

“When myths are repeated, they are eventually believed — even dearly held, and those who oppose them are declared crackpots out of sheer terror.” Milton Friedman

Myths About Capitalism

Myth: Capitalism was Created

- Adam Smith is often called the “father of modern economics,” leading some to believe he started or created capitalism
- Since socialism requires much planning, some believe that capitalism — or a market economy — also requires planning, and had a “start date”

Truth: Free-market capitalism is what happens when people are free to buy and sell from each other **without** government intervention.

Myth: Capitalism Creates Poverty

- Because some people are successful and become wealthy under free-market capitalism, it is assumed by some that this forces others to become poor
- As countries adopt capitalism, poverty always decreases; as countries adopt socialism, poverty always increases
- Socialism has never produced prosperity for the masses

Truth: In free-market capitalism, as the rich get richer, the poor get richer.

Myth: Capitalism is About Capital

- Capitalism is a term coined by Karl Marx, a socialist/communist, as an insulting term to describe market-based economies.
- The underlying foundation of free-market economies is freedom, which Marx opposed.
- Capitalism is all about the free exchange of goods and services, the ability to keep the rewards one's own work and ideas, and the innovation that the first two result in

Truth: Capitalism is about personal freedom; socialism is about government control.

Myth: One Man's Gain is Another Man's Loss

- This is only true of those at the top of government.
- In the general population, as some people become wealthy, they create opportunity for others to experience gains, as well.
- Capitalism lifts the standard of living for everyone.
- Capitalism makes it easier to become one of the winners

**Truth: Success creates more success. Government takes;
capitalism makes.**

Myth: The Great Depression was Caused by Failure of the Private Sector

- The Great Depression was caused by a failure of government.
- The Federal Reserve acted in accordance with the intentions of those who formed it.
- The free market has no publicity agents; the government does. This is why this myth is widely accepted.
- From 29-33, the total quantity of money in the USA declined by 1/3. The number of banks went down by 1/3. The Fed could have prevented this, but didn't

Truth: The organization formed to prevent great financial crises cause the greatest financial crisis in history.

Myth: Government Needs to Provide Services That the Free Market Fails to Provide

- There is no demand for government programs. Example: Social Security was described to the public as an insurance program. It turned out to be a wage tax. The amount that a person receives is arbitrary and doesn't keep up with inflation.
- The private sector always provides better performance for less money, and purchasing these alternatives is always voluntary and accountable.

Truth: The public does not clamor for government to do more and more.

Myth: Government Programs are Free

- The belief that government can tax businesses without consumers ever being impacted.
- The belief that you can create money at no cost by printing more money.
- The belief that no one is really hurt by higher taxes, or that service providers will work for free.

Truth: Government programs are not free, either to the people who uses them, or to the people who pay for them.

Myth: Government Policy Makers Know Better than the Public How to Deal with Social Problems

- Government policy makers are almost always unelected
- Government policy makers usually exempt themselves from their own policies
- Govern policy makers have a terrible track record
- We are taught to pay deference to education, professional designations, and authority. Why?

Truth: Government programs are more costly and less effective than non-profit or private programs because the people who run it neither use it nor pay for it.

Myth: Government Programs Benefit The Poor at the Expense of the Rich

- The idea is that the rich can afford it (engaging envy and greed)
- The rich are people who run businesses, employ people, start foundations, create products that improve our lives, innovate, donate money to charitable organizations
- Programs are described as benefitting the poor, yet they disproportionately benefit the rich
- Government programs are notoriously ineffective at anything except funneling money to government policy makers

**Truth: Government programs benefit government officials
and the middle class at the expense of the poor and the rich.**
