

FINANCIAL TIMES

History proves key role of ownership

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Sir, John Kay ([“Capitalism is the wrong target – but we can refine it”](#), January 11) rightly argues that “sloppy language leads to sloppy thinking”. In the case of the word “capitalism”, there is much confusion. It is an emotionally loaded term and does little to enhance one’s understanding of capital markets and their role in wealth creation. Perhaps “market liberalism” would be a better term to describe private enterprise.

Yet, if by capitalism we understand the right to own private property, to exclude trespassers and to sell our rights to that property – that is, to capitalise future expected profits into their present values – then one should recognise the key role of ownership in bringing about an efficient allocation of capital and spurring economic progress. Destroying capitalism would destroy free private markets and suffocate innovation and progress. That is the lesson history has taught and the one Marxists failed to learn.