What defines capitalism?

Many people consider that capitalism is defined by the existence of markets. But markets exist in primitive, feudal, fascist, and socialist societies. Capitalism is better described and identified by the existence of private negotiable property rights. Such rights are not widely available in the type of market economies referred to above.

Ironically, the biggest problem with capitalism is its ability to eliminate, frustrate, and/or distort markets. This problem is created by the rules for owning property including money. Rules made by society can be changed by society and so there exists the possibility of designing new rules to mitigate the ability of capitalism to paralyze the “invisible hand” of the markets. I outline in this chapter a more equitable and efficient set of ownership rules. The rules were presented in my book *Democratizing the wealth of nations* (Turnbull, 1975). The details were updated with “ecological” money added in Turnbull (2011b).

The current widely accepted system of property rights denies efficiency and equity because there are no time limits on the ownership of property except for all intellectual property. Property ownership bestows managerial, economic, social, and political powers that undermine democracy. Perpetual ownership rights to realty, corporations, and money provide excessive powers and deny establishing localized control to nurture the environment, democracy, and progress through continuous change.

In this way, perpetual property rights allows capitalism to eliminate, frustrate, and/or distort markets. As a result, investors get overpaid, and wealth and social power become concentrated with democracy hollowed out by political rights being subjected to the ownership rights of a minority.
Distributing investor overpayments with voters

Property ownership is said to be like manure: a lot of it in a single location stinks but spreading it around can do a lot good. To widely spread ownership and control we need to adopt “ecological” rules that have a time limit like all living things and as exists for all intellectual property rights. Ecological ownership provides a basis to create a global political mandate for an ethical, efficient, equitable, and sustainable form of capitalism.

A widespread belief that we live in a robust market economy that will squeeze out any overpayment to investors means that the process by which overpayments can occur is not widely investigated or understood. As a result the very notion of investors getting overpaid seems to be contradictory, especially when there is a widespread understanding and acceptance that there is no limit to greed.

Investors can get overpaid because they are not fortune tellers. Because the future can be uncertain and unknowable, investors will not rely on the unforeseeable future to obtain a return of their investment and/or a return on their investment. This means that any money received after the foreseeable future is not required to bring forth their investment. In other words, money received after the foreseeable future provides a surplus incentive or a “surplus profit.” Surplus profits are inconsistent with the assumption that a market economy will limit profit. So the possibility of its existence is typically rejected.

Because accountants do not identify the foreseeable future described as the “investment time horizon,” they cannot measure or report surplus profits. This means surplus profits are hidden and so are ignored by economists. Economic ignorance about the existence of surplus profits is maintained by a belief system that denies the possibility of markets failing. While excess profits and other rents are measured and reported by accountants, surplus profits are not and so need their own special name.

The practice of redistributing ownership every 50 years is reported in the Bible. A number of philosophers have advocated limits on the extent of private ownership. Gandhi promoted the idea of “Trusteeship” (Baratan, 1979). The idea being that if anyone owned more property than they could use for themselves then they would hold it in trust for others. This idea is compatible with the practice found in squatter settlements where the rule is if you do not use it then you lose it. The idea of limited life and use it or lose it are features of living things. This supports the reason for describing ownership rules that change with time and