

COLUMNS

# How Strong Is the Power of American Capitalism?

BY RAINER ZITELMANN 8:14 PM ON APRIL 24, 2023

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*Elon Musk, founder, CEO, and lead designer of SpaceX, speaks at a news conference after the Falcon 9 SpaceX heavy rocket launched successfully from the Kennedy Space Center in Cape Canaveral, Fla. (AP Photo/John Raoux, File)*

David Brooks wrote an article on [“The Power of American Capitalism”](#) in the *New York Times* on April 20, 2023. As someone who wrote a book called [The Power of Capitalism](#) a few years ago, I welcome the sentiment: capitalism is stronger than ever, despite all the doomsayers. Brooks cites a report published by *The Economist* on American economic performance over the last three decades. Using an avalanche of evidence and data, the main thrust of the article is that far from declining, American capitalism is dominant and accelerating. Brooks cites a host of facts, including:

In 1990, American income per person was 24 percent higher than the income per person in Western Europe. Today, it is about 30 percent higher...

In 1990, the U.S. economy accounted for about 25 percent of global G.D.P. In 2022 it still accounted for roughly 25 percent, The Economist found.

This is good news indeed. But what should be added is that much of America's economic growth has only been possible because of the spread of capitalism around the world in the decades from 1990 to 2020. Developments in China, in particular, where unprecedented growth has been achieved since Deng Xiaoping's reforms began in the early 1980s, have also boosted growth in the United States. Contrary to the widespread perception in the U.S. that unequal trade with China is to blame for many of America's woes, capitalist globalization has also significantly benefited American companies operating around the world. When countries like China, Vietnam, and India grow, it does not hurt the U.S. America benefits too.

Nevertheless, it is also fair to ask how much of America's growth is on solid footing. Years of zero interest rates and quantitative easing by the Fed have led in part to unsustainable growth. U.S. debt has exploded and is higher than at any time in history. The result of these policies is rising inflation, which is now in turn being fought with rising interest rates, leading to problems at the banks. And the U.S. commercial real estate market is in a dramatic situation due to rising interest rates. The Fed has walked itself into a trap.

In contrast, the growth achieved during Donald Trump's presidency was not only based on the above, it was also, more importantly, based on deregulation and tax cuts — just like the growth achieved during the Reagan years. Joe Biden has changed course again: calls for higher taxes are getting louder and louder, and more and more regulation is being imposed under the guise of the "Green New Deal." If America continues on its current trajectory, it will eventually resemble a planned economy more than a market economy. It will no longer be companies and consumers who determine what is produced, but the government.

And we should not forget: planned economies have never worked, not anywhere in the world or at any point in the past 100 years. And they will not work in the U.S. or Europe today. The greatest problem in the U.S. is increasingly big government that intervenes in more and more areas of the economy with growing frequency. The Heritage Foundation just gave the U.S. its worst Index of Economic Freedom rating since the index was first published in 1995. According to the latest index, as many as 16 European countries are now considered more economically free than the U.S. That certainly does not mean that Europe is a haven of economic freedom.

Nonetheless, David Brooks and *The Economist* are right: the U.S. is still economically strong. As Adam Smith long ago declared in his book [The Wealth of Nations](#), a free economy is remarkably robust. Smith was convinced that people's constant effort to better themselves, the mainspring of progress, is often enough to keep the economy growing, despite the errors of government. But we should not deceive ourselves: a strong country with strong companies can withstand a lot for a while, but not forever!

There is also good news: for my book [In Defense of Capitalism](#), I commissioned a survey of the image of capitalism in 34 countries. The result: the only country where people have an even more positive attitude toward capitalism than the United States is Poland. That means: Yes, the Power of Capitalism is alive and kicking in the U.S.! It thrives in incredible entrepreneurs like Jeff Bezos, Elon Musk, Larry Page, and Sergey

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primarily due to them, not the government.

**Also read:** [\*Elon Musk Pleads for AI Regulation\*](#)

Rainer Zitelmann is the author of the recently published book [\*In Defense of Capitalism\*](#).