

Capitalism Still Inspires Hope for the World's Citizens

By Norman R. Augustine



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Capitalism, which has regrettably become a somewhat pejorative term to many (explaining why I prefer to refer to it as the free enterprise system), has arguably done more to improve the quality of people's lives than any other economic system in history. Even the People's Republic of China's tenuous experiment with a capitalist economy managed to move more Chinese from poverty into the middle class than there are Americans to move anywhere.

It didn't take long for America's early settlers to figure out the power of capitalism. As John Smith wrote in Jamestown in the early 1600s, "When our people were fed out of the common store, and laboured jointly together, glad was he who could slip from his labour, or slumber over his task, we care not how; nay, the most honest among them would hardly take so much true pains in a week as now for themselves they will do in a day..."



The essence of capitalism is motivation; that is, coupling contribution with reward. Yet, this rather logical approach has proved more difficult to implement than might be expected. Consider the compensation of public-school teachers, which correlates more closely with seniority than with teaching impact. The same goes for civil service pay, which is quite flat within a given job category. In the

book *Augustine's Laws*, I sought to correlate CEO compensation with company financial performance. Dismayingly, the so-called correlation was basically a shotgun pattern. The resulting "Law VII" rather apologetically states, "There are many highly successful businesses. There are also many highly paid executives. The policy is not to intermingle the two." Which is to say, all that sounds like capitalism may not be capitalism.

But for capitalism to prosper also requires an element of oversight and control. This includes making provisions for the less fortunate members of society and ensuring that competition exists among suppliers. To be effective, the latter demands regulation that is both clear and consistently applied.

But herein lies the rub. While your writer most assuredly would not wish to demean the integrity and dedication of the great majority of those who serve in our government (I proudly devoted 10 years of my life as a public servant), one must ask how the private sector can respond to policies espoused by senior government officials when the average time those policymakers remain in their jobs is barely two years — after which their policies often vanish with them. Worse yet, over halfway through the current administration (and this is typical of most administrations), about 700 of the 1,200 presidentially appointed positions requiring Senate confirmation have not yet been filled. What private sector firm would survive with such practices, and how can the private sector and capitalism prosper on a playing field governed by constantly changing rules and referees?

Sadly, free enterprise is further threatened throughout much of the world by the rise of autocrats — themselves prime exhibits of the consequences of the absence of competition. Thus, confronted with both internal and external threats, can true capitalism survive? The answer is likely to be "yes," largely because of the inherent strengths of capitalism itself. But even then, it can survive only so long as freedom survives.

Capitalism and freedom, the essence of America's great success, are reflected in surveys showing that when individuals around the world are asked in what country they would prefer to live were they required to leave their home country, 57% answered the United States — about 9% answered China. My wife, an immigrant, describes America, with its freedom and free enterprise system, as "the Land of Hope."

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