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"Three Cheers for Capitalism"

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Malcolm S. Forbes, Jr. is the president and chief executive officer of Forbes Inc. and editor-in-chief of *Forbes* magazine, which, with a paid circulation of approximately 750,000, is the world's largest business journal. Also chairman of Forbes Newspapers Inc., Mr. Forbes serves on the boards of numerous civic, business and educational organizations, including the Ronald Reagan Presidential Foundation and the Foundation for Student Communication. From 1985 to mid-1993, he also chaired the Board for International Broadcasting, which oversees Radio Free Europe and Radio Liberty.

Preview: *This month's* Imprimis *issue by Malcolm S. Forbes, Jr. promotes understanding capitalism as a moral as well as an economic system. He observes that central planners and politicians always underestimate the power of the free market and of individual decisions. Mr. Forbes' remarks were delivered at Hillsdale's Shavano Institute for National Leadership seminar, "American Perestroika: Returning Public Services to the Private Sector," in Atlanta before an audience of nearly 500 business and community leaders in May 1993.*

Living in the 1990s, we are uniquely able to judge what the American economy has achieved in the 20th century. For this reason, we ought to give three cheers for capitalism. By the term, I mean "democratic capitalism," which is as fundamentally different from the "managed capitalism" of modern-day central planners as it is from the "state capitalism" of old-style fascists, socialists, and communists.

Capitalism works better than any of us can conceive. It is also the only truly *moral* system of exchange. It encourages individuals to freely devote their energies and impulses to peaceful pursuits, to the satisfaction of others' wants and needs, and to constructive action for the welfare of all. The basis for capitalism is not greed. You don't see misers creating Walmarts and Microsofts.

Think about it for a moment. Capitalism is truly miraculous. What other system enables us to cooperate with millions of other ordinary people–whom we will never meet but whom we will gladly provide with goods and services–in an incredible, complex web of commercial transactions? And what other system perpetuates itself, working every day, year in, year out, with no single hand guiding it?

Capitalism is a moral system if only because it is based on *trust*. When we turn on a light, we assume that there will be electricity. When we drive into a service station, we assume that there will be fuel. When we walk into a restaurant, we assume that there will be food. If we were to make a list of all the basic things that capitalism provides–things that we take for granted–it would fill an encyclopedia.

How to Become Successful Capitalists

How do we become successful capitalists? The answer sounds simple, but it is often overlooked in places where you would think they would know better. (I am referring, of course, to government, the media, and our most elite business schools and economics departments.) We succeed as capitalists by offering goods and services that others are willing to buy. Many capitalists do not make correct assumptions about what to offer and fail, but that is as it should be. There is no guarantee of success in any area of life, including business–there is always risk. The particular advantage of capitalism is that failed businesses don't necessarily equal a failed economy; they make way for successful businesses.

But even the most successful businesses can't afford to forget about market principles. AT&T is a case in point. In the 1970s, fiber-