



Is Free Market Capitalism Fair?

One of the themes that kept being promoted during our nation's most recent election process was that reform was needed in our tax and monetary systems. There was a lot of talk about how we need to have a system that is fair for everyone. Our economy has been the envy of the rest of the world for many decades. So I pose this question to all of us: "Is free market capitalism fair?"

The definition of fair found in Webster's Dictionary is the following: reasonable or unbiased; not exhibiting any bias, and therefore reasonable or impartial. With that definition, it would be hard to call free market capitalism (FMC) unfair.

There is no doubt that within our economy there are clear winners and losers. What determines who will win and who will lose? This is the beautiful part of the wisdom of FMC as no one thing determines the winners or the losers.

The circumstances of your birth, the education you pursued, the jobs you took, the jobs you quit, or the jobs you didn't take cannot fully account for your success under capitalism. What capitalism can afford you is the opportunity to try, to pursue, to fail, to achieve, and to be rewarded for your efforts.

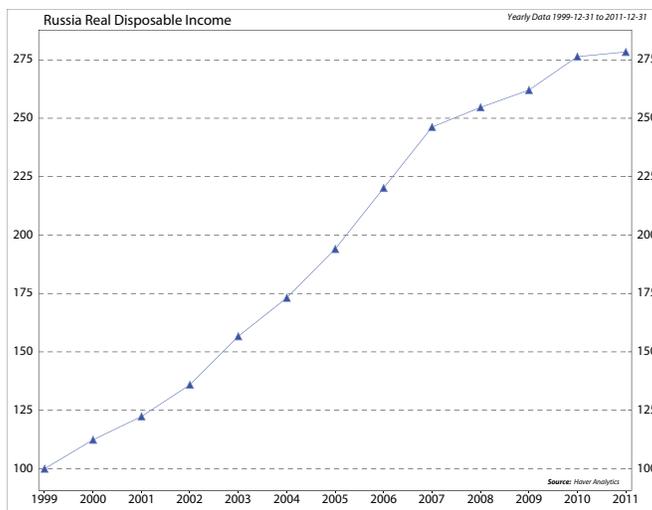
Capitalism cannot account for the size of your reward, nor guarantee that it will be commensurate with the effort expended in the attainment of your goals. All capitalism does is say, "Go for it!"

When people state that our system should be fair, they are really saying that everything in our economy should be equal. Capitalism is fair but not equal. The definition of the word equal, also from Webster's, is the following: identical in size, quantity, value, or standard.

If you think that equality sounds good, let me say it another way: "To each according to his need, from each according to his ability." This statement promotes the idea of equalization and is also the foundation of socialist economic theory.

People may still balk at the idea of socialism, but they may not realize that their views on forced equality are socialist theoretical principles.

The graph below details the real disposable income of Russia from 1999 to 2011. As Russia began to move toward a more open free market economy in the 1990s, disposable income grew, even amidst the global economic crisis of 2008. Yes, even in post cold war Russia, FMC works.



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Now take a look at successful business leaders under a capitalist system. For example, Colonel Sanders' secret chicken recipe was rejected over 1,000 times before a restaurant finally accepted it. He founded KFC when he was 65 years old.

How about Evan Williams? Before founding the social media sensation Twitter, he founded a company called Odeo, a podcasting platform. Soon after Odeo's launch, Apple announced that its iTunes store would include a podcasting platform, thus making Odeo obsolete.

Before starting the Woolworth Company (now FootLocker), Frank Winfield Woolworth worked at a dry goods store where his boss thought he "didn't have enough common sense to serve the customers." The Woolworth Company was one of the original five-and-dime stores (upon which Sam Walton based Walmart). In the 1970s, Woolworth became one of the largest retail chains in the world.

During my career, I have worked with and continue to work with many people who have been extremely successful. They would be considered the winners in the FMC game. What I find so interesting is how quickly some discount the path that led to their success. It seems that many feel successful people are just lucky or favored in a way that is not fair. There are certainly isolated examples where this is true, but is it true for our economic system as a whole? I do not think so. Typically when people win in a way that is not fair, it does not end well.

The road to winning is not an easy one. In fact, most of my clients who have achieved immeasurable success also have experienced extreme failure at some point during the journey.

FMC in America is alive and well, and thank heavens, it is not equal. 🇺🇸



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