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My readers agree socialism isn't the answer—and they offer creative ideas about what to do instead.

EDITOR AT LARGE

How to Cure What Ails American Capitalism

Column writing is always a joy but never more so than when it becomes a conversation. It's invigorating to receive responses to my weekly musings, even those (very few) composed with such intensity that I can almost see flecks of spittle on the screen.

Journal readers are wise, idealistic and knowledgeable and almost invariably have insights that contribute more to any subject than I can. So this week I feel obliged to do something unusual: use the last column before a summer break to respond to the avalanche of comments generated by my thoughts last week on the state of American capitalism.

Note

Almost everyone agrees that socialism is always and everywhere a disaster. Perhaps somewhat unexpectedly from the readers of these pages, though, the vast majority of my correspondents also agreed that American capitalism is malfunctioning, that instead of free-market economics modulated by necessary and limited government intervention, we have an economy overly dominated by big companies, exercising and augmenting their power in ways not always consistent with the competitive principles that maximize efficiency, and increasingly exploiting a cozy relationship with government for their own benefit. In short, too much crony capitalism. Note

What's more, most agreed that these market distortions are the main reason for rising public dissatisfaction with the economy.

But almost everyone asked the question, which many answered: What do we do about it? Here, drawing on comments from many readers and channeling my own modest ideas, are suggestions to improve how capitalism works.

Reinvigorating free markets requires a broad effort to heighten economic competition. This will involve both economic and political reforms.

Note

While there are a few dissenters, the overwhelming economic evidence is that much of the U.S. economy has become far more concentrated in the 21st century, with declining competition in most sectors resulting in a smaller number of firms with higher markups, profits and costs to the consumer.

The blunt instrument of antitrust policy can carry risks, including its own harm to consumers. Addressing antimarket practices requires a unified and comprehensive approach across the executive and legislative branches that bends policy toward promoting competition and scrutinizing anticompetitive activity and, where necessary, restraining corporate power through merger review, market access and targeted antitrust enforcement.

Note

It also means reforming the tax code. There's an overwhelming case for simplifying the tax system as a whole to create incentives for investment and cutting through the rules that privilege companies big enough to deploy the best-paid accountants. The plethora of measures that make up corporate welfare—subsidies, tax breaks and tax credits—should be eliminated. Some estimates put the direct cost of corporate welfare at almost $200 billion a year. The economic benefit of removing it would be greater.

Achieving any of this will be difficult while politicians have a comfortable codependence with big business. Incumbents' ever-growing need to raise money to fend off challengers encourages cronyism. There isn't much that can be done about the need for money to win elections, and under *Citizens United v. Federal Election Commission* (2010), corporations have a First

Amendment right to seek to influence politics. But more transparency could help: Formal executive and legislative efforts to scrutinize and publicize the nexus between campaign money and policy wouldn't be difficult.

Deeper political reforms might then be needed, especially to the primary system. In an age of intense partisanship, House members in particular have two masters to please: the small minority of base voters who could oust them, and the corporate paymasters who can help them avoid such an outcome. Neither is a good proxy for the interests of the people as a whole.

Lest all this sound like a recipe for dirigisme of the sort historically proven to suppress enterprise and innovation, I should add that allowing American capitalism to flourish also means giving it more space by shrinking government. Rising taxation and spending are steadily stifling private enterprise. The economy won't recover its dynamism until entitlements and welfare spending are scaled back to a sustainable level. You can add to the constraints the federal government places on capitalism's potential: the albatrosses of ever-growing public debt and a central bank wedded to a policy of backstopping every episode of financial excess.

The political opportunity was there. The populist revolt that gave us Donald Trump was a chance to reorient the system toward the interests of the people over the economic elites. Sadly but unsurprisingly, the Republican Party talked a good game while doing little to redress the balance.

American capitalism has proved itself the most dynamic in the world. Even today, it is generating faster growth than most other nations. But it isn't perfect or unchanging. Its particular genius has been its ability to adapt and reform as circumstances demand. They're demanding now.

By Gerard Baker
