

4. Capitalism: what it is

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 only 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—that is, 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.

It is the basic metaphysical fact of man's nature—the connection between his survival and his use of reason—that capitalism recognizes and protects.

In a capitalist society, all human relationships are voluntary. Men are free to cooperate or not, to deal with one another or not, as their own individual judgments, convictions, and interests dictate. They can deal with one another only in terms of and by means of reason—that is, by means of discussion, persuasion, and contractual agreement, by voluntary choice, to mutual benefit. The right to agree with others is not a problem in any society; it is the right to disagree that is crucial. It is the institution of private property that protects and implements the right to disagree—and thus keeps the road open to man's most valuable attribute: the creative mind.

This is the cardinal difference between capitalism and any form of collectivism.