Capitalism and Human Nature

by Will Wilkinson

In the spring of 1845 Karl Marx wrote: "The human essence is no abstraction inherent in each single individual. In its reality it is the ensemble of social relations." Marx's idea was that a change in the "ensemble of social relations" can change "the human essence."

In June 2004 the communist North Korean government issued a statement to its starving citizens recommending the consumption of pine needles. Pyongyang maintained that pine needle tea could effectively prevent and treat cancer, arteriosclerosis, diabetes, cerebral hemorrhage, and even turn gray hair black.

Tragically, human nature isn't at all as advertised, and neither is pine needle tea. According to the U.S. State Department, at least one million North Koreans have died of famine since 1995.

Marx's theory of human nature, like Kim Jong Il's theory of pine needle tea, is a biological fantasy, and we have the corpses to prove it. Which may drive us to wonder: if communism is deadly because it is contrary to human nature, does that imply that capitalism, which is contrary to communism, is distinctively compatible with human nature?

A growing scientific discipline called evolutionary psychology specializes in uncovering the truth about human nature, and it is already illuminating what we know about the possibilities of human social organization. How natural is capitalism?

Evolutionary Psychology 101

Evolutionary psychology seeks to understand the unique nature of the human mind by applying the logic and methods of contemporary evolutionary biology and cognitive psychology.

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The main working assumption of evolutionary psychology is that the mind is a variegated toolkit of specialized functions (think of a Swiss Army knife) that has evolved through natural selection to solve specific problems faced by our forebears. Distinct mental functions (e.g., perception, reading other people's intentions, responding emotionally to potential mates) are underwritten by different neurological "circuits" or "modules," which can each be conceived as a mini computer program selected under environmental pressure to solve specific problems of survival and reproduction typical in the original setting of human evolution, the Environment of Evolutionary Adaptedness, or EEA. Strictly speaking, the EEA is a statistical composite of environmental pressures that account for the evolutionary selection of our distinctively human traits. Loosely, the EEA was the Pleistocene, during which humans lived as hunter-gatherers from about 1.6 million years ago up until the invention of agriculture about 10,000 years ago.

Continued on page 12
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CAPITALISM Continued from page 1

According to evolutionary psychologists, the basic constitution of the human mind hasn't changed appreciably for about 50,000 years. Thus the evolutionary psychologist's slogan: modern skulls house Stone Age minds.

As pioneers of evolutionary psychology Leda Cosmides and John Tooby put it:

"The key to understanding how the modern mind works is to realize that its circuits were not designed to solve the day-to-day problems of a modern American—they were designed to solve the day-to-day problems of our hunter-gatherer ancestors.

Understanding the problems faced by members of human hunter-gatherer bands in the EEA can therefore help us to understand a great deal about human nature and the prospects and pathologies of modern social systems.

First, a word of caution: We cannot expect to draw any straightforward positive political lessons from evolutionary psychology. It can tell us something about the kind of society that will tend not to work, and why. But it cannot tell us which of the feasible forms of society we ought to aspire to. We cannot, it turns out, infer the naturalness of capitalism from the manifest failure of communism to accommodate human nature. Nor should we be tempted to infer that natural is better. Foraging half-naked for nuts and berries is natural, while the New York Stock Exchange and open-heart surgery would boggle our ancestors' minds.

What evolutionary psychology really helps us to appreciate is just what an unlikely achievement complex, liberal, market-based societies really are. It helps us to get a better grip on why relatively free and fabulously wealthy societies like ours are so rare and, possibly, so fragile. Evolutionary psychology helps us to understand that successful market-liberal societies require the cultivation of certain psychological tendencies that are weak in Stone Age minds and the suppression or sublimation of other tendencies that are strong. Free, capitalist societies, where they can be made to work, work with human nature. But it turns out that human nature is not easy material to work with.

There is a rapidly expanding library of books that try to spell out the moral, political, and economic implications of evolutionary psychology. (The Origins of Virtue by Matt Ridley, Darwinian Politics by Paul Rubin, and The Company of Strangers by Paul Seabright are good ones.) Below is a short tour of just a few features of human nature emphasized by evolutionary psychologists that highlight the challenges of developing and sustaining a modern market-liberal order.

We Are Hierarchical

The size of hunter-gatherer bands in the EEA ranged from 25 to about 150 people. The small size of these groups ensured that everyone would know everyone else; that social interactions would be conducted face-to-face; and that reputations for honesty, hard work, and reliability would be common knowledge. Even today, people's address books usually contain no more than 150 names. And military squadrons generally contain about as many people as Pleistocene hunting expeditions.

Experiments by psychologists Leda Cosmides and Robert Kurzban have shown that human beings have specialized abilities to track shifting alliances and coalitions and are eager to define others as inside or outside their own groups. Coalitional categories can easily lead to violence and war between groups. Think of Hutus and Tutsis, Alabians and Serbs, Shiites and Sunnis, Crips and Bloods, and so on ad nauseam. However, the psychology of males and females who are able successfully to compete for positions of dominance.

Living at the bottom of the dominance heap is a raw deal, and we are not built to take it. There is evidence that lower-status males naturally form coalitions to check the power of more dominant males and to achieve relatively egalitarian distribution of resources. In his book Hierarchy in the Forest, anthropologist Christopher Boehm calls those coalitions against the powerful “reverse dominance hierarchies.”

Emory professor of law Paul Rubin usefully distinguishes between “productive” and “allocative” hierarchies. Productive hierarchies are those that organize cooperative efforts to achieve otherwise unattainable mutually advantageous gains. Business organizations are a prime example.
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Allocative hierarchies, on the other hand, exist mainly to transfer resources to the top. Aristocracies and dictatorships are extreme examples. Although the nation-state can perform productive functions, there is the constant risk that it may become dominated by allocative hierarchies. Rubin warns that our natural wariness of zero-sum allocative hierarchies, which helps us to guard against the concentration of power in too few hands, is often directed at modern positive-sum productive hierarchies, like corporations, thereby threatening the viability of enterprises that tend to make everyone better off.

There is no way to stop dominance-seeking behavior. We may hope only to channel it to nonharmful uses. A free society therefore requires that positions of dominance and status be widely available in a multitude of productive hierarchies, and that opportunities for greater status and dominance through predation be limited by the constant vigilance of “the people”—the ultimate reverse dominance hierarchy. A flourishing civil society permits almost everyone to be the leader of something, whether the local Star Trek fan club or the city council, thereby somewhat satisfying the human taste for hierarchical status, but to no one’s serious detriment.

We Are Envious Zero-Sum Thinkers Perhaps the most depressing lesson of evolutionary psychology for politics is found in its account of the deep-seated human capacity for envy and of our related difficulty in understanding the idea of gains from trade and increases in productivity—the idea of an ever-expanding “pie” of wealth.

There is evidence that greater skill and initiative could lead to higher status and bigger shares of resources for an individual in the EEA. But because of the social nature of hunting and gathering, the fact that food spoiled quickly, and the utter absence of privacy, the benefits of individual success in hunting or foraging could not be easily internalized by the individual and were expected to be shared. The EEA was for the most part a zero-sum world, where increases in total wealth through invention, investment, and extended economic exchange were totally unknown. More for you was less for me. Therefore, if anyone managed to acquire a great deal more than anyone else, that was pretty good evidence that he was a stash of ill-gotten gains, acquired by cheating, stealing, raw force, or, at best, sheer luck. Envy of the disproportionately wealthy may have helped to reinforce generally adaptive norms of sharing and to help those of lower status on the dominance hierarchy guard against further predation by those able to amass power.

Our zero-sum mentality makes it hard for us to understand how trade, innovation, and investment can increase the amount of total wealth. We are thus ill-equipped to easily understand our own economic system.

These features of human nature—that we are coalitional, hierarchical, and envious zero-sum thinkers—would seem to make liberal capitalism extremely unlikely. And it is. However, the benefits of a liberal market order can be seen in a few further features of the human mind and social organization in the EEA.

Property Rights Are Natural The problem of distributing scarce resources can be handled in part by implicitly coercive allocative hierarchies. An alternative solution to the problem of distribution is the recognition and enforcement of property rights. Property rights are prefigured in nature by the way animals mark out territories for their exclusive use in foraging, hunting, and mating. Recognition of such rudimentary claims to control and exclude minimizes costly conflict, which by itself provides a strong evolutionary reason to look for innate tendencies to recognize and respect norms of property.

New scientific research provides even stronger evidence for the existence of such property “instincts.” For example, recent experimental work by Oliver Goodenough, a legal theorist, and Christine Prehn, a neuroscientist, suggests that the human mind evolved specialized modules for making judgments about moral transgressions, and transgressions against property in particular.

Evolutionary psychology can help us to understand that property rights are not created simply by strokes of the legislator’s pen. Mutually Beneficial Exchange Is Natural Trade and mutually beneficial exchange are human universals, as is the division of labor. In their groundbreaking paper, “Cognitive Adaptations for Social Exchange,” Cosmides and Tooby point out that, contrary to widespread belief, hunter-gatherer life is not a kind of retro-utopia of “indiscriminate, egalitarian cooperation and sharing.” The archeological and ethnographic evidence shows that hunter-gatherers were involved in numerous forms of trade and exchange. Some forms of hunter-gatherer trading can involve quite complex specialization and the interaction of supply and demand.

Most impressive, Cosmides and Tooby have shown through a series of experiments that human beings are able easily to solve complex logical puzzles involving reciprocity, the accounting of costs and benefits, and the detection of people who have cheated on agreements. However, we are unable to solve formally identical puzzles that do not deal with questions of social exchange. That, they argue, points to the existence of “functionally specialized, content-dependent cognitive adaptations for social exchange.” In other words, the human mind is “built” to trade.

Trust and Hayek’s Two Orders It is easy to see a kind of in vitro capitalism in the evolved human propensity to recognize property rights, specialize in productive endeavors, and engage in fairly complex forms of social exchange. However, the kind of freedom and wealth we enjoy in the United States remains a chimera to billions. Although our evolved capacities are the scaffolding upon which advanced liberal capitalism has been built, they are, quite plainly, not enough, as the hundreds of millions who live on less than a dollar a day can attest. The path from the EEA to laptops and lattes requires a great cultural leap. In recent work, Nobel Prize–winning economists Douglass North and Vernon Smith have stressed that the crucial juncture is the transition from personal to impersonal exchange.

Economic life in the EEA was based on repeated face-to-face interactions with well-known members of the community. A gee-
he concludes, it should be clear that fighting drugs must take a back seat to fighting terrorism in Afghanistan.

◆ The Trouble with Halfway Deregulation

When California's electricity market imploded in 2001, it gave electricity deregulation a dirty name. In "Rethinking Electricity Restructuring" (Policy Analysis no. 530), Peter Van Doren, editor of Regulation magazine, and Jerry Taylor, Cato's director of natural resource studies, argue that the electricity restructuring of the 1990s failed largely because there were few efficiency gains to be had in a market that was struggling to recoup large sunk costs in wasteful nuclear power plants. From the beginning, Van Doren and Taylor argue, jurisdictions with low-cost power sources—whose politicians have forced local utilities to sell power at below-market rates—have resisted the creation of a nationwide power market for fear that high-cost jurisdictions would bid away low-cost power and raise prices for their consumers. The result was a clumsy partial deregulation that caused underinvestment in transmission facilities and volatile electricity prices. The authors urge Congress to preempt state and local legislators and create a truly deregulated market in which the owners of generation and transmission capacity would be able to fully reap the benefits of upgrades. In the interim, returning to the old system of vertically integrated, state-regulated monopoly generation would be an improvement on the status quo, they conclude.

CAPITALISM

Continued from page 13

ments were policed mainly by public knowledge of reputation. If you cheated or shirked, your stock of reputation would decline, and so would your prospects. Our evolutionary endowment prepared us to navigate skillfully through that world of personal exchange. However, it did not prepare us to cooperate and trade with total strangers whom we had never met and might never see again. The road to prosperity must cross a chasm of uncertainty and mistrust.

The transition to an extended, impersonal market order requires the emergence of "institutions that make human beings willing to treat strangers as honorary friends," as Paul Seabright puts it. The exciting story of the way those institutions piggybacked on an evolved psychology designed to solve quite different ecological problems is the topic of Seabright's book, The Company of Strangers, as well as an important part of forthcoming works by North and Smith.

As he so often did, here, too, F. A. Hayek anticipated contemporary trends. He understood that our kind of economy and society, which he called an extended order, or "macro-cosmos," is in many ways alien to our basic psychological constitution, which is geared to deal with life in small groups, the "micro-cosmos." We live in two worlds, the face-to-face world of the tribe, family, school, and firm and the impersonal, anonymous world of huge cities, hyper-specialization, and trans-world trade. Each world has its own set of rules, and we confuse them at our peril. As Hayek writes in The Fatal Conceit:

If we were to apply the unmodified, uncurbed, rules of the micro-cosmos (i.e., of the small band or troop, or of, say, our families) to the macro-cosmos (our wider civilization), as our instincts and sentimental yearnings often make us wish to do, we would destroy it. Yet if we were always to apply the rules of the extended order to our more intimate groupings, we would crush them. So we must learn to live in two sorts of worlds at once.

The balance is delicate. Once we appreciate the improbability and fragility of our wealth and freedom, it becomes clear just how much respect and gratitude we owe to the beliefs systems, social institutions, and personal virtues that allowed the emergence of our "wider civilization" and that allow us to move between our two worlds without destroying or crushing either.

Evolutionary Psychology and Political Humility

The key political lesson of evolutionary psychology is simply that there is a universal human nature. The human mind comprises many distinct, specialized functions and is not an all-purpose learning machine that can be reformatted at will to realize political dreams. The shape of society is constrained by our evolved nature. Remaking humanity through politics is a biological impossibility on the order of curing cancer with pine needle tea. We can, however, work with human nature—and we have. We have, through culture, enhanced those traits that facilitate trust and cooperation, channeled our coalitional and status-seeking instincts toward productive uses, and built upon our natural suspicion of power to preserve our freedom. We can, of course, do better.

As Immanuel Kant famously remarked, "From the crooked timber of humanity no truly straight thing can be made." But, in the words of philosopher Denis Dutton,

It is not . . . that no beautiful carving or piece of furniture can be produced from twisted wood; it is rather that whatever is finally created will only endure if it takes into account the grain, texture, natural joints, knots, weaknesses of the original material.

Evolutionary psychology, by helping us to better understand human nature, can aid us in cultivating social orders that do not foolishly attempt to cut against the grain of human nature. We can learn how best to work with the material of humanity to encourage and preserve societies, like our own, that are not only beautiful but will endure.