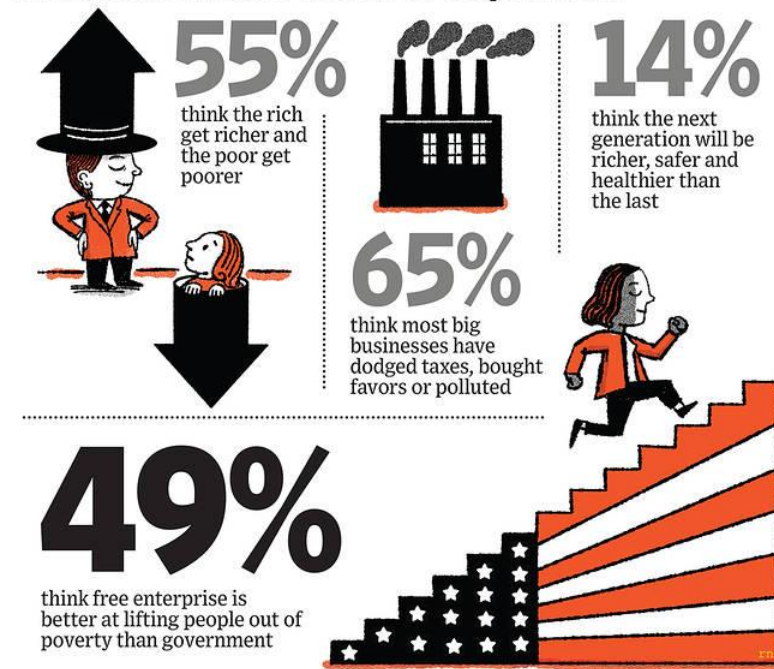


Has the World Lost Faith in Capitalism?

A new survey suggests that restoring confidence in free enterprise will mean ensuring that the same rules apply to everyone

What Americans Think of Capitalism



A look at contemporary views of capitalism

By Tim Montgomerie

If you want to find people who still believe in "the American dream" — the magnetic idea that anyone can build a better life for themselves and their families, regardless of circumstance — you might be best advised to travel to Mumbai. Half of the Indians in a recent poll agreed that "the next generation will probably be richer, safer and healthier than the last."

The Indians are the most sanguine of the more than 1,000 adults in each of seven nations surveyed in early September by the market-research firm YouGov for the London-based Legatum Institute (with which I am affiliated). The percentage of optimists drops to 42 in Thailand, 39 in Indonesia, 29 in Brazil, 19 in the U.K. and 15 in Germany. But it isn't old-world Britain or Germany that is gloomiest about the future. It is new-world America, where only 14% of those surveyed think that life will be better for their children, and 52% disagree.

The trajectory of the world doesn't justify this pessimism. People are living longer on every continent. They're doing less arduous, backbreaking work. Natural disasters are killing fewer people. Fewer crops are failing. Some 100,000 people are being lifted out of poverty every day, according to World Bank data.

Life is also getting better in the U.S., on multiple measures, but the survey found that 55% of Americans think the rich get richer and the poor get poorer under capitalism. Sixty-five percent agree that most big businesses have dodged taxes, damaged the environment or bought special favors from politicians, and 58% want restrictions on the import of manufactured goods.

These findings don't mean that Americans are necessarily ready to give up on free enterprise. To paraphrase Winston Churchill, they think that capitalism is absolutely the worst economic system except for all of the others that have been tried from time to time. Forty-nine percent still agree that free enterprise is the best system for lifting people out of poverty; only 18% disagree. And by 61% to 12%, Americans agree that unemployment is a bigger social problem than the existence of a super-rich elite.

Friends of capitalism cannot be complacent, however. The findings of the survey underline the extent to which people think that wealth creation is a dirty business. When big majorities in so many major nations think that big corporations behave unethically and even illegally, it is a system that is always vulnerable to attack from populist politicians.

John Mackey, the CEO of Whole Foods, has long worried about the sustainability of the free enterprise system if large numbers of voters come to think of businesses as basically a bunch of psychopaths running around trying to line their own pockets. If the public doesn't think business is fundamentally good, he has argued, then business is inviting destructive regulation. If, by contrast, business shows responsibility to all its stakeholders—customers, employees, investors, suppliers and the wider community—the impulse to regulate and control would be lessened.

Mr. Mackey wants businesses to focus on maximizing purpose as much as profit. He highlights how, for Southwest Airlines, the mission is to give more Americans the ability to see the world. That aim is communicated from the top to the bottom of the company. Google's mission is to organize the world's information so that it is universally accessible. For his Whole Foods chain, it is about helping people lead longer, healthier lives through better food choices.

Of course, many big businesses see close connections with government as part of their purpose and as a blessing rather than a curse. In his recent book, *The Great Divide*, the economist Joseph Stiglitz identifies those capitalists who have found innovative ways of persuading the government to protect their market status. He calls this phenomenon *socialism for the rich*.

Michael Gove, a minister in Britain's Tory government who represents a different brand of politics from Prof. Stiglitz's, has reached similar conclusions. He makes a distinction between the *deserving rich* who work hard and creatively, adding value to society, and an *undeserving rich* who feast on government interventions, rig rules and sit on each other's remuneration committees.

Banks are uppermost in the minds of most people when we think of crony capitalism. We remember how some banks quickly punished small-business people or private households when they fell into financial distress. But when those same banks and financial institutions got into trouble seven years ago, they were bailed out by the taxpayer, and a different set of rules seemed to apply.

For today's pessimism about capitalism to be overturned, people must think that the same rules apply to everyone. For capitalism to enjoy the public's confidence, we need a system where the

rich can get poorer as well as the poor richer. There must be snakes as well as ladders in the boardroom board game.

Which capitalists are still popular? Another global survey conducted by YouGov seeks to identify the world's most popular person each year. The winner for the past two years hasn't been a celebrity or sports star. It hasn't been Barack Obama or even the pope. It has been Bill Gates, the founder of Microsoft and a transformational philanthropist.

Those who are determined to restore faith in capitalism won't just champion figures like Bill Gates and John Mackey. They will be tough on the crony capitalists who cheat emissions regulators or fix financial markets. When capitalism is seen to be both fair and effective, it can be popular again.

Mr. Montgomerie is a columnist for the Times of London and a senior fellow of the Legatum Institute, whose new report can be read at Prosperity-for-All.com.