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## The Constraints Within Capitalism: An Evaluation of Ann E. Cudd's "Enlightened Capitalism" in 'Capitalism, For and Against'

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### Cover Page Footnote

First and foremost, I would like to thank my former Philosophy, Political Science, and Economics professor, Dr. Cecilea Mun. Without Dr. Mun, I would have not been exposed to the myriad of opportunities that come with extensive research. Moreover, Dr. Mun's invaluable instruction has played an integral part in both my academic and personal growth. I would also like to thank the Philosophy Department at the University of Louisville for their support and encouragement. Due to their efforts, I was able to expound upon my writing by attending a discussion panel with the author I allude to in my research. I am also extremely grateful for their suggestion to pursue the publishing of my work. Last, and certainly not least, I cannot give thanks without acknowledging my parents, who have taught me the most important lesson of all: anything is possible if you set your mind to it.

# The Constraints Within Capitalism: An Evaluation of Ann E. Cudd's "Enlightened Capitalism" in 'Capitalism, For and Against'

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## ABSTRACT

There is extreme partisanship in the United States regarding whether or not capitalism should continue to be implemented. This partisanship is apparent in *Capitalism, For and Against: A Feminist Debate*, by Ann E. Cudd and Nancy Holmstrom. The published debate between Cudd and Holmstrom ultimately discusses whether systemic changes can be placed upon capitalism for an ideal "enlightened capitalism", presented by Cudd, or if the United States should adopt a new economic system altogether, suggested by Holmstrom. I address Ann E. Cudd's argument for an "enlightened capitalism" by summarizing her main ideas, and proceed to refute it on the grounds that her four defining conditions of capitalism: 1) private ownership of capital, 2) free wage labor, 3) decentralized open markets, and 4) the nondiscrimination constraint, fail to include profit maximization, an element considered inherent to capitalism by many economists, including Adam Smith. By excluding profit maximization as a defining condition, Cudd not only neglects to present an empirically accurate description of capitalism, but she also disregards the inequality and harm that follow from this condition. Hence, I ultimately argue that a capitalist system should not be implemented in the United States because its inherent conditions debilitate its participators.

**KEYWORDS** capitalism, philosophy, political science, economics, equality, United States government

The United States has endured a growing partisan divide between political parties in the recent decade. Much of the conflict between parties has been whether to implement a capitalist or socialist system, yet some suggest incorporating ideals from both. Ann E. Cudd (2011) suggests an "enlightened capitalism" in her published debate with Nancy Holmstrom (2011), *Capitalism, For and Against*. I will provide a summarization of Cudd's ideal capitalism and evaluate its feasibility, as well as its appeal, while occasionally referencing her opponent, Holmstrom. In doing so, I will demonstrate that such a system should not be implemented in the United States, as capitalism's inherent values constrain its participators and inevitably cause harm.

## ANN E. CUDD'S "ENLIGHTENED CAPITALISM"

In order to fully understand Ann E. Cudd's argument for an "enlightened capitalism", I will firstly describe her

defining conditions of capitalism. To develop her first condition, Cudd alludes to how Karl Marx defined capitalism: an economic system whose core defining feature is private ownership of capital inputs to production (2011, 6). Where private ownership is possible, these ownership rights allow freedom to engage in voluntary exchanges, therefore Cudd uses this feature suggested by Marx to develop her first condition: private ownership of capital. Along with voluntary exchanges, markets develop, including markets for labor, hence Cudd's second defining condition: free wage labor condition. She notes that this defining condition contrasts between the middle ages characterized by serf labor and a land-owning class with modern industrial society, as workers freely contract their labor services in a capitalist society, according to Cudd

(2011, 6-7). However, Cudd rejects Marx's definition as the operative definition because it fails to highlight the features of capitalism that make it "most attractive", more specifically, he does not account for the ability to collect information on consumer preferences without the guidance of a central planner (2011, 7). Therefore, she also alludes to Harold Demsetz update on the simple Marxist definition: "an economy based on decentralized private ownership of resources and open markets", arriving at her third condition: the decentralized open market (Cudd 2011, 7-8). Because these first three conditions assume that there should be a set of social conditions that constitute the ideas of property, free wage labor, and free exchange, Cudd arrives at her fourth condition: the non-discrimination constraint, considering the other three could not be upheld properly if there was discrimination against persons.

Otherwise, the latter three conditions would not be “free” (2011, 9). In her defining conditions, Ann E. Cudd neglects to account for profit maximization, contrary to her opponent, Nancy Holmstrom, whose defining components of capitalism include 1) privately owned means of production, 2) wage labor as the most important form of labor, 3) production for market rather than needs of producers, 4) *the point of production being to maximize profit*. Holmstrom supports her fourth condition by alluding to Adam Smith, a forefather of capitalist thinking, as he claimed in his “invisible hand” that selfish pursuit of individual profit is the best way to satisfy the social good (2011, 139). Considering Smith was a prominent figure in the development of capitalism, it is hard to exclude one of his most prominent arguments in favor for it. Perhaps, in doing so, Cudd is able to alleviate much of the harm caused by capitalism in her “enlightened capitalism”. Nonetheless, I will argue against this oversight in my evaluation, as capitalism was founded on this very ideal.

Throughout her second chapter, Ann E. Cudd ultimately argues, “Capitalism caused massive improvements in quality of human life, taking into account the basic common interests of humanity in general and women’s particular interests” (2011, 61). She begins by narrowing her scope of the argument to how well women fare in human interests through life expectancy, lower fertility, child labor, and political and economic participation.

She addresses life expectancy by claiming capitalism is causally linked to the health transition that occurred in the last two centuries (Cudd 2011, 36). Cudd explains how wealth accumulation can prevent disease, lower infant mortality, and allow greater civil liberties, all of which

improve life expectancy. Secondly, Cudd claims that capitalism is related to the lowering of infant mortality and fertility (2011, 45). She supports this by portraying that wealth and lowered infant mortality are causally related the same way as life expectancy, considering said wealth was needed to control infectious disease. Further, because wealth accumulation decreases the demand for children to contribute to household income, fertility is lowered, thereby allowing women the opportunity to opt out of society’s traditional roles.

Additionally, to support her claim, Cudd compares capitalist and non-capitalist countries through the Human Development Index (HDI), the Gender Development Index (GDI), and the Gender Empowerment Measure (GEM), whereby capitalist scores outperformed non-capitalist scores. However, there were a few exceptions: Cuba, a socialist country, does well in the GEM and Japan and South Korea, capitalist countries, rank poorly in the GEM (2011, 56). She is transparent about these outliers, as she says Cuba does so well due to its health and educational systems, but Cuba’s human rights record is very poor, exhibiting that good health care and education are *not sufficient* to secure a good human life for many (Cudd, 2011 57). As for Japan and South Korea, Cudd attributes their low GEM scores to “...the way in which their form of...capitalism has entrenched the patriarchy...” (2011, 57). I will also address these outliers in my evaluation, as they demonstrate more than Cudd gives credit for.

In order to demonstrate that capitalism is the best economic system for material benefits and freedoms in her third chapter, Cudd firstly rejects utilitarianism as the way to obtain such. She states that utilitarianism suggests the more utility seekers the better, resulting in the allusion to Derek Parfit’s repugnant conclusion: that vast numbers of people with lives barely worth living

is a better world than one with a small number of happy people. Parfit’s conclusion: that vast numbers of people with lives barely worth living is a better world than one with a small number of happy people. Parfit’s conclusion prompts Cudd’s allusion to John Rawls, whom argued that utilitarianism fails to account for the distinction between persons (Cudd 2011, 64). With this support, Cudd claims that utility treats persons as mere utility generators, suggesting one should engage in whatever activity generates utility in the moment (2011, 64). I found Cudd’s description of utilitarianism quite similar to the idea of profit maximization as the point of production as Holmstrom’s fourth defining condition. Perhaps, Cudd’s motivation was to reject that humans should be pawns in any economic system, but whether this can be avoided relies on whether profit maximization is inherent in capitalism, as claimed by Holmstrom, and this will be discussed in my evaluation. Rather than utilitarianism, Cudd suggests pareto-efficiency, a distribution of goods whereby no trades can be made to make anyone better off without making anyone worse off. She suggests such because “...one can determine which states are pareto-optimal without making interpersonal comparisons for utility” (2011, 65). Because many distributions may satisfy pareto optimality, it is a criterion of justice because it takes non-welfare criteria to be equally necessary (2011, 65). In doing so, pareto-efficiency yields the first mentioned material benefit of capitalism, efficient aggregation of information (Cudd 2011, 72). Cudd acknowledges that the efficient aggregation of consumer information may yield consumer desires that are not good for them, thereby prompting the incentives to produce them. However, Cudd argues that the best way to preserve her three freedoms is to *provide information* so that consumers understand the caveats to these desires, stop demanding them,

and they disappear from the market (2011, 96). I will also evaluate how accurately a capitalist society presents information.

Secondly, capitalism allows the incentive to produce for marginally better and cheaper goods because standard neoclassical economic theory yields that industries will produce until marginal cost is equivalent to marginal benefit, thus firms have incentives to produce goods more cheaply and in greater quantities (Cudd 2011, 78). Cudd acknowledges the objection that this can create a “race to the bottom” for labor, meaning laborers will compete by accepting lower wages. However, she rebuts by claiming this depends on a large sum of unemployed labor that can be tapped at will and capital simultaneously flows to exploit said laborers, and these conditions do not hold in practice (Cudd 2011, 78-79).

Cudd also claims that the free market system of capitalism amplifies freedom in three ways. Firstly, traditional freedom of exchange is a form of individual freedom, thus making it wrong to interfere, thereby deeming it a negative freedom, similar to freedom of speech assembly and the press (Cudd 2011, 83). Because this freedom is necessary, participators in the market must respect individuals as free choosers, thereby also promoting freedom to develop individual autonomy, and Cudd defines this as positive freedom (2011, 84). These two freedoms promote a market where persons can interact in mutually beneficial ways although they do not know each other nor have a reason to care about the other, and Cudd calls this social freedom (2011, 84). These economic freedoms to engage in market transactions and benefit from one’s own property are essential and thus inevitable, to Cudd’s four defining conditions 1) private

ownership of capital, 2) free wage labor condition, 3) decentralized market condition, and 4) the nondiscrimination constraint (2011, 84).

Most feminist critiques argue that capitalism has been, and will continue to be destructive of feminist ends, and Cudd divides these critiques into material and physical in order to address them in her fourth chapter. The first material critique regards exploitation according to the Marxist analysis, whereby surplus value is appropriated by the capitalist, causing workers to lack the market power to command an equivalent value in exchange for the fruits of their labor (Cudd 2011, 98). However, Cudd hopes to eliminate poverty and inequality in her “enlightened capitalism”, thereby eliminating coercion of this sort because they are just as able to demand their share of surplus (2011, 100).

As for psychological harms, Cudd discusses adaptive preferences and false consciousness. Adaptive preferences can present in habituated preferences, where women are encouraged to think of the work that oppresses them as what they ought to do, leading to systematic social denigration, where the other options are viewed as bad or wrong. There is also restriction of options, whereby an individual comes to prefer an option because they are prevented by outside forces from choosing another option that he or she would prefer absent these forces (Cudd 2011, 112-113). False consciousness is formed under conditions of oppression which then supports maintenance of said oppression, and critics argue this is generated by capitalism (2011, 114).

However, Cudd agrees that there are clearly oppressive conditions in capitalism, but they are due to the underlying patriarchy (2011, 115). She claims that absent patriarchy, her “enlightened capitalism” would not lead to oppression, and therefore prevent both adaptive preferences and false

consciousness. Cudd also discusses tradition in her fifth chapter, yet she attributes tradition to a sort of adaptive preference and false consciousness (2011, 116), hence tradition will also absolve along with patriarchy in her “enlightened capitalism”, eliminating a home for such oppression. In doing so, she arrives at her conclusion that capitalist empowerment can change women’s lives as well as their culture (Cudd 2011, 125). Nonetheless, I will evaluate whether patriarchy, and thus adaptive preferences and false consciousness can truly be absolved.

Finally, Anne E. Cudd presents her “enlightened capitalism” in her sixth chapter. In order to do so, she expounds on her four defining conditions, reminding us that a society cannot obtain the first three 1) private ownership of capital, 2) free wage labor, and 3) decentralized open markets without the freedoms she expressed in her third chapter: negative, positive, and social; hence, her ideal capitalism calls for the eradication of discrimination (Cudd 2011, 125-126). Although Cudd admits the nondiscrimination constraint is violated in practice, it is justified with the ideal of capitalism, hence she calls for using government intervention to enforce this constraint (2011, 126).

She also allows government intervention regarding distribution of resources, as she claims that “...the only defensible forms of capitalism are those that provide individuals with enough goods to enable them to survive a decent standard of living” (Cudd 2011, 127). She also says that workers will be able to hold firms accountable because an “enlightened capitalism” will promote the ability of these workers to form unions (Cudd 2011, 128). For Cudd, these attributes are feasible because promoting equality



is advantageous to a capitalist society, as it allows for maximum participation in the market (2011, 128). This system would also promote health care, education, and a welfare minimum for those whose abilities and goods do not allow them to earn it in the market, thus “enlightened capitalism” would adhere to an ideal competition which allows interactions to be to the mutual advantage of all (Cudd 2011, 129-130).

## AN EVALUATION OF “ENLIGHTENED CAPITALISM”

While Ann E. Cudd’s argument is a nice “ideal”, it is not feasible in the United States, as a capitalist system cannot exist without epitomizing profit maximization. Because I will demonstrate how profit maximization is inherent in capitalism, it is impossible for equality to be an advantage to capitalists. Given that equality is not an advantage, “free” wage labor, and nondiscrimination absolve altogether, as Cudd mentions these conditions depended on the fact. However, if this were not the case and an “enlightened capitalism” could be implemented, I will argue it is a system the U.S. should not pursue.

Ann E. Cudd argues that equality is advantageous to capitalism, allowing her to demonstrate why government would *interfere* with discrimination, workers could form unions, etc. in a capitalist system. However, it is *inequality* that has proved advantageous for capitalism from an empirical standpoint, predominantly via profit maximization being inherent in capitalism. While Cudd excluded this from her four defining conditions, her opponent Nancy Holmstrom acknowledged that Adam Smith, a forefather of capitalism, identified it as necessary to obtain the social good. Further, when asked why profit maximization was excluded from her defining conditions

in a discussion panel, she replied that profit maximization is a result rather than the motivation (Cudd 2022). However, I ask, if this is the *intended* result of her ideal, would this not count as motivation? Regardless of the answer, she has acknowledged that profit maximization would still be relevant in her ideal system, and this is where inequality becomes inherent.

As her opponent Holmstrom mentions, the “triangle trade” between Africa, Europe, and the Americas was an integral part of an emerging capitalist economy (2011, 242). This is because “It is in the interest of capitalists to take advantage of... prejudices and vulnerabilities within the working class in order to maximize profit” (Holmstrom 2011, 297). This is demonstrated in the empirical evidence of the stagnant progress in equal pay and free childcare for women, as these reforms cost *money*, so success is only obtainable where working-class movements were strong, as in Western Europe after the Second World War (Holmstrom 2011, 297). This is also evident in Japan and South Korea’s poor scores on the GEM, as “...the way in which their form of...capitalism has entrenched the patriarchy...” (Cudd 2011, 57). . If equality was truly advantageous to capitalism, it would be inherent in all countries participating in it. Further, if such was true, the U.S. would have already provided for the general welfare through universal health care, education, and even a welfare minimum, but this has yet to occur despite having the adequate financial means. This phenomenon begs the question that the U.S. and other participating capitalist countries inherently value profit maximization over general welfare. These values cause the individuals within to define themselves by the labor they produce rather than their particular attributes, thereby resulting in adaptive preferences and false consciousness. Because it is *inequality* that is advantageous to capitalism, adaptive preferences and false consciousness would present themselves

in any participating society, considering the elimination of these things depended on the elimination of patriarchy.

Moreover, while I agree with Cudd that there should be universal healthcare, education, and a welfare minimum, these are not sufficient to account for gross gaps in inequality inevitable in a capitalist system. Cudd’s opponent, Nancy Holmstrom, alludes to Combahee River Collective’s Black Feminist statement that, “the synthesis of these oppressions [racial, sexual, heterosexual, and class] creates the conditions of our lives” (2011, 298). Holmstrom notes that this articulation has become known as intersectional analysis, and it is a prominent concern whilst addressing inequality. Regardless of providing a minimum, there will still be class, resulting in significant differences in both freedom and power, also yielding significant differences in well-being. In fact, Cudd says it herself when discussing Cuba, “Cuba does very well for its income level because of its excellent health and educational systems, but...Cuba’s human rights record is very poor...The fact that many people are willing to risk their lives trying to flee its shores... is a clear sign that even good health care and education are *not sufficient* to secure a good human life for many” (2011, 57). Hence, if human rights are unaccounted for, a welfare minimum is obsolete, considering there will still remain vast differences in freedom amongst class. Further, although I have just argued that government would not enforce the nondiscrimination constraint, this constraint would still not account for distribution of race, gender, and sexuality amongst class and this, in and of itself, is an ethical issue that Cudd has yet to provide a remedy

for.

Because of inevitable inequalities inherent in capitalism, Cudd's second condition: free wage labor, is violated. While I have already established that equality is not advantageous to capitalism, and thus her ideal system would not enforce labor unions, wage laborers would still be at a disadvantage to the capitalist even if labor unions were encouraged. Due to gross inequalities in wealth, a capitalist has far more monetary power than labor unions. As Holmstrom mentions, although the U.S. has laws protecting labor unions, workers are fired and employers do not hesitate to relocate, considering they have the financial means (2011, 304). Therefore, "free" wage laborers are not "just as able to get his or her share", as Cudd mentions (2011, 98). While Cudd acknowledged that this form of exploitation would require a worker to be coerced by background conditions of poverty (2011, 98), it is palpable that unemployment, and thus poverty, is inherent in capitalism. This is demonstrated empirically in the United States, as 10.2% of its population is unemployed, yet the "natural" unemployment level for economic efficiency is 4.8% (Holmstrom 2011, 147). This is not surprising considering that I have demonstrated how a capitalist system thrives off inequality. Thus, even an "enlightened capitalism" would find itself impinging the unemployment rate, thereby coercing wage laborers.

Ultimately, because "free" wage laborers cannot demand their share, this eliminates their choices of where they work, given the gross inequalities in wealth provide such coercive conditions. Eliminating choice follows Cudd's own theory of oppression. According to Ann E. Cudd's *How to Explain Oppression*, structural rational choice theory explains the maintenance of oppression (2005, 47). Structural

rational choice theory follows that the environment systematically rewards and punishes members of a social group, inducing a preference structure, thereby causing them to act to maintain the very unjust convention that issued these rewards and punishments (Cudd 2005, 45-47). In this case, a capitalist system punishes a laborer for unionizing by threatening their employment, correspondingly, the laborer no longer prefers to do so, and they continue working in unjust conditions.

Unfortunately, preference structures are further induced on citizens in capitalist societies due to the inadequate supply of information. Cudd's opponent, Holmstrom, references examples such as scientific research suppressing the dangers of nicotine for decades, as well as companies fighting to prevent labels on food that say "non-GMO", or "no Bovine Growth Hormone" (2011, 313). Therefore, such "efficiently aggregated information", is not mutually provided to the consumers, as it is to capitalist firms, further provoking oppression according to Cudd's own theory, as concealing such information can certainly induce a preference. Hence, the information capitalists collect does not regard what the consumer needs, but rather what is easiest to sell. For example, Holmstrom mentions that despite the recession, the U.S. has expanded its role as the world's largest weapon supplier (2011, 314). In this scenario, the United States demonstrates the true works of "efficient aggregation of information", and it is apparent that it is the equivalent of a dentist prescribing candy for a cavity. The candy is not what the patient *needs*, but they would certainly *prefer* it over a fluoride treatment. Nonetheless, the dentist will never successfully fix the cavity by tending to the patient's *preferences* and not their *needs*. Because it is profit maximization that prompts capitalists to prioritize likelihood of sales over consumer needs, it is once again evident that capitalism's inherent values promote more harm than good.

After establishing that profit maximization as the objective of production is inherent in capitalism, thereby identifying inequality amongst its participators as an advantage, it is evident that Ann E. Cudd's conditions of her ideal capitalism will not sustain empirically. Further, because capitalism constrains citizen choice by inducing preferences, this system should not be implemented in the United States, as Cudd has warned in her own literary work, *How to Explain Oppression*, that this is a likely cause for the matter. It is evident that capitalism does not have the capacity to account for the "mutual advantage of *all*" as Cudd claims (2011, 130). Hence, if the goal is for *all* citizens to advance, we must abort the ideals inherent in capitalism altogether and strive for ideals that will best meet the needs of society, rather than the criteria of an already existing system.

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