

## THE ETHICAL ALTRUISM AND THE SPIRIT OF CAPITALISM

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**Abstract:** The ethical model of capitalism, which is based on the idea of a so-called rational egoism, has led in practice to unacceptable economic gaps and inequalities. At the same time, this model subordinates human values and global priorities to economic principles and consumerist drives. This leads to environmental pollution, exhaustion of the planet and threatens the future generations to come. My article proposes to replace this model with an ethical altruism that takes into account the urgent needs and the welfare of all parties involved.

**Keywords:** Inequality, gaps, capitalism, selfishness, ethical altruism

### 1. Introduction

It seems included in its very definition that capitalism means social gap and status differentiation. Economic inequality is an *a priori* of the capitalist doctrine just like egalitarianism is a precondition for socialism and planned economy. The ideological motivations of these gaps are numerous and cover a wide spectrum ranging from individual characteristics and attributes (merit, talent, effort, boldness) to group ones (organization, cooperation, religious *ethos* at Max Weber, etc.).

Like any ideology, the economic theory of liberalism has an important ethical component meant to justify what it cannot cover. Its origins can be found at Adam Smith and his concept of the invisible hand that distributes the wealth according to merit, while contributing to the general welfare. This kind of distributive justice, performed in an automatic and impersonal manner and resulting from the free operation of market mechanisms, carries significant ethical consequences: as long as the rules are respected, whatever the consequences of the free market functioning may be, they can only be correct. In other words, extreme income inequality, polarization of wealth, poverty may be unpleasant or undesirable aspects of a capitalist economy based on merit and competition, but under no circumstances they can be considered unethical.

Supervised by a minimal state that only intervenes to eliminate illegalities, the free market functions not only as an economic mechanism, but also as a moral authority. If merit is the criterion of virtue, then wealth must be the sign of morality. Beyond the attractiveness of this criterion, the problem with merit is that it is difficult to be instrumentalized and measured. What seems to function very well in theory, works not so well in practice: oftentimes what is rewarded in a real economy that values competition is not merit, courage or enterprise, but financial speculation, bypassing taxation, practices situated on the edge of the law or even law-breaking ones. Moreover, putting the sign of equivalence between wealth and virtue entails the following difficulty: many of the existing fortunes are inherited and not actually created by their current owners. They are, at most, managed by them. At the same time, it is obvious that virtue

is not inherited in the same way as wealth. Virtue is the result of an altruistic humanist education and an existential journey.

Even at an international level, not the free, irregular markets, operating on the model of Adam Smith, have produced national wealth, but the interventionist policies of the states. As Ha-Joon Chang points out, the historical differences between rich and poor countries are explained by factors such as state intervention in economy through state aids for companies, influence of state granted loans, protection of domestic companies to the detriment of foreign ones, nationalization of certain strategic companies, national industrialization strategies, restrictions on foreign trade, etc. (Chang, 2008, 63). The fact that after this process the state withdraws from its role of major player in economy, as was the case in South Korea, does not justify the label of liberal market economy or merit-based economy as a generic name for the entire historical development process of a capitalist country.

The inequity of the system is far from being a novelty. Capitalism does indeed produce wealth but, at the same time, the output is shared unfairly and the environment is being destroyed. The pursuit of resources is the obvious result of consumerism. As the reports made by the United Nations, by independent universities and organizations show, the rate of extinction rate for animal species is 1000 times higher than in the periods when man did not intervene during the last 65 million years. Since 2000 only, over 6 million hectares of primary forest disappeared annually. The world's population will exceed 10 billion people by 2050. Large corporations continue to exploit the environment, denying any connection between endless economic growth and environmental destruction. (Hansen, 2016).

In his work, *Capital in the 21st Century*, Thomas Picketty discusses the wealth concentrations and income inequalities since the eighteenth century (Picketty, 2015). Following the research of historical documents, the French economist finds that the rate of capital return ( $r$ ), which includes profits, dividends, interest, rents and other capital income, is persistently higher than the rate of long-term economic growth ( $g$ ) and the result is a concentration of wealth. This unequal distribution of benefits gives rise to social and economic instability. When the rate of economic growth is low, wealth tends to accumulate more from the exploitation of capital than from work, privileging the already very rich and further widening the economic gaps in society. The formula  $r > g$  is the expression of this inequity. Picketty pretends that economic inequality cannot be considered an accident, but rather a fundamental feature of *laissez-faire* capitalism that threatens the democratic order itself. As time goes by, the gap tends to deepen, endangering the democratic order of the states. The resulting system is called by Picketty *patrimonial capitalism*, a system in which inherited capital dominates much of the economy, thus creating an oligarchy.

The reports published annually by Oxfam come to confirm this data. In 2016, the organization issued a report entitled *An economy for the 1%. How privilege and power in the economy drive extreme inequality and how this can be stopped* (Oxfam, 2016). The report shows that the richest 1% has amassed more wealth than the rest of the world. The organization calculated that the richest 62 people in the world have the same wealth as 3.6 billion people, the poorest half of humanity. In 2018, only two years after, the gap widened even further: the 26 richest billionaires own as much as 3.8 billion people on the planet, the bottom half of humanity. The wealth of more than 2200

billionaires had increased by 12% in 2018, while the incomes of the poorest people decreased by 11% (Elliott, 2019). Since the beginning of this century, the poorest half of mankind has benefited from only 1% of global economic growth, while half of this growth has gone to the richest 1%. In the last quarter of the century the average annual income of the poorest 10% of the world increased by less than 3 dollars per year. Their daily income increased by less than one cent a year. In countries with large income gaps among the population, there are also important gaps between men and women in terms of access to education, medical services, jobs and political representation.

Growing economic inequality undermines social cohesion. Robert Solow, a Nobel laureate in economics, warns about the political consequences of wealth concentration at the top. Referring to the US, he says: "If that kind of concentration of wealth continues, then we get to be more and more an oligarchical country, a country that's run from the top". Solow points out that the "rich-get-richer dynamic", which feeds the mechanism of economic inequality, also determines a concentration of power. The fact that the political system is incapable of regulating this mechanism is not a mere coincidence, but a direct result (Rosen, 2014).

It is difficult to imagine how the current economic system, dominant in the democracies that make up the majority of the countries in the world, could reduce the economic inequalities among their population without a regulatory action by the states. Even in terms of the future, expectations are not optimistic at all. Authors such as Stephen Hawking and Yuval Harari portray the worrying prospect that economic inequality will deepen as artificial intelligence takes over the work people do today. If the owners of these technologies refuse to share their wealth, we will witness extreme social cleavages (Kaufman, 2015). Algorithms and computer learning will take over not only the routine work done today by human workers, but even the innovative and creative work. People may become economically irrelevant because they will not be able to compete with artificial intelligence in the labor market. Moreover, the economy of the future may not need people, not even as consumers. As Harari states, "in order to cope with the unprecedented technological and economic disruptions of the 21st century, we must create new social and economic models as soon as possible. These models should be guided by the principle of protecting people, not jobs" (Harari, 49).

In a *laissez-faire* economic system, the advance of biotechnology will lead to biological disparities that cannot be covered. This will further deepen the social cleavage. Life extending treatments and procedures for upgrading physical and cognitive abilities will be prohibitive for most of the population. This could split humanity into biological castes and, in the long term, into different species (Harari, 85-86).

## **2. Effective Altruism**

Those who support the capitalist order imply that the ethical principle underlying this economic system is the enlightened self-interest (or enlightened egoism). Selfishness is the behavior of pursuing one's own interest only, the exclusive satisfaction of one's own needs to the detriment of others. Such an attitude is immoral because it contravenes socially acceptable norms. By contrast, the enlightened egoism promoted by the capitalist doctrine holds that by giving entrepreneurs freedom to pursue their own interests (obtaining profit), such an economic order would promote the welfare of all. By

some miracle, the invisible hand of the free market will transform the individual selfishness into collective welfare and will create the Common Good, the ultimate aspiration of any ethical system. Only that "the promotion of one's own interests does not always mean the promotion of the collective interest, because the interests of individuals or groups may be in conflict in certain conditions [...], which means that satisfying one person's interest will be to the detriment of another person" (Baier, in Singer, 2006, 230). In order for the collective good to be realized, the individual interests should be in perfect harmony which, most often than not, is not the case given the scarcity of the resources. As a result, the selfish pursuit of one's individual good does not lead to the promotion of the common good but, on the contrary, it undermines it. Not even the ideal case of a perfectly competitive market could ensure the common good. Thus, selfishness, in any of its forms, cannot be a practical ideal and cannot be considered a means of achieving good.

So here's how markets can provide returns, but they cannot provide ethics, they can multiply profits, but they cannot offer solutions to inequalities, poverty, diseases, destroying the planet in search of resources. The irrationality of the markets can be countered by the rationality of an ethics of compassion and the egoism of capitalism by the altruism directed towards the disadvantaged of the planet, those who need the most help. The idea of an ethical altruism is not new. At the level of common sense, it is present in the charitable acts that some people perform constantly or sporadically. But we owe the utilitarian philosopher Peter Singer the conceptualization of altruism and its transformation into an ethical program for all humanity. Singer developed the theoretical scaffolding of an existing social practice that he called *effective altruism*. According to the utilitarian criterion, any activity that produces suffering is morally wrong. The purpose of human action is to maximize pleasure and reduce suffering. On the other hand, our responsibility should not be limited to the actions taken, but it should also include the omissions. The moral behavior must be realized beyond the narrow limits of our communities and even beyond the limits of our species. Thus, our altruism should not only concern our neighbors, but all the suffering beings that we may not know and may not even be part of our species. The effectiveness of this ethical altruism, which is not an abstract theoretical system, but a form of applied ethics, is measured by the extent of the relieved suffering evaluated in economic terms.

Effective altruism starts from the idea that people not only have the option of reducing the suffering, but also the moral duty to do it. We're talking about a form of ethical consequentialism, in the sense that the morality of our actions is judged according to their consequences and not by the intentions considered. This means that people who adopt this ethic not only donate their incomes to humanitarian priority needs, but they choose their careers to do the most good they can do. Reduction of suffering becomes their profession of faith. A truly effective altruist will choose his career in order to do the most good he can. He will become a lawyer, a doctor or an economist on Wall Street not to live in luxury, but to be able to donate as much as possible, having the greatest impact on the lives of those living in extreme poverty. The efficiency of this altruistic ethic is measured not only in the amount of money allocated for reducing diseases and mortality, but also, and most important, in the way they are spent (Singer, 2017, 151-152). Therefore will be preferred only those humanitarian organization that address the most urgent needs and they do so with the highest efficiency and best results. There are many

humanitarian organizations, but some are more efficient than others, in the sense that the money collected are not wasted on administrative and personnel costs. An effective humanitarian organization will bring the resources exactly where they are needed the most and will target the urgent particular causes (eradicating malaria, reducing malnutrition, eliminating trachoma, reducing infant mortality, etc.). An effective altruist will donate his money to those organizations that have the biggest impact in terms of lives saved per dollar or disabilities treated per dollar.

### 3. Conclusions

There is only apparently a contradiction between the spirit of capitalism and the ethical altruism. To equate affluence with happiness and fulfillment is a false operation. Studies on the relationship between income and well-being / happiness show that there is an increase in happiness as incomes grow, but the correlation peaks at the threshold of financial security. Beyond that, subsequent growths have smaller impact or may not even affect the happiness of individuals. Interpersonal relationships and strong community bonds contribute more to people's happiness.

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