

# Heartless capitalism pays off in long-term

**Y**OUR editorial "Heartless capitalism" (ST, April 11) truly piqued my interest, and I would like to present a rebuttal to the editorial:

1. "...the Citicorp-Travelers merger puts profits ahead of people because of the inevitable downsizing of the workforce."

Doesn't this kind of reasoning suggest that GE should not have mass-produced the light bulb because it would have decimated the candle-making workforce?

Or, that e-mail should be regulated or banned because of the inevitable downsizing it will cause among postal workers?

2. "The world should be sceptical of the US corporate model of merge, rationalise, cut costs, downsize."

Why? Rather, the model should be admired. The simple fact is that this "heartless downsizing" has produced the lowest unemployment and inflation rates in recent memory.

The vast majority of Americans are working for good wages, and buying goods and services at among the lowest prices in the world, certainly cheaper than in Singapore.

The US economy is the envy of the world. Most countries in Europe have double-digit unemployment in a booming world economy.

3. I have a great deal of respect and admiration for Senior Minister Lee Kuan Yew — the architect of modern Singapore, and was very impressed with his recent interview with Forbes Magazine on the Asian crisis.

However, I take issue with him when he says that "the American method of hiring and firing is efficient only in the short-term."

The facts simply do not support that claim. He would have been correct if he replaced "short-term" with "long-term".

The enormous downsizing that took place in the 1980s resulted in the job-producing machine of today.

4. Finally, what separates the US from many countries in the world is the enormous value its people place on "freedom".

Freedom easily tops the list of America's most-cherished values. "Stability" is also on that list, but further down.

Freedom, Americans also recognise, is a double-edged sword. On the one hand it produces a Bill Gates, an Andy Grove, a Warren Buffet, and the Silicon Valley entrepreneur.

On the other hand, it produces the likes of the Unabomber and the Oklahoma City terrorists.

The million-dollar question is: Can a society that puts stability ahead of freedom produce the kind of innovators that change the world and the way we live in it?

As a finance professor, let me rest my case with an "investments" analogy. The US may be viewed as a high-risk, high-return society.

Its people are not prepared to give up their freedom to imagine, innovate and create — high-risk activities — in exchange for low-risk stability.

Societies that value stability as their primary value will, in all likelihood, find it difficult to earn the high returns that freedom makes possible.

Those which believe they can are, in effect, expecting the high returns provided by stock market investing, but without its attendant risks.

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