

# Definitions



## Capitalism

- 1) Factors of production privately owned.
- 2) Resources allocated through markets.
- 3) People free to engage in economic activity without centralized control or interference from the State.

## Cronyism

A system in which some firms derive advantages over other firms based on their relationships and influence with government officials, rather than the ability to satisfy customer wants through superior capabilities.

# Context



## Capitalism

An ideology supporting personal and economic liberty; institutions favoring property rights, the rule of law and limited state interference.

## Cronyism

An ideology supporting substantial state interference in the allocation of resources; institutions and practices (such as "public-private partnerships") that facilitate the manipulation of public policy as a strategy for increasing profits ("rent-seeking").

# Consequences



## Capitalism

Unprecedented innovation, prosperity, and poverty alleviation over the past two centuries.

## Cronyism

Long-term reduction in the effectiveness of institutions, distortions in resource allocation, economic inefficiencies, political inequality, and a variety of socioeconomic problems.

# Entrepreneurial Pathway



## Towards Capitalism

Exclusive focus of the firm on serving customers to meet their wants and needs, with continuous innovative improvement in response to customer feedback.

## Away From Cronyism

Avoidance of bureaucratic and managerial structures and processes of cronyism: HR Departments, Legal Departments, compliance structures, political contributions, lobbying (including membership of lobbying bodies such as Chambers Of Commerce and trade associations).