

# CONTAINED CAPITALISM: THEORY

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## TABLE OF CONTENTS

Purpose.....	4
Economic Theory .....	5
Contained Capitalism: A New Economic Theory.....	14
Actualizing Community .....	20

*“The present system is unsustainable. The only question is whether we will master the change or it will master us.”*

Hillary Rodham Clinton

## PURPOSE

The purpose of this paper is to introduce a new economic theory that is realized through the creation of community-based, autarkic (self-sufficient) systems designed to manage basic, universal human needs. The theory, herein referred to as “Contained Capitalism,” asserts that these essential life needs cannot be managed through either privatization or governmental control. Contained Capitalism operationally redefines the notion of “community” through the formation of self-managing regional systems. This paper addresses the theoretical and mechanical formulations required to understand and operate such community-based systems, utilizing health care services as an applied example of a universal need. Integral to the model’s success is the idea that the “actualizing” community be responsible to its members and therefore must play a central role in the management of its own affairs. Contained Capitalism fosters limited and well-defined community sovereignty and is established without impinging upon the political and economic sovereignty of the nation. By securing these needs within the community, the larger open market system is liberated from these challenges, allowing for increased competitiveness in the global market. For health care reform to succeed, the nation must recognize that privatization (corporatism) and governmental control (socialism) are economic theories that run counter to the ideals of capitalism. The “invisible hand” that is central to the notion of capitalism must guide the open market economy, unfettered by other forces and in service of the natural exchange between consumer and entrepreneur.

## ECONOMIC THEORY

Just as in other social sciences, economics can be defined in a number of ways, all of which generally point to the idea of managing resources in an effort to satisfy human needs. The “human equation” for economics has been adjusted, throughout centuries, to reflect the social and political ideologies of any given society or nation. The origins of this field of study can be traced to Greek culture; economics literally translates to “rules of the household.” No matter the definition or point of view, economy is a human affair and studying economics without acknowledging the “human condition” is denying the social quality of the science. In his famous and controversial study of “human action,” Mises (1996) chastised fellow scholars for their limited approach to the study of economics, invariably basing central constructs of their work on market calculation. Central to Mises’ (1996) work was the belief that human action, as defined by choice and the dynamics of social cooperation, constitute the true nature of economics. Market phenomena or “economic calculations,” while admittedly revealing and relevant indicators, do not themselves articulate the essence of economics and its impact on civilization. In other words, Mises (1996) believed that there can be no effective study of economics without the inclusion of a general theory of purposeful human action – “the manifestation of man’s will” must be evaluated within the context of any economic activity.

There is no doubt that economists such as Mises (1996) and Smith (1776) had strong views on the nature of economics and the forces which act upon this collective, human interaction. In fact, much of what both theorists wrote was in reaction to economic systems they deemed to be destructive and counter-intuitive regarding the true nature of man. For example, Smith’s (1776) support of laissez-faire, free market economics emanated from his concerted attack on mercantilism (i.e. which promoted the idea of governmental control via trade restrictions). Mises (1996) consistently railed against a number of governmental interventions or strategies that attempted to stabilize economies. He and other like-minded economists (Friedman, Hayek) viewed most forms of governmental intervention as coercive in design, invariably impeding on

the will of the consumer within the context of free market exchange. What is most important to understand is that mankind, through governmental apparatus, has repeatedly struggled to find a way to “harmonize” the forces of individual pursuit of prosperity with the obligations the state has to care for its citizens. Harmonizing these forces equates to an idealized economic homeostasis that promotes productivity and wealth on the one hand and social justice regarding the fulfillment of essential life needs on the other. Economists have labored to find such an economic design, imposing their intellectual will on nations struggling to strike this balance. The problem often is one of opportunity as most nations’ desire for change only results from economic crisis; stabilizing the system invariably takes precedent over solving the problem of systemic, economic homeostasis. The fear of collapse often brings about governmental interventions designed to stem panic, as evidenced by the interventions that followed the 1929 market crash in the United States.

Because economics is an expression of humankind, it can be considered to be, in the words of Mises (1996), “...a living thing – and to live implies both imperfection and change.” He further elaborated that the human action principle implies that mankind acts to “substitute a more satisfactory state of affairs for a less satisfactory (one)...” Whatever the case, economists who support an unhampered, free market system correlate economic success with minimal governmental intervention. Central to this philosophy is the idea that sovereignty of any economic system must rest in the hands of the consumer with his actions determining the value of production and the cost paid for such a product or service.

The notion of sovereignty of the consumer is clearly not central to other classic economic or political theories. While socialism has often been used interchangeably with the theory of communism, Marxist thinking recognizes socialism to be a transitory economic state *en route* to communism. Marxism, by almost every account, reflects an idealized notion of public ownership, state management of production, and equity regarding the allocation of property, goods, and services. However, such an ideological perspective is too simplistic and entirely unrealizable as it denies the importance of

human nature and the inevitable desire each individual has to move toward a higher state of satisfaction. In a sense, communism was nothing more than political rhetoric to assemble the masses in service of overthrowing autocratic governments in chaos or disarray. There are obvious, inherent problems with an economic system which extends from the power of one individual; no sovereign ruler can be assumed to be either benevolent or all-knowing.

Communism is unrealizable, in part, because it is devoid of the necessary apparatus required to move the “masses” toward social equity. Marxist ideology viewed capitalism and socialism as transitory yet did not offer any real or practical plan of succession. The only stated goal was the transfer of power and control from the “one” to the few – the *will* of the king was replaced by the *will* of the group. In doing so, the consumer’s sovereignty continued to be thwarted in service of the controlling few.

Socialism can be distinguished from communism as a more realistic version of an idealized economic experiment. To realize the “good” society, communism demands the confiscation and equitable redistribution of all private property. Such a plan is not viable, particularly regarding large-scale enterprises in manufacturing (Mises, 1996). Socialism supposedly solves the problem by modifying the communist economic equation – take control of these systems without distribution of the property to the masses. The government was to run the factories, farms, and shops, allowing for trade or exchange to perpetuate the illusion of a market-driven system. Mises (1996) surmised the following:

“This [socialism] was not a market economy; there is no longer private ownership of the means of production. The terminology of the market economy is retained, but in fact there is no longer any private ownership of the means of production, no real buying and selling, and no market prices. Production is not directed by the conduct of the consumers displayed on the market, but by authoritarian decrees” (p. 691).

The control imposed through the will of the government removes freedom to choose from both the manufacturer and consumer; in this way, there is no difference between the self-imposing omnipotent ruler and the socialist government. In each case, the ideal of human action as a function of social cooperation is transformed and expressed in the formation of hegemonic bonds, where cooperation is based on command and subordination; "...the director alone chooses and directs... the others – the wards – are mere pawns in his actions" (Mises, 1996, p. 195). These remarks on socialism may be more about the "mechanics" of the theory, rather than what the ideology produces. Namely, a sovereign entity in control of any economic system's *process* is doomed to hinder and control the actions of those it is charged with protecting. Given human imperfection and the tendency to enhance self-satisfaction, the welfare of *all* cannot be effectively guaranteed through the control of the few, no matter the original intent. Hayek (in Mises, 1996) recognized that socialism or planned economies would inevitably fail given the impossible task of effective and timely economic calculation. It is beyond the capacity of human intellect to plan that which can only be achieved through spontaneous, self-organization of the open market.

In marked contrast to socialism stands the ideological perspective of capitalism. Having evolved only within the past two hundred years, it is a relatively new approach to economic and political organization. Capitalism has certainly not been without its detractors, often being viewed as a system in service of promoting wealth for a small group of profiteers at the cost of propagating poverty and misery for many. "In the eyes of Marx, it was an evitable stage of mankind's evolution, but for all that the worst of evils; fortunately salvation is imminent and will free man forever from this disaster" (in Mises, 1996, p.265). However, capitalism has also been credited with remarkable gains in welfare for the average man that have not been realized in any other economic system. Because capitalism relies on voluntary exchange and social cooperation, it has also been viewed as an "accidental phenomenon." As Mises (1996) indicates, capitalism is the only system capable of economic calculation. While it may be considered a complex, social nexus, it is hardly accidental as each indication within the market can be

tied to a series of choices made by individuals. Smith (1776) regarded capitalism as a “system of natural liberty,” the success of which is dependent upon each individual focusing on self-promotion. Smith’s theory of the “invisible hand” asserts that those who produce in service of their own gain inevitably advance the well being of all society.

It is important that a sharp distinction be made between ideological perspectives on economics (theory) and the mechanisms through which economy is realized (practice). Such a distinction is effortless when discussing communism. Namely, there are no practical mechanics associated with communism. It is an ideologue grounded in the belief that man will eventually evolve to a higher state of being and, in doing so, will realize the value of communal existence and social equality – “From each according to his ability, to each according to his needs” (Marx in Mises, 1996). While Marxists might argue that there are mechanics involved in communism, it is nonetheless clear that aside from revolution and the annexing of personal property, nothing within this theory even remotely represents a definitive process. There is mechanical expression, albeit limited, in the development and maintenance of socialism. Namely, the idea that government literally owns property and controls the means of production reflects an actual mechanical view of the theory. In fact, these economies are typically described as “planned” - a word that assumes order or mechanics.

By far, the most relevant ideology associated with the process of economics is that of capitalism. As Mises (1996) emphatically reiterated, capitalism is expressed in the creation of an open market. This phenomenon is real and creates a “field” of human action and exchange. Most importantly, the open market is entirely mechanical; its properties permit the measurement of its process. Each action that an individual takes either as a consumer or as a producer impacts the whole of the market. There is nothing inconsequential about any action within this system. In this way, every person matters and what appears complex is nothing more than the consumer dictating to the manufacturer what is of value.

It is important to note that each state or nation must contend with and navigate the open market. This is particularly true within the past half of the century, where

technology, communication, transport, and expansion of trade have moved the world closer to economic globalization. Whether it is a discussion of China or the United States, the measure of a nation's wealth can be directly correlated to activity of the free market, both within and beyond its borders. The open market knows no boundaries other than that of the world. The only real impact that ideology has on open market exchange is the degree to which it supports that nation's willingness to engage the market. The less the state interferes with the market, the more direct and unhampered access it will have. Thus, any state can claim to be anything that it wishes and may incessantly propagandize ideologies that support such an identity. In the end, with regard to economics, the only thing that truly matters is the open market and its calculation. China may be the "people's republic" and the United States may pronounce itself to be a highly evolved democracy; but what matters is how each of these nations competes within this arena of human action and exchange. It is for this reason that there is little if any agreement on how to define many of today's economies. Many have drifted toward a muddled constitution; the word "mixed" appears more often than any other descriptor. Therefore, it seems ideology has given way to common-ground economics.

While political ideologies have little to do with the open market, the actions taken by a governing body do have serious implications. Any attempt by government to effect the market, beyond enforcement of laws, can be referred to as interventionism. Mises (1996) and other supporters of the unhampered market economy viewed governmental intervention as interference in support of "helping one group at the cost of all others." Government's role, in an ideal capitalistic "sphere," should be relegated to defending the integrity of the system. "It (government) protects the individual's life, health, and property against violent or fraudulent aggression on the part of domestic gangsters and external foes (Mises, 1996)." What is critical to recognize is that the type of intervention (i.e. targeted taxes, price supports and subsidies, government supported social services, etc.) is not as important as *how* and to what degree it impacts the open market. Obviously, of greatest concern are massive, costly, and difficult to manage

programs which are traditionally associated with welfare state services. More than any other intervention, these costly programs are viewed as most threatening to the integrity of the open market system. Economists in support of an unhampered, open market view such services as detrimental to capitalism and believe that these interventions are often necessitated by previous, failed interventions. For example, the “New Deal” social agenda promoted by Roosevelt in 1933 has widely been perceived as the necessary economic adjustment following the stock market crash of 1929. However, many economists cite strong evidence in support of the idea that the collapse of the economy was actually the result of earlier governmental intervention. Namely, the government supported inflated credit between bank and consumer, which inevitably led to a collapse in the value of the dollar. In other words, intervention begets intervention; the passage of time often creates the appearance that each intercession stands separately from its predecessors.

Economic theory aside, politicians are human, as are the citizens whom they protect. The suffering of those in society and the possibility of dissention or revolt take natural precedent over the intellectual inclination to wait for the market to “self-correct.” A number of economists in support of a more realistic form of capitalism recognize the necessity of certain forms of interventionism; minimum wage laws and other poverty barriers can equate to system balance and fairness between those who labor and those who depend on labor. These protections of the working class reflect more than a desire to promote justice; they are also designed to guard against exploitation of those with lesser power and means. If profit or company survival is dependent upon the abuse of laborers, then governmental protections are appropriate, even if the end result is corporate failure. Government should care not that these interventions disturb the natural “order” of the open market.

A valid concern arises when socialistic interventions grow in strength and influence. When a program, however important or necessary, represents a significant degree of spending and requires substantial governmental growth, the “socialized elements” of the system coalesce into a separate, autarkic system. These interventions

collectively form a *planned* segment of the economy, continuously compromising the open market by way of mandates designed to force compliance. In regard to socialism and capitalism, Mises (1996) states, “Each of these two systems of society’s economic organization is open to a precise and unambiguous description and definition. They can never be confounded with one another; they cannot be mixed or combined; no gradual transition leads from one of them to the other; they are mutually incompatible” (p.716). It is therefore vital that any intervention be carefully evaluated in terms of its short- and long-term impact on the nation’s economic stability.

A completely pure, unhampered open market has never been successfully implemented and largely remains an ideal. At the center of such a system is the important concept of “sovereignty of the consumer.” While it may appear that production falls within the hands of the manufacturer, the true “captain” of the economy is the consumer (Mises, 1996). The entrepreneur may decide to enhance or modify his product and the manufacturer may decide to slow production of an item that is in demand. However, it is the consumer who determines, with her actions, whether these decisions equate into monetary or economic success. The entrepreneur’s innovation may be viewed by the consumer as inconsequential regarding the value of the service or the cost due to a purposeful decrease in the manufacturer’s product output may actually price it out of the market. The success or failure of these decisions are completely determined by the actions of the consumer. Without government intervention, the consumer reigns supreme in the free market system. As Fetter states, “every penny gives a right to cast a ballot” (in Mises, 1996, p. 271).

Mises also discusses the value of social cooperation and catalytic competition in an unhampered, open market economy. Social cooperation reflects the recognition between individuals regarding the need for mutuality in service of goal attainment. Mises (1996) believed that such cooperation becomes the catalyst for social order as it departs from the animal framework of biological competition. In the animal kingdom, biological competition involves the life and death struggle to acquire basic needs for survival. Biological competition can and does occur within modern societies, often as a

function of the group's unwillingness to recognize that voluntary social cooperation can produce extraordinary benefit. Society then can be viewed as the result of both the division of labor and the combination of labor, with efficiency in **cooperative** exchange transforming man from a biological to a social animal. "Within the frame of social cooperation there can emerge between members of society feelings of sympathy and friendship and a sense of belonging together. These feelings are the source of man's most delightful and most sublime experiences. They are the most precious adornment of life; they lift the animal species of man to the heights of a really human existence" (Mises, 1996, p. 143).

Can capitalism really achieve a state of cooperation that embodies the will to take care of each and every member of society, including the poor and incapacitated? Can catalytic competition promote a sense of community or service to others while the individual strives to achieve a higher state of *self-actualization*? Does Smith's "invisible hand" truly lead to the benefit of all others, particularly those incapable of competing within the market? Can it be said that every intervention, no matter its purpose or outcome, negatively impacts open market exchange? It is these questions that collectively work to produce a number of rational, objective criticisms of capitalism as an ideology capable of promoting the welfare of collective humanity. Governments act because capitalism has failed to solve the problem of social equity and justice for its citizens; there can be no real sense of civilization unless each member of a given society is guaranteed the right of survival. Thus, when capitalism fails to meet this goal, government is obliged to step in and "render assistance." The dilemma that faces mankind with increasing importance is this question of how to balance capitalism and state interventionism in service of promoting both economic stability and social welfare. Although the theory emerged in the late 19<sup>th</sup> century, a number of prominent world leaders within the past few decades have embraced an approach referred to as the "Third Way." This economic model promotes the necessity of reaching a centrist position which is believed to exist – a form of modernized, social democracy. Proponents of this political philosophy believe that capitalism and socialism can be

“synthesized” into a system which engenders open market exchange within a society that humanely cares for its citizens. It appears that many contemporary societies have embraced these ideals within recent years. However, it is equally apparent that there is no consensus regarding the true nature of the “Third Way” or what actions a given society should take to realize such an economic ideal. The question remains as it has for centuries: how do we preserve the open market while promoting the welfare of each member of society within that system? The answer exists within a new form of capitalism.

### CONTAINED CAPITALISM: A NEW ECONOMIC THEORY

This paper proposes a radical shift in ideological perspective regarding the nature of capitalism. Economists in support of capitalism have long defended its value to civilization, often crediting the economics of this ideology with humankind’s most notable advances. Mises (1996) believed that it was the very mechanism that transformed man from savage to civilized being. While these assertions may be valid in many respects, capitalism nonetheless has been continuously criticized for its perceived failure to elevate the welfare of the masses. There has been no formula of natural human action and exchange that effectively manages the human needs of each and every member of a given society. Poverty remains the most prominent “blemish” on this economic system.

The truth about the open market is that it is a volatile and often ruthless human phenomenon. It is a “field” that cultivates winners and losers and advances no prize for effort. The open market is unjust and capable of crushing the dreams and aspirations of anyone entering its arena, including those seemingly secured by years if not generations of family or corporate success. It is the ultimate human game of competition and Mises’ (1996) assertions regarding idealized cooperation often fall willfully short of the reality of the market. Smith’s (1776) “invisible hand” is a construct that justifies the selfishness and self-indulgence of an open market system. His belief that the individual’s focus on self-advancement would inevitably lead to society’s betterment fails to explain the

prominent position poverty has played in all open market societies. These impressive theories which have illuminated the value of capitalism can be biased regarding the market phenomenon. Namely, no matter the problem created by an open market, it is both necessary and invariably the result of a government's impulsivity to intervene. In other words, the truly unhampered market will never fail society – it is the organizer's "tinkering" which leads to distress or failings. However, Mises (1996) had no substantive explanation for the management of the "incapacitated" or those who could not effectively engage or compete in the open market arena. He never shied from his indignation of communism, at times mocking the socialists' claims of a process that would eventually lead to "utopia." It can also be said that pure capitalism can never be realized and, within that vein, poverty will continue to be the open market's constant companion.

The other issue that has consistently bewildered capitalists is the nature of value or, more specifically, the irrational and subjective monetary worth humans place on any given product or service. What is the value of coal versus the value of diamonds; what constitutes the properties upon which the decision or choice between the two is made? The problem is further compounded by the "paradox of utility" or the idea that the individual *should* value more that which has greater utility. How is it that an individual who is in greater need of home repairs may forego these repairs in order to purchase a new automobile? In the former, the capital investment improves the quality of the asset and increases its worth; conversely, the purchase of the car inures additional financial liability and can be unnecessary, particularly if the individual already owns transportation suitable for his needs. The answer exists beyond calculation or objective analysis because human nature individualizes desire and uniquely prioritizes that which is satisfying. Value is simply a function of the individual's desires and expresses itself in ways that defy logic. Thus, capitalism in its current state or form does not solve the inherent problem of value, creating among other things, great difficulties in understanding market phenomenon. The subjectivity of value compromises the degree to which market action and exchange can be understood.

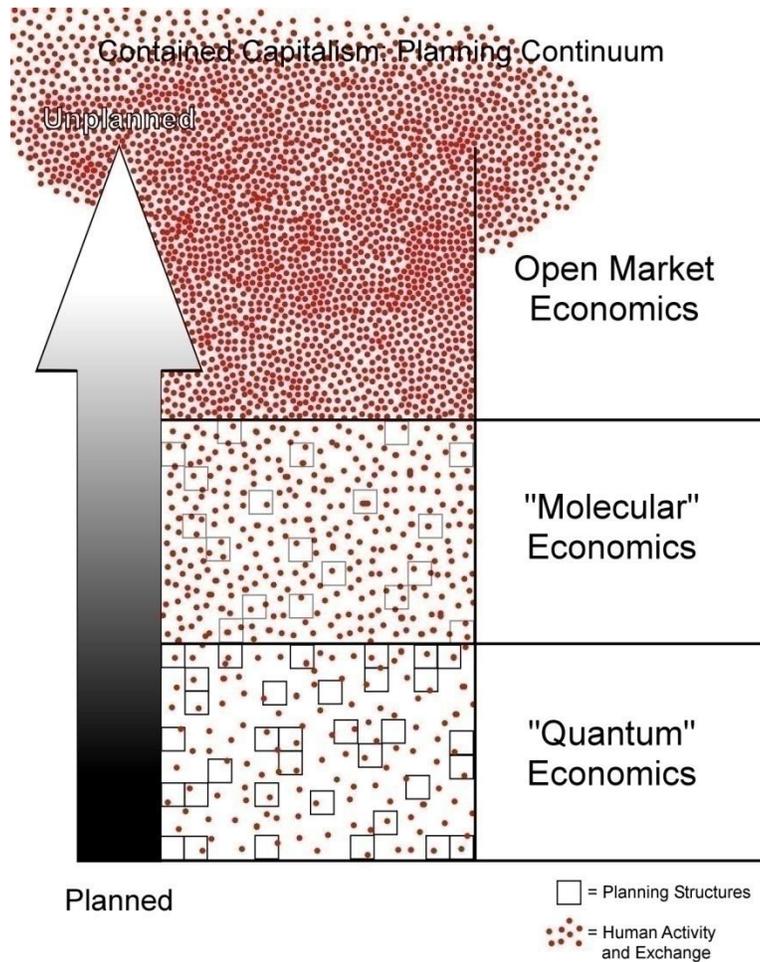
A third problem inherent in the natural “design” of capitalism is that it resists the idea of “planning” – a fundamental distinction between socialism and capitalism. In socialism, the state via the controlling political apparatus seeks to design economics through decisions regarding production and allocation of resources. Capitalists are convinced that the market functions best when manufacturers produce in service of satisfying the needs of the consumer. Planning then is seen as an impediment to this naturally unfolding and complex system of human exchange.

Contained Capitalism is a new economic theory that challenges the idea of planning and suggests that intra-structural changes in the design of capitalism will work to foster significant transformation in a given society’s ability to manage basic, human needs. Namely, capitalism must be reorganized by creating community-based “containment zones” or “fields” within its structure. The purposes of these “zones” are to: 1. define essential life needs that should be afforded to all members of a society; and 2. manage those needs within a community-based, autarkic system. These community systems are “regional alliances” which represent democratically maintained, self-governing bodies that serve to redefine the notion of community. In Contained Capitalism, the community is responsible for many of its own affairs, all within the sphere of those needs that are defined as life essential. In this way, the government (interventionism) and the private sector (privatization) no longer play a direct role in the management of these needs. In essence, the community becomes an *actualizing* entity charged with securing the welfare of its members. By defining purpose and securing the community within a well-articulated geographical situate, the very “human” and often esoteric notion of “actualizing” transforms itself in the minds of those who live within its borders. Community becomes an “economic coordinate system” which functions to provide a sense of a collective identity and as importantly, provides the means through which essential life needs of every member of society are addressed.

While the mechanics of Contained Capitalism will be explained in subsequent sections, Illustration A shows the progression of “planning” within the new structural organization of capitalism. Planning and management processes are critical within the

sphere of Contained Capitalism. Unlike socialism, there is no “command structure” and the government will play no direct role in the “business” of managing the community’s essential life needs. Through a well-defined system of democratic self-management, the following areas of basic human needs will be organized into three separate axes: 1. health care services; 2. “cradle to grave” developmental needs; and 3. community infrastructure services. Future writings will fully articulate the mechanics of the remaining two axes. Following an initial process of assessment, it is estimated that there will be approximately three hundred of these community-based, specialized autarkic systems formed to effectively manage the life needs of each and every person within the borders of the United States. Contained Capitalism moves beyond traditional “silo” structures of management; it recognizes that the system must reflect both balance and symmetry to promote effective and democratic decision-making processes. Finally, the overall dynamic intent of the model is to promote the powerful ideals of social cooperation and collective individuation which serve as the basis for an evolved connection between self and community.

Illustration A: Planning Continuum



The “molecular” level depicted in Illustration A represents the structural connectedness of these autarkic systems. While each community is self-governing regarding essential life needs, autonomy does not equate to sovereignty. Community-based autarky differs from the classical forms of autarky in that every regional system (quantum economics) and the network of systems (molecular economics) are designed to “synchronize” with each other and the national, political frame. Finally, there are a number of national concerns (i.e. legal issues, federal and state policies) and potential threats to every autarkic system and the network of autarkic systems (i.e. pharmaceutical/ prescription pricing) that require the formation of a number of collective, representative bodies. For example, a National Institute will be established

to provide guidance and support for every community-based system and, when necessary, correction when any system is in violation of accreditation. In this way, the “molecular” level of economics reveals not only autonomy within autarkies but a symmetrical balance between all autarkies. In other words, each individual system within the molecular structure plays a role in the creation of the whole but does so while maintaining its own structural integrity. As the illustration depicts, the degree of planning within this “molecular” level of economics is considerably less and as previously stated, is directed toward the formation of a national cohesiveness. Finally, and most importantly, the upper-most level depicted in the diagram clearly illustrates the natural system of human action and exchange critical to any effective open market system. Contained Capitalism theorizes that significant adjustments within the quantum and molecular levels of economics will manifest natural, organic changes within the open market. In physics, the chair is only a chair because of the quantum organization of its atoms and arrangement of its molecules. By removing the management of essential life needs from the open market and placing them within the “hands” of each community, the market is “cleansed” of the interventions historically necessary to manage such costly social programs. In this way, the open market system will naturally organize (without any direct intervention) in a more efficient manner, creating a new level of potential economic stability currently unrealizable.

Finally, the new economic infrastructure presented here replaces a “structure” that is largely undefined and ideological. Whether it is capitalism, socialism, or a mixed economy, there has never been an attempt to provide clear, delineated structure within these economic “models.” As a result, these economic systems are largely “blanket” philosophies rather than integrated systems with clearly defined constructs. Contained Capitalism serves to “anchor” the theory of capitalism, transforming this “blanket” philosophy into a cohesive, economic “fabric.” The overall benefit of the infrastructure, aside from the efficient management of essential life needs, is to provide the catalyst through which the open market system can evolve. With the removal of these social programs, the system will transform into a more pure state of true market exchange.

Ironically, the open market must be a place largely unhampered by intervention so that, as Schumpeter (in Mises, 1996) iterates, it can engage in continuous “creative destruction” (p. 530). The management of essential life needs of the members of any given society has no place in the brutal and stormy world of open market exchange. Contained Capitalism provides a “house” for such human affairs, securing both the welfare of a nation’s people while preserving the integrity of a market that must govern itself. This does not mean that the principles of capitalism do not apply within the “zone of Contained Capitalism.” The system is not termed “Contained *Socialism*” as it aspires to conform to the ideals of capitalism. Social cooperation and catalytic competition, among other constructs, are vital processes within this new economic system.

## ACTUALIZING COMMUNITY

### ***Classical Autarkic Theory***

Mises (1996) articulates the dangers of national autarky or the idea that a sovereign nation can evolve into an economic system completely self-contained and without any need for foreign trade. History is replete with examples of states that limited trade in service of nationalism, inevitably leading to the need to aggressively expand territory as a means through which to acquire unavailable resources. But even then, particularly in modern society, the idea that a nation can isolate itself from foreign trade is completely unrealistic. As Mises (1996) points out, “The market economy as such does not respect political frontiers. Its field is the world” (p. 323). Consumer and manufacturer alike will continuously gravitate toward exchange that increases satisfaction or profit – national and political boundaries, for all intents and purposes, are ignored within an open market system. The American who desires French champagne does not purchase it from France; for all of its complexities, the open market can be reduced to the simple exchanges amongst individuals.

Autarky or self-contained economic systems were not always viewed as counter-productive. Laum (in Mises, 1996, p. 267) evaluated a number of primitive tribes and concluded that autarky was effective in promoting the welfare of its members. He

further concluded that modern society should return to a similar self-contained system of economic management. Additionally, Mises (1996) cites the 16<sup>th</sup> century Jesuits who, by decree of the Spanish king, were permitted to govern an area in South America now known as Paraguay. The Jesuits were charged with restoring order and quelling the violence between the Spanish colonists and the indigenous Guarani Indians. This was principally achieved through the establishment of several geographically-defined autarkic systems. For more than 150 years, the Guarani Indians and the Jesuits maintained these systems which consistently cultivated an enhanced sense of well-being within the community. Although each autarkic system remained independent and self-sufficient, there were definitive patterned elements common to every community. For example, the infrastructure of each region included the development of churches and schools, roads and town squares, and hospitals or clinics staffed with nurses to care for the sick. While this version of autarkic economy has often been praised by philosophers and economists alike, valid criticism included the following: 1. the system was essentially a theocracy intent on religious conversion; 2. the Jesuits built compounds and in many respects lived separate lives from that of the natives; and 3. each system was governed by the Jesuits with little movement toward Guarani Indian autonomy. Given that the Jesuits administrated over this way of life without balancing power within a democratic structure, these “Reductions” could be considered planned and socialistic in nature. Within an idealized version of autarky, a process that facilitates self-governance is vital.

## POINT OF REFERENCE AND ECONOMIC COORDINATE SYSTEM THEORY

### ***Point of Reference***

The long-standing theory of Coordinate System (CS) has played an important role in the development of classical physics, and among other things, comprises the basis for Newton’s First Law of Motion. Coordinate systems are simply “environments” that are operationally defined in terms of physical rules governing location and movement of objects. Once a CS is established, all observations are defined by this frame or

“mechanical scaffold” (Einstein, 1966). Central to CS is the observer’s point of observation or *frame of reference*. Simply stated, the only way to know about the “nature” or laws of a given Coordinate System is to place someone (literally or hypothetically) within that environment. In doing so, the researcher can, through a number of methods, determine the fundamental properties of that CS and as importantly, the effect that these laws have on the subject or individual. Whether it be a discussion of Galileo’s simple transformations, Newton’s First Law of Motion, or Einstein’s Relativity Theory hypotheticals, the construct of point of reference has remained central to understanding the physical nature of the universe. From the view of classical mechanics, it is easy to recognize the profound influence that a given coordinate system can have on the individual. If a train is moving uniformly at a constant speed, the laws governing that CS align perfectly with the Earth’s *natural* CS (applying Galilean transformation for acceleration). There is nothing of noticeable difference regarding the individual’s experience; the law of gravity, for example, remains unchanged in the perceptual world of the observer. However, when the train is forced to abruptly decelerate, the individual will perceive a noticeable difference in that CS; his body will move forward, baggage may fall, and those standing will need to steady themselves (Einstein, 1966). This simple example highlights the relationship between the observer (point of reference) and the environment (Coordinate System).

Newtonian or Classical Physics recognizes the laws of the “middle” world (Ford, 2004). That is, the world that does not involve the changes in environment or reality that occur within either the world of the *very* fast (relativity) or the world of the *very* small (quantum). The laws which govern these very strange worlds illustrate the significant influence that environment has on the individual and his observations. Einstein demonstrated through relativity theory that when objects approach the speed of light, the rules governing the *natural* CS of the Earth no longer apply; time dilates, objects contract, and the mass of an object bears direct resemblance to its energy (Einstein, 1966). Most importantly, what was learned from this strange environment of high velocity was that time and space are no longer inseparable; the observer’s

coordinate system must now include the idea that time can be affected by space. In other words, the individual's notion of time, in certain environments, will be altered not because of perception, but because of the special environment within which he exists.

As difficult as it is to understand the world of "relativity," the greatest challenge for physicists has involved the exploration of the atomic or quantum world. Arguably the greatest contributor to the field of quantum mechanics, Heisenberg (in Capra, 2000, p. 53) viewed quantum theory as a dramatic shift in world view:

"The violent reaction in the recent development of modern physics can only be understood when one realizes that here the foundations of physics have started moving; and that this motion has caused the feeling that the ground would be cut from science."

The quantum world is an environment based on uncertainty and because of this difficult realization, the observer's perception of his place within that world is profoundly altered. Heisenberg (1958) recognized that the observer was also the participator; there is no "plate glass" which separates the researcher from what is being observed. The quantum world demands participation and when the individual engages this world, his influence directly impacts the nature of what is being observed. For example, if the researcher *chooses* to measure the velocity of an electron, he must surrender to the quantum rule that the position of this electron can never be accurately ascertained. He has chosen his path of research and because of this decision, what is revealed is wholly dependent upon this choice.

One need not venture into these strange worlds to grasp the importance of the *relationship* which exists between the individual and the environment. In the field of physics, the role that is played by the individual as both an observer and participator, no matter the nature of the environment, remains vital to any understanding of any given coordinate system and its governing principles. Moreover, it is within this connection of individual/environment that great theories in a number of sciences have been articulated. Physics is only one "brand" or method through which humankind can view

the importance of this essential human dynamic. The theory of Contained Capitalism seeks to transform the basic concept of coordinate system as a means through which to explain the economic nature of the individual/environment dynamic.

### ***Economic Coordinate System***

The theory of Contained Capitalism posits the notion that the well developed concept of coordinate system can be applied to economic theory. It is an obvious given that no nation or state exists separate from economics. In this sense, it matters not that the nature of economics varies from one system to the next. From the moment that a state is created, its political ideology frames its economic perspective. Economics and political ideology are inseparable and in some ways symbiotic, each functioning to further define the other. The United States is a democratic, political system that could not be so without the economic reality of capitalism. Even with America's significant democratic imperfections, the fact remains that without free economic exchange, there is no freedom. Economy then represents the most direct expression of political ideology; democracy is realized in the freedom to acquire property and to engage in open market exchange. Command economies dictate what is to be exchanged and when; freedom to choose based on individual will is largely an illusion. Economic reality is as "real" as physical reality in that it consistently and profoundly impacts human existence. It is a field of energy defined not by physical structure but by a nexus of human interaction and activity. This is no more obvious than when a nation faces an economic crisis. Economic system instability equates to environmental instability and the impact of this imbalance is felt by every member of a given society. No one escapes the effect of economic instability; from high gas prices to real estate market crashes, the field of economic energy surrounding the individual is significantly altered. One need not stand in a bread line to recognize the fear generated by economic imbalance or crisis. In terms of "frame of reference," unstable economic conditions cultivate fear, anger, and most importantly, a state of learned helplessness. Conversely, the power of prosperity creates a field of energy that positively alters the individual's view of reality.

Optimism and a drive to seek and conquer challenges emerge as a fundamental perception of circumstance. In other words, this individual is “elevated” and the “frame of reference” transforms his view of life. He now sees himself as capable of acquiring a better life and the obstacles which appear before him are but necessary and surmountable challenges on the road to success. Thus, economic crisis cultivates a state of learned helplessness and, in prosperity, empowerment and determined action. These two extreme positions provide examples of the profound influence that economics as a field of energy can have on the individual’s mental state. As Mises (1996) believed, economics is much more than market calculation; it is human action and exchange and there is nothing insignificant or peripheral about such interaction.

In the application of CS to economics, every sovereign nation can be characterized as an Economic Coordinate System (ECS), with ideology and rules that together govern human activity within that system. These rules, not unlike physical coordinate systems, significantly define the economic reality of the individual and form the foundation of the economic environment. While the stability of an ECS will vary depending upon a multitude of factors, the rules or principle tenets remain fixed. The structure of an ECS includes the following: 1. *political* sovereignty of the state; 2. economic ideology and a system of economics reinforced by rules of both structure and process or engagement; and 3. a frame of law. Given these principles, the United States can be defined as a sovereign, democratic nation with a well established economic ideology (capitalism) reinforced with rules of market engagement that, if violated, result in penalty. These properties are not complex in their design and yield a basic, common sense understanding of Economic Coordinate System.

Further analysis of America’s ECS regarding political sovereignty reveals a phenomenon common to all national Economic Coordinate Systems; namely, the system’s political frame permits the formation of hundreds of microcosmic ECS within the national economic field. In classical mechanics, the *natural* coordinate system of the Earth represents the principle coordinate system upon which all other coordinate systems are compared. Any additional CS can be evaluated in terms of its “alignment”

with the initial frame of reference. The Galilean Relativity Principle states that “if the laws of mechanics are valid in one CS, then they are valid in any other CS moving uniformly relative to the first” (in Einstein, 1966). Regarding ECS theory, each separate ECS within the nation is considered valid if it “moves uniformly” relative to the national ECS. As a point of reference then, all coordinate systems within this economic “universe,” from state to municipal economies, adhere to the same fundamental economic properties or principles. It is essential to note that any ECS which extends from the original is connected or subsumed under its political sovereignty, economic rules, and frame of law. In the case of the United States, the sovereignty of any particular state, its governance, and its legal system, are all assumed under the authority of the national ECS. No town, county or other governmental body within the system can force upon the people any laws which by design are in conflict with that of the federal body; to do so would equate to autarkic independence and would weaken the sovereignty of the nation. Therefore, no matter the place or the level of government, all ECS extend from the national ECS and are considered valid or representative of that initial system. While Mises (1996) viewed autarky as a threat to national sovereignty, his assumption was based on a *classical* view or definition which assumed political independence. In this way, autarky produces economic microcosms that, by design, become “nations” unto themselves. Obviously, the development of the *classic* form of autarky would significantly compromise the sovereignty of a state. Even if a common currency is used to exchange goods and services within and between systems, the fact remains that each enjoys political self-determination within its own “command structure.” It is this circumstance which yields an autarkic independence that inevitably damages the national ECS.

Within the theory of Contained Capitalism, political autarky is recognized as counter-productive and destructive to the sovereignty of the nation. Conversely and as importantly, any new Economic Coordinate System “connected” to or that extends from the national ECS merely produces a reflective system that cannot achieve true self-autonomy. The solution involves the creation of *specialized* economic autarkic systems

which are completely **apolitical** and have no bearing or direct influence on the political structure of the nation. Autarkic existence then equates to economic self-determination as it relates to the management of essential life needs; it is achieved without any modification or dilution of political sovereignty. It is imperative that these newly generated and specialized autarkic systems, which will be referred to as community-based autarkies, are geographically situated without any reference to **political** Economic Coordinate Systems. Specifically, autarky must be defined as newly formed “regional alliances” which are developed under entirely different organizing principles – community-based autarkic ECS cannot equate to political ECS. These new systems must adhere to a different set of economic laws, constituting an entirely new economic coordinate system. The resulting system and its new orientation will serve to modify the economic field. Just as in the case of physical coordinate system, when the rules are significantly modified, the individual’s point of reference is profoundly altered. In other words, a new relationship and connectedness between the individual and environment is achieved. Contained Capitalism seeks to enhance the individual/environment dynamic through the creation of community-based autarkies which comply with the following three organizing principles: 1. they are apolitical in nature; 2. management of essential life needs is removed from the open market system; and 3. they are absent of any command structure.

### ***Identity and Self-actualization***

There is an interesting paradox that occurs when roles are used to define the nature of “self.” Specifically, roles are incredibly easy for the individual to access because of relevance and proximity. Without any effort at all, questions regarding self and identity can be easily answered by way of describing an “aspect” of self within a particular role. Roles can be a vehicle through which the tremendously difficult questions of identity can supposedly be answered. However, the truth of the matter is that identity is something that cannot easily be explained and definitions focused on role orientation seem two-dimensional and absent of substance. Discovery of identity is

a process-oriented concept that requires contemplation of self not as a set of roles, but as a collection of values and beliefs within an ever-changing reality. The very nature of identity forces the individual to recognize that self is a projection of its essence-like quality and that roles are merely convenient expressions employed as a means to shape life. While role investment does have utility value, over-investment at the exclusion of identity introspection and development severely limits the individual's process of self-discovery. For example, the role expression of "I am father" is limiting in its value because it does not explain *why* fatherhood is important to self-fulfillment. Exploration and contemplation of identity can yield far greater self-awareness; in this case, the importance of fatherhood should be contemplated in terms of developing a more evolved sense of self. There is obviously a great difference between a man who views fatherhood as integral to self-growth compared to one who does not. Each can assume the role of father but what is accomplished within that role is invariably the result of the meaning one attaches to the role. The word meaning implies identity.

Attempting a role-focused explanation of identity can also at times lead to self-deception, moving the individual even further away from a truthful understanding of self as expressed through identity. This is particularly true for those who generate over-investment in any particular role. Identity homeostasis can never be achieved when one role assumes a superior position over all others, creating the likelihood of that role becoming the defining "element" of self. As a result, the individual forms perceptions and impressions of life through the "looking glass" of this role. Rather, it is of much greater benefit to reveal **self** rather than any particular role to another; what is promoted is often what is perceived.

Although this concept of identity remains difficult to comprehend, theorists such as Erikson emphasize that it is central to one's development, and that healthy identity is characterized by fluid adaptation largely achieved through ego stability and a sense of integrated wholeness. Whatever the approach, the importance of identity as a means through which to develop an integrated sense of self is paramount in healthy human development.

Through the use of an ascending hierarchy, Maslow (1999) outlined the value of understanding human motivation as a function of need satisfaction. Human need can be ordered and satisfaction of lower-level wants permits the individual to focus motivation on higher-order need fulfillment. Basic to any species is the satisfaction of physiological need: food, water, and shelter. Once these needs are attained, motivation to acquire a sense of environmental and personal security becomes the focus of human endeavor. Security accomplished permits directed behavior toward establishing a sense of love and belongingness, which consequently leads to the desire to acquire a healthy sense of esteem. Finally and most importantly, an individual who recognizes personal value (esteem) is free to pursue the highest order of need fulfillment: self-actualization.

Maslow (1999) defined self-actualization as the individual's insatiable quest for continuous self-improvement: "What a man can be, he must be." It is impossible to remain in a constant state of actualization. It is elusive and must be continuously re-acquired through a constant redefining and achievement of goals. Additionally, actualizing of self is critical in the development of self-awareness and identity formation. Maslow (1999) thoroughly explored this psychological dynamic, developing a general character profile of those considered to be self-actualizing. The human qualities possessed by the actualizing individual are numerous and representative of value-driven, ego stability. These individuals have great self-confidence, view others (no matter their station in life) as important, are highly ethical, and are constantly identifying and solving problems. Self-actualizing is the process through which the individual transforms and evolves identity.

Maslow (1999) believed that the actualizing person is one who possesses a great care or concern for humanity, and within that powerful motivation, recognizes that the boundary between self and the collective must be largely minimized or erased. In other words, the actualizing person is one who recognizes that it is unnatural to "separate" self from the rest of humanity. Goal fulfillment for any highly developed individual will inevitably involve the substantive connectedness and interchange with community/society.

The previous section introduced central ideas regarding roles, identity, and self-development through the process of actualization. An equally important line of investigation involves the nature of the relationship between community and self. What confounds the inquiry is the complexity of the concepts contemplated and as importantly, the limitations imposed through language. Namely, community remains an elusive notion, certainly relative to more tangible ideas of human grouping. Society, civilization, and other obscure constructs do, however, affirm humankind's value for the collective. They are concepts that provide a contextual landscape for human action and relating. Although Freud (1961) viewed the desires of the individual to be in conflict with the collective, he nonetheless recognized the developmental parallel between the two:

“When, however, we look at the relationship between the process of human civilization and the development or educative process of individual human beings, we shall conclude without much hesitation that the two are very similar in nature, if not the very same process applied to different kinds of object... but in view of the similarity between the aims of the two processes – in the one case the integration of a separate individual into a human group, and in the other case the creation of a unified group out of many individuals – we cannot be surprised at the similarity between the means employed and the resultant phenomena” (p. 87).

The words community and society are often used, particularly in times of crisis, to denote a sense of the collective. The purpose of such words is often to evoke awareness of and connection to something that is larger than self. These words also are commonly used to organize and direct effort, most often in the face of crisis or disaster. While there is an obvious significance to the idea of community, the term remains largely esoteric, particularly when compared to that of other, more tangible “grouping” notions. Family, school, church, and countless other examples of human grouping share the common characteristics of direct relevance and physicality; direct relevance always provides the individual with the catalyst through which roles are created. As a member

of the group, the individual will often ascribe to himself or have others ascribe on his behalf a designated role which marks his place within that organization. Because of their connection to human “grouping,” roles are viewed as integral to human development and provide the framework through which identity is in part realized, developed, and maintained. As discussed above, such an orientation is limiting and often restricts identity exploration. While group investment most certainly is both desirable and necessary for the individual as a developing social being, there are nonetheless potential difficulties associated with “grouping” membership. At the very least, it should be noted that inclusion propagates exclusion for those who do not possess the necessary “membership requirements.” For example, family membership requires blood relation, adoption, or marriage for inclusion. While these criteria appear harmless if not irrelevant, the fact remains that grouping, by design, creates barriers of separation and promotes an “us” versus “them” mentality.

The phenomenon of group separatism is most evident in formations which emphasize shared belief systems. For example, religious “communities” profess strong ideological reference points and inclusion often requires an acceptance of doctrine. While membership in a religious organization can provide significant benefit for the individual, there is force tendency to separate from those whose beliefs lie outside of the prescribed belief system. Specifically, the cohesion energy which binds the group can lead to discrimination against the “outsider.” Conversely, the group can provide sanctuary from the rigors and difficulties of life. Religion, family, and minority “communities” can be institutions which transform the individual by providing purpose and direction. However, unlike the relationship that self has with community, ego boundaries within human “groupings” are necessary for the individual to preserve a defined sense of self.

Just as roles can compromise identity and self-development, so too can human grouping hinder community identity. The power and prominence of grouping is, in part, a product of the ephemeral nature of community. The realness of community only emerges when environments are highly unstable, and purpose is directed not at

individual development and social cooperation but rather the necessity to survive and self-preserve. An essential purpose of the theory and mechanics of Contained Capitalism involves the importance of elevating the notion of community so that it consistently permeates the mind of the individual. While human “grouping” can and will remain vital to human development, the relationship between self and community must be actualized. Just as the individual/environment dynamic plays a central role to any economic coordinate system, so too is self/community integral to the collective evolution of humankind.

### ***The Actualizing Community***

Contained Capitalism supposes that Maslow’s (1999) concept of individual self-actualization can be generalized to a larger context of community. As noted above, current notions of community lack direct relevance and proximity, particularly in environments which demonstrate a modicum level of stability; indeed, emergence of community as a central psychosocial construct is necessitated by environmental stability. In a study by Spector, Klein, Perry, and Feinstein (2003), computer simulation programs were constructed to investigate flocking and feeding behavior in several “flying agents” (i.e. birds). Most revealing in this study was the relationship between feeding patterns and environmental stability. Mutual feeding and altruistic behaviors, which involve the sharing of the resource or “energy,” are prominent in unstable or crisis-oriented environments; these behaviors also increase in highly stable environments as defined by plentiful access to resources. The authors theorize that the sharing of resources within an unstable environment provides the donor with insurance regarding future reciprocation; this behavior is a function of self-preservation rather than being motivated by altruistic intent. The most significant results of the study involve both mutual and charity feeding behaviors within environments that are defined as *highly* stable. Within this environmental context, both forms of resource allocation increase. While common sense dictates that charity behavior increases during times of incredible stability and security, the fact that mutual sharing increases is somewhat counter-intuitive, if such reasoning is based on the proposition of self-preservation. The

answer may be that the high level of environmental stability has resulted in movement from self-preservation to a higher form of mutuality in service of the group or the collective. Charity feeding increases in highly stable environments because the group recognizes that not doing so weakens the collective; every member of the system matters to achieve harmony and increase levels of productivity.

The true purpose of Contained Capitalism involves the creation of need-based, mechanical systems which collectively function to promote a higher form of community organization and self-management. The goal of these newly formed democratic autarkies is to enhance environmental stability, advancing a sense of well-being and security within each member of the community. The hostilities and fears associated with biological competition and self-preservation must be replaced by a heightened awareness of the collective and appreciation of the value of social cooperation. In this way, each individual can be an *effect* of a collective individuation or the idea that the community is not a group but rather a reflection of every individual that exists within that system. Eastern mysticism refers to such a condition as interpenetration which is best expressed in the following way: “all in each and each in all” (Sri Aurobindo in Capra, 2000, p. 292). Thus, the greatest distinction between human grouping and this heightened state of actualizing community is that while the individual is *connected* with various groups, he is *interconnected* with community. The actualizing community is a “web” or “tissue” that has no delineated parts, just as the universe is now seen as a whole where little can be revealed through the singular object or event.

The preceding sections have outlined the rationale for the development of actualizing communities. The process for achieving this goal begins with the creation and establishment of community-based autarkic economic coordinate systems to serve as “managers” of basic human needs for those living within. As noted previously, the existence of a highly stable environment is imperative for the process of actualizing self and community. This stability serves as the foundation for evolution of a mindset which allows for altruistic behavior in a spirit of social cooperation. It can certainly be argued that basic health and access to appropriate medical services is included in the

physiological needs identified by Maslow; as such, these needs must be met in order to ascend to higher-order needs (e.g. actualization). The following section delineates the crisis facing Americans today regarding the “system” of health care and the resulting sense of instability. In addition, this section provides an overview of the many problems related to the current health care system; these problems provide evidence of the dramatic need for immediate reform. It is clear that, until equitable access to health care services is achieved for every single member of society, the goal of establishing and maintaining actualizing community remains an unrealizable one.

REFERENCES

(See Contained Capitalism: Health Care Mechanics)