

Vulture capitalism

Now that Mitt Romney is likely to be the Republican nominee, we can expect new attacks on his "vulture capitalism." That's how Rick Perry characterized his private equity work. Newt Gingrich's supporters ran an ad about Romney's firm, Bain Capital, that said, "Their greed was only matched by their willingness to do anything to make millions in profits."

Give me a break.

"Greed" means you want more for yourself. Fine. If you obtain it legally, without force or privilege -- say, by buying a business and making it more efficient, or shifting resources to where consumers prefer them -- that is a good thing. "Creative destruction" makes America richer.

Shifting resources does mean some people lose their jobs. That is sad for those who are fired.

But on balance, it's a *good* thing. Intuition tells us that it would be better if no one ever lost a job and that capitalists who close businesses are evil. But America would not be better off today if elevator operators and factory workers who made typewriters had their jobs preserved by a "compassionate" government.

America is richer today because those workers lost their jobs, because money once paid them is put to better use. In addition, *most* of those workers found new jobs where their skills better served consumers. Some even say they were glad that they were fired, because now they are more productive, and being productive makes people happy.

But we in the media almost never tell that story. That's because we only report what we see.

We can see, and interview, the sad people who get fired. We take pictures as they leave their jobs on that last day when the factory closes. We interview them about the hardship to their families. It's a sad and moving story. We tell it well. But we never tell the flip side, the creative part of creative destruction. That's because we don't see it. We don't see the better things that are done with capital that once went into the factory. We

don't see what many of the workers do next.

None of us covered the first few weeks of Apple or Google or Staples or Domino's Pizza. We had no clue that those companies were about to produce cool new things, thousands of jobs and billions of dollars in value. Staples and Domino's, by the way, were funded by Bain Capital.

Not all bankers and private equity firms create wealth, because some make bad decisions. But if government does not bestow privileges, those that don't create wealth go out of business, and those that fund good ideas grow. Some may call that "vulture capitalism" and sneer at "hostile" takeovers, but if the takeover is not enabled by government force, it is likely to be a good thing. It makes America more prosperous.

Michael Moore says, "Capitalism has no moral core."

Is that right? Since the word "capitalism" is ambiguous, the answer depends on what we mean. If it's crony capitalism -- well, yeah. It stinks. Handouts to Solyndra and special deals for Goldman Sachs and GM are not capitalism. That's "crapitalism."

Many people hate banks, private-equity firms and mortgage brokers. In light of the last few years, this isn't totally unjustified. I resent the bankers who got rich by taking foolish risks and then, when they failed, got bailed out with our tax money.

I guess I shouldn't blame bankers. I should blame the politicians. They gave our tax money away. If someone offered me money to cover my losses, I'd take it, too.

The real evil bankers are the government cronies, like those at Fannie Mae and Freddie Mac. They took our money by force, our taxes, then paid themselves fat salaries and promised us that none of our money was at risk. And then they squandered more than \$100 billion, betting that housing prices would always rise and few people would default.

I resent them and their backers in government.

But in a real free market -- no government privileges or barriers to competition -- capitalism is great. It's the only system with a moral core because it's based on freedom, not

force.