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Moral and responsible capitalism [1]

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Let's face it: capitalism is a lot more moral and responsible than politics. Many people think capitalism can never be moral because it's rooted in self-interest. But that confuses self-interest with greed. Self-interest is natural and indeed essential: none of us would survive long if we neglected our own needs. Equally, nobody survives long in business if they get a reputation for being greedy.

Politicians pursue their party interests by doing down others, but capitalists can serve their own interests only by serving other people's. If they deliver excellent products, services and value to customers, they will prosper. If they deliver bad value, they will fall to the competition.

Where politics creates conflict, capitalism creates peaceful cooperation on an international scale. Creating the simplest product involves thousands of people. A cotton T-shirt, for example, requires the work and collaboration of farmers, truckers, designers, machine-makers, weavers, dyers, packagers, exporters, retailers and many others from all over the world. Each contributes their effort willingly, for the reward it bring them; and their efforts are coordinated by the market to produce benefits for us all.

Some people imagine that capitalism creates conflict, citing the tension between buyers and sellers. But when things are decided politically, the conflict is far greater. Capitalism produces a wide variety of goods, serving the diverse needs and tastes of the public; political decisions are all or nothing, delivering only what the majority choose.

Capitalism reduces conflict, but is it fair? People often complain that nurses are paid just a fraction of what a premier league footballer earns. But this is simply the result of voluntary choices. Very few people have the talent to play in the premier league, and millions of people are willing to pay handsomely to watch them do so. Many people could become nurses, but they can care for only a few people at a time. Those factors create a disparity in pay; but nobody has acted unjustly.

And even with such obvious difference, capitalist societies are actually more equal, more prosperous, and happier than others. Inequalities are greatest where power, not money, is what counts. And there is more social mobility and opportunity in capitalist societies. In politically dominated society, your success depends on you being a member of the right party, or race, or family.

People in businesses, large or small, are no different from anyone else. Some are upright, virtuous characters, and some are not. But capitalism pushes them in the direction of virtue. If markets are open and competitive, producers can survive only by producing good value for others; anything less and they will quickly lose customers to other producers. And what is it that reduces market competition and openness?

Things like government regulations that raise barriers to entry or dictate how people should run their business, or taxes that distort investment decisions or whittle away the incentive to profit by serving others. Capitalism is perfectly moral and responsible, if only politicians let it be.

Eamonn Butler is author of The Best Book on the Market[3].

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