

The Mind-Based Etymology of ‘Capitalism’

RICHARD M. SALSMAN

Political-economic systems are identified by broad abstractions such as “capitalism,” “socialism,” “communism,” “fascism.” Philosophy and history enable us to identify, in broad abstractions, the essence of political economic systems. But the meanings of these abstractions can sometimes be difficult to retain. Etymology, the study of the origin and development of words, can help us to concretize and retain the essence of these systems by exposing their roots. In the case of “socialism,” “communism,” and “fascism,” the words relate clearly and directly to their respective systems. Etymologically, *socialism* derives from the same root as “social” and “society”; *communism* derives from the same root as “commune” and “community”; *fascism* derives from the Italian word *fascismo*, which derives from *fascio*, which means a bundle of rods tightly bound together (from *fascēs*, Latin for “bundle” or “group”).¹

But what about capitalism? Is it just about capital, wealth, economics, money? Or is there a deeper meaning in the etymological roots of this term—a meaning that ties into and supports a broader meaning of the system?

Origins of ‘Capital,’ ‘Capitalist,’ and ‘Capitalistic’

The terms “capital,” “capitalist,” and “capitalistic” were used for centuries before the term “capitalism” was coined.² The term “capital” derives from “caput,” which is Latin for “head.” The most-recognized form of wealth in early recorded history was cattle, and the extent of a man’s wealth was commonly measured by the total *head* of cattle that he owned. Closely related is the adjective “pecuniary,” which

Dr. Salsman is assistant professor in the Philosophy, Politics, and Economics Program at Duke University and president of InterMarket Forecasting, Inc.

indicates a relationship to wealth; it derives from *pecu*, Latin for “cattle.” In time, the concept of capital was used to signify wealth more generally. The related concept of “chattel,” meaning personal property other than land, also developed from this broader use of “capital.”³

During the Renaissance (14th to 17th century), the world’s freer economies became more sophisticated and diversified. Commerce, industry, and finance bloomed. People needed a new term to designate those who accumulated and invested capital. Thus, the concept “capitalist” was born.

Although the root of capital and its derivatives is “caput,” for “head” of cattle (a measure of wealth), these terms also pertain to “heads” more broadly construed—including the human head. The head of a nation’s government, we all know, resides in its capital. The head of a ship or a sports team is the captain. The stone fixed atop a structure is called the capstone. If we calculate per capita income, we divide income by the number of heads. The French language converted “caput” into other terms describing heads of things, such as chiefs, chefs, and chapters. If revolutionaries demand the decapitation of royals, then “heads will roll.” Capital punishment is the loss of one’s head (life). Some hats we call caps because they sit atop human heads.

What about the term “capitalism”? Interestingly, although the Industrial Revolution (beginning in the mid-18th century) demonstrated capitalism at work, the term wasn’t coined or used until the mid-19th century. Even Adam Smith (1723–1790)—the father of political economy, first systematic expositor of the workings of free markets, and author of *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776)—did not use the term “capitalism.” The closest he came was to endorse what he called “the obvious and simple system of natural liberty.” Likewise, prominent philosophers and economists who issued widely-read treatises in the decades surrounding Smith’s 1776 book (e.g., David Hume, Thomas Malthus, Jean-Baptiste Say, James Mill, David Ricardo, J.R. McCullough, J.S. Mill) discussed “capital” and “capitalists,” but not “capitalism.”

Origin of the Term ‘Capitalism’

It is widely but mistakenly believed that German socialist Karl Marx (1818–1883) coined the term “capitalism.” Marx is rightly characterized as the most prominent 19th-century critic of capitalism, which he painted as a system by which capitalists steal wealth by exploiting or underpaying labor. But Marx did not coin the term “capitalism,” and he rarely used it. In the *Manifesto of the Communist Party* (1848), co-authored with Frederic Engels, he assailed “the bourgeois mode of production.” However, aside from the prefaces that Engels added when the term had become

more common after Marx's death, the *Manifesto* doesn't mention "capitalism." "Capitalism" does appear a few times in the three volumes of Marx's massive tome, *Capital*, issued in 1867, 1885, and 1894, respectively (the last posthumously), but only in a superficial, fleeting manner.⁴

The term was coined, however, in 1850 by another socialist, Louis Blanc (1811–1882). Blanc belonged to a small set of French intellectuals known as the "utopian socialists." Beginning in the 1830s, this group, which also included Henri Saint Simon and Charles Fourier, proffered a "voluntarist" socialism.⁵ Blanc used the term "capitalism"—for the first time in print—in the ninth edition of his book *Organisation du travail* ("Organization of Labor").⁶ Notably, he regarded capital and capitalism as being at odds with each other. In the relevant passage, he discusses the "usefulness of capital" and the alleged problem of it being "perpetually confused with what I call capitalism, which is to say the appropriation of capital by some, to the exclusion of others. Let everyone shout 'Long live capital.' We shall applaud and our attack on capitalism, its deadly enemy, shall be all the stronger."⁷

Many writers preceded Marx in using the term "capitalism," and of course, many used it after him. However, it has primarily been used by anti-capitalists. Thus, historically the use of the term "capitalism" has been shaped largely by those who, at best, misunderstood the system or, at worst, understood it but deliberately mischaracterized it in order to attack a straw-man version of it. In 1861, French socialist Pierre Proudhon used the term to describe an "economic and social regime in which capital, the source of income, does not generally belong to those who make it work through their labor."⁸ In *What is Property?* (1840), Proudhon claimed that property is, per se, "theft." Like Marx, he gave capitalism a nefarious connotation.

Beginning in the 1870s, formidable "neo-classical" and Austrian economists refuted Marxist myths about value theory, the source of wealth, "exploitation," and "unstable" free markets. But they rarely referred to "capitalism," regarding it as morally dubious (because egoistic) or, at best, amoral.⁹ Some endorsed a "value-free," mathematized form of economics, modeled on physics. In their view, capitalism is an efficient, productive success—not the expropriating devil portrayed by Marx. But nor did they regard it as moral.

References to "capitalism," mainly by socialists and other anti-capitalists, spread gradually over the last few decades of the 19th century before accelerating in the early 20th century. For instance, in 1880, Irishman William Bailey issued a pamphlet based on his public address, *The Great Labor Movement: Cooperation versus Capitalism*. The first book with "capitalism" in its title appeared in 1894, *The Evolution of Modern Capitalism*, by socialist John A. Hobson. In 1902, Werner

Sombart, another socialist, published *Modern Capitalism*. In *The Protestant Ethic and the Spirit of Capitalism* (1904), sociologist Max Weber argued that the Protestant sect of Christianity was important to the development of capitalism. In 1906, Sombart responded to Weber's thesis with *The Jews and Modern Capitalism*, arguing that Judaism was more of a contributing factor than Protestantism in capitalism's emergence. (Sombart was critical of capitalism and Jews alike.)

Authoritative, widely-cited dictionaries, encyclopedias, and books reveal a relatively slow adoption of the term. John Joseph Lalor's three-volume *Cyclopaedia of Political Science, Political Economy, and of the Political History of the United States* (1881) included an entry on "capital" but not "capitalism."¹⁰ Likewise, for the *Dictionary of Political Economy* by R. H. Inglis Palgrave (with editions appearing between 1899 and 1926).

In the 1920s, a few writers ascribed more positive meaning to the term. In 1920, British financial journalist Hartley Withers published *The Case for Capitalism*, describing capitalism as "the system based on private property, competition, individual effort, individual responsibility and individual choice." Under capitalism,

all men and women are more or less often faced by problems which they have to decide, and, according as their decision is right or wrong, their welfare and that of their dependents will wax or wane. It is thus very stimulating and bracing and might be expected to bring out the best effort of the individual to do good work that will be well paid so that he, and his may prosper and multiply.¹¹

In 1926, J. L. Garvin penned a semi-apologetic essay, "The Case of Capitalism," for the *New York Times*.¹² And in 1929, he wrote a brief entry on "capitalism" for *Encyclopedia Britannica*, of which he was an editor.¹³ In that entry he wrote, "There is no satisfactory definition of the term, though nothing is more evident than the thing," and that it "came into general use during the second half of the nineteenth century as a word chiefly signifying the world-wide modern system of organizing production and trade by private enterprise free to seek profit and fortune by employing for wages the mass of human labor."

Unfortunately, by the 1930s the anti-capitalist mentality was entrenched. This development was presaged by the vicious sentiments expressed by British economist John Maynard Keynes, in "The End of Laissez-Faire" (1926), where he reviled "the essential characteristic of capitalism, namely the dependence upon an intense appeal to the money-making and money-loving instincts of individuals as the main motive force of the economic machine." Keynes held that capitalism tragically encourages the "individualist" who, "acting through the pursuit of profit," seeks "to bring about production on the greatest possible scale." "Capitalism," he concluded, "is in

many ways extremely objectionable.”¹⁴ The subsequent stock-price crash of 1929 and Great Depression of the 1930s were blamed not on the real culprit—socialistic government interventions—but on free markets and capitalism. In 1930, the *Encyclopedia of the Social Sciences* included a thirteen-page entry on “capitalism,” written, unfortunately, by Werner Sombart.¹⁵

Fortunately, favorable and formidable books on capitalism emerged between the 1940s and 1960s. The trend began with defenses of capitalism on economic grounds, such as Louis M. Hacker’s *The Triumph of American Capitalism* and Carl Snyder’s *Capitalism the Creator: The Economic Foundations of Industrial Society*.¹⁶ Then came works that highlighted the connection between capitalism and freedom, such as Friedrich A. Hayek’s *Capitalism and the Historians*, Ludwig von Mises’s *The Anti-Capitalistic Mentality*, John Chamberlain’s *The Roots of Capitalism*, and Milton Friedman’s *Capitalism and Freedom*.¹⁷ This pro-capitalist trend peaked with the works of Ayn Rand—especially *Capitalism: The Unknown Ideal* (1967)—which provided the first thorough demonstration that capitalism is the only practical *and* moral social system, with the mind as the root of wealth-creation and egoism as the only proper moral code.¹⁸ These influential works contributed to renewed interest in free markets and their foundations. It is no surprise that the elections of Margaret Thatcher in Britain and Ronald Reagan in America soon followed.

Despite decades of intellectual and political progress toward capitalism, as late as 1987, just before the collapse of the Union of Soviet Socialist Republics, the editors of the four-volume *New Palgrave Dictionary of Economics* felt justified in assigning the “capitalism” entry not to any of the new pro-capitalist intellectuals—two of whom had won the Nobel Prize in Economics in the 1970s¹⁹—but to a long-time socialist, Robert Heilbroner.²⁰ Likewise, the entry on “socialism” was given to an apologist for socialism, Alec Nove, who argued in a 1983 book that socialism was “economically feasible.”²¹

Given that the term “capitalism” was coined and used mainly by its critics—and given that it long lacked a principled, moral defense—it is unsurprising that many of its would-be defenders preferred terms such as “the market economy” and “free enterprise.” Even today, some proponents of free markets actively reject the term “capitalism” despite the fact that in the mid-20th century, Ayn Rand made capitalism’s moral foundation indisputably clear.²²

‘Capitalism’ Rightly Understood

Ayn Rand argued that reason is our main means of survival, that brains, not brawn, are the primary source of wealth creation and flourishing. She demonstrated why

human intelligence and productive prowess must be free if they are to function properly, and—of most relevance here—that capitalism is the only social system that protects individual rights, frees man’s mind, and enables him to produce, trade, and prosper.²³ Rand defined “capitalism” as “a social system based on the recognition of individual rights, including property rights, in which all property is privately owned.” Crucially, “it is the basic, metaphysical fact of man’s nature—the connection between his survival and his use of reason—that capitalism recognizes and protects.”²⁴

Etymology helps us to understand how and why terms developed as they did. The etymology of “capitalism” integrates seamlessly with the system to which the term refers. Capitalism is the system that respects the mind, frees the mind, is based on the mind, and is driven by the mind.

There is no better name for *the system of the mind* than “capitalism.”

Endnotes

1. The etymological roots of socialism, communism, and fascism are clearly collectivist; in such systems the individual is subordinated to the group, however the latter is defined.
2. The main sources for the etymology of terms discussed in this essay are the *Oxford English Dictionary* (London: Oxford University Press, 2018), plus various dictionaries and encyclopedias dating from the 19th century. According to Fetter, “There is no obscurity about the origin of the term ‘capital.’ It made its appearance first in medieval Latin as an adjective *capitalis* (from *caput*, head) modifying the word *pars*, to designate the principal sum of a money loan.” See Frank Fetter, *Capital, Interest, and Rent* (Mission, Kansas: Sheed Andrews and McMeel, Inc., 1977), 154. The term “capitalist” was first used in 1788 by Étienne Clavier (in French, “*capitalistes*”) and soon thereafter by economic historian Arthur Young, in his *Travels in France* (1792). A concise account of the etymology of “capital,” “capitalist,” and “capitalism” appears in Fernand Braudel, *The Wheels of Commerce: Civilization and Capitalism, 15th–18th century*, vol. 2 (Berkeley, CA: University of California Press, 1979), 232–39. See also “capitalism” in Raymond Williams, *Keywords: A Vocabulary of Culture and Society* (New York: Oxford University Press, 2015), 17–19.
3. “Capital” derives from *capitale*, a late-Latin word (itself derived from *caput*, or “head”), which emerged in the 12th and 13th centuries and referred to stocks of merchandise, funds generally, sums of money, and money lent at interest.
4. Although the first volume includes sections titled “The Capitalistic Character of Manufacture,” “Capitalistic Production on a Progressively Increasing Scale,” and “The General Law of Capitalist Accumulation,” only in chapter 24 is “capitalism” mentioned, as “the period when social wealth becomes to an ever-increasing degree the property of those who are in a position to appropriate continually and ever afresh the unpaid labor of others.” In chapter 16 of the first volume, Marx refers to “the prolongation of the working-day” and “the appropriation of surplus-labor by capital” as “the general groundwork of the capitalist system.” The second volume makes only four references to “capitalism,” but without any systematic claims or discussions. Likewise, volume three mentions the term just thrice, each in a superficial, fleeting manner. See Karl Marx, *Capital*, vol. 1 (1867), 414, available at: <https://www.marxists.org/archive/marx/works/download/pdf/Capital-Volume-I.pdf>.
5. Disparate socialistic theories existed prior to the 1830s, notably from Plato. But socialism as a modern theory and movement took hold in the 1830s. See William Guthrie, *Socialism Before the French Revolution* (London: Macmillan Company, 1907), which is also an early source for (mostly derogatory) mentions of the term “capitalism.” Beyond France, a “cooperative” form of socialism was pushed by Robert Owen (1771–1758) in Britain and America, beginning in the 1820s, but he didn’t refer to “capitalism” as a system.

6. Geoffrey M. Hodgson, “Capitalism and Its Usage,” in *Conceptualizing Capitalism: Institutions, Evolution, Future* (Chicago: University of Chicago Press, 2016), 252–253. See also Steven G. Marks, “The Word ‘Capitalism:’ The Soviet Union’s Gift to America,” *Society*, 2012, 155, n. 4.
7. Cited in Eve Chiapello, “Accounting and the Birth of the Notion of Capitalism,” *Critical Perspectives on Accounting*, vol. 18 (2007), 276; see also Hodgson, “Capitalism and Its Usage,” 252. Notably (and paradoxically), Blanc ends the passage by saying capital is the “enemy” of capitalism, a precursor to Marx’s subsequent dogma that capitalism wasn’t sustainable because capitalists would over-accumulate capital and thereby suffer a declining rate of profit.
8. Cited in Braudel, *The Wheels of Commerce*, 237.
9. The most notable and influential of these economists were Carl Menger, William Stanley Jevons, Leon Walras, Eugen Bohm-Bawerk, and Alfred Marshall. Bohm-Bawerk refuted Marx’s critique of capitalism but did not portray capitalism as a moral or just system; it was, he showed, eminently productive.
10. See John Joseph Lalor, *Cyclopaedia of Political Science, Political Economy, and of the Political History of the United States by the best American and European Authors*, edited by John J. Lalor (New York: Maynard, Merrill, & Co., 1899), 3 vols, <https://oll.libertyfund.org/titles/1459>.
11. Hartley Withers, *The Case for Capitalism* (New York: E.P. Dutton & Co., 1920), 14.
12. J.L. Garvin, “The Case for Capitalism,” *New York Times*, September 12, 1926.
13. J.L. Garvin, “Capitalism,” *The Encyclopedia Britannica*, 14th Edition, vol. 4 (London: Encyclopedia Britannica International, Ltd. 1929).
14. John Maynard Keynes, “The End of Laissez-Faire,” (1926), in *Essays in Persuasion* (London: Macmillan and Co., Ltd., 1931), 312–22.
15. Werner Sombart, “Capitalism,” in the *Encyclopedia of the Social Sciences*, vol. 3 (New York: Macmillan Company, 1930), 195–208.
16. See Louis M. Hacker, *The Triumph of American Capitalism* (New York: Simon & Schuster, 1940) and Carl Snyder, *Capitalism the Creator: The Economic Foundations of Industrial Society* (New York: Macmillan Company, 1940).
17. See Friedrich A. Hayek, *Capitalism and the Historians* (Chicago: University of Chicago Press, 1954); Ludwig von Mises, *The Anti-Capitalistic Mentality* (New York: D. Van Nostrand Company, Inc., 1956); John Chamberlain, *The Roots of Capitalism* (New York: D. Van Nostrand Company, Inc., 1959); and Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962).
18. Rand’s philosophic case for capitalism also appeared, famously, in such works as *Atlas Shrugged*, centennial edition (New York: Penguin, 1957) and *The Virtue of Selfishness: A New Concept of Egoism* (New York: New American Library, 1964). In extolling the free and creative rational mind under capitalism, Rand included not just those in business, but also those in science, engineering, medicine, government, and the arts.
19. Friedrich Hayek won the Nobel Prize in Economics in 1974; Milton Friedman won it in 1976.
20. Robert L. Heilbroner, “Capitalism,” in *The New Palgrave: A Dictionary of Economics* vol. 1, edited by John Eatwell, et. al. (London: Macmillan Press Ltd., 1987), 347–53.
21. Alec Nove, “Socialism,” in *The New Palgrave*, edited by Eatwell et al., 398–407. See also, by Nove, *The Economics of Feasible Socialism* (London: Allen & Unwin, 1983).
22. See libertarian Charles Johnson, “Libertarian Anticapitalism,” *Bleeding Heart Libertarians*, August 18, 2011, <http://bleedingheartlibertarians.com/2011/08/libertarian-anticapitalism/>. See also libertarian professor Bryan Caplan, who argues that “if we were starting from scratch, I agree that it would be great to scrap both ‘capitalism’ and ‘socialism.’ Etymologically, capitalism does sound like a system of rule by capitalists for capitalists and socialism sounds like a system of rule by society for society. Since neither etymological suggestion is true, I wish the terms had never been coined,” in “Should Libertarians Oppose ‘Capitalism?’” *EconLog*, March 2, 2010, http://www.econlib.org/archives/2010/03/should_libertarians_oppose_capitalism.html. Many libertarians and conservatives are reluctant to acknowledge or defend capitalism’s rational, egoistic base; they also sympathize with socialist critics who define capitalism as unjust rule by “crony” capitalists (via “plutocracy”); thus, they prefer amoral, innocuous-sounding terms like “the market economy” or “free enterprise.”
23. See Ayn Rand, “What is Capitalism?” in *Capitalism: The Unknown Ideal* (New York: Signet, 1967), 10–11.
24. Rand, “What is Capitalism?,” 10–11.