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Capitalism works even though people are greedy

Markets direct people's self-interest into areas that benefit society

By Allister Heath

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Greed is not good and capitalism does not rely on greed – that, at least, is the argument made with great force in the latest pro-market, pro-free trade tract from the Institute of Economic Affairs.

In fact, capitalism is good because it works even though people are greedy.

I find this argument highly convincing. As David Boaz of the Cato Institute has put it, people tend to be self-interested under any political system.

They are certainly desperately so in Venezuela, a country destroyed by socialism and which suffers shocking shortages of essential goods. People were just as greedy under communism in the Warsaw Pact countries as they are today.

The difference, as Boaz points out, is that markets direct people's self-interest into socially beneficial directions. "In a free market," he argues, "people achieve their own purposes by finding out what others want and trying to offer it."

Needless to say, some assumptions are required for this to work. Property rights need to be well defined to make sure that externalities are internalized and that everybody faces the full consequences of their actions.

There are plenty more arguments to that effect in Christopher Snowdon's book, published by the IEA. They make a refreshing change to the usual nonsense one reads about capitalism, especially since the financial crisis.

Moulds goes to Barclays

Barclays has just notched up its second good senior hire. Jonathan Moulds, the well-respected and charismatic former European boss of Bank of America Merrill Lynch, will join the British bank as chief operating officer. He will join next month, ahead of the arrival of Aviva's John McFarlane, who is taking over as chairman.

Moulds, who spent years working in the US, graduated with a first in maths from Cambridge. A grammar school boy from Halifax, his music teacher mother gave him a passion for music. He remains a keen viola player, a patron of the arts and above all a major collector of Stradivarius violins. He started off at Nomura before joining what was then NationsBank to help build its derivatives arm, moving to Chicago.

Moulds understands the technicalities of finance and investment banks; he is the ideal man to help push through the firm's downsizing and restructuring. He also has the right political skills.

If nothing else, it means that Barclays will now have an extra in-house option when it comes to its succession planning for the day when Antony Jenkins, its chief executive, eventually decides to retire.

Retail contrast

It was a tale of two retailers. Game Digital, supposedly the great stock market flotation story of 2014, crashed down to earth on Wednesday, with its share price collapsing following a profit warning and tough Christmas trading. Shareholders have been left reeling.

The morality of the tale is clear: caveat emptor or let the buyer beware. Very few retail businesses can possibly have genuine visibility in the current, extremely tough and ever-changing environment.

There are exceptions, of course. Ocado is ploughing on, consistently outperforming and continuing to defy its critics. Its distribution centres worked fine, despite massively increased demand, and the firm is close to a moment where it will be able to expand internationally, striking more partnerships to leverage its world-class technology.

One down – and one up.