of government intervention for the (descriptive) ideal type of capitalism? When is government intervention so great that an economy is better classified as socialist or centrally planned? On the normative level we can ask: what is the best, most enlightened form of capitalism? The descriptive ideal is the idealization of the economic model of capitalism as a market system, including the idealizations of the free market and free wage labor. There is no one measure of the descriptive ideal, but there are a few desiderata of such ideal types. Better descriptive ideal

Cambridge University Press

978-0-521-11407-3 - Capitalism, For and Against: A Feminist Debate

Ann E. Cudd and Nancy Holmstrom

Excerpt

[More information](#)

theories classify phenomena in ways that allow clear and useful distinctions between categories. Better descriptive theories make better predictions and are better able to make successful public policy recommendations (that is, ones that bring about their intended consequences). These are normatively loaded measures, to be sure. The descriptive ideal also assumes a set of background social conditions that constitute the ideas of property, free exchange, and free wage labor. Thus, even the descriptive ideal implies some normatively justified assumptions.<sup>8</sup>

One of these assumptions is that ownership and participation in markets is to be nondiscriminatory, in the sense of invidious discrimination against persons based on their attributed social group status, such as gender, race, sexual orientation, or national origin. The purely economic rationale for what I shall call the *nondiscrimination constraint* is that each individual is to be considered as a bundle of assets and preferences abstracted from other aspects of who they are because it is efficient. It is inefficient to treat individuals otherwise, since that would require every product or trade offer to be identified by an additional criterion other than its purely economic value; namely, by the attributive status (that is, the gender, race, etc.) of the individual who is offering the trade. This inefficiency is a transaction cost that need not be borne. Instead, individual assets are evaluated for the worth of those assets, regardless of who owns them. Their preferences define their utility functions, and the worth of their assets define their budget constraints. In the market, individuals are faceless, backgroundless utility functions, budget constraints, and production functions.

There is also a normative rationale for the nondiscrimination constraint, which is that if a person is not free to contract their labor or goods in the market with others based on the evaluation of their labor or goods, then they are not in reality free.

8 Ann E. Cudd, "How to Explain Oppression," *Philosophy of the Social Sciences* 35(1) (March 2005): 20–49. This article defends a set of theoretical desiderata for theories of irreducibly normative phenomena. Capitalism need not be modeled in this normative way, but the model of enlightened capitalism that I seek in my contribution to this book is such a normative model.

Cambridge University Press

978-0-521-11407-3 - Capitalism, For and Against: A Feminist Debate

Ann E. Cudd and Nancy Holmstrom

Excerpt

[More information](#)

## 10 ANN E. CUDD

Rather, they are constrained by background features over which they have no control and with which they may not even identify themselves. Capitalism can meet the descriptive ideal of freedom, in the minimal sense of freedom from constraint, only by adhering to the nondiscrimination constraint. Now one might object that the sense of freedom that capitalism upholds requires one to be free to form preferences based on any form of bias or prejudice. I will address this deep concern in the final section of my contribution. For now I will rely on the historical, contingent fact that in contemporary capitalist societies the nondiscrimination constraint has become commonly accepted enough for government intervention to protect individuals from discrimination to be considered an appropriate form of interference in markets.<sup>9</sup>

The descriptive ideal of capitalism I will defend here is a system in which there are nondiscriminatory, legal protections of decentralized, private ownership of resources, cooperative, social production for all citizens, and free and open competitive markets for exchange of goods, labor, services, and material and financial capital. This definition implies the socially and governmentally sanctioned nature of the system. Laissez faire capitalism is an unrealizable ideal that could never exist in fact, because for capitalism to even exist, let alone prosper, property rights need definition by a legislative body and protection by a police force. If people do not have secure rights to things, they need not trade, since they can take, and when they have something, it can be just as easily taken away. Markets require trust and security, such as can be supplied only by a relatively complex social system of rights, trust, and protection.<sup>10</sup> Social, cooperative interaction is thus at the heart of the system, in both the creation of the

9 This is not to say that discrimination has ended, of course. There continues to be discrimination, but it is less explicit and has to be hidden from view on pain of legal and social sanctions.

10 Elizabeth Anderson, "Ethical Assumptions in Economic Theory: Some Lessons from the History of Credit and Bankruptcy," *Ethical Theory and Moral Practice* 7 (2004): 347–60. Anderson argues that capitalism has become less and less laissez faire, changing over time because of its own internal dynamic, which tends to increase everyone's preferences and expectations for rights and freedoms.

Cambridge University Press

978-0-521-11407-3 - Capitalism, For and Against: A Feminist Debate

Ann E. Cudd and Nancy Holmstrom

Excerpt

[More information](#)

social, legal infrastructure that frames economic production and exchange, and in production and exchange in themselves. This definition emphasizes the competitive character of the system, which, as we shall see, has both positive and negative implications for human well-being. Capitalism is a form of cooperative competition, a set of socially accepted rules within which players seek their best advantage, as they see it. Its normative value as a social system will depend upon both the rules that delimit the game and the values by which its players define their best advantage. This definition does not specify how capitalism relates to the distribution of resources, since government or private charity can redistribute the outcome of production and exchange – but only to a point. Redistribution of goods that removes the ability or incentive for people to create firms and produce for exchange makes the system something other than and opposed to capitalism.

Recently Amartya Sen has suggested that “capitalism” has lost its meaningfulness because nearly all the countries of the world allow more or less private ownership of productive means, but also practice considerable government intervention in the market.<sup>11</sup> First, this is not entirely accurate, in the sense that there are a several economies that are quite isolated from global trade, either because they are failed states and so poor as to be unable to support a decent economy altogether (e.g., Mauritania, the Democratic Republic of Congo, or Chad), or because they are isolated politically and within their borders rule their populations strictly to disallow much large-scale private enterprise (Cuba, North Korea, Libya). Second, the term “capitalism” still wields a rhetorical force for both supporters and opponents that is worth exploring, even if most of the world is now capitalist. That is the point of this book. However, Sen is no doubt correct if he is taken to mean that the differences within capitalism are greater than the differences between at least some of the states that I would classify as capitalist, and some that do not meet that description.

11 Amartya Sen, “Capitalism Beyond the Crisis,” *New York Times Review of Books*, March 26, 2009.