

## SUPPOSED “VARIETIES” OF CAPITALISM

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Does capitalism exist in “varieties,” as scholars began to insist two decades ago,<sup>1</sup> or is it a unique social system fundamentally unlike all others? If there is a “pure” form of capitalism, what alterations or transformations render it impure? How *impure* must it become before we should cease calling it capitalism and call it something else instead?

This is not a matter of mere semantics. It is a matter of life and death. History shows that social systems exhibit varying degrees of liberty and tyranny, wealth and poverty, happiness and misery. Life is fueled by liberty, wealth, and happiness—death by tyranny, poverty, and misery. To *live* best we must know what *social system* is best.

Every living organism has an *optimal habitat*, a setting in which it best survives and thrives; an opposite or inhospitable habitat can prove harmful, even lethal, to a species (think: “fish out of water”). Humans are no exception to this general principle. Our specific nature decrees that we too have a preferred habitat. Aristotle distinguished man as both the *rational* and *political* animal; our best habitat allows the free exercise of our mind and inter-personal relations. Call it a *habitat for humanity*.

*Capitalism* has proved to be the most hospitable habitat for humans. But what is capitalism, exactly? Why do so many *humans*, oddly enough, oppose it? Should it not win wide acclaim? Humans have free will and, equipped with reason, they can elect to achieve great things and scale great heights, surpassing all other species. But having no pre-programmed guide to good living, they do not automatically choose what is best. Unlike other species, humans can choose to be self-destructive. Instead of being rational and cooperative with their own kind, they can enslave, rob, or destroy them.



One of the ridiculous tragedies of our time is the clash between capitalism’s irrefutable *productive prowess* and the *utter disdain* felt for it by so many intellectuals. Either these intellectuals don’t care much about prosperity and human well-being (they are not humanists) or they care about such things but despise capitalism *despite* its capacity for prosperity. Many of them recognize (better than some pro-capitalists) how capitalism depends on and rewards the *morality of rational self-interest*, the profit motive, and the pursuit of happiness. They do not like any of it.

Capitalism’s critics may believe they’re humanists, but many harbor something like a medieval-puritanical bias against egoism, secularism, and materialism. Their dualism requires a view of capitalism as *practical* (efficient, productive) but *immoral* (not selfless or just). They decry its economic inequalities, refusing to see them as the natural result of *diverse talents* acting under *equal protection of the laws*. Preferring an unnatural equality of *result*, they insist that laws be discriminatory. Forced to choose, by their own false dichotomy, they prefer what they consider to be “moral” (selflessness) over what is practical; they prefer *unfree societies* of equally shared poverty to *free societies* of unequal but greater prosperity.

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<sup>1</sup> The seminal source is Peter A. Hall and David Soskice, editors, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford University Press, 2001), but the book doesn’t survey all types; it distinguishes only “liberal market economies (LMEs) and “coordinated market economies” (CMEs), each of which entails a large degree of government regulation and redistribution (LMEs less so than CMEs). For a more recent treatment, see Colin Hay, “Are There Still Varieties of Capitalism?” *Review of International Political Economy* 27(2), 2020, pp. 302-319.

By now the array of supposed “capitalisms” is so enormous that it’s nearly impossible to keep track of them all, let alone to clearly define or distinguish them. Many types are patently contradictory (once you know capitalism’s essence). Some are just lame attempts to apologize for capitalism, to soft-peddle it to religious conservatives. *Most types aim to dilute, abridge, or terminate capitalism.* The types now total roughly two dozen and include (alphabetically) accountable capitalism, anarcho-capitalism, authoritarian capitalism, common-good capitalism, compassionate capitalism, conscious capitalism, crony capitalism, democratic capitalism, gangster capitalism, illiberal capitalism, laissez-faire capitalism, late capitalism, neo-liberal capitalism, ordinary capitalism, paternalistic capitalism, political capitalism, racial capitalism, regenerative capitalism, responsible capitalism, social capitalism, stakeholder capitalism, state capitalism, surveillance capitalism, totalitarian capitalism, welfare capitalism, and woke capitalism.



Most supposed varieties of capitalism can be partitioned into those coming from attempts to apologize for it, alter it, or negate it. Those who seek to *defend* capitalism but accept the false premise that it’s reckless and irresponsible concoct capitalisms that are “accountable” and “responsible,” with company executives beholden not to actual owners (shareholders) but to a broad universe of *non-owners* (“stakeholders”),<sup>2</sup> to the insatiable demands of “democratic” society.



As with all legitimate concepts—those derived from and tied to reality (as opposed to mere “constructs” or concoctions)—capitalism must be *circumscribed* because it has an *identity*. It is *something specific*, not something else. At some point—pertaining to the *kind* of thing it is, not to its degree—it cannot be altered (or fundamentally transformed<sup>3</sup>) without becoming *something else entirely* (or its *opposite*). I have said that many of the supposed “varieties of capitalism” are contradictory once capitalism’s essence is recognized. Here’s how philosopher-novelist Ayn Rand defined it:

*Capitalism is a social system based on the recognition of individual rights, including property rights, in which all property is privately owned.* The recognition of individual rights entails the banishment of physical force from human relationships: basically, rights can be violated only by means of force. In a capitalist society, no man or group may *initiate* the use of physical force against others. The only function of the government, in such a society, is the task of protecting man’s rights, i.e., the task of protecting him from physical force; the government acts as the agent of man’s right of self-defense, and may use force only in retaliation and only against those who initiate its use; thus the government is the means of placing the retaliatory use of force under *objective control*. (emphasis in the original)<sup>3</sup>

Notice Rand does not conceive capitalism in narrowly economic terms (as is common). It is a *social system* with a distinct *economics* (free market) but also a distinct *politics* (constitutional, rights-respecting), a distinct spirit, or *psychology* (rational), and a distinct *culture* (vibrant, commercial, artistic, life-affirming). Moreover, the elements are mutually reinforcing; they operate consistently in service to *the whole*.



The “varieties of capitalism” approach appears to reflect careful, nuanced scholarship. The more modifiers, the merrier (and better), it is thought. But modifiers should clarify, instruct, and guide us, not obscure matters, deceive, and misguide us. Capitalism is the supreme habitat for humanity; yet many of humanity’s conceptual leaders, its intellectuals, despise it and work to bury it in an avalanche of verbiage. This is one of the many ways that capitalism remains an “unknown ideal” to so many people. For the sake of humanity, capitalism deserves a better and clearer treatment.

<sup>2</sup> Andrew L. Friedman and Samantha Miles, *Stakeholder Theory: Theory & Practice* (Oxford University Press, 2006) and R. Edward Freeman, Kirsten Martin, and Bidhan Parmar, “Stakeholder Capitalism,” *Journal of Business Ethics*, 2007, pp. 303-314.

<sup>3</sup> Ayn Rand, *Capitalism: The Unknown Ideal* (New American Library, 1967), p. 11.

# FOUNDATIONS OF CAPITALISM AND A SYSTEMS MATRIX

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## Ethical-Legal-Political Elements of Capitalism versus Statism

<u>CAPITALISM</u>	<u>STATISM</u>
<i>Constitutionalism</i>	<i>Authoritarianism</i>
<i>Rights</i>	<i>Duties</i>
<i>Private Ownership/Control</i>	<i>Public Ownership/Control</i>
<i>Individualism</i>	<i>Collectivism</i>
<i>Egoism/Self-Interest</i>	<i>Altruism/Self-Sacrifice</i>

Source: Richard M. Salsman, "Supposed 'Varieties' of Capitalism,"  
*Capitalism Magazine*, June 21, 2020  
<https://www.capitalismmagazine.com/2020/06/varieties-capitalism/>

### A Simple Matrix to Conceptualize Four Major Political-Economic Systems

		CONTROL	
		private	public
OWNERSHIP	private	Capitalism	Fascism
	public	Feudalism	Socialism

Note: ownership and control pertain not only to the traditional "means of production" (land, labor, and capital) but also to one's person (mind and body), liberty, and personal property.

Source: Richard M. Salsman, "Capitalism, For and Against," PS-89, Duke University