



# WHY CAPITALISM WORKS

## GEORGE GILDER

Now no one disputes that all economic systems reflect the intrinsic self-concern of human beings. But only capitalism creates a group of people, known as entrepreneurs, who have no choice but to concern themselves with the needs and desires of others. These others are their customers.

Few economists, however, actually study the behavior of these entrepreneurs, the creative leaders of capitalist businesses. If they did, they would discover that entrepreneurs by the very nature of what they do must shun greed.

First and foremost, responding to others is the very opposite of greed.

Second, greed, in the economic sphere, is normally expressed as the immediate consumption of goods and services. I grab what I can without regard for others. But entrepreneurs must begin by saving, which is defined as forgoing consumption to achieve long-term goals. Often it takes months, sometimes many years to bring a new product or service to market.

Furthermore, entrepreneurs must collaborate with others, building teams to achieve their aims. In designing their goods and services, they must – once again – focus not on their own needs but on the needs of others. This, too, is the opposite of greed.

So, what entrepreneurs do when they seek profit is far more than self-interest. Rather, profit is a measure of how well a company has served others. Under capitalism, a business prospers only if customers voluntarily trade for its output.

And it's only by improving its service to others that a business can thrive and grow. If the entrepreneur pursues his own interests first and his customers' interests second, his business will fail. And sooner or later an altruistic entrepreneur will surpass him.

Capitalism at its essence, then, is a competition of giving. Of course, self-interest is involved. But the genius of capitalism, and only capitalism, is that it channels self-interest into altruism. Entrepreneurs can only help themselves by helping others.

All those who have started a business, and made great sacrifices to do so, know the drama of that first day: does the world want what I have to give? Whether it's an immigrant opening a beauty salon or Steve Jobs selling an Apple Computer, success is far from guaranteed. In fact, it's just the opposite.

Those courageous souls, the entrepreneurs who are the beating heart of capitalism, who

bring us the endless material benefits we enjoy from ATM machines to life saving medicines -- should be held up for admiration, not torn down.

Altruism is the very reason for capitalism's existence and why it remains the hope of civilization.

I'm George Gilder for Prager University.