

THE BENEVOLENCE OF THE ROBBER BARONS

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The claim that John Jacob Astor and Cornelius Vanderbilt were ruthless exploiters of their fellow men is based on a grave misunderstanding of the market process. As Ludwig von Mises notes, in the market, “Everybody acts on his own behalf; but everybody’s actions aim at the satisfaction of other people’s needs as well as at the satisfaction of his own ... everybody is both a means and an end in himself, an ultimate end for himself and a means to other people in their endeavors to attain their own ends.”¹ The beauty of the market lies in how it drives people to do what is best for society on their own initiative; each actor in the market, by attempting to earn money and benefit himself, voluntarily chooses to “help” others in the market.

Vanderbilt put Edward Collins -- a competing steamship operator -- out of business because, and only because, Vanderbilt could do the job better. The market guides participants towards those activities they do best; in so doing, the market guides each person towards the activity in which will best serve his fellow man. By making money, Vanderbilt proved he was doing what other people wanted him to do. The fact that he put Collins out of business means exactly one thing: he was better at the job than Collins was, and created more value for the rest of the participants in the market than Collins did. If it seems “unfair” that Collins was driven out of a business which he started, then perhaps we should look at it this way: Collins was best suited for starting the business, but Vanderbilt was best suited for making it efficient and accessible to many people. “Society” “needed” each man for a different purpose, and under the direction of the free market, each man served his appropriate purpose.

¹ Ludwig von Mises, “Human Action,” p. 257

John Jacob Astor, too, merely acted in the capacity where he best served the interests of his fellow man. In fact, in his case, he was even punished for behaving in a non-useful manner: when he got too greedy and started mistreating his low-level employees, they punished him by leaving to work for better employers, such as Jim Bridger, and Astor was driven out of his own fur business, thanks to his mismanagement of the employees. Still, despite letting his focus on profits get away with him in that instance, his talent for management and his keen business sense allowed him to continue to create wealth for the rest of society.

Complaining that Astor did not look out for the interests of his fellow men is silly: he didn't have to. The market guided him to do what was best for others without his consent. " ... in a sense, Astor did not have to 'give back to the community' in charitable contributions because he had virtually built Manhattan with his capable real estate ventures ... He provided jobs for thousands of people from Canada to the Dakotas, yet sold his products at a price so low that no one could match it for years."²

The key point is that a good entrepreneur doesn't *have* to care about the rest of society. He acts in society's best interests by default. When an entrepreneur drives the price down of a good, he is providing value for each consumer in that market; they can now purchase goods for which they did not have sufficient resources before his innovation.

The best way to serve society -- the best form of philanthropy -- is productivity. If you want to help your fellow man, make a lot of money.

² Larry Schweikart, "The Entrepreneurial Adventure," pp. 69-70.