



Wall Street Protesters Half Right

by John Stossel (more by this author)

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What's there to say about Occupy Wall Street? The answer isn't so simple. Some complain about taxpayer bailouts of businesses. Good for them. In a true free market, failing firms would go out of business. They couldn't turn to Washington for help.

But many protesters say they're against capitalism. Now things get confusing. What do they mean? If by "capitalism" they mean crony capitalism (let's call it crapitalism), a system in which favored business interests are supported by government, I'm against that, too.

But if they mean the free market, then they are fools. When allowed to work, the market has lifted more people out of the mud and misery of poverty than any government, ever.

The protesters are also upset about income disparity. Here again we should make distinctions. To the extent the country's income disparity is the result of crony capitalism, it's bad.

Yet even if America had a true free market, there would be income disparity. It's a byproduct of freedom. Some people are just more ambitious, more energetic and more driven, and some have that ineffable knack of sensing what consumers want. Think Steve Jobs.

But it shouldn't matter if the income gap between you and rich people grows. What should matter is that your living standard improves.

Your living standard many not have improved

lately. Over the past decade, median income fell. But that's an aberration largely caused by the bursting of the real estate bubble. Despite Wall Street protesters' complaints about rich people gaining at the expense of the poor, the poorest fifth of Americans are 20 percent wealthier than they were when I was in college, and despite the recession, still richer than they were in 1993.

And income statistics don't tell the whole story. Thanks to the innovations of entrepreneurs, today in America, even poor people have clean water, TV sets, cars and flush toilets. Most live better than kings once lived -- better even than the middle class lived in 1970.

Some protesters say they hate the market process that makes that possible. They call rich people "robber barons." That term was used by American newspapers to smear tycoons like Cornelius Vanderbilt and John D. Rockefeller. But Vanderbilt and Rockefeller were neither robbers nor barons.

They weren't barons because they weren't born rich. They weren't robbers because they didn't steal. They got rich by serving customers well. As Burton Folsom wrote in "The Myth of the Robber Barons," there were political entrepreneurs, who made their fortunes through government privilege, and market entrepreneurs, who pleased consumers.

Rockefeller and Vanderbilt were market entrepreneurs. Vanderbilt invented ways to make travel cheaper. He used bigger ships and served food onboard. People liked that, and the extra customers he attracted allowed him to lower costs. He cut the New York-Hartford fare from \$8 to \$1. That helped people.

Rockefeller was called a monopolist, but he wasn't one. He had 150 competitors -- including big companies like Texaco and Gulf. No one was ever forced to buy his oil. Rockefeller got rich by finding cheaper ways to get oil products to the market. His competitors vilified him because he "stole" their

customers by lowering prices. Ignorant reporters repeated their complaints.

In truth, Rockefeller's price cuts made life better. Poor people used to go to bed when it got dark, but thanks to Rockefeller, they could afford fuel for lanterns and stay up and read at night. Rockefeller's "greed" may have even saved the whales. When he lowered the price of kerosene, he eliminated the need for whale oil, and the slaughter of whales suddenly stopped. Bet your kids won't read "Rockefeller saved the whales" in environmental studies class.

I have at least found some common ground with some Wall Street protest supporters. Joe Sibilis, who runs the website CSRWire (Corporate Social Responsibility), told me, "You can't have an environment where people are betting on financial instruments with the expectation that the government is going to bail them out."

So we agree that Wall Street bailouts are intolerable. Now we just have to teach our progressive friends that truly free markets work for the benefit of all.

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