

Is Capitalism Making Us Stupid?

By Alex Tabarrok

Review of Heath, Joseph. 2014. *Enlightenment 2.0: Restoring sanity to our politics, our economy, and our lives*. HarperCollins.

[Joseph Heath](#) is a Canadian philosopher who is unusually conversant with economics and also unusually capable of writing sparkling prose for a popular audience. His earlier book [Economics Without Illusions](#) was split into 6 right-wing fallacies and 6 left-wing fallacies, and he did a commendable job on both sides. Heath has his own left-liberal point of view: the subtitle of *Economics Without Illusions* was *Debunking the Myths of Modern Capitalism* and in the original Canadian version, the book was subtitled *Economics For People Who Hate Capitalism*. However, I like capitalism and I still enjoyed it! *Enlightenment 2.0* is Heath's foray into political philosophy. Drawing on psychology, economics and political science, *Enlightenment 2.0* is a brilliant defense of reason, an important call for a more rational politics, and a great read.

Heath is worried that the foundations of liberal society are being eroded by the cultural denigration of reason combined with ruthlessly competitive economic and political forces that exploit the biases and hooks of our unreasoning mind.

Reason has come under attack in the past century from both the left—who deride it as phallogocentric and imperialist—and from the right, who deride it as being for pointy-headed nerds who pale beside gutsy “deciders.” At the same time, psychologists such as Dan Ariely and Jonathan Haidt tell us that we aren't very rational anyway, we are predictably irrational and a slave to our passions, while writers like David Brooks and Malcolm Gladwell valorize intuition and the power of the unconscious. The problem with all this, as Heath writes, is that:

The world that we live in today is both unnatural and highly unintuitive. The three major institutional features of our society—the market, representative democracy, and human rights—were all innovations that, at the time they were adopted, struck people as being completely crazy, absolutely contrary to human nature (which is why they were rejected throughout most of human history). It is only through a long, patient process of reasoning, debate, and experimentation that they were tried, and shown, to be successful. Our society is the product of the Enlightenment—of the arguments and theories that came to prevail during that period....We enjoy the life that we do because, over the long slow course of human history, certain *arguments* eventually came to prevail over human passions. (p.13)

Enlightenment 2.0 is split into three parts. In Part One, Heath contrasts the heuristics and biases of the intuitive mind with the reasoning mind. Much of this material will be familiar from books such as Daniel Kahneman's [Thinking Fast and Slow](#) but Heath often comes up with telling examples. We have an excellent heuristic system for figuring out where *thrown* objects will land, for example, but a lousy system for figuring out where dropped objects will land. So children will easily pick up a game like Angry Birds but

...put them in front of a combat flight-simulator, however, where they are required to bomb targets on the ground, and they all get it wrong. They wait until they are directly over the target before releasing the bomb, failing to realize that the bomb is going to continue moving forward at the same initial speed as the aircraft when it descends. (One can see the same mistake in children's drawings of airplanes dropping bombs, which inevitably show the bomb descending in a straight line.) (p.47)

The explanation, of course, is that in the environment in which the mind evolved we often needed to accurately throw things but rarely needed to accurately drop things from moving objects. As a result, we developed excellent heuristics for throwing but not for dropping. Reason can develop algorithms for accurately dropping things but solving these problems with reason is slow and taxing, which is why even physics students revert to their faulty intuitions on exams, much to the frustration of their professors.

The limitations of reason provide Heath's defense of tradition along Burkean lines (oddly Hayek is mentioned in only a footnote). Tradition knows more than reason can articulate. The problem with modern conservatism, however, is that "it has become a defense not of tradition against reason, but rather of intuition against reason." And we cannot found a civilization on intuition. Intuition was built for survival in small, primitive societies riven by "blood feuds, tribal warfare, [and] periodic famine" and these are the societies that we will revert to when reason does not override intuition with second thoughts. As Heath puts it, "There's a reason civilization collapses into barbarism, and not the other way around." (p.113)

My only complaint from Part One is that Heath's view of reason is somewhat narrow. His paradigmatic example is the puzzle: Jack is looking at Anne. Anne is looking at George. Jack is married. George is not. Is a married person looking at an unmarried person? Intuition says there isn't enough information to answer. Logic says yes. Think about it!

Reason, however, is more than logic. It's also about the scientific process—gathering information by means of observation and forming appropriate concepts—and it's about not letting one's emotions override objectivity. Even if we can't do much to improve our puzzle-solving ability, we can do a lot to improve our devotion to science and objectivity. This will become important when discussing Heath's solutions in Part Three.

In Part Two, Heath argues that reason faces attack not only from ideological opponents but also from commercial and political forces. Our economic and political systems are competitive but this very competition encourages firms and politicians to exploit every bug and shortcut that nature has built into the human application program interface (API). Any specific example, like the constant stream of email notifications, runs the risk of sounding trivial but "The sheer amount of cognitive effort required to navigate a modern environment without being suckered has increased dramatically," writes Heath (p.207). He's speaking about clickbait, notifications, alerts and other forms of advertising that reach out to grab our attention. The problem is that with so many shiny objects grabbing at our attention, it has become harder and harder for us to keep our attention.

Heath gives us an interesting analysis of the classic underground movie, *Idiocracy*. In *Idiocracy*, most of the world has been reduced to blithering idiots who amuse themselves with fast food and commercial violence. In the movie, it's the stupidity of the audience, brought about by dysgenics, which explains the stupidity of the commercial appeals. Heath reverses the causality "it isn't the stupidity that causes

commercialism, but rather commercialism that causes stupidity.” (p. 209) Our limited ability to concentrate is being sapped by mind-viruses that under the competitive pressures of profit-maximization are rapidly becoming more and more effective.

Heath’s points about commerce are well taken. When it comes to food, for example, consumers with limited reserves of willpower face corporate titans with massive advertising budgets and research departments. It’s hard not to see the corporations winning that battle especially as it’s really a three-way battle, corporations and our short-term-self versus our long-term self. It’s especially painful to see the food corporations win on one front and then the fitness centers win again by taking our money on January 1st for [memberships that we will rarely use](#). I speak from personal experience.

Nevertheless, by focusing on advertising, Heath sees only one facet of the relationship between markets and rationality. Markets may want and sometimes even generate irrational consumers but markets also want and sometimes even generate rational producers. Work is where rationality is most evident in our lives and, by and large, markets reward education, IQ and reasoning ability. Indeed, the very development of rationality and the scientific understanding of cause and effect was encouraged and developed by capitalism. It was capitalism that in Max Weber’s famous phrase brought about the “disenchantment of the world,” the displacement of magic and mysticism by rational understanding.

Heath is worried about the reenchantment of the world by “malware of the mind,” ancient viruses of religion and mysticism now ramped up in power and sped by new media. I share Heath’s concern but think it important to emphasize that on balance, capitalism and its demand for efficiency, productivity and growth is one of our strongest defenses against the irrational.

Heath also glosses over the fact that in the modern era measured IQ scores have risen, not fallen. IQ scores have risen especially in tests of abstract reasoning ability. Just the kind of ability that German social philosopher Georg Simmel argued was promoted by capitalism. Simmel argued that increasing familiarity with money as an abstract, representative unit of value improved abstract reasoning and rational calculation in other spheres of life. This kind of abstract thinking is also what makes people capable of understanding the idea of universal human rights.

The political process exploits the same bugs in the human API as does the commercial process—indeed, it’s often the same advertising firms moving from one campaign to another—and to the same effect, an increasingly irrational politics. Heath tries to be even-handed but he argues that the Republican/conservative party in the United States is leading this trend (he makes some mistakes, Reagan’s story of the [welfare queen](#) was quite accurate). Heath also thinks that, on balance, reason supports the left, which is one motivating factor in his attack on conservatism and the irrationality of appeals to religion and intuition. Thus it’s a problem for Heath that the most prominent exponent of *both* reason and capitalism in the twentieth century was novelist and philosopher Ayn Rand.

In Rand’s *Atlas Shrugged* there are famously long speeches lauding the virtue of capitalism but even longer speeches lauding the virtue of reason.

Man’s mind is his basic tool of survival. Life is given to him, survival is not. His body is given to him, its sustenance is not. His mind is given to him, its content is not. To remain alive, he must act, and before he can act he must know the nature and purpose of his action. He cannot obtain his food without a knowledge of food and of the way to obtain it. He cannot dig a ditch-or build

a cyclotron-without a knowledge of his aim and of the means to achieve it. To remain alive, he must think... If I were to speak your kind of language, I would say that man's only moral commandment is: Thou shalt think. (From Galt's Speech in *Atlas Shrugged*).

Heath recognizes the Ayn Rand problem but he brushes it aside. That's a shame because a longer discussion might have been enlightening. For Rand, reason was an attribute of the individual. But for Heath, an individual's reason is untrustworthy because it's too subject to biases. Reason requires "cultural scaffolding." He argues, for example, that when Aristotle rejected Plato's theory of the forms—because a love of wisdom generates "a sacred duty to prefer the truth to one's friends"—it introduced into Western civilization the concept that ideas were to be tested by argument rather than accepted by oracle (p. 142-143). Rand, in contrast, emphasized exit over voice (hence the term "Going Galt"). Reason, she argued, requires freedom to act on one's own judgment and such freedom is maximized under capitalism. It would have been interesting to see Heath address head on these different pillars of cultural scaffolding.

It's also worth noting that of the three political groupings in America today—conservatives, liberals and libertarians—it's the [libertarians who are the most rational](#). Rational not in the sense that I may think their policies are rational but rational in Heath's sense of the term. Libertarians are the least emotionally reactive, the most interested in using reason to solve problems and the most capable of solving problems—like Heath's marriage problem—that require suppression of intuition in favor of reason. It's no accident that the leading magazine of the libertarian movement is called, [Reason](#).

Heath is also too sanguine about the role of politics. Irrationality in politics is more severe than in markets because of two problems, rational ignorance and rational irrationality.

In a large electorate, no individual's vote is likely to change the outcome of an election. As a result, it doesn't pay to be informed about politics nor to think about politics in objective and rational terms. Consider an individual who spends time and effort to be informed about politics. What does this individual receive in return for their investment? The same thing as the uninformed individual. Since better information doesn't lead to better consequences, it doesn't pay an individual to be informed. But while ignorance is rational for the individual it's irrational for society as a whole, which ends up being governed by ignoramuses.

Advertising may sometimes trick us into buying products that don't serve our interests, but the more we are tricked the greater the incentive to become informed. In the market, we can act on information to improve our purchasing decisions. In politics, it doesn't pay to be informed because as individuals we have nearly zero power to improve collective decisions. In the market, information is power. In politics, information is impotent.

Rational ignorance is magnified by rational irrationality, a term coined by Bryan Caplan in [The Myth of the Rational Voter](#). We all face conflicts between what we want to believe and what it is rational to believe. I want to believe that I am a skilled fighter with God on my side. But I don't want the punch in the nose that acting on such an irrational belief would surely bring. Fortunately, if I choose to believe what is rational—that I am more a lover than a fighter—I can avoid the punch in the nose. Beliefs, in this case, have consequences.

But suppose that I believe that my country's military is the greatest military in the history of the world and that God is on our side. Given such beliefs, I will vote for war. If I believe that my country has an average military and no strong claim to side with God then I will vote against war. Unfortunately, voting sunders beliefs from consequences. The war will happen or not depending not on how I vote but on how others vote. I don't get to choose the war but I do get to choose my beliefs and if I choose the former, I can bask in the warm glow of patriotism and righteousness. But if I choose the latter, I am an unpatriotic outcast, out of step with my fellow citizens and fearful that the country is out of step with God. Since the only difference in consequence is the warm glow, I have little incentive not to go with the glow and vote irrationally but patriotically and righteously in favor of war.

Democracy makes it easy to vote our feelings and as Heath says, "Easy is often the enemy of reason." (p.233) But when a majority of voters take the easy, feel-good approach, we get not just ignorant policy but irrational policy. In short, politics reduces the price of irrationality so people buy more, and that is dangerous.

The bloody twentieth century bears witness to the danger of irrationalism in politics. Heath recognizes this, if only elliptically, when he notes that many of the characteristics of irrational advertising, the constant repetition, for example, and the appeal to simple images and feelings rather than thought were first formalized and pioneered by Nazi propaganda minister Joseph Goebbels.

If the tools of propaganda are the same in markets and politics, why are the results so different? Expanding waistlines in the former, and death and destruction in the latter? Most importantly, firms may try to trick us by appeal to the bugs and heuristics of our unreasoning mind but politics has access to the ultimate override of reason, force. It's difficult but reason can say no to the Hostess Twinkie but it has no counter to the gun and concentration camp.

The propagandizing messages of markets and politics are also very different. Market messages are largely inclusive and cosmopolitan. Coca-Cola advertises "I'd Like to Buy the World a Coke" because they'd like the world to buy a Coke. Firms do try to build brand affiliation but they rarely do so by promoting hatred of their competitors. Pepsi doesn't tell the Pepsi Generation that Coke drinkers are stealing their jobs and spitting on their gods.

Nazi propaganda may also have worked so well because it was new. When first broadcast, Hitler's speeches mesmerized a nation yet when seen today, his exaggerated gestures and shouting have a whiff of the comical. Heath is skeptical that we can learn to recognize and overcome our biases—commercials for alcohol will probably always feature attractive women—but perhaps we are slowly building a kind of resistance to the worst mind-viruses. If so, the danger for the world's future lies in countries that do not yet have a long history of media saturation. In China, for example, mind-virus resistance may not yet have built to a level capable of seeing through a populist leader with access to 21st century media technology.

In Part Three, Heath turns towards solutions. It's the most disappointing section of the book because Heath offers only minor proposals. If Heath's proposals are the best we can do, then we may really be in trouble.

In markets, Heath offers as his paradigmatic example of a solution....New York City's ban on selling soda in cups larger than 16 ounces. Mayor Bloomberg's law wouldn't have banned drinking large amounts of

soda, just selling it in large cups. I am more favorable to libertarian paternalism than I am to paternalism so I won't object. I don't see the Bloomberg nudge, however, as restoring sanity to society.

In politics, Heath would like the US presidents to face question periods much as do Canadian prime ministers. Sure, why not? But if this is the solution, how seriously can we take the problem?

Heath's conservatism makes him unwilling to suggest radical ideas. But big problems often need radical solutions. Voting, for example, reduces the cost of ignorance and irrationality. Raise the cost and people become more informed and rational. When pollsters ask Democrats and Republicans factual questions such as did inflation fall during Reagan's presidency or were weapons of mass destruction found in Iraq, they answer in a highly partisan manner. But partisan bias [greatly diminishes](#) when voters are told that they will be paid if they answer correctly. Betting is a more reliable guarantor of objectivity than voting. Or, as I [once wrote](#), "A bet is a tax on bullshit."

Findings like this suggest that we could increase rationality in politics by separating values from beliefs. We may never fully agree on values but if we are to live together we must come to some agreement, and we can best do that by democratic voting. But once we decide on values, let us then bet on beliefs. Do we agree that lower unemployment would be a good thing? Ok, let's then bet on whether fiscal policy or monetary policy would best achieve that goal and let's then go with the betting favorite. Economist Robin Hanson terms this "rule by prediction markets," or [futarchy](#). Is betting on policy a crazy idea? Perhaps so but let's remember that "the market, representative democracy, and human rights—were all innovations that, at the time they were adopted, struck people as being completely crazy." Once we clear away the partisan bias brought about by rational ignorance and irrationality we might just find that we are a lot more rational than we thought.

Enlightenment 2.0 is weak tea compared to Enlightenment 1.0 because Heath's conservatism leads him to think that people can't become more rational than they are now. But if we look around the world today we see people being burned alive for their beliefs. A uniting, in Ayn Rand's words, of faith and force. Reason cannot survive in such environments. More generally, mysticism and magic continue to hold sway over much of the world. It's also clear that the causes of such mysticism and magic aren't the factors that Heath points to as degrading our minds--competitive markets and politics. Quite the opposite. Maybe we won't soon become better puzzle-solvers but we can continue to build the intellectual scaffolding under which reason thrives, a culture of tolerance, secularism and the rule of law. Many of the world's cultures have yet to adopt these values and before taking on the challenge of Enlightenment 2.0 perhaps our own culture should take a refresher course in Enlightenment 1.0.

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