Ayn Rand at 100: When Will Businessmen Learn Her Lessons About Politicians?

By Edward Hudgins and Fred Smith

She called businessmen "America's persecuted minority." And today—as has been the case at least since the start of the Industrial Revolution—many businessmen and -women feel they are the victims of a special scorn directed at them not because they cheat or steal but, rather, because they grow wealthy through their own honest efforts by producing goods and services that they sell to willing customers. Politicians translate this disdain into higher taxes, regulations, and special criminal penalties on these producers.

On the centenary of her birth, Ayn Rand remains a unique defender of capitalism. She showed in both her magnum opus, *Atlas Shrugged*—published in 1957—and in her non-fiction essays the disastrous effects of mixing politics with economics. But she went further than other laissez-faire advocates, emphasizing the moral foundations of economic liberty. In this way, she provided an even deeper understanding of how freedom is lost and how it might be protected or restored.

Beginning with the Basics

Most entrepreneurs do not appreciate just how desperately they need moral philosophy. For example, Microsoft founder Bill Gates, whose innovations produced the information revolution, found the Clinton administration's Justice Department prosecuting him for alleged unfair business practices. Gates knew he was simply trying to make a profit by leveraging sales of his software. But within days of his company's conviction, he was sitting next to President Clinton in the White House speaking about the importance of business charity, showing that he—Gates—is really a nice guy. Gates did not understand that he was perpetuating the unjust code that was perpetrating injustice against him.

Where thinkers start usually tells one where their philosophy will end up. Karl Marx was Rand's antithesis, and his premises still inform the thinking of statists of all parties today. Marx maintained that politics must start with the fact that "man must eat." We are ruled by our need for nourishment, by our stomachs, by the particular means by which we secure our daily bread—through farming or working in factories—by the tools that we do not so much employ as employ us. Since Marx treated men like cattle, his concern was not about the well-being of each individual; rather, he focused on the good of the herd, of "humanity" in general. Because material goods are a social, not individual, product, all property should be owned by "the people" as a whole, not by individuals, and wealth should be distributed not according to merit but, rather, according to need. Marx thought that in some future utopia, economic forces would somehow produce a

"just" distribution of wealth, but until then a dictatorship would be necessary to do the job.

Ayn Rand was born in Russia on February 2, 1905, and witnessed the horrors and mindlessness of the communist revolution firsthand. It is thus no surprise that, in contrast to Marx, she began with the fact that "man must think." We humans—unlike lower animals—must create the means of our physical survival, and the only way we can do this is by using our reasoning minds to understand the nature of the world around us and to apply that knowledge to create the food, clothes, shelter, medicine, and everything else that we need not only to sustain our lives but to make them comfortable and enjoyable. Indeed, Rand defines "production" as the application of reason to the problems of human survival. The key to our survival is our brains!

Further, we are all unique individuals, of value as individuals, not merely as part of some collective, whether class, proletariat, or race. We each must think as an individual. But thinking is volitional, not automatic; we each must choose to exercise our mind, to discipline our appetite, in order to achieve our goals in life. In other words, we are masters of our own fates.

Those facts mean that wealth is not the product of some undifferentiated collective entity conditioned by the tools of production but, rather, of thinking individuals, some of whom produce more, some less. Thus, we as individuals in society with others must be free to act on our own judgment, to pursue our own well-being, as long as we do not initiate the use of force or fraud against others. In Rand's words, "Capitalism is a social system based on the recognition of individual rights, including property rights, in which all property is privately owned." Private property rights are indispensable. If we each must obtain permission from our neighbors or "society" to secure the physical means of our survival, we are all merely slaves to one another. In a capitalist society, all relationships and exchanges are governed by contracts between consenting parties. Thus, the purpose of government is limited to protecting the life, liberty, property, and contracts of citizens. Laws to achieve these goals must be objective, clear, understandable, and non-contradictory.

Thus, Rand offers a primarily moral rather than economic justification for free markets and limited government. While Rand's defense fits into the Enlightenment tradition of John Locke, Thomas Jefferson, and Adam Smith, it more explicitly and unapologetically founded freedom in an individual, rational self-interest that ultimately does not rely on some social justification. Further, she integrated her defense of capitalism not only with her ethics but also with epistemology; reason, our tool of survival, requires that individuals think and judge for themselves, requiring rights in a social context. In such a society, reason becomes the ultimate means by which individuals deal with one another.

By this moral standard, regimes that use force to redistribute wealth or regulate transactions between free individuals—welfare states, socialism, fascism, Islamism, communism—are as immoral as armed robbers and thus illegitimate.

Capitalist Heroes

Rand also departed from other defenders of capitalism in her recognition that entrepreneurs are not only benefactors of society but also are exemplars of the highest personal merit who should be celebrated. Perhaps only Horatio Alger, who presented enterprising individuals pulling themselves up by their bootstraps as heroes, was in the same category as Rand. But much of the sympathy for his characters came from the fact that they started poor and struggled to rise in the world. While Rand shows some of her characters following such a path—steel magnate Hank Rearden in *Atlas* started as a laborer in an iron mine—others she portrays as scions of the families of successful entrepreneurs, some of whom follow in the footsteps of their forebears—Dagny Taggart and Francisco d'Anconia—while others—James Taggart—betray them.

Rand turned on its head, for example, the complaint of reactionaries at the dawn of the Industrial Revolution that excellence and skilled crafts folks—seamstresses, carpenters, blacksmiths—were being replaced by factories with machines run by unskilled workers to mass-produce goods. Rand highlighted—indeed, painted a romantic yet realistic picture of—the excellence and organizational skills of manufacturers who, for the first time in human history, made it possible for even the poorest workers to afford products that would raise their living standards.

Moneymakers

One of Rand's most insightful distinctions is between the moneymaker and the wealth appropriator. Moneymakers must use their brains, creativity, and imaginations to determine how best to apply assets—land, labor, capital, technology—to produce goods and services to satisfy the needs of willing customers. They are can-do individuals like Dagny Taggart in *Atlas* or inventors like Hank Rearden, who creates a new metal stronger yet lighter than steel. Today we think of the real-life inventor-entrepreneurs like Steve Jobs, who pioneered the personal-computer industry. Moneymakers conquer matter, not men. They have, in Rand's words, "The passion of a lover, the fire of a crusader, the dedication of a saint and the endurance of a martyr."

For Rand, moneymakers are creators just as much as are poets, artists, or sculptors. There can be beauty in poems, paintings, statues, or business plans. Moneymakers thus should be proud of their creations and love them as they might love their children—or themselves. One might say that the motivations of the moneymakers are pride and profits.

Rand's portrayal of individuals of ability in her novels was noteworthy for recognizing merit without falling into the equalitarian fallacy. She showed hardworking individuals at all levels of skill in many professions—like Mike the construction worker in *The Fountainhead*, Pat Logan the train engineer and Gwen Ives, Rearden's secretary in *Atlas*—who should be proud and who deserved admiration for their virtues. But she also understood that some individuals are more capable and produce more than others and, in the pursuit of their own self-interest, benefit us all. As a matter of moral justice, the less able but honest owe their benefactors thanks. In this, Rand stood against the predominant culture of twentieth-century America and the rest of the world—found in novels, movies, magazines, newspapers, classrooms, and churches—that pictured businessmen as scoundrels, heartless Scrooges, cheats, or thieves. In today's politically correct culture, businessmen still are almost the only group that it is okay to treat like villains, with little concern about an adverse reaction.

Wealth Appropriators

Rand contrasts such entrepreneurs with wealth appropriators who might get rich but not by actually creating anything of value. She places in this category politicians, businessmen who accept government favors or handouts, and, interestingly, businessmen who cut corners. The latter might in the short term acquire wealth before their customers discover that they have been sold inferior products or services. But in a free-market system, in the long run their bad reputation and better competitors will drive them out of business—unless they enlist the help of government to protect them from those competitors and limit the choices of their customers.

Rand's insights are particularly relevant in light of today's WorldCom and Enron scandals. She sees a moral system—capitalism—in which private-property owners deal with one another based on mutual consent that goes hand in hand with a business morality that, when practiced, not only leads to profits but also to the highest sense of pride, self-esteem, and self-fulfillment for businessmen and -women and entrepreneurs. The system tends to support this morality, but ultimately it is the breakdown of the objective moral code based on rational individualism that leads both to the deterioration of the free-market system and business ethics.

Here again Rand goes beyond the usual classical liberal or libertarian philosophy to show the moral basis of freedom. In *Atlas,* Rand shows not only businessmen and women as heroes but also as villains who indeed deserve scorn, particularly those who seek government aid to shield themselves from better enterprises. They seek not to conquer matter but, rather, other men, and their weapon is the initiation of force, with the government as enforcer.

The Sanction of the Victim

How do the most productive individuals, those who are responsible for a society's prosperity, find themselves abused by politicians and dishonest businessmen and women? Rand sees the key in morality, and she coined the phrase that best describes the root of the problem: the sanction of the victim. If entrepreneurs accept the premises of those who would tie their hands or punish them for their virtues, it is they who empower their enemies.

The sanction usually comes because otherwise honest entrepreneurs are either confused or actually accept the wrong moral premises. Some believe they must offer a social justification for their wealth. Most can easily do this. For example, they might point out that lower taxes on the wealthy will result in more capital to invest, which, in turn, will produce higher output, lower prices, and more jobs. Others will note that regulations hamper innovation. For example, government restrictions on the pharmaceutical industry mean that, on average, it takes a decade and costs some $800 million to bring new products to market, and those delays and high costs cause suffering and thousands of unnecessary deaths. Deregulation, with competing private firms certifying the safety and efficacy of products, would bring needed treatments more quickly to patients and save lives.

All of this is true but misses the moral point. Entrepreneurs work for their own profit and for love of their work. They need not give a social justification for their activities in the market any more than do workers who secure the highest salaries they can command for their labor or consumers who purchase the lowest-priced products with the quality they desire. Entrepreneurs, wage laborers, and consumers all act from self-interest and have a right to do so.

Rand understood that by accepting the moral premises of their opponents, entrepreneurs—and all productive individuals—open themselves up to unearned guilt that, in turn, is translated by politicians into public policies of persecution. Critics of capitalists ask entrepreneurs: "What are you doing to eliminate poverty? How can you take huge profits when so many people are poor?" These critics act as if the misery of others is caused by the wealth creators and that the more wealth they create and the more prosperous they become, the more guilty they become.

Entrepreneurs are tempted to point out the benefits to others of their wealth-creating activities. But it is crucial for the wealth creators also to answer: "It is the business of each individual to create the means of their own survival, to run their own lives, to learn from their own mistakes. It is not my duty to hold the world on my shoulders like *Atlas* and suffer for the sake of others—and not for my vices but, rather, for my virtues." In other words, Rand understood that it is essential for entrepreneurs to assert their moral rights. In this way, they remove the sanction of their persecutors.

Techniques of Control

From this understanding of the moral foundations of capitalism and the moral worth of the entrepreneurs, Rand is able to offer crucial insights concerning the methods and motives of opponents of free enterprise.

Consider one situation in *Atlas*. Rand shows us a government issuing regulation after regulation, one piled on top of another—a practice that has accelerated in Washington since that book was published. But Rand pointed out a crucial, usually ignored aspect of this strangulation of the entrepreneur. In one scene a government agent tries to blackmail steel magnate Rearden, who has refused to sell the government any of his new metal but who has broken government regulations concerning to whom, in what amount, and at what prices he could sell his metal. He observes that the agent should be upset because he, Rearden, has broken a rule. The agent replies: "We *want* them broken.... We're after power.... There's no way to rule innocent men. The only power any government has is the power to crack down on criminals. Well, when there aren't enough criminals, one *makes* them. One declares so many things to be a crime that it becomes impossible for men to live without breaking laws."

Rand's description is not hypothetical but, rather, a depiction of how objective law is now routinely undermined. For example, a sausage-factory manager in Baltimore in the early 1990s complained that one government agency wanted him to wet-mop his floor every few hours while another wanted it dry at all times. Complying with one regulation would be violating another. The manager complained that, with a shelf six feet long filled with books of regulations, it was almost impossible before the fact to determine what it was legal or illegal to do. Or a Denver restaurant owner was told by federal agents to immediately put certain wheelchair ramps in his establishment lest he be fined, while the local government told him he could do no such thing before going through the long, drawn-out process of securing all local licenses. Again, the owner was damned if he did and damned if he didn't. As we have seen in recent years in the government's war against tobacco and its growing war against fattening and other foods of which political elites do not approve, the politically powerful have followed the techniques that Rand exposes in *Atlas* to exercise control over businessmen and -women.

Rand understood that these techniques undermined the cultural support for businesses. Most citizens think of laws as just, moral prescriptions that, for example, ban robbery, fraud, assault, murder, and the like. These citizens, who do not look too closely at the laws, might well believe that businesses that run afoul of laws indeed have done something immoral when, in fact, it is the laws themselves that immorally restrict individual liberty. The politically powerful need to create the illusion of legality as they manipulate and squeeze the entrepreneur. Then they can rant with moral indignation at businesses and generate such headlines as: "Businessmen break laws, exploit the public."

The Degeneration of Statism

Rand understood that moral codes have their own logic that those who accept them cannot evade. In a free-market system, with a sound business culture, capitalists must offer customers reasons to purchase their products. But what happens if governments interfere by redistributing wealth or limiting freedom?

In the 1950s, supporters of government intervention argued that individuals might fall into economic difficulty through no fault of their own—perhaps through racial discrimination or so-called "market failures." They maintained that political elites could correctly analyze the nature of the problems, devise just solutions, and impartially implement them.

Today, the bankruptcy of the policies these statists hatched has been well documented. But Rand, who understood moral logic, saw the moral direction in which certainly mistaken but seemingly well-intentioned statism might degenerate.

Early in *Atlas*, the banker Eugene Lawson offers the typical "help-the-poor" justifications for his actions. He says: "If people needed money, that was enough for me. Need was my standard ... not greed." And "the heart was my collateral." The individuals he helped "were humble, uncertain, worn with care, afraid to speak."

In other examples, lobbyist-turned-economic-czar Wesley Mouch is described as "a man devoted to public duty." And Clem Weatherby, a government railroad regulator, says as he's extorting concessions from companies, "Our job is only to see that the people get fair wages and decent transportation."

Later in *Atlas* we see one direction of moral statist degeneration as looters do not bother to disguise their actions with high-sounding motives—they replace rational appeals with force and pure muscle. For example, union leader Fred Kennan says, "If there aren't any rules to this game and it's only a question of who robs whom—then I've got more votes than the bunch of you." And concerning his support for stringent economic controls, he says: "I'm not going to say that I'm working for the welfare of the public, because I know I'm not. I know that I'm delivering the poor bastards into slavery.... But they know that I'll have to throw them a crumb once in a while."

Today, many politicians abandon the "public interest" language that they use to justify why they take from one group to pay off another. The Democratic Party especially has become a collection of special interests—unions, public-sector workers, so-called minority "leaders," environmentalists—who simply want their handouts or special favors at the expense of others. This "We stole it and we're keeping it" attitude is exemplified by Senator Robert Byrd (D-W.V.), who several years ago bragged that he would bring a billion dollars in new federal spending to

his state. He wasn't acting for some higher good—he simply wanted his share of the loot.

In *Atlas* Rand also shows a second path down which statism was destined to go. We see, for example, characters like Lee Hunsacker, the resentful, petulant crybaby and failed factory owner, holding out his irrational emotions and the fact that he was a failure as the sign of his moral superiority.

We see today that part of modern liberalism has devolved to the cult of the victim. Those who are poor or handicapped, or who have had twelve kids out of wedlock and no father in the house, or who belong to a privileged "victim" group demand not only our money but our acknowledgment of their moral superiority to us as well. Their moral anger is supposed to be proof of their virtue, and the failure of others to try to assuage their spasms of self-righteousness is proof of their greed and selfishness. Rand, in the words of one of her characters, would respond that "you propose to establish a social order based on the following tenets: that you're incompetent to run your own life, but competent to run the lives of others—that you're unfit to exist in freedom, but fit to become an omnipotent ruler."

Envy or Ecstasy

Rand's understanding of the nature of morality allows her to focus on one of the most serious but usually overlooked emotions that, to a greater or lesser extent, fuels those who oppose freedom and capitalism: envy. For Rand, envy is not simply a desire to obtain something that is not yours. That is mere theft. Envy is hatred of the good for being the good, a desire to deprive someone of what they have earned, whether material wealth or praise and admiration for some achievement. The special fury and hate that so many elected officials, cultural critics, and self-styled moralists bring to their denunciations of the rich and prosperous is not aimed at simply acquiring material wealth for themselves or for those who seem to be in need. Rather, it is to pull the achievers down. It is a resentment that stems from a recognition that many entrepreneurs are in fact better than others at creating wealth. But rather than being filled with admiration at their achievements and appreciation for the benefits that these entrepreneurs bestow on all of us, they offer them resentment.

We see envy especially in the general attitude around the world toward America and Americans. We are richer because we are freer, which, in turn, allows all individuals to excel, to realize the best within them, to take responsibility for their own lives, and that allows entrepreneurs to make us as well as themselves prosperous. The morally confused, weak, or malicious often seek to place the blame for their own unhappiness or poverty on the shoulders of successful. Rand called the world of the 1960s the Age of Envy. While perhaps some moral progress has been made in America since then, envy is still a moral choice that is found behind too many assaults on capitalism

Rand offered not only insights into statism but also the ethical antidote to the assault on free markets. Individuals must stand up for their rights. American businessmen and -women must reject unearned guilt and stop apologizing for creating the richest country on Earth. Those who value freedom must offer moral justice to entrepreneurs by celebrating their great achievements and recognizing that they should be proud of themselves. In a culture based on these values, politicians who offer to redistribute wealth or threaten to limit freedom would be treated like pickpockets or bank robbers, and thus would stick to their job of protecting the lives, liberties, and property of the citizens.

A century after her birth, it is appropriate for us to offer a "Thank you" to Ayn Rand for her insights, for her staunch defense of freedom, and for the radiant vision of human beings as they can and should be, of the joy and ecstasy that will result from those who follow a rational morality.

Ed Hudgins is the executive director of The Objectivist Center. Fred L. Smith Jr. is the president and founder of the Competitive Enterprise Institute.