Ecological Values and Capitalism

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16.1 The Imminent Dominance in China of “The Logic of Capital”

According to Hernando de Soto, one of the most insightful comments by Adam Smith on the concept of capital is that its most important property is its ability to appreciate in value.

In this property lies the core of what might be called “the logic of capital,” which is capital’s inherent propensity toward indefinite growth. This growth is possible only through human conduct, especially people’s social activities. Money, machines, equipment, factory plants, technology and scientific knowledge can function as instruments for wealth increase only insofar as they play a role in people’s economic and more broadly, social activities. In any society, “the logic of capital” does not become its reigning normative principle unless the following two conditions are satisfied:

(1) The establishment of sound institutions based on clearly-defined property rights and a reliable system of money and credit;
(2) The social dominance of a group of people whose main (or highest) purpose in life is to accumulate material wealth.

Crudely speaking, two things are meant when we say of a group (or class) of people that they occupy the position of dominance in a society. First, it means that—those who belong to it are held in high esteem insofar as members of the ruling class come from it, either through electoral processes or by some other selection mechanism. Secondly, it means that the group’s lifestyle choices define what is correct and appropriate in the society. This in turn entails that both mainstream ideology and social institutions take for granted and are committed to their justification.

These two conditions in fact hold the key to understanding how capital’s inherent propensity to grow is realized. Historically, it took a long time for

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these conditions to be fully satisfied. Indeed, they were not until the birth and then the coming of age of capitalism.

The magic power of capital is fundamentally attributable to the magic power of money. As Davison has contended: “The usefulness of money largely depends on the money supply system.” The magic power of capital has seen its fullest manifestation in capitalist societies. It is only when private property rights are universally respected that capital can actualize its potential to fuel the advancement of society in its various dimensions.

In the west, the development of a system of private property rights coincided with the rise of a highly acquisitive population to dominance. In fact, the two processes can be seen as different aspects of a single historical trend.

The notion that there is nothing money cannot buy has been around from time immemorial. However, only under the conditions of modern society can “the logic of capital” be an all-encompassing and overarching principle governing all areas of social life. Both in the west and in the east, it took a long time and many historical changes in social values for people whose main purpose in life is to make money to achieve high social status.

In the west, the establishment of a system of private property rights and the gradual rise of a capitalist class as the dominant social group occurred during the Renaissance, Reformation and Enlightenment periods. By the 21st century, both processes had neared completion, and in societies where this has happened, “the logic of capital” has come to reign supreme.

By contrast, China has been searching for a path towards prosperity and military might since the Opium War. The founding of the people’s republic and the taking of power by the Communist Party of China in 1949 was a watershed event. However, “the primacy of class struggle,” a philosophy that still guides many political and economic decisions big and small, functioned as a highly effective defence mechanism against the incursion of “the logic of capital.” The consequence, however, has been the near collapse of the Chinese economy. That China has been able to achieve spectacular economic growth since the beginning of the reform and opening-up policy in 1978 was largely due to the massive energy released by the Chinese people’s desire for wealth and prosperity, and indeed, to “the logic of capital.” Clearly, establishing a system of property rights has become an increasingly urgent item on the government’s economic reform agenda since 1978. It is generally agreed that the moment at which the Communist Party of China announced that entrepreneurs would no longer be barred from joining its ranks marked the emergence of entrepreneurs as a dominant force in the Chinese society. At the time of this writing,

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