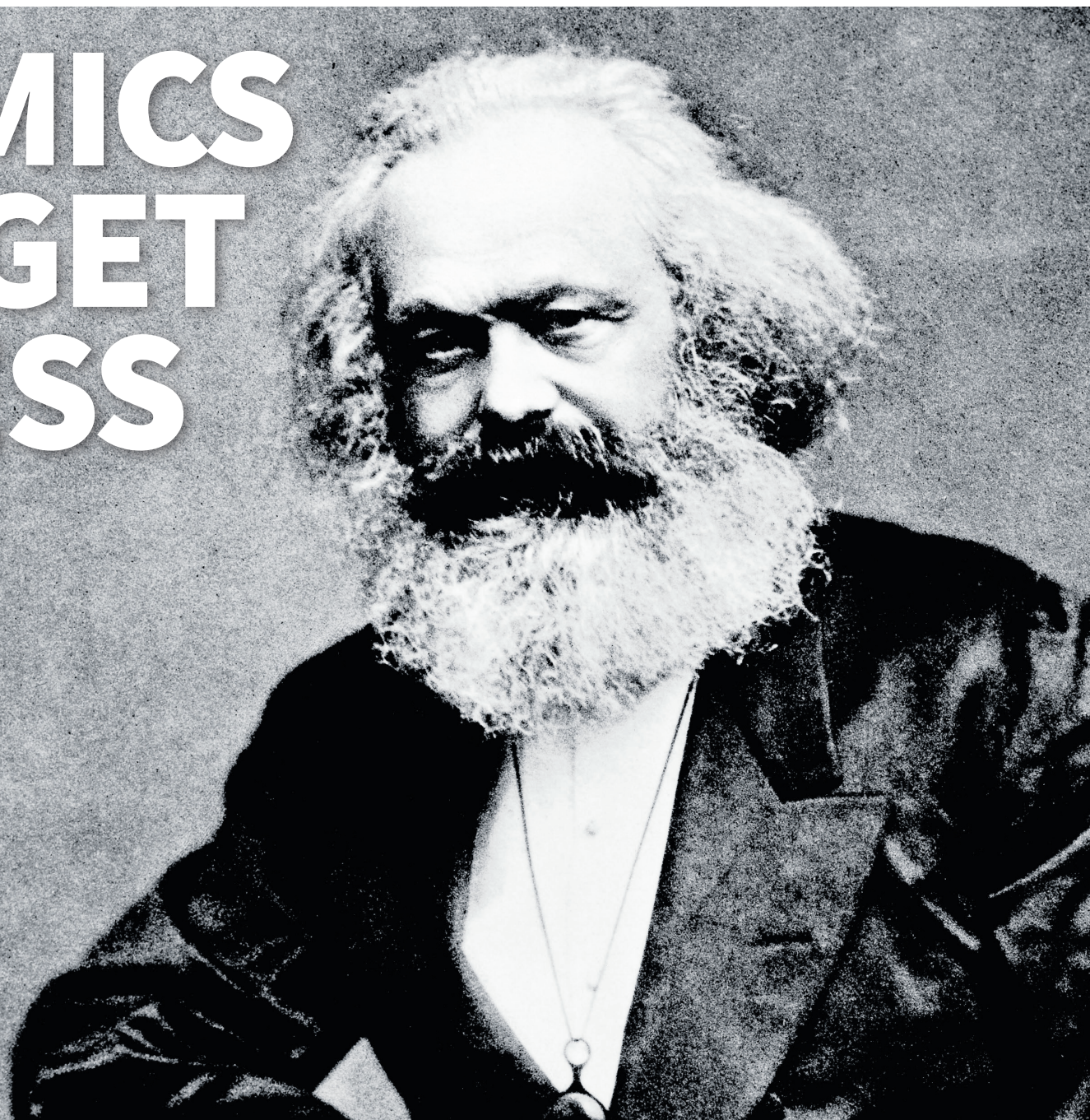


THE POWER OF CAPITALISM



Dr Rainer Zitelmann

ACADEMICS DON'T GET BUSINESS



Rainer Zitelmann is the author of a new book outlining the power of capitalism. Here, he explains why the book needed to be written.

ANTI-CAPITALISM is back in fashion.

Even Marxism, which many had declared dead after the collapse of socialism, is experiencing a renaissance. Books such as those by the left-wing French economist Thomas Piketty are popular.

In my home country, Germany, a book called *Das Ende des Kapitalismus* (The End of Capitalism), whose author advocates the introduction of a planned economy, has climbed the bestseller lists. She cites the British war economy of the Second World War as a potential model. In her opinion, we should introduce this kind of economic system as quickly as possible, as it is the only way we can save our planet.

So, why do many intellectuals dislike capitalism? Many of them fail to understand the nature of capitalism as an economic order that emerges and grows spontaneously.

Unlike socialism, capitalism isn't a

school of thought imposed on reality; free-market capitalism largely evolves spontaneously, growing from the bottom up rather than being decreed from above. Capitalism has grown historically, in much the same way as languages have developed over time as the result of spontaneous and uncontrolled processes.

Esperanto, invented in 1887 as a planned language, has now been around for over 130 years without gaining anything like the global acceptance its inventors were hoping for. Socialism shares some of the characteristics of a planned language in that it is a system devised by intellectuals.

Once we've grasped this essential difference between capitalism, as a spontaneously evolving order, and socialism, as a theoretical construct, the reasons why many intellectuals have a greater affinity for socialism – in whatever form – suddenly become

obvious. Since their own livelihood depends on their ability to think and communicate ideas, they feel more in tune with an artificially planned and constructed economic order than with one that allows for unplanned, spontaneous development. The notion that economies work better without active intervention and planning is alien to many intellectuals.

In order to understand why so many intellectuals hold anti-capitalist views, it is important to realise that they are an elite, or at any rate a community of practice that defines itself as such.

Their anti-capitalism is nurtured by their resentment of and opposition to the business elite. In this sense, the rivalry between the two groups is simply that – a competition between different elites vying for status in contemporary society.

If a higher level of education doesn't automatically guarantee a higher income and a more privileged position, then the markets that allow this imbalance to happen are seen as unfair from the intellectuals' perspective. Living in a competitive system that consistently awards the top – economic – prizes to others, a system where even the owners of medium-sized businesses achieve higher incomes and wealth than a tenured professor of philosophy, leads intellectuals to adopt a general scepticism against an economic order

based on competition.

Understandably, intellectuals tend to equate knowledge acquisition with academic education and book learning. Psychology uses the term "explicit knowledge" to refer to this type of knowledge. However, there is a different kind of knowledge, "implicit knowledge", which you can also call "gut feeling" or "intuition." This is far more primordial and often more powerful, although many intellectuals are unaware of its existence. Research has shown that this is the route to knowledge acquisition taken by the majority of entrepreneurs.

By an intellectual's standards, an entrepreneur who may not have read a lot of books or shown much promise at college or university has nothing to show for himself that would compare to a doctorate or a list of publications.

Intellectuals cannot understand why someone with an "inferior intellect", someone who might not even have an undergraduate degree, should end up making a lot more

money and living in a much bigger house. They feel offended in their sense of what is "fair" and thus vindicated in their belief in a malfunction of capitalism or the market, which needs to be "corrected" by means of redistribution on a massive scale. By divesting the rich of some of their "undeserved wealth", intellectuals console themselves with the fact that, even if they can't abolish the brutal capitalist system altogether, they can at least "correct" it to some extent.

Pro-capitalist intellectuals – economists such as Ludwig von Mises, Friedrich August von Hayek, and Milton Friedman, as well as writers such as Ayn Rand, have tried to take up the battle that the business elite itself is unwilling or unable to fight, whether out of lack of courage or intellectual wherewithal and verbal agility.

However, such supporters of capitalism have always been outsiders among their fellow intellectuals.

Dr Rainer Zitelmann's latest book, *The Power of Capitalism*, is available at the-power-of-capitalism.com

