How Entrepreneurship and Private Enterprise Preserve Liberty: Against G.A. Cohen's Anti-Capitalism [Draft]

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People living under capitalism have more wealth than those living under socialism. But do they have more *freedom*?

Most libertarians and classical liberals seem to think so. (After all, Milton Friedman went with *Capitalism and Freedom*, not *Capitalism and Efficiency*.) But G.A. Cohen disagrees. He claims that private property ownership—the defining feature of capitalism—involves coercive interference with non-owners' freedom to use that property. If you stroll into Yankee Stadium without buying a ticket, you won't be asked gently to leave—you'll be forced out. Maybe this sort of interference is justified, but that doesn't make it any less of a restriction of individuals' freedom. Whatever else we might say about the relative merits of capitalism and socialism, we can't say that people enjoy greater freedom under the former than the latter.

I argue that Cohen is wrong. The paper begins by clarifying the nature of Cohen's "internal" critique of capitalism—namely, that private property ownership violates negative liberty (1). I reply that socialism is a greater threat than capitalism to negative liberty in virtue of coercively interfering with privatization, whereas capitalism permits collectivization (2). In response to a socialist objection, I argue that the freedom to own or work for a privately-owned business is indeed meaningful and ought to be protected (3). Finally, I show that workers are no more forced to work under capitalism than socialism (4).

Positive and Negative Liberty

To start, let's clarify what I mean by *socialism* and *capitalism*. A socialist regime will permit an individual to own personal property—say, a phone—but not productive property—say, the factory that produces phones. Under socialism, productive property is collectively owned in one way or another (more on this below). A capitalist economy, by contrast, is characterized by private ownership of productive property.

Defenders of capitalism typically understand capitalist freedom as freedom from certain kinds of interference—that is, as *negative* liberty.[1] If you want to start your own business, work for a privately-owned business, and so on, the state won't stop you.

Some critics object that the capitalist conception of freedom neglects the significance of *positive* liberty—that is, the liberty to do what you want or to fulfill your plans. The freedom to start your own business selling novelty nu metal merchandise isn't particularly meaningful if you lack the material resources to actually start that business.

I'll set aside the objection that capitalist freedom neglects positive liberty. Instead, I'll look at Cohen's claim that a capitalist regime that enforces private property rights violates *negative* liberty, in which case it cannot be said that those living under capitalism enjoy more freedom than those living under socialism—according to the account of freedom favored by defenders of capitalism themselves. Cohen's critique is especially intriguing because meets moral defenses of capitalism on their own turf.

As Cohen puts it, in a capitalist economy, "lack of money *is* (a form of) lack of freedom, in the favoured sense of freedom, where it is taken to be absence of

[1] But see Brief History of Liberty, Free Market Fairness.

interference."[2] He analogizes money to state-issued tickets that permit holders to freely perform certain sorts of actions. Cohen elaborates:

> A sum of money is a licence to perform a disjunction of conjunctions of actions - actions, like, for example, visiting one's sister in Bristol, or taking home, and wearing, the sweater on the counter at Selfridge's. Suppose that someone is too poor to visit her sister in Bristol. She cannot save, from week to week, enough to buy her way there. Then, as far as her freedom is concerned, this is equivalent to 'trip to Bristol' not being written on someone's ticket in the imagined non-monetary economy. The woman I have described has the capacity to go to Bristol. She can board the underground and approach the barrier which she must cross to reach the train. But she will be physically prevented from passing through it, or physically ejected from the train, or, in the other example, she will be physically stopped outside Selfridge's and the sweater will be removed. The only way that she will not be prevented from getting and using such things is by offering money for them.[3]

When the state prohibits this person from boarding the train or leaving Selfridge's without paying, it is not failing to help her or failing to give her something; it's coercively interfering with her.

Now, there are plenty of solid consequentialist reasons to restrict the freedom of non-owners to use private property without the permission of its owners. If you can't fence off land and enforce a prohibition against trespassing, you probably won't spend the time and burn the calories needed to plant a garden on it. So, you'll produce less food to consume and exchange for the goods and services produced by others than you would under a system that permits privatization. Indeed, Robert Nozick appeals to this kind of consideration to show that privatization can satisfy the Lockean proviso, roughly, that privatization must leave "enough and as good" for others.[4] On the Nozickian view,

[2] 1995, 58, emphasis in the original.
[3] Ibid.
[4] Nozick, Schmidtz.

the restrictions on freedom involved in the enforcement of private property rights are justified because the system of private property makes those whose freedom is restricted better off, or at least no worse off than they would otherwise be.

But Cohen objects that Nozick can't make this style of argument while remaining consistent with his broader theoretical framework. More specifically, this defense of privatization appeals to a broadly paternalistic-welfarist justification, which clashes with the deontological account of justice as non-interference he uses in other contexts.[5] This spells trouble for Nozick. If the state may coercively interfere with a trespasser on the grounds that a system that restricts trespassing improves the material welfare of the trespasser herself, then the door opens to other kinds of paternalistic interference that Nozick would reject. For instance, it would be hard to resist the conclusion that the state may coercively interfere with a gambler's attempt to enter a casino on the grounds that a system that restricts gambling improves of the material welfare of the gambler himself.

For what it's worth, I agree with Cohen about Nozick's shifting standards here.[6] So even if Nozick is right that a system of private property tends to work to the material benefit of everyone, he hasn't shown that private property enforcement is not a violation of negative liberty. But we shouldn't therefore conclude, as Cohen does, that capitalism and socialism are on a par when it comes to respecting negative liberty.

Collectivization and Privatization

As I mentioned earlier, socialist regimes collectivize productive property, although this can take different forms. Cohen seems to shy away from Soviet-style state ownership in

[5] 1995, 89.

[6] But see Flanigan's recent paper.

favor of something like democratically-run worker cooperatives.[7] I'll focus on cooperatives, but my criticism generalizes to any form of socialism.

First, notice that Cohen's analysis of property and coercion isn't restricted to private property—rather, it applies to property generally, including public or collectivized property. Take a modified version of the train case. This time the train is collectively owned by the train workers. You attempt to ride the train without the permission of the worker-owners, and so they block your access. In doing so, the worker-owners restrict your negative liberty. The takeaway is that collective property, just like private property, is enforced via coercive interference.

Cohen wouldn't deny this point. He makes the more modest claim that people under capitalism do not enjoy *greater* freedom than people under socialism. Maybe the modified train case just shows that their freedom is roughly equal. But this move is too quick. As Nozick himself notes, capitalist regimes don't permit coercive interference with the collectivization of productive property, whereas socialist regimes permit coercive interference with the privatization of productive property.[8] So people in capitalist regimes are free to privatize *and* collectivize, whereas people in socialist regimes are not free to privatize.

To illustrate, first imagine a group of bakers under capitalism, each of whom owns some flour, butter, eggs, an oven, a blender, and so on. They decide that they'd like to go into business together, with the rights to the aforementioned property shared equally among them. A capitalist regime has no grounds for interfering with this

[7] The Structure of Proletarian Unfreedom, Why Not Socialism?
[8] Anarchy, State, and Utopia

arrangement—the bakers' property rights entitle them to pool their property together with others. In short, individuals are free to unilaterally collectivize their private property under capitalism.

By contrast, individuals are *not* free to unliterally privatize collective property under socialism. Imagine a cooperative bakery where ten workers collectively control the bakery's facilities and equipment. Mayfield, one of the worker-owners, objects to the working conditions but gets outvoted by his fellow worker-owners when he proposes a reform. So Mayfield wants to go private and take 1/10th of the equipment with him. The other worker-owners once again veto him. When Mayfield attempts to enter the facility and seize some of the equipment for himself, the worker-owners forcibly prevent him from doing so. The upshot is that socialism permits interference with privatization, but capitalism does not permit interference with collectivization.[9]

Relatedly, socialism interferes with workers' freedom where capitalism does not. Suppose that Mayfield owns cooking equipment and ingredients as personal property at his home.[10] That is, he uses this property to bake bread for himself. Mayfield's neighbor Waylon is an aspiring baker who wants to learn the trade. Mayfield agrees to hire Waylon at a steady wage in exchange for Waylon's help baking bread with the use of Mayfield's personal property. Mayfield in turn sells this bread for a profit. Mayfield's property has now transformed from mere personal property to productive property and Mayfield himself is now a capitalist employer with Waylon as his employee. Capitalism

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[9] Cohen suggests he wouldn't prohibit acts of privatization if they are few and far between, but he would if privatization becomes sufficiently widespread (30). He also suggests that he might allocate territory to capitalists, although he doesn't consider the possibility that society's most productive members would immigrate to that territory. See the case of Cuban baseball players.
[10] Paper with Thrasher.

has emerged from Mayfield's exercise of his rights of personal property and Waylon's exercise of his right of occupational choice.[11] But a socialist regime, by definition, must interfere with their agreement if it's to retain its status as a socialist regime. As Nozick says, socialism must ban "capitalist acts between consenting adults."[12]

Are Capitalist Freedoms Worth Protecting?

Capitalism protects the liberty to work in a capitalist firm or a cooperative. Socialism only protects the latter. A socialist might object that the freedom to own a business or work as a wage laborer for a capitalist employer is simply not a meaningful freedom and thus not one that ought to be secured by the state. But this view is mistaken.

First, consider the freedom to become a capitalist employer. The core commitment of any liberal political view is upholding people's freedom to choose and pursue their own way of life. And for many people, an important part of their life involves owning a business.[13] Some people may organize community potlucks because they enjoy introducing others to new food; others may start a privately-owned restaurant for the same reason. It's hard to see why a liberal regime would respect the first activity but not the second.

Think of this way: private property gives an individual creative control over that property. You could easily imagine an entrepreneur who has a vision to, say, deliver affordable high-quality streaming content that people can enjoy in the comfort of their own homes, but doesn't want to convert this vision into a group project where each team member has equal input. Under socialism, she doesn't have this option.

[11] Liberalism without patterns,
[12] ASU
[13] Tomasi, Free Market Fairness, Nozick's lecture case.

The freedom to choose to earn a wage as an employee in a capitalist firm is also significant. As Don Lavoie notes, workers “may not want to take on the risk, expense, and responsibility involved in managing a firm.”[14] He continues,

> After all, there are potentially several advantages to workers who choose to specialize in earning wage income in order to be insulated from the vicissitudes of market competition. There is often an advantage in allowing someone else to be the boss and thereby reducing one’s concerns to the fulfillment of a wage contract, letting the management fret about the firm’s profit and loss statements. While there is nothing inherently wrong with workers’ control, or ownership, or participation (for many small firms in particular, those organizational forms may prove more efficient), there is also nothing inherently wrong with a voluntary separation of the ownership, management, and employee functions.[15]

Presumably socialists, or at least liberal socialists, recognize that not everyone wants to be a religious congregant, spouse, or parent—thus, it’s important to secure people’s freedom of religious practice, association, and reproductive choice. Similarly, not all workers want to be, in Lavoie’s words “risk-bearing entrepreneurs.”[16] So we shouldn’t make an ad hoc exception to basic liberal commitments in the case of occupational choice.

Lastly, I doubt socialists would demand that the state coercively restrict someone’s freedom to make leisure choices in accordance with their own risk tolerance. Some people might like risky leisure—gambling in Vegas or BASE jumping. Others might like lounging on the beach while listening to Jimmy Buffett. Similarly, the state should permit people to make labor choices in accordance with their own risk tolerance, which implies that it should permit people to earn a steady wage for a capitalist employer.

[14] 128.
[15] Ibid.
[16] 128. Nozick makes a similar point.

Are Workers Forced to Sell Their Labor Under Capitalism?

I'll now turn to a final socialist objection to capitalism, namely that it *forces* workers to sell their labor to a capitalist. Cohen runs with Nozick's case of Z, a worker with skills that aren't particularly marketable. Unless Z works for a capitalist employer, he'll starve. The question, then, is whether Z is "*forced* to work for some capitalist or other."[17]

Cohen, unlike Nozick, answers in the affirmative. He attributes the following claim to Nozick: "If Z is forced to do A or B, and A is the only thing it would be reasonable for him to do, and Z does A for this reason, then Z is forced to do A."[18] Since, on Cohen's view, Z *is* forced to work for a member of the capitalist class or starve, and working for a member of the capitalist class is the only thing that would be reasonable for Z to do, and Z works for a member of the capitalist class for this reason, then Z is forced to work for a member of the capitalist class.

For argument's sake, I'll grant Cohen that Z is forced to work for a member of the capitalist class. But moving from the case of Z to a critique of capitalism is going to take some more work. First, as Cohen would no doubt agree, he is appealing to a general account of forcing that doesn't apply exclusively to capitalist work arrangements. Suppose that Pat needs surgery to survive. On Cohen's view, Pat is forced to undergo surgery from some member of the "surgical class," although not any particular surgeon.[19] This is true even if all surgeons are willing to perform the surgery for free. Indeed, this account of forcing implies that someone can be forced to do something even in the absence of a relationship to any another person. If Robinson Crusoe has no

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[17] 35, emphasis in the original.
[18] Ibid.
[19] See Harrison Frye for a similar case.

choice but to gather berries or starve, and gathering berries is the only thing it would be reasonable for him to do, and Crusoe gathers berries for this reason, then Crusoe is forced to gather berries. At a minimum, then, we have reason to believe that this account of forcing is importantly morally different than the sort of forcing involved in, for instance, the socialist state's prohibition of capitalist wage labor.

More importantly, people can be forced—according to this account of forcing—to work for a cooperative under socialism. Suppose we have a socialist regime with no capitalist firms—only worker cooperatives. Lois is entering the workforce for the first time. Lois is forced to work for a cooperative or starve, and working for a cooperative is the only thing that would be reasonable for Lois to do, and Lois works for a cooperative for this reason; thus, Lois is forced to work for a cooperative. All else equal, then, workers are no more free under socialism than capitalism. (Maybe you're thinking that socialists can solve this problem by supplementing collectivization with income redistribution—hold that thought.)

But it actually gets worse for socialists. As noted earlier, individuals are free to work for a capitalist firm *or* worker cooperatives under capitalism (or to support themselves by owning a business). However, under socialism, individuals are *not* free to work for a capitalist firm. Thus, individuals under capitalism are in fact *not* forced to work for a member of the capitalist class, but individuals under socialism *are* forced to work for a cooperative (or perhaps a state-owned enterprise). So here again, we see that workers enjoy less freedom under socialism than capitalism.

It's also worth emphasizing that Z likely has a higher chance of simply *starving* (rather than working) in a socialist economy. Nozick explains:

> If each new worker acquires a right to an equal percentage of the annual net profit (or an equal ownership share), this will affect the group's decisions to bring in new workers. Current workers, and therefore the factory, will have a strong incentive to maximize *average* profits (profits per worker) rather than *total* profits, thereby employing fewer persons than a factory that employed everyone who could be profitably employed.[20]

So long as Z can be "profitably employed," he'll fare better under capitalism than (egalitarian) socialism.

Moreover, Cohen suggests that it's possible for a worker to freely sell their labor to a capitalist, although such cases are rare in his view. As he puts it, under capitalism, "everyone is entitled to work for no one. But the power matching this right is differentially enjoyed. Some *can* live without subordinating themselves, but most cannot. The latter face a structure generated by a history of market transactions in which, it is reasonable to say, they are *forced* to work for some or other person or group."[21] Presumably when Tom Brady came out of retirement to play another season for the Tampa Bay Buccaneers, he was not subordinating himself to the capitalist class. Why not? His net worth was somewhere in the ballpark of $200 million, so he wasn't forced to work for anyone.

Here's the lesson: wealth is a key safeguard against being forced to work under capitalism *or* socialism. Now the question becomes whether capitalism or socialism does a better job of making the typical worker rich.

To understand why capitalism makes us rich, let's return to Cohen's case of the person who is prevented from taking a sweater and leaving the department store without paying. As Cohen puts it, money is freedom under capitalism. But if we replace

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[20] P. 251, emphasis in the original.
[21] 34, emphasis in the original.

capitalism, the freedom to acquire sweaters (for instance) will simply be determined by something else. We have to allocate sweaters *somehow*.[22] Maybe people wait in line until the supply of sweaters dries up. Or maybe the state runs a lottery and only those with winning tickets get sweaters.

These alternative distribution methods are worse than distributing sweaters by willingness to pay. First, notice that these alternative methods would also need to be backstopped with the threat of coercive interference—presumably the state will forcibly prevent you from skipping to the head of the line or grabbing a sweater without a winning lottery ticket. Second, requiring people to hand over money if they want a sweater incentivizes the production of sweaters.[23] Allocating sweaters by queue or lottery doesn't have this effect. Plus, the prospect of getting money in exchange for sweaters incentivizes competitors to underprice Selfridge's to scoop up their customers. The result is that the real price of a sweater gets driven down, meaning that people can spend less on sweaters and more on other things.

Critically, the sweater case illustrates what actually happens in capitalist economies. In 1900, the average American household spent 14% of its income on clothing; in 1972, it dropped to 7.8%, and in 2018, it stood at 3%.[24] More generally, Americans spend increasingly smaller percentages of their income on necessities.[25] This means that they can allocate more resources to, e.g., saving an emergency fund as a cushion if they lose or quit their job or investing so they can retire early if they grow

[22] Munger on surge pricing
[23] Schmidtz: you don't make more seats by printing more tickets.
[24] https://humanprogress.org/trends/share-of-spending-on-household-basics-declines/
[25] Ibid.

unhappy at work (maybe they'll even decide to invest in a company that sells sweaters). These examples illustrate how wealth functions as a safeguard against subordination by the capitalist class by enabling workers to be selective about when and where they work.

Even if I'm wrong and capitalism alone doesn't make us rich, the state could always address poverty without resorting to socialism by implementing a universal basic income that enables workers to exit bad jobs, start their own business, start a cooperative, or save for early retirement. Granted, this option isn't available to Nozick, but it is available to defenders of capitalism more generally. Although occasionally writers on the left and the right say otherwise, redistribution is not socialism—indeed, Cohen himself seems to agree with this point[26] Progressive redistribution involves taxing relatively rich individuals to fund transfers to relatively poor individuals—it does not collectivize productive property. Indeed, many defenders of capitalism endorse redistribution.[27]

While socialists often defend the value of giving workers a voice in their working conditions, the power of exit which is amplified by a UBI is plausibly a more powerful instrument for securing better treatment for workers.[28] By analogy, we tend to rely on exit rather than voice in our role as consumers. If you dislike a store, you could complete the survey linked on the receipt, but you'll probably just shop somewhere else.

In closing, Cohen's criticism does damage Nozickian libertarianism. But he wins the battle at the cost of the war. Cohen is unable to resist the conclusion that socialism

[26] See 1995, 35.
[27] Friedman, Hayek, etc.
[28] Taylor on exit.

is a greater threat to negative liberty than capitalism and fails to respect people's freedom of occupational choice.