



# MYTHS, LIES AND CAPITALISM

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Here are five myths about free enterprise.

Myth Number One. Free enterprise hurts the poor.

Since 1970, the percentage of the world's population living on the equivalent of less than a dollar a day has fallen by more than 80 percent.

This was not the result of foreign aid or U.N. development projects. It was the spread of free enterprise that achieved this miracle. In China alone, free trade and foreign investment – investment, not aid – lifted 400 million Chinese out of abject poverty in just the 20 years between 1981 and 2001.

There has never been a force for helping the poor that has come close to free enterprise.

Myth Number Two. Free enterprise is driven by greed.

If entrepreneurs were all about money, they'd be far better off getting a secure job in civil service. According to a recent survey by Careerbuilder.com, small-business owners made 19 percent less money per year than government managers.

Entrepreneurs are driven by a fierce desire to control their own destiny. They strive for something I call “earned success.”

For some people, earned success means business success; for others, it means raising good kids, building a nonprofit, or making beautiful art – whatever allows people to create value in their lives and in the lives of others.

Only free enterprise gives them the personal freedom to do that.

Myth Number Three. Free enterprise breeds envy.

Since 1973, the General Social Survey has asked Americans whether they believe good luck or hard work is more important in getting ahead. For 40 years, between 60 and 70 percent of Americans have chosen “hard work.” In a recent poll, the Pew Research Center found that 88 percent of Americans said they admired people who get rich by working hard.

This view is unique to the United States. According the World Values Survey, Americans are more likely than those of other nations to attribute success to hard work. Americans are twice

as likely to do so than the French.

In a society that rewards initiative and offers opportunity, free enterprise fosters aspiration and ambition. It is in societies that have much less economic freedom and far fewer entrepreneurs and therefore economic stagnation that you find envy, resentment, and often unrest. This is the case in Europe, where people demand more and more government benefits instead of demanding to keep more of what they earn.

Myth Number Four. Free enterprise caused the Great Recession.

It wasn't free enterprise that was at fault; it was the lack of free enterprise. Statism and its co-dependent spouse -- corporate cronyism -- melted down our economy.

As my American Enterprise Institute colleague Peter Wallison has documented, two decades of misguided government policy created the conditions that led to the housing bubble. When housing prices collapsed, so did the whole financial system. And who showed up first in the bailout line? Large corporations, including car companies, big banks, and the government-backed mortgage giants Fannie Mae and Freddie Mac.

This isn't the free market at work -- not even close. It's a toxic mix of big government and its corporate clients. The solution is more free enterprise: where entrepreneurs put their money on the line and earn a profit or suffer a loss.

Myth Number Five. Free enterprise is unfair.

When I was an economics professor, my students would sometimes argue that it was "not fair" for the rich to have so much more than the poor. So halfway through the course, I proposed that a quarter of the points earned by the top half of the class be passed on to the students in the lower half, to improve grade equality. All of a sudden, discussion about fairness ended.

We all acknowledge that some income redistribution is necessary to pay for government and to finance a social safety net. But as long as people are free to earn money, some will earn more than others. For a majority of Americans, fairness is not redistributing wealth; fairness is rewarding merit -- and that's what free enterprise does.

Free enterprise -- like freedom of speech, freedom of assembly, and freedom of religion -- makes our nation more fair, not less.

I'm Arthur Brooks, President of the American Enterprise Institute for Prager University.