

[Capitalism makes the world go 'round](#) [1]

Written by [Sam Bowman](#) [2] | Tuesday 6 March 2012



Tom Palmer ([speaking at the ASI tonight](#) [3]) writes in *City AM*'s excellent Forum section on [why he loves free-market capitalism](#) [4]:

It's a legal, social, economic, and cultural system of decentralised innovation ? what the economist Joseph Schumpeter called ?creative destruction? ? that relies on the voluntary cooperation and exchange among legal equals. Capitalist culture celebrates the entrepreneur, the scientist, the risk-taker, the innovator, the creator. Although derided as materialistic by some, capitalism is at its core a spiritual and cultural enterprise. . . .

Capitalism rests on a rejection of the ethics of loot and grab, the means by which most wealth enjoyed by the wealthy is acquired in other economic and political systems. For much of human history, those who were rich were rich because they took from others, and especially because they used their power to gain monopolies and to confiscate the produce of others through taxes. It's only under conditions of capitalism that people commonly become wealthy without being criminals.

Palmer makes the crucial distinction between free-market capitalism and crony capitalism:

It's important to distinguish free-market capitalism from crony capitalism, a system that has mired many nations in corruption and backwardness and is, sadly, on the rise. In many countries, if someone is rich, there is a very good chance that he (rarely she) holds political power or is a close relative, friend or supporter ? in a word, a crony ? of those who do hold power, and that his wealth came not from being a producer of valued goods and services but from enjoying the privileges that the state can confer on some at the expense of others.

This is a crucial point. Far too often, capitalism's advocates and critics end up talking past each other. When liberals defend capitalism, they mean the system that free enterprise gives rise to. When people attack capitalism, they tend to mean the current state-subsidized, state-protected economic system where large corporations are in bed with government and use the state to enrich themselves at other people's cost. No wonder both sides find these debates so frustrating ? all too often, they're not even talking about the same thing.

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