Libertarian Fact Sheet

A great document with various ancap resources (and a lot of overlap with this sheet)

Hey libertarians, it would be great to expand this google doc to contain a plethora of information and we would need multiple people to help contribute to this. If you have any information you would like to add, please email me at ernojames@gmail.com (yes, it's a fake email). You can send me new information or new possible sections to add to this document. You can literally email me any political information and rebuttals you want that follow the standards of libertarianism. If you have a lot of information that you would like to add periodically, I can maybe give you edit access to the document. Please keep in mind this is not officially done in any manner, as I will continue to add new info covering many studies and debunks to help other libertarians. Thank you!

Key for color coding (for maintenance use):

- White = finished for now but you can still add info
- Green = formatted but lacking or otherwise needs revisiting
- Yellow = mixed bag of link dump and formatted
- Orange = link dump with minimal annotations
- Red = does not exist yet

Economics:

Socialism:

- **Worker Coops Versus Traditional Firms**
- **Debunking: "1986 study finds socialist countries having higher quality of life"**
- **Socialism Failures in the USSR**
- **Most of the USSR's so-called success came from privatization**
- **Debunking: "The USSR had higher nutrition and calorie consumption"**
- **Socialism Failures in Venezuela**
- **Debunking: "Sanctions Destroyed Venezuela, not Socialism"**
- **Debunking: "Venezuela High Reliance on Oil Harmed them, not Socialism"**
- **Socialism Failures in Cuba**
- **Debunking: "Sanctions Destroyed Cuba, not Socialism"**
- **Socialism Failures in Maoist China**

Capitalism:

Environment:

Private vs Public Sector:

- Privatization Effect on Workers
- Privatization Effect on Roads and Highways
- Privatization Effect On Transportation
- Privatization Effect on Fire Services
- Privatization Effect on the Water Industry
- Privatization Effect on Wildlife and Endangered Animals
- Privatization Effect on the Science Field
- Privatization Effect on Telecoms
- Privatization Effect on Electricity

Housing:

- How the government ruined housing
- Negative Effects of Public, Subsidized Housing
- The case for a private housing market
- Landlords provide a legitimate service

Inequality:

- Debunking: "Income inequality is increasing"
- Debunking: "Wealth inequality is increasing"
- Debunking: "CEOs Make 300 Times More Than the Average Worker."
- Debunking: "intergenerational mobility in the US has been flat for decades."
- Debunking: "The rate of people surpassing their parents income has dropped."
- Debunking: "The Gini Coefficient shows the US is ranked first in inequality."
- Debunking: "The top 1% owns so much more income than the bottom 90%."
- The Myth of the Stagnant Middle Class
- Why Inequality may have Benefits and doesn't really Matter
- Economics Freedom Leads to Less Economic Inequality
- Economic freedom increases social mobility
- Government, not Free Markets, Hurts the Poor and Helps the Rich
- Refuting Thomas Pikketty's Inequality Research

Taxation:

- Why High Taxes or Increasing Taxes is Detrimental
- Why Low Taxes or Decreasing Taxes is Beneficial
- Negative economic effects of a wealth tax
- Laffer Curve: Less Taxes=More Revenue
- Why Trickle Down Economics is a Myth
- Debunking: "the rich don't pay their fair share of taxes"
- Debunking: "The top 1% were taxed 91% in the 1950s"

Trade:

- Negative Effects of Tariffs

Monetary Policy:

- Central Banking and the Federal Reserve
- Fractional Reserve Banking
- Free, Deregulated Banking
- Gold Standard
- Austrian Business Cycle Theory (ABCT)
- 1929 Great Depression
- 2008 Financial Crisis
- Debunking: “Anthropologists proved Menger wrong on money!”

Government Assistance:

- Negative Effects of Government Welfare
- Negative Effects of Social Security
- Negative Effects of a Negative Income Tax (NIT)
- The Case for Privatizing Welfare
- The Case for Privatizing Social Security
- Debunking Pro Welfare Studies

Regulation and Deregulation:

- General Negative Effect of Regulations
- Regulations impact on inequality
- Regulation impact on the car industry
- Regulation impact on food
- Regulation impact on worker safety
- Regulation impact on competition and entrepreneurship
- Regulation impact on unemployment
- Regulation impact on discrimination
- Deregulation General Benefits
- Deregulation impact on prices
- Deregulation impact on the airline industry
- Deregulation impact on the trucking industry

Minimum Wage:

- Effects on unemployment
- Refuting studies concluding the minimum did not hurt employment
- Effects on earnings, consumption, and benefits
- Effects on consumer prices
- Effects on minorities
- Effects on poverty
- Effects on business profits and entrepreneurship
- Effects on crimes
- Why the minimum wage law should be abolished

The Top 1%:

Industrial Revolution:

Contra-Marxism:

Contra-Keynesianism:

Austrian School of Economics:

- Opportunity Cost and Time Preference
- Austrian Business Cycle Theory (ABCT)

Book Notes and Summaries:

- Economics in One Lesson by Henry Hazzlit
- Man, Economy, and State by Murray Rothbard
- A Critique of Interventionism by Ludwig Von Mises
- Chaos Theory by Robert P. Murphy
- Choice by Robert P. Murphy
- Meltdown by Tom Woods

Education:

Preschool:

- Universal Preschool/Daycare

K-12

- Public vs Private Schools
- Free Market, Privatized K-12 Education
- Benefits of School Choice
- Charter Schools
- Educational Funding
- Home schooling

College:

- Free College
- Free Market, Privatized College
- Government Caused the Student Loan Crisis

Healthcare:

Medicare for All and Public Healthcare:

- Medicare for All reduces the quality of healthcare
- Medicare for All increases wait times which is sometimes deadly
- Medical professionals compensation drops under Medicare for All
- Doctor shortages under Medicare for All
- Shortages of Medical Machines under Medicare for All
- Medicare for All would hurt the economy and increase taxes
- Medicare for All would worsen the medical innovation in the US
- Failures of other single-payer systems (Canada and the UK)

Obamacare-Affordable Care Act (ACA):

- **Problems with the individual mandate**
- **ACA did not make healthcare affordable**
- **ACA lowers the quality of healthcare**
- **ACA hurts employment and the economy**
- **ACA crowds out private insurance**

Free Market Healthcare:

- **Benefits of a Private, Free Market Healthcare System**
- **Benefits of hospital competition**
- **Debunking: “Healthcare is Inelastic and can’t be Left to the Free Market”**
- **Debunking: “Emergency Care is Unshoppable and can’t be Left to the Market”**
- **American Healthcare is NOT a free market**
- **How Government Intervention, not Free Markets, Ruined Healthcare in the US**
- **The Case Against Medical Patents**

Debunks Regarding Healthcare:

- **Debunks to common studies and talking points:**
- **Debunking: "The US has poor life expectancy compared to single payer countries"**
- **Debunking: "68,000 lives would be saved under M4A"**
- **Debunking: "45,000 deaths due to lack of insurance in America"**
- **Debunking: “the American health system is racist”**
- **Debunking: "The VA has shorter wait times than the private sector"**
- **Debunking: "22 studies agree that M4A saves money"**
- **Debunking: "A Lancet study shows M4A would save 450 billion dollars"**
- **Debunking: "M4A will increase job productivity"**
- **Debunking: “Medicare has lower administrative rates than private insurance”**
- **Debunking: “Canada has lower administrative rates than America”**
- **Debunking: “Healthcare is a Human Right”**
- **Debunking: “Medicaid expansions improve health outcomes”**
- **Debunking: “Medicare over the years is better at controlling healthcare costs”**
- **Debunking: “M4A would lower prescription drug prices”**
- **Debunking: “We need M4A to combat Covid-19”**
- **Debunking: “The US spends more on healthcare than another single payer system”**
- **Debunking: “Private insurance can have have 10x higher prices than Medicare”**
- **“Debunking: “Right Wing Think Tank Mercatus finds that M4A saves $2 trillion”**
- **Debunking: "A Commonwealth Fund study ranked America last of 11 countries"**

Guns:

- **Gun control overall effect on violent crime**

- More Guns=Less Crime
- Red Flag Laws
- Assault Weapons Ban
- Gun Concealment Restrictions
- Background Checks
- Guns used in Self Defense
- Mass and School Shootings
- Gun control policies in other countries
- Gun control and authoritarianism

Drugs:

- The War on Drugs Negative Impacts
- Benefits of Decriminalizing Drugs
- Benefits of Legalizing Drugs

Immigration:

- Crime
- Jobs and Wages
- Taxes and Social Security
- Public Benefits of Immigration
- Economic growth caused by immigration
- Deportation
- Diversity and Social Cohesion

Prostitution:

- Criminalization of Sex Work Negative Effects
- Benefits of Decriminlizing Prostitution

Death Penalty

- The Death Penalty Fails to Deter Crimes
- The Death Penalty is Expensive

Covid-19:

- Coronavirus Deaths
- Coronavirus Contagion
- Against Coronavirus Government Lockdowns

Abortion:

- Abortion in High Demand
- Abortion Bans Are Not Effective
- Abortion Bans Are Dangerous

Foreign Policy:

- Death Toll of Interventionism
- Negative Effects of Foreign Aid

Political Theory:

The Case For Right-Anarchy:

- Right-wing anarchism, self-ownership, and private property
- How Anarcho-Capitalism could work
- Private Police
- Private Military
- Private Courts
- Empirical Evidence for Anarcho-capitalism
- Debunking: "Warlords/big business will take over"
- Debunking: "Property rights will be used to enslave people"
- Debunking: "Uh without a government military we'll get invaded"
- Debunking: "But what if someone encircles a suburban neighborhood and charges lots of money for leaving"

Democracy and other Systems:

- Debunking: "Anarchism is democratic"
- Debunking: "Anarchy and democracy are compatible"
- Debunking: "Democratic societies have done better so they are better"
- Debunking: "Opposing democracy is inherently authoritarian"
- Democracy is evil and antithetical to freedom
- Problems with democracy
- Against Fascism

Political Debunks:

Philosophy:

Self-Ownership and Private Property:

Intellectual Property:

Rights:

Philosophical Debunks:

- Answering: “Even if there is an objective morality, why should I care?”

Other:

- Media Literacy

Culture:

Sheets

Economics

Document explaining the ideals of the Austrian School of Economics

Free Market Good

Socialism

Hakim Debunked on Failed Socialist Countries

Anti Socialist Doc

Capitalism is Better, Scientifically (Hakim Debunked)

- **Worker Coops Versus Traditional Firms**
  - https://www.nber.org/papers/w11254
    - Labor-controlled firms were found to deviate from value maximization, invest in less assets, take less risks, grow more slowly, create less jobs, and be less productive
  - https://web.stanford.edu/~pista/coopssept04.pdf
    - -Wages in worker cooperatives were found to be 14% lower than in capitalist enterprises
  - http://ftp.iza.org/dp7854.pdf
    - -High-ability members are more likely to leave worker cooperatives

- https://cyber.sci-hub.st/MTAuMTE3Ny8wMDE5NzkzOTE0NTY0OTY2/arando2014.pdf
    - -Worker satisfaction for cooperatives with significant employee ownership is lower than for those with modest employee ownership
- https://twin.sci-hub.st/6715/cca9fbddb5d2a024bd4e5bda46719d25/monteiro2018.pdf
    - -Cross-industry evidence suggests that cooperatives are no more productive than conventional firms
- https://dacemirror.sci-hub.st/journal-article/499303070deda572b8d519ab8df0ca45/heras-saizarbitoria2014.pdf
    - There is evidence of workers decoupling from cooperative principles in worker-owned organizations
- https://moscow.sci-hub.st/5464/5a373fac87c919be46f426a644f418a1/10.2307@3487046.pdf
    - Worker cooperatives are not a good solution to unemployment
- https://zero.sci-hub.st/3719/6969e99e355e136a3a6704b577f62eba/miller2011.pdf, https://ftp.iza.org/dp7854.pdf
    - Despite their egalitarian nature, several gender inequalities persist in worker cooperatives
- https://www.researchgate.net/profile/Ignacio_Bretos/publication/325437137_Multinational_Expansion_of_Worker_Cooperatives_and_Their_Employment_Practices_Markets_Institutions_and_Politics_in_Mondragon/links/5b14ea7c0f7e9b498108f4e8/Multinational-Expansion-of-Worker-Cooperatives-and-Their-Employment-Practices-Markets-Institutions-and-Politics-in-Mondragon.pdf?origin=publication_detail
    - When expanding their operations overseas, worker cooperatives fail to implement core cooperative practices in their foreign operations
- https://www.jstor.org/stable/3487046
    - The findings... challenge the popular argument that a growing cooperative sector is the answer to the problem of unemployment…
- Against Vaush

- **Debunking: "1986 study finds socialist countries having higher quality of life"**
    - LibertyEnjoyer '21
        - **1.** The countries they consider "capitalist" are extremely misleading. The so called capitalist countries they included were Somalia which was run by a Marxist Leninist, Zaire which was run by an anti capitalist, Mali which was run by a Marxist, Burkina Faso which was run by a socialist,

Tanzania which was run by a socialist, and so many other countries as well in which the study erroneously considered capitalist.

- **2.** The study uses infant mortality rates and the major problem with infant mortality statistics is that studies use different data definitions. For instance, According to the way statistics are calculated in Canada, Germany, and Austria, a premature baby weighing less than 500 grams is not considered a living child. In the U.S., very low birth weight babies are considered live births which on paper, artificially leads to a higher infant mortality rate in the US. More recently, studies find that in Cuba, “physicians are given health outcome targets to meet or face penalties. This provides incentives to manipulate data... Cuban doctors were re-categorizing neonatal deaths as late fetal deaths in order for doctors to meet government targets for infant mortality.” In the case of America, this is not how infant mortality is measured which artificially shows how Cuba has a lower infant mortality, when it really doesn’t. Also, a study found that in Cuba, “Physicians often perform abortions without clear consent of the mother” which would also artificially decrease the likelihood of an infant mortality—falsely.
- **3.** The study also uses calorie and protein consumption to measure health outcomes in socialist countries. Again, these are flawed. Explanation is here.

- Reddit post debunking the 1986 study
- Doc of above
- Capitalist countries were known to be happier than socialist ones
- Discord channel text debunking the 1986 study
- Doc of above txt
- PraxBen debunks the 1986 study, and then again
- Two UBERSOY videos briefly address the 1986 study

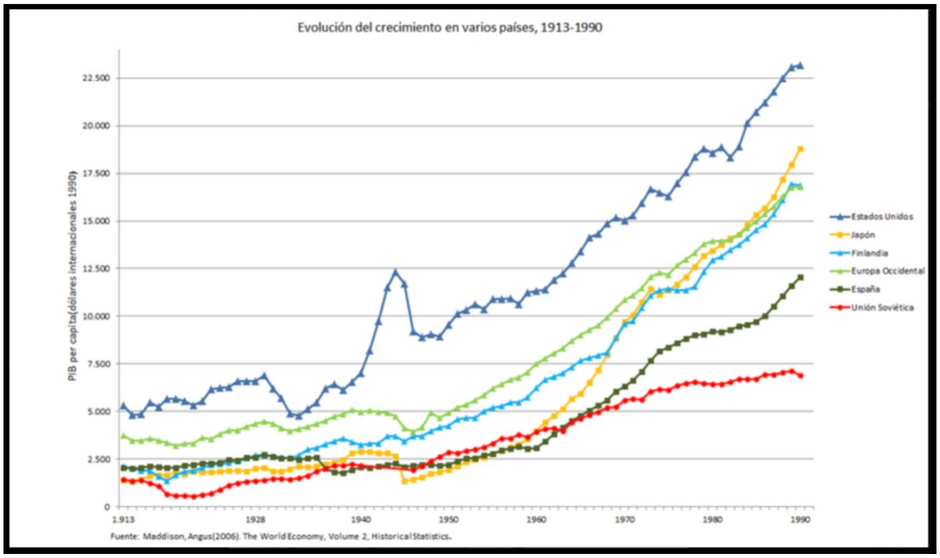
- ***USSR*** (Note that this subsection is not a full representation of the implementation of socialism in other countries but rather just specific socalist policies or close to socliast policies that have been implemented historically)
  - WhiteHouseGov '18
    - In the USSR, the **collectivization of agriculture** occurred with the First Five-Year Plan, 1928–32. Horses were important for doing the farm work, but their numbers fell by **47 percent**, in part because **nobody had much incentive to care for them when they became collective property**. In the Central Asian parts of the USSR, the number of cattle fell more than **75 percent**, and the number of sheep more than **90 percent.** According to official Soviet data for about 1970, the **entire suite of socialist policies**

—“excessive centralization of the planning, control, and management of agriculture, inappropriate price policies, and defective incentive systems for farm managers and workers and for enterprises that supply inputs to agriculture”**—was reducing Soviet agricultural productivity about 50 percent.**

- Swan '20
  - Despite the Soviet Union in 1986 having a population 14% larger than the United States, they had 73% more hospitals than the US (23,100 vs 6229), 69% more beds for patients, 48% more physicians and 99% more midwives. **However, the average life expectancy was 64 and 73 for males and females in the Soviet Union compared to 71 and 78 for males and females in the United States.** It may be telling that despite far fewer staff and hospitals, the United States outspent the Soviets by more than $184 billion in 1979 ($645 billion in today’s money) and the US government paid less than half this amount compared to the 92% share the Soviet Union planners contributed. Capitalism enabled the United States to mobilise and efficiently allocate its resources, as well as, create far more efficient hospitals than its rival and was able to show a clear health benefit to its population as a result.
- Nintil '16
  - **Poverty:** A sociological study carried out by Soviet economists finds that 23% of the population was poor.
  - **Housing:** 60% of the respondents in the Soviet sample thought that their space was rather inadequate or grossly inadequate. Basic equipment like sanitation or water supply improved throughout the decades, but didn't fully reach everyone by 1975, especially in smaller towns.
- Christiansen '17
  - In 1976 only two thirds of Soviet families had a refrigerator—the USA hit two thirds in the early 1930s. Soviet families had to wait years to get one, and when they finally got a postcard giving notice they could buy one, they had a fixed one hour slot during which they could pick it up. They lost their chance if they did not arrive in time.
  - In the same period, the USA had nearly 100m passenger cars. The USSR? Five million. People typically had to wait four to six years, and often as long as ten, to get one.
  - There was 30x as much typhoid, 20x as much measles, and cancer detection rates were half as good as in the United States.
  - Life expectancy actually fell in the Soviet Union during the 1960s and 1970s.
  - The USSR had the highest physician-patient ratio in the world, triple the UK rate, but many medical school graduates could not perform basic tasks like reading an electrocardiogram.
  - 15% of the population lived in areas with pollution 10x normal levels.
  - By the US poverty measure, well over half of the Soviet population were poor.

- Around a quarter could not afford a winter hat or coat, which cost an entire month’s wages on average (the equivalent of £1700 in UK terms).

- The Moscow Times '20
  - Only 28% of Russians want the USSR back.
- Gray '90
  - Only 60% of milk produced in the USSR was actually consumed by people, compared with 90% in the US.
- Nintil '16
  - “So in the end, I think we can conclude that the Soviet economy was technically efficient in the trivial sense that soviet enterprises were working in the PPFs, given their level of technological development. This was in turn caused by slow and slowing technological progress. Allocative efficiency was low, as Nove[ ]says, due to the planning process itself, and TFP growth was lower than in the West, and decreasing. Finally, the growth model pursued by the Soviets, accumulating capital to generate more capital, proved to be a recipe for a quick takeoff, but also for stagnation and decline. To be sure, it didn't by itself cause the collapse of the Soviet Union, but it did contribute to the factors that led to it.”
- Lychakov '20
  - This paper uses official manufacturing censuses of 1907 and 1908 (Before the USSR) to show that, in the early 20th century, Russian manufacturing was not economically underdeveloped. The productivity gap between Great Britain and Russia was not that significant. While the British productivity lead was evident in textiles, paper, clay, stone, and mining, Russia was ahead in the alcohol, tobacco, rubber, and petrochemical industries. Although Russia was behind in the metals industry, the gap with Britain was not large. When compared to France, Russia’s productivity was on a par with them. However this all stopped when Russia embraced more socalist ideals in the USSR. For example, research that examined a technology called steelmaking, which appeared in the 1950s, allowed for the production of cheaper and higher quality steel. By 1980, the US had multiplied their fraction of steelmaking by 5 and Italy by 12.5, while the Soviet Union just increased by a factor of 2.75. From 1980 to 1987, the US dominated with an increase of 2.9 followed by Italy with 1.8, and finally the Soviet Union with just 1.45.

- 

    - Red is the USSR
    - Dark Blue is the America
    - Yellow is Japan
    - Light Blue is Finland
    - Light Green is Western Europe
    - Dark Green is Spain
- [RUSCORP '14]
    - As you can see in the chart below, Russia was actually pretty industrialized before the Soviet Revolution. This is contrary to the communist idea that Russia was a backwater agrarian country and that socialism industrialized the nation. So this means that Russia was already quite developed, and then socialism came along, and stagnated the growth:
    - Table 3. New corporations in 15 largest industrial centers 1880 – 1900

Region	Major sector	Share of local HQs	Corporations	Growth index (1860 - 1880=1.0)
Moscow	74 (textiles)	98%	221	2.9
St. Petersburg	28 (textiles)	98%	184	1.8
Warsaw	18 (metal industry)	93%	86	4.3
Lodz/Piotrkow	38 (textiles)	74%	76	25.3
Kiev	42 (food industry)	97%	70	2.1
Riga & Livland	10 (textiles)	97%	61	3.1
Odessa	18 (food industry)	91%	56	2.7
Ekaterinoslav	14 (mining)	48%	48	4.0
Vladimir	35 (textiles)	52%	42	4.2
Baku	27 (petro-coal industry)	51%	39	13.0
Kharkov	12 (food industry)	79%	29	2.4
Don Region	6 (food industry)	68%	28	2.2
Courland	4 (food industry)	50%	18	3.6
Podolia	18 (food industry)	61%	18	0.5
Reval & Estland	4 (paper, lumber, timber)	65%	17	2.1
		75%	993	

Source: RUSCORP
- [Kelly '10]
    - The Soviet Union had extensive environmental laws and regulations to protect the public interest. Yet the environment suffered terribly under state socialism because of the **tragedy of the commons**. The state not only poisoned its air and waters, but also its people. Soviet lakes, streams,

and seas were a regular dumping ground for chemical waste. Thomas J. DiLorenzo describes one case: A typical example of the environmental damage caused by the Soviet economic system is the exploitation of the Black Sea. To comply with five-year plans for housing and building construction, gravel, sand, and trees around the beaches were used for decades as construction materials. Because there is no private property, no value is attached to the gravel along the seashore. Since, in effect, it is free, the contractors haul it away. This practice caused massive beach erosion which reduced the Black Sea coast by 50 percent between 1920 and 1960. Eventually, hotels, hospitals, and of all things, a military sanitarium collapsed into the sea as the shore line gave way. frequent landslides—as many as 300 per year—have been reported.

- White '20
  - With the transition to a centrally planned economy at the end of the 1920s, goods shortages became endemic in the Soviet economy.... A worker from the Urals wrote that to get bread in his town you had to stand in line from 1 or 2 o'clock at night, sometimes earlier, and wait for almost 12 hours.... Bread was not the only thing in short supply. The situation was no better with other basic foodstuffs like meat, milk, butter, and vegetables, not to mention necessities like salt, soap, kerosene, and matches. Fish disappeared too, even from regions with substantial fishing industries.... Clothing, shoes, and all kinds of consumer goods were in even shorter supply than basic foodstuffs, oten being completely unobtainable.
- NBER '13
  - We started this paper with a question: "Was Stalin necessary for Russia's economic development?" In short, our answer is a definitive "no." A Tsarist economy, even in our conservative version assuming that it would not experience any decline in frictions, would have achieved a rather similar structure of the economy and levels of production as Stalin's economy by 1940.
- ZaslavskaiŁa '90
  - Collective farms in the Soviet Union were extremely inefficient.
- Anarchy is Property '21
  - Quoting Leon Trotksy on the **effects of war communism, a period of complete socialism from 1918 to 1921** (called "planned chaos" by source):
  - "The collapse of the productive forces surpassed anything of the kind that history had ever seen. The country, and the government with it, were at the very edge of the abyss."
  - Source states - "Chastened by that experience, Lenin enacted the New Economic Policy, which was a reintroduction of money and markets. No Soviet leader ever tried to abolish the market again."

- **The USSR struggled with economic calculation -**
  - [ ] Watkins '86-'00
    - "Examples of how inefficient the Soviet economy was are well known. The Soviet Union mined eight times as much iron ore as did the United States. That ore yielded only three times as much pig iron, and the pig iron only twice as much steel. Finally, from that steel it was able to produce machines worth roughly the same as those produced in the United States."
    - "The use of raw materials and energy in the production of each final product was, respectively, 1.6 and 2.1 times greater than in the United States. The average construction time for an industrial plant in the U.S.S.R. was more than ten years, in the United States less than two years. In manufacturing per unit, the U.S.S.R. in 1980 used 1.8 times more steel than the United States, 2.3 times more cement, 7.6 times more [mineral] fertilizer, and 1.5 times more timber. The U.S.S.R. produced 16 times as many grain harvesters, but harvested less grain and became dependent on grain imports."
    - "Ideas for ambitious, large-scale projects, without consideration of their costs, occurred to Soviet leaders with regularity. [...] Many of the projects in which significant resources were invested turned out to be either ineffective or pointless."
    - A lot of useless projects with no benefit were counted in GDP, making the number higher than it really should be.
    - "There were cases that appeared in newspapers of such things as sunglasses that were so dark that one could not even see the full sun through them. Another case was of rubberized rain-coats that were improperly vulcanized so that when they were folded up the rubberized fabric stuck together so strongly they could not be unfolded. Another was of women's high heel shoes in which the hells were stapled to the wrong part of the part the foot rests upon. All of these useless products were stored in warehouses indefinitely but they nevertheless were counted as fulfilling some of the production quotas of the enterprises that produced them. They also were included in the official GDP of the Soviet Union."
    - "Even worse is the case that Gaidar reported. The Soviet Union had numerous plants built in the 1940s and 1950s for producing poison gases. After an international agreement was reached banning poison gases those plants were converted to other uses including the production of food products. There were also plants for producing DDT that were also converted."

        - "Research in the 1980s revealed that tens of millions of people became victims of pesticide poisoning through contaminated food products produced in those plants. This catastrophe affected the nation's health and influenced the demographic situation for decades."
        - In the warehouses of Moscow, fruits and vegetables were mismanaged.
    - Trehub '88
        - ❑ The USSR lied about its, uh, "0%" homeless rate.
        - ❑ "In fact, there are homeless people in the USSR. They can be found in abandoned houses, cellars, coal bins, and garbage dumps, around railway stations, or in special detention centers run by the uniformed police of the Ministry of Internal Affairs (MVD). Here they are held for a month while their identities are checked and attempts are made to find them a job and a place to live. These attempts are seldom successful."
    - The USSR butchered the Aral Sea
    - Of course, 6-7 million died of starvation.
    - Life under Stalin
    - Harsh work laws
    - Standard of Living Declines post-Industrialization
    - Slower growth
    - More slow growth
    - Decent or better growth under Tsarist Russia.
    - Was Stalin Necessary?
    - Life Expectancy and Mortality Data in Communist Russia and the Soviet Bloc
    - US growth in GDP outpaced USSR
    - Debunking: "Well the USSR had the second highest growth to Japan"
    - https://www.econlib.org/archives/2009/09/soviet_shoes.html
    - https://www.csmonitor.com/1981/1201/120145.html
    - https://nintil.com/2017/02/04/the-soviet-series-from-farm-to-factory-stalins-industrial-revolution/
    - https://artir.wordpress.com/2016/03/26/the-soviet-union-gdp-growth/
    - https://artir.wordpress.com/2016/05/14/the-soviet-union-series/

- **Most of the USSR's so-called success came from privatization**
    - Vander Elst '18
        - **90 percent of all Soviet technology was of Western origin.**
        - Dr. Sutton examined 75 major technological processes in such crucial and diverse sectors as mining, oil, chemicals, machine building, aircraft, communications, agricultural equipment, etc. and estimated the percentage that originated in Russia. The startling results were: between 1917 and

    1930, 0 percent; between 1930 and 1945, only 10 percent; and between 1945 and 1965, a mere 11 percent.
    - The technological breastfeeding of Soviet Communism by Western capitalism continued even during the period of the Cold War. From 1959 to 1963, for example, the Soviet Union bought at least 50 complete chemical plants for chemicals not previously produced in the Soviet Union, and Soviet imports increased ten-fold between 1946 and 1966—from 692 million roubles to 7,122 million. In addition to all this, two-thirds of the Soviet merchant fleet had been constructed in the West by 1967.
  - Shmelev '85
    - **The vast majority of domestic Soviet food consumption didn't come from the collectivized farms but from the tiny amount of private plots they left alone:**
    -

> Collective farms were so inefficient that even by the late 1930s the country fed itself mainly not from the collective farms, where capital investment was greater, but from individual farms and private garden plots lacking tractors and other mechanized equipment. In 1940 these private plots covered only 13 percent of the sown land, but they produced 65 percent of the potatoes, 48 percent of the vegetables, the majority of fruits and berries, and even 12 percent of the grain harvest. In the same year individual farms and garden plots, which held 57 percent of the livestock (including 75 percent of the cows), 58 percent of the pigs, 42 percent of the sheep, and 75 percent of the goats, provided 72 percent of the total meat production, 77 percent of the milk, and 94 percent of the eggs. Even in 1953 each collective farm household had to furnish the

  - Anarchy is Property '21
    - "The USSR's shining star, its military and space program, operated like a market in that the state could pick and choose between different designs very similarly to under capitalism, and it was somewhat unique among Soviet industries in this way."
  - Dalrymple '64
    - The USSR's agricultural development was helped greatly by the use of tractors, which expanded from 1,000 to over 200,000 in number in the USSR in only 10 years. Almost all of these tractors came from the US, or were copies of US designs. In other words, 99.5% of the USSR's tractors were sourced from the West.
  - De Pauw '69

        - In 1966 in the USSR, the private sector produced 64% of potatoes, 43% of vegetables, 40% of meat, 39% of milk, and 66% of eggs. In contrast, the private sector made up just over 3% of the USSR's total sown land.
    - Smith '76
        - According to Soviet statistics, one fourth of the value of agricultural production in 1973 was produced on the private plots peasants were allowed (2% of the whole arable land).
    - Country-Data '89
        - In the 1980s, 3% of the land was in private plots which produced more than a quarter of the total agricultural output.
    - Ellman '88
        - Private plots produced somewhere around 1600% and 1100% as much as common ownership plots in 1973 and 1980. Soviet figures claimed that the Soviets produced 20–25% as much as the U.S. per farmer in the 1980s.
    - https://ia601203.us.archive.org/5/items/Parts13/55520165-1-Western-Technology-and-Soviet-Economic-Development-1917-1930-1968.pdf
    - https://ia801203.us.archive.org/5/items/Parts13/55437228-2-Western-Technology-and-Soviet-Economic-Development-1930-1945-1971.pdf
    - https://ia801203.us.archive.org/5/items/Parts13/55435162-3-Western-Technology-and-Soviet-Economic-Development-1945-1965-1973.pdf

---

- **Debunking: "The USSR had higher nutrition and calorie consumption than the US (CIA)"**
    - Nintil '16
        - This is an extremely misleading statement for 2 reasons below:
        - **The average Soviet needed more calories than the US:**
            - Many millions (several times more than in America) in the Soviet Union were still employed at heavy physical labour, the climate is more vere, people walk more, expend a lot of energy standing in lines, riding in overcrowded public transportation with transfers and long waits; and the American population is older. Therefore, the caloric content of food in the USSR should be higher when adjusting for these factors (which the CIA study failed to do). But, as we see, it is a little less: When controlling for these confounding variables, "The summary indicator of the total value of food consumption in the USSR is a bit less than half (49 percent) of the US.
        - **The food quality in the USSR was worse as compared with the US**
            - Practically, all American food is enriched with vitamins, while in the USSR in 1974, only 15 percent of bread and bakery products were enriched. The average quality of American meat is twice as

good as the Soviet Union. In America, the share quality fish is also found to be higher as well. The quality of American potatoes was 2.2 times better than the Soviet Union.

- **Conclusion**
    - ❑ This study's estimate was adjusted for quality and quantity. "Food consumption in the USSR was lower than in the US in quality, and in many cases, in quantity. Overall, it was lower than in the US, except for alcoholic beverages."

Table 7.1 Correction of food consumption indicators

	USSR consumption as % of US			*Amount of consumption*			
				Soviet, rubles		*American, dollars*	
Subgroup	*CIA estimate (geom. mean)*[a]	*My correction*	*'Final' estimate*	*CIA*[a]	*With correction*	*CIA*[a]	*With correction*
Bread and cereals	96	0	96	60	60	110	110
Meat and poultry	34	− 50	17	101	51	282	564
Fish	67	− 50	34	17	8	48	96
Milk, eggs, cheese	59	− 7	55	63	59	116	125
Oils and fats	64	0	64	26	26	38	38
Vegetables	19	− 20	15	18	14	110	138
Fruit	20	− 25	15	20	15	61	81
Potatoes	90	+ 10	99	16	18	14	13
Sugar and confectioneries	78	0	78	47	47	50	50
Other foods	39	0	39	14	14	39	39
Alcoholic beverages	119	0	119	138	138	133	133
Non-alcoholic beverages	37	− 33	25	11	7	54	81
Tobacco	18	+ 100	36	15	30	75	38
Total	53		43	546	487	1130	1506

- **Socialism Failures** (Note that this subsection is not a full representation of the implementation of socialism in other countries but rather just specific socalist policies or close to socliast policies that have been implemented historically)
    - ***Venezuela***
        - Carlos Hidalgo '19
            - ❑ The 2018 edition of the EFW ranks Venezuela as the **least free economy among the 162 countries studied**
        - John '19
            - ❑ Prior to self-proclaimed socialist Hugo Chavez taking power in 1999, Venezuela was the richest country in South America. As of 2019, nearly **5 million people** (roughly 15% of Venezuela's total population) **have fled the country,** 44% are unemployed, and **inflation has reached 10,000,000%.**
        - Paul '19
            - ❑ "Before 1973, the Venezuelan government **did not own any companies and Venezuela grew 6.5 percent** year-on-year. In contrast, between 1974 and 1998 Venezuela experimented with many socalist policies and brought **GDP growth to 1.9 percent year-on-year.**

- In contrast, consider another **South American country, Chile,** which abandoned its flirtation with socialism back in 1973. At that time, **Chilean income was about 36 percent of Venezuela's.** Operating under more economic freedom and privatization, Chilean incomes **have increased by 228 percent**, while **Venezuelan incomes have declined by 21 percent.** Capitalism has left Chileans **51 percent richer** than their Venezuelan counterparts"

- Miltimore '20
  - **Chavez nationalized many industries including**: steel, agriculture, banking, telecomms, electricity, tourism, and oil. From 2001 to 2017, the Venezuelan state went from owning **74** public enterprises to **526**, four times more than Brazil and ten times more than Argentina. These were the results:
  - **Steel:** In November 2019, Venezuela's steel output reached an all-time low- a thousand tons, down from 479,000 tons in March 2007.
  - **Agriculture:** Venezuela's food production fell 75% in two decades while the country's population increased by 33%. The economic crisis in Venezuela is so severe that 75 percent of the country's population has lost an average of 19 pounds in weight
  - **Banking:** Venezuela in recent years has suffered an annual inflation rate of 10,398 percent
  - **Telecomms:** Venezuela ranks among the worst five countries for both mobile and broadband connection speeds. The state run telecoms were short $1.8 million to meet its investment target.
  - **Electricity:** Blackouts were reported to have hit 22 of 23 states. Venezuela has suffered from recurring electrical blackouts that have left millions without power or internet access for weeks at a time
  - **Tourism and Travel:** Tourism has declined by about 34% since 1999
  - **Oil:** Venezuela's oil production is reaching the level the country had in 1929. Venezuela's oil production fell by 24 percent between 2005 and 2016.
- WhiteHouseGov '18
  - "Going from the U.S. economic freedom level to Venezuela's would **reduce GDP by about two-thirds after 20 years."** Another study, by Easton and Walker (1997), found effects that are smaller although still economically significant. They estimate the elasticity of the steady state level of GDP per worker with respect

to economic freedom level of 0.61, so that going to Venezuela's EFW would **reduce real GDP per worker by about 40 percent** in the long run.
    - Good google doc on socialism and Venezuela
    - The economic consequences of Hugo Chavez: A synthetic control analysis

- **Debunking: "Sanctions Destroyed Venezuela, not Socialism"**
  - Mises '19
    - Socialism destroyed Venezuela, not sanctions. The "analysis in Brookings's report **does not find sufficient evidence to conclude that the sanctions were responsible for the worsening of the socioeconomic crisis.** At this moment, there is not sufficient publicly available data to rigorously estimate a causal effect. The Brookings report therefore concludes that most of the deterioration of socioeconomic indicators occurred prior to the sanctions of August 2017. In fact, a large part of the suffering and devastation in Venezuela has been inflicted by those in power since 1999 **and not as much by the sanctions imposed in 2017."**
  - Gómez '19
    - Despite infant mortality starting to rise in 2013-2014, initial increases in economic sanctions were not implemented until 2015, despite having passed in 2014. And the initial economic sanctions from 2008 and 2015 were only on individuals and a couple travel agencies. The serious economic sanctions which would've affected the wider economy at all were only implemented in 2017, despite oil production starting a steep decline in 2016.
  - Impact of the 2017 sanctions on Venezuela (Brookings Institute PDF)
  - Venezuela: Overview of US Sanctions (Congressional Research Service)
  - Socialism, Not Sanctions, Is to Blame for Venezuela's Misery | Kristian Niemietz (Foundation For Economic Education)
  - No, US Sanctions Are Not Killing Venezuela. Maduro Is (Forbes)
  - Venezuela: US sanctions hurt, but the economic crisis is home grown (The Conversation)
  - US Sanctions on Venezuela (list)
  - Sanctions Only Began in 2015
  - Economic Sanctions Started in Late 2018, Or August 2017
  - Socialism, Not Sanctions
- **Debunking: "Venezuela High Reliance on Oil Harmed them, not Socialism"**
  - Mises '17
    - Venezuela did heavily rely on oil which can definitely contribute to their economic collapse. But the reason for this can also be attributed to the price controls, currency controls, uncontrolled monetary creation, and

overall the nationalization of their oil industry. The main question here is if it is the socalist policies or the heavy reliance of oil that caused the Venezualuan economy to collapse. If it was the heavy reliance on oil, those economies more dependent on oil, such as Angola or Kuwait (who are #1 and #2 in oil exports as a percentage of GDP), would suffer the harshest declines in economic performance. However, the data does not support this thesis. If we compare Venezuela's economic growth with that of other oil-exporting countries, we can see the serious divergences that this article points out:

-

	2013	2014	2015	2016
GROWTH OF 15 LARGEST PETROLEUM EXPORTERS	2.9%	2.4%	0.9%	1.0%
VENEZUELAN GROWTH	1.3%	-3.9%	-6.2%	-10.0%
VENEZUELAN VS LARGEST PETROLEUM EXPORTERS GROWTH	**-1.6%**	**-6.3%**	**-7.2%**	**-11.0%**

- ***Cuba*** (Note that this subsection is not a full representation of the implementation of socialism in other countries but rather just specific socalist policies or close to socliast policies that have been implemented historically)
  - WhiteHouseGov '18
  - In Cuba, the disincentives inherent in the **socialist policies sharply reduced agricultural production.** As O'Connor (1968, 206–7), explains, "Because wage rates bore little or no relationship to labor productivity and [state farm] income, there were **few incentives for workers to engage wholeheartedly in a collective effort.**" Research has analyzed the change in agricultural production in Cuba spanning the **agrarian reform period of 1959–63**, when about 70 percent of farmland was nationalized. Production of livestock fell between **14 percent** (fish) and **84 percent** (pork). Among the major crops, production fell between **5 percent** (rice) and **75 percent** (malanga). The biggest crop, sugar, fell **35 percent.**
    - The CEA also notes that, while Cuba had **similar gross national income to Puerto Rico** before the Cuban Revolution in the late 1950s, by 2000 **Cuban gross national income had fallen** almost two-thirds relative to Puerto Rico.
  - Herrera '19
    - Almost 70% of Cubans do not have a permanent water supply: 32% have water between four and 5 days, 28% have it fewer than 3 days and 8.1% do not have any drinking water service, six out of ten citizens have suffered up to ten power cuts in recent months while 18.8% have suffered more than ten
  - Sweeney '94
    - In 1994, Cuba's gross social product (equivalent to gross domestic product) plunged nearly 60 percent, including 1994's projected

contraction of 5 percent. Power blackouts occured daily in Havana and other major cities. Over two-thirds of the island's industrial facilities were shut down almost permanently due to a lack of raw materials. Gasoline was very scarce, and automotive transportation was at a virtual standstill. Animal power was used for heavy agricultural activities, and most Cubans got about on bicycles or on foot. Over half of Cuba's work force was unemployed, although unemployment officially remained a crime punishable by imprisonment.

- ❑ Since July 1993, when the Castro regime authorized the use of U.S. dollars, Cuba's own currency became worthless. Although the official exchange rate between the peso and the U.S. dollar was one-to-one in 1994, the black market rate in August 1994 was 130 pesos to the dollar. No one would work for pesos, since the minimum wage was equivalent to about three dollars a month. Productivity dropped 45 percent since 1990, according to Cuban economists, and many state employees no longer bothered to go to work. Instead, they joined the fast-swelling ranks of self-employed or black market workers whose economic activities were marked by the struggle to survive from one day to the next without earning too much income lest they be charged with illegal enrichment and jailed.
- ❑ Many Cuban women turned to prostitution in a desperate effort to feed their children and families, since government rationing provided only half of the average family's monthly nutrition needs. In May 1994, Cuba's minimum wage would buy "only a two-pound chicken, or a pound of pork, or four liters of milk in unofficial markets." Many Cuban families survived on one daily meal consisting of rice, beans, soy, and water. For months, Cubans had been deprived even of bath soap. Infectious diseases once thought to be eradicated, such as tuberculosis and malaria, were returning as Cuba's free health care system collapsed. Hospitals lacked even the most basic supplies such as bandages and surgical thread for sutures. There were not enough pencils and ruled paper to supply the country's school system.
- ❑ Sugar production had dropped from an estimated 8.1 million metric tons in 1989 to barely 4.2 million metric tons in 1993-94.
- ❑ Before Castro took power in 1959, Cuba ranked third in per capita income in Latin America, behind only Argentina and Venezuela. In 1994, after 35 years of socialism and more than $75 billion in Soviet economic and military aid, Cuba's per capita income was one of the lowest in the Western Hemisphere, possibly even approaching the levels of such countries as Haiti.

- ■ Hawthorne '20
  - ❑ The homelessness rate in Cuba is NOT 0%. The elderly are at particular risk for homelessness. Even among those with housing, it is low quality and riddled with problems.
- ■ Good video on Cuba
- ■ Good doc on Cuba

        - [Cuban infant mortality and longevity: health care or repression?]
        - [https://ascecuba.org//c/wp-content/uploads/2014/09/v08-30smith.pdf]
        - [https://silo.tips/download/the-cuban-experiment-measuring-the-role-of-the-1959-revolution-on-economic-perfo]
- **Debunking: "Sanctions Destroyed Cuba, not Socialism"**
    - [Coleman '21]
        - U.S. economic sanctions with respect to Cuba generally had a minimal overall historical impact on the Cuban economy. Cuba adjusted quickly to U.S. economic sanctions through political and economic alliance with the Soviet bloc countries. Soviet economic assistance, which peaked at nearly $6 billion annually in the 1980s, largely offset any adverse effects of U.S. sanctions and enabled the Cuban economy to grow.
        - The loss of Soviet economic assistance after 1990 caused a severe downturn in the Cuban economy, bringing to the forefront long standing inefficiencies in the Cuban economy. The loss of Soviet assistance eventually forced Cuba to introduce economic reforms to attract foreign investment, and selective economic liberalization to stimulate domestic production.
        - The Cuban Government estimates that the cumulative cost of U.S. economic sanctions on the Cuban economy was $67 billion through 1998, including such costs as reduced trade and tourism, higher shipping costs, inability to procure spare parts, frozen bank accounts, foreign debt problems, and emigration of skilled workers. That estimate does not factor in the cumulative value of Soviet bloc economic assistance provided since 1960.
        - U.S. economic sanctions with respect to Cuba generally had a minimal overall historical impact on the Cuban economy. Cuba adjusted quickly to U.S. economic sanctions through political and economic the alliance with the Soviet bloc countries. Soviet economic assistance, which peaked at nearly $6 billion annually in the 1980s, largely offset any adverse effects of U.S. sanctions and enabled the Cuban economy to grow.
    - [ChicagoBooth '12]
        - Most economists agree that "Cuba's low per-capita income growth — 1.2 percent per year since 1960 —has more to do with Cuba's own economic policies than with the U.S. embargo on trade and tourism."
    - [Sweeney '94]
        - The sanctions did not cause the economic crisis.
        - From the beginning, many industrialized countries had refused to cooperate with U.S. policy of sanctions towards communist Cuba and have continued to maintain diplomatic and trade relations with the

dictatorship. This includes such important U.S. partners as Canada and Mexico.

- ***Maoist China*** (Note that this subsection is not a full representation of the implementation of socialism in other countries but rather just specific socalist policies or close to socliast policies that have been implemented historically)
  - WhiteHouseGov '18
    - Mao's government implemented the so-called **Great Leap Forward for China from 1958 to 1962**, including a policy of mass collectivization of agriculture that provided "no wages or cash rewards for effort" on farms. The per capita output of grain fell **21 percent** from 1957 to 1962; for aquatic products, the drop was **31 percent**; and for cotton, edible oil, and meat, it was about **55 percent.** During the Great Chinese Famine from 1959 to 1961, an estimated **45 million people died**.
  - Ravallion '21
    - China's poverty in 1980 is attributed to the impact of the Maoist path since 1950.
  - Cheremukhin '15
    - Mao's policies resulted in slower growth rates when compared to the post reform policies.
  - Anarchy is Property - PCM '21
    - In 1978, 18 farmers in China decided to break the law at the time and secretly agree to own private property; any surplus grown that year would be theirs - not the collective's. That year's harvest was bigger than the previous 5 years combined and per capita income increased from 22 yuan to 400 yuan.
  - CRF '08
    - "Most Chinese were peasants, poor farmers who worked on land owned by wealthy landlords. Mao confiscated these lands and executed thousands of landlords who resisted. During the 1950s, Mao formed "collective farms," each worked by over 100 families. The income of the families was in theory equal. But since the peasants worked for the collective rather than on their own farms, there was little incentive to work hard. Farm production fell under this system. "
    - "In the cities, Mao began to put factories and other businesses under state (government) ownership. The state set production goals, wages, and prices. Most city workers became employees of these state-owned enterprises. The state guaranteed workers a job

along with benefits like health care for life. Chinese workers called this the "iron rice bowl." But again workers had little incentive to be efficient, productive, or even care about the amount or quality of their work. Consequently, industrial production declined."

- ❑ "The Great Leap Forward… forced the government to reduce the size of the communes, restore family farm plots, and put into place work bonuses and other incentives."

- ***Other Socialist Failures*** (Note that this subsection is not a full representation of the implementation of socialism in other countries but rather just specific socalist policies or close to socialist policies that have been implemented historically)
  - **Khmer Rouge** - Wikipedia '21
    - ❑ Measuring the economic performance of the Khmer Rouge regime was impossible because statistics were not available, and no monetary transactions or bookkeeping were carried out. The economic life described by foreign diplomats, by Western visitors, and by Cambodian refugees in Thai camps ranged from spartan to dismal. Phnom Penh became a ghost town of only about 10,000 people. There were no shops, post offices, telephones, or telegraph services. Frequent shortages of water and of electricity occurred in all urban areas, and the government prohibited movement across provincial borders, except for that of trucks distributing rice and fuel.
    - ❑ Even after the better harvests of 1976 and 1977 rice distribution was unequal, and the government failed to reach the daily ration of 570 grams per person. The daily ration of rice per person varied by region from 250 to 500 grams. Party leaders, cadres, soldiers, and factory workers ate well, but children, the sick, and the elderly suffered from malnutrition and starvation.
  - **Chile** - Dicken '15
    - ❑ Allende's socialist policies started to cause tension in 1971, where discontentment grew within society. **Allende's economic reforms simultaneously froze prices of basic goods and services, and augmented wages by decree, eventually leading to a scarcity of goods, bringing about hyperinflation (Wenzel, 2010) with inflation increasing from 45.9% to 163.4% between July and December 1972 (Valenzuela, 1978, p. 55).** The upper and middle classes felt that the government's economic policies were seriously

affecting them negatively; ‘99% of the upper class felt that it was difficult to buy supplies’ (Valenzuela, 1978, p. 51).

- ❑ **Under Pinochet, Chile’s GDP grew by 8% in both 1977 and 1979, and then by 10% in 1989; the highest growth in the region (Valdes, 1995, p. 266).** A market mentality was imposed in all areas of life, through an intense free market approach. The government also instituted polices to deregulate the economy and encourage trade, reducing tariffs drastically to 10%, and thus opening up to foreign capital. Chile’s experiment with neo-liberalism has been cited as a success story (Hecht, 1999, p. 113). Milton Friedman dubbed this the ‘Chilean Miracle’ and although Chile was regularly condemned by the United Nations for its human rights offences, the ‘Chicago Boys’ economic strategy helped the regime gain some legitimacy in the international financial community (Hecht, 1999, p. 112).
- ❑ The Chilean economy would proceed to collapse due to interventionist economic policy in the 1982 bust, a result of the credit expansion and manipulation of currency exchange rates (**not a market failure**).

- ■ La Rue '20
  - ❑ During Allende’s presidency, **demand outstripped supply, the economy shrank, deficit spending snowballed, new investments and foreign exchange became scarce, shortages appeared, and inflation reached an annual rate of more than 600%.** By mid-1973, the economy and the government were paralyzed.
  - ❑ Augusto Pinochet, who deposed Allende in the 1973 coup, was indeed a tyrant who tortured and murdered his opponents. **His coup was a backlash, an opposite swing of the pendulum, to the election and reign of Allende. Had Allende not come to power, neither would have Pinochet.**
- ■ Hruzik '19
  - ❑ **After fixing the Peso to the Dollar in 1979, Chile imported the monetary policy of the United States.** The real appreciation of the Dollar to the currencies of Chile’s major trading partners worsened the competitiveness of Chilean businesses on the world market (Valdés-Prieto, 1994; Magendzo and Titelman, 2008).The real appreciation of the Dollar was also accompanied by a consumption of American savings due to the loose fiscal policy of the Reagan Administration. Increased capital demand in the United States raised interest rates on the American capital market which led to a reversal in capital flows. Capital inflows into theUnited

states increased while at the same time capital outflows dried up (Aldcroft and Oliver, 1983; Eichengreen, 2000). **The following increase of interest rates in Chile revealed the misallocation of resources within the Chilean economy. Businesses that formerly appeared to be profitable were not able to finance themselves on the credit market and went into bankruptcy.** 1982 by itself registered more than 800 bankruptcies in the private sector (Collier and Sater, 2004, p. 370). A second wave of bankruptcies happened in November 1981, when eight financial institutions were rescued by the government (Montiel, 2014, p. 32). The peak of the financial crisis was in January 1983, when the Chilean government bailed outseveral major banks and thereafter owned more than 50% of the banking system (Brock, 2000, p. 76).

  - ❑ **The events of the Chilean financial crisis are very much in line with what the Austrian Business Cycle Theory says.** Interest rates were depressed by excessive credit mediation and when credit mediation ceased it also ended the damping of the interest rate. Rising interest rates ended the Chilean credit boom and production plans had to be rearranged.

- Mitchell '17
  - ❑ Here's the IMF data on per-capita GDP for Chile and the rest of Latin America. The numbers are only available back to 1980, but everything we see underscores the argument that Chile is a great success. **It used to have living standards only slightly higher than the average for Latin America and now the people are more than twice as rich as their peers**.
- PraxBen '21
  - ❑ Under Allende, Chile reached record high inflation levels as real wages plummeted. The invisible blockade was not responsible.
  - ❑ GDP and wages went up after free market reforms, while unemployment and poverty dropped. **Chile's capitalist reforms were in the long run incredibly successful.**
  - ❑ The 1982 crash was due to the abandonment of free floating exchange rates leading to the overvaluation of the Peso and the eventual Chilean bust.
- Stephens '10
  - ❑ As for Chile, Pinochet appointed a succession of Chicago boys to senior economic posts. **By 1990, the year he ceded power, per capita GDP had risen by 40 percent (in 2005 dollars) even as Peru and Argentina stagnated**. Pinochet's democratic successors

—all of them nominally left-of-center—only deepened the liberalization drive. The result is that **Chileans have become South America's richest people**. They have the continent's lowest level of corruption, the lowest infant-mortality rate, and the lowest number of people living below the poverty line.

- No, the invisible blockade of the US against Chile did not crash Allende's economy.
- Fixing the Peso to the Dollar was a grave mistake on the part of the Chilean government which helped induce the 1982 crash.
- An invisible blockade? (translate to English)
- **North Korea** - Ziv '21
    - ❑ Despite North Korean statistics not being readily available, eyewitness accounts show that quality of life in the country is truly horrific. (see slideshow for yourself)
- 

- The above image shows North Korea from space at night. It is significantly less lit up than its capitalist neighbors, except for its mildly lit capital of Pyongyang (which is still unimpressive compared to the South Korean capital of Seoul.)
- Homelessness in North Korea
- The Distribution of Income in North Korea
- **Africa** - Ayittey '19

- Socialism was a miserable fiasco in country after country including Angola (under dos Santos), Benin (under Kerekou), Ethiopia (under Mengistu), Ghana (under Nkrumah), Guinea (under Toure), Mali (under Keita), Mozambique (under Chissano), Tanzania (under Nyerere), and Zambia, among others.
- In 1961, workers on Ghana state farms barely produced enough to feed themselves let alone the nation. In Tanzania, Ujamaa destroyed the country's agriculture. Ethiopia's misguided villagization program did the same. Zimbabwe socialist experiment ended in disaster, transforming the country which used to be called the breadbasket of the region into a net food importer, with millions facing starvation. Over 4 million fled the country into neighboring countries such as Botswana, South Africa and Mozambique.
- See this video.

- **Burkina Faso** - Anarchy is Property '21
  - Sankara was not a successful socialist. Burkina Faso is tiny and has very little data available on it other than what the Sankaran regime provided. It came out of an inefficient African feudalistic system, was unable to economically calculate, and only lasted for 4 years. The evidence points to the fact that the portrayal of Burkina Faso as a success of socialism is completely inaccurate.
- See this to debunk Burkina Faso and a bunch of countries in general
- **Somalia** - See here.
- **Burma** and **Sri Lanka** - A good video mentioning their socialist regimes

---

Communism

- **Communism Inherent Flaws and Critiques of Socialism, Necessary Before It -**
  - Communism's primary inherent flaw is its reliance on a post-scarcity society. **Even in a fully automated world, the critiques of left-anarchy will still apply (not necessarily the critiques of socialism, as society will be stateless.)**
  - A truly post-scarcity society (society with 0 scarcity) is **impossible**, as the universe is not infinite. The closest one could get is **hooking everyone up to a mainframe** where they think they live in utopia, but the problem there is that **self-ownership and private property rights** would still exist.
  - It also **ideologically relies on socialism** to achieve it. Critiques of socialism are as follows:

- [**Argumentation Ethics**]() and [**other proofs of self ownership and private property**]() - It is immoral and wrong to disregard private property. While voluntary "socialism" can of course be established, it cannot be rightfully forced on society.
- **Tragedy of the commons** - without private property rights, no one has an incentive to care for something rather than plunder it. This can be demonstrated empirically. Additionally, without private property rights, people can morally engage in all sorts of risky behavior and they cannot be ethically stopped.
- [**Economic Calculation Problem**]() and the corresponding **Knowledge Problem** - Without private prices in the means of production, exchange ratios between factors of production cannot arise to tell central planners where to direct resources, resulting in an inability to rationally economically calculate. And without these private prices, it is impossible to measure in real time and compare consumer desires; which ultimately hides this knowledge from the central planner, making their job even more impossible.
- **Lack of usury and interest** - This distortion of division of labor makes large scale economic projects much less attractive and as a result stalls economic growth. This applies to syndicalism as well as socialism.
- **Power structures**, **corruption**, **faulty incentives**, and other problems with socialism are also present.
- Debunking "Debunking Every Anti Communist Argument Ever"
- Here are some more articles critiquing socialism (although they call it communism):
- https://medium.com/@subhanhussain22/a-critique-of-marx-why-communism-never-works-f690b4cfd11a
- https://fee.org/articles/why-communism-failed/
- https://fee.org/articles/soviet-admissions-communism-doesnt-work/
- https://distributistreview.com/archive/case-communism
- https://www.learning-mind.com/why-did-communism-fail/
- https://books.google.com/books?id=syAZHjkAmUQC&pg=RA1-PA4&lpg=RA1-PA4&dq=list+of+the+inherent+flaws+of+communisms

---

- **Communism Historical Failures**
  - Communism can only occur after socialism has successfully advanced society to a stage of post-scarcity. Given that this has never happened; **communism has never been historically implemented** and has therefore **never had a chance to fail.** Every socialist society throughout history has either collapsed or has failed to get anywhere near post-scarcity. Frankly, socialism will never get us to communism due to its own inherent failures.

Left-"Anarchy"

[Comprehensive Anti-Ancom Doc]

- **Left-“Anarchy” Inherent Flaws (AnCom and AnSyn)**
  - You can use the following critiques against left “anarchy” quite nicely (overlaps with socialist critiques):
  - **Argumentation Ethics** and **other proofs of self ownership and private property** - It is immoral and wrong to disregard private property. While voluntary “left-anarchy” can of course be established, it cannot be rightfully forced on society.
  - **Tragedy of the commons -** without private property rights, no one has an incentive to care for something rather than plunder it. This can be demonstrated empirically. Additionally, without private property rights, people can morally engage in all sorts of risky behavior and they cannot be ethically stopped.
  - **Economic Calculation Problem** and corresponding **Knowledge Problem** - Without private prices in the means of production, exchange ratios between factors of production cannot arise to tell central planners where to direct resources, resulting in an inability to rationally economically calculate. And without these private prices, it is impossible to measure in real time and compare consumer desires; which ultimately hides this knowledge from the central planner, making their job even more impossible.
  - **Lack of usury and interest -** This distortion of division of labor makes large scale economic projects much less attractive and as a result stalls economic growth. This applies to syndicalism as well as socialism.
  - **Power structures**, **corruption**, **faulty incentives**, and other problems with socialism are also present, although they are alleviated somewhat but not eliminated through anarchy.
  - UBERSOY vs Libertarian Socialism
  - Problems with Worker Cooperatives

- **Left-“Anarchy” Historical Failures**
  - **Rojava -** Lhamid '19
    - "Such an economic model is not “anti-private property”, and even if private properties are put to communal use within the cooperative system, private landowners have the right to charge commercial rates, and assemblies and commissions responsible for economic issues cannot expropriate holdings"
  - Wikipedia '21
    - "The Rojava economy is a blend of private companies, the autonomous administration and worker cooperatives ... Additionally, strong emphasis is being placed on businesses that can bring about self-sufficiency to the region ... in July 2017, it was reported that the administration in the Jazira

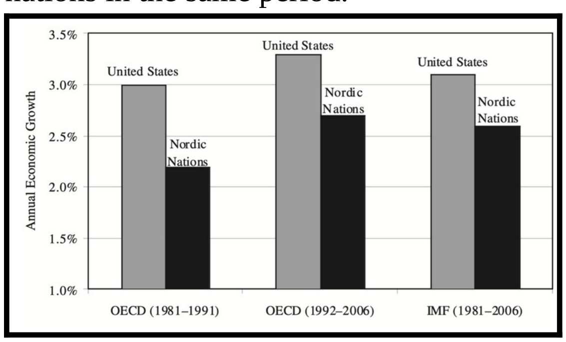
Region had started to collect income tax to provide for public services in the region. There are partnerships that have been created between private companies and the administration."

- **Zapatistas** - Flood '97
  - "The anarchist Andrew Flood argues that the Zapatistas' economy cannot be called anti-capitalist, since it has not abolished capitalist activity in its territories: The revolutionary laws produced by the EZLN on January 1st 1994 cannot be called anti-capitalist. They restrict but still very much allow for wage labour, rent and even multinational investment. For example the law states, 'Foreign companies will pay their workers an hourly salary in national money equivalent to what would be payed in dollars outside the country.' ... hardly amounts to the abolition of capitalism."
- Khokar '13
  - "Rather than embracing community-based development, many villages favor government-led interventions, which tend to be top-down and attempt to force change from the outside ... Generally, these types of interventions in Chiapas have only led to a perpetuation of poverty and under-development. As the seventh most populous state with approximately 4.3 percent of the Mexican population, Chiapas contributes only 1.8 percent to the national gross domestic product, according to the Instituto Nacional de Estadística y Geografía. Extreme social inequalities are prevalent within the region, and many indigenous communities lack basic provisions such as electricity, running water, and education."
- **CHAZ/CHOP** - Chaz Updates '20
  - Due to the lack of private property rights, CHAZ's collective farm was destroyed by a homeless person. This is an overt example of tragedy of the commons.
- Rambaran '20
  - Businesses were threatened by CHAZ's armed "not police" security forces with extortion - in other words, they had to pay taxes.
- BBC '20
  - Two teenagers were shot in multiple shootings in the area of CHAZ in the space of a couple days.
- In CHAZ, the lack of skilled division of labor resulted in terrible practices in collective farming - such as trying to grow potted plants by simply placing them on top of dirt.
- **Paris Commune** - Nikolic '18

        - The Paris Commune (often seen as a model for left “anarchy”) was not anarchist, but ruled by a government, under which notable political repression took place.
    - **CNT** - Caplan '91 - '99
        - The CNT's enforcement mechanism was a state in literally all but name only. They forcefully shut down smaller shops and centralized production into larger locations.
        - The CNT had a host of power abuses, economic failures, and other problems with its society. It was a genuine attempt at “anarchism”, but quickly it devolved into statism, and it wasn’t a success.
    - Caplan '09
        - [T]he experience of Spanish “Anarchism” could give no clearer proof that insofar as collectivization was anarchist, it was capitalist, and insofar as collectivization was socialist, it was statist.
        - CNT militants chaotically imposed Stalinist agricultural collectivization.
        - The “Anarchist” military was the backbone of a new monopoly on the means of coercion which was a government in everything but name. It then became possible to use the peasantry like cattle, to make them work, feed them their subsistence, and seize the “surplus.”
    - **Korean People’s Association of Manchuria** - Wikipedia '21
        - The KPAM lasted for less than 2 years, and it had elements of nationalism and propaganda in it.
    - Anarchy is Property '21
        - The KPAM was not a success of left-“anarchy”. Very little data is available regarding its actual economic performance, but we do know that without currency or a pricing system, they were unable to rationally economically calculate or allocate resources without waste. No real large scale economic projects took place.
    - **Makhnovia** - Avrich ‘67
        - "The reality is that only tiny numbers were involved in the Makhnovist collectives – a number of whom were already ideologically committed anarchists. The mass of the peasantry held fast to their private plots. Even the anarchist historian Volin, who was a political advisor to Makhno, states that there were no more than a few hundred families involved in the Makhnovist communes. Makhno in his memoirs admits that “the mass of people did not go over” to the free communal order; while even the strongly pro-Makhno anarchist Alexander Skirda acknowledges: 'The idyllic dream of ‘cooperative enterprise’ was to dissolve in discord and bitterness, or even in ‘dismal despair,’ with commune workers quitting one after another.' "
    - Tsebry ‘11

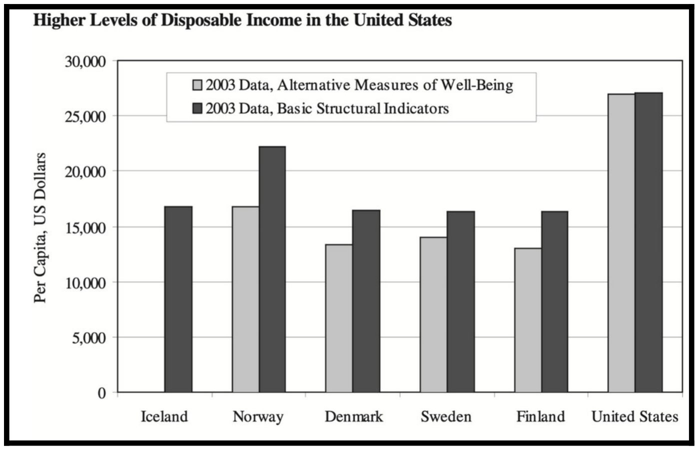
- "Probably the most significant difference would be that overwhelming lack of material goods ... in many ways, its inhabitants were reduced to a pre-industrial existence. In his Memories of a Makhnovist Partisan, Ossep Tserby describes one instance where a commune's mechanical wheat thresher broke down irreparably and so the entire community was forced to thresh their wheat by hand ... So obviously this was not an ideal situation. The anarchists would occasionally sell their labor to nearby land-owners who were more than happy to have laborers willing to work for food alone. Makhno himself acknowledges how materially dire the circumstances on the Free Territory were"

The Nordic Model

- **All Nordic Countries**
  - ***Growth***
    - Mitchell '17
      - According to the OECD, the U.S. grew by an average of 3 percent between 1981 and 1991 and 3.3 percent between 1992 and 2006 (meaning average growth of 3.2 percent for 1981 to 2006). The Nordic nations, by contrast, grew by an average of 2.2 percent between 1981 and 1991 and 2.7 percent from 1992 to 2006 (meaning average growth of 2.5 percent over the entire period). The IMF, meanwhile, reports that U.S. growth averaged 3.1 percent from 1981–2006 compared to an average of 2.6 percent for Nordic nations in the same period.
    - 

  - ***Income***
    - Mitchell '17
      - According to a study using 2003 data, the average person in the United States had more than $27,000 of disposable income, while

the average person in Nordic nations had disposable income of barely $14,300, less than 53 percent of the US.

- 

- ***Consumption***
  - Mitchell '17
    - The average person in Nordic nations has barely 51 percent as much private consumption as an average American.
- ***Employment***
  - Mitchell '17
    - More than 18 percent of the unemployed in Nordic nations have been out of work for more than 12 months. In the United States, by contrast, fewer than 12 percent of the unemployed have been jobless for that long.
- ***Welfare***
  - NBER '10
    - Many will say that the Nordic countries spend more on welfare than the US and they have good success with it. This claim is based on total government social expenditures as a share of GDP. However, this measure is flawed for several reasons:
      - 1. **These gross transfers do not take into account the dramatic differences in tax structures in the U.S. and the Nordic countries.** The Nordic countries collect income taxes on the cash payments made to social welfare recipients at rates that are four to five the rates paid by American recipients. When the poor go out to make purchases, they then pay consumption tax rates on their purchases that are 4 to 5 times the rates paid by the poor in America. Further, the American governments offer a series of tax breaks to promote social welfare that are not found in

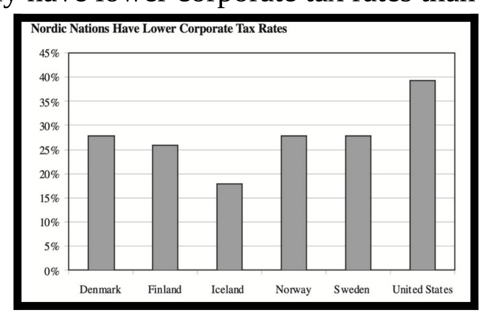
the Nordic countries. As a result, net social expenditures after taxes and transfers as a share of GDP in the Nordic countries are much closer to American levels.

- 2. **Such international comparisons are more difficult to measure than shares of GDP due to the issues related to measuring purchasing power across countries.** If the adjustments for purchasing power are correct, net social expenditures by governments in America are even closer to the Nordic countries.

- ❑ Once taking into account all these variables, Americans spend more per capita on social welfare than do any of the Nordic countries.
- ❑ Heritage '15
  - Once health and education benefits are counted, real per capita social welfare in the United States is larger than in almost all other countries. Only one nation (Norway) spends more per person than the U.S. spends.

- ■ Arbejdspapir '13 *(use google translate)*
  - ❑ Empirical analysis confirms that the more generous the welfare state is, the lower the work ethic of the individual citizen.
  - ❑ The Scandinavian countries, all of which have a relatively large welfare state, are therefore also at the bottom of the OECD countries when it comes to work ethic; with Denmark as the absolute bottom scraper.
  - ❑ (These results are different from the studies cited above, so be careful in which study you use.)

○ *Taxes*

- ■ Mitchell '17
  - ❑ Nordic countries are not poor performers in every category as they actually have lower corporate tax rates than the US:
    - 

- ■ Paul '15 (Page 201)
  - ❑ "Once you add up the national sales taxes, old-age pension taxes, and income taxes, it is not uncommon for folks in the middle class

in Scandinavian countries to pay 70 to 80 percent of their income in taxes.”

- ***Life Expectancy***
  - [Institute of Economic Affairs (Page 52)]
    - [ ] As shown in the picture below, in the 1960s, before the Nordic countries expanded their welfare state and increased taxes, they had one of the highest life expectancies in the world. But later on, when they started to increase taxes and expand welfare, life expectancy dropped (Note that this is correlation):

Table 5 Life expectancy at birth in 1960

1	Norway	73.6
2	Netherlands	73.5
3	Sweden	73.1
4	Iceland	72.8
5	Denmark	72.4
6	Switzerland	71.6
7	Canada	71.3
8	New Zealand	71.3
9	Australia	70.9
10	UK	70.8
22	Finland	69.0

Table 6 Life expectancy at birth in 2005

1	Japan	82.1
2	Switzerland	81.3
3	Iceland	81.2
4	Australia	80.9
5	Spain	80.7
6	Sweden	80.6
7	Italy	80.4
8	France	80.3
9	Canada	80.2
10	Norway	80.1
17	UK	79.0
18	Finland	78.9
22	Denmark	77.9

    - [ ]
  - [Sanandaji '16]

- TOP TEN COUNTRIES WITH LONGEST LIFE SPAN

1960 (SMALL PUBLIC SECTORS IN NORDICS)	2000 (PEAK OF NORDIC WELFARE STATES)	2013 (LATEST DATA)
NORWAY	JAPAN	JAPAN
ICELAND	SWITZERLAND	ICELAND
NETHERLANDS	ITALY	SWITZERLAND
SWEDEN	ICELAND	SPAIN
DENMARK	AUSTRALIA	SINGAPORE
SWITZERLAND	FRANCE	ITALY
NEW ZEALAND	SPAIN	AUSTRALIA
CANADA	ISRAEL	ISRAEL
UNITED KINGDOM	SINGAPORE	FRANCE
AUSTRALIA	SWEDEN	SWEDEN

- ***Child Mortality***
  - Sanandaji '16
    - **Nordic nations welfare expansion and public sector expansion dropped them among the nations of lowest child mortality**
    - TOP TEN COUNTRIES WITH LOWEST CHILD MORTALITY RATES

1960 (SMALL PUBLIC SECTORS IN NORDICS)	2000 (PEAK OF NORDIC WELFARE STATES)	2013 (LATEST DATA)
SWEDEN	SINGAPORE	ICELAND
NETHERLANDS	ICELAND	FINLAND
ICELAND	SWEDEN	JAPAN
NORWAY	FINLAND	NORWAY
AUSTRALIA	JAPAN	SINGAPORE
DENMARK	NORWAY	SWEDEN
SWITZERLAND	FRANCE	AUSTRIA
FINLAND	ITALY	DENMARK
UNITED KINGDOM	AUSTRIA	ITALY
FRANCE	DENMARK	KOREA

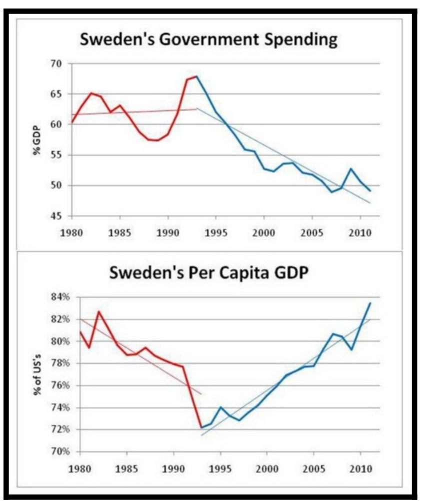
- ***Failures of the Nordic Model***
  - Macdonald '21
    - **France, Italy, and Greece** have taxes, welfare, and spending easily as high as Finland, Denmark, Sweden, and Norway. However, the success of their systems is not nearly as profound.

Quality of life in all 3 countries is substantially below that of the United States. All 3 of these countries are also far more regulated than their more popular Nordic counterparts.

- Heritage '21
  - ❑ Finland (#17), Iceland (#11), and Denmark (#10) have freer economies than the US. Sweden has almost an equivalently free economy (#21, while the US is #20), and Norway, the least free out of the successful Nordic nations (#28), is able to rely heavily on its oil exports. However, France, Italy, and Greece are far less free than even Norway, at #64, 68, and 96, respectively.
- Anarchy is Property '21
  - ❑ Comparing the Index of Economic Freedom and the OECD Better Life Index, there is a clear, statistically significant, positive correlation between economic freedom and quality of life. While uncalculated, this index indicates an even stronger correlation.

- **Finland**
  - ***Growth***
    - Institute of Economic Affairs (Page 28)
      - ❑ In terms of the richest countries, Finland almost dropped out of the top 20 ranking during the mid 1990s, until recovering to 14th position in 2010: this recovery coincided with long-term reforms towards more economic freedom.
  - ***Income***
    - Mitchell '17
      - ❑ Finns are at the bottom, with less than 50 percent of the disposable income of the average American.
  - ***Consumption***
    - Mitchell '17
      - ❑ The Finns have less than 50 percent of the private consumption of average Americans.

- **Sweden**
  - ***Income***
    - Mises '15
      - ❑ **If Sweden became a US state, it would be among the poorest states. "**We find that, if it were to join the US as a state, Sweden would be poorer than all but 12 states, with a median income of $27,167."

- These national-level comparisons take into account taxes, and include social benefits (e.g., "welfare" and state-subsidized health care) as income. Purchasing power is adjusted to take differences in the cost of living in different countries into account.
- Paul '15 (Page 211)
  - "Swedish-Americans, according to Sanandaji, earn 50% more than their counterparts back at home.
- Institute of Economic Affairs (Page 60)
  - A study in 2009 showed that around 30 percent of Swedish households had negative, or zero, assets. Around 20 per cent had asset levels that corresponded to around one month's salary for a normal household.
- Anderson '02
  - The study used "fixed prices and purchasing power parity adjusted data," and found that "the median household income in Sweden at the end of the 1990s was the equivalent of $26,800, compared with a median of $39,400 for U.S. households." Furthermore, the study points out that Swedish productivity has fallen rapidly relative to per capita productivity in the USA.
- Postran '16
  - 

○ *Welfare*

- Paul '15 (Page 145)
  - "For the sixty some odd years before 1936, under a relatively low tax, low regulation capitalist market, Sweden's economy grew faster than the entire world." When Sweden's welfare state grew in the 1970s, GDP began to slow. During this expansion of welfare, Sweden's GDP ranking dropped from 4th to 13th. "

- - - ❑ “Between 1870 and 1950 Sweden had lower taxes than America and the highest per capita income growth in the world.” As the welfare state grew from the 1950s through the 1990s economic growth declined until it “reached an average GDP growth of 0.2% from 1981 to 1993, among the very lowest among the 34 OECD countries.”
    - Sanandaji (Page 160)
      - ❑ “Of 38 [current] privately owned businesses in Sweden, 21 were founded before 1913. 15 were founded between 1914 and 1970. Only two had been formed after 1970” which was after the expansion of the welfare state.
    - Sanandaji '16
      - ❑ **An analysis of sickness benefits in Sweden:**
      - ❑ Other Swedish studies have pointed to increases in sickness absence during sports events. For instance, absence due to sickness increased by almost 7 percent among men at the time of the Winter Olympics in 1988, and by 16 percent in connection with TV broadcasts of the World Championship in cross country skiing in 1987. During the 2002 soccer World Cup, the increase in sickness absence among men was an astonishing 41 percent.
  - ***Inequality***
    - Institute of Economic Affairs (Page 56)
      - ❑ By 1920, well before the existence of a large-scale welfare state, Sweden had among the lowest levels of inequality within this group of countries. However, research shows that the Gini coefficient (measure of inequality) of taxable income moved considerably towards higher levels of equality during the last three decades of the 19th century as well as in the first half of the 20th century. Most of the shift towards higher equality happened before the introduction of a large public sector and high taxes.
  - ***Taxes***
    - Paul '15 (Page 168)
      - ❑ “The top 10% of earners in the United States paid more than 45% of all income taxes . . . whereas the Swedish top 10% paid less than 27%.” Remember that the next time you hear Elizabeth Warren or Bernie accuse the rich of “not paying their fair share” in the United States.”
    - Palumbo (Page 171)
      - ❑ “If America had Denmark’s tax brackets, someone earning $60,000 a year would be subject to the top 60% tax rate.” Whereas,

in the United States, that person would likely pay an income tax rate of less than 15 percent."

- ***Education***
  - Paul '15 (Page 219)
    - **For College:** "Interestingly, while tuition is free in Sweden, students still wind up with nearly as much debt as their American counterparts. The average Swede ends up with about $19,000 in debt while the average American has about $24,800 in debt. While the debt burden is less, more Swedes have debt than Americans. Eighty-five percent of Swedes finish college with debt, while about 50 percent of Americans graduate with debt."
  - Hansen '03
    - According to the report "Education at a Glance" from the OECD, 13 percent of people between the ages of 25 and 64 have a bachelor degree or more in Sweden. That number in the US is 26%, double as much.
    - If we look at the other end of the education level, those with only 9 years of education, in Sweden it is 26 percent, whereas in the U.S. it is 14 percent. The U.S. has, according to this report, the best educated population in the world measured by numbers of years of schooling.
- ***Life Expectancy***
  - Sanandaji '16
    - When Nordic countries had similarly sized public sectors as the United States (1960), Swedes lived 3.2 years longer than Americans. Today the difference has shrunk to 2.9 years in Sweden.

- **Denmark**
  - ***Growth***
    - Institute of Economic Affairs (Page 28)
      - In terms of the richest countries, Denmark's position fell from 7th position to 10th between 1970 and 1980. Three decades later, Denmark had regained its previous ranking, after an impressive array of market-oriented reforms.
  - ***Income***
    - Mitchell '17
      - The Danes have less than 50 percent of the private consump- tion of average Americans.

- ***Inequality***
    - Sanandaji '16
        - ❑ “A recent paper by economists Anthony Barnes Atkinson and Jakob Egholt Søgaard similarly looks at the evolution of income equality in Denmark. The authors find that income equality evolved in Denmark during the last part of the nineteenth century and the first half of the twentieth century. Most of the shift toward higher equality happened before the introduction of a large public sector and high taxes.”
- ***Welfare***
    - Arbejdspapir '13 *(use google translate)*
        - ❑ Empirical analysis confirms that the more generous the welfare state is, the lower the work ethic of the individual citizen.
        - ❑ Denmark, which has a large welfare state, has the lowest work ethic among OECD countries. In fact, a report calculated that 400,000 Danish citizens had few economic incentives to participate in the labor market.
- ***Education***
    - Hansen ‘03
        - ❑ Let us compare Denmark to the U.S., where public funding of higher education is not nearly as readily available as it is in Denmark. According to the report "Education at a Glance" from the OECD, 15 percent of people between the ages of 25 and 64 have a bachelor degree or more in Denmark. In the U.S.A., it is 26 percent—nearly twice as many.
        - ❑ If we look at the other end of the education level, those with only 9 years of education, in Denmark it is 34 percent, whereas in the U.S. it is 14 percent. The U.S. has, according to this report, the best educated population in the world measured by numbers of years of schooling. No country has as many highly educated people as the USA and no country has as few people with only 9 years of education.
- ***Life Expectancy***
    - Sanandaji '16
        - ❑ As it turns out, according to the latest available data, Danes have on average 1.5 years longer life expectancy than Americans. However, during 1960, when the country actually had slightly lower taxes than the United States (27 percent in the United States compared to 25 percent in Denmark), the difference was even

larger. At this time Danes lived 2.4 years longer than Americans. How many admirers of the Danish high tax model are aware that the shift toward massive taxation and a correspondingly generous welfare state has led to a smaller difference in life expectancy than before?

- **Norway**
  - ***Income***
    - Mitchell '17
      - Norwegian, although bolstered with oil wealth, had per capita disposable income of less than $16,800, barely 62 percent of the American level.
  - ***Consumption***
    - Mitchell '17
      - The Norwegians are the most prosperous, but even their private consumption is just 56 percent of U.S. levels.
  - ***Education***
    - Hansen '03
      - According to the report "Education at a Glance" from the OECD, 16 percent of people between the ages of 25 and 64 have a bachelor degree or more in Norway. That number in the US is 26%.
      - If we look at the other end of the education level, those with only 9 years of education, in Norway it is 18 percent, whereas in the U.S. it is 14 percent. The U.S. has, according to this report, the best educated population in the world measured by numbers of years of schooling.
  - ***Life Expectancy***
    - Sanandaji '16
      - "When Nordic countries had similarly sized public sectors as the United States (1960), Norwegians lived 3.8 years longer. Today the difference has shrunk to 2.6 years in Norway as Norway expanded welfare
  - Sexton '14
    - **Q: How did Norway become so rich despite being a socialist country? Economics students are taught that socialist systems are bad for wealth creation.**

        - Oil's a big part of it, but if that were the only important part, then Venezuelan and Saudi overlords would be running the world. Norway is one of the few countries to dodge the curse of oil, which generally turns countries into crony-run hellholes completely unaccountable to anyone.
        - Part of it, unpleasant though it is to say, probably has something to do with a complete lack of ethnic diversity. It's easier to share with others when those others look like you and live lives just like yours. It's also a pretty small country in most ways. It's also not as 'socialist' as a lot of Americans believe. Their economy is actually pretty open and free. The labor market is the big exception, and even that is liberalizing.

- **Iceland (**This country is an example of a nordic nation that did not expand public sector spending and social services and saw tremendous prosperity compared to other Nordic nations who did).
    - Sanandaji '16
        - Icelanders went from having 3.7 years' longer lifespan than Americans in 1960 to 4.3 years longer today. So, does this fit in with the idea that large welfare states promote long life spans? Well, let's not forget that Iceland is the Nordic country that, over time, has had the smallest welfare state, with least leaning toward social democracy." Iceland also has significantly lower social service spending than the US.

Economic Calculation Problem

ECP article by Aleks Popovic

A Comprehensive Analysis Of "Solutions" To The Economic Calculation Problem

---

- **Explanations to the Economic Calculation Problem.** There are multiple explanations to the ECP which libertarians often disagree with so here, I lay out every explanation to the ECP so you can pick which one you find the best:
    - ECP Summary: Lee Birks
        - To summarise the Economic Calculation Problem can simply be put as **without a proper pricing system, we cannot properly allocate factors of production** which best suit and satisfy the **subjective values of the consumer.** The Economic Calculation Problem **assumes complete information as to every consumer demand**, the relevant quantities and qualities of all the different factors of production, both original and produced, as well as all the technological recipes known to man in existence for producing consumer goods and finally complete agreement on what **exact course of action to take regarding what needs to be produced.** Ludwig Von Mises illustrates his critique with the following

example: "The director wants to build a house. Now **there are many methods that can be resorted to.** Each of them offers, from the point of view of the director, certain **advantages and disadvantages with regard to the utilisation of future building**, and results in a different duration of the building's serviceableness; each of them requires other expenditures of building materials and labour and absorbs other periods of production. **Which method should the director choose?** He cannot reduce to a common denominator the items of various materials and various kinds of labour to be expended. **Therefore he cannot compare them.** He cannot attack either the waiting time period of production, or to the duration of serviceability, a definite numerical expression. In short, **he cannot in comparison the costs to be expended and gains to be earned, resort to any arithmetical operation.** The plans of his architects enumerate a vast multiplicity of various items in kind; they refer to the physical and chemical qualities of various items in kind; they refer to the physical productivity of various tools, machines and procedures. But all their statements remain unrelated to each other. **There is no means of establishing any connection between them."** Without private property **you cannot have natural prices for these factors of production.** Without prices for the factors of production, **you cannot determine the price of an input and the price of an output.** This means you cannot determine **whether any certain method of producing is efficient or not.** Which course of action should one take to produce the goods? Well after you attempt to produce the goods there is **no way in which you can determine if it is efficient or inefficient or if you're making a profit or a loss.** As without prices you cannot establish a quantitative relationship between these different methods of producing goods, therefore **you cannot engage in economic calculation.**

- Video by Libertarian Scotty Youtube
  - The economic calculation problem refers to the problem of determining **how resources are to be allocated to productive uses in an economy.** It is argued that socialism fails to do this because of the **absence of private property and profits.** The existence of profits are extremely **vital to an economy.** The whole purpose of profits is not just about companies making money in order to meet their operational costs. The whole purpose is that it's important to understand that **profits are a signal that enable the company or the producers to know what they're going to produce more of and what resources to use and where to allocate them.** For example, companies very frequently see what their most bought products are and what their least bought products are. They see what products have **made the most profit for them** and which have made them least simply

just from c**onsumers choosing to buy their goods voluntarily.** Therefore, since a company wants to maximize their profits, they are going to **produce more of what consumers buy most of** and what makes them the most profit. Overall, simply from the information of a company's profits and consumer demands, they know what **resources to allocate, where to allocate them, and what to invest more in.** Hence, since socialism eliminates profits, there would be **no way of knowing what resources to produce or where to allocate these resources** which would always lead to the **misallocation of valuable, scarce resources.**

- More explanation to the ECP
  - In a socialist economy all the **means of production are owned by one institution, the state**. Unlike what occurs on the free market every day, the means of production **do not exchange hands.** There are **no buyers and sellers for them.** When there are no buyers and sellers, it would be **impossible for a market of these goods to form.** When there is no market for the means of production, there are no prices for them because **prices are a phenomenon that is formed thanks to offers and bids, buyers and sellers present each other.** When there are no prices for the means of production, it is ***impossible*** **to know if any particular project is profitable or more valuable** since there is no common denominator to **add up all the different resources that go into production.** In other words, in a capitalist economy, entrepreneurs can add up the value of all the heterogeneous means of production **by using their money prices to calculate costs.** Since there are no money prices for the means of production in a socialist economy**, a central planner will not be able to calculate costs and allocate resources efficiently.**
- Anglo Libertarian '20
  - In a socalist economy, organizing an economy **requires a central planner to extract all of the consumer demand** and then put the pieces in place to satisfy those demands. However, the economic calculation problem contends that this is **impossible without a free market**. For example, when you pick up a birthday card in a store and pay three dollars for it; within that three dollars is the price of **cutting down a tree**, **transporting the tree**, **refining it into paper**, **transporting the paper**, **printing ink onto it**, having it **folded and packaged**, transported **to the warehouse,** transported **to the store**, put **on a shelf**, and then finding its **way into your hands**. In each stage of that process, workers had to be paid, ties and oil had to be produced, trucks needed to be fueled, ink has been produced and transported to the right place, chainsaws have to be made and maintained, **and all of these processes have their own prices tending towards equilibrium through mutually beneficial agreements between buyers and sellers.** The sign of any good economist is someone who can observe how many **millions of microscopic inputs go into making a birthday card**, that each one of those inputs has an input process going into itself, and thousands of people are involved, yet you just **pick up the**

card and pay for it then you send it in the mail and this whole process starts again when the recipient throws it in the bin and it has to be transported, processed, recycled, made back into paper, and begin its new life in this **ginormous merry-go-round economy once again.** To sum all of that up, the economy is such a **complicated machine that requires the brain powers of millions of people acting** in tandem to fulfill their subjective desires and demands. In a capitalist economy, when a specific product is in high demand, **prices will rise and when that product is in low demand, prices will fall.** Accordingly, if one birthday card makes more profit than another birthday card, we know that that birthday card is in high demand and **meets the subjective wants of the consumers the best.** The entrepreneur will then increase the price of the birthday card so they can **maintain the supply of their product and not have it experience a shortage. Or, they would just increase the supply of that profitable birthday card.** However, no planning agency can accurately **predict subjective human demand nor can they ever set the prices that correspond to the best levels of supply and demand.** To summarise, you need the economy to be a free market in order for actors to determine the best way to allocate resources with the information of consumer demand as prices are the signals for resource allocations: When demand increases for a good, price will rise, **indicating increased resources are necessary.** A centralized planned economy cannot have the **rationale to calculate prices correctly and allocate resources to their most effective point.**

- Mises: pg 119-130
  - Ludwig Von Mises says that **the economic calculation problem holds true** even with complete information as to every **single consumer demand**, the relevant quantities and qualities of all the **different factors of production**, both original and produced, all of the **technological recipes known to man** in existence for producing consumer goods, and the complete **agreement on what exact course of action** to take regarding what needs to be produced. Even with all that, the socialist planner would still **not be able to effectively allocate factors of production** to there use which best satisfies consumers subjective values
- This has many essays in defense of the ECP
- https://docs.google.com/document/d/1-1wbvrGTIXOn-CMeeJ64zbTjQx3lNxZPrNHXf_LJekI/edit
- In response to a bunch of ECP "solutions"
- https://sci-hub.scihubtw.tw/10.1076/jmep.28.3.307.14590
- https://mises.org/power-market/explaining-economic-calculation-problem-principles-class
- Economic calculation in the Soviet Union: Economy and Society: Vol 9, No 4
- https://fee.org/articles/economics-and-the-calculation-problem/

- https://donaldclavoie.files.wordpress.com/2013/11/between20institutionalism20and20formalism.pdf
- https://medium.com/@jedgarmihelic/hayek-and-the-impossibility-of-socialist-calculation-72037c106840
- https://wiki.mises.org/wiki/Economic_calculation_problem
- https://mises.org/wire/why-socialist-calculation-always-impossible
- https://www.emerald.com/insight/content/doi/10.1016/S1529-2134(96)03005-0/full/html?skipTracking=true
- https://www.austriancenter.com/wp-content/uploads/2015/09/The-Socialist-Calculation-Debate-moving-forward-What-happened-after-%E2%80%98The-Use-of-Knowledge-in-Society%E2%80%99-.pdf

---

- **Economic Calculation in the USSR**
  - RIEGER '17
    - The Soviet government, in accordance with the **principles of state socialism**, owned and controlled all industry in the country. **The economy was managed by Gosplan, a central planning agency** that set levels of production, wages, and prices. Since the state owned all capital goods, exchanges between enterprises were essentially just a **relocation of state property. Prices and production were set at the beginning of every year**, where they would remain rigid until the next year. As prices in the Soviet Union were largely arbitrary, market forces like **demand could only affect Gosplan's production levels.** In other words, Gosplan would estimate the demand for a good, order production to meet the necessary supply, and then **set prices completely independent of that good's scarcity or demand.**
    - As predicted by Mises, this left **Gosplan unable to determine whether production was efficient or inefficient** leading him to the misallocation of resources. Gosplan found itself utterly **unable to predict demand**. Since output was predetermined on an annual basis, when retailers ran out of goods for a specified year, **there was simply no more to go around.** Likewise, since prices were fixed by Gosplan, **retailers couldn't lower prices to encourage consumers to buy more of a product they had in excess or raise prices on a product that was in short supply but widely demanded.** Chronic surpluses and shortages came to define the Soviet economic experience. On the other hand, the manager of a private enterprise could **gauge efficiency in terms of profit**, a Soviet planner could only measure efficiency by the predicted ratio of total input to total output.
  - Mises: Human Action (Page 698)

        - An apparent verification of these errors was seen in the experience of the socialist governments of Soviet Russia and Nazi Germany. People did not realize that these were not isolated socialist systems. They were operating in an environment in which the price system still worked. They could resort to economic calculation on the grounds of the prices established abroad. Without the aid of these prices their actions would have been aimless and planless. Only because they were able to refer to these foreign prices wcre they abIe to calculate, to keep books, and to prepare their much talked about plans.
    - Stalin '51
        - **Joseph Stalin somewhat described the ECP as a difficulty in the Soviet Union's economy---how kind of him :)**
        - "The trouble is that our business executives and planners, with few exceptions, are poorly acquainted with the operations of the law of value, do not study them, and are unable to take account of them in their computations. This, in fact, explains the confusion that still reigns in the sphere of price-fixing policy. Here is one of many examples. Some time ago it was decided to adjust the prices of cotton and grain in the interest of cotton growing, to establish more accurate prices for grain sold to the cotton growers, and to raise the prices of cotton delivered to the state. Our business executives and planners submitted a proposal on this score which could not but astound the members of the Central Committee, since it suggested fixing the price of a ton of grain at practically the same level as a ton of cotton, and, moreover, the price of a ton of grain was taken as equivalent to that of a ton of baked bread. In reply to the remarks of members of the Central Committee that the price of a ton of bread must be higher than that of a ton of grain, because of the additional expense of milling and baking, and that cotton was generally much dearer than grain, as was also borne out by their prices in the world market, the authors of the proposal could find nothing coherent to say. The Central Committee was therefore obliged to take the matter into its own hands and to lower the prices of grain and raise the prices of cotton. What would have happened if the proposal of these comrades had received legal force? We should have ruined the cotton growers and would have found ourselves without cotton."
    - Anarchy is Property '21
        - The USSR, operating within a world dominated by capitalism, was able to mimic capitalist methodologies and even copy foreign prices. A lot of the USSR's "central planning" in its later stages more closely resembled a government saturated market where central planning occurred "after the fact," rather than a complete central plan.

        - When asked what the USSR's end goal was, Gorbechev's press secretary told the press that it was to convert the entire world to communism, except for New Zealand. When asked why not New Zealand, he responded with "Well, we need someone to get the prices from." This is an overt concession regarding the Economic Calculation Problem.
    - Hakim '21
        - **Yes, we can use a socialist's own video against him** - quoting Paul Cockshott on the USSR and economic calculation:
        - "If there are hundreds of thousands, or perhaps millions, of distinct products, no central planning authority could hope to keep track of them all. Instead they were forced to set gross targets… [w]hat this translated to then depended on the price structure. By resorting to monetary targets, the socialist economies were already conceding part of Mises's argument. They were resorting to the monetary calculation that he had declared to be vital to any economic rationality…"
    - **The USSR statistically struggled with economic calculation -**
        - Watkins '86-'00
            - "Examples of how inefficient the Soviet economy was are well known. The Soviet Union mined eight times as much iron ore as did the United States. That ore yielded only three times as much pig iron, and the pig iron only twice as much steel. Finally, from that steel it was able to produce machines worth roughly the same as those produced in the United States.**"**
            - "The use of raw materials and energy in the production of each final product was, respectively, 1.6 and 2.1 times greater than in the United States. The average construction time for an industrial plant in the U.S.S.R. was more than ten years, in the United States less than two years. In manufacturing per unit, the U.S.S.R. in 1980 used 1.8 times more steel than the United States, 2.3 times more cement, 7.6 times more [mineral] fertilizer, and 1.5 times more timber. The U.S.S.R. produced 16 times as many grain harvesters, but harvested less grain and became dependent on grain imports."
            - "Ideas for ambitious, large-scale projects, without consideration of their costs, occurred to Soviet leaders with regularity. [...] Many of the projects in which significant resources were invested turned out to be either ineffective or pointless."
            - A lot of useless projects with no benefit were counted in GDP, making the number higher than it really should be.
            - "There were cases that appeared in newspapers of such things as sunglasses that were so dark that one could not even see the full

sun through them. Another case was of rubberized rain-coats that were improperly vulcanized so that when they were folded up the rubberized fabric stuck together so strongly they could not be unfolded. Another was of women's high heel shoes in which the hells were stapled to the wrong part of the part the foot rests upon. All of these useless products were stored in warehouses indefinitely but they nevertheless were counted as fulfilling some of the production quotas of the enterprises that produced them. They also were included in the official GDP of the Soviet Union."

- "Even worse is the case that Gaidar reported. The Soviet Union had numerous plants built in the 1940s and 1950s for producing poison gases. After an international agreement was reached banning poison gases those plants were converted to other uses including the production of food products. There were also plants for producing DDT that were also converted."
- "Research in the 1980s revealed that tens of millions of people became victims of pesticide poisoning through contaminated food products produced in those plants. This catastrophe affected the nation's health and influenced the demographic situation for decades."
- In the warehouses of Moscow, fruits and vegetables were mismanaged.

- Nintil '16
  - "So in the end, I think we can conclude that the Soviet economy was technically efficient in the trivial sense that soviet enterprises were working in the PPFs, given their level of technological development. This was in turn caused by slow and slowing technological progress. Allocative efficiency was low, as Nove[ ]says, due to the planning process itself, and TFP growth was lower than in the West, and decreasing. Finally, the growth model pursued by the Soviets, accumulating capital to generate more capital, proved to be a recipe for a quick takeoff, but also for stagnation and decline. To be sure, it didn't by itself cause the collapse of the Soviet Union, but it did contribute to the factors that led to it."
- https://twin.sci-hub.se/5955/a703d4b4287b2a17241e5bd7337fec3b/10.2307@152522.pdf
- https://jdeanicite.typepad.com/files/why-does-the-soviet-economy-appear.pdf
- https://moscow.sci-hub.se/574/3542fd11bf1b0acd34d8ead0234e3e7b/barreto1992.pdf

---

- **Debunking: "Simulated Markets Solve the ECP"**
  - Anarchy is Property '21

        - A simulated market is certainly not a contemporary solution to the ECP. According to physicists, computers can only physically get about 10 billion times more powerful than those of 2013. In addition, a computer as of 2018 was only about 10% as strong as one which could solve an algorithm to simulate a brain. That's just to solve an algorithm to simulate 1 brain. How powerful would a computer need to get to simulate 7 billion (or possible even more) brains in real time, plus their interactions? We also have to be able to perfectly measure and predict people's utility and desire in real time. There is reason to be suspicious of whether this will even ever be physically possible. It will never be possible anytime soon, as aside from the issues of scale, we run into the issues present when any computer plans an economy: measuring and calculating personal utility with a computer.

- **Debunking: "Walmart is Proof the Economic Calculation Problem is outdated."**
    - No, Walmart Is Not Evidence That Centrally-Planned Economies Work
    - Planned Economy and Economic Planning: What The People's Republic of Walmart Got Wrong about the Nature of Economic Planning | Márton Kónya
    - Socialist Magazine: Mega-Companies like Amazon and Walmart Show That Central Planning Would Work This Time | Oluwatobi Walker
    - Lee Jonah Birks '20
        - The People's Republic of Walmart is not a solution to the Economic Calculation Problem, Walmart uses prices to determine whether or not to do certain things, they still have a common denominator to compare different factors of production to commensurate them.

- **Debunking: "Market Socialism Solves the Economic Calculation Problem."**
    - Alec Nove proposed a system of market socialism to get around the ECP. Below, it is refuted.
    - Did the theory of market socialism answer the challenge of Ludwig von Mises? A reinterpretation of the socialist controversy
    - David McMullen Vs The Economic Calculation Problem
    - The Cambridge Companion to Hayek | Edward Feser | download (PG 51-67)
    - (See the Economic calculation problem section for more)
    - Murphy '15 (Page 243)
        - Mises remarks that the proposal of market socialism is "nothing short of a full acknowledgement of the correctness and irrefutability of the economists' analysis and devastating critique" of socialism. Historically, the appeal of socialism was the entire abolition of the crass marketplace with its haggling and commodification of workers; yet now, Mises points

out, the leading socialist intellectuals acknowledge that under socialism, too, it will be necessary to have prices and competition. Yet even these concessions do not save the socialist project. Such proposals "look at the economic problem from the perspective of the subaltern clerk." It is not enough to ask a socialist factory manager to take the announced vector of prices and produce the amount of output that will maximize profit according to these numbers. The much more fundamental questions are: Should this factory remain in operation at all? Should new factories be built—and if so, where, and what size? To answer such questions, the socialist planner cannot resort to a simulated market. She cannot, as some theorists suggested, act as a bank and administer funds to various competing promoters because some of the potential borrowers will exaggerate the viability of their projects. Ultimately, the planner must make the final decision on how to allocate all of society's funds. "Then we are back again where we started: the director...is not aided by the division of intellectual labor which under capitalism provides a practicable method for economic calculation."

- Lee Jonah Birks '20
    - Market Socialism, depending on which form, isn't a solution to the Economic Calculation Problem as it was originally proposed because the government would still own the factors of production, it would just create different bureaus, you're not actually transferring anything here since the government is still the owner of all these bureaus. Even with worker ownership, it still runs into some problems. The "prices" under this system are not proper because there is no private property, there's still the inability of allocating the factors of production effectively and there is still the inability to establish a quantitative relationship between different methods of producing goods because these prices would be based off whimsical guesses and do not relay true information. Without the social order of capital goods, you cannot make meaningful ontological inputs with the utilisation of economic knowledge.

- **Debunking: "Paul Cockshott refutes the Economic Calculation Problem**"
    - Paul Cockshott fails to respond to the ECP for multiple reasons:
    - **He fails to control for industry size.**
        - Nitzan '09
            - With regards to the concept of prices, most people think of this concept as attributes of *individual* commodities – the price of a Toyota Corolla. Price could also be an attribute of a *group* of commodities. The GDP deflator of the beverage industry, for instance, denotes the weighted average price of all newly produced

commodities in that industry, while similar deflators express the weighted average price for entire sectors such as consumer and investment goods, or even the economy as a whole. Marxist studies of price–value correlations, however, deal with neither of these concepts. Instead of looking at the price of a single commodity or the average price of a group of commodities, they focus on the *price of total output* – that is, on the unit price of the commodity *multiplied* by its quantity. Typically, the researcher divides an economy into a few dozen sectors as delineated by the national statistical service, estimates the price and value of total output in each of these sectors, and then correlates these two magnitudes across sectors for one or more years. This shift in focus has significant statistical implications. Correlations measured in this way reflect the co-variations not only of unit prices and values, but also of their associated quantities. Now, note that the unit value and unit price of each sector are multiplied by the *same* output. This fact means that, all other things being equal, the greater the size-variability of output across the different sectors, the tighter the correlation between their total prices and total value. And since different sectors do vary in their output size, the common result is to make the *overall* correlation bigger than the underlying correlation between *unit* prices and values. The extent of this impact is revealed when sectors are controlled for their size: the value–price correlations become insignificant.

- Kliman '05
  - ❑ "Using 1977–97 US data to test Cockshott's labour theory of relative prices, I found that the correlations simply disappear once one controls for variations in industry size."
- **One objection to this could be that Cockshott refuted Nitzan's study in 2014**
  - http://bnarchives.yorku.ca/308/04/20101200_cockshott_nitzan_bichler_testing_the_ltv_spurious_correlation.xls
    - ❑ Thankfully Rob Thorpe has us covered and here is why the paper is wrong: In columns C and D there's the core argument that B&N are making. Both columns are simply random numbers between 0 and 10 (each number has equal probability). If you look in the cell of each one it just says "=10*(RAND())". So, in Nitzan's spreadsheet the LTV isn't true. Average unit price (column C) is uncorrelated to average unit value (column D). This is shown by the scattergraph marked "1. Unit Price versus Unit Value". Nitzan's spreadsheet uses 20 sectors. Each sector is 1.5 times

larger than the last. The number of units that each sector produces is in column B. This is the size of the sectors which I mentioned earlier. Lastly, columns E and F show the totals. So, column E is the total price of all output - output units times prices (i.e. the revenue of the sector). Column F is the total labour value of the output (output units times labour value). Now, Nitzan then draws a regression between columns E and F. That's shown in chart "3. Total Price versus Total Value". This regression mimics the procedure that Cockshott and co use. They do a regression on totals. If you press F9 then the spreadsheet reloads and all the random numbers are regenerated. What you see is that the positive regression line in chart 3 always occurs no matter what the random numbers are. This is because of the common third factor between the two axes - the size of the industry.

- **A 2nd objection to this is that Cockshott also responded that that [here]**
  - This response paper contains several criticisms but I'll concentrate on the unit one. Cockshott demands that the third factor -sector size- should be quantifiable. This isn't how statistics works. Unquantifiable factors still introduce errors. Something may be endogenous even though we don't know how to precisely model why. Just because humans don't know how to quantify something doesn't make it go away. They point out that output is measured in different units. So, there's tons of coal, a number of haircuts, etc. None of these units can be mixed together, they're correct about that. So, the units on Nitzan's spreadsheet are a problem. But, not as much as Cockshott thinks. They write: "How do you measure industry size? The most obvious measures of an industry's size —how many people it employs, or its turn-over— are ruled out, since we are looking for something independent." Is this right? Well, for a regression to be correct the two axes must be independent. But we're not talking about that here, we're talking about a criticism of a regression. Independence isn't required in this case. The whole point is to show that the independence assumption is questionable. So, Nitzan's column B, "output" can just be taken as an index of industry size. If they liked, Nitzan's could have started with a deterministic answer for column E (Total price). They could then have been divided by random numbers to produce column C. It would have shown the same thing.

- **He uses flawed input output tables**
  - Skousen '90 (pg 4-5)

- All Cockshott did was look at aggregate labor time and tried to use it as some arbitrary mode of calculation to prove value, but he didn't understand that there are a multitude of factors that go into production, not just aggregate labor time. Input-output tables (that were used by Cockshott) partially escape the inadequacies of traditional national income accounting by permitting the calculation of the amount corresponding to all intermediate products. However even though input-output analysis is a step in the right direction, it also has very serious limitations. In particular, it reflects only two dimensions: it relates the different industrial sectors with the factors of production used directly in them, but not with the factors of production which are used but correspond to more distant stages. In other words, input-output analysis does not reflect the set of consecutive intermediate stages leading up to any intermediate stage or capital good or to the final consumer good. Instead it only relates each sector with its direct provider. Furthermore due to the great cost and complexity of input-output tables, they are only compiled every certain number of years (in the United States, every five years), and therefore the statistics they contain are of very slight value with respect to calculating the gross national output for each year.

- http://bnarchives.yorku.ca/308/04/20101200_cockshott_nitzan_bichler_testing_the_ltv_spurious_correlation.xls

---

- **Debunking: "Calculation in Kind Solves the ECP"**
  - From Marx to Mises (pg 220-231)
    - **What is it:** Advocates of calculation in kind (in natura) claim that there is no need for any general unit of economic calculation. There are simply physical quantities of all the various kinds of factors, and there is no need for a single unit which can be applied to all factors to measure their value or cost. Two themes recur in these writings: 1. that calculation in kind is already widely used in industry; 2. that recourse to a common unit of cost is necessary only where there is commodity exchange. Other supporters of calculator in kind suggest that cost-benefit analysis could be used, without prices, and that point systems could be employed, to add up the advantages and disadvantages relevant to particular decisions—though they add that the advantages/disadvantages and even the points attributed to them can, and normally would, differ from case to case. They also countenance the use of input-output tables.

        - **Refutation:** Calculation in kind calculus would require the comparison of innumerable processes and raw materials and these in and of themselves would not reveal the preferable course of action. Only profit and loss signals can reveal to producers whether or not they made the rational decision, and profit and loss signals require a monetary calculus. It's these price signals that enable the producers to choose between raw materials (as the money prices of members of a set of possible raw materials allow producers to calculate the # of money needed to produce 1 unit of a good, -> and thereby predict profitability). For example, let's say that copper is more costly than aluminum and therefore should be reserved for more urgent applications, or method of production x has some advantages over method of production y, but uses up too great a quantity of valuable resources, so we are better off plumping for y. Such comparative judgments require the ability to assess the costs of copper, aluminum, and all other resources, in the same units, and in units which do not differ from case to case. Since calculation in kind permits no mechanism that would enable the administration to make such judgments, it is not clear what sense we can make of calculation in kind allocating the factors of production properly in a socialist society.
    - Mises '20
        - "To suppose that a socialist community could substitute calculations in kind for calculations in terms of money is an illusion. In a community that does not practice exchange, calculations in kind can never cover more than consumption goods. They break down completely where goods of higher order are concerned. Once society abandons free pricing of production goods rational production becomes impossible. Every step that leads away from private ownership of the means of production and the use of money is a step away from rational economic activity."
    - Mises '18
        - Calculation in kind is to be substituted for calculation in terms of money. This method is worthless. One cannot add or subtract numbers of different kinds (heterogeneous quantities). The impossibility of comparing the number of apples to the number of oranges is an arithmetic problem; and a fundamental, not trivial, problem of arithmetic. Without its solution, no arithmetic operations can be conducted at all. The profit and loss calculation solves the arithmetic problem inherent in answering both economic questions posed by the operation of a social process of exchange and division of labor: what consumer goods should be produced and which combination of factors of production should be used to produce each consumer good. The arithmetic problem of the first question is the incommensurability of the subjective values of different individuals who

participate in the social process of exchange and division of labor. There are two dimensions to the impossibility of making interpersonal comparisons of utility: no unit can be defined for preferences since they are subjective and even if units of subjective value existed for each person, they would not be comparable from one person to another

- Murphy '15 (Page 242)
  - Some writers argued that calculation under socialism could be performed in kind, rather than in money. Yet this entirely ignores the original critique: Without resorting to a single commodity against which all others can trade, no common denominator is possible, and hence calculations would be made in terms of disparate units. The planner has no way of knowing how to compare, say, seven automobiles with fourteen tons of steel, five gallons of paint, and seven panes of glass. Physicists, chemists, and engineers can tell the planner the technological recipes for converting inputs into outputs in various ratios, but these raw facts do not in any way indicate the economic efficiency of such projects.

- **Debunking: "Trial and Error Solves the ECP"**
  - Murphy '15 (Page 243)
    - Some writers suggested that the socialist planner could resort to trial and error. In other words, these writers could have agreed with Mises that the planner would have no surefire way beforehand of knowing the proper allocation of resources among different industries and projects, but after the fact the planner could evaluate the results and tweak the plan, improving it incrementally as time passed. Here, too, the response entirely misses the problem. Trial and error works only when there is a definitive way to evaluate the outcome. A woman can search for her car keys through trial and error in the sense of looking under various pieces of furniture in her house. This method can work because if she happens to stumble upon the keys, she will recognize success. Yet when it comes to the allocation of resources, there is no such mark of success for the socialist planner. Even after the fact, she will have no way of ascertaining whether a particular project represented an efficient use of society's resources. Under capitalism, trial and error does work, because "the correct solution is easily recognizable as such; it is the emergence of a surplus of proceeds over costs." But, in a socialist system lacking genuine market prices, accountants cannot tell their boss—even after the fact—whether a given project turned a profit or a loss. Such a calculation requires money prices for the inputs and outputs, but these are lacking under socialism.
  - Human Action (page 700-701)

        - “The method of trial and error is applicable in all cases in which the correct solution is recognizable as such by unmistakable marks not dependent on the method of trial and error itself. If a man mislays his wallet, he may hunt for it in various places. If he finds it, he recognizes it as his property; there is no doubt about the success of the method of trial and error applied; he has solved his problem. If one wants to call entrepreneurial action an application of the method of trial and error, one must not forget that the correct solution is easily recognizable as such; it is the emergence of a surplus of proceeds over costs. Profit tells the entrepreneur that the consumers approve of his ventures; loss, that they disapprove. The problem of socialist economic calculation is precisely this: that in the absence of market prices for the factors of production, a computation of profit or loss is not feasible. We do not assert that the capitalist mode of economic calculation guarantees the absolutely best solution of the allocation of factors of production. Such absolutely perfect solutions to any problem are out of reach of mortal men. What the operation of a market not sabotaged by the interference of compulsion and coercion can bring about is merely the best solution accessible to the human mind under the given state of technological knowledge and the intellectual abilities of the age's shrewdest men. As soon as any man discovers a discrepancy between the real state of production and a realizable better state, the profit motive pushes him toward the utmost effort to realize his plans. The sale of his products will show whether he was right or wrong in his expectations. The market daily tries the entrepreneurs anew and eliminates those who cannot stand the test. It tends to entrust the conduct of business affairs to those men who have succeeded in filling the most urgent wants of the consumers. This is the only important respect in which one can call the market economy a system of trial and error.”

- **Debunking: “Opportunity Cost Value Calculations Solve the ECP”**
    - Anarchy is Property '21
        - The OCV calculations rely on labor-hour value for planning, are unclear regarding how opportunity cost calculations are done while adjusting for consumer preference to establish a full set of exchange ratios, and also relies on linear programming which only works for a static economy. An extreme issue with labor value is that it is subjective, even in a socialist society; you cannot worm your way out of this. Waste under this model is inevitable. This paper's calculation thesis does not hold.
        - This barely scratches the surface of the issues, especially regarding specialization, capital goods, and labor.

- **Debunking: “Cybersyn Solved the ECP”/“Computers Can Solve the ECP”**
  - Engelhardt '13
    - For a computer to solve the ECP: we would have to make several unreasonable assumptions:
      - [ ] 1) Utility can be objectively measured by a computer. Value and utility are subjective to each person, and cannot be measured without price signals.
      - [ ] 2) Utility between people can be compared. Given that it can’t even be measured by a computer, it certainly cannot be compared.
      - [ ] 3) Computers have perfect information about each person’s desires. Of course, desires change every second and are not constantly available data, so computers would not have this data, as computers do not know what people are thinking every moment, and how to measure and compare those desires.
      - [ ] 4) There is no production. If production were to be allowed, the computers would have to make assumptions regarding production functions, not just for current goods, but any conceivable goods out there in existence. These goods are infinite.
    - If a computer fails at even one of these 4 tasks, it cannot properly plan an economy rationally and dodge the ECP. As of now, our computers fail at all 4 points, and it is not unreasonable to assert that they will never manage to succeed at even one of the 4 points. Paul Cockshott claims to have a solution to point 4) but has come nowhere near addressing the first 3.
    - Although the ECP is not a distribution problem, just to demonstrate the intellectual speed of supercomputers, one very recent study found that: (Using supercomputers)....”Even under severe simplifying assumptions, distributing 80,000 heterogeneous consumer goods among six billion heterogeneous consumers requires a calculation that would take at least 10.5 quintillion years—when the Big Bang happened just 14 billion years ago.”
  - Harford '17
    - Cybersyn never actually kicked off, and likely would not have succeeded.
    - Salvador Allende’s Chilean government, which owned Cybersyn, only actually owned 4 computers, and they didn’t escape the problems outlined in the above paper.
  - De Soto (Page 170)
    - The most modern supercomputers could be used to solve systems of equations based on 100 different types of productive factors, 10,000 goods, and 100 different types of consumers. These magnitudes still come

nowhere near the number of different goods and services identifiable in an economy, like that of the former Soviet Union, where the number of products far exceeded 12 million. One study finds that: **“The economic calculation problem which the last five-year plan of the former Soviet Union posed would take 30,000 years to formulate and solve.”** Although I would argue that the ECP is impossible to solve no matter how much time, this still demonstrates how even studies that try to formulate the ECP through computers confirm that this process would take generations of lifetimes

- [Williamson (Page 60)]
    - Although this is not exactly the problems stated by the ECP, it can still be somewhat related regarding the computing power of supercomputers. In the US, there is non fat milk, 2% milk, milk is more demanded in different seasons, some families don’t buy a lot of milk, some do, some people are allergic to milk, some prefer the more fancy and expensive milk, and so on. An analysis finds that assuming socialist planners have the best supercomputers in the world, if they took just one second to consider each of these options, it would take them 190,100 years just to run through the possibilities of one year’s milk consumption in the United States. Now imagine all the other consumer goods that must be calculated.

- **Debunking: “The Labor Theory of Value Refutes the ECP”/“Good Faith Anarchist Refuted the ECP”**
    - See section on debunking the Labor Theory of Value
    - Anarchy is Property '21
        - Essentially, value is subjective, not objective.
        - Therefore, labor cannot be used to determine value for use in economic calculation, leaving the ECP intact.

- **Debunking: “Empirical Data Shows the ECP Isn’t an Issue”**
    - Lee Jonah Birks '20
        - “Many opponents of the Economic Calculation Problem will claim that empirical data in previously centrally planned economies debunks the Economic Calculation Problem itself, although the Economic Calculation Problem is a problem that cannot be [really] verified empirically or disprove[n] empirically. It simply presents a problem as was outlined before, the problem needs to be solved to engage in economic calculations to be able to produce goods. You're completely ignoring the problems that economic calculation would be impossible without private property and you still need to prove that it is possible.”
    - The ECP cannot necessarily always be empirically shown. It is usually best empirically shown through direct studies studying allocative inefficiency, as well

as testimonies of those actually in charge. Various evidence of this sort is available regarding the USSR (see this doc), but regarding other countries, ECP-related material is not as abundant.
- However, this does not invalidate the ECP - with the socialist planners reeling in the dark without prices, we pretty much know for a fact that severe allocative inefficiency took place.
- Furthermore, empirically, we can see that socialist countries were utterly disastrous. See the many other socialist failure sections above.

- **Debunking: "Post-Scarcity Will Solve the ECP"**
  - Lee Jonah Birks '20
    - "A relative abundance does not equate to a post-scarcity economy."
  - A post-scarcity society is nigh impossible. Due to a lack of infinite resources in the universe, some level of scarcity will pretty much always exist, meaning the ECP will almost certainly continue to always be an issue.
  - In order to reach the level of transhumanism necessary for this to even be conceivable, far more technological advancement is required. Post-scarcity possibilities have 0 bearing on today's world.

- **Debunking: "Hakim Refuted the ECP"**
  - Hakim's arguments boiled down to using a lot of faulty studies showing the alleged "superiority" of the USSR, as well as the claim that central planning models such as computers, Paul Cockshott, mathematical equations and data, and labor-time can solve the ECP. He also claimed that the business cycle is a market failure, and that climate change is unsolvable by capitalism.
  - A more detailed refutation is currently being written up.
  - Also, we used his video to our advantage >:)
  - **PraxBen responded -** https://www.youtube.com/watch?v=AVNjgLLQnSg

---

- **Debunking: "We Know What People Need, We Don't Need Economic Calculation"**
  - Anarchy is Property '21
    - "The Fosterian rejection of the ECP is essentially an attempt to claim that people only need a certain number of relatively specific goods which provide them with all they need to be happy. These goods are usually some variant of food, water, housing, social interaction, etc, in addition to important services like healthcare, defense, and technology. Therefore, we can reject all other forms of production and get around the ECP. This objection fails for several reasons. First of all, the idea that we only need these certain things to be happy is statistically a contested idea [it just isn't true]. Secondly, even if we did know that people only needed said goods, we would need to a) establish what specific subtypes of every good they

needed and b) establish exchange ratios between the many still necessary factors of production. For this, a market is needed, so the ECP is not invalidated."

- **Debunking: "Quasi Markets Solve the ECP"**
  - Lee Jonah Birks '20
    - "Having your planner work for profit, in reality, does not debunk *the Economic Calculation Problem*, no matter the motive and more of production is irrelevant to the question as to how do we produce goods properly. It runs into the same as the original *Economic Calculation Problem* and is a strawman of what it is saying. It assumes that *the Economic Calculation Problem* says without a market you can't distribute goods, it is not what *the Economic Calculation Problem* is saying at all as previously established, it deals with production, not distribution."

- **Debunking: "Decentralized, Small Communes Solve the ECP"**
  - Lee Jonah Birks '20
    - "If we have different firms producing different things in these communes, then this is just a market, and if we just have a bunch of essentially planned communes in which these essentially planned communes are trading with each other, in which case, we still don't have a way to commensurate different factors of production."

- **Debunking: "Linear programming solves the economic calculation problem"**
  - Lee Jonah Birks '20
    - The Linear Programming solution is not a response to the Economic Calculation Problem because it assumes we live in a static general equilibrium when in reality we live in a dynamic economy and ever changing conditions. Even if it did address the Economic Calculation Problem, we still run into the computation problem, even with quantum computers, we still don't have the computation power to solve the utility functions of everyone, much less actually being able to distribute it between different people. Linear Programming just tells us the relationship between different inputs and outputs and that's not the problem with the Economic Calculation Problem, it doesn't give us a common denominator to measure different factors of production. It could tell us if we use X and Y and about how that would affect the output but, it can't tell us if we should use X or Y in a dynamic economy. If we have a stationary economy where we all decide that we want to produce one thing, it can't tell us what to produce but, this just isn't the case in real life.

- Directly Addressing Kantorovich: https://crookedtimber.org/2012/05/30/in-soviet-union-optimization-problem-solves-you/

- **Debunking: “The use of labor hours solves the economic calculation problem”**
  - Lee Jonah Birks '20
    - The main problem with any supposed solution to the Economic Calculation Problem that involves the utilisation of Labour Hours is the failure to recognise the heterogeneous nature of labour. Say a doctor spends one hour of his labour performing a brain surgery, let the value of that labour be represented by Y. Now, say a driver spends one hour of his labour dropping off food for Ubereats, let the value of that labour be represented by X. We know that X does not equal Y and we know this because of the previously mentioned fact regarding the heterogeneous nature of labour. The reason labour being heterogeneous matter is because it means it cannot be used as a common denominator to commensurate different factors of production. Labour Hours could only be effective at solving the Economic Calculation Problem if central planners can establish an interpersonal utility function which is of course impossible given the subjective nature of value, when we need to determine how much each individual subject values each service/product and be able to compare the utility interpersonally, not to mention the physical impossibilities that result from ever trying to compute all of this information (see computation problem)
  - Murphy '15 (Page 242)
    - Some writers relied upon the labor theory of value to solve the calculation problem. Yet this is not right because the economic significance of natural resources has nothing to do with labor power. In addition, even looking at labor, there are different qualities among workers; an hour of a surgeon's labor is more valuable than an hour of a busboy's labor.
  - ECP comprehensive doc
    - Socialism, Economic Calculation and Entrepreneurship by De Soto P 148-150:
    - “Marx’s adoption of the objective labor theory of value explains why different socialist theorists have found it natural to try to solve the problem that concerns us via calculation in labor hours. Although this “solution” appears to lead us directly to the debate on the objective versus the subjective theory of value, the analysis regarding the possibility of carrying out economic calculation in labor hours is initially independent of a particular position on the issue of which theory of value (the objective or subjective) is correct. These theorists basically proposed that the governing body keep track of the number of hours worked by each worker

and that it then provide each worker with a certain number of vouchers which would correspond to the number of hours worked and entitle him to a certain quantity of the consumer goods and services produced. The social product would be distributed by establishing a statistical register of the number of labor hours necessary to produce each good and service and by allocating goods and services to those workers willing to exchange for them the corresponding vouchers. In this way, each hour of labor would give a worker the right to obtain an hour's worth of goods and services. It is clear that such vouchers would not constitute money and that goods and services would have no market prices, or terms of trade voluntarily established by buyers and sellers, since the ratio at which goods and services are exchanged for vouchers would be explicitly established beforehand in terms of the number of labor hours necessary to produce each good.55 According to Mises, economic calculation in labor hours poses two specific insoluble problems. First, even within the framework of the objective labor theory of value, this proposed calculation criterion cannot be applied to any production process in which non-reproducible natural resources are used. Indeed, it is obvious that one cannot attribute any particular number of labor hours to any natural resource which, like coal, permits the achievement of ends, yet is economically scarce and cannot be manufactured using labor. In other words, because labor is not used to produce such a resource, the consideration of labor hours does not enable one to perform the economic calculation which is required if any but arbitrary decisions are to be made concerning the resource. Second, an hour of labor is not a homogeneous, uniform quantity. In fact, there is no "labor," but rather there are countless different types or categories of labor which, in the absence of the common denominator of monetary market prices for each type, cannot be added or subtracted, due to their fundamentally heterogeneous nature. The issue is not simply that efficiency varies enormously from one worker to the next, and even for each worker from one moment or set of circumstances to the next, depending upon how favorable the conditions are. It is also that the types of services provided by labor are so varied and change so continuously that they are absolutely heterogeneous and pose a problem identical to the one we discussed in the last section with respect to economic calculation in kind: it is impossible to perform calculations using heterogeneous quantities. Traditional Marxist doctrine has offered, as a solution, the attempt to reduce the different types of work to what is called "simple, socially necessary labor." However, this reduction of the hours of different types of labor to hours of the simplest labor is only possible when there is a market process in which both are exchanged at a price determined by the different economic agents. In the absence of this market process, any comparative judgment about different types of labor will necessarily be arbitrary and imply the disappearance of rational economic calculation. For it is impossible to reduce the different types of labor to a common denominator without a prior market process. Moreover, the problem of reducing heterogeneous hours of labor to a common unit is merely a particular case of the more general problem we have already discussed, that which is posed by calculation in kind and consists of the impossibility of reducing heterogeneous factors of production to a common unit. Finally, to repeat what we stated above, even if a solution to the two specific problems mentioned (economic calculation in the case of non-reproducible natural resources and the impossibility of finding a common denominator for labor hours) could be conceived, the fundamental problem would remain: it is simply impossible for the planning agency to acquire all of the crucial practical information dispersed throughout the minds of the millions of economic agents who make up society."

- **Debunking: "The Cobb-Douglas Production Function Solves the ECP"**
  - Lee Jonah Birks '20
    - There's no common denominator to commensurate different factors of production, it's an aggregate production function, it still doesn't let us commensurate different factors of production.
  - Anarchy is Property '21
    - The Cobb-Douglas Function is too strict regarding the structure of production (its an aggregate function).
    - It also fails to solve the Knowledge Problem, determining which goods society wants.
    - Finally, it fails with profit and loss. Thus, it does not solve the ECP.
  - Hoch '58
    - The Cobb-Douglas Production Function's application results in simultaneous equation bias.
  - Gechert, Havranek, Irsova, Kolcunova '21
    - Empirical evidence rejects the validity of the Cobb-Douglas Function.

- **Debunking: "The Lange model solves the economic calculation problem"**
  - Lee Jonah Birks '20
    - Even if the technological information of production functions, the curve which best represents the physical output possibilities of various inputs can be communicated to the central planner, this would be far from helping him produce economically. You need to know the relative scarcities of the factors of production, not the curves that represent

physical output, but which production method to pick out of a myriad of ways to produce a commodity.

- Suppose a product worth fifty dollars can be produced by five units of A, six units of B and three units of C or by two units of A, eight units of B and four units of C. In a market economy we can see that if the price of A is higher relative to the price of B and C, the second method of production will be less costly. The central planner lacks this information because there is no market for the goods A, B and C, even if there will not be enough once it is known which one of the methods of the production is cheaper, there still remains the problem of how much to produce of each good with any given method. Given that the prices of a good diminish as the supply increases, entrepreneurs are able to estimate if the increase in the amount of goods produced with more factors of production will yield a higher profit. These types of estimates and calculations are only possible with real market prices. Lange's solution is not much different than the one Taylor initially proposed. These prices will be adjusted under the trial and error method. If the demand for some production goes to exceed the supply, prices are increased, and if the supply exceeds demand, prices are lowered to clear the market. We need not repeat the points we have already mentioned, they continue to remain relevant. One last comment we can make on the trial and error method is that the concepts of surplus and shortages is dependent on the subjective judgement of the entrepreneur. The fact that there are shirts on the shelves of the store does not mean that there is a surplus of shirts. The seller will hold back from lowering the prices and selling the shirts if he believes he'll be able to find customers that are willing to pay the existing price. It is crucial to repeat yet again that prices are not formed by the intersection of supply and demand curves, these curves do not exist in reality but are merely a useful tool to comprehend the bidding process that occurs in the market. Prices spring from the interactions of flesh and blood actors who are trying to forecast future conditions.

- https://voluntaryisthaven.wordpress.com/2021/06/19/a-critique-of-the-lange-model/

- **Debunking: “Bryan Caplan, a Radical Capitalist, Refuted the ECP”**
  - Gordon '08
    - Caplan misunderstands Mises - the economic calculation problem, Caplan conceded, applied to the USSR in some form. However, he argued that contrary to Mises’s assertions, the USSR was able to exist without markets to guide economic calculation. The ECP does not assert contrary to this - it

simply asserts that economic activity under socialism is irrational, not impossible.

- Also, as noted here, the USSR used neighboring market prices to best allocate the factors of production. So contrary to Caplan, the USSR did not completely abandon market price.

- **Debunking: "Participatory Economics or surveys solves the economic calculation problem"**
  - Murphy '15 (Page 243)
    - Some writers recommended that the socialist planner calculate in terms of units of utility. Yet this also is a nonsensical proposal because utility, in the sense associated with human action, is an ordinal concept and is not comparable across individuals. To say that the planner should distribute resources so as to maximize utility is akin to saying that a teacher should assign seats in her class so as to maximize total friendship units.
  - Lee Jonah Birks '20
    - Participatory Economics proposes a system in which central planners communicate with the participating individuals, supposedly living in a commune together to coordinate and meet the needs/wants of the people. The issue here is that the Economic Calculation Problem deals with allocating the factors of production, it does not deal with the distribution of goods and services. Even under an economy that utilises Participatory Economics, central planners could not without a market-based price system determine how to allocate these factors of production rationally.

- **Debunking: "Syndicalism Debunks the ECP"**
  - Anarchy is Property '21
    - Syndicalism does not debunk the ECP - while it in particular might get around the ECP in some forms (unlike market socialism, it retains exchange ratios between factors of production and isn't a planned economy per se), but the ECP is meant to apply to planned economies without exchange ratios between factors of production; not a system where firms are just reformed into labor unions. There are certainly problems with syndicalism - perversion of efficient division of labor, and lack of usury making large economic projects untenable - but it is not meant to address syndicalism. And the ECP not applying to syndicalism does not make it non-applicable to socialism.
  - Mises '51
    - **Syndicalism does have serious issues regardless of the ECP** - for example:

        - Every economic change immediately creates problems on which Syndicalism would inevitably be wrecked. If changes in the direction and extent of demand or in the technique of production cause changes in the organization of the industry, which require the transfer of workers from one concern to another or from one branch of production to another, the question immediately arises what is to be done with the shares of these workers in the means of production. Should the workers and their heirs keep the shares in those industries to which they happened to belong at the actual time of syndicalization and enter the new industries as simple workers earning wages, without being allowed to draw any part of the property income? Or should they lose their share on leaving an industry and in return receive a share per head equal to that possessed by the workers already occupied in the new industry? Either solution would quickly violate the principle of Syndicalism.

- **Debunking: "Mathematical solutions solve the economic calculation problem"**
    - Murphy '15 (Page 243)
        - Some writers suggested that the socialist planner could resort to differential equations to determine the efficient allocation of resources. (This proposal was related to the suggestion of quasi-markets.) Here Mises heaps particular scorn, as he believed the approach of mathematical economics had bolstered the untenable idea of socialist calculation in the first place. Typically, the mathematical economist studies the conditions of equilibrium in a static setting. There is no role for the entrepreneur or what Mises dubbed the market process in such sterile models.
    - ECP comprehensive doc (very long refutation)-Spectrify
        - To condense the objections Mises posits he is basically saying:
            1) F.A Hayek has already demonstrated the practicality of the mathematical solutions when it comes to the magnitude that it must be executed.
            2) That economics is not a natural science and since economics is just the sum of human interactions therefore there are no constant quantitative relationships. A quantitative treatment of economic problems can only be economic history: it can never be economic theory. And there is no economic history of the future. (See Theory and History)
            3) These mathematical equations are not representative of people's preferences, which is how prices come to be.

4) These equations are only applicable to static economies since it cannot account for conceivable changes, and we live in a dynamic economy. Now, here is the long detailed refutation to the claim:

- **Part 1**
    - “It has been contended that it would be possible for a socialist economy to solve the problem of economic calculation by applying the equations by the aid of which mathematical economics describes the conditions of economic equilibrium. This view made its first appearance in an article by Barone published in 19081 ; since then it has been advanced time and again and enjoys marked popularity at the present time. Hayek has shown the practical difficulties which stand in the way of this attempt at solving the problem. The calculation would have to include all conceivable uses, and ways of combining all available goods. Moreover it is not sufficient here to bring together under a common denominator all the quantities of goods which appear to form a single class from a technological standpoint. Since the economic profitability of transporting goods from place to place must be reflected in the equations, and since the latter must also solve all problems of location, goods which are similar from a technological point of view, but which are not available for use at the same place must appear in the calculation as independent items. If Hayek (1935, pp. 207–14) estimates the order of magnitude of the number of necessary equations and calculations as hundreds of thousands, this is certainly far below the number which we are justified in assuming on the basis of this factor.2 It is at once clear that the collection of these data, and the setting up of the corresponding equations, is a task far beyond the powers of a socialist central administration composed of mere human beings. The practical impossibility of carrying out the proposals connected with this or any similar solution is certainly not disputed. In consequence, we might, if we were concerned solely with the problem of economic calculation in the socialist state and with the practicability of socialism, leave the matter here. The proposals are however of special interest from the point of view of economic theory. Their closer consideration leads to important propositions concerning the character of the equations of mathematical economics.
- **Part 2**
    - The only way we can analyze exchange transactions is by assuming that they are directed toward producing a state of affairs in which no further exchange takes place, either because a state of

complete satisfaction has been reached, or because a situation has been reached which, though not completely satisfactory, could not in the given conditions be made more satisfactory by further transactions. In its use of the static equilibrium concept, economic analysis does not go so far as to construct a state of complete standstill in which no more trading takes place. It confines itself to the construction of a situation in which the process of exchange follows a uniform course. In the future the same transactions are supposed to be continually repeated, because the conditions which give rise to exchange, and the conditions under which it has to be effected, remain unchanged. In this equilibrium situation there is no inducement for the economic subjects to change the allocation of means of production, because there is no conceivable and possible way of using them which appears better suited to satisfy their wants. The equations which describe the economic equilibrium give expression to this method of approach in mathematical language. They say no more and no less. They say: If an equilibrium situation is to be reached, it can only be a position such that it will no longer be possible to improve the satisfaction of wants: by making changes. It is particularly characteristic of these equations in economics that they are necessarily inapplicable to all practical purposes and computations. The equations of mechanics may help us to foresee future events, because the physicist is able to find out approximately the empirically constant relationships between physical quantities. If we insert these constants in the equations we can work with them. We cannot with exactitude of course but nevertheless with sufficient accuracy for practical purposes solve given problems. With the equations of economics it is a different matter. For within the sphere of human trading activities we do not know any constant quantitative relationships. All quantities that we are able to ascertain have therefore no general significance but only an historical one. Thus even if we know the present conditions, we are unable to say anything of a quantitative nature, on the basis of this knowledge, about the pattern of future values. This is the big mistake that has been made by all those who have wanted to substitute “quantitative” economics for “qualitative” economics. A quantitative treatment of economic problems can only be economic history: it can never be economic theory. And there is no economic history of the future. The equations which describe the state of economic equilibrium include consumers’ preferences. These are the preferences which will prevail at the moment when the equilibrium is established on the market. They are different from today's preferences as we know them from the way in which they are expressed on today's market. Today we know nothing about these future preferences and cannot predict what they will be. Thus, though we may know the present-day condition of the market and all the data determining the configuration of today's market position, including consumers' preferences as they are expressed in that market position, we still do not know the future preferences of consumers. We may be justified in assuming that they change. This assumption does not help however. For the economic system is not in equilibrium today, and we want to know the consumers' preferences for the point of time when it will be in equilibrium and when, in consequence, other conditions will prevail. The progressive approach of things towards an equilibrium situation which we have in mind, and which forms the subject of our inquiry, means the progressive transformation of the conditions determining the preferences and therefore also of the preferences themselves. The problem is not only that, in order to make use of the equations, we need to know the scale of preferences that will prevail at a future point of time and which are not known to us today. Even today's preferences are only known to us so far as they are reflected in the system of prices ruling on today's market. That is to say we know roughly how great is the demand for a certain article by the price prevailing for it on the market today. But we know nothing of what the demand would be if another price prevailed. We do not even know the shape of the supply and demand curves; we only know the position of one point at which the two curves cut or, more precisely, have cut today. Experience tells us so much and no more. It can provide us with no information about the data which we require for solving our equations. Finally there is still a third point which needs mention: The state of equilibrium which our equations describe is a purely imaginary state of equilibrium. It is merely a hypothetical, though indispensable, tool of analysis which has no counterpart in reality. Thus it is not only a future state which differs from the state of the moment that has just passed and with which we are acquainted: It is merely an imaginary theoretical construction which will never become reality. Hayek (1935, p. 211) has also pointed out that the possibility of using the equations describing the state of equilibrium for purposes of economic calculation presupposes a knowledge of the future scales of preferences of consumers. But here he has in mind only a complication of the practical task of applying the equations, and not a fundamental and insuperable obstacle to their use for any such process of calculation. It makes no difference whether we conceive of the socialist state as a dictatorship of the central administration in which only the valuations of the dictator carry weight, or whether we conceive of it as a state which tries to imitate a democratic system in which the preferences of individual consumers of groups of consumers are supposed to determine the direction of economic activity. Even the dictator cannot know today what his relative preferences will be at a later date under changed circumstances: he is no more capable of knowing this than is an individual consumer.

- **Part 3**
  - The equations describe the hypothetical equilibrium position which the economic system would ultimately and finally reach if all causes were liable to give rise to changes in preferences were to disappear from that system. Economic calculation, which is essential to the economic system, does not, however, require that we should know this hypothetical situation which can certainly never be reached in the actual economic system. What is necessary for the direction of the economy is only the knowledge of the next step which is required to be taken in the economic system. It is necessary to find out which of all the conceivable changes can, in the given conditions, secure the fullest satisfaction of wants from the standpoint of the preferences of the consumers or of the dictator. For this purpose the equations which describe the final equilibrium position are quite inappropriate. They say absolutely nothing about the path which the economic system has to follow in order to finally reach the equilibrium. Some recognition of this fact is distinguishable in the criticism which is constantly brought against these equations that they are only “static” and not “dynamic.”
- **Part 4**
  - Socialists who are not amenable to reason have the habit of parrying the argumentation which sets forth the impossibility of economic calculation in the socialist state by pointing to an alleged deficiency in the economic calculation, in money terms, of the capitalist society. They will therefore not hesitate to bring the following objection against the foregoing exposition: All that the entrepreneurs in the capitalist exchange economy know are the

relative valuations and prices of today. This does not however prevent them from taking their calculations and producing on the basis of these calculations. Why should it be any different for the economic dictator of the socialist state? This kind of question merely reveals an entire lack of understanding of the problem under discussion. The future is always uncertain for human beings. Consequently every transaction which is carried out for a future date is speculation. In this respect there is no difference between socialism and capitalism. It will always be happening that new facts appear, which people have not foreseen, and which cause them to say after the event that they would have acted differently if they had known beforehand what was going to ensue. People cannot take account in their economic activities of things that are unknown to them. We cannot therefore blame the method of economic calculation of the capitalist system, operating on the basis of the money prices of the market, for the fact that the expectations of the economic subjects are occasionally disappointed subsequently by the occurrence of unforeseen events. In economic calculation regard is taken of the future configuration of conditions of supply and demand only insofar as people foresee them, or think they can foresee them, in the present. It is merely the expectations of the entrepreneur about the future which influence the market situation of today and contribute towards the formation of today’s prices: this applies particularly to the prices of means of production and of consumption goods which do not perish rapidly. If we proceed to argue that, for the solution of his equations, the general manager of the socialist economic system would have to have data which are not and cannot be known to him, this does not mean to say that he will know less about the future and about future needs than does the entrepreneur in the capitalist economic system. The analysis of this problem belongs to another chapter of the treatment of the problems of the socialist economy, and has nothing to do with the question of economic calculation. We may assume for purposes of the argument that the dictator of the socialist economy knows just as much, or just as little, about the future as the capitalist entrepreneur. In any case even this dictator will desire a variety of things, and he will have to discover in which way the objects he aims at can be most effectively reached. Here “most effectively” means, of course, merely: as effectively as is possible from the standpoint of present-day knowledge. In making considerations of this kind the capitalist economy uses calculations in terms of money: it calculates on the basis of market prices, which also take account of the future insofar as it can be taken account of in the present. Now in order to solve his equations, the dictator would have to know the relative valuations which will correspond to the future equilibrium situation, i.e., to a situation which is different from the situation in the present and which can never be reached in the real world. The monetary form of calculation operates by way of market prices in which the future also is reflected as it appears today to the parties on the market. The socialist director-general, however, needs, if he is to solve the equations, the knowledge of a hypothetical situation which is different from the reality with which he is acquainted and is a construction of our thinking which we know, without any doubt, will never become reality. It is no help to him in setting up his equations to know the conditions that are given today and the opinions that prevail today about the shape of things in the future. He would need to know how things would look if a hypothetical state were reached in which all data had become rigid, and no further change would be set in motion, because no change could afford any further increase in welfare. Our conclusions are thus as follows: In the capitalistic economy it is possible to make calculations on the basis of our present-day knowledge. It may be that mistakes will occasionally be made because unexpected events interfere with our plans and expectations. In the socialist state however it would not even be possible to calculate on the basis of our present knowledge. Those who think that it would be possible to apply the equations of mathematical economics for making the calculations fail to see that included among the items of which these equations are composed are unknown preference scales belonging to a situation which is unreal and can never be realized in practice. The circumstance that they are unknown frustrates all attempts to use the equations for purposes of economic calculation."

- https://www.mises.at/static/literatur/Buch/huerta-de-soto-socialism-economic-calculation-and-entrepreneurship.pdf
    - ❑ P153-197
- https://cdn.mises.org/Human%20Action_3.pdf
    - ❑ P694-706
- https://cdn.mises.org/Socialism%20An%20Economic%20and%20Sociological%20Analysis_3.pdf
    - ❑ P135-142, P196-222

        - https://cdn.mises.org/Economic%20Calculation%20in%20the%20Socialist%20Society_2.pdf
            - [ ] P202-236
        - https://cdn.mises.org/qjae3_1_2.pdf
        - https://b-ok.cc/book/2352922/f6d9b5
            - [ ] P151-172

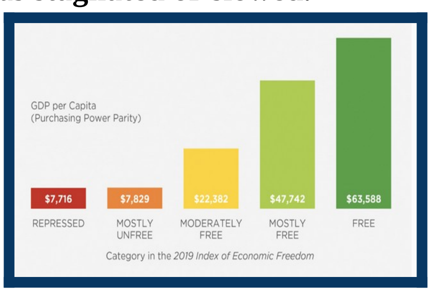
- **Debunking: “The economic calculation problem also applies to capitalism”**
    - Lee Jonah Birks '20
        - This just stems from a lack of knowledge of what the Economic Calculation Problem is, the Economic Calculation Problem applies to planned economies because they don't have prices that act as a common denominator to allow us to commensurate different factors of production. Essentially in a centrally planned economy, prices cannot form for these higher order goods unless economic calculation is not impossible. In a market system these prices do exist and therefore the Economic Calculation Problem does not apply.

Capitalism

This is an amazing document that provides sources justifying capitalism

Debunking Viki 1999 on Capitalism

- **Capitalism increases economic growth and income**
    - Heritage '19
        - The most economically free countries rated in the 2019 Index enjoy **incomes that are over twice the average levels** in all other countries and more than **six times higher than the average levels in least free economies.**
        - Throughout the history of the Index, the per capita economic growth rates of countries that have grown in **economic freedom the most are on average at least 50 percent higher** than those of countries where economic freedom has **stagnated or slowed.**



    - CEI '17

        - In 2015, nations in the top quartile of economic freedom had an average adjusted **per capita GDP of over $40,000**, compared to around **$5,000 for bottom quartile nations.**
    - Johnson '17
        - The average income of the poorest 10 percent in the most economically free nations is almost **twice the average per capita income in the least free nations.** That is, the **least fortunate citizens of free countries make more money than the average person in unfree nations**
        - Overall, the poorest tenth of the population in free countries earns **10-times as much money** as the same cohort of poor people living in unfree nations ($11,998 vs. $1,124)
    - Cato '15
        - "Recent research by Young and Lawson (2014) finds that **economic freedom is associated with a higher share of labor income"**
    - Doucouliagos '15
        - A meta-analysis of 45 studies finds a direct positive association between **economic freedom and growth.**
    - Hall '13
        - A literature review of 402 studies finds that economic freedom corresponds with a wide variety of positive outcomes with almost **no negative tradeoffs.**

- **Capitalism decreases poverty**
    - Cato '98
        - 40 percent of countries with the **least economic freedom have the highest levels of poverty**, and the 40 percent with the **highest economic freedom have the lowest poverty levels.**

- **Capitalism improves health**
    - Johnson '17
        - People in the **most economically free nations live 16 years longer** (80.7 years vs. 64.4 years) than those in the least economically free.

- **Capitalism helps entrepreneurship**
    - Nyström '08
        - The empirical findings show that a smaller government sector, better legal structure and security of property rights, as well as less regulation of credit, labour and business tend to increase entrepreneurship.
    - Mercatus '12

        - We find that a one standard-deviation increase in a state's economic freedom is associated with over 100 new businesses started per 100,000 residents every month.
    - MEI '16
        - Entrepreneurship is influenced by economic freedom, as shown by the numerous studies cited in this Research Paper. All of them observe a positive connection between economic freedom and the level of entrepreneurship in a given society, even if certain aspects of the different indices of economic freedom, when taken individually, have no effect. No study finds a negative relationship between economic freedom, or one of its components, and entrepreneurship

---

- **Capitalism Increases Overall Happiness**
    - Jackson '16
        - It is found that the level of economic freedom in US states has a positive effect on both individual reported happiness and state average happiness. This also confirms the relationship as positive and is suggestive of a causal positive impact of economic freedom on average state happiness.
    - Is Economic Freedom the Secret to Happiness?
    - Economic Freedom and Happiness
    - Happiness and economic freedom: Are they related?
    - FREEDOM AND HAPPINESS A comparative study in 46 nations in the early 1990's
    - A note on the impact of economic regulation on life satisfaction
    - Who Benefits from Economic Freedom? Unraveling the Effect of Economic Freedom on Subjective Well-Being
    - Does Internal or External Locus of Control Have a Stronger Link to Mental and Physical Health?
    - The bigger the better? Evidence of the effect of government size on life satisfaction around the world
    - Economic Freedom and Quality of Life: Evidence from the OECD's Your Better Life Index

---

- **Capitalism Increases Employment**
    - Feldmann '07
        - According to the regression results, economic freedom is likely to substantially reduce unemployment, especially among women and young people. A small government sector and a legal system characterized by an independent judiciary, impartial courts, and an effective protection of property rights most clearly seem to have beneficial effects. In addition, there are indications that freedom to trade across national boundaries and a

light regulatory burden may also lower unemployment, though apparently in the long term only.

- Capener '15
    - This exploratory study empirically investigates the hypothesis that the higher the degree of economic freedom in a nation, the lower the unemployment rate in that nation, ceteris paribus. This hypothesis is based on the idea that greater economic freedom leads to greater real GDP growth, which in turn reduces the unemployment rate
- Heller '13
    - After controlling for a variety of state-level characteristics, the results from most specifications indicate that economic freedom is associated with lower unemployment and with higher labor force participation and employment-population ratios.

- **Capitalism and Innovation**
    - Zhu '17
        - Using 5809 firms from 29 countries filed and granted U.S. patents over the 1984–2006 period, we find strong and robust evidence of a positive relationship between corporate innovation and the cross-country differences in economic freedom. This finding suggests that firms domiciled in a country with a sound regulatory system, limited government, regulation efficiency, and open markets facilitate corporations undertaking innovative activities. Specifically, we find that the positive relationship is more pronounced through the channel of labor freedom. This is consistent with the notion that more economic freedom enhances innovation competence in the global market.
    - Privatization Effect on Innovation
        - READ THIS
    - R&D expenditure: the private sector accounted for 71% of total national expenditures, with universities spending 14%
        - US R&D Increased in 2013, Well Ahead of the Pace of Gross Domestic Product
    - More than 60% of OECD R&D in scientific and technical fields is carried out by industry, 20% by universities and 10% by government.
        - OECD Science, Technology and Industry Scoreboard 2015: Innovation for growth and society
    - Capitalism and Innovation
        - Why Innovation Is Still Capitalism's Star
    - On how economic growth is the real driver of innovation
        - Taxation and Innovation in the 20th Century

- **Capitalism and Space Exploration**
  - [A Case for Capitalism, In Regards to Space Travel]
    - Budget cuts + Apathy means NASA does not have plans to explore space - The private sector is the **only** option
  - [Capitalism in Space]
    - More on how the gov has failed in space travel
  - [SpaceX Rocket Is A Capitalist Triumph]
    - Nasa has failed, competition is the only way to make into space
  - [Colonizing mars]
    - Extinction is a threat, Mars colonization means we save ourselves from extinction.
  - [Synthetic Biology for Space Exploration: Promises and Societal Implications]
    - Capitalism has led to the development of cyanobacteria which solve for solve nitrogen, water, food, and metal constraints
    - The implication is we can colonize mars
    - Space colonization is a moral imperative, if we stay on earth extinction is **certain** (pp 89-92)
    - High investment into space is the only way to make it up there (pp 89-92)
    - Space exploration means a more innovative economy as a whole (pp. 92-94)
  - [In Order to Ensure Our Survival, We Must Become a Multi-Planetary Species]
    - CC, Nuke war, Asteroids means that we we need to get off the rock
  - [We're Underestimating the Risk of Human Extinction]
    - " So many people that could come into existence in the future if humanity survives this critical period of time---we might live for billions of years, our descendants might colonize billions of solar systems, and there could be billions and billions times more people than exist now. **Therefore, even a very small reduction in the probability of realizing this enormous good will tend to outweigh even immense benefits like eliminating poverty or curing malaria**"

- **Capitalism and Discrimination**
  - [No source/link here '21]
    - Individuals discriminating with their private property under a capitalist system is not unique to libertarianism. Under a democratic system, rights of minorities can be withheld by the state if the majority decides to do so. Under a capitalist system, even if one company won't serve you, you still have the right to do business with another (not to mention the profit incentives that firms have to serve the greatest possible demographic). However, under a socialist system, the worker collective has a monopoly

on all production and distribution, so if that collective doesn't favor your interests, then you are left without service. Hence, discrimination under a socalist society is far more absolute than under a free market.

- Murphy '07 (pg 31)
  - Lets say an employer has an opening that pays $50,000 in salary, and the Christian applicant will bring in $51,000 in extra revenue to the firm while the Muslim applicant will bring in $55,000, then to discriminate against the creed of the latter will cost the employer $4,000 in potential profits. (The employer will make $1,000 by hiring the Christian but $5,000 by hiring the Muslim.) We also have to inspect consumer behavior: if most consumers are against discrimnation, then they will purchase from a business that does not discriminate and outrage over a business that does discriminate; which therefore lowers the amount of profit a discriminatory business makes. **No government inspector or watchdog agency is required: by definition, discrimination is automatically “fined” in the free market.**
- Berggren '16
  - “In comparing U.S. states, we find that an increase in the willingness to let atheists, homosexuals, and communists speak, keep books in libraries and teach college students is, overall, positively related to preceding increases in economic freedom, more specifically in the form of more general taxes.”
- Cato '20
  - “In economically freer countries with a strong rule of law, people tend to be more trusting and tolerant towards gay people and people of another race.”
- Berggren '12
  - “Regression analysis of up to 65 countries reveals that economic freedom is positively related to tolerance towards homosexuals, especially in the longer run.”
- NBER '08
  - We find that bank deregulation reduced the racial wage gap by spurring the entry of non-financial firms. Consistent with taste-based theories, competition reduced both the racial wage gap and racial segregation in the workplace, particularly in states with a comparatively high degree of racial prejudice, where competition-enhancing bank deregulation eliminated about one-quarter of the racial wage gap after five years.
- Elbakyan '94
  - Property rights led to more peaceful relations between whites and indians in early America

        - When property rights was lacking, peaceful negotiations between Whites and Indians declined

---

- **The freer the markets, the freer the people**
    - Lawson '10
        - Using data on economic and political freedom for a sample of up to **123 nations back as far as 1970**, we find relatively **few instances of societies combining relatively high political freedom without relatively high levels of economic freedom.**
    - Soysa '11
        - **Using data from 117 countries over the period 1981 to 2006, this finds reforms toward more competitive markets** lead to fewer human rights violations and increase government's respect for human rights**.**

- **Debunking: "Richard Wolff proved capitalism doesn't work"**
    - CDND '21
        - The best way to summarize the vast majority of claims in [Gravel Institute and Wolff's] video is that they are (sometimes) factual, but not truthful. They are often misleading, or outright incorrect. It is dubious to say that poverty, in any sort of meaningful sense, has not gone down, especially in the last 40 years. It is flat out incorrect to say countries do not succeed without government interference, and that China is an example of socialism which succeeded not in spite, but because of the government. This type of intentional, pamphlet style presentation is nothing short of propaganda, devoid of economic literacy and historical accuracy. The value-free nature of economics entails that it is only a description of what is; but this does not decrease from its value. It is a quintessential component to form political, sociological, and moral solutions. The erroneous claims Dr. Wolff presents will, as such, lead to incorrect conclusions about policy proposals and the state of the world today which would, at a very basic level, be antithetical to the prosperity of civilization.
    - Text of above without figures
    - Video debunking Richard Wolff

- **Capitalisms historical success:**
    - Zitelmann '21
        - Before capitalism, most of the global population was living in extreme poverty. From 90% in 1820, the rate has now fallen to 10%.
        - Some people rave about the harmonious pre-capitalist world, in which everything was so "decelerated." **This slowness, however, was mostly a result of physical weakness due to permanent malnutrition. It is**

estimated that 200 years ago, about 20% of the inhabitants of England and France were not able to work at all. At most, they were only strong enough to walk slowly for a few hours each day, which condemned them to begging for their entire lives. The "possessions" most people owned were limited to no more than a few items, as seen in contemporary pictures: a few stools, a bench, and a barrel that served as a table. Even these descriptions only refer to Western Europe, which was home to the small number of countries where people were best off at the time.

        - Incredible developments in Asia are mainly due to China introducing free market principles after Mao Zedong's death in 1976. As late as 1981, as many as 88% of the Chinese population were still living in extreme poverty; today, it is less than 1%.
        - The Heritage Foundation's Index of Economic Freedom reveals that the world's most capitalist countries have an average GDP per capita of $71,576. That compares to $47,706 in the "mostly free" countries. At the other end of the scale are the "mostly unfree" and "repressed" countries, where the GDP per capita is only $6,834 and $7,163, respectively.
    - Capitalism QOL > Socialism QOL
    - ***China***
        - Press '17
            - The rise of China is historical proof that **economic freedom is the greatest driver of prosperity.** China was previously **governed under central planning**, with little respect for individual freedom. They eventually began to give this up after 1978. After the partial **freeing of markets, they started growing exponentially, at 7 to 12 percent,** up from miserable rates of around **2 percent.** While China is not close to being entirely economically free, they have still drastically improved their scores, opening up markets to international trade, deregulating the economy, and allowing individuals to exchange voluntarily. This has led to **the greatest reduction in absolute poverty the world has ever seen.**
        - Zitelmann '19
            - In 1978, in China, nearly **80% of urban labourers were employed in the public sector.** However, as they became more economically free, public sector employment dropped to **21.5%**, while that of the **private sector increased substantially to 76%.** After this, per capita GDP grew by nearly **24 times** from 1978 to 2017 due to the **increase of worker productivity.** According to IMF research, worker productivity increases accounted for more

than **42 percent** of China's growth and later on became the main source of economic growth. **87 percent** of the growth in productivity was [due] to improved incentives and compensation. In fact, poverty incidence in rural China has [dropped] sharply from **97.5% in 1978 to only 4.5% in 2016.** Overall, this increase in GDP per capita also increased life expectancy. In 1978, the average life expectancy in China was [65.8] years. By 2018, after major economic growth, **life expectancy increased** to [77] years. Hence, an increase in **economic freedom within China has been shown to have many benefits for the population**

- 

- [Wikipedia '21]
    - ❑ In 1978, 18 farmers in China decided to break the law at the time and secretly agree to own private property; any surplus grown that year would be theirs - not the collective's. That year's harvest was bigger than the previous 5 years combined and per capita income increased from 22 yen to 400 yuan.

- ***South Korea***
    - [CEI '17]
        - ❑ South Korea is another example of the success of economic freedom. They were a **desperately poor country just 60 years ago,** it is now one of the **wealthiest in the world.** It makes for a particularly interesting comparison with the African nation of Ghana, as **Ghana and South Korea had the same GDP per capita in 1957**. Since then, South Korea has embraced **foreign investment, liberalized trade, and strong property rights.** Ghana, instead, went down another path, with a **socialist government** that was propped up by foreign aid. By 1990, **South Korea's GDP was 10 times that of Ghana.** By 2015, Ghana's

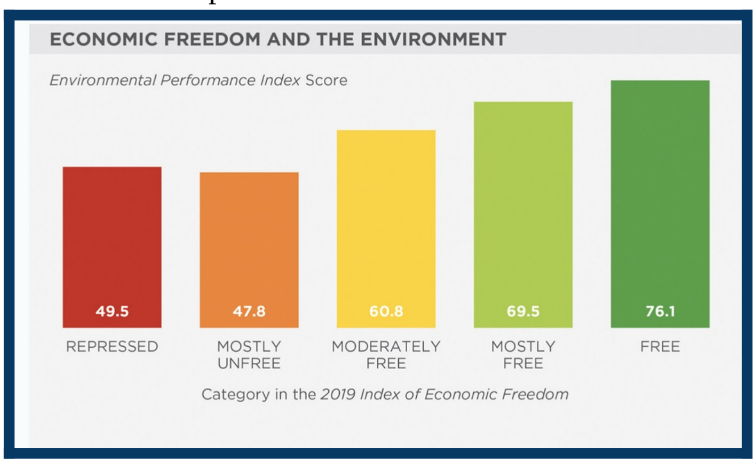
GDP per capita sits at just under **$2,000**, while South Korea is over **$25,000**. This was while Ghana was receiving enormous amounts of foreign aid, whereas **South Korea received substantially less.** More importantly, the aid South Korea did receive **did not dominate its domestic policy like it did in Ghana.**

- ***USSR + NEP***
  - **On New Economic Policy's Success:**
    - [ ] NEP was capitalist, free-enterprise, and market-oriented.
    - [ ] Standard of Living Increased during NEP
    - [ ] Agricultural Output Restored to 1913 Levels
    - [ ] No famines in the midst of NEP.
  - **After the fall of the communist USSR, the area became more free market and economic growth had a major increase following:**
    - [ ] Earle '98
      - This study examines whether privatization enhanced efficiency in Russia after the fall of the USSR. It finds that a 10% increase in private share ownership raises real sales per employee by 3-5%. Productivity also saw a major increase after privatizations.
  - **The USSR's reform towards capitalism did not lead to collapse because it was too free, but because it engaged in ridiculous credit expansion.**
    - [ ] Wikipedia '21
      - Government efforts to take over the credit expansion also proved ephemeral in the early years of the transition. **Domestic credit increased about nine times between the end of 1991 and 1992.**
      - By mid-1992, when the amount of unpaid interenterprise loans had reached 3.2 trillion rubles (about US$20 billion), the government froze interenterprise debts. Shortly thereafter, the government provided 181 billion rubles (about US$1.1 billion) in credits to enterprises that were still holding debt.
      - The government also failed to constrain its own expenditures in this period, partially under the influence of the post-Soviet Supreme Soviet of Russia, which encouraged the Soviet-style financing of favored industries. By the end of 1992, the Russian budget deficit was 20% of GDP, much higher than the 5% projected under the economic program and stipulated under the International Monetary Fund (IMF) conditions for international funding.

This budget deficit was financed largely by **expanding the money supply.** These monetary and fiscal policies were a factor… in **an inflation rate of over 2,000%** in 1992.

Environment

- **Free Market Environmentalism**
  - Anarchy is Property '21
    - Climate change is aggression. Basically, if property rights were protected, and pollution could be proven to lead to climate change and the damaging of property rights, then most people would have grounds to sue major corporations and stop the pollution.
  - Heritage '19
    - There is a "positive relationship between levels of economic freedom and levels of environmental protection."



  - Dawson '12
    - "A privatised climate change policy, based on Austrian welfare economics, is the only way to defend to the greatest possible degree the liberties both of fossil fuel users and people whose property rights will be violated if carbon emissions cause climate change. Neoclassical and 'Post-Austrian' analyses of climate change are both theoretically unsound and impractical, requiring for their implementation a foundation in reliable scientific knowledge that is not available."
  - Yandle '04
    - Better policies, such as the removal of distorting subsidies and the introduction of more secure property rights over resources will cause the race to the bottom to end sooner, and environmental improvements to come about at lower cost. Because market forces will ultimately determine the price of environmental quality, policies that allow market forces to

operate are expected to be unambiguously positive. The search for meaningful environmental protection is a search for ways to enhance property rights and markets.

- Cato '01
  - Openness to trade and investment promotes development and higher incomes, which enable less-developed countries to raise their labor and environmental standards.
- Huge Site Showing Many Sources Indicating that Free Markets Help the Environment
- Pg 411-413 on why property rights benefit the environment
- To Improve the Environment, Look to the Free Market
- Breathe Free: Capitalism Helps Protect the Environment
- Privatizing the Commons: An Improvement?
- Toward a Theory of Property Rights Harold Demsetz The American Economic Review, Vol. 57, No. 2, Papers and Proceedings of the Se
- The Evolution of Property Rights: A Study of the American West
- Ecosystems as Spontaneous Orders by Andy Lamey
- Liberty, Markets, and Environmental Values: A Hayekian Defense of Free-Market Environmentalism
- The case for free market environmentalism
- The Austrian Paradigm in Environmental Economics: Theory and Practice
- The Influence of Capitalism and Democracy on Air Emissions among OECD Countries
- Proposals for an Environmental Indicator for the MCA Should Be Resisted
- Climate change from an economic perspective
- https://www.scribd.com/document/13716/Environmental-Statism-Kritik
- https://cdn.mises.org/qjae17_2_6.pdf
- https://cdn.mises.org/qjae7_1_1.pdf
- https://cdn.mises.org/qjae5_2_1.pdf
- https://cdn.mises.org/qjae17_2_5.pdf
- https://cdn.mises.org/qjae11_2_3.pdf
- https://cdn.mises.org/qjae16_1_3.pdf https://cdn.mises.org/Law,%20Property%20Rights,%20and%20Air%20Pollution_2.pdf
- https://cdn.mises.org/QJAE_18_no.%201%20Spring%202015_0.pdfhttps://mises.org/wire/toward-political-economy-climate-change
- https://mises.org/wire?media_type=All&sort_by=field_mises_published_date_value_1&topic=193&austrian_school=All&writer=All&title=All
- https://mises.org/library/environmentalism-refuted https://1lib.us/book/1211151/e4c7bc
- https://booksc.xyz/book/11006275/3db9bf

- https://mises.org/wire/when-pollution-violation-property-rights
- https://www.rstreet.org/2016/11/09/the-anarchist-case-for-climate-action/

- **Forests and Private Lands**
  - Kelly '10 (pg 388)
    - It could still be argued that we should not keep cutting trees at all. But it's important to remember that we use trees to support our quality of life—they help provide us with homes, furniture, paper, and commercial products. Regardless, we still cut down more trees in the world than needs to be the case. The primary reason for this excess cutting is that a majority of forest lands are not owned privately. If they were, the owners would have had incentives to take care of them. Private ownership ensures that plants, animals, and other valued wildlife will thrive because owners can make more money by taking good care of their property rather than allowing it to disappear or deteriorate. In the case of trees, landowners have an incentive to regrow trees after they've cut them down. In places where property rights to forests are protected, forests are either stable or growing. A new study by the National Academy of Sciences "confirms that reforestation has become a widespread pattern in well-off countries and also in a few that are not so well off." They note also that reforestation is linked to prosperity (and prosperity is linked to economic freedom).
    - For example, the buffalo almost became extinct in the western United States because people freely hunted them on public land. But cows, which have been mostly privately owned, never faced extinction
    - One might ask: how do we know that tree owners would not sell all their property to developers who might build a parking lot on the land? They would not because if too many trees were cut down, the price of lumber would become very high, thereby making tree growing more profitable than parking lots or other alternative uses.

- **Air Pollution**
  - Libirdy '19
    - **Logical explanation on how capitalism does NOT cause pollution:**
    - The first thing that's important to understand is exposing others to particles that damage their health or property without their consent undermines their self-ownership, even if the damage is gradual and takes a long time to be fully realized. This means that it would be justified to use force, up to and including deadly force if necessary, to defend oneself from a person committing "particle aggression." A simplified example of this would be someone who sprays a gas onto their neighbor's property that will kill the neighbor after being exposed to it for a year. In this case, it would be justified to use force to stop the spraying of gas. So, when it

comes to particle aggressions coming from people or businesses, proper enforcement of property rights would mean that the person/people being aggressed against would be justified in putting a stop to the conduct (this would typically be taken care of in a private court).

    - Regarding air pollution specifically, Rothbard has pointed out that it's a kind of "nuisance" (it interferes with one's use of their own property). In his words, "no one has a right to clean air, but one does have a right to not have his air invaded by pollutants generated by an aggressor."
    - The burden of proof, however, is on the plaintiffs. So they'd have to prove that specific pollution particles from specific people (factories/roads) are actually coming onto their property and they'd have to prove that the amount is actually harmful. The enforcement of property rights in this respect would help keep the total air pollution low so we don't have any environmental problems or anything. Everyone's self-interest of not having their own property and airspace polluted (both homeowners and business owners) would likely result in a tendency for total global pollution to be low.
  - Wood '14
    - After controlling for the effects of income, political freedom, and other **confounding variables**, we find that a permanent **one-point increase in economic freedom results in a 7.15% decrease** in concentrations of fine particulate matter in the long-run
    - The 20 countries rated the **most economically free experience much cleaner air quality than the 20 countries with the lowest scores for economic freedom.** In 2010, the 20 countries that were most economically free had average concentrations of fine particulate matter that were nearly **40% less** than the 20 least-free countries.

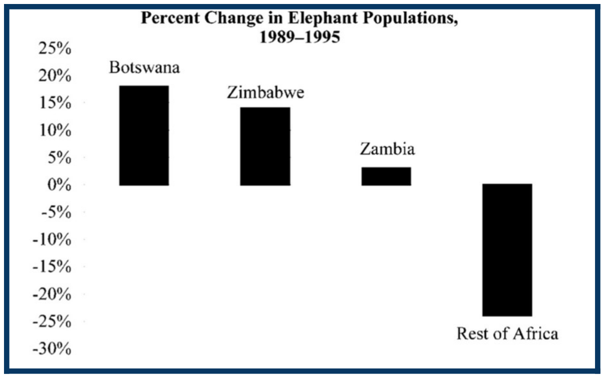
- **Water**
  - Kling '93
    - In addition to improving the allocative efficiency of water use, water markets may reduce irrigation-related water quality problems. This potential benefit is examined with a nonlinear programming model developed to simulate agricultural decision making in a drainage problem area in California's San Joaquin Valley. Results indicate that a 30% drainage goal is achievable through improvements in irrigation practices and changes in cropping patterns induced by a water market.
  - Segerfeldt '05
    - "97% of all water distribution in poor countries is managed by the public sector, which is largely responsible for more than a billion people being without water. Some governments of impoverished nations have turned to business for help, usually with good results. In poor countries with private

investments in the water sector, more people have access to water than in those without such investments."

- Privatization effect on the water industry
  - READ THIS
- Innovative Approaches to Water Allocation: The Potential for Water Markets
- Shopping for Water: How the Market Can Mitigate Water Shortages in the American West

---

- **Wildlife and Endangered Animals**
  - Leresche '00
    - In most nations around the world wildlife are owned and managed by the State. However, in the past 30 years Zimbabwe, Namibia, and South Africa have altered their legal regimes to give full control over the use of wildlife to the private owners of the land on which the wildlife are located. **Following the privatization, there has been clear success:**
      - ❑ Wildlife tourism on private lands has boomed since privatization. Total tourism revenues in 1998 amounted to about 7 percent of Zimbabwe's Gross National Product (GNP); and direct employment in the tourism sector was around 80,000 jobs (8 percent of total employment).
      - ❑ In Namibia, wildlife populations on private lands have risen by 80 percent since the creation in 1967 of a regime of private wildlife ownership.
      - ❑ Private ranches are estimated to offer protection to 285 black and 66 white rhinos
      - ❑ the private wildlife industry in Zimbabwe would be responsible for inflows of around US$19 million of foreign exchange each year
      - ❑ Privatization of control over use of wildlife has had more success in promoting biodiversity in the southern African region than any other policy measure.
  - Kelly '10 (pg 388)
    - The buffalo almost became extinct in the western United States because people freely hunted them on public land. But cows, which have been mostly privately owned, never faced extinction.
  - Free Market Environmentalism '01 (Page 65)
    - "It is property rights and markets that account for the rapid elephant population growth in Zimbabwe and Botswana:"



- **Environmental Kuznets Curve (EKC)**
    - IER '20
        - The **Environmental Kuznets Curve** means that as economies grow from a pre-industrial state into what we know as a developed state, environmental degradation initially surges, but **eventually levels off and finally falls.** Since capitalism increases economic growth, **it would therefore help the environment in the long run**
        - One of the best pieces of evidence supporting the Environmental Kuznets Curve and the Environmental Transition Hypothesis **can be seen in air pollution in the United States.** Between 1970 and 2018, U.S. gross domestic product increased **275 percent**, vehicle miles traveled increased **191 percent**, energy consumption increased **49 percent**, and the U.S. population increased by **60 percent.** During the same time period, total emissions of the six principal air pollutants dropped by **74 percent.**
        - Since 1980, the United States has drastically reduced h**armful pollutants in the air.** Nitrogen dioxide, which can inflame the lungs and weaken immunity, **is down 57 percent.** The equally harmful sulfur dioxide is **down 80 percent.** Lead, which has adverse neurological and cardiovascular effects, **is down 98 percent.**
    - Grossman '94
        - Our study covers four types of indicators: concentrations of urban air pollution; measures of the state of the oxygen regime in river basins; concentrations of fecal contaminants in river basins; and concentrations of heavy metals in river basins. We find no evidence that environmental quality deteriorates steadily with economic growth. There is also no evidence that economic growth leads to unavoidable harm to the natural habitat. Rather, for most indicators, economic growth brings an initial phase of deterioration followed by a subsequent phase of improvement. The turning points for the different pollutants vary, but in most cases they come before a country reaches a per capita income of $8,000.
    - Brandt '20
        - This paper investigates the Kuznets Curve hypothesis for e-waste using a balanced panel of 30 European countries over the period 2000–2016. We found that the Environmental Kuznets Curve (EKC) hypothesis is well supported for e-waste generated in the EU28 + 2 area. This reveals that e-

waste generation increases with an increasing GDP up to a certain GDP level (turning point), but thereafter decreases despite further economic growth. While this suggests that e-waste generation and the related adverse environmental impacts will decline at elevated GDP levels, the results of this study highlight that the turning point occurs at rather exceptionally high levels of GDP.

- Saqib '19
  - Reviewing 101 research papers published during 2006–2019, we have found strong evidence in support of EKC. It has been found that this relationship is a long run phenomenon and irrelevant to the choice of econometric tools employed or type of data used.
- Strezov '18
  - A meta-analysis of 17 studies finds support for the EKC. The meta-analysis reveals that the collection of studies that validate the inverted-U shaped relationship has an average of US$8910 as the turning point of annual income level.
- Uchiyama '16
  - This study undertakes an empirical analysis by using the most recent data of 171 countries, from the 1960–2010 period. The income level of the turning point of the whole world sample is approximately USD 30,000.
- Shahbaz '18
  - When looking at 86 countries, there is clear evidence in support of the environmental Kuznets curve.
- Strezov '18
  - When looking at Australia, China, and Ghana from 1971 to 2013, EKC seems to be valid.
- Sulemana '17
  - We find that the EKC hypothesis holds true for both CO_2 and PM10 for African and OECD countries.

- **Debunking: "Treadmill of Production (TOP) shows Capitalism Harm Environment"**
  - TOP google document '21
    - **What is the TOP:** The more you consume the more it harmfully impacts the environment AND the more you consume the more resources you take up. However, this theory has been refuted:
      - This assumes people wouldn't use renewable resources because it'd be more effective and better for business. You use renewable energy, not only do you get a good PR, but it could be detrimental if you don't. Assume you pollute a river. Eventually, the pollution will reach the point where it is on someone else's property, and

since capitalism is all about property rights, they would be able to sue you which even if you won would be time-consuming and cost legal fees.
        - [ ] Extensive growth is gaining capital, labor, land, and natural resources. Intensive growth is increased quality, effectiveness, and efficiency. People who bring up the TOP believe that because there's better production there are more resources that are conflating the two making the argument invalid.
    - https://voluntaryisthaven.wordpress.com/2021/04/02/debunk-the-top/

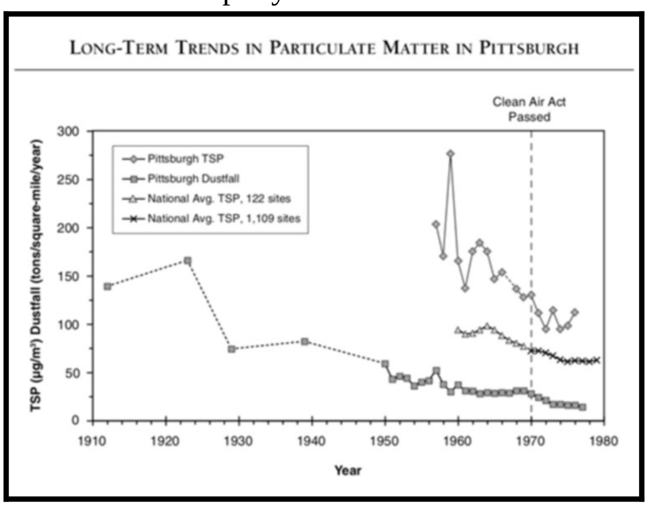
- **The Government is a Large Contributor to Environmental Harm**
    - Mises '10
        - Obviously, the government does not do a good job of taking care of "the people's" property. The same is true of our government in the United States, as government agencies are among the worst polluters. The Department of Defense generates over 750,000 tons of hazardous waste each year—more than the top three chemical companies combined. Yet the agency remains largely free from compliance with federal and state environmental Protection Agency laws. In 2001, the EPA estimated that the total liability for the cleanup of toxic military sites would exceed $350 billion.
        - The Army's Rocky Mountain Arsenal, 27 square miles of "toxic horror" six miles north of Denver, as of the mid-1990s and before a taxpayer-funded cleanup began, was known as "the most polluted piece of ground in America." Nerve gas, mustard shells, the anti-crop spray TX, and incendiary devices were dumped into this area for over 40 years.
        - Government-owned power plants are a large source of sulfur dioxide emissions. The Tennessee Valley Authority, a government owned entity, operates fossil plants with 59 coal-burning units. It fought with state governments for years for the ability not to have to comply with state environmental regulations. Finally, the Supreme Court ruled that it could be exempt from meeting standards within which the private sector and local government power plants have to operate.
        - State and local governments across the United States, in badly managing our infrastructure, cause more than 900 billion gallons of waste to flow out of leaking and dilapidated sewer pipes into rivers, lakes, and oceans.
    - Neimark '19
        - The US military is a bigger polluter than more than 100 countries combined. Indeed, research shows the US military is one of the largest climate polluters in history, consuming more liquid fuels and emitting more CO2e (carbon-dioxide equivalent) than most countries.
    - Alter '20

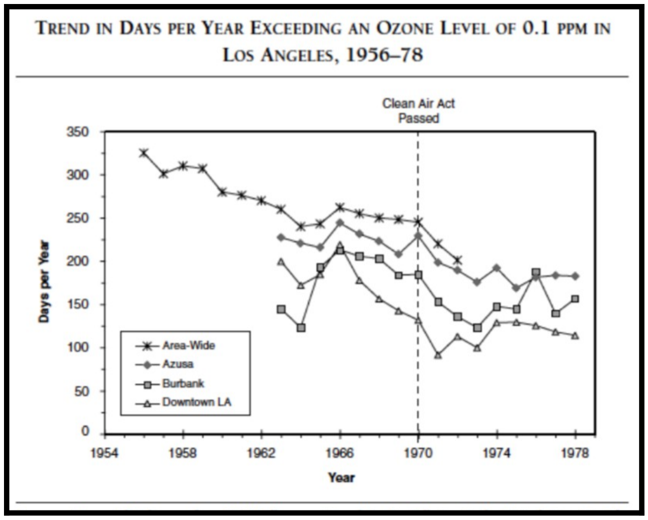
        - 8 of the 10 largest carbon emissions are government firms. China (Coal) is by far the biggest emitter of them all at 14.32%; fully 18.1% is just Chinese, Russian and Indian coal. “We are dealing with national governments and the entities that they own.”
    - EESI '19
        - According to the IMF, "fossil fuels account for 85 percent of all global subsidies," and reducing these subsidies "would have lowered global carbon emissions by 28 percent and fossil fuel air pollution deaths by 46 percent.
    - Edwards '05
        - The Department of Agriculture (Government agency) pays out more than $20 billion annually in crop subsidies for wheat, corn, soybeans, rice, and cotton. These subsidies cause overproduction, the excessive use of fertilizers, and the overuse of marginal farmland that would otherwise be left as forests and wetlands.
    - Guardian '21
        - Agriculture contributes a quarter of greenhouse gas emissions, 70% of biodiversity loss and 80% of deforestation. International finance pledges for climate change were $100bn a year and $5bn a year for deforestation. But governments are providing $470bn [in farm support] that has a huge damaging impact on climate and nature. The report found that between 2013 and 2018, support to farmers totalled an average of $540bn a year, of which 87% ($470bn) was harmful.
    - Kelly '10
        - The Soviet Union had extensive environmental laws and regulations to protect the public interest. Yet the environment suffered terribly under state socialism because of the **tragedy of the commons**. The state not only poisoned its air and waters, but also its people. Soviet lakes, streams, and seas were a regular dumping ground for chemical waste. Thomas J. DiLorenzo describes one case: A typical example of the environmental damage caused by the Soviet economic system is the exploitation of the Black Sea. To comply with five-year plans for housing and building construction, gravel, sand, and trees around the beaches were used for decades as construction materials. Because there is no private property, no value is attached to the gravel along the seashore. Since, in effect, it is free, the contractors haul it away. This practice caused massive beach erosion which reduced the Black Sea coast by 50 percent between 1920 and 1960. Eventually, hotels, hospitals, and of all things, a military sanitarium collapsed into the sea as the shore line gave way. frequent landslides—as many as 300 per year—have been reported.
    - Cato '05

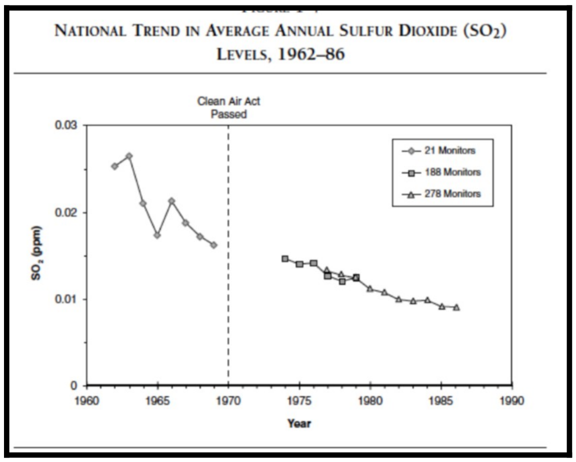
        - The Federal Power Marketing Administrations and Tennessee Valley Authority sell electricity at substantially below-market rates. This has encouraged overconsumption of energy by homes and the large industrial users of PMA and TVA power.
    - Edwards '05
        - Federal loans to exporters have supported environmentally damaging projects in less developed countries. For example, Enron Corporation received $200 million in U.S. government financing to build a 390-mile pipeline from Bolivia to Brazil through a tropical forest area in 2001.31 The Washington Post reported that the Chiquitano Forest pipeline, financed by the federal Overseas Private Investment Corporation, was driven through one of the most valuable and unscathed regions of forest in South America.
    - Free Market Environmentalism '01
        - While timber production declined 69 percent from 1981-84 to 1994-96, the share of the State Forest Service budget devoted to timber actually increased 10 percent.
    - Free Market Environmentalism '01 (Page 56)
        - Between 1981 and 1983, the government owned “World Bank” carried out a program that lent a little over $443 million for the paving of Brazilian national highway 364, a 1,500-kilometer stretch of road that connects Brazil’s populous south-central region with the rain forest wilderness in the northwest. Accordingly, the results found that the government program: “Increased the rate of forest destruction in a region the size of Oregon from 1.7 percent in 1978 to 16.1 percent in 1991.”
    - Free Market Environmentalism '01 (Page 57)
        - From 1976 to 1986, the government owned World Bank lent about $500 million for a massive resettlement program known as Indonesia Transmigration. The goal was to resettle millions of poor people from the heavily populated inner islands of Indonesia to the sparsely populated outer islands and to provide support for the settlers in the growing of cacao, coffee, and palm oil for export. The program led to widespread destruction of rainforest. According to World Bank documents, between 15,000 and 20,000 square kilometers out of a total area of 40,000 to 50,000 square kilometers of rain forest had been cleared as a result of the World Bank's actions. “Countries where property rights are weakly enforced, where the rule of law cannot be counted on, and where government agencies have little accountability tend to have stagnant economies and very little environmental protection.”
    - Burt '02

        - The former Soviet Union was the world's second largest producer of harmful emissions. Considering that the Soviet GNP was only some 54% of that of the USA, this means that the Soviet Union generated 1.5 times more pollution than the USA per unit of GNP.
    - The USSR Destroyed the Aral Sea
    - A State-Owned Mexican Company's Faulty Practices Recently Led to the Gulf of Mexico Catching on Fire
    - https://mises.org/wire/central-banks-may-be-driving-us-toward-more-waste-more-carbon-emissions

---

- **Negative Effects of Government Environmental Regulation**
    - Murphy '16
        - **Environmental degradation was already decreasing before government regulations.** For example, data from New York City show a 58 percent decline in sulfur dioxide levels in the seven years before the act's passage. In fact, based on an assessment of more than five hundred life saving measures in four categories—environmental pollution reduction, workplace safety, injury prevention, and medical care—researchers concluded that environmental measures saved by far the fewest years of life per dollar invested.
        - Despite this, the EPA adopted in 1997 will "likely be more than a thousand dollars per year for each American household."
        - 

- 

- 

- [Christainsen '94]
  - Estimates by Myrick Freeman of Bowdoin College indicate that emissions standards for new trucks and automobiles have probably had costs well in excess of their benefits. Virginia McConnell of the University of Maryland has found that the performance of vehicle inspection and maintenance programs—for example, smog tests for used cars—has been even more dismal. According to Freeman, it is likely that water pollution control efforts have also failed to pass a benefit-cost test.
  - Numerous other examples can be given of perverse environmental regulation. It now appears that the "Superfund" toxic-waste program will cost more than the government bailout of failed savings-and-loan associations. The activities of the California Coastal Commission, which regulates the use of one of the most valuable coastlines in the world, cannot pass a benefit-cost test. Notwithstanding some recent court decisions that have narrowed its scope, the Endangered Species Act has emerged as one of the

most economically destructive pieces of regulatory legislation ever passed.

- Calder '18
  - A new study circulated by National Bureau of Economic Research (NBER) suggests building energy codes hurt the poor, too. The NBER report focuses on California, but most states adopted statewide building energy codes decades ago. As a result, regressive impacts may be widespread.
  - Stricter energy codes were associated with a decline in home values for low-income households of 8–12 percent. Stricter codes reduced the number of bedrooms and square footage of homes in the lowest income households by 4–6 percent. On the other hand, home values increased and changes to square footage and number of bedrooms were minimal for wealthier households.
- Goldstein '20
  - According to a study that examined 14 high income countries, carbon taxes do not deliver cost effective emission reductions. Instead, these taxes have caused serious and harmful economic effects that increase costs, scare away investment, and deter entrepreneurship

---

- **Debunking: "100 Corporations are Responsible for 71% of Carbon Emissions"**
  - Alter '20
    - The first point is that if you look at the actual list in the report, Exxon and Shell are the only private companies to even make it into the top ten; the rest are all government entities. China (Coal) is by far the biggest emitter of them all at 14.32%; fully 18.1% is just Chinese, Russian and Indian coal, so it's incorrect for anyone to say "just 100 companies." We are dealing with national governments and the entities that they own.
    - But the more important point that the original study ignored is that it is broken down into Scope 1 and Scope 3 emissions. From the report:
      - ❑ **Scope 1 emissions** arise from the self-consumption of fuel, flaring, and venting or fugitive releases of methane.
      - ❑ **Scope 3 emissions** account for 90% of total company emissions and result from the downstream combustion of coal, oil, and gas for energy purposes. A small fraction of fossil fuel production is used in non-energy applications which sequester carbon. [like plastics]
    - In other words, for gasoline, Scope 1 is the entity extracting and refining the gas and shipping it to the pumps, and Scope 3 is us buying the gas, putting it in our cars, and turning it into CO_2. Of that 70.6% of emissions

attributed to these hundred entities, over 90% is actually emitted by us. It's going into heating our houses and moving our cars and making the steel and aluminum for our buildings and cars and F35 fighters and concrete for our roads and bridges and parking garages.

- Hence, these 100 companies are responsible for 6.5% of Scope 1 global emissions, not 70% when taking into account these variables. And either way, most of the environmental damage is done by government firms, not private firms.

Private Sector vs Public Sector

- **Privatization Effect on Economic Performance**
  - Edwards '17
    - An OECD report reviewed the research and found “overwhelming support for the notion that privatization brings about a significant increase in the profitability, real output and efficiency of privatised companies.” And a review of dozens of academic studies in the Journal of Economic Literature concluded that privatization “appears to improve performance measured in many different ways, in many different countries.
  - Megginson '01 (alternate link)
    - Examinations of 825 companies listed on the Shanghai Stock Exchange, with 513 mixed-ownership firms and 312 private firms. The study finds that private firms perform better than mixed ownership firms.
    - Study examines the economic performance of the 500 largest non-U.S. industrial firms in 1983. Using four profitability ratios and two measures of X-efficiency, they show that state-owned and mixed (state and private) ownership enterprises are significantly less profitable and productive than privately owned firms. They also find that mixed enterprises are no more profitable than SOEs (state owned enterprises), suggesting that full private control, not just partial ownership, is essential to achieving performance improvement.
  - Vining '12
    - A 2012 study looked at more than 50 Canadian businesses privatized during the 1980s and 1990s, including an airline, a railroad, manufacturers, and energy and telecommunications firms. It found, "[T]he overall impacts have been largely positive, in many cases impressively so. Key economic indicators such as capital expenditures, dividends, tax revenues and sales per employee tended to increase."
  - Nash '94

        - This study compares 3-year average post-privatization performance ratios to 3-year pre-privatization values for 61 firms from 18 countries and 32 industries from 1961-89. It documents economically and statistically significant post-privatization increases in output (real sales), operating efficiency, profitability, capital investment spending, and dividend payments.
    - Dewenter '01
        - Profitability, output, operating efficiency, capital spending, number of access lines, and average salary per employee all increase significantly after privatization. Results strongly indicate that private firms significantly outperform state enterprises.
    - Gray '00
        - Privatization alone added nearly 10 percentage points to the revenue growth of a firm to outside owners
    - Warzynski, Konings, Van Cayseele '05
        - This paper uses representative panel data from 1,701 Bulgarian and 2,047 Romanian manufacturing firms to analyze how price-cost margins are affected by privatization and competitive pressure. Privatization is associated with higher price-cost margins. This effect is stronger in highly competitive sectors, which suggests that the creation of competitive markets and privatization go together. It also suggests that privatized firms reduce costs rather than increase prices, as in highly competitive markets firms are more likely pricetakers. Import penetration is associated with lower price-cost margins in sectors where product-margin concentration is high, but in more competitive sectors this effect is reversed.
    - Case Studies (Mostly England)
        - Utility gains Assessing the record of Britain's privatized utilities
        - Privatisation in Theory and Practice
        - Privatisation in Theory and Practice Part 2
        - The Enterprise Imperative
        - Options for Federal Privatization and Reform Lessons from Abroad
    - Privatization in Theory
        - Cato Handbook - Privatization
        - Privatization: The Real Way to Make American Infrastructure Great Again
        - Fixing Transit: The Case for Privatization
        - Privatization: The Worker Buy-Out Option
        - Privatization: An Economic Analysis (Regulation of Economic Activity)
        - Privatization and Economic Performance
        - Voucher privatization

        - Privatization and Incentives
        - Privatization in theory and practice | Economic Policy | Oxford Academic
        - The Productivity Effects of Privatization: Longitudinal Estimates from Hungary, Romania, Russia, and Ukraine | Journal of Political Economy
        - How Does Privatization Work? Evidence from the Russian Shops | Journal of Political Economy: Vol 104, No 4
        - Privatization: An Economic Analysis. John Vickers , George Yarrow | Journal of Political Economy: Vol 98, No 4
        - Public versus Private Initiative in Arctic Exploration: The Effects of Incentives and Organizational Structure | Journal of Political Economy
        - Structural adjustment, state capacity and child health: evidence from IMF programmes
        - Downsizing the federal government
        - Mail at the Millennium: Will the Postal Service Go Private?
        - Privatization - Reason Foundation
        - A Plan to Liquidate Amtrak

- **Privatization Effect on Productivity**
    - Edwards '17
        - Labor productivity roughly doubled in the electricity and gas industries in the decade after privatization
    - Megginson '01
        - The change from complete state to private ownership in the long run would increase productivity growth by 1.6 to 2 percent a year
    - Anderson '97
        - Privatization dramatically increases restructuring likelihood and success. Firms privatized for 4 years will increase productivity 3-5 times more than similar state owned enterprises
    - Claessens '02
        - Here's another study based on Eastern Europe. They look into 6000 firms and find that "privatization is associated with significant increases in sales revenues and labor productivity, and, to a lesser extent, with fewer job losses. The positive effect of privatization is stronger in economic magnitude and statistical significance as the time elapsed since privatization increases."
    - Baccini, Impullitti, Malesky '19
        - Productivity gains from trade five years after WTO entry might have been 66% higher in the absence of state-owned firms in Vietnam.

- **Privatization Effect on Prices**
    - Edwards '17

        - British consumers benefited as privatization and competition reduced prices and improved service quality. A Treasury study found that real prices after a decade of privatization had fallen 50 percent for telecommunications, 50 percent for industrial gas, and 25 percent for residential gas. And a decade after electricity privatization, real prices were down more than 25 percent. The environment gained from the electricity reform as well because the privatized industry moved rapidly to replace coal as a fuel source with natural gas.
    - Hilke '93
        - Over 100 independent studies typically found cost reductions of 20 percent to 50 percent that resulted from privatization and, more importantly, increased competition.
    - Megginson '01
        - The change from complete state to private ownership in the long run would lower costs by 1.7 to 1.9 percent a year

---

- **Privatization Effects on Use and Consumption**
    - Edwards '17
        - The share of British Telecom service calls completed within eight days soared from 59 percent to 97 percent in the decade after privatization. Before privatization, it had taken months and sometimes a bribe to get a new telephone line. Under Thatcher's privatizations, the share of British citizens owning equities soared from 7 percent to 25 percent.

- **Privatization Effect on Innovation**
    - Fang '17
        - "Innovation increases after state owned enterprises privatized," in China
    - Shirly '92
        - "Research shows that privatization has almost always caused an increase in investment and innovation."

- **Privatization Effect on Workers**
    - Brainerd '00
        - This paper explores the effect of mass privatization and the development of a new private sector in Russia. Analysis of two household surveys conducted over the 1990s indicates that there is a positive premium to work in private sector firms over state enterprises and privatized state enterprises, and that this differential is reduced but not eliminated by controlling for differences in firm and worker characteristics and in hours worked across sectors.
    - Earle '06

        - “No evidence of large systematic negative consequences of privatization for wages.
    - Reinsberg '18
        - “IMF policy conditions on public-sector employment are negatively related to child health.”

- **Privatization Effect on Roads and Highways**
    - Walter Block (Page 337)
        - **Theory:** Unlike state ownership, private ownership allows for the utilization of profit and loss. When customers are pleased, they continue patronizing those entrepreneurs who have served them well. Entrepreneurs who fail to satisfy, on the other hand, are soon driven to bankruptcy. Likewise, private owners of roads will have every incentive to try to reduce accidents, whether by technological innovations, better rules of the road, improved methods of selecting out drunken and other undesirable drivers, etc. If they fail, or did less well than their competition, they eventually would be removed from their position of responsibility.
        - **Practice:** According to research by Austrian economist Walter Block, for every dollar spent by private enterprise to pave a distance of road, doing such a job through the public sector will cost two dollars. Accordingly, under our state management of roads, 40,000 people die on these roads annually. According to the same research, if we transitioned to a fully privatized road system, we could save an estimated 25,000 lives each year.
    - Vardy '19
        - A recent analysis confirms that: "81.9 percent of privately funded highways were rated “good", opposed to 34.2 percent of public roadways. Only 0.1 percent of privately-owned roads were evaluated to be “terrible” in 2018. Beyond this, federal roads have been demonstrated to be more dangerous for drivers, with an accident rate of 12.2 accidents per 10 km as opposed to 8.7 per 10km on privatized roads nationally.
        - In São Paulo Brazil, the governor has adopted a "privatize everything" strategy, especially in the road system. The state has sold over 7,200km of roads to private entrepreneurs. Accordingly, the state has seen 12% fewer accidents than the national average, 18% fewer traffic-related deaths, and 21% fewer injuries.
    - David Friedman and Wiki
        - David Friedman argues that private roads will be better policed as the owners will focus more on serious crime rather than on victimless offenses. Research shows that avenues in the private places of St. Louis have been shown to have lower crime rates than adjacent public streets.
    - Rane '19

        - In Norway, the private sector owns 120,000 km of roads while the government owns less at only 91,000 km. Since Norway's roads are mostly privately owned, they are indeed rated the safest country to drive in around the entire world. Additionally, in Sweden, private associations manage two-thirds of the total road network. Once again, Sweden is rated the 3rd safest country to drive in around the world.
    - Rothbard (Page 264)
        - Lastly, according to research from Murray Rothbard, "In England, before the eighteenth century, roads, invariably owned and operated by local governments, were badly constructed and even more badly maintained." Beginning in 1706, private companies organized and established the great network of roads which made England the envy of the world. Accordingly, "It was these private roads that developed an internal market in England, and that greatly lowered the costs of transport of coal and other bulky material."
- **Debunking: "Free market roads are uncompetitive, lead to monopolies, and further increase prices because it is not possible to have 2 competing roads that both go from A to B if they are in the exact same area."**
    - Hebert '10
        - This objection fails because:
        - (A) Once a private road is established, private road commissions are still forced to keep their prices at competitive levels due to the potential threat of adjacent property owners offering motorists a passage through their land and around toll booths for a lower fee. This was known in the 19th century as shunpiking.
        - (B) The longer the distance one is traveling, the more possible routes there are to get to the destination. Hence, because people traveling long distances do have a choice in which private road they embark on, the owner of this road will face pressure to make their road more appealing in quality and price to long-distance travelers, benefiting local drivers as well.
        - (C) Jacking prices too high depresses all other businesses connected to the roads, thus destroying the property values the monopolistic road company may own in the area since nobody would want to visit the whole area.
        - (D) Private companies like professional carpools would likely arise, lowering profits.
        - (E) Historical evidence from the 19th century provides examples of consumers keeping the monopolistic power of road owners in check and frequently, keeping them more than in check.
- **"OKAY – HERE'S A SCENARIO FOR YOU: A GUY BUILDS A ROAD THAT COMPLETELY ENCIRCLES A SUBURBAN NEIGHBORHOOD, AND THEN**

CHARGES $1 MILLION FOR ANYONE TO CROSS THAT ROAD. ISN'T HE HOLDING EVERYONE WHO LIVES IN THAT NEIGHBORHOOD HOSTAGE?"

- Practical Anarchy (Page 49)
  - This is fundamentally impossible. First of all, no one is going to buy a house in a neighborhood unless they are contractually guaranteed access to roads. Thus it will be impossible for anyone to completely encircle the neighborhood. Secondly, even if it were possible, it would be a highly risky investment. Can you imagine going to investors with a business plan that said: "I'm going to try to buy all the land that surrounds the neighborhood, and then charge exorbitant rates for anyone to cross that land." No sane investor would give you the money for such a plan. The risk of failure would be too great, and no DRO would enforce any contract that was so destructive, unpopular and economically unfeasible. DROs, unlike governments, must be appealing to the general population. If a DRO got involved with the encircling and imprisonment of a neighborhood, it would become so unpopular that it would lose far more business than it could potentially gain.

- **Privatization effect on Transportation**
  - Edwards '17
    - By 2014, total passenger trips in the railway industry had more than doubled since privatization, from 740 million to 1.5 billion. In 2013, the European Commission found that Britain's railways were the "most improved" in all of Europe since the 1990s (privatization period) and were second only to Finland's in customer satisfaction.
  - Mercatus '16
    - Fully privatized bus transit would have resulted in cost savings of approximately $5.7 billion in 2011. Furthermore, the increased use of bus transit that would occur due to lower prices would generate a welfare gain of $524 million. "The study also provides evidence that the cost savings of privatization do not come at the expense of lower quality or reductions in service."
  - Edwards '16
    - Japan privatized much of its passenger rail system in the 1990s. The railroads reformed their rigid union rules and slashed their workforces. Labor productivity increased more than 50 percent, on average, in the restructured companies. The privatization of Argentina's national railroad in the 1990s produced remarkable results. Labor productivity shot up 370 percent as the bloated railroad workforce was chopped by four-fifths.

Despite the workforce reductions, Argentine freight service greatly improved and passenger ridership soared.

- **Privatization Effect on Fire Services**
  - Block '09
    - Private fire services cost less: "Scottsdale (Arizona) saves forty-seven percent in costs by con- tracting out for fire protection services. In other words, if Scotts- dale had chosen to have the public sector provide its fire protection, production costs would have close to doubled."
  - Guardiano '92
    - “The chief study examined is the University City Science Center's 1989 analysis of the privately operated Scottsdale (Arizona) Fire Department. This comprehensive study compares private- and public-sector performance in terms of cost and quality, and discusses how private-sector fire companies achieve cost savings."

- **Privatization Effects the Water Industry**
  - Edwards '17
    - Efficiency and service quality have increased in the British water industry since privatization. Wasteful leaks have fallen by one-third since privatization, supply interruptions are down, and the number of customers with low water pressure has plummeted. Drinking water quality has improved, and pollution has fallen. In sum, water service privatization has increased both efficiency and environmental stewardship.
  - Gertler '05
    - In the 1990s, Argentina embarked on one of the largest privatization campaigns in the world, including the privatization of local water companies covering approximately 30 percent of the country’s municipalities. Using the variation in ownership of water provision across time and space generated by the privatization process, we find that child mortality fell 8 percent in the areas that privatized their water services and that the effect was largest (26 percent) in the poorest areas. We check the robustness of these estimates using cause-specific mortality.
  - Osorio '09
    - Here is a study looking into the effects of privatization of the water sector in Colombia. They find that "(i) an improvement in the quality of water and an increase in the frequency of the service in privatized urban municipalities for the lower quintiles; (ii) a positive effect on health outcomes in both urban and rural areas; (iii) a negative effect on payment for the lower quintiles; and (iv) strong negative effects on access to water in rural areas."

- **"ALL RIGHT, SMARTY-PANTS – WHAT ABOUT THIS: THE COMPANY THAT SUPPLIES WATER TO A NEIGHBORHOOD SUDDENLY DECIDES TO INCREASE ITS RATES TENFOLD – PEOPLE ARE GOING TO BE FORCED TO PAY THE EXORBITANT PRICE, RIGHT?"**
  - Practical Anarchy (Page 49)
    - First of all, if you are so concerned about people paying increasingly exorbitant prices for services, then it scarcely seems logical to propose the government as the solution to that problem! Taxes have risen immensely over the past 30 years, while services have declined.
    - However, even if we accept the premise of the problem, it is easily solved in a stateless society. First of all, no one will buy a house in a neighborhood without a contractual obligation that requires the supply of water at reasonable rates. Secondly, if the water company starts charging exorbitant prices, another company will simply move in and supply water in another form – in barrels, bottles or whatever. Thus, raising prices permanently costs the water company its customers – and makes every potential customer back away, for fear that the same predation will happen to them. Investors will quickly realize that the water company is shooting itself in the foot, and will align themselves with other shareholders, resulting in a takeover of the price-gouging water company, and a reduction in rates, accompanied by rank apologies and base groveling. Given that this result will be known in advance, no CEO would be allowed to pursue such a self-destructive course. Only governments that can be manipulated by corporations to prevent competition truly endanger consumers.

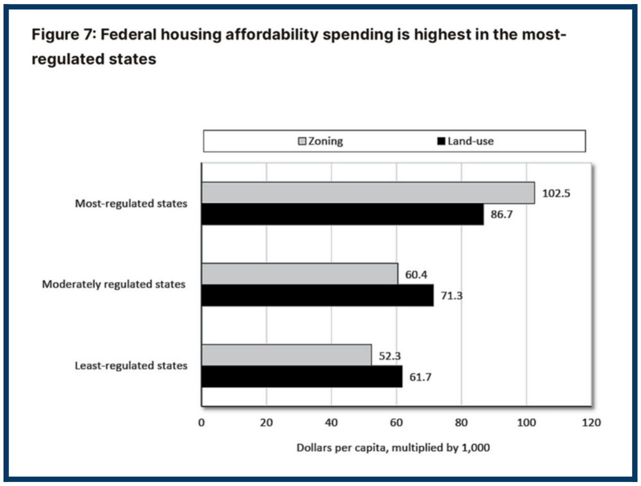
- **Privatization in the Science Field Effects**
  - Megginson '01
    - In a paper featuring a very interesting natural experiment, Jonathan Karpoff (2001) studies a comprehensive sample of 35 government-funded and 57 privately-funded expeditions to the Arctic from 1818 to 1909 seeking to locate and navigate a northwest passage, discover the North Pole, and make other discoveries in arctic regions. Karpoff finds that the private expeditions performed better using several measures of performance. He shows most major arctic discoveries were made by private expeditions, while most tragedies (lost ships and lives) were on publicly funded expeditions. He notes the fact that the public expeditions had greater losses could mean the public expeditions took greater risks, but then the public expeditions would have had a greater share of discoveries, which did not occur.
    - The above link cites various other studies, all of which favor privatization.

- Sveikauskas '07
    - The overall rate of return to Research & Development is very large, perhaps **25 percent as a private return and a total of 65 percent for social returns**. However, these returns apply **only to privately financed** Research & Development in industry. Returns to many forms of **publicly financed** Research & Development **are near zero**.

- **Privatization Effect on Telecoms**
  - Megginson '01
    - Countries with at least 50% private ownership of main telecom firms have significantly higher teledensity levels and growth rates. Both privatization and competition increase efficiency, but only privatization is positively associated with network expansion.
  - Singh, Khasgiwala, Agrawal '18
    - The market share of BSNL, a public Indian telecoms company, is threatened by private competitors such as Airtel due to their provision of "up-to-date technology, good physical facility, effective & appealing promotional campaign, online services, more personalized & innovative services, etc. "

- **Privatization Effect on Electricity**
  - Martín '07
    - Privatization improves service coverage which, through the use of refrigerators, may improve nutritional intake. Privatization also results in a reduction in the frequency of interruptions, and thus may reduce the likelihood of food poisoning. Though the evidence indicates that privatization reduced the frequency of low birth weight and child mortality rates caused by food poisoning.
  - Pudney '18
    - During the 1990s, 116 electric utilities were privatised in ten Latin American countries. Private utilities served less than 3% of consumers in 1990, but more than 60% by 2003. The results of a World Bank study on the performance of these utilities suggest that changes in ownership generate significant improvements in labour productivity, efficiency and product/service quality; and that most of these changes occur during the transition period.

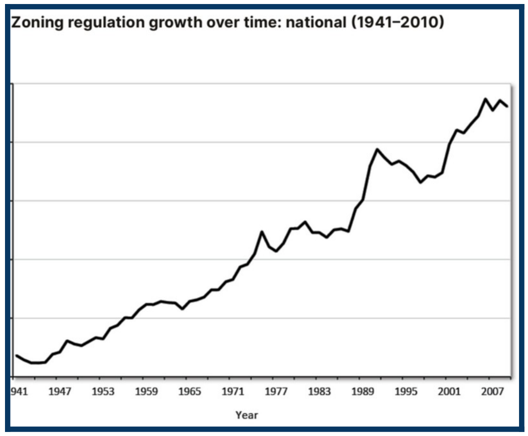
Housing

- **How the government ruined housing** (Next time a leftist mentions the fact that there are more empty homes than homeless people, use these studies to challenge this argument by showing that it is a fault of government intervention, not the free market):
    - Brown Calder '17
        - The statistical results show that rising government enforced land-use regulation is associated with rising real average home prices in 44 states and that rising zoning regulation is associated with rising real average home prices in 36 states. In general, the states that have increased the amount of rules and restrictions on land use the most have higher housing prices:
        - 

    - Ihlanfeldt '04
        - A broad review of the academic literature by Keith Ihlanfeldt found the evidence strongly suggests that zoning regulation increases the cost of housing within suburban communities.
    - Glaeser et al. '05
        - Edward Glaeser and coauthors estimated that zoning rules pushed up the cost of apartments in Manhattan, New York; San Francisco, California; and San Jose, California, by about 50 percent.
    - Quigley, Raphael '05
        - A study by John Quigley and Steven Raphael estimated that each regulation in Californian cities is associated with a 4.5 percent increase in the cost of owner-occupied housing and a 2.3 percent increase in the cost of rental housing.
    - Wilson '19
        - 45 percent of the price of a home was to cover the costs of "land-use regulations." Accordingly, on a $447,800 home, $200,000 of that price was for regulations.
    - Harvey '20

        - A 2014 NBER (National Bureau of Economic Research) review of the current housing regulation literature confirmed that: "regulation appears to raise house prices, reduce construction, reduce the elasticity of the housing supply, and alter urban form."
    - NAHB '21
        - Overall, regulations imposed by all levels of government increase the price of a single family home by a staggering $93,870.
    - Ihlanfeldt '07
        - Using data on more than 100 Florida cities, greater regulation restrictiveness is found to increase house price and decrease land price. Evidence is also provided showing that more restrictiveness increases the size of newly constructed homes.
    - McQuade, Qian, Diamond '18
        - Landlords treated by rent control reduced rental housing supply by 15%, causing a 5.1% city-wide rent increase.
    - Centre for Social and Economic Progress '21
        - A one standard deviation move towards pro-tenant rent control variables increases vacancy by 4.1 percentage points.
    - Kelly (pg 190)
        - The government sometimes imposes a maximum rental price so that renters will not be overcharged. The result is a lack of housing and deteriorating quality of current housing. If rental prices are capped, owners cannot adjust revenues to their higher costs as inflation rises. Thus, new housing will not be built. existing owners invest little in maintaining their units, because they are not rewarded for doing so since 1) they can't raise rents, and 2) they do not have to compete with other housing units in order to attract renters—given that the scarcity of new apartments leads to more renters competing for the same quantity of housing as the population increases. Whenever something seems screwy, look for the existence of government intervention and regulation.
    - Mastroeni '20
        - **History of Housing Prices**
            - There's no denying the price of housing has shot up over time. According to data from the U.S. Census Bureau, the **average price of a single-family home in 1940** was just $2,938. Even when adjusted for inflation, that figure only reaches **$30,600.**
            - Since then, **the price of housing has risen dramatically**. For example, the Federal Reserve Bank of St. Louis did a study on housing prices and found in 2000, the median price of a single-family home was $165,300. Twenty years later, that number has reached $324,900. This rise in housing prices can largely be

attributed to the increase in housing and zoning regulations over the years, as demonstrated by this graph:

- 

- **An increase in local zoning laws**
  - While local zoning regulations are often important for public safety, an unpleasant side effect of increasing regulation is increased housing prices in a given area. Whether it's restrictions on **where housing can be built, which lowers housing density and overall supply of available homes, or specific permit requirements that drive up the cost of building and disincentivize new construction**, Thomas says local zoning laws are often to blame for **limited housing supply.**
  - Thomas also points out this is a major driver behind the enormous growth of property prices in major cities like San Francisco and New York City, which often puts home ownership out of reach for many workers in those areas.
- **Higher construction costs**
  - When discussing limited supply, another factor is higher construction costs. Aside from the permitting issues mentioned above, the political climate and particularly any **existing tariffs on construction materials** undoubtedly play a role in contributing to today's housing prices.
  - In large part, the fact tariffs on Chinese goods, including metals and finished materials like flooring and wall panels, were raised from **10% to 25% under the current administration is part of the reason we've seen such a limited supply of housing in recent years.** However, before that, the Canadian tariff on lumber was a large contributor, Thomas says.

- Baumel '20
  - **The requirement to supply one parking space per unit in a typical affordable housing development increases development costs by 12.5%** — a deterrent to potential developers and an increased cost burden on renters.

        - Another culprit that is perhaps counterintuitively making housing unaffordable is rent control, which benefits the tenants lucky enough to live in those units while driving up costs for everyone else. **Rent control often forces landlords to cut corners on building maintenance and incentivize developers to just build elsewhere.** That's why the Swedish economist Asssar Lindbeck, who closely studied rent control's use in his country, remarked: "Next to bombing, rent control seems in many cases to be the most efficient technique so far known for destroying cities." Other **studies show that rent control policies** in U.S. cities as varied as San Francisco and Cambridge, MA **led to less housing supply.**
    - Kuhail '19
        - Why is housing so expensive: The **US government subsidizes housing**. And while the government's aim is to make housing affordable for everyone, they eventually hike up the property prices. Real estate analysts argue that before the government began to subsidize housing, prices were much cheaper. The argument is that because of subsidies, buyers are able to pay more for a property, and sellers are able to charge more. The example can be seen in education (where the government gives loans), healthcare, among other areas in the country.
    - Why is Housing so Expensive?
    - Good google doc on the overview of the housing market
    - https://mises.org/library/public-housing-necessary
    - https://www.dcpolicycenter.org/publications/economic-cost-land-use/

- **Negative Effects of Public, Subsidized Housing**
    - Goodman '94
        - Only 23 percent of all poverty families live in public housing or receive housing subsidies, and yet almost half of the families receiving housing benefits are not poor.
    - Lucas '17
        - In 2013, an additional $1 thousand federal dollars corresponds to a .309 higher homeless rate per 10,000 people. The effect is larger for families than individuals. Funding is positively related to chronic homelessness and is unrelated to youth and child homelessness.

- **The case for a private housing market**
    - Goodman '94
        - Ninety-four percent of all shelters for the homeless in the U.S. are operated by private sector organizations.
    - https://www.adamsmith.org/capitalismcansolvethehousingcrisis
    - https://fee.org/articles/free-markets-accomplish-progressives-housing-ideals/

- **Necessity of Landlords**
  - Syrios '20
    - Landlords offer clients 3 things: managerial oversight, risk mitigation, and time preference.
    - Managerial oversight includes everything from hiring maintenance technicians and leasing agents, to coordinating financing and capital improvements, to formulating policies, procedures, and so on. Of course, not all landlords do this. Many exchange money for time and outsource this responsibility to a property management company.
    - Although it is unfortunate to lose one's job, a construction worker doesn't bear the risk of a project going under. At worst, the worker simply stops making a wage. A real estate investment—be it a new development or the acquisition of an existing building—can and often does lose money. Although the average profit on a new development is 7.6 percent and the average return on a multifamily infill property with no loan is 5.2 percent per year, some profits are higher and some are lower. And some, of course, are negative. How many construction workers would take 8.3 percent more *on average* knowing that it could be substantially less or even negative?
    - Once one accepts the subjective theory of value, one actually realizes the laborer is getting the value of everything he puts in because of the time difference between the value of the labor and the output he creates that is going to be sold in the future….The reason the worker accepts this arrangement is because he does not have the means to sustain himself through this production process. That's what the capitalist does. He bears the burden of uncertainty…and has the means to provide wages to the worker while the production process is underway.
  - https://mises.org/wire/why-we-need-landlords
  - https://www.mercatus.org/bridge/commentary/what-are-landlords-good

---

Inequality

This section will be dedicated to refuting leftist claims about capitalism and inequality. There are many arguments you can contend regarding inequality. For example, you can either contend that inequality is not rising or you can contend that it is indeed rising but it's not a bad thing. In this section, we provide multiple arguments regarding inequality and you can pick which is the best for you.

Google Doc on Defending Wealth Inequality

- **Debunking: "The share of the income going to the higher income groups has grown faster than the bottom income groups."**
    - Thomas '19
        - This isn't so much an outright fallacy as it has to do with **incomplete knowledge and misunderstanding of statistics.** There are two basic problems with this. The argument falls apart when you take into account the following:
            - ❑ **Income mobility** (ie ability to move between income groups)
            - ❑ **All households saw increases**
        - A study published by the Pew Charitable Trusts that examined the Panel Study of Income Dynamics which tracked data on the same people from the late 1960's up to 2002 that showed **"children raised in the poorest families made the largest gains as adults relative to children born into richer families."**
        - Recent research by the Office of Tax Analysis in the Treasury Department "used tax returns to see how rich and poor did between 1987 and 2007. **They find the same encouraging pattern: poorer people had the largest percentage gains in income over time (compared to richer people)."** Specifically, the study examined people who were between the ages of 35–40 in 1987 and then followed up with them 20 years later when they were 55–60. **The results shattered the myth of the common narrative.** "The median income of the people in the top 20% in 1987 ended up 5% lower twenty years later. The people in the middle 20% ended up with median income that was 27% higher. And **if you started in the bottom 20%, your income doubled. If you were in the top 1% in 1987, 20 years later, median income was 29% lower."**
    - Tanner '16
        - For those who reach the 1 percent of income, spending long periods of **time in that bracket is relatively rare.** According to a recent study, only about **2.2 percent** of people spend five or more years in the top 1 percent of the income distribution from age 25 to 60. Just **1.1 percent** spend **10 or more years** in the top 1 percent. Attaining **10 consecutive years** in the top 1 percent of income is even rarer: just **over half of 1 percent do so.** In short, there is **no class of 1 percenters who stay there**, earning enormous incomes year after year. At the same time, it remains possible for the poor to become rich, or, if not rich, **at least not poor.** Studies show that roughly **half of those who begin in the bottom quintile move up to a higher quintile within 10 years.** A more recent working paper found that **43 percent** of families in the poorest income quintile and **27 percent** of

those in the second quintile saw earnings growth of at least **25 percent over a two-year period.**

- Tanner '16
    - These talking points have **failed to take into account taxes or transfer payments** (or changes in household size or composition). The failure to consider those factors considerably **overstates effective levels of inequality.**
    - The top 1 percent of tax filers earn 19 percent of U.S. income, but in 2013 they paid 37.8 percent of federal income taxes. **The inclusion of other taxes (payroll, sales, property, and so on) reduces this disparity.** A report from the Congressional Budget Office estimates that the top 1 percent paid **25.4 percent** of all federal taxes in 2013, compared to **15 percent** of pre-tax income. The wealthy pay a disproportionate amount of taxes. At the same time, lower-income earners benefit disproportionately from a variety of wealth transfer programs. **The federal government alone, for example, currently funds more than 100 anti-poverty programs**, dozens of which provide either cash or in-kind benefits directly to individuals. In 2012, individuals in the bottom quintile (that is, the bottom 20 percent) of incomes (families with less than $17,104 in market income) **received $27,171** on average in net benefits through all levels of government, while on average those in the top quintile (families with market incomes above $119,695) **pay $87,076 more than they receive.** The top 1 percent **paid some $812,000 more**. According to the CBO, accounting for taxes reduces the amount of inequality in the United States **by more than 8 percent**, while including transfer payments reduces inequality by slightly more than **18 percent.** By fully accounting for redistribution from taxes and transfers, true inequality is almost **26 percent less than it initially appears.** Another study in the American Economic Review that controlled for changes in household composition (that is, adjusting for size and dependency) and transfers (both cash and in-kind), found that there were **significant gains across the income spectrum from 1979 to 2007.** However, gains at the top were smaller than gains at the bottom, meaning by this measure, **inequality actually decreased from 1989** to the Great Recession. When you include taxes and transfers to income data, you find that **inequality has decreased by 7% between 2007 and 2016.**
    - **IMPORTANT:** Given these problems, a better way to measure inequality might be to look **at differences in consumption between income groups**: A study by the American Enterprise Institute found that the "consumption gap across income groups has **remained remarkably**

stable over time. If you sort households according to their pretax income, in 2010 the bottom fifth accounted for **8.7%** of overall consumption, the middle fifth for **17.1%**, and the top fifth for about **38.6%**. Go back 10 years to 2000, and the numbers are extremely similar. The bottom fifth accounted for **8.9%** of consumption, the middle fifth for **17.3%**, and the top fifth for **37.3%**"

- It appears, then, that inequality may **not be as big a problem as commonly portrayed.** After considering **taxes, transfers, and other factors**, the gap between rich and poor is **neither as large nor growing as rapidly** as many leftists have alleged

- Henderson '20
  - On a global level, meanwhile, **inequality is *declining***—and it's likely to fall further. Economists measure inequality with something called the **Gini coefficient.** A coefficient of 100 would mean that one person gets all the income while everyone else gets nothing; **a coefficient of zero would mean complete equality**. In a 2015 study published by the Peterson Institute for International Economics, Tomas Hellebrandt of the Bank of England and Paolo Mauro of the International Monetary Fund tracked the **global Gini coefficient from 2003 and 2013.** During that time it fell from **69 to 65, thanks to rapid economic growth in lower-income countries**—not just India and China but also sub-Saharan Africa. Hellebrandt and Mauro project that **by 2035 it will have declined to 61.**
- Hoover '03
  - Using the Gini Coefficient, **inequality in the United States fell by about a third** between the 1870s and the 1970s.
- Cowen '14
  - "Income inequality for the world as a whole has been **falling for most of the last 20 years."**
- Palacios, Murphy, Clemens, Veldhuis '14
  - From 1990 to 2000, 83% of Canadians who started in the bottom quintile moved to a higher quintile. From 1990 to 2009, 21% of those who started in the bottom 20% had reached the top 20% of income earners. On the other hand, of those in the top 20% in 1990, 36% moved down at least one income group by 2009.
- Sowell '12
  - Three-quarters of those Americans whose incomes were in the bottom 20 percent in 1975 were also in the top 40 percent at some point during the next 16 years.
  - Among people who were 25 years old and older who filed income tax returns in 1996, and who were initially in the bottom 20 percent, their

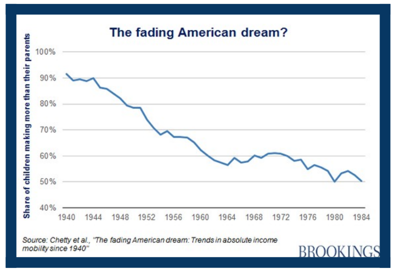
incomes had risen by 91 percent by 2005. Meanwhile, people of the same description whose incomes were in the top one percent in 1996 had a drop in income of 26 percent by 2005.

- **Debunking: "Wealth inequality is increasing"**
    - Bourne, Edwards '19
        - A 2014 study by Kopczuk concluded that "estimates of the distribution of wealth based on the Survey of Consumer Finance and the estate tax method show little or no rise in the share of total wealth held by the top 1 percent of in [sic] the last 30 years. Other published data on wealth inequality leaves out human capital and social programs such as Social Security, which has exaggerated estimates of inequality.
    - Walter Scheidel (Introduction Chapter)
        - In England on the eve of the First World War, the richest tenth of households held a staggering 92 percent of all private wealth, crowding out pretty much everybody else; today their share is a little more than half.
    - Pethokoukis '20
        - Wealth inequality has not increased in the last three decades when Social Security is accounted for.

- **Debunking: "CEOs Make 300 Times More Than the Average Worker."**
    - Carnes '18
        - The problem with this line of argumentation is that **this data is taken from a non-representative sample of CEOs**, usually Fortune 100 companies. This is like wanting to know about the typical university student but only taking a survey at Harvard, a very non-typical school. Instead, **when we take a truly representative survey of CEO**s, we find that they make a median of $183,000 a year, **about 4-7 times the typical worker.**

- **Debunking: "Rates of relative intergenerational mobility in the U.S. appear to have been flat for decades."**
    - Tanner '16
        - The study that claimed "the rates of intergenerational mobility are flat" **focus only on relative income mobility.** However, when looking at absolute mobility, **which is much more accurate** because it considers whether children grow up to have higher incomes than their parents after **adjusting for things like cost of living and household size**, the vast majority of **Americans actually have family income higher than their parents**

- **Debunking: "According to Raj Chetty, most Americans born in 1940 ended up better off, in real terms, than their parents at the same age (30). Only half of those born in 1980 have surpassed their parent's family income."**



  - [Cato '17]
    - **This study is majorly flawed and filled with inaccurate methodologies:**
    - First, incomes were extremely low in 1940, so it was quite easy to do better 30 years later. It should be no surprise that **children born during the Great Depression or World War II did better than their parents.** Of course they did. We don't need a statistical study to make such an obvious point. Only **38.1%** of Americans aged 25–29 had a high school diploma or higher in 1940, compared with **75.4%** in 1970. Only **25.7%** of American aged 18–24 were enrolled in college in 1970, compared with **40.5%** in 2015. To return to the "absolute mobility" of children born in the 1940s would require **another 1930-38 Great Depression, another World War, and a massive loss of college degrees.**
    - Secondly, A rising percentage of young people remain in grad school at age 30, so their **current income is lower than that of their parents at that age but their future income is likely to be much higher.** Essentially, grad students have low current incomes at age 30, but high lifetime incomes. An Urban Institute report finds "The share of adults ages 25 and older who have completed graduate degrees rose from **8 percent** in 1995 to **10 percent** in 2005, and to 12 percent in 2015, growing from **34 percent** to **37 percent** of individuals with bachelor's degrees." Most men born around 1940 **went to work right after high school.** Mr. Chetty failed to take this factor into account. Mr. Chetty also compares incomes of children at age 30 with the ages of their parents when sampled sometime between the ages of 25 and 35. Most parents of those turning 30 in the study's last year (2014) were born during the Reagan years of 1983-89 when **economic growth averaged 4.4% a year.** To compare incomes between President Reagan's boom years and President Obama's prolonged slump reflects the ***poor economy*** of 2008–2014, not poor "mobility." Those born in 1984 turned 30 in 2014, when median household income was **$53,718** —6.5% below 2007 and nearly the same as **$53,367** in 1989

(when tax rates were much lower). Thus, this study uses an **inappropriate comparison.**
    - Thirdly, doing better than your parents is not defined by your income at age 30, but by **income and wealth accumulated over a lifetime** (including retirement). Labor incomes **peak at age 50 for most college grads, and in the mid-50s for those with advanced degrees.** Investment incomes commonly peak in retirement. The Graph from Advisor Perspectives shows cumulative changes in real median income by age groups from 1967 to 2015. Median income **rose much more at ages 45–64 than it did at ages 25–34**, and the *growth* of median income has been fastest by far for those over age 65 (thanks in large part to rapid growth of tax-favored savings plans for retirement). To judge yourself a failure *at age 30* because your income had not *yet* passed your father's income at the same age would be a psychological problem, **not an economic problem.**
  - Strain '20
    - This study also wanted to investigate the claim about social mobility in America in terms of income. The measure of family income used in this study includes l**abor market earnings, interest, dividends, and government cash transfers** (for example, Social Security benefits) to family members.
    - The study found that around **73 percent** of Americans in their 40s have higher incomes than did their parents. Among children raised in the bottom quintile, **86 percent** have gone on to enjoy higher incomes than their parents. For adults who were raised in the second quintile, about **76 percent** enjoy a higher income than their parents. This is particularly important since **upward mobility from the bottom of the income distributio**n is what we should care about most.

- **Debunking: The Gini Coefficient found that America is the most unequal country in the world in terms of wealth**
  - WSJ '18
    - The only problem with this argument is that there are **variations in how each nation reports income.** The U.S. deviates significantly from the norm by **excluding several large government transfers to low-income households.** Inexplicably, the Census Bureau excludes Medicare and Medicaid, which redistribute more than **$760 billion a year to the bottom 40% of American households.** The data also exclude **93 other federal redistribution programs that annually transfer some $520 billion to low-income households.** These include the Children's Health Insurance Program, Temporary Assistance for Needy Families and the Special

Supplemental Nutrition Program for Women, Infants and Children. States and localities directly fund another **$310 billion in redistribution programs** also excluded from the Census Bureau's submission. The poorest fifth of U.S. households receive **84.2%** of their disposable income from taxpayer-funded transfers, and the second quintile gets **57.8%**. U.S. transfer payments constitute **28.5%** of Americans' disposable income—almost double the **15%** reported by the Census Bureau. That's a bigger share than in all large developed countries other than France, which redistributes **33.1%** of its disposable income.

- This means current OECD comparisons omit about **$1.6 trillion in annual redistributions to low-income Americans**—close to 80% of their total redistribution receipts. This significantly skews the U.S. Gini coefficient. The correct Gini should be **0.32—not 0.39.** That puts the U.S. income distribution in **the middle of the seven largest developed nations, not first.**

- **Debunking: "The top 1% own a significant portion of the nation's income than the bottom 99%."**
  - Investors '11
    - These census **stats are misleading**. For one, they are a snapshot of income distribution at a single point in time. Yet **income is not static.** It changes over time. Low-paying jobs from early adulthood give way to **better-paying jobs later in life.** And income groups in America are not fixed. There's no caste system here, really no such thing even as a middle "class." The **poor aren't stuck in poverty.** And the rich don't enjoy lifetime membership in an exclusive club.
    - A **2007 Treasury Department study** bears this out. Nearly **58% of U.S. households in the lowest-income quintile in 1996 moved to a higher level by 2005.** The reverse also held true. Of those households that were in the top 1% in income in 1996, **more than 57% dropped to a lower-income group by 2005.** Every day in America, **the poor join the ranks of the rich, and the rich fall out of comfort.** So even if income equality is increasing, it **does not mean income mobility is decreasing.** There is still a great deal of movement in and out of the richest and poorest groups in America.
  - Misleading inequality statistics
    - And as shown here and here, these claims exclude the fact that the bottom 99% hold a lot of their wealth in government benefits, unlike the top 1%.

- **The Myth of the Stagnant Middle Class**
  - Cato '19

        - The middle class, it turns out, is shrinking. But not because they are falling into poverty. Rather, it is shrinking because more people are "moving on up," ascending into a higher income bracket. Since 2016, the United States has had more wealthy households than middle-class households and the share of low-income households has reached a historic low.
    - Reynolds '06 (Chapter 3)
        - From 1983 to 2004 there were numerous reports that showed alarm at the percentage of households earning between $30,000 and $50,000 having gone down. Yet the decline was due to the fact that the percentage earning more than $50,000 had gone up.
        - In 1967 only one in 25 families earned an income of $100,000 or more in real income, whereas now [in 2004], one in six do. The percentage of families that have an income of more than $75,000 a year has tripled from 9% to 27%.''
    - NationalReview '17
        - In 1967, 33.7 percent of all American households earned between $50,000 and $100,000; by 2014, that number (in constant 2014 dollars) had fallen to 28.5 percent of American households. That means the death of the middle class, right? Wrong.
        - It turns out that everybody just got wealthier. In 1967, the households earning an annual income of $50,000 or less constituted 58.2 percent of all Americans; as of the end of 2014, just 46.8 percent fell into this group. And while only 8.1 percent of American households earned more than $100,000 a year in 1967, today, 24.7 percent do. That's not a collapsing middle class. That's a growing upper middle class.
    - https://www.aei.org/carpe-diem/yes-americas-middle-class-has-been-disappearing-into-higher-income-groups/

- **Why Inequality actually has many benefits and doesn't really matter**
    - AdamSmith '17
        - A study found that, "an increase in a country's level of income inequality has a **significant positive relationship with subsequent economic growth**." Another paper, which controls for lots of the factors, finds that across US states, **lower inequality is associated with lower subjective well being**. Another 2012 paper that looked at survey data from all 34 OECD countries over 30 years found **no effect from inequality on honesty, altruism or civic-ness, very little effect on obedience or tolerance, and a *positive* effect on work ethic.**
    - E. Payne '13
        - We investigate the **causal relationship between income inequality and economic freedom** using data from U.S. states over the period 1981 to 2004 within a panel error correction model framework. The results

indicate bidirectional causality between income inequality and economic freedom **in both the short and the long run**. These results suggest that high income inequality may cause states to **implement redistributive policies causing economic freedom to decline.** As economic freedom declines, **income inequality rises even more.** In other words, it is quite possible for a state to get caught in a vicious circle of high income inequality and heavy redistribution.

- Cato '16
  - Logically and historically, it is incorrect that higher economic inequality leads to more poverty. Essentially, inequality is better than shared poverty:
  - For example, China had an inequality rate (measured by the Gini Coefficient) o**f 32 in 1990 and it rose to 42 in 2009**, meaning China became much more **unequal in terms of wealth.** At the same time, the proportion of the population living below **$1.25 a day, even after adjusting for purchasing power,** fell from **60.18 percent in 1990 to only 11.8 percent in 2009.** Thus, even as inequality has risen, people at the **bottom of the income scale have better standards of living.** It becomes an open question, therefore, whether inequality matters as long as everyone is becoming better off. In other words, **if the poor are richer, do we care if the rich are even richer?**
- Bloome '13
  - A paper by Dierdre Bloome of Harvard finds "little evidence of a relationship between individuals' **economic mobility and the income inequality they experienced when growing up.**… Over a twenty year period in which income inequality rose continuously, the intergenerational income elasticity **showed no consistent trend.**" Again, there is no evidence of a relationship, as "the inequality to which children were exposed in their state when growing up **provides no information about the mobility they experienced as adults."**
- Akers '20
  - "There is **no evidence that reducing wealth inequality will increase economic growth.** It may even **harm growth** because it discourages saving and investment."
- Paul '19
  - "The numbers of those living in **poverty actually tend to decline even as the top 1 percent of income earners expand** their share of income. And that **poverty tends to increase when the top 1 percent lose** their share of income."
- Nilsson '12
  - On average, a 10 point increase in the Gini coefficient (measure of inequality) decreases the time required to buy a kilo of rice by 7 minutes

(compared to the 2007 global average of 22 minutes). Similarly a corresponding inequality increase would on average decrease the time required for a Big Mac by 16 minutes (compared to the 2007 global average of 37 minutes).

- https://www.cato.org/blog/has-wealth-inequality-eroded-us-democracy
- https://fraser.stlouisfed.org/title/inside-vault-6107/spring-2010-586637
- https://psmag.com/economics/benefits-wealth-inequality-now-fear-67567
- https://www.cnbc.com/2015/06/15/why-wealth-inequality-isnt-a-bad-thing-commentary.html

---

- **Economic Freedom Leads to Less Economic Inequality**
  - PAYNE '14
    - According to our results, **economic freedom reduces income inequality** both in the **short** and in the **long run**.
  - Ahmad '17 (Page 16)
    - This study's findings demonstrate economic freedom measures such as freedom to international trade and market deregulation policies, and are **able to reduce the inequality by ≈2%–6%.**
  - Apergis '15
    - This study finds that **economic freedom leads to greater equality** with the existence of a marginal trade-off between growth and income inequality.... With robust evidence showing that **increases in economic freedom are associated with lower income inequality**. "An increase of 1 unit in economic freedom reduces income inequality by 0.184."
  - Berggren '97
    - The empirical results reveal that there is a positive relationship between changes in economic freedom and equality: the more a country increased its economic freedom between 1975 and 1985, the higher the level of equality around 1985. Most important in this regard is trade liberalization and financial deregulation.

- **The more economically free a country is, the more social mobility they have**
  - FSUL '13
    - Data from **23 countries**, many industrialized and Western countries are included, indicate that "**increases in economic freedom result in a higher degree of upward social mobility** from the bottom-most income classes."

- **Government and Regulations only help the wealthy**
  - ***Government Favors the Rich***

- Long '08
  - **Corporations tend to fear competition, because competition exerts downward pressure on prices and upward pressure on salaries**; moreover, success on the market comes with no guarantee of permanency, depending as it does on outdoing other firms at correctly figuring out how best to satisfy forever-changing consumer preferences, and that kind of vulnerability to loss is no picnic. It is no surprise, then, that throughout U.S. history corporations have been overwhelmingly hostile to the free market. Indeed, **most of the existing regulatory apparatus—including those regulations widely misperceived as restraints on corporate power—were vigorously supported, lobbied for, and in some cases even drafted by the corporate elite**.
  - Corporate power depends crucially on government intervention in the marketplace. This is obvious enough in the case of the more overt forms of government favoritism such as **subsidies, bailouts, and other forms of corporate welfare; protectionist tariffs; explicit grants of monopoly privilege; and the seizing of private property for corporate use via eminent domain (as in *Kelo v. New London*)**. But these direct forms of pro-business intervention are supplemented by a swarm of indirect forms whose impact is arguably greater still.
  - **One especially useful service that the state can render the corporate elite is cartel enforcement.** Price-fixing agreements are unstable on a free market, since while all parties to the agreement have a collective interest in seeing the agreement generally hold, each has an individual interest in breaking the agreement by underselling the other parties in order to win away their customers; and even if the cartel manages to maintain discipline over its own membership, the oligopolistic prices tend to attract new competitors into the market. Hence the advantage to business of state-enforced cartelisation. **Often this is done directly, but there are indirect ways too, such as imposing uniform quality standards that relieve firms from having to compete in quality.** (And when the quality standards are high, lower-quality but cheaper competitors are priced out of the market.)
  - The ability of colossal firms to exploit economies of scale is also limited in a free market, since beyond a certain point the benefits of size (e.g., reduced transaction costs) get outweighed by *dis*economies of scale (e.g., calculational chaos stemming from absence of price feedback)—*unless* the state enables them to

socialise these costs by immunising them from competition – e.g., **by imposing fees, licensure requirements, capitalisation requirements, and other regulatory burdens that disproportionately impact newer, poorer entrants as opposed to richer, more established firms**.

- ❑ Tax breaks to favored corporations represent yet another non-obvious form of government intervention. There is of course nothing anti-market about tax breaks *per se*; quite the contrary. *But* **when a firm is exempted from taxes to which its competitors are subject, it becomes the beneficiary of state coercion directed against others**, and to that extent owes its success to government intervention rather than market forces.
- ❑ **Intellectual property laws** also function to bolster the power of big business.
- ❑ Government favoritism also underwrites environmental irresponsibility on the part of big business. **Polluters often enjoy protection against lawsuits, for example, despite the pollution's status as a violation of private property rights**.
- ❑ And of course **corporations have been frequent beneficiaries of U.S. military interventions abroad**, from the United Fruit Company in 1950s Guatemala to Halliburton in Iraq today.
- ❑ Walmart and other firms do not owe their success solely to state intervention; genuine entrepreneurial talent has doubtless been involved as well. But **given the enormous governmental contribution to that success, it's doubtful that in the absence of government intervention such firms would be in anything like the position they are today**.
- ❑ In a free market, **firms would be smaller and less hierarchical, more local and more numerous; prices would be lower and wages higher; and corporate power would be in shambles**.

■ Kolker '14

- ❑ **Q: Who receives more money in government handouts - the wealthy or the poor?**
- ❑ The wealthy and well off, particularly the Corporate Cronies. The handouts are often disguised and are often subsidies. Military Spending is a subsidy to a certain class of corporations. Agricultural aid and price support no longer support the family farm romanticized in stories like "The Grapes of Wrath". Rather it goes to corporations like Monsanto and Archer-Midland-Daniels.
- ❑ The support for corn base[d] ethanol is a stealth agriculture subsidy to corporate corn growers, fuel processors and fuel distributors.

And then of course there is the depletion allowance for corporations that extract hydrocarbons from underground.

- ❑ The main "welfare queens" are corporations, banks and other money base institutions. They are the heart and gut of "the Establishment" and are paid for by the sweat and toil of the middle classes who are the most heavily taxed.

- McMaken '21
  - ❑ Amazon corporation now supports raising the minimum wage. This may seem like some great populist and magnanimous move on Amazon's part. But it is just what we've come to expect from plutocrats. In fact, Amazon's senior managers know that it can endure paying a higher wage than Amazon's smaller and less capitalized competition. Smaller operations have fewer financing options to weather a cash flow crunch and are thus more financially fragile. Basically, Amazon is likely to support a wide variety of government regulations, because government regulations are anticompetitive. Amazon, of course, being the dominant firm, is motivated to crush the competition through state action. This is partly why Jeff Bezos came out in favor of a hike in the corporate tax. He's just hoping to stay on top, and while a tax hike is unfortunate for him, it's even worse for the competition that Bezos hopes to destroy through his political lobbying.
  - ❑ Plutocrats like Mark Zuckerberg call for more regulation of social media companies. Zuckerberg is speaking as head of the industry's largest, most capital rich, and most dominant firm. Now that he's on top, he's fine with more regulation, which will hurt small competitors most. (Social media companies, of course, are also happy to buy favors from the regime by deleting user comments and punishing users who annoy regime operatives.)

- ○ Increasing the minimum wage will hurt small businesses.
- ○ Debunking Peter Klein: "Well the state helps the poor too, not just the rich"

○ ***Regulations Increase Inequality***

- Mercatus '20
  - ❑ We constructed a panel of 50 US states from 1997 to 2015 to test whether states exposed to more federal regulatory restrictions have higher levels of income inequality. The results indicate that a 10 percent increase in federal regulation is associated with an approximate 0.5 percent increase in income inequality as measured by the Gini coefficient.
- Chambers '19

- [ ] A one standard deviation increase in startup regulations elevates a nation's Gini coefficient by 12.9 percent.
- O'Reilly '19
  - [ ] A 1 percent increase in startup regulations is associated with a 3 percent jump in income inequality.
- Mulholland '19
  - [ ] Between 2002 and 2014, regulations explain more than 40 percent of the increase in within-occupation wage inequality (as measured by the ratio of average wages at the 90th and 10th percentiles of the wage distribution).
- Regulation and Income Inequality: The Regressive Effects of Entry Regulations (mercatus.org)
- https://www.quantgov.org/regulation-inequality

○ ***Social Security Increases Inequality***

- Tanner '96
  - [ ] Wealthier people live nearly a decade longer than poorer people. Therefore, wealthy retirees will likely receive Social Security for a longer period of time than will their poorer counterparts. As a result, the question becomes whether the longer period of returns offsets the system's progressive benefit structure. The simple answer is: yes it does. According to the analysis from the Cato Institute, when controlling for mortality, slightly more than half (53.7 percent) of poor single-earner couples receive a negative return from Social Security. Further, Social Security pays out an average of $769.75 per retiree in the 10 wealthiest districts but only $602.51 per retiree in the poorest districts.
- Gokhale '02
  - [ ] Government social Security raises the share of overall wealth held by the top 1 percent of wealth holders by about 80 percent. This occurs because the program leaves the non-rich with "proportionately less to save, less reason to save, and a larger share of their old-age resources in a non bequeathable form."
- Kaymak '15
  - [ ] The expansion of Social Security and Medicare caused about one-quarter of the increase in the top 1 percent share of wealth. They concluded that the "redistributive nature of transfer payments was instrumental in curbing wealth accumulation for income groups outside the top 10% and, consequently, amplified wealth concentration in the U.S."

○ ***Government Assistance Increases Inequality***

        - Pirmin '15
            - A 2015 study by Pirmin Fessler and Martin Schurz examined European data and found that "inequality of wealth is higher in countries with a relatively more developed welfare state … given an increase of welfare state expenditure, wealth inequality measured by standard relative inequality measures, such as the Gini coefficient, will increase."
        - Institute of Economic Affairs (Page 56)
            - By 1920, well before the existence of a large-scale welfare state, Sweden had among the lowest levels of inequality within this group of countries. However, research shows that the Gini coefficient (measure of inequality) of taxable income moved considerably towards higher levels of equality during the last three decades of the 19th century as well as in the first half of the 20th century. Most of the shift towards higher equality happened before the introduction of a large public sector and high taxes.
        - Greenberg, Reeder '98
            - "However, our findings provide little evidence that government programs are giving much, if any, preference to small business development. **Large establishments were significantly more likely to benefit from business assistance than small establishments**, even though small establishments were more likely to report problems that could be addressed by these programs."
        - Large businesses often take assistance meant for small businesses.
    - ***Central Banking Increases Inequality***
        - Economic crises lead to redistribution of wealth through bailouts. (More coming soon)

- **Refuting Thomas Pikketty's Inequality Research**
    - https://www.justfacts.com/income_wealth_poverty#inequality_piketty
        - **The income data presented by Piketty and Saez overstates income inequality by:**
        - Excluding government benefits, which are 12% of income for the bottom 90% of households and 1% of income for the top 10% of households.
        - Excluding non-cash market income (like employer-provided healthcare benefits), which is 3% of income for the bottom 90% and 1% of income for the top 10%.
        - Excluding most federal taxes, which effectively lowers the income of the bottom 90% by 14% and lowers the income of the top 10% by 23%.

        - Determining income based on tax units—"the group of individuals who file a tax return together"—instead of households. This reduces the income growth of the bottom 90% relative to the top 10% by failing to account for additional sources of household income, such as households with cohabitors and adults who live with their parents.
        - Does not account for the rising portion of unmarried or nonfamily households, which grew from 28% in 1967 to 52% in 2019. This reduces the income growth of the bottom 90% relative to the top 10%.
    - 1. (Potter 2014) Capital in the Twenty-First Century: A Critique of Thomas Piketty's Political Economy: https://www.jstor.org/stable/43610637?seq=1#page_scan_tab_contents 2.
    - 2. (Magness & Murphy 2014) Challenging the Empirical Contribution of Thomas Piketty's Capital in the 21st Century: http://journal.apee.org/index.php?title=Private.Enterprise.v30.n1.2015.Spring_parte1.pdf
    - 3. (Wilson 2014) Thomas Piketty and Mises's 'The Anti-Capitalistic Mentality': https://mises.org/library/thomas-piketty-and-mises%E2%80%99s-%E2%80%98-anti-capitalistic-mentality%E2%80%99
    - 4. Thomas Piketty's Improbable Data: https://mises.org/library/thomas-piketty%E2%80%99s-improbable-data
    - 5. (Lewis & Klein 2014) Thomas Piketty on Inequality and Capital: https://mises.org/library/thomas-piketty-inequality-and-capital
    - 6. (Rouanet 2015) Piketty Is Wrong: Markets Don't Concentrate Wealth: https://mises.org/library/piketty-wrong-markets-don%E2%80%99t-concentrate-wealth
    - 7. (Talley 2016) 'No Empirical Evidence' for Thomas Piketty's Inequality Theory, IMF Economist Argues: https://blogs.wsj.com/economics/2016/08/05/no-empirical-evidence-for-thomas-pikettys-inequality-theory-imf-economist-argues/
    - 8. (Goes 2016) Testing Piketty's Hypothesis on the Drivers of Income Inequality: Evidence from Panel VARs with Heterogeneous Dynamics: http://www.imf.org/external/pubs/ft/wp/2016/wp16160.pdf
    - 9. (Aiyar 2017) Why Thomas Piketty is wrong about inequality in India: https://www.ft.com/content/157022e0-a39f-11e7-8d56-98a09be71849
    - 10. (Godon 2018) Inequality, Capital, and the Problem of Piketty: https://mises.org/library/inequality-capital-and-problem-piketty
    - 11. (Magness 2014-2016) Phil Magness' Blogs On Piketty: http://philmagness.com/?tag=thomas-piketty

---

Taxation

- **Why High Taxes or Increasing Taxes is Detrimental**

- Economics in One Lesson pg 23-25
    - **Taxes Discourage Production:**
    - While people dilate the benefits of party B when taxed they forget about A. Which is obvious when allocating money from A to B.
    - Taxes affect the incentives of an individual.
    - When a business, lets say, gains 52 cents per dollar they gain and losses 100 cents per dollar they lose and cannot adequately offset losses and gains can lead to businesses not expanding or only expanding enterprises of minimum risk.
    - People who see this are deterred from starting new businesses, suppressing capitalistic competition.
    - Thus old employers give less employment.
    - The speed of which new technology and machinery are slowed
    - The consequences in the long run is that consumers miss out on obtaining cheaper more quality products and workers get lower wages.
    - Think about it: in countries with 50,60,70 percent income taxes people wonder why they should have to work 8,9,10 months out of the year for the government
    - It is conspicuous that hoarding of capital and/or holding onto accumulation hurts the economy, therefore when a person loses 100% of what they get when lost but only gets to keep 50% of what they gain, leading to capital accumulation. It is taxed faster than can be accumulated. Therefore, leading to unemployment [1,2,3]
    - Larger percent of taxes, the bigger deterrent to private production and employment. Taken too far, the devastation of taxation becomes insoluble.
- Northern Lights '13
    - In 1970, Sweden was the **world's 4th richest country.** From 1970 to 1993, the top marginal tax rate rose to 84%, spending rose to 67% of GDP, and public debt rose to 70% of GDP. By 1993, Sweden **fell to the 14th richest country in the world.** The average Swede was now **poorer than the average Briton or Italian.**
- Ladner '06
    - The 10 highest-tax states **suffered an average increase in poverty of 3 percent.** Some high-tax states, such as California, Hawaii, and New York, **suffered catastrophic increases in poverty**. As California began to reject the low-tax legacy of the Reagan

governorship, **the state's poverty rate jumped 13 percent in the 1990s.**

- CATO ‘15
    - The upshot is that for every **$1 billion tax increase, the harm to the private economy is more than $1 billion because of the losses caused as taxpayers reduce their productive efforts.** The Congressional Budget Office found that “typical estimates of the economic [or deadweight] cost of a dollar of tax revenue range **from 20 cents to 60 cents over and above the revenue raised**.” Harvard University’s Martin Feldstein estimates that the deadweight cost of tax rate increases may exceed **“one dollar per dollar of revenue raised.”**
- Murphy '18 (Page 764)
    - “Data for 23 OECD countries from 1951 to 1990 and found that high marginal tax rates and tax progressivity were negatively associated with long-term economic growth. In a 2002 follow-up study, these same researchers estimated that an increase of ten percentage points in marginal tax rates decreased the annual rate of economic growth by 0.23 percentage points.”
- IMF '20
    - As a result of a tax increase policy, after-tax income would decline by 6.5% for the top 1%, but it would **decline by 1.7% for all taxpayers on average, by 2030.** You may ask why a tax income would decline is bad. Overall, for the current scale of the pandemic, a **3.2 percent reduction in aggregate output/turnover from the pre-COVID-19 baseline is expected to lead to a 6.5 percent reduction in corporate income tax revenue.** A much deeper slowdown, in which aggregate output is assumed to be reduced by 14 percent, would lead to a **24 percent reduction in revenue.**
- Hoover ‘19
    - Joe Biden’s tax plan which would increase taxes would **reduce long-run real GDP per capita by more than 8 percent** as a result of reducing full-time equivalent employment (FTEs) per person by **3 percent, the capital stock per person by 15 percent and total factor productivity by 2 percent**. Relative to the CBO’s 2030 projections for these variables (Congressional Budget Office 2020), this suggests there will be **4.9 million fewer employed individuals, $2.6 trillion less GDP, and $1.5 trillion less consumption in that year alone.** Median household income in 2030 would be **$6,500 less.**

- Cato '96
  - According to the Congressional Budget Office, payroll tax increases between 1979 and 1982 resulted in a **permanent loss of 500,00 jobs** and the **reduction of the U.S. GNP of $30 billion per year.**
- Economic Principles for Prosperity pg. 59-65
- The Economics and Ethics of Private Property pg 33-77
  - For a logical explanation of why taxation discourages production and lowers wages, take a look at those pages
- Tax structure and economic growth
- Taxation and Economic Growth | NBER
- Government size and growth: Accounting for economic freedom and globalization
- The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks

---

- **Why Low Taxes or Decreasing Taxes is Beneficial**
  - Olea '18
    - Marginal rate cuts led to both increases in real GDP and declines in unemployment. A 1 percentage-point decrease in the tax rate **increases real GDP by 0.78 percent** by the third year after the tax change.
  - Zidar '19
    - The paper finds that a 1 percent of state GDP tax decrease for the bottom 90 percent of earners increases state GDP by 6.6 percent. Looking at labor supply effects in particular, he finds that a 1 percent of state GDP tax decrease increases labor force participation for the bottom 90 percent of earners by 3.5 percentage points and hours worked by 2 percent.
  - Smolyansky '18
    - They find that a 1 percentage-point cut in statutory corporate tax rates leads to a 0.2 percent increase in employment and a 0.3 percent increase in wages. They find that tax increases are almost uniformly harmful, while tax cuts seem to have their strongest positive impact during recessionary environments.
  - Nguyen et al. '21
    - A percentage-point cut in the average income tax rate raises GDP by 0.78 percent.
  - Cloyne et al. '18
    - This analysis studies the interwar period of the UK, 1918-1939, a period of high debt and low interest rates, to understand the impact of taxes on economic growth. The authors find that a 1 percentage-point reduction in

taxes as a share of GDP increased GDP between 0.5 to 1 percent, rising to 2 percent after one year.

- Reed ‘21
  - The authors find a 10 percent decrease in taxes of a tax negative fiscal package increases GDP growth by 0.2 percent.
- Northern Lights '13
  - From 1993 to 2013, **Sweden cut spending from 67% to 49% of GDP, cut the top marginal tax rate from 84% to 57%**, cut its corporate tax from 26.3% to 22%, and scrapped property, wealth, gifts, and inheritance taxes. The two decades from 1990 were a period of recovery. Sweden’s **debt fell from 70% of GDP to 37%**. GDP growth between 1993 and 2010 **averaged 2.7% a year and productivity 2.1% a year, compared with 1.9% and 1%**, respectively, for the main 15 EU countries.
- Ladner '06
  - Using data from the Census Bureau, **states with the lowest tax rates enjoyed sizable decreases in poverty.** For example, the 10 states with the lowest total state and local tax burdens saw an average poverty reduction of 13 percent **– two times better than the national average.**
- USDT '18
  - The tax cut policy that would cut taxes for a typical family of four **earning $73,000 annually by over $2,000** in 2018. According to the CEA, this comprehensive tax cut is set to **increase the average household income** by an estimated **$4,000.**
- Dahlby '12
  - Our empirical estimates suggest that a 1 percentage point cut in the corporate tax rate is related to a 0.1–0.2 percentage point increase in the annual growth rate.
- NBER '97
  - Tax rate cuts would raise long-term growth...cutting marginal tax rates across the board by 5 percentage points and cutting average tax rates by 2.5 percentage points would increase the growth rate of U.S. GDP by 0.3 percentage points per year.

- **Negative economic effects of a wealth tax**
  - Mercatus '20
    - The wealthy **do not hoard their wealth and spend only a small percentage of it on luxury consumption.** They use much of it to invest in companies, fund R&D that contributes to the creation of **better consumer goods and services, or provide capital for innovators to grow their businesses.** In these ways, the wealthiest are creating new products,

raising workers' wages, and driving down consumer prices. Hence, a **wealth tax will reduce this amount of prosperity**.

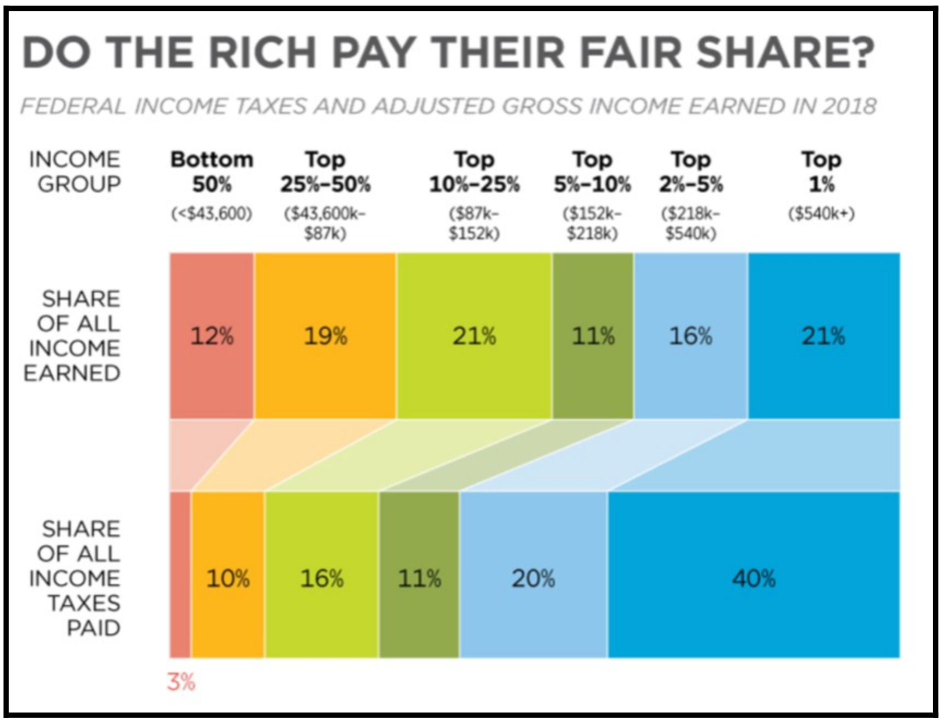
- Fifteen European countries have implemented a wealth tax, but **only three still have one due to their failures.** Here are a few:
    - **<u>Sweden:</u>** When abolished in 2016, Sweden's wealth tax was generating a small amount of revenue **(0.16 percent of GDP**), with levels of tax avoidance and evasion significantly higher than 15 percent. Abolishing the tax was an attempt to **boost low levels of investment, encourage entrepreneurial activity, and increase employment.**
    - **<u>France:</u>** From the inception of France's wealth tax in 1988 until its end in 2006, about **€200 billion was lost in capital flight every year.** It is estimated that the tax reduced GDP growth by **0.2 percent per annum** while shifting the tax burden from wealthy taxpayers leaving France onto other taxpayers.
    - **<u>Germany:</u>** The country eliminated its failing wealth tax in 1996. One study estimates that reintroducing it would decrease annual GDP growth by **0.33 percentage points, production by 5 percent, and investment by 10 percent.**
    - **<u>United Kingdom:</u>** The United Kingdom considered a wealth tax in the 1970s but decided against it. One reason was the **cost of compliance and administration that comes with regularly compiled valuations of wealth**. According to the country's chancellor of the exchequer, "I found it impossible to draft [a tax] which would y**ield enough revenue to be worth the political hassle."**

- AAF '20
    - A wealth tax would cause wealthy business owners to have **less money to invest**, so their employees would have less capital to work with, resulting in **lower wages than if there were no wealth tax.** This is why 60% of the burden of a wealth tax would fall on workers.
    - The Warren wealth tax would **cost workers $1.2 trillion** in lost earnings over the first 10 years, and ultimately, for every dollar of revenue raised, workers would **lose more than 60 cents of earnings**
    - The Sanders wealth tax would **cost workers $1.6 trillion** in lost earnings over the first 10 years, and similarly impose over **60 percent of the burden of the proposal on workers.**
    - This study indicates that if the federal government needs to raise more revenue, these specific proposals are **poorly designed and would have a uniquely negative impact on workers' real wages** – ultimately imposing an effective tax of **63 cents on workers for every dollar** the government raises in revenue from the wealthy.

- **Laffer Curve: Less Taxes=More Revenue**
  - Mitchell '13
    - Tax rates were slashed dramatically during the 1920s, dropping from over 70 percent to less than 25 percent. What happened? Personal income tax revenues increased substantially during the 1920s, despite the reduction in rates. Revenues rose from $719 million in 1921 to $1164 million in 1928, an increase of more than 61 percent.

- **Why Trickle Down Economics is a Myth**
  - Arndt '16
    - It is my object in this paper to suggest that no reputable development economist ever, explicitly or implicitly, entertained any such theory in any of its various alleged versions. "Trickle-down" is a myth which should be exposed and laid to rest.

- **Debunking: "The top 1% were taxed 91% in the 1950s and they have major economic growth"**
  - Magness '17
    - The actual effective tax rate **paid was just 46 percent due to the use of deductions and other legal techniques to reduce one's overall tax burden.** In fact, from 1958 to 2010, the taxes paid by the top 3% of earners, as a percentage of total personal income increased to **3.96% from 2.72%.**
  - Syrios '16
    - To illustrate just how many changes there have been, note that in 1955, there were **24 tax brackets.** In 1988, there were only **2** and today there are only **7.**
    - The biggest change to the code was in 1986 when the entire code was all but rewritten with the **Tax Reform Act of 1986.** Yes, the top marginal tax rate was reduced, but a whole host of **deductions and loopholes were eliminated as well.** The fact is that these deductions and loopholes were significantly **more present in the 1950s than today**, meaning **the top 1% didn't really pay a "91% tax rate."**
  - **More sources on this Rebuttal:**
    - Taxes on the Rich Were Not That Much Higher in the 1950s
    - The Good Ol' Days: When Tax Rates Were 90 Percent | Andrew Syrios
    - The 90% Tax Rate Myth
    - Why we can't go back to sky-high, 1950s tax rates

- **Debunking: “The rich don't pay their taxes”**
    - York '20
        - In 2017, the top 50% of all taxpayers paid 97% of all individual income taxes, while the bottom 50% paid the remaining 3%. The top 1% paid a greater share of individual income taxes (38.5%) than the bottom 90% combined (29.9%). For context, the share of the total adjusted gross income earned by the top 1% in 2017 was just 21%.
    - Brookings Institute '19
        - The Tax Policy Center estimation on the average federal tax rates paid by different categories of earners in 2019: The top 1% of earners: 30.2%. The middle 20% of earners: 12.4% The bottom 20% of earners: 3%. Overall, the rich pay their fair share.
    - Heritage '21
        - 

Trade

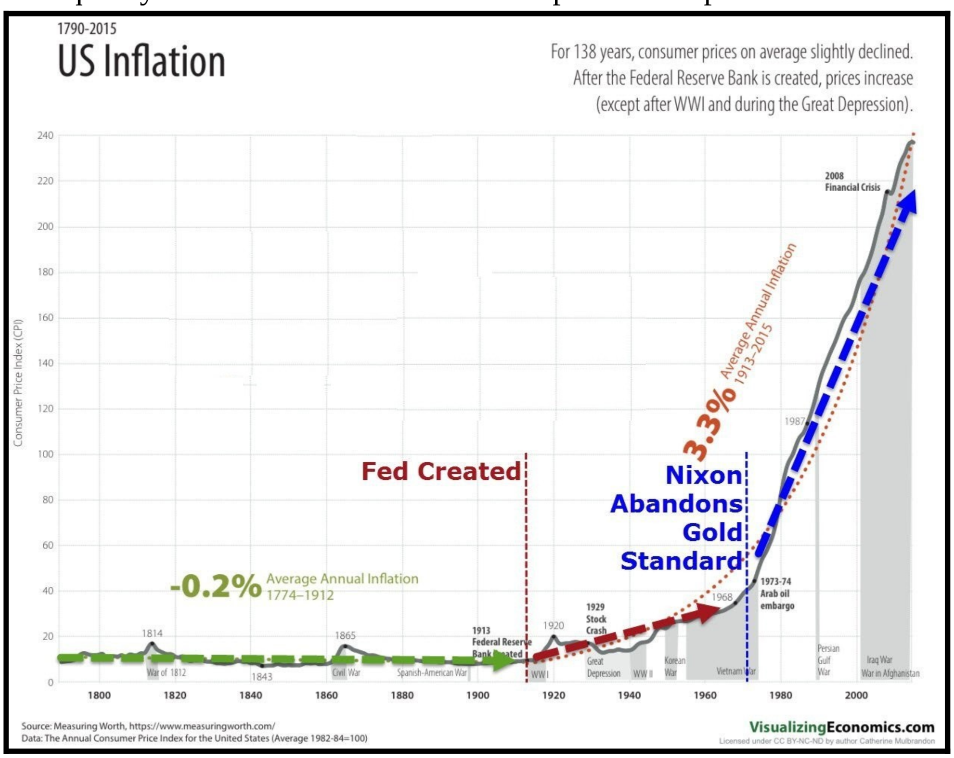
- **Negative Effects of Tariffs**
    - LOGICAL EXPLANATION ON NEGATIVE EFFECTS OF TARIFFS
    - TaxFoundation '21
        - “Tariffs imposed so far by the Trump administration are estimated to reduce long-run GDP by 0.23 percent, wages by 0.15 percent, and

employment by 179,800 full-time equivalent jobs. The administration's outstanding threats to impose additional tariffs would, if acted upon, further reduce GDP by 0.24 percent, wages by 0.17 percent, and employment by 184,200 full-time equivalent jobs."

- PBS '19
  - "Two studies estimate that the cost of tariffs levied in 2018 and the first half of 2019, including both the direct burden and the deadweight loss, amounts to roughly $800 per household."
- Lee '21
  - "Trump's tariffs are increasing annual consumer costs by roughly $57 billion annually."
- Pierce '19
  - "We find that U.S. manufacturing industries more exposed to tariff increases experience relative reductions in employment as a positive effect from import protection is offset by larger negative effects from rising input costs and retaliatory tariffs. Higher tariffs are also associated with relative increases in producer prices via rising input costs."
- Reuters '20
  - "Tariffs imposed by President Donald Trump to restructure the United States's top trade relationships have cost American companies $46 billion since February 2018, and U.S. exports of goods hit by retaliatory tariffs have fallen sharply."

Monetary Policy

- **Central Banking and the Federal Reserve and Other Government Intervention**
  - AEI '10
    - Studies show that, "If we define "banking crisis" to mean bank failures and system losses exceeding 1 percent of a country's gross domestic product (GDP), we find that in the period 1875-1913, a period of marked expansion in international trade and capital flows comparable to the last three decades, there were only four banking crises worldwide. By contrast, in the period 1978-2009, a period of much more extensive bank regulation, central bank intervention, government protection of depositors and other bank creditors, and government control of mortgage markets, about 140 banking crises occurred worldwide. Of these, 20 were more severe than any crisis from the earlier period of 1875-1913, in terms of total bank losses as a percent of GDP."
  - Alejandro '03

        - Even if market distortions are in place, government intervention through public banking is not necessarily the best way to deal with them. Our empirical evidence suggests that state-owned banks do not promote the growth rates of manufacturing industries that rely on external sources of funding for their operation, nor do they promote the growth rates of manufacturing industries that, due to reduced access to collateral, face tighter financial constraints. On the contrary, the development of a private banking industry appears to have a significant effect on such types of industries.
    - [Sironi '06]
        - First, after controlling for bank characteristics, country and time effects, mutual banks and government-owned banks exhibit a lower profitability than privately-owned banks, in spite of their lower costs.
        - Second, public sector banks have poorer loan quality and higher insolvency risk than other types of banks while mutual banks have better loan quality and lower asset risk than both private and public sector banks
        - 

    - [Petrou '21 (Page 249)]
        - One study estimated a total loss across the US economy of $2.3 trillion in savings accounts and similar balances due to the very low interest rates (obviously set by central banks) from just 2008 through 2016.
    - [https://topforeignstocks.com/wp-content/uploads/2020/05/Visual-History-of-Federal-Reserver-1916-to-2009.pdf]

    - [Debunking: "Since the Federal Reserve was founded, the economy has been more stable" (timestamped)]()
    - https://www.economics.uci.edu/files/docs/thdworkshop/f09/jalil.pdf
    - https://www.cato.org/commentary/debunking-myths-about-central-banks
    - https://mises.org/library/misery-central-banking

- **Fractional Reserve Banking**
    - [Mises Wiki '21]()
        - By employing its excess reserves for the granting of credit, the bank transfers temporary ownership of those monetary reserves to borrowers, while the depositors (supposedly entitled to instant redemption) are supposed to retain their rights to claim redemption *over the same funds* - funds that no longer are in the custody of the bank and now appear in another bank's account.
        - It is physically and practically impossible that a depositor and borrower are entitled to exclusive control over the same physical cash resources. Two individuals cannot be the exclusive owner of one and the same thing at the same time. Accordingly, any bank pretending otherwise - in assuming demand liabilities in excess of actual reserves - must be considered as acting fraudulently and should be considered to be engaged in a straightforward act of embezzlement. Its contractual obligations cannot be properly fulfilled and it is technically trading whilst illiquid and therefore (arguably) trading whilst insolvent as it cannot pay all its debt as and when they fall due (the due date for payment of demand deposits is always now). From the outset, the bank must be regarded as inherently bankrupt - as revealed by the fact that no bank can ever withstand a sustained bank run.
    - https://mises.org/wire/fractional-reserve-banking-and-money-creation
    - https://mises.org/library/faults-fractional-reserve-banking
    - https://mises.org/wire/why-fractional-reserve-banking-poses-threat-market-stability

---

- **Free, Deregulated Banking**
    - [Rubinstein '08]()
        - We find that bank deregulation reduced the racial wage gap by spurring the entry of non-financial firms. Consistent with taste-based theories, competition reduced both the racial wage gap and racial segregation in the workplace, particularly in states with a comparatively high degree of racial prejudice, where competition-enhancing bank deregulation eliminated about one-quarter of the racial wage gap after five years.

- Jayaratne '07
    - As our analysis has shown, once state branching restrictions were lifted, the efficiency of the banking system improved as the better banks expanded into new markets. Bank borrowers benefited from lower loan rates, while the overall economy grew faster as banks did a better job separating the good projects from the bad and monitoring firms after lending relationships had been established.
- Yang '19
    - Such deregulation leads to higher screening standards, lower interest rates, and lower delinquency rates for corporate loans from entrant banks. Consequently, in deregulated cities, private firms with bank credit access increase asset investments, employment, net income, and ROA.
- Cato '14
    - The legacy of historic US banking regulation led to a fragmented banking system whose costs were excessive. The repeal of restrictions on branch banking in the 1980s and 1990s increased bank efficiency greatly and benefited consumers. Loan losses and operating costs fell sharply, which translated into lower interest rates for borrowers. Better performing banks quickly grew through branching. State branching restrictions had acted as a ceiling on the size of well-managed banks and S&Ls, preventing their expansion and protecting less efficient, more risky competitors. Of course, this sector had a host of other problems which manifested themselves in the 2008/09 crisis.
- Mises '20
    - Research from Abdur Rahman shows that in Pakistan, multiple banks experienced various improvements years after being privatized. Within this group of banks is United Bank Limited, whose equity-to-asset ratio went from 1.94 during the period 1988–92 to 6.1 during the period 2011–15—that is, after being privatized.
- Cato '15
    - **History of Free Banking:**
        - Canada: The Canadian system was clearly a successful case of lightly regulated banking. Canada did not suffer the financial panics that the United States did in the late 19th century. Its banks did not even fail in the Great Depression. The Canadian banking system "did so well that a central bank was not established until 1935," and even then the reason was not dissatisfaction with the existing banking system but some combination of nationalism and wishful thinking about what a central bank could do to end the Great Depression.

- ❑ China: The banking system in the city of Foochow in southeastern China operated under complete laissez faire in the 19th and early 20th centuries, being left alone by the national ruling dynasty. The successful results resembled those of free banking in Scotland or Sweden. Banknotes were widely used and circulated at par, bank failures were rare, and the system provided efficient intermediation of loanable funds.
  - Good document on free banking
  - Great article on free banking
  - Lots of empirical evidence for free banking
  - https://www.jstor.org/stable/1814673
  - https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjersr0rJbzAhUCJDQIHdtMATIQFnoECCIQAQ&url=https%3A%2F%2Fwww.minneapolisfed.org%2Fresearch%2Fwp%2Fwp275.pdf&usg=AOvVaw1j-fNebasylI1h0Ebwjdbl

---

- **Gold Standard**
  - Cato '20
    - "The inflation rate was only 0.1 percent over Britain's 93 years on the classical gold standard, and "only 0.01 percent in the United States between gold resumption in 1879 and 1913." The U.S. annualized inflation rate, under a pure fiat money regime, was 4.0 percent for the 50-year period from April 1969 to April 2019.
  - White '15
    - Historical data show that actual gold standards have outperformed actual fiat standards in at least five respects. Gold standards have exhibited: (1) lower mean inflation rate, hence lower deadweight cost of economizing on money balances; (2) lower price level uncertainty, hence deeper long-term bond markets; (3) greater international trade and capital flows, due to network benefits of a common currency area; (4) lower resource costs of gold mining for monetary purposes with a lower real price of gold, due to the absence of private demand to hold gold as an inflation hedge; and (5) greater fiscal discipline. Returning to a gold standard would be immediately feasible for the US, the Eurozone, and Switzerland, where official gold stocks are large enough at the current price of gold to provide historically reasonable reserve ratios behind broader monetary aggregates.
  - https://mises.org/wire/brief-history-gold-standard-focus-united-stateshttps://mises.org/library/case-100-percent-gold-dollar-2
  - https://mises.org/library/gold-standard-perspectives-austrian-school

- https://mises.org/library/case-gold
- https://mises.org/library/money-sound-and-unsound-1 (P,323-419)
- https://mises.org/library/gold-peace-and-prosperity
- https://www.cato.org/blog/ten-things-every-economist-should-know-about-gold-standard
- https://mises.org/library/gold-standard-myths-and-lies

- **Austrian Business Cycle Theory**
  - ***Logical Explanation***
    - Murphy '15
      - **1.** Due to government intervention in monetary policy, commercial banks are able to expand their issue of fiduciary media by extending more loans to the community.
        - Fiduciary media is explained here
      - **2.** However, these banks extend more loans even though there has been no increase in savings
      - **3.** Because this increase in the quantity of money hits the loan market first, it temporarily depresses the market rate of interest.
      - **4.** At the same time however, other prices in the economy have not yet fully adjusted to the infusion of new money.
      - **5.** Guided by the false and artificially low interest rate, entrepreneurs see apparently profitable business ventures and invest accordingly, especially in long term projects.
        - A low interest rate basically means that If I go to the bank for a loan on a business project I want to do, then the amount of money I have to pay the bank is more than they gave me originally, yet, it is not too much where I can still pay that money to the bank and still make profit. Thus, the low interest rates incentivise entrepreneurs to embark on more projects because they believe they are profitable. This is when the "boom" begins.
      - **6.** However, the actual time preference in the community is unchanged during this process while the interest rate has decreased.
        - Austrian economists often explain this situation intuitively by saying that the lower interest rate is a signal to entrepreneurs that the consumers are more patient, and so it is now economically efficient to tie up resources in longer processes. Of course, the problem is that if credit expansion is the source of the lower interest rates, then this signal is

incorrect—the public hasn't become more willing to postpone gratification for a greater output.

- ❑ **7.** This means that entrepreneurs are making malinvestments as they devote their capital into a specific configuration of capital goods that is not aligned to the consumer's desired timing of consumption goods.
- ❑ **8.** By effectively trying to employ longer production processes than the consumers are willing to endure, the entrepreneurs end up wasting resources and impoverishing the community, at least relative to the baseline with no interference from the commercial banks.
    - ○ What is needed for a sound expansion of production is additional capital goods, not money or fiduciary media that government intervention injects into the economy. This is the end of the "boom," the "bust" ensues.

■ Human Action: Mises

- ❑ **1.** Suppose a builder maps out a blueprint that requires 20,000 bricks to build a house, yet, the builder in reality only has 19,000 bricks. Thus, it would be impossible for the house to be completed in a way to satisfy the original plans of the builder.
    - ○ When the entrepreneur hired all these workers and paid them a wage that was expected to be worth the supposed 20,000 bricks, then during this period, it is called the "boom."
- ❑ **2.** When the entrepreneur realizes his grave mistake, he will suspend all operations until he gets a revised blueprint for the house that accurately matches the available quantity of bricks
    - ○ During this time, the entrepreneur has wasted resources, wasted money on paying workers that were expected to utilize 20,000 bricks, and is thus at a monetary loss. This is called the "bust."
- ❑ As we shall see, this is sort of what central banks and other forms of government monetary policy encourage. The government artificially lowers the interest rate so that the builders buy up more bricks for the house, yet, the actual rate of bricks has stayed constant. Thus, the building will never meet the original plans of the builder due to the government intervention. In an unhampered economy, the lower interest rate for the builder means that the amount of bricks has increased so that he can actually build the house with the original amount of bricks he planned too.

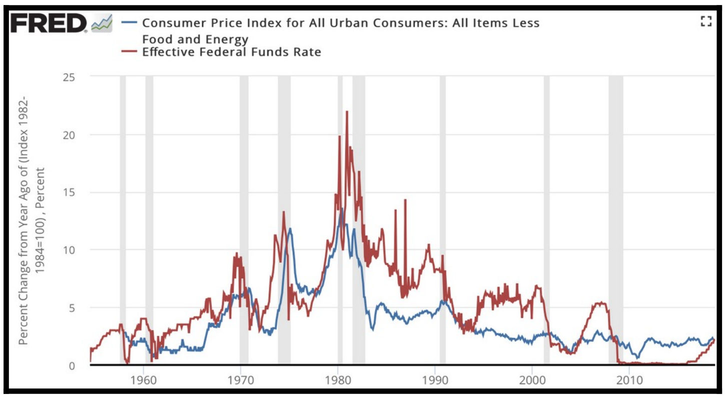
■ Google document on notes for the ABCT

- ### *Empirical Evidence*
  - Neira '13
    - The Austrian School blames the fractional-reserve banking system under the management and supervision of the central banks for creating monetary and credit bubbles that lead to the creation of self-perpetuating expansive-recessive economic cycles. The Austrian School economists contend that the expansion of credit without the prior backing of real savings pushes the short-term credit market's interest rate below its natural rate, the rate that is consistent with companies' real long-term profit rate, the economy's real resource availability, and agents' intertemporal consumption preferences. **Through empirical evidence in the US from 1988-2010, we "illustrate the existence of expansive-recessive cycles that self-perpetuate in line with the predictions of proponents of the Austrian business cycle.**
  - Bismans '09
    - **Results are consistent with the hypothesis of the Austrian business cycle theory that monetary policy shocks explain cycles.** The changes in term structure of interest rates and composition of aggregate expenditure are large enough to explain changes in aggregate economic activity.
  - Horwitz '16
    - "Our proposed approach shows that the Austrian Business Cycle Theory (ABCT) is **consistent with how investors and entrepreneurs actually make decisions."**
  - The Great Depression as a credit boom gone wrong - BIS Working Papers No 137 - September 2003
  - AN EMPIRICAL EXAMINATION OF AUSTRIAN BUSINESS CYCLE THEORY
  - Empirical Evidence for the Austrian Business Cycle Theory
  - Austrian Business Cycles: From Theory to Empirics.
  - On the Empirical Relevance of the Mises-Hayek Theory of the Trade Cycle by William J. Luther, Mark Cohen
  - https://mises.org/library/skyscraper-curse
  - A paper on the Great Depression. Not really the ABCT but can be connected
  - See the Austrian Business Cycle Theory Empirical Section of this document
- ### *Responding to Objections*

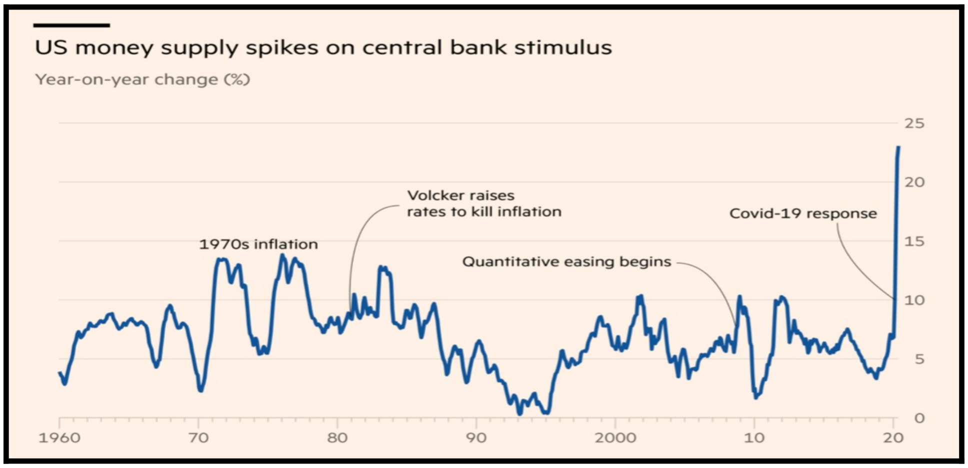
- **Argument 1:** Why can't businessmen simply learn to distinguish between low interest rates that reflect an increase in genuine savings, and low interest rates that reflect nothing more than Fed manipulation? Why do they not learn Austrian business cycle theory and then avoid expanding when the Fed tries to ignite an artificial boom? I thought Austrians hold entrepreneurs as very smart and can get around obstacles? (Bryan Caplan made this argument)
- **Response 1:** This line of reasoning is flawed. **(1)** First of all, even most *economists* are not well read on the Austrian business cycle theory, and it is a rare business school in which the subject is taught. As emphasized by the ABCT, the distortions in credit markets from artificially low interest rates are not something that is obvious to the casual observer, and the amount of distortion between the market rate and the natural rate is not known definitively by anyone. **(2)** Secondly, even businessmen who do know the Austrian theory may act more cautiously, withdraw from certain markets, or require greater risk premia in their dealings. The problem for these people is that their competitors are acting in a boom market where everyone is seemingly making large profits and capital gains. Either you join the party or you get replaced. There is no option in between. Workers don't care whether their paychecks come from genuine savings or from the Fed's printing press. Companies can lose ground to competitors who take the easy money and use it. Austrians see entrepreneurs as rational, but they also realize that the success or failure of a venture is dependent on many factors that cannot be known in advance. Easy-credit policies let more entrepreneurs into the process, the results of which are known not instantaneously, but only as or shortly after these long-term capital projects near or reach completion. Economist Roger Garrison gives an analogy: "Knowing that a signal is jammed is not the same thing as knowing what the unjammed signal is." **(3)** Thirdly, economist Tom Woods notes that the businessmen who are aware of the ABCT will still possibly find it in their interest to borrow and launch new projects, hoping their project will be one of the lucky ones and that they can get out well before the bust hits. If they sit back and do nothing, and do not react to the lower rates, as said before, their competitors surely will, and might be able to gain market share at their expense. Someone will inevitably take the bait.
    - **Opponent Possible Response 1:** Why can't businesses hire experts to make the business cycle calculations for them. Or why can't they do extensive research themselves and find the natural rate of interest?
    - **Response to Opponent 1:** First of all, many small businesses which are the majority of businesses in America will not be able to afford to do this. Even if they could afford to do this, as said, not many business owners are convinced by the ABCT. Many completely reject the ABCT. So how would this mix of conflicting arguments from the small Austrian school and the far larger

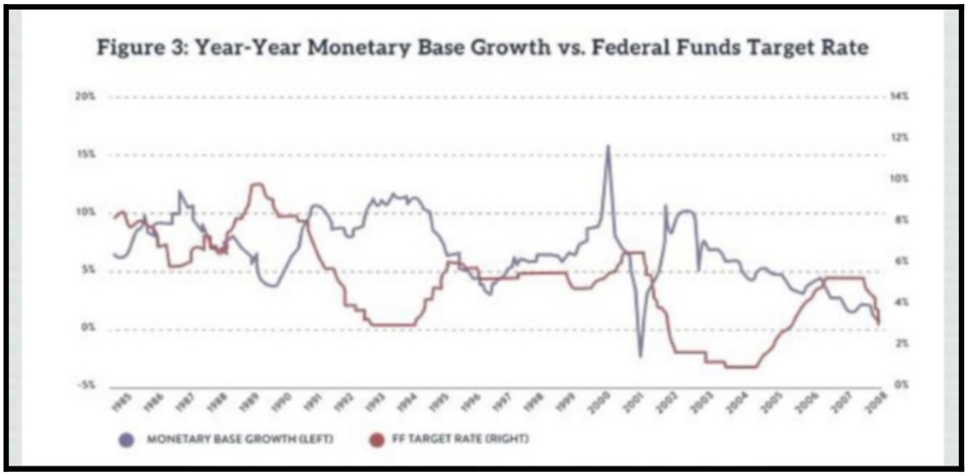
mainstream view somehow allow masses of entrepreneurs, and hence the economy itself, to avoid the ill-effects of government intervention? Now my opponent might say that what if literally every single entrepreneur in the economy subscribed to the ABCT and avoided the credit distortions. First off, this is highly unrealistic and will never happen. This argument represents the "Perfect Solution Fallacy" which occurs when an argument assumes that a perfect solution to a problem exists...when in reality, it has no real world implications whatsoever. Secondly, if my opponent uses this argument, then they have automatically conceded that the ABCT does accurately predict Boom and Bust Cycles and that we would all be better off if we did accept the Austrian theory.

- **Argument 2:** If artificially low interest rates cause inflation, then how come this didn't happen in the 2010s when interest was very low but inflation was also low?



- **Response 2:** The problem with this argument is that it relies on a faulty understanding of the ABCT. The ABCT states that increases in the artificial money supply by central bank policies and fractional reserve banking will artificially lower the rate of interest. My opponent's argument relies on the measure of the Consumer Price Index as inflation which essentially just measures the rate of change in consumer prices over the years. Now, if the money supply increases at the same rate as output, then prices will stay the same. Thus, it is indeed possible for money supply to increase even if there is no increase in inflation as measured by the CPI. In fact, as economist Tom Woods points out, inflation can occur without rising prices if; for example, an increased abundance of goods had been pushing prices lower, a greater money supply, by putting upward pressure on prices, could cancel out that downward trend and keep the overall price level stable. For example, during the interventions in late 2008, the measure of the monetary stock rose 12 percent over a three-month period; yet, it went hand-in-hand with falling CPI prices. Another example as noted by Murray Rothbard showed that the stock-market bubble of the late 1920s — fueled by the Fed's policies — did not coincide with rampant consumer-price inflation - but did produce "inflation" if the term is used to describe a situation in which the money supply is expanding and the dollar is losing value. Hence, this suggests that the ABCT identifies a link between the money supply and the interest rates; NOT a link between interest rates and inflation as measured by the CPI. This would refute my opponents central argument because their point simply states that low interest rates don't always cause inflation as measured by the CPI—which is not the main premise of the ABCT. As said, the main premise of the ABCT is that (1) banks are able to expand the money supply due to government intervention (2) Because this increase in the quantity of money hits the loan market first, it temporarily depresses the market rate of interest and (3) At the same time however, other prices in the economy have not yet fully adjusted to the infusion of new money. Thus, guided by the false and artificially low interest rate, entrepreneurs see apparently profitable business ventures and invest accordingly even though the capital goods for these projects are not even available. Furthermore, to summarize, my opponent claimed that the ABCT is not historically consistent because we have seen artificial low interest rates being compatible with low inflation. However, the ABCT explains how artificial increases in the money supply lower the rate of interest rather than explaining that low interest rates cause inflation; especially considering my opponents use of the CPI does not always measure inflation. If I were to empirically prove the ABCT along this line of reasoning, I would need to demonstrate a historical positive link between increases in the artificial money supply and low interest rates...which I will do right now: According to a 2020 graph, money supply rapidly increases as interest rates are artificially lowered. Other empirical literature that focuses specifically on monetary base which is basically composed of currency in circulation and bank reserves which are only cash based confirms that from 1985-2008, when monetary base growth is high, the interest rate is low. And vice versa, when the growth in the monetary base slows, the interest rate rate shoots up. Graphs are below:





- **Argument 3:** The ABCT does not explain every economic crisis.
- **Response 3:** The Austrian Business Cycle Theory does not claim to explain every single economic crisis. There are still wars and catastrophes, and there are particularly destructive government interventions, all of which can create a crisis, which would not invalidate the ABCT.
- **Argument 4:** Hummer and Friedman empirically debunked the ABCT.
- **Response 4:** William Barnett and Walter Block found that Hummer's criticisms did not hold, while Roger Garrison refuted the notion that Friedman debunked the ABCT.
- **Argument 5:** [Insert economic crisis here] was a market failure! A lack of regulation caused it!
- **Response 5:** See here.
- **Argument 6:** Endogenous money debunks the ABCT!!!
- **Response 6:** Yeah, no.
- **Argument 7:** Rigid prices debunk the ABCT!!!
- **Response 7:** Again, no.
- **Argument 8**: Uh Keuhn studies debunk the ABCT!

- **Response 8**: Assuming these studies don't have flawed methodology (they likely do), these studies are epistemologically faulty, only showing some variations in relationship between factors such as boom and bust size. This ignores a host of factors which can affect boom and bust size correlations and relies upon a false assumption that the ABCT asserts that boom size necessarily means you can predict the bust size.

- **1929 Great Depression**
  - FEE '18
    - **The Great Depression can be separated into stages:**
      - [ ] **1.** The government's "easy money" policies caused an artificial economic boom and a subsequent crash.
      - [ ] **2.** President Herbert Hoover's interventionist policies after the crash suppressed the self-adjusting aspect of the market, thus preventing recovery and prolonging the recession.
      - [ ] **3.** After Hoover left office, Franklin Delano Roosevelt's "New Deal" expanded Hoover's interventionism into nearly every aspect of the American economy, thus deepening the Depression and extending it ever longer.
      - [ ] **4.** Labor laws such as the Wagner Act struck the final blow to the remaining healthy sectors of the economy, dragging the last remaining bulwarks of productivity to their knees.
  - Sennholz '20
    - The first phase was a period of boom and bust, like the business cycles that had plagued the American economy in 1819–1820, 1839–1843, 1857–1860, 1873–1878, 1893–1897, and 1920–1921. In each case, the government had generated a boom through easy money and credit, which was soon followed by the inevitable bust.
    - The spectacular crash of 1929 followed five years of reckless credit expansion by the Federal Reserve System under the Coolidge administration. In 1924, after a sharp decline in business, **the Reserve banks suddenly created some $500 million in new credit, which led to a bank credit expansion of over $4 billion in less than one year.** While the immediate effects of this new powerful expansion of the nation's money and credit were seemingly beneficial, initiating a new economic boom and effacing the 1924 decline, the ultimate outcome was most disastrous. It was the beginning of a monetary policy that led to the stock-market crash in 1929 and the following depression. In fact, the expansion of Federal Reserve credit in 1924 constituted what Benjamin Anderson in his great treatise on recent economic history (*Economics and the Public*

Welfare, D. Van Nostrand, 1949) called "the beginning of the New Deal."

        - The Federal Reserve System launched a further burst of inflation in 1927, the result being that **total currency outside banks plus demand and time deposits in the United States increased from $44.51 billion at the end of June 1924, to $55.17 billion in 1929.** The volume of **farm and urban mortgages expanded from $16.8 billion in 1921 to $27.1 billion in 1929.** Similar increases occurred in industrial, financial, and state and local government indebtedness. This expansion of money and credit was accompanied by rapidly rising real-estate and stock prices. **Prices for industrial securities, according to Standard & Poor's common stock index, rose from 59.4 in June of 1922 to 195.2 in September of 1929. Railroad stock climbed from 189.2 to 446.0, while public utilities rose from 82.0 to 375.1.**
        - **The vast money and credit expansion by the Coolidge administration made 1929 inevitable.** After an abortive attempt at stabilization in the first half of 1928, the Federal Reserve System finally abandoned its easy-money policy at the beginning of 1929. It sold government securities and thereby halted the bank credit expansion. It raised its discount rate to 6 percent in August 1929. Time-money rates rose to 8 percent, commercial paper rates to 6 percent, and call rates to the panic figures of 15 percent and 20 percent. The American economy was beginning to readjust. In June 1929, business activity began to recede. Commodity prices began their retreat in July.
        - The article goes on to explain in detail how the government was solely responsible for the evils of the Great Depression via the Austrian Business Cycle Theory.
    - Cole, Ohanian '01
        - **The recovery from the Great Depression was weak despite rapid productivity growth, and was accompanied by significant increases in real wages and prices in several sectors of the economy**... **results suggest that New Deal policies are an important contributing factor to the persistence of the Great Depression**... **New Deal labor and industrial policies did not lift the economy out of the Depression as President Roosevelt and his economic planners had hoped. Instead, the joint policies of increasing labor's bargaining power, and linking collusion with paying high wages, impeded the recovery**…
    - Debunking: "FDR Saved Us From the Depression"

- Debunking: "The New Deal Helped Alleviate the Depression"
- Debunking: "Herbert Hoover was Laissez-Faire so he prolonged the Depression"
- Debunking: "The Gold Standard Caused the Depression"
- Debunking: "World War II ended the Depression/was proof going to war helps the economy"
- Regulation prolonged the Depression
- More on how regulation prolonged the Depression
- Even more on how regulation prolonged the Depression

- **2008 Financial Crisis**
  - ***Austrian Business Cycle Theory***
    - A Reformulation of Austrian Business Cycle Theory in Light of the Financial Crisis by Joseph T. Salerno
      - **To explain how the 2008 recession was predicted by the ABCT, I will state a brief step by step explanation to the ABCT and connect it with the 2008 recession:**

      1. Increases in the money supply (more specifically fiduciary media), especially directed by both central and commercial banks artificially lower the interest rates
      2. Businessmen respond to the lower interest rates by starting new, capital intensive projects, employing workers, and increasing wages. This is the boom phase
      3. Note that interest rates only naturally lowers when there has been an increase in savings
      4. If the interest rate is lower because of artificial causes like the manipulation by a central bank; then these projects cannot all be completed because the necessary resources to complete them have not been saved by the public. Thus, entrepreneurs all over the economy have made malinvestments. This is the bust phase.

      1. Now to connect this to the 2008 recession, we should look at what led up to it. For step one, after the events of 9/11 and the dot com bubble, for about 4 years, the Fed increased the money supply by about $750 million per week. As predicted by the ABCT, interest rates declined from 6 percent to below 1 percent. Interest rates on 30-year conventional mortgages fell sharply from over 7 percent in 2002 to a low of 5.25 in 2003. This was only worsened by more government intervention as the Community Reinvestment Act encouraged lending to low-income customers, while in 1993, the Department of Housing and Urban Development applied legal

pressure to private banks concerning their mortgage requirements, incentivizing banks to lower mortgage standards. For example, government-sponsored entities like Fannie Mae and Freddie Mac subsidized mortgages for people who, under more-prudent rules of borrowing, would never have qualified for a loan from a conservative banking institution. For 1996, the government [required](#) that 12% of all mortgage purchases by Fannie and Freddie be “special affordable” loans, typically to borrowers with income less than 60% of their area’s median income. That number was increased to 20% in 2000 and 22% in 2005. The 2008 goal was to be 28%. Between 2000 and 2005, Fannie and Freddie met those goals every year, funding hundreds of billions of dollars’ worth of loans, many of them subprime and adjustable-rate loans, made to borrowers who bought houses with less than 10% down. This then caused a rapid expansion of subprime mortgage lending in particular, with the subprime share of home mortgages rising steadily from 8.62 percent in 2000 to 13.51 percent in 2005.

2. Thus, step 2 of the ABCT began: people started buying houses cheap and resold them later on for profit. Therefore, home prices increased significantly. By mid 2003, corporate profits, stock prices, and the construction of new homes increased rapidly. This is the boom phase.
3. However, as step 3 of the ABCT predicted, despite the Fed lowering interest rates and entrepreneurs starting to invest more intensively, personal savings decreased from almost 5 percent to less than 1 percent during 2005 and declined more up to the 2008 recession.
4. Thus, since the artificially low interest rates contradicted the amount of savings and consumer time preference, the boom must end...leading to step 4 of the ABCT. Empirical evidence shows that when the boom came to an end in 2007-8, housing prices, corporate profits, and the stock market plunged. Entrepreneurs had to lay off the extra workers that they acquired during the boom phase. More specifically, total construction employment [surged](#) from about 6.7 million in 2003 up to 7.7 million by 2006, but then began falling fast in mid-2007. Therefore, through every step explained by the ABCT, the 2008 recession is evidence for the Austrian explanation of boom and bust cycles.

- [Debunking: "Stimulus helped us recover!"](#)
    - This paper reexamines empirical research on fiscal stimulus packages which were enacted into law and implemented

around the time of the Financial Crisis and Great Recession of 2007-2009. The programs include federal transfers to the states for infrastructure building, tax rebates, temporary income tax cuts, cash for clunkers, and financial aid for first-time homebuyers. My **empirical findings show that these fiscal actions did little or nothing to stimulate the economy**. Some of the negative ramifications of these policies continue as the federal budget deficit remains large and is expected to grow larger.

- https://mises.org/library/crisis-10-points
- https://mises.org/library/subprime-crisis
- https://fee.org/articles/how-the-housing-crisis-vindicated-the-austrian-school-of-economics/

Fannie and Freddie Mae

- What is it?
  - Fannie and Freddie Mae are government sponsored enterprises (GSE) that buy loans on the secondary market. In other words, after a bank offers a home loan to a consumer, it can sell that loan to Fannie or Freddie Mae. From that moment on, the loan is no longer on the books of the originating bank and Fannie or Freddie Mae further become responsible for it, both receiving the stream of monthly payments it represents and bearing the risk associated with the possibility that the homeowner could default. Meanwhile, the originating bank, having divested itself of this mortgage by selling it to Fannie or Freddie Mae, now has the funds to go back into the mortgage market and extend another loan to a new consumer. The whole process spurs more mortgage lending than would otherwise have taken place, making it easier for people to buy homes. This artificial diversion of resources into mortgage lending inflates home prices. It is artificial because this secondary mortgage market is fueled largely by the special privileges Fannie and Freddie have been granted by the government. The government also granted that if a GSE were in trouble, then investors would be bailed out at taxpayer expense.
    - For years, this implicit bailout guarantee made it possible for the companies to raise money from investors more readily, and make higher offers for mortgages from banks than any competitor could.
- Fried '12 (and this)

- On the eve of 2008, Fannie and Freddie Mae had a hand in about half the country's mortgages, and nearly three-quarters of new mortgages.
- Fannie and Freddie Mae also “chased more than half (by number) of all subprime loans or investments backed by subprime loans.”

- Fried '12
  - Countrywide, which was the largest subprime lender in the country, has had very close ties with Fannie and Freddie Mae. Countrywide has also been politically pressured by the Community Reinvestment Act to start lending to low income individuals. According to the owners of Countrywide, Fannie and Freddie Mae normally charged a loan guarantee fee of .23 percent to lenders from whom it bought loans. For Countrywide, however, that fee was reported to be as low as .13 percent.
- Fried '12
  - Of the 26 million subprime and Alt-A loans outstanding in 2008, 10 million were held or guaranteed by Fannie and Freddie and 5.2 million by other government agencies”
- Woods' 09
  - **Ron Paul warned us in 2003:** “The special privileges granted to Fannie and Freddie have distorted the housing market by allowing them to attract capital they could not attract under pure market conditions. As a result, capital is diverted from its most productive use into housing. This reduces the efficacy of the entire market and thus reduces the standard of living of all Americans. Despite the long-term damage to the economy inflicted by the government's interference in the housing market, the government's policy of diverting capital to other uses creates a short- term boom in housing. Like all artificially created bubbles, the boom in housing prices cannot last forever. When housing prices fall, homeowners will experience difficulty as their equity is wiped out. Furthermore, the holders of the mortgage debt will also have a loss. These losses will be greater than they would have otherwise had had government policy not actively encouraged overinvestment in housing.”

Community Reinvestment Act

- What is it?
  - The Community Reinvestment Act was enacted by Congress in 1977 to encourage banks to help meet the needs of the communities where they operate, including low and moderate-

income neighborhoods. This law was enacted in an attempt to reverse the effects of redlining and past banking discrimination. The law opened banks up to discrimination suits if they did not lend to minorities in numbers high enough to satisfy the authorities.

- Fried '12
    - In June 2008 there were $1.56 trillion of outstanding CRA loans. Of this amount, about $940 billion (about 6.7 million loans) was likely subprime. ($940 billion is 60 percent of $1.56 trillion.) This is a very large amount of subprime lending, and it must have had an enormous impact on the financial crisis.
- Cato '20
    - The collapse of house prices from 2007 to 2009 was more severe in CRA-eligible census tracts.
    - Regulated banks are less likely to enter into counties with CRA-eligible census tracts and are more likely to withdraw from those counties. This can potentially deprive such areas not only of mortgage products but also of other banking services.
- AEI '11
    - 76% of CRA loans were less profitable, substantially less profitable, or not profitable.
- Zuluaga '19
    - Empirical research also shows that banks' risk taking increases ahead of their CRA evaluations
    - In cases where CRA lending is not riskier, evidence suggests that banks may be "skimming the top" — lending to high-income residents of low-income communities, thus meeting their regulatory mandate but failing to reach the people the CRA intends to help.
- Cato '19
    - A Fed survey showed that 44 percent of respondent banks found their CRA mortgage loans to be less profitable than their other mortgage loans. Furthermore, 52 percent of respondents indicated that CRA-related mortgage loans were costlier to originate, on a per dollar basis, than non-CRA loans. These results suggest that, for many institutions, CRA lending involves higher costs than non-CRA lending — and these costs are passed on to other borrowers and shareholders as well.
- Pinto '09

- Bank of America said in 2008 that while its CRA loans constituted 7 percent of its owned residential-mortgage portfolio, they represented 29 percent of that portfolio's net losses.

- NBER '12
  - Empirical evidence confirms that banks significantly increased their lending around the time of CRA examinations, and that such loans were riskier. Specifically, lending volume increased by 5 percent and default rates increased by 15 percent in the quarters surrounding a bank's examination.
  - The study also empirically found that the increase in risky lending caused by the CRA became more pronounced in the later years of the housing boom.
    - The NBER paper has been criticized for focusing on the quarters surrounding CRA examinations, thus failing to recognize that these examinations themselves evaluate lending in periods well before those dates.
      - The authors counter, however, that depository institutions have an incentive to concentrate their CRA lending close to the exam so as to minimize recorded default rates, which might fall foul of the CRA's requirement that lending be consistent with safety and soundness.
- Cato '19
  - **Responding to Critics:**
  - <u>Argument:</u> "A 2013 Federal Reserve study found that low and moderate income loan failure rates in banks' CRA assessment areas were lower than those outside their assessment areas, suggesting — according to the authors — that the impact of the CRA on financial fragility, if any, was comparably minor."
  - <u>Response:</u> The study cited only one year of evidence; furthermore, it showed that credit scores of low and moderate income borrowers within the surveyed banks' assessment areas were higher, and those borrowers much less likely to be subprime, than in the case of low and moderate income borrowers outside CRA assessment areas. However, empirical literature confirms that more creditworthy borrowers are less likely to default. Their prevalence among the low and moderate income borrower cohorts of banks' assessment areas suggests that banks might be "skimming the top": lending to the most creditworthy borrowers in low and minority income areas to fulfill their CRA requirements while also minimizing risk. Such behavior may satisfy regulators, but it

contradicts the assertion that CRA loans are less risky than non-CRA loans; more importantly is that the Fed study did not take into account these variables previously mentioned.

- Fried '12
    - **Responding to Critics:**
    - Argument: "The majority of the subprime loans made by mortgage service companies were not subject to the CRA"
    - Response: This argument ignores the fact that low CRA standards spread beyond banks and throughout the entire industry. There were 3 reasons for this.
        - 1. First, Housing and Urban Development (HUD) directly pressured nonbanks (which were not subject to the CRA) to adopt standards, similar to CRA standards. In fact, the secretary of the HUD himself admitted that their organization led to riskier loans and mortgages. A 2012 analysis confirms that and I quote: "Nonbank lenders were not directly regulated under CRA but they were threatened with new regulations if they did not adopt similar standards. (The threat of regulation can be as effective as the regulation itself.)"
        - 2. Secondly, CRA banks like Fannie and Freddie Mae could meet their obligations by buying up CRA loans. CRA banks wanted to do this as if they did not establish acceptable CRA credentials, they could face punitive actions. They could be blocked from mergers, from installing new ATM machines, or other types of expansions. In some cases, they could be subject to boycotts, adverse publicity by community activists, and private lawsuits. Thus, CRA banks were eager to buy CRA loans on the secondary market to avoid this mess; therefore, the artificial demand for CRA loans increased. This means that nonbanks, not directly subject to CRA, could make a pile of money originating such loans and then selling the loans to CRA banks like Fannie and Freddie Mae. This suggests that banks not directly subjected to CRA regulations still bought CRA loans (which are estimated to be about 60% subprime) with the intent of selling them to CRA banks.
        - 3. Thirdly, in some cases, a 2012 analysis confirms that "the nonbanks, such as mortgage companies, had to adopt the same low underwriting standards to stay competitive in

the market. If, for example, CRA banks were offering loans with only 3 percent down payments, nonbanks had to offer the same, or go out of business.

- ❑ For these three reasons, it is empirically false to assert that most subprime loans were made by mortgage service companies not subject to the CRA.

- ■ Carney '09
  - ❑ **Responding to Critics:**
  - ❑ Argument: “How could a law (CRA) passed in 1977 be blamed for a crisis that took place in 2007?”
  - ❑ Response: This argument assumes that the CRA is a static legislation.
    - ○ 1. First off, empirical research shows that there were extensive regulatory changes made to CRA in 1995 (and legislative changes in 1992, 1994, and 1999), and the regulatory changes involved the loosening of underwriting standards, and the imposition of sanctions, if necessary, to ensure that lower-income people were offered mortgage loans.
    - ○ 2. Secondly, although this is still a bit far from the 2008 recession, other factors led to the CRA being more intense leading up to the recession. Throughout the nineties, as banks lowered their mortgage standards, mortgage rates still remained somewhat high. The laxity was spreading but the incentives for borrowers to refinance even under relaxed standards remained low. New buyers often still didn’t know that some of the quote on quote “loosey-goosey mortgages” existed. Speculators had an internet bubble, so they weren’t yet attracted to real-estate. This all changed a few years later as the NASDAQ collapsed and people were looking for a new place to park their money. After the 9/11 attack and the dot com bubble, the Fed lowered interest rates sharply. These factors, coupled with the low underwriting standards introduced by the 1995 CRA regulations, led to an explosion within the real estate market.”
- ■ Carney '09
  - ❑ **Responding to Critics:**
  - ❑ Argument: If the CRA was forcing all this lax lending, why weren't bankers objecting?

- Response: One author would call bankers objecting to the CRA "career suicide." This law originated from outrage over both present and past banking discrimination. Thus, the CRA was adopted to reverse these issues. For example, groups like ACORN (the Association of Community Organizations for Reform Now) began actively pressuring banks to make loans under the threat that otherwise they would register complaints in order to deny the bank valuable approvals. A banker saying he doesn't want to comply with these laws would be the same as the owner of a grocery store saying that he doesn't want to comply with the civil rights act. Essentially, bankers objecting to this law would have been extremely difficult.

Substandard Credit Rating Agencies (CRA's)

- Significance
  - Many individuals blame deregulation, corruption, and the free market for the substandard credit rating agencies during the 2008 crisis. Credit rating agencies offer predictions as to the likelihood that a particular debt instrument will be repaid, in part or whole. During the crisis, these credit rating agencies rated many Mortgage Backed Securities as "AAA" which was the highest rating. However, the agencies have been blamed for exaggerated ratings of risky mortgage-backed securities, giving investors false confidence that they were safe for investing. Proponents for government intervention argue that the reason these agencies did this is because of deregulation and greed as they believe these agencies had a conflict of interest in which they would be paid by the companies to give them the highest ratings. However, I will show below how it is not lack of government regulations that caused this, it is in fact over regulation that led to this catastrophe:
- Cato '12
  - **1.** A 1974 law mandated that both public and private pension funds base part of their investment criteria on bond ratings provided by Nationally recognized statistical ratings organization (NRSRO) designated CRAs (which originated from the US government). This was like a regulatory license that was mandated by credit rating agencies (CRA's).
  - **2.** Many CRA's were selected because of their previous record of accurate ratings. The NRSRO designations did not ensure future accurate ratings, but instead were an endorsement of past achievements.

- **3.** Obtaining a designation was not necessary for CRA's to operate, but doing so put them at a significant competitive advantage, as particular investors were legally mandated to purchase investments highly rated by NRSROs. This therefore artificially boosted the demand specifically for NRSRO CRA ratings.
- **4.** This therefore creates an oligopoly surrounding the credit rating agencies due to government intervention. In fact, today, there are only 5 nationally recognized statistical rating organizations and the other ones that are not nationally recognized have in many cases merged together; thus preventing even more competition in the industry. Also, the biggest 3 nationally recognized CRA's account for 95% of the market.
- **5.** Empirical evidence confirms the lack of competition in this industry and the extensive government barriers to entry. One CRA applied for nationally recognized status in 1998; however, it only received the designation in 2007—nine years later. Another ratings company which was founded in 1976 did not receive the nationally recognized status until February 2003
- **6.** Economic theory suggests that the more competition and firms in the market, the greater the quality of the services and products there are, and vice versa. With regards to the credit rating agencies, since they had a large amount of artificial market share caused by government intervention, the CRA's were able to be corrupt by giving high ratings to bad mortgages and were able to have poor outdated equipment without the fear of a competing company taking them over. An Empirical study confirms that and I quote: "Highly competitive markets drive out corruption, while markets with high barriers to entry allow corruption to flourish." Thus, this suggests that since the government organization that granted credit rating agencies a national privilege, this in turn reduced competition, which therefore empirically led to the iniquity ratings during the 2008 crisis.
- Below, I will show the other problems with the current CRA's under the NRSRO regulations:

- Fried '12
  - The CRA's didn't increase staff enough to handle the numerous and complex securities. The analysts in structured finance were working twelve to fifteen hours a day. They made a fraction of the pay of even a junior investment banker. There were far more deals in the pipeline than they could possibly handle.

- Because rating agencies often lacked extensive historical loss experience for innovative structures or transactions based on untested assets (for example, subprime mortgages), they used different (and sometimes inappropriate) analytical tools and assumptions to determine the risk of default and losses.

    - https://fee.org/articles/the-big-short-and-the-ratings-agencies/

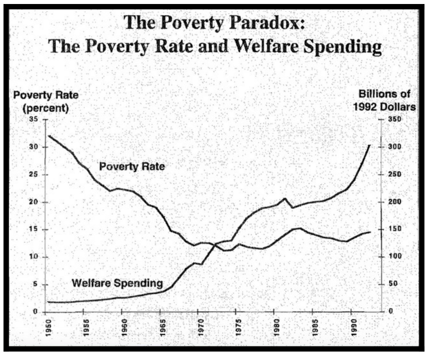
- ***Responding to Objections***
    - **Argument 1:** Stupid Austrian; the 2008 recession was caused by deregulation
    - **Response 1:** This is empirically false. According to a 2013 study, financial regulatory restrictions increased by 18 percent in the years leading up to the 2008 crisis. On the net, the data shows and I quote: "No such deregulation occurred. In fact, the financial sector was increasingly regulated over the decade leading up to the financial crisis." Another recent study finds that the total budget of federal finance and banking regulators increased from approximately $2 billion in 2000 to almost $2.3 billion in 2008. Moreover, government bureaucracy encouraged malinvestment amidst the low-interest rates (explained further above), with the Federal Housing Administration requiring only three-percent down payments delivered on loans. The Community Reinvestment Act encouraged lending to low-income customers, while in 1993, the Department of Housing and Urban Development applied legal pressure to private banks concerning their mortgage requirements, incentivizing banks to lower mortgage standards. We also had government sponsored and privileged enterprises such as Frannie and Freddie Mae who had a special $2.25 billion line of credit with the U.S. Treasury. The government granted them that if they were in trouble, then investors would be bailed out at taxpayer expense. After the dot com bubble, the supply of money was increased with more dollars being created between 2000 and 2007 than in the rest of the country's history. Thus, around the times leading up to the 2008 recession, it was anything but deregulation.

- **Debunking: "Anthropologists proved Menger wrong on money!"**
    - Selgin '16
        - My complaints, you may recall, were
          (1) that Graeber had wrongly accused Smith and Menger of supposing that there was no alternative to either barter or monetary exchange — that is, of supposing that there were no such things as

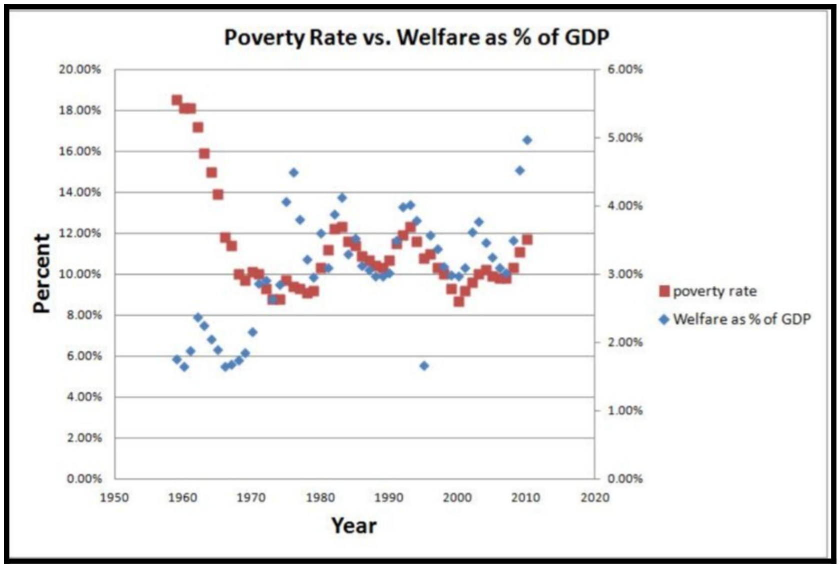
gift-giving and other sorts of non-quid-pro-quo goods transfers, or societies that relied upon such — and
(2) that Graeber lacked a proper grasp of some of the most elementary principles of economics, and of the modern theory of value in particular.Far from defending his work against either of these complaints in his reply to Murphy, Graeber repeats there the very assertions that prompted me to complain in the first place. Once again he declares that Smith, Menger, and Jevons "[a]ll assumed that in all communities without money economic life could only have taken the form of barter" and that "economists originally predicted all (100%) non-monetary economies would operate through barter." Anthropologists, in contrast, "discovered … an at first bewildering variety of arrangements, ranging from competitive gift-giving to communal stockpiling to places where economic relations centered on neighbors trying to guess each other's dreams.

        - Here I cannot resist quoting again the most relevant passage from Menger's 1892 essay, "Geld":
          "Voluntary as well as compulsory unilateral transfers of assets (that is, transfers arising neither from a 'reciprocal contract' in general nor from an exchange transaction in particular, although occasionally based on tacitly recognized reciprocity), are among the oldest forms of human relationships as far as we can go back in the history of man's economizing. Long before the exchange of goods appears in history, or becomes of more than negligible importance…we already find a variety of unilateral transfers: voluntary gifts and gifts made more or less under compulsion, compulsory contributions, damages or fines, compensation for killing someone, unilateral transfers within families, etc."
    - Watson '16
        - Did credit precede money? Maybe. Does it matter? Nope.
        - Perhaps the possibility of credit before a common medium of exchange is ignored in the standard account, however, that does not imply that Menger's theory is false — maybe incomplete, but not false. **Since direct exchange, i.e. barter, may be inter-temporal.** Barter need not be a spot transaction reduced to a particular place and time. If the concept of inter-temporal barter is accepted, then the evidence of credit existing before a common medium of exchange creates no conflict in Menger's account. The conclusion contra Innes is: **all credit before the existence of a common medium of exchange is inter-temporal barter**.

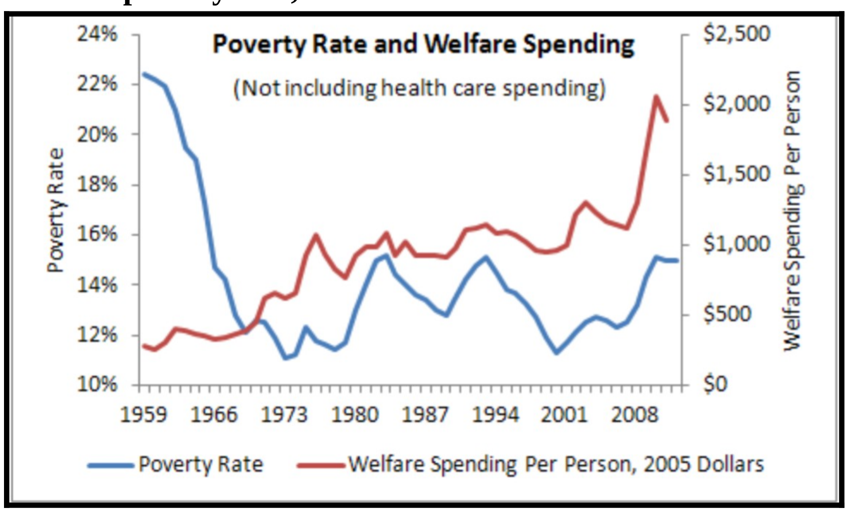
Government Assistance

- **Negative Effects of Government Welfare**
  - ## *Poverty and Income*
    - Neumark '18
      - ❑ According to a 2018 study, more generous welfare benefits led to higher poverty and had no positive effect on income for disadvantaged individuals in the US.
    - Goodman '87
      - ❑ Between 1965 and 1981, cash transfers to the poor barely changed at all in real terms while noncash benefits increased 5,238 percent.
      - ❑ At least 5.7 million people (about one sixth of the poverty population) are living in poverty by choice as a result of the generosity of public welfare and that each additional $1 billion in welfare spending increases the poverty population by 250,000.
    - Goodman '94
      - ❑ Amazingly, 41 percent of all poverty families receive no means-tested benefits of any kind from the government; yet more than 50 percent of all families who receive at least one means-tested benefit are not poor.
      - ❑ "Since 1965, we have spent $5 trillion on welfare programs, but the poverty rate is higher today than when the War on Poverty started."
      - ❑ 

    - Goodman '94
      - ❑ Every $1 of extra welfare given to low-income persons reduced labor and earnings by 80%.
      - ❑ Among people who currently are receiving AFDC (Aid to Family with Dependent Children), more than half will remain in poverty for 10 or more years.
    - Cosmoscon '11

- Correlations show that **as welfare spending increases, so does the poverty rate, and vice versa.**
- 

■ [Weeks '15]

- Again, correlations show that **as welfare spending increases, so does the poverty rate, and vice versa.**
- 

■ [Bodewig '16]

- Small balanced welfare states in Central Europe and the Baltics spend less on social protection but achieve a better coverage of the poorest 20 percent of the population. While countries with truncated welfare states saw the biggest surge in poverty during the crisis years between 2008 and 2012, their spending on social assistance declined in real terms.

■ [David Longstreet paper]

- Harvard economist Dale Jorgenson estimates that every dollar of taxes raised by the federal government costs the economy 18 cents.

So a $1 tax by the government intended for the poor and needy, reduces GDP by 18 cents. Out of $1 spent on government entitlement programs, 70 cents is on administration. The true net loss to our economy is 88 cents (18 + 70) for every $1 spent. This means out of every dollar the government spends on entitlement programs only 12 cents (or 12%) actually benefits anyone. In other words 88% is either wasted or is administration costs.

- Heritage ‘96
  - Holding constant race, parental education, family structure, and a range of other social variables, higher non-welfare income obtained by the family during a boy's childhood was associated with higher earnings when the boy became an adult. The study also suggests that an increase of $1,000 per year in welfare received by a family decreased a boy's future earnings by as much as 10 percent.
  - Typically, welfare proponents would dismiss this finding, arguing that families which receive a lot of welfare payments have lower total incomes than other families in society, and that it is the low overall family income, not welfare, which had a negative effect on the young boys. But the study cited above compared families whose average non-welfare incomes were identical.

Work Incentives

- FEE '21
  - **Unemployed households can earn $25/hour on welfare in 21 states.** In 19 states, a family of four with two parents who aren’t working can receive benefits roughly equal to a $100,000 annual salary. Across all 25 “blue” states choosing to leave the benefits in place, the average unemployment payout for a family of four exceeds $72,000, significantly more than the median household income of $68,703.
- Moffitt ‘92
  - Robert Moffitt of Brown University found that the work effort of welfare recipients was reduced by as much as 30 percent.
- Goodman '94
  - One study concluded that by 1981 all transfer payments, combined, had reduced the labor force by 4.8 percent a number that would equal approximately 6 million people today
  - Another study suggested that the Reagan welfare budget cuts in the early 1980s increased the labor force by as many as one million people.
- Arbejdspapir '13 *(use google translate)*
  - “The analysis shows that there is a strong correlation between the degree of generosity of the welfare state and the work ethic of the

citizens. This means that the more generous the welfare state is, the lower the work ethic of the individual citizen.

- Goodman '94
  - In 1960, nearly two-thirds of households in the lowest one-fifth of the income distribution were headed by persons who worked. By 1991, as welfare spending increased this figure had declined to around one-third, with only 11 percent of the heads of households working full-time, year-round.
- Vedder '91
  - "Labor force participation declined as welfare benefits increased."
- Auletta '82
  - Perhaps most troubling of all is the psychological attitude toward work that can develop among those on welfare. Studies have found that the poor on welfare do not have a strong sense that they need to take charge of their own lives or find work to become self-sufficient. Indeed, they often have a feeling that the government has an obligation to provide for them.

Family Structure

- Lundberg '90
  - An increase of roughly $200 per month in welfare benefits per family causes the teenage illegitimate birth rate in a state to increase by 150 percent.
- Haskins '96
  - Of more than 20 major studies of the issue, more than three-quarters show a significant link between welfare benefit levels and out-of-wedlock childbearing. Higher benefit levels mean higher out-of-wedlock births. Children living with single mothers are seven times more likely to be poor than those living with two parents.
- Grisham '01
  - Moreover, once on welfare, single mothers find it difficult to get off, and they tend to stay on welfare for longer periods than other recipients.
- Goodman '94
  - Professor C.R. Winegarden at the University of Toledo found that half the increase in the black out-of-wedlock birth rate in recent decades was caused directly by the perverse incentives created by welfare.
  - A 50 percent increase in the value of monthly AFDC (Aid to Family With Dependent Children) and food stamp payments

results in a 43 percent increase in the number of out-of-wedlock births in a state

- Professor Robert Hutchens of Cornell University found that a 10 percent increase in a state's AFDC benefits causes the marriage rate of single mothers to decrease by 8%.
- Mikhail Bernstam of the Hoover Institution found that in cities with high concentrations of blacks, the birth rate among single teenage women increases 10 percent for each 10 percent increase in welfare benefi
- ts.Goodman '94
- **Effects of Losing Welfare Benefits:**
- In Boston, 43 percent of the welfare mothers had as much or more total income after losing their welfare benefits as they had before. (Their average real income from working increased 25 percent.)
- Two years after losing AFDC benefits, a significant number of welfare mothers had increased their family size by at least one adult.

- Lundberg '90
  - Studies indicate that young mothers and pregnant women are less likely to marry the fathers of their children in states with higher welfare benefits. Nonetheless, 70 percent of poor single mothers would no longer be in poverty if they married their children's father

Crime

- Smith '88
  - Children from single-parent families are more likely to become involved in criminal activity. Research indicates a direct correlation between crime rates and the number of single-parent families in a neighborhood. As welfare contributes to the rise in out-of-wedlock births, it thus also contributes to higher levels of criminal activity.
- Tanner '10
  - A Maryland National Association for the Advancement of Colored People (NAACP) report concluded that "the ready access to a lifetime of welfare and free social service programs is a major contributory factor to the crime problems we face today."The NAACP's conclusion is confirmed by additional academic research. For example, research by M. Anne Hill and June O'Neill show that a 50-percent increase in welfare and food stamp benefits led to a 117-percent increase in the crime rate among young black men.

Effects on Children

- Goodman '87
  - Almost 2.5 million more children are living in poverty today as a direct result of the expanded welfare state.
  - The states that have paid the most generous benefits to welfare mothers have experienced the greatest increases in child poverty. By contrast, states that have been the least generous have seen major reductions in child poverty. Between 1969 and 1979, the child poverty rate rose 27.9 percent in the ten states with the highest welfare benefits while the rate fell by 17.4 percent in the ten states with the lowest welfare benefits.
- Rector '96
  - Increasing the length of time a child spends on welfare may reduce the child's IQ by as much as 20 percent.

Cash Transfers

- Price, Song '18
  - This study investigated the long-term effects of cash assistance for beneficiaries and their children by following up with participants in the Seattle-Denver Income Maintenance Experiment. Treated families in this randomized experiment received thousands of dollars annually in extra government benefits for three or five years in the 1970s. The study matched experimental records to Social Security Administration data using a novel algorithm and find that treatment decreased adults' post-experimental annual earnings by $1,800 and increased disability benefit applications by 6.3 percentage points, possibly driven by occupational changes. In contrast, children in treated families experienced no significant effects on any main variable studied.

- CLICK HERE for studies on how welfare increased inequality
  - IMPORTANT
- Welfare in Sweden
  - IMPORTANT
- The Welfare State as a Failed Experiment
- The Failure of the Welfare State
- The Failure of the Welfare State: The Case of Argentina and Brazil | Jean Vilbert
- The Welfare State Has Failed
- How welfare reform failed.

- **Negative Effects of Social Security**
  - Edwards '19
    - Economist Martin Feldstein found that every dollar increase in Social Security benefits reduces private savings by about 50 cents.

- NBER '02
    - For those in the 75th percentile, eliminating Social Security would raise their wealth at age 66 by a factor of 2.55. In contrast, for those in the top 1 percentile, eliminating Social Security would raise their wealth by a factor of only 1.55.
- Heritage '18
    - Social Security has long been on an unsustainable path and will run out of funds to pay promised benefits in 2029.
    - On average, personal retirement savings sig- nificantly outperform the current Social Security system.
    - For average-earner females living in Florida, Social Security will provide over $190,000 less in lifetime income than personal savings for those born in 1955; over $230,000 less for those born in 1975; and over $420,000 less for those born in 1995.
- Social Security Increases Inequality
    - IMPORTANT

- **Negative Effects of a Negative Income Tax (NIT)**
    - Gary Burtless: Research
        - Considering results from the Seattle-Denver negative income tax experiment, it can be shown that the two-parent families that received $2,700 decreased their earnings by almost $1,800. Therefore, spending $2,700 on transfers to two-parent families in Seattle-Denver increased their income by only $900. This raised the question whether taxpayers would be willing to pay $3 in order to increase the income of aforementioned families by $1.
    - Ezrati '19
        - Between 1968 and 1980, Washington made four controlled trials of a negative income tax, involving thousands of people across six states. Hours of work desired by all basic income users fell by 9%. They fell by 20% for married women and 25% among single women heads of household. Desired work among single men fell 43% below non-basic income users. If those receiving the guaranteed income lost their job, the spell of unemployment lasted two months longer on average than compared to non-basic income users and 12 months longer for married women.

- **The Case for Privatizing Welfare**
    - ***Fraternal Societies***
        - Mises '11

- Mutual-aid societies founded 71 orphanages between 1890 and 1922, almost all without government subsidy. Perhaps the largest of these was Mooseheart, founded by the Loyal Order of Moose in 1913. Hundreds of children lived there at a time. The success of Mooseheart alumni was remarkable. Alumni were four times more likely than the general population to have attended institutions of higher learning. Male alumni earned 71 percent more than the national average, and female alumni earned 63 percent more.

- ***Efficiency of Private Charity***
  - Wuthnow '03
    - Surveys of people with low incomes generally indicate a higher level of satisfaction with private charities than with government welfare agency
  - Reward '11
    - 75% of the tax dollars that are targeted to welfare programs actually go to the middle-class administrators rather than the needy. In contrast, private programs give about 75% of donated dollars to the poor. Thus, the poor get more when charitable giving is private. The bottom line: Government spends about 70% of tax dollars to get 30% of tax dollars to the poor. The private sector does the opposite, spending about 30% or less to get 70% of aid to the poor. This means that **private charities are nearly 3 times as efficient in the allocation of funds than government programs.**
  - Edwards '07
    - Raising only half as much money through voluntary donations, the private agencies (and families) could deliver the same amount as the government imposes on the public through the compulsory taxation.
    - “The magnitude of private charity that existed in the U.S. before the federal and state governments began large-scale compulsory income redistributions...have been very large, and no one has ever shown it to have been inadequate to care for the truly needy.”
  - Goodman '94
    - Studies show that as many as 80 percent of low-income people turn to the private sector first when facing a crisis.
  - David Longstreet paper
    - Government entitlement programs are mandated and individuals have no choice or say in how their money will be spent. On the other hand, individuals that give to private charities have a choice on which charities they wish to support. Individuals, if they desire, can seek out those charities that best match their beliefs and goals.

Individuals can ask for, and many do, financial statements showing exactly where and how funds are distributed. If a private charity is not spending their money efficiently and effectively, then donors can choose to stop giving. There are some private charities that are fraudulent, but when they are discovered the markets take care of them. Individuals can and do stop giving to these organizations. Individuals would never choose voluntarily to give money to any organization where 70% of the funds are spent on administration. Yet, the government mandates this "charitable" giving to all taxpaying citizens.

- https://www.jstor.org/stable/2338902?origin=crossref&seq=1&fbclid=IwAR374DSeKD8uLfTyOL2tRlaR669Z3s55rfyKr2Sa8dCq3gU0hxzkU8YxCZk#metadata_info_tab_contents
  - Taxation and Currency problems were not neglected, since the list of his writings shows papers and letters written on these questions of the moment, and in 1870 he acted as president of Section F (Economic Science and Statistics) of the British Association meeting at Liverpool, his address being on rather varied social questions such as the connection of poverty and indiscriminate charity, the need for self-reliance amongst the poor, the incidence of taxation, and the excessive mortality in some of our big towns.
- https://www.jstor.org/stable/1905621?fbclid=IwAR209eIoDuFyUOZbVMcQvIpTDYaLFDSX-bvZaxEdOO0k6Cj2-TsBSEXZElM
  - exist in full force. I wish especially to point out that the wise precautions of the present poor law are to a great extent counteracted by the mistaken humanity of charitable people. Could we sum up the amount of aid which is, in one way or other, extended by the upper to the lower classes, it would be almost of incredible amount, and would probably far exceed the cost of poor law relief. But I am sorry to believe that however great the good thus done the evil results are probably greater. Nothing so surely as indiscriminate charity tends to create and perpetuate a class living in hopeless poverty. It is well known that those towns where charitable institutions and charitable people most abound, are precisely those where the helpless poor are most numerous. It is even shown by Sir Charles Trevelyan, in a recent pamphlet, that the casual paupers have their London season and their country season, following the movements of those on whom they feed. Mr. Goschen and the poor law authorities have of late begun to perceive that all their care in the administration of relief is frustrated by the over-abundant charity of private persons, or religious societies. The same family often joins parish relief to the contributions of one or more lady visitors and missionaries. Not only improvidence but gross

    Y 2

Government Intervention Reduces Charity

- Tanner '18
  - Officials in Atlanta ticketed people who were handing out free food to the poor and homeless for "unlicensed operation of a food service establishment."
  - Baltimore also requires organizations to obtain a food-service license before feeding the homeless.
  - Wilmington, N.C., simply prohibits the sharing of food on city streets and sidewalks.

- Las Vegas bans “the providing of food or meals to the indigent for free or for a nominal fee” in city parks.
- Orlando prohibits sharing food with more than 25 people in city parks sans a permit, which can only be granted to any one group twice a year.
- New York City requires all charitable assistance to the poor to pass through one of eight municipally approved organizations. Other municipalities have used zoning ordinances to hamstring homeless shelters.

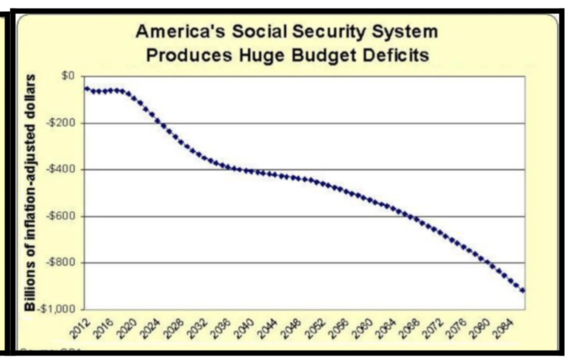
- Goodman '87
  - A 10 percent increase in social-welfare spending by the government leads to a reduction of $27. Overall, each additional dollar of social welfare spending by the government leads to a thirty-cent reduction in private contributions.
- Bekkers '16
  - A $1 increase in government support is associated with an average $0.64 decrease in private donations
- Edwards '07
  - Documentation on the actual historical decline in private fraternal and charitable activities as the welfare state expanded
- Cato '14
  - Since the War on Poverty began in 1965, private charitable giving has totaled more than $10.2 trillion (in 2014 dollars); roughly 29 percent, or $3 trillion, of this went to human services or public-society benefits. And this doesn’t count the hundreds of billions of hours that Americans spend volunteering to help others. Last year alone, 64.5 million Americans gave 7.9 billion hours of their time and effort in volunteer work.
  - Charitable giving amounts to far less, of course, than the $19 trillion that federal, state, and local governments have spent fighting poverty since 1965. But the evidence suggests that charitable giving would have been much higher in the absence of the welfare state. **There are studies, some dating as far back as the 1870s, showing that private giving increases as government programs decrease, and conversely decreases as government programs grow more generous, leaving the overall amount of money spent (both public and private) relatively constant.** More importantly, private charity is more likely to be effective in giving poor people the tools they need to get out of poverty.

Economic Freedom Effect on Charity

- [Pritchard '17]
  - “We find results that indicate that there is a positive, and statistically significant relationship between economic freedom and philanthropy.”
- [Brooks '02]
  - A 10 percent increase in permanent income leads to an 8 percent rise in charitable giving, and a 10 percent increase in wealth is associated with a 2.1 percent increase in giving, on average. Thus, since free market reforms and rising economic freedom increases income, it therefore also increases charitable giving.

- Privatize the Welfare State
- Get Government out of the Welfare Business | Lee Friday
- Privatizing Social Security: A Big Boost for the Poor

- **The Case for Privatizing Social Security**
  - Heritage '18
    - Shifting to private savings would provide the average worker with about twice as much as Social Security in annual retirement income.
  - Mitchell '12
    - Australia has a much more privatized social security system than the US. Here are the results:



- **Debunking Pro Welfare Studies**
  - **Study 1:** A Harvard study analyzing 7 countries found that cash transfer programs did not discourage work.
    - The problem with this study is that it only analyzes the short term effects of cash transfers. The methodology in the study stated that it only took into account 1-2 years of research. A more accurate and more recent study that captured the long term effects of cash assistance confirmed that for each $1 in additional government cash transfers, an individual’s discounted lifetime earnings are $4.50 lower due to lowered work. Another empirical study concluded that the short-term benefits of the cash

transfer program largely evaporated after 2 years which the Harvard study failed to take into account.

- **Study 2:** A 2013 study found that cash transfers in Uganda increased work hours and earnings.
  - The authors of this study noted in their methodology that they only captured 4 years of data. The same author of this study did a follow up analysis looking at the 9 year long term effects of the cash transfer program and found that increased work in the original 4 year study had gone away after 9 years. Earnings after 9 years also stayed the same to those who didn't receive the cash transfer programs. After 9 years, the authors no longer observe statistically significant impacts on income from the cash transfer programs.

Regulation

- **General Negative Effects of Regulations**
  - Coffey et al, 16
    - Regulations have **shrunk the economy by 25%**, and reduced wages by **$13,000 per capita per year**
  - FEE ‘99
    - The total cost of federal regulation is on the order of $500 billion a year. Conclusion suggests that the total regulatory burden might be as much as a whopping 10 percent of GDP. Also, **federal regulations cause $1.3 trillion in economic output to be lost each year.**
  - Mercatus '18
    - A **10 percent increase in the effective federal regulatory burden** upon a state is associated with about a **2.5 percent increase in the poverty rate.**
  - Baily '13
    - The growth of federal regulations over the past six decades has cut U.S. economic growth by an average of 2 percentage points per year. As a result, the average American household receives about $277,000 less annually than it would have gotten in the absence of six decades of accumulated regulations. Regulations have also been increasing substantially since 1949. Overall, if regulation had remained at the same level as in 1949, current GDP would have been $53.9 trillion instead of $15.1 in 2011. In other words, current U.S. GDP in 2011 was $38.8 trillion less than it might have been if we were not increasing the amount of regulations. Furthermore, **federal regulations have made us 75 percent poorer.**
  - CEI '13

        - Total costs for Americans to comply with federal regulations reached $1.806 trillion in 2012. Overall, **regulatory costs amount to $14,678 per family.**
    - Djankov et al. '02
        - A study across 85 countries by Simeon Djankov and colleagues found that countries with **heavier regulation of entry have higher corruption** but not better-quality products.
    - Heritage '15
        - Due to costly and unnecessary government policies and regulations, they spend an extra $200 on food, $145 on utilities, $251 on gasoline, $486 on cars, $1,169 on housing, and $1,713 on consumption in general. That is $3,964 per year that the Smiths cannot spend on college tuition, their leaky garage roof, or the 30th anniversary trip that they keep delaying.
    - AEI '07 (Page 174)
        - People made poorer by the costs of regulations do fewer of these things and are less healthy as a result. Risk researchers estimate that every $17 million in regulatory costs induces one additional statistical death.
    - How do federal regulations affect consumer prices? An analysis of the regressive effects of regulation
    - Regressive effects of regulation on wages

- **Regulation impact on the car industry**
    - Cato '14
        - A paper exploring data from 1972 suggested that all of the regulations combined raised new car prices by around 9 percent.
    - AEI '07 (Page 19)
        - Per mile of driving, the risk of dying in a car accident dropped 75 percent between 1925 and 1966— before Congress adopted the National Traffic and Motor Vehicle Safety Act and created the National Highway Traffic Safety Administration.

- **Regulation impact on food**
    - Martin '20
        - Food price controls were responsible for nearly 40% of the increase in the price of wheat in the period between 2010-2011.
    - AAF '14
        - Four recent government regulations will increase food prices by approximately $14.
    - Kelly '10 (Page 186)

        - Indian economist Amartya Sen won a Nobel Prize for demonstrating that most famines are caused not by lack of food but by governments' ill-advised intrusions (aka regulations) into the functioning of markets. The rising food prices could only come from government printing presses. Otherwise, prices could not rise dramatically unless the real supply of food was quickly disappearing.

- **Regulation impact on worker safety**
    - FEE '19
        - The Occupational Safety and Health Administration (OSHA), which Congress established in 1970 as a regulatory mandate, was to assure for all workers safe and healthful working conditions "by encouraging employers and employees in their efforts to reduce the number of occupational safety and health hazards at their places of employment." Yet, unsurprisingly, OSHA's 30-year record has been marred by failure. According to a regulatory analysis performed by the Cato Institute, while OSHA supporters cite evidence attesting to the agency's effectiveness, "the vast majority of studies has found no statistically significant reduction in the rate of workplace fatalities or injuries due to OSHA."
        - OSHA's failure has also been bad for business. A 1995 study by the Employment Policy Foundation found that 19 percent of the productivity slowdown in the 1970s was directly attributable to regulations imposed by OSHA and that nearly half of the slowdown in long-term productivity can be explained by rising government regulatory activity.
    - AEI '07 (Page 19)
        - Between 1930 and 1971—the year that the Occupational Safety and Health Administration was created—the risk of dying in a workplace accident dropped nearly 55 percent.

- **Regulation impact on competition and entrepreneurship**
    - Mercatus '15
        - "We find that large incumbents are actually less likely to die when their industry becomes more regulated. That finding suggests that incumbents, in particular, benefit from increasing levels of regulation and provides support for the idea that incumbents might actively seek increasing regulation to deter entry and limit competition (consistent with capture theory)."
        - "We also find that a 10 percent increase in regulation leads to a 0.5 percent reduction in new firm births and a 0.9 percent reduction in hiring. Over the period 1998 to 2011 that we study, RegData shows that the overall level of federal regulation increased by 24 percent. Thus, our

results suggest that from 1998 to 2011, increased federal regulation reduced the entry of new firms by 1.2 percent and reduced hiring by 2.2 percent. That result implies that returning to the level of regulation in effect in 1998 would lead to the creation of 30 new firms and the hiring of 530 new employees every year for an average industry."

- Thomas '17
  - More-regulated industries experienced fewer new firm births and slower employment growth in the period 1998–2011. Large firms may even successfully lobby government officials to increase regulations to raise their smaller rivals' costs.
- NBER '09
  - "We provide evidence suggesting that regulation is partly responsible for rising concentration."
- Holly Wade '20
  - In a March 2020 survey, the National Federation of Independent Business (NFIB) asked small business owners to rate the importance of 75 different economic issues for their firms. After the cost of health insurance, finding and retaining good employees, and taxes, the biggest issue was "unreasonable government regulations."
  - The organization's surveys since the 1980s consistently find that regulations are one of the "most important problems" faced by small businesses.
- Chambers et al. '19
  - Controlling for other factors, we find that a 10 percent increase in regulatory restrictions on a particular industry is associated with a reduction in the total number of small firms within that industry by about 0.5 percent, while simultaneously having no statistically significant association with the number of large firms in that industry.
- Batkins '17
  - A 10 percent increase in cumulative regulatory costs, there is a 5 to 6 percent fall in the number of businesses with fewer than 20 workers. That translates to a loss of over 400 small businesses in an industry.
  - Meanwhile, those same regulations are associated with a 2 to 3 percent increase in businesses with 500 or more workers, indicating that those larger businesses are more capable of absorbing regulatory cost burdens. Small businesses will have a more difficult time complying with the cumulative effect of regulations, which could result in lost jobs.
- Palagashvili '20
  - A 2020 study that looked at 19,585 technology startups in the United States and Canada across industries. Their results "suggest that more regulated industries may exhibit lower rates of entry and that more

regulated industries are associated with a greater likelihood of a startup closing."
- A 1 percent increase in the regulatory index is associated with a statistically significant 5-percentage point reduction in startup birth rates.

- NSBA '17
  - Forty-four percent of small firms report spending 40 hours or more each year dealing with new and existing FEDERAL regulations, and nearly one in-three spend more than 80 hours each year.
  - Taken cumulatively, the average small-business owner is spending at least $12,000 every year to deal with the costs of regulation.
  - These worries coupled with significant regulatory costs associated with a business' first year—$83,019—and it's no wonder why we've seen lagging start-up rates in recent years.
- Mercatus '20
  - Our results imply that the average level of annual regulatory growth (3.55 percent) increases operating costs per unit of output by 3.3 percentage points per year relative to a baseline of no regulatory growth.

- **Regulation impact on unemployment**
  - Feldmann '09
    - Using data on 73 economies for the years 2000 to 2003, this paper empirically analyzes the effects of labor regulation on unemployment around the globe. According to the regression results, stricter regulation generally appears to increase unemployment.
  - Feldmann '09
    - Using data from 19 industrial countries for 5 years in the period 1990–2002, this paper analyzes to what extent anticompetitive business regulations, like price controls and administrative obstacles to start a new business, affect labor force participation and employment rates. According to the regression results, they appear to lower both. Corruption, which is one result of strict business regulation, is also found to lower labor force participation and employment rates.

- **Regulation impact on discrimination**
  - Starr '16
    - "Ban-the-box" policies (a government regulation) basically prevent employers from asking about applicants' criminal histories on job applications (with the idea of reducing unemployment among young black men), often ironically encourage statistical discrimination based on race by employers:

        - Before the BTB regulations, white applicants to BTB-affected employers received about 7% more callbacks than similar black applicants, but BTB regulations increased this gap to 45%.
    - Hansen '20
        - We find that BTB policies decrease the probability of employment by 3.4 percentage points (5.1%) for young, low-skilled black men.

- **Deregulation General Benefits**
    - Bumann et al, 13
        - Meta analysis determines that across the board, financial **deregulation has improved economic performance**

- **Deregulation impact on prices**
    - NBER '91
        - The success of deregulation in creating a viable private rail freight system in the U.S. since 1979 is relatively undisputed
        - we estimate that by 1986 about 91% of the reduction in accumulated costs is due to deregulation, and about 9% is directly due to mergers and acquisitions (which in turn were facilitated by regulatory reforms)

- **Deregulation impact on the airline industry**
    - Kelly '10
        - From the beginning of the airline industry until 1978, the Civil Aeronautics Board (CAB) controlled an artificial cartelization of the airline industry. It limited competition, kept fares far above the free-market price, and allowed politically favored airlines to obtain profitable routes. Competitors were prevented from entering the industry or literally put out of business when the CAB prevented their operations from continuing. In 1978 the government abolished the CAB and allowed airlines to more freely compete, after which, new air-lines cropped up, and inefficient ones left the industry. The result was fares that were 40 percent lower, a 50 percent increase in flights, and a 112 percent increase in passenger boardings over the next 20 years.
    - Cato '14
        - Forty years ago, the Civil Aeronautics Board (CAB) regulated the airlines industry, prohibiting new carriers, controlling routes and fixing rates. Academic work in the 1960s and 70s increasingly showed that the sector was inherently competitive and that regulation was simply raising prices for consumers. The CAB gradually relaxed ticket sale regulations, and approved carrier requests for more pricing freedom and control of routes.

Subsequently, Congress passed the Airline Deregulation Act in 1978, removing federal control over routes and fares in the early 1980s (though subsidies to maintain some routes were implemented). This all led to a big increase in the number of carriers, and it has been estimated that between 1977 and 1996 real airfares fell by 40 percent. The Federal Trade Commission estimated that deregulation itself reduced fares by 25 percent.

- Heritage '13
  - Airline deregulation has reduced costs for consumers by an estimated $19 billion to $20 billion per year. Deregulation led to the evolution of the classic hub-and-spoke system in Charlotte, Detroit, Phoenix, St. Louis, and many other cities. Those living near these cities have far more options for flights and destinations. Additionally, those living in small cities on the spokes of the hub have access to myriad destinations via the hubs. Deregulation has allowed entrepreneurs to build successful new companies like Southwest and JetBlue that have transformed the industry with low-price, short point-to-point service.

- **Deregulation impact on the trucking industry**
  - Heritage '13
    - Since 1935, the trucking industry has been controlled by the Interstate Commerce Commission (ICC), which previously imposed heavy regulations that restricted entry into the market (and thus protected incumbent companies), as well as the prices and routes of carriers. After it became apparent that overregulation was unnecessarily increasing costs, Senator Ted Kennedy (D–MA) worked with President Carter to deregulate the industry. In 1980, President Carter signed the Motor Carrier Act of 1980, which restricted the ICC's regulatory authority over the industry. Like the Airline Deregulation Act, the Motor Carrier Act eased entry into the market, generated greater flexibility in choosing routes by competing companies, and allowed more market-based pricing by the companies themselves. Once again, the results were extremely positive:
      - Competition in the industry grew dramatically. A decade after deregulation, the number of licensed carriers in the industry had more than doubled.
      - Costs for consumers fell. Shipping rates for all but the largest shipments dropped by as much as 40 percent following deregulation.
      - Inefficient firms were eliminated from the market. Just four years after the Motor Carrier Act had been signed into law, the number of companies that had ceased intercity operations had increased nearly tenfold.

        - A marked increase in truckers' ability to offer on-time and flexible service made business easier for manufacturers.

Minimum Wage

Good google document on the minimum wage
Amazing document with many logical reasons against the minimum wage
https://www.youtube.com/watch?v=LzL_UaXos9I

- **Effects on unemployment**
    - CBO '19
        - The Congressional Budget Office found that raising the federal minimum wage to $15 an hour by 2025 would lift 1.3 million people out of poverty **— but also put another 1.3 million people out of work.** The raise would **reduce total real family income by $9 billion.** The CBO released an interactive calculator based on its analysis that reveals the effects of minimum wage increases at various levels.
    - Kreiner '18
        - Danish minimum wages cause an **increase in average wages of 40 percent** when workers reach age 18. This **increase in wages causes a 33 percent decrease in employment when workers turn 18**, almost all of which comes from job loss. Theory suggests that we can use this effect to estimate the effect of a change in the youth minimum wage on their employment, **holding adult minimum wages fixed**. Applying this reasoning, we find that the relevant employment elasticity is likely in the range of **0.6 to 1.1.**
    - Powell '14
        - A 100-percentage point increase in Indonesia's minimum wage was associated with a decrease in employment between 12 and 36 percent.
    - Commission Report '81-Meta Analysis
        - **Study 1:**
            - ❑ A 1 percent rise in the effective minimum wage could eliminate 309,000 jobs. In the worst case, it would wipe out employment opportunities for more than 1.4 million Americans.
        - **Study 2:**
            - ❑ A gruesome 1.4 percent of the workforce will ultimately be disemployed in order to achieve a 1 percent increase in the effective minimum wage.
        - **Study 3:**

- Every 10 percent increase in the minimum wage reduces employment opportunities for teenagers by 80,000 to 240,000 or more jobs. Minority youths suffer the most, and young black females are hurt the worst of all. Older workers feel the minimum wage crunch even more severely: each 10 percent rise in the minimum wage eliminates 2.9 million jobs for adults.

- Sabia '12
  - A 2012 analysis of the New York State minimum wage increase from $5.15 to $6.75 per hour found a 20.2 to 21.8 percent reduction in the employment of younger less-educated individuals.
- Hicks '10
  - A 2010 analysis by Michael J. Hicks found: "the latest round of minimum wage increases" account for roughly 550,000 fewer part-time jobs, including roughly 310,000 fewer teenagers working part-time.
- NBER '12
  - A paper estimated that with the average effective minimum wage rising by 30 percent across the United States in the late 2000s. These minimum wage increases reduced the national employment-to-population ratio by 0.7 percentage point.
- Brown '82
  - A survey of economic research in the Journal of Economic Literature, published in 1982, found many studies concluded that each 10% increase in the federal minimum wage lowers teenage employment by about 1%. Toward the end of the 1980s — a decade in which the federal minimum wage plateaued at $3.35.
- Currie '96
  - Using panel data on individuals from the National Longitudinal Survey of Youth, we find that employed individuals who were affected by the increases in the federal minimum wage in 1979 and 1980 were about 3 percent less likely to be employed a year later, even after accounting for the fact that workers employed at the minimum wage may differ from their peers in unobserved ways.
- Fraser '14
  - A 10% increase in the minimum wage is likely to decrease employment by 3 to 6% for young workers aged 15 to 24. Furthermore, for workers with pay at or near the existing minimum wage, the impact is more acute, with employment losses of up to 20%.
- Neumark '21
  - **79% of studies find that the minimum wage costs jobs.** Those which do not tend to have flawed methodologies; or focus on industries such as

restaurants where it is easy to replace low skill workers with high skill workers.

  - Google Doc on why Minimum Wage is Bad
  - Another great google doc on why minimum wage increases is also bad

---

- **Refuting studies concluding the minimum did not hurt employment:**
  - ***Card-Krueger Study '92***
    - Roth '15
      - Kruger found that: "*We find no indication that the rise in the minimum wage reduced employment.*" However, Kruegers study suggests that in a short-term response to the minimum wage hike, few businesses fired anyone. Instead, they raised their prices — something Card and Krueger found — to cover their extra labor costs, and left employment where it was. It makes sense, as employers might not want to immediately, significantly alter their business plans in response to a small increase in the minimum wage. In the medium to long term, though, a different picture emerges. Higher minimum wages mean fewer businesses will open, and struggling ones will close more quickly. Instead of affecting the number of jobs in an economy, minimum wage hikes affect the rate of job growth. Therefore, in the months after a minimum wage hike, a state may see a similar level of employment relative to what might have been had the minimum wage remained the same. Several years after the hike, however, there will be significantly fewer jobs available than there otherwise would have been.one.
    - Please Stop Helping Us by Jason L. Riley '16
      - Gary Becker wrote that Card and Kruger studies had "serious defects" Donald Deere Fin Welch and Kevin Murphy--spelled out in detail. A major flaw turned out to be the shortness of the sample periods used in the case studies, which didn't allow enough time for the negative employment effect to show up, "subsequently research has tended to confirm evidence of adverse long run effects of the minimum wage on employment," explained by Neumark and Wascher pg. 63-64.
      - After scrutinizing Card and Krueger's studies and identifying methodological shortcomings, the authors conclude, "Artificial increases in the price of unskilled laborers inevitably lead to their reduced employment; the conventional wisdom remains intact."
    - Neumark '92

- [ ] Neumark responds to Krueger's study in the link above and further finds that minimum wage did hurt employment.
- [ ] Krueger responds to Neumark here, Neumark replies here, Krueger responds back here, and Neumark replies here.
- [ ] Krueger then created another study showing that minimum wages did not hurt employment. Neumark again replies here, Krueger then responds here, Neumark replies here, Krueger responds here, and finally, Neumark responds with a meta analysis here
    - *Jesus Christ, Neumark and Krueger's relationship is like a superhero versus a villain (hint: Neumark is the superhero).*
- Sense and Nonsense on the Minimum Wage

- ***NELP study '16***
    - Worstall '16
        - This study shows "no correlation between minimum wage increases and unemployment." However, this study has major flaws for several reasons:
        - **1)** They do not exclude cases where states had minimum wages above the federal minimum wage. A federal increase to $5 will have no effect when the minimum wage is $5 on the state level already, that is not a scientific finding.
        - **2)** They are looking at data one year after the hike, which is disgustingly aggregated. The minimum wage would need to eliminate all jobs gained throughout that year to register as a negative. Why not look at a decade after the minimum wage increase? 50 years? That they thought this was okay is baffling.
        - **3)** They say that for some hikes, they only had annual data while for others, they had monthly data. None of this monthly data is shown, probably because it would display the setback that the minimum wage caused. Only presenting the data after a full year hides this setback.
        - **4)** They are looking at absolute numbers. Total employment can increase while still increasing unemployment when there are more people in total.
        - **5)** They mention that the cases where a decrease was recorded could be explained by economic downturns, but omit that the same applies vice versa.
        - **6)** They explain some of the decreases by saying they were "shortly before or after recessions", but the economy does not decline before or after recessions. At best they would have lower

growth, which makes it more difficult to mask the job losses through a better economy, and may thus reveal negative effects despite their best efforts to hide it.

- **7)** It is looking solely at the number in employment over the years and decades. It is not looking at the portion of the workforce employed, those listed as being unemployed, the number of those who would like a job but cannot get one. It's not recording discouraged workers, teen unemployment rates, minority unemployment rates: just the total number of people in employment at each date.

- **Effects on earnings**
  - NBER '19
    - In 2017, researchers from the University of Washington studied the effects of Seattle's minimum wage increase to $15 an hour. **They found that the average workers' earnings dropped by $125 a month due to cuts in workers' hours.** Overall, costs to workers outweighed the benefits by 3 to 1. The study also estimated that there are about **5,000 fewer low-wage jobs in the city than there would have been without the law.**
  - Harvard '21
    - "For every $1 increase in the minimum wage, we found that the total number of workers scheduled to work each week increased by 27.7%, while the average number of hours each worker worked per week decreased by 20.8%," the researchers wrote. "For an average store in California, these changes translated into four extra workers per week and five fewer hours per worker per week — which meant that the total wage compensation of an average minimum wage worker in a California store actually fell by 13.6%." Thus, **minimum wage hikes led to lower workers compensation.**
  - FEE '21
    - "[Our research] suggests that as minimum wage increases, firms may strategically adjust their scheduling practices to reduce the number of workers eligible for benefits. Our estimates suggest that the average store in our California data set recouped approximately 27.5% of the increase in its wage costs through savings associated with reducing benefits."
  - David Neumark '08
    - "…the evidence suggests that higher minimum wages tend, on average, to reduce the economic well-being of affected workers. Evidence regarding the effects on workers initially paid at or just above the minimum suggests that their labor income declines as a result of minimum wage increases,

reflecting negative effects of minimum wages on employment and hours. (p.139)”

- Heritage ‘17
    - “Counting **both costs and benefits shows that minimum-wage increases provide little net benefit to the poor**; in fact, **more low-income families lose more than gain**.”
- Mark J. Perry ‘17
    - One analysis on the effect of a $15 minimum wage in 2020 is rather startling. Assuming no job loss but modest wage growth between 2015 and 2020, we estimate that a $15 minimum wage would cause the percentage of hourly workers paid the minimum wage to increase from 3.3 percent in 2015 to 44.0 percent in 2020. Clearly, a $15 minimum wage would cause significant compression of the wage distribution among hourly workers.
- NBER '18
    - Using American Community Survey data from 2011-2016, we find robust evidence that state-level minimum wage change decreased the likelihood that individuals report having employer-sponsored health insurance. Effects are largest among workers in very low-paying occupations, for whom coverage declines offset 9 percent of the wage gains associated with minimum wage hikes.

- **Effects on consumer prices**
    - Purduer '17
        - A Purdue University study released in 2015 found that raising wages to **$15 an hour** for limited service restaurant employees would lead to an estimated 4.3 percent increase in prices at those restaurants. The findings of the Purdue study are echoed by the results of a 2019 survey of 173 restaurants representing more than 4,000 locations about the impact of hikes in the minimum wage. The survey revealed: **71% of restaurant operators raised menu prices** — the most common response.
    - NRP '18
        - The 2012 Wilson review noted: A 2004 review of more than 20 minimum wage studies looking at price effects found that a 10 percent increase in the U.S. minimum wage raises food prices by up to 4 percent.
    - Lemos '04
        - The study concludes in regard to consumer prices by Sara Lemos also reported that a 10 percent minimum-wage increase raises overall prices by about 0.2 percent to 0.3 percent.
    - Heritage '17

        - This paper looks at multiple studies:
        - A $15 starting wage would increase fast-food prices by at least one-fourth.
        - One study found the South's higher effective minimum wage increased service prices. Each 10 percent difference in the effective minimum wage raised Southern service prices by 2.7 percent.
        - found that a 10 percent increase in the minimum wage raises over- all restaurant prices approximately 0.7 percent. Unsurprisingly, they found larger effects in restaurants that employ more minimum-wage workers. Prices increased twice as much—by approximately 1.5 percent—at fast-food restaurants. In lower-wage regions, fast-food prices rose 1.8 percent.
        - Data from the French version of the CPI examined how France's annual minimum-wage increases affected restaurant prices. They concluded that a 10 percent minimum-wage increase raises restaurant prices by approximately 1 percent.
    - Berkeley '16
        - We analyze 844 Internet-based restaurant menus that we collected before and after San Jose, CA implemented a 25 percent minimum wage increase in 2013. Our estimated minimum-wage price elasticities are: 0.058 for restaurants as a whole, 0.083 for limited-service restaurants, 0.040 for full-service restaurants, 0.077 for small restaurants, 0.039 for mid-sized restaurants, 0.098 for chains and 0.062 within chain-pairs. These estimates are very similar to our estimate of payroll costs increases net of turnover savings, **implying that nearly all of the minimum wage increase is passed through to consumers**
    - Michael '16
        - A paper by the IRLE found that overnight 25 percent increase in San Jose in 2013 led to price increases, on average, of about 1.5 percent.
    - Siegenthaler '20
        - We find that a 10% minimum wage hike translates into a 0.36% increase in the prices of grocery products.

- **Effects on minorities**
    - Neumark '17
        - According to economist David Neumark of the University of California at Irvine, for every 10 percent increase in the minimum wage, employment for 16-19 year old black and Hispanic teens falls 6.6 percent.
    - https://www.epi.org/publication/the-erosion-of-the-federal-minimum-wage-has-increased-poverty-especially-for-black-and-hispanic-families/
        - Black and Hispanic poverty rates would be almost 20% lower had the minimum wage remained at its 1968 inflation-adjusted level
    - EPI '09

        - Research out of Johns Hopkins University (2000) showed that black and Hispanic teens in central urban areas are more likely to become idle—that is, neither employed nor enrolled in school—as a result of a minimum wage hike.
    - Sowell '15
        - In 1925, a minimum-wage law was passed in the Canadian province of British Columbia, with the intent and effect of pricing Japanese immigrants out of jobs in the lumbering industry.
        - More on Thomas Sowell's Minimum Wage text here, and here.
    - Sundstrom '97
        - Prior to the Fair Labors Standards Act (FLSA), which instituted the first federal minimum wage of 25 cents per hour, the black-white unemployment gap did not exceed 1 percent. Today, the black unemployment rate is twice that of whites. Raising it, as is suggested by multiple Democratic presidential candidates, would only accelerate this phenomenon.
    - Commission Report '81
        - A rising minimum wage broadens the income gap between blacks and whites, leaving black families proportionately further behind than ever.
    - The Racist History of Minimum Wage Laws | Chris Calton
    - The Historically Racist Motivations Behind the Minimum Wage | Forbes
    - Misreading the Minimum Wage—and Race: A New York Times op-ed illustrates the misconceptions that dominate such discussions.
    - https://fee.org/articles/7-quotes-that-reveal-the-racist-origins-of-minimum-wage-laws/

- **Effects on poverty**
    - Sabia '10
        - A paper published in the *Southern Economic Journal* in 2010 found that state and federal minimum wage increases between **2003 and 2007 had no effect on state poverty rates and that the working poor face a disproportionate share of the job losses**. "Our results suggest that raising the federal minimum wage continues to be an inadequate way to help the working poor."
    - Mark Wilson '12
        - The 2012 Wilson review noted that since 1995, eight studies have examined the income and poverty effects of minimum wage increases, and all but one have **found that past minimum wage hikes had no effect on poverty.**
    - Commission Report '81

        - Nine out of every ten U.S. families are financially worse off whenever the minimum wage rises.
        - More than 80 percent of families on the lowest rung of the economic ladder suffer from increases in the minimum wage.
        - Half of the 10 percent that do benefit from increases in the minimum are in upper-income brackets.
    - Heritage '17
        - Counting both costs and benefits shows that minimum-wage increases provide **little net benefit to the poor; in fact, more low-income families lose more than gain."**
    - Partridge '99
        - Studies results suggest that increases in minimum wage rates and coverage **do not reduce poverty rates or income inequality.**

- **Effects on business profits and entrepreneurship**
    - Economist '08
        - UC Irvine researchers studied the effects of Israel's minimum wage hike on business owners from 2006 to 2008. **Businesses with 60-80% minimum wage staff saw their profits nearly cut in half.** Profits fell more for low-income owners than for high-income owners.
    - Harvard '17
        - "Higher minimum wages have increased overall failure rates for Bay Area restaurants. The study found that a $1 increase in the minimum wage increases the overall likelihood of a restaurant going out of business by 4% to 10%."
    - Gao '17
        - Economist Xiaohui Gao examined data on state minimum wages and startup survival rates by state from 1982 to 2014. She found that "a 1% increase in the minimum wage is associated with a 3.5% decline in the survival rates of startups."
    - Draca '11
        - "Minimum wages raise wages, but also significantly reduce profitability (especially in industries with relatively high market power). This is consistent with a simple model where wage gains from minimum wages map directly into profit reductions."
    - Babiak '19
        - "The minimum wage increase contributed negatively to firm profitability. Intuitively, the increased labor costs due to a higher wage floor directly reduce profits in the absence of labor demand adjustments."
    - Chava '19

        - In a 2019 study, economists Sudheer Chava, Alexander Oettl, and Manpreet Singh examined how minimum wage laws affect small business finances.They used a large dataset of small business finances covering the years 1989 to 2013 and examined variations in state minimum wages. They found that increases in the minimum wage rate correlate with “lower bank credit, higher loan defaults, lower employment, a lower entry and a higher exit rate for small businesses.”
    - https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.35.1.51

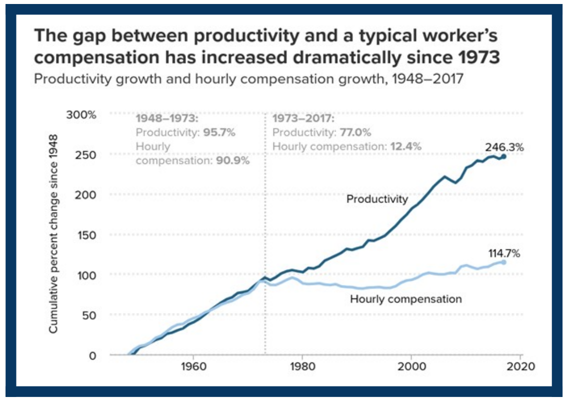
- **Effects on crimes**
    - Sabia '19
        - “Our results are clear. Over the period from 1998 to 2016, we find that minimum wage hikes increased property crime arrests among those ages 16 to 24. This is precisely the age group for whom we find minimum wage-induced job loss. Specifically, we find that a 10-percent increase in the minimum wage is associated with a 2-percent increase in property crime. We estimate that such a policy shock could lead to over 410,000 additional property crimes, generating $2.4 billion in additional crime costs to society.”
    - BCE '13
        - A 2013 study by Boston College economists found that: “Low-skilled workers affected by minimum-wage hikes were more likely to lose their jobs, become idle, and commit crime.” The authors of the study emphasized the “dangers both to the individual and to society from policies that restrict the already limited employment options of this group.”
    - Fone '20
        - This study comprehensively assesses the impact of minimum wages on arrests using data from the 1998-2016 Uniform Crime Reports (UCR) and the 1998-2016 waves of the National Longitudinal Survey of Youth 1997. In contrast to the CEA claim, our results provide no evidence that minimum wage increases reduce arrests. Instead, we find that raising the minimum wage increases property crime arrests among 16-to-24-year-olds, with an estimated elasticity of approximately 0.2. This result persists when we use longitudinal data to isolate workers for whom minimum wages bind. Auxiliary analyses using the Current Population Survey (CPS) suggest that our findings are likely driven by adverse labor demand effects of the minimum wage. Our estimates suggest that a $15 Federal minimum wage could generate criminal externality costs of nearly $2.5 billion.

- **Why the minimum wage law should be abolished**
    - Davies, Harrigan '19
        - When the price of any product goes up, people buy less of it. Similarly, minimum wage increases cause the price of labor to go up, and when that happens, people, in this case employers, hire less labor. The thing is, a higher minimum wage doesn't make workers more productive; **it simply makes them more expensive.** This is because if higher wages increase worker productivity beyond the cost of the increase, **employers would be raising wages voluntarily.** Abolishing the minimum wage would allow companies to compete for employees the same way they have to compete for customers. Through supply and demand, competitive market forces drive up the wage rates of most workers to levels considerably above the current federal minimum rate.
    - Hanke '14
        - The success of no minimum wage laws has proven its success in many other countries: In the 21 countries **with a minimum wage, the average country has an unemployment rate of 11.8%.** Whereas, the average unemployment rate in the seven countries without mandatory minimum wages is about **one third lower at only 7.9%.** Another example is Denmark where minimum wage laws are also absent, the lowest-paid Danish employees receive an **average of approximately £13 an hour ($18.10 US),** which is significantly more than the US average minimum wage. The success of no minimum wage has also proven its success in many other countries as well. Essentially, minimum wage laws don't make employment more productive, **it simply makes it more costly, and abolishing minimum wage laws would get rid of this specific issue.**
    - Bhagat '20
        - A number of European countries have no federally mandated minimum wage, including Sweden, Denmark, Norway, Iceland, Switzerland, Finland, and Cyprus, all of whom have net average monthly salaries approximately 1.5x or greater than the European median, when adjusted for the cost of living in PPP.
    - Abolishing the minimum wage by Aleks Popovic

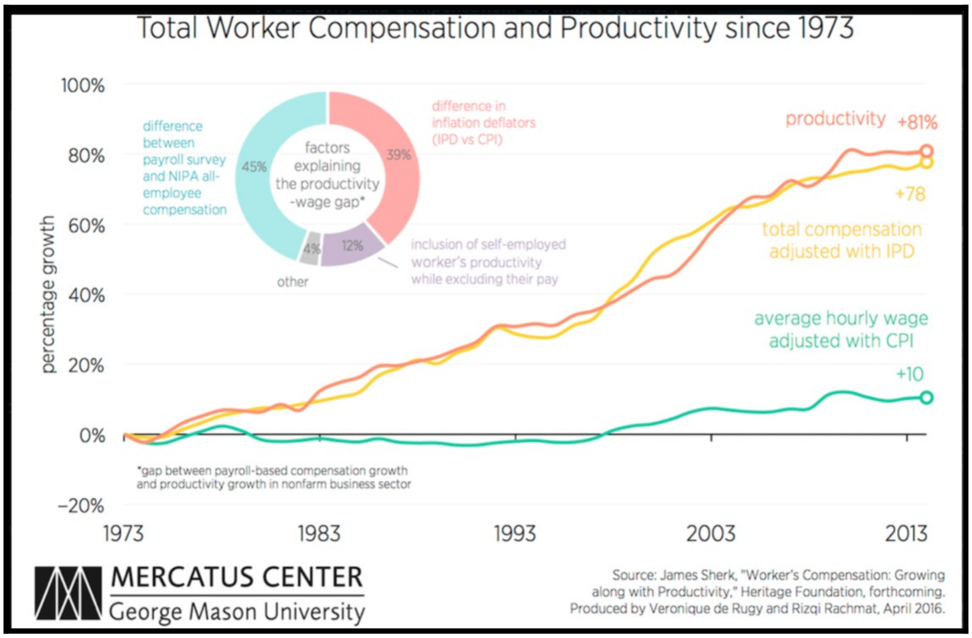
- **"Debunking: "Without a minimum wage, capitalists will underpay workers."**
    - Kelly '10
        - **Short answer:** competition makes it not profitable to underpay workers

        - **Long answer:** If a worker with a particular skill set, knowledge base, and education can produce work that brings in $40,000 in revenues, tight competition in the labor market will cause that laborer's wage to be bid up to $40,000 as well, minus the amount needed to achieve the going rate of profit. If one firm tried to underpay the worker with a salary of $35,000, (ignoring, for the moment, the discount needed to achieve the required rate of profit) that person would be an undervalued asset because their associated revenues will be higher than their com- pensation/cost. Another firm would be inclined to offer the worker $38,000, another $39,000, and so on until the workers' wage is ultimately bid up to $40,000. But the price will not be bid higher because if a firm paid more than the $40,000 the worker is capable of producing, it would lose money. Similarly, all workers together (along with supplies, machines, etc.) are paid the most that can be paid for them without losing a moderate profit margin. total costs for a company, on average, will be equal to the amount of money the company takes in, except for the amount discounted from costs that is equal to the average, economy-wide rate of profit.25 Were there no waiting and no capi- tal involved, a company's costs would equal the amount of money it brought in. What does all this lead up to? Simply this: far from exploiting workers, companies do exactly the opposite. they (1) create jobs, (2) pay workers more than they would make on their own by being self-employed, and (3) provide the tools, technology, and machines to improve productivity and increase profits, thereby raising wages. All of this is thanks to entrepreneurs, business owners, and capitalists (who in some cases may be one and the same).
    - Libertarian Fact Sheet
        - Indeed, as shown here, countries without minimum wage laws typically have higher employment rates and have higher wages than countries with a minimum wage law.

- **Debunking**: **"Wages have not tracked productivity."**
    - Carnes '18
        - You may have seen this argument made by the Economic Policy Institute. The first chart (below) shows a disconnect between productivity and pay starting around the year 1973 and continuing into the present day:



    - **There are two basic problems with this chart.** The first problem is that it **only considers *wages.*** When all compensation is considered, which **includes wages and non-wage benefits like health insurance, maternity leave, and life insurance among others, total compensation more closely tracks productivity.** The second problem is that this chart arguably **uses an inappropriate measure of inflation**, the CPI, which shows a very small increase in wages. The CPI is a measure of inflation more suited to the consumer market. **Labor is a factor of production and, thus, a measure of inflation in the factors market is more appropriate**, like the Implicit Price Deflator.
    - Once you take these factors into account, **compensation has tracked the increase in productivity to the tune of 77 percent**, a far cry from the 7 percent decline that the CPI shows for only wages.
- Alston '08
    - In the more recent period between 2000 and 2007, productivity rose at a much more rapid 2.9 percent a year and compensation per hour rose nearly as fast, at 2.5 percent a year. Hence, "Total compensation reflects growth in productivity."
- Worstall '16
    - The difference comes from using pay and productivity data collected from different sources and with different methodologies—**statistical apples and oranges that cannot be directly compared. The data includes only wages, not total compensation (which includes benefits), and adjusts wages and productivity for inflation differently.** Further, it **does not account for factors that artificially boost measured productivity**: increases in the rate of depreciation and inaccurate measuring of import prices. Adjusting the data to account for these factors **eliminates most of the apparent gap between pay and productivity.** In fact, further research has confirmed that **US total wages have been rising faster than US productivity**
- NBER '19
    - In summary, basic theory reminds us that **real compensation should be measured using the same price index** that is used to calculate productivity. When this is done, the rise in **compensation has been very similar to the rise in productivity**

- [Lawrence '15]
    - **"**But when the numbers are measured more comprehensively—when wages are broadly **defined as compensation to include benefits**, comparable price indexes are used to calculate differences in wage and output growth in constant dollars, and the output is measured net of depreciation—**the puzzle of lagging wages disappears."**
- [Reenen '13]
    - Shows that labour productivity tracks labour compensation **reasonably well.**
- [Shannon '17]
    - Once total compensation is factored in, **average wages have grown with average productivity.**
- 

- https://capitalaspower.com/2020/11/debunking-the-productivity-pay-gap/

The Top 1%

- **Wealthy individuals are on average, more diligent workers**
    - [MFoundry '20]
        - Research conducted by Thomas Corley of Rich Habits, showed that **86 percent of wealthy people who work full time put in 50 hours or more each week at their career.** On the other hand, the average full time worker works just [40 hours] a week. 88 percent of self-made millionaires

read at least 30 minutes every day, focused on self education. The average American on the other hand reads just 16 minutes a day.

- **Debunking: "The wealthy can't spend all their money"**
  - CN '21
    - This misunderstanding stems from this concept that since the wealthy cannot use all their money, it can't be used efficiently, as it does not stimulate the economy. However an objection to this would be that the wealthy do stimulate the economy just in different ways than the average person. First we must recognize that the wealthy do not just keep their money stuffed under their mattress, even if we ignore the jobs they create, and look solely at the wealth they have accumulated, they still directly and indirectly stimulate the economy. For example, let's take banks, when the wealthy give his money to the bank, the bank distributes and loans out that money to small businesses, which means that the wealthy person in this case would be stimulating the economy just by using the bank as a medium. Another example of this would be something like the stock market, this is pretty self-explanatory, the wealthy person is stimulating the economy like any other consumer, just using the stock market instead, so from these 2 examples we can come to the conclusion, that even if we ignore the jobs that the wealthy create, and we assume that they can't spend their money, they still stimulate the economy, both directly, and indirectly.

- **Debunking: "the rich just inherit their money"**
  - Stanly '10
    - Facts about American millionaires: more than half are entirely self-made. Fewer than 20% inherited 10% or more of their wealth. 58% come from middle class backgrounds. One in five grew up poor.
  - Cato '19
    - "A Peterson Institute study found that 29% of America's billionaires inherited their fortunes."
  - Clifford '19
    - There are 2,604 billionaires in the world, and 55.8% of them are self-made. Another 30.9% of billionaires made at least some of their wealth themselves, according to the report, while only 13.3% inherited their wealth entirely.
  - Sumo '12
    - One of the papers presented at the recent annual meeting of the American Economic Association focused on the 400 richest individuals in the

country ranked by Forbes magazine. The paper, "Family, Education, and Sources of Wealth Among the Richest Americans, 1982—2012," by Chicago Booth Professor Steve Kaplan and Joshua Rauh of Stanford, found that fewer of those who made it on to the Forbes 400 list in recent years grew up wealthier than in previous decades.

- Some 32 percent of the Forbes 400 in 2011 belonged to very rich families, down from 60 percent in 1982. On the other hand, the share of those in the Forbes 400 who didn't grow up wealthy but had some money in the family —the equivalent of the upper middle class—rose by about the same amount. The proportion of those in the list who grew up poor or had little wealth remained constant at roughly 20 percent throughout the same period.

- **Debunking: "The wealthy could end world hunger if they wanted to!"**
  - Ader '20
    - **1.** The vast majority of Jeff Bezos's wealth – probably in excess of 95% – is in shares. Much of the rest is in assets like real estate and vehicles. His available bank balance is probably in the millions – not billions. That is not enough to make major changes to living standards around the world. The obvious answer is that he could sell his shares to get more money in the bank. This is true, but it runs into two problems. First, his shares are what let him have a major say in Amazon – a company he built. If he sold them, he'd be at risk of losing said control. That argument is not going to win plaudits with die-hard socialists, but it does seem a little unfair to demand he relinquish control of his life's work. Second, and more directly important, selling his shares would not convert their full value to spendable dollars. There is a limited market for Amazon shares and trying to sell them all off would reduce their price. That's not to mention that if Bezos suddenly began unloading shares, people might assume that there is something wrong with Amazon, prompting a market panic and driving their price still lower. This is exacerbated by the fact that if Bezos were to lose control of Amazon, consumer confidence in the company would probably decrease, further bleeding share value.
    - **2.** For argument's sake, through some economic magic, Bezos fills up his current account with $166 billion. Reducing the percentage of the global population in hunger from 10.7% to 5% would cost $520 billion, once you consider the impact of climate change. These costs are well beyond even Bezos' net worth, no matter how you slice it.
    - **3.** The United States has spent in excess of $133 billion dollars on nation-building in Afghanistan. Yet Afghanistan remains one of the poorest

countries on Earth, with over a third of its population chronically food insecure.

The Industrial Revolution

- **Child Labor**
  - Majewski '86
    - Although the existence of child labor cannot be denied, it is clear that most pessimists have overstated both its magnitude and the effects on the health of the children involved. In fact, much of the evidence for the pessimist's case comes from the very famous, yet very inaccurate, reports from the government committees investigating the factory system. Almost all of the "condition of England" novels by Dickens, as well as the works of Engels and the Hammonds, have been in large part based on these committee reports (Jefferson, p. 189). Politically motivated and seriously defective, the evidence in these reports is marred by the fact that the doctors who testified against child labor in the factories had not even been in a factory and refused to testify under oath (Hutt, pp. 161-167). Moreover, the great improvement in mortality rates seems to indicate that either child labor was not extensive as before or was less harmful. Indeed, it was the great improvement in productivity instigated by the industrial revolution that has enabled Western capitalist societies to banish child labor.
  - Reed '01
    - Free-labor children lived with their parents or guardians and worked during the day at wages agreeable to those adults. But parents often refused to send their children into unusually harsh or dangerous work situations. Reed notes, "Private factory owners could not forcibly subjugate 'free labour' children; they could not compel them to work in conditions their parents found unacceptable." Professor Ludwig von Mises, the great Austrian economist, put it well when he noted that the generally deplorable conditions extant for centuries before the Industrial Revolution, and the low levels of productivity which created them, caused families to embrace the new opportunities the factories represented: "It is a distortion of facts to say that the factories carried off the housewives from the nurseries and the kitchen and the children from their play. These women had nothing to cook with and to feed their children. These children were destitute and starving. Their only refuge was the factory. It saved them, in the strict sense of the term, from death by starvation."

- **Wages**

- [Williamson '26]
    - The evidence is now so conclusive that one historian has confidently declared that "unless new errors are discovered, the debate over real wages in the early nineteenth century is over: the average worker was much better off in any decade from the 1830s on than any decade before 1820." The most recent evidence suggests that blue-collar real wages doubled between 1810 and 1850, McCloskey, although emphasizing a much longer period of time, also concludes that real wages increased significantly. He argues that real wages rose from an average of £11 per capita in 1780 to £28 per capita in 1860. As one can imagine, the increase in real wages resulted in significant improvements in the standard of living. An excellent example is the changes in diet that occurred. Per capita consumption of meat, sugar, tea, beer, and eggs all increased. An even better indication of the rising affluence was the great increase of imported foods. Per capita consumption of foreign cocoa, cheese, coffee, rice, sugar, and tobacco increased. Meanwhile, meat, vegetables, and fruits, long considered luxuries, were by 1850 eaten regularly.
- [Kelly '14]
    - Real wages of building craftsmen in London in 1780 were 83% higher than those in Paris, whereas the real wages of laborers were 80% higher.

- **Working Conditions**
    - [FEE '86]
        - Although it is certainly true that urban conditions during the industrial revolution were appalling, the aforementioned improvement in mortality rates indicates that conditions were not bad enough to grievously affect the health of the city dwellers. Secondly, the workers voluntarily moved into urban areas, suggesting that the "opportunity cost" of pollution and various other urban discomforts did not outweigh the gains in real wages. For more information on wage growth during the industrial revolution, click [here].
    - [Kelly '14]
        - This study points to the importance of human capital and the quality of the British labor force on the eve of the Industrial Revolution. It shows that in terms of both physical quality and mechanical skills, British workers around 1750 were at a much higher level than their continental counterparts. As a result, new inventions—no matter where they originated—were adopted earlier, faster, and on a larger scale in Britain than elsewhere. The gap in labor quality is consistent with the higher wages paid in eighteenth-century Britain. The causes for the higher labor

quality are explored and found to be associated with a higher level of nutrition and better institutions

---

- **Nutrition and Health**
  - Kelly '14
    - The amount of energy available for work (after the needs of basal metabolic demand) per capita in his estimate was about one-third higher in England than in France: 600 kcal in France in 1785 compared with 812 kcal in England in 1750 and 858 kcal in England in 1800. In terms of the quality of the diet, the data suggest a much higher percentage of animal protein consumption in Britain than on the Continent. British adult laborers consumed approximately 0.7 pounds of meat a day around 1770 may err on the high side, but Floud et al.'s (2011, p. 210) estimates of a per capita consumption of 4.9 ounces in England in 1750 and 4.4 ounces in 1800 still compare favorably with Jean-Claude Toutain's estimates of France's per capita meat consumption of 0.1–0.13 pounds on the eve of the French Revolution.
  - Majewsky '86
    - Per capita consumption of meat, sugar, tea, beer, and eggs all increased during the Industrial Revolution. An even better indication of the rising affluence was the great increase of imported foods. Per capita consumption of foreign cocoa, cheese, coffee, rice, sugar, and tobacco increased. Meanwhile, meat, vegetables, and fruits, long considered luxuries, were by 1850 eaten regularly. In fact, the average weekly English diet of 1850—five ounces of butter, thirty ounces of meat, fifty-six ounces of potatoes, and sixteen ounces of fruits and vegetables—is quite similar to the English diet of today.

- **The Women Population**
  - Mises '18
    - The flawed presentation of facts regarding child labor and the Industrial Revolution is paralleled by the flawed ideology by which the status of women is analyzed. Arguably, women were the primary economic beneficiaries of the Industrial Revolution. This was largely due to their low economic status in pre-Revolutionary times; they simply had more to gain than men. When women had the opportunity to leave rural life for factory wages and domestic work, they poured into the cities in unprecedented numbers. To say factory work "harmed" 18th- or 19th-century women is to ignore the demonstrated preference that they themselves expressed. It ignores the voice of their choices; clearly, the women believed it was an improvement.

- **Environment**
  - Azihari '20
    - This article suggests that compared with the hunter gatherer society, industrialization was significantly more beneficial for the environment.
  - IER '20
    - The Environmental Kuznets Curve (EKC) is a theory that suggests that as economies grow from a pre-industrial state into what we know as a developed state, environmental degradation initially surges, but eventually levels off and finally falls. This is because during the beginning of industrialization, it is more profitable for individuals to pollute the environment; however, with this profit they have gained, it spurs economic growth which then allows individuals to purchase more environmentally beneficial products and services. Hence, the industrial revolution in the long run helped the environment. Evidence for the EKC is here:

- **Inequality**
  - Nardinelli '19
    - The main question with regards to the industrial revolution and wealth inequality is if it really matters. If the industrial revolution raised the living conditions for the proletariat, does it really matter if the gap between them and the bourgeoisie is expanding? I say no because if our goal is to promote progress and well-being, then as long as everyone is becoming both economically and socially improved, then inequality doesn't really matter.
    - There was slow growth lasting from 1760 to 1830 followed by higher growth beginning sometime between 1830 and 1860 which was during the industrial revolution. For this doubling of real income per person between 1760 and 1860 not to have made the lowest-income people better off, the share of income going to the lowest 65 percent of the population would have had to fall by half for them to be worse off after all that growth. It did not. In 1760, the lowest 65 percent received about 29 percent of total income in Britain; in 1860, their share was down only four percentage points to 25 percent. So the lowest 65 percent were substantially better off, with an increase in average real income of more than 70 percent.
    - There is also evidence that consumption per person slightly rose from 1760 and 1820 but rapidly rose after 1820 (which was also during the industrial revolution). On the other hand, according to historians E. A. Wrigley and Roger S. Schofield, between 1781 and 1851, life expectancy at birth rose from thirty-five years to forty years, a 15 percent increase.

Now to link this back to inequality, there is much recent evidence indicating that the effects of inequality are not significant on the living standards of a population.

Refuting Karl Marx and other Anti-Capitalist Arguments

- **Marx's Labor Theory of Value (LTV)**
  - What is it?
    - Marx's analysis rests on an observation made many centuries ago by Aristotle. "There can be no exchange," the Greek philosopher claimed, "without equality, and no equality without commensurability." Every act of exchange, in other words, involves an equality of value; the units of the two commodities being exchanged possess equal exchange value. And, if this is the case, there must be some "common element" of "identical magnitude" that exists in the "two different things" being exchanged that determines this equal exchange value. The puzzle of what governs exchange value will thus be solved if one can identify what this "common element" of "identical magnitude" is. This common element =, according to Marx, that of being products of labor. Therefore, Marx states that after what has gone before, commodities are exchanged in proportion to the socially necessary working time incorporated in them. The LTV is an extremely strawmanned concept so here are a few strawmans individuals make against the LTV and how to further avoid them.
    - **NOTE 1:** Marx does NOT mean that spending 10 hours to make mud-pies would be as valuable as 10 hours of brain surgery. Marx never said that all labor is valuable. According to Marx, value only arises when socially necessary labour is recognised by the market, which any labour spent on making mud pies won't be.
    - **NOTE 2:** Marx does also NOT say that labor by itself is the only driver that increases value. For example, if there is a baker doing 5 hours of baking, socially necessary labor time is NOT only that 5 hours because Marx does indeed take into account the raw materials and the machines that were used by the baker in his 5 hours of labor time. So then, these bakery materials and machines also had their own past labor which are counted into the overall socially necessary labor time. Marx defines value as the number of hours of labor socially necessary to produce a commodity. A said, this includes two elements: First, it includes the hours

that a worker of normal skill and dedication would take to produce a commodity under average conditions and with the usual equipment (Marx terms this "living labor"). Second, it includes the labor embodied in raw materials, tools, and machinery used up or worn away during its production (which Marx terms "dead labor").

    - Now returning back to the explanation to the LTV and this “common element,” according to Marx, use value cannot be the common element because the use values of the commodities being exchanged, Marx claims, rest on their qualitative features, their “geometrical, physical, chemical or other natural” properties. Now, since these properties and the use values that they impart serve to distinguish and differentiate the two commodities being exchanged, they cannot be the “common element” of “identical magnitude” that is being sought. Nevertheless, the exchange value of a commodity is not determined by its value in use. In fact, its precise extent or magnitude bears no systematic relationship with the importance that a commodity has for the well-being of an individual. Disconnected from the subjective wants, desires and perceptions of acting individuals, it is instead an objective property of a commodity. And like other objective properties such as height, weight, etc. it is “intrinsic” to a commodity, “inherent in it,” and is “inseparably connected with it.” **However, this is a flawed analysis of capitalism:**
  - IMPORTANT: to better understand Marxist vocabulary so that you are not strawmanning the arguments, read the first part of **this document** and read **this document**
  - Karl Marx and the Close of His System (1)
    - **Marx ignores the “gifts of nature.”**
    - Now it stands to reason, continues Böhm-Bawerk, that if exchange really means an equalization, which assumes the existence of "a common factor of the same amount," this common factor must be sought and found in every species of goods which is brought into exchange, not only in products of labor, but also in gifts of nature, such as the soil, wood in trees, water power, etc. To exclude these exchangeable goods is a gross error of method, and the exclusion of the gifts of nature is the less to be justified because many natural gifts, such as the soil, are among the most important objects of property and commerce, and also because it is impossible to affirm that in nature's gifts exchange values [this of course should be "prices”] are always established arbitrarily and by accident. And these natural gifts embody no labor time! How then can Marx explain the exchange value of these goods? Surely the common element that governs the exchange values of these goods cannot be the amount of labor time

embodied in them. “Had he (Marx) carried out this limitation quite clearly and openly, the gross fallacy of method would inevitably have struck both himself and his readers.”

- Karl Marx and the Close of His System (2)
    - **Marx Incorrectly Dismisses Use Value as the “Common Element.”**
    - (A) Böhm-Bawerk objects to how Marx eliminates use value as the possible common element that determines exchange value. The use values and the various properties of the commodities that give rise to these values, Marx argues, serve to differentiate and distinguish the two commodities. But, Böhm-Bawerk notes, beneath this heterogeneous exterior there lies a homogeneous substratum. For both commodities in an exchange possess use value; they both bear a causal connection to satisfaction. And, just as in the case of labor, “one can compare values in use of different kinds according to the amount of the value in use.” Why must one focus exclusively on the qualitative aspects of use value that serve to differentiate commodities and ignore the possible quantitative aspect that renders them homogenous? Marx never even addresses this question. Essentially, the fact that 2 different commodities can satisfy human wants is indeed a “common element” between them.
    - (B) Marx, while noting that labor power has qualitative aspects as well as a quantitative aspect, proceeds to ignore the former while concluding that the latter is the common element that he is after. But why the different treatment of labor power and use value? As Böhm-Bawerk asks, doesn’t Marx see that “the same evidence on which Marx formulated his verdict of exclusion against the value in use also holds good with regard to labor?” Why, in the case of labor alone, is he willing to overlook the “concrete forms” of it, “the labor of the joiner, the mason, or the spinner” and focus instead on the “abstract human labor” that is present in all commodities? Essentially, there are different types of labor such as a baker baking bread and someone knitting a shirt meaning that Marx assumes that there is some commonality to that labor. Böhm-Bawerk objects to this line of argumentation and shows how Marx contradicts himself. Marx first states that since properties and the use values that they impart serve to distinguish and differentiate the two commodities being exchanged, they cannot be the “common element” but at the same time, Marx claims that labor is the common element even though there are many different types of labor. Marx basically incorrectly assumes labor is a commonality but when it comes to properties that contribute to use value, Marx assumes a dissimilarity.
- Introduction to Economic Reasoning (Page 98)
    - **Marx Uses Circular Reasoning when Explaining SNLT**

        - Böhm-Bawerk launched his criticism. What determines whether the amount of labor is socially necessary? Sometimes, as in my bookend example, the answer is obvious: we don’t use the work of an incompetent as a criterion. But often it isn’t obvious what to count as socially necessary. Should we adopt the least possible time it takes anyone to produce something as the standard? If not that, what?
        - Böhm-Bawerk noted that to solve this problem, Marx needed actual market prices. “Socially necessary” labor was the labor need- ed to produce goods at the market price. Those who required more labor than this to produce a good were not performing labor that was “socially necessary.”
        - As Böhm-Bawerk pointed out, Marx has reasoned in a circle. He claims that the market price of a good is determined by the labor socially necessary to produce it. He cannot then appeal to the good’s market price in order to find out how much labor is socially necessary.
        - To use market prices to reduce the types of labor to a common measure blatantly reasons in a circle. The fallacy Marx commits is exactly the same as the one of which he was guilty in defining “socially necessary” labor.
    - Karl Marx and the Close of His System (3)
        - **Commodities are NOT exchanged because they are of equal value**
        - To restate Marx’s argument, commodities being exchanged for each other, Marx reasoned, must have some inherent quality making them of ‘equal’ value. It is this supposed equal value that causes them to be traded for each other. In a barter economy, for example, if a pair of shoes is traded in exchange for three pounds of beef, the shoes must have an underlying value equal to the three pounds of beef. In short, Marx made the case that commodities that are exchanged are both not identical, meaning they have different physical properties and satisfy different needs, but also that they both include different manifestations or forms of a common something. Largely because labor was the one common denominator in the production of all commodities, Marx identified labor as that common measure giving rise to the exchange value of commodities. However, this is a faulty line of reasoning because commodities exchange for each because they are valued differently by the actors involved in the exchange, not because they have equal value in terms that they share the common element of labor. As Mises wrote in Human Action, “The basis of modern economics is the cognition that it is precisely the disparity in value attached to the objects exchanged that results in their being exchanged. People buy and sell only because they appraise the things given up less than those received.” The whole basis for action, as Mises explained, is to exchange one’s current state for one that is more pleasurable. This holds true for the exchange of commodities. If you valued commodity a exactly the same as commodity b, there would be no need to engage in exchange because you would be

made no better off, according to your valuations. Essentially, an exchange is not an equality, but a double inequality. If I trade one of my apples for one of your oranges, then I value one orange more than one apple, and you value one apple more than one orange. Otherwise, no exchange would take place.

        - Marx might counter this objection in this way: Granted that there is a double inequality, this applies only to use value. But use value does not explain economic value. That task falls to exchange value, and here there must be equality. I will reply to this below:
    - Introduction to Economic Reasoning (Page 95)
        - **Reply to Marxist Counter Above**
        - This reply exposes another basic mistake that Marx made. He assumes, wrongly, that exchange value exists entirely apart from use value. In fact it does not. Why does an apple have an exchange value? Because with it, I can secure an orange. And the extent of that value depends on how much I want oranges, and how much you want apples. Exchange value comes from use value or utility: it is not some sort of mystical entity that exists in its own right.
    - Carl Menger: Principles of Economics
        - **Value is NOT Inherent to Goods**
        - The value of goods, accordingly, is a phenomenon that springs from the same source as the economic character of goods between requirements for and available quantities of goods. But there is a difference between the two phenomena. On the one hand, perception of this quantitative relationship stimulates our provident activity, thus causing goods subject to this relationship to become objects of our economizing (i.e., economic goods). On the other hand, perception of the same relationship makes us aware of the significance that command of each concrete unit of the available quantities of these goods has for our lives and well- being, thus causing it to attain value for us. Just as a penetrating investigation of mental processes makes the cognition of external things appear to be merely our consciousness of the impressions made by the external things upon our persons, and thus, in the final analysis, merely the cognition of states of our own persons, so too, in the final analysis, is the importance that we attribute to things of the external world only an outflow of the importance to us of our continued existence and development (life and well-being). Value is therefore nothing inherent in goods, no property of them, but merely the importance that we first attribute to the satisfaction of our needs, that is, to our lives and well-being, and in consequence carry over to economic goods as the exclusive causes of the satisfaction of our needs. The value of goods arises from their relationship to our needs, and is not inherent in the goods themselves. With changes in this relationship,

value arises and disappears. Hence value does not exist outside the consciousness of men.

        - **Example:** For the inhabitants of an oasis, who have command of a spring that abundantly meets their requirements for water, a certain quantity of water at the spring itself will have no value. But if the spring, as the result of an earthquake, should suddenly decrease its yield of water to such an extent that the satisfaction of the needs of the inhabitants of the oasis would no longer be fully provided for, each of their concrete needs for water would become dependent upon the availability of a definite quantity of it, and such a quantity would immediately attain value for each inhabitant. This value would, however, suddenly disappear if the old relationship were reestablished and the spring regained its former yield of water.
    - Google Document LTV
        - **Value comes from individual evaluators, not labor.**
        - Why are commodities made in the first place? The rather simple explanation is that people want stuff. So, before a commodity is produced, there exists a demand for it, and Demand is a fancy way of saying "value en masse". So it is the case that, before any stage of production, there is value for that commodity, because people want that commodity. How can it be that labour creates the value when the value for that commodity predates the labour used to create said commodity in the production timeline? The answer is that it isn't the labour that adds value to the commodity, but rather the commodity on its own that holds the value. And that value comes from the individual evaluator.
    - Introduction to Economic Reasoning (Page 96)
        - “The value of some goods seems clearly not to depend on the labor time needed to produce them. Böhm-Bawerk noted that wine often increases in value the longer it is stored. The labor required to gather the grapes and turn them into wine contributes very little to the price of wine.”
    - White '20
        - On closer examination, the labor theory of value unravels. One way to unravel it is to note that the theory is inconsistent with the core eco- nomic principle – accepted by Marx – that competition equalizes rates of return across investments. Suppose a pint of berries is produced by apply- ing ten man hours today (to find the seeds and plant them; for simplicity assume that labor is the only input), then waiting one year. Suppose a bushel of apples is produced by applying ten man hours today (no other inputs), then waiting two years. Labor input is the same, but the two prod- uct prices can’t be the same in equilibrium, because that would imply a lower annual rate of return on producing apples. Nobody would invest in a two-year

process that yields no more revenue from a given expense than a one-year process. In equilibrium, given a positive interest rate, the apples have to sell for more, despite the same labor-time input, or no apples will be grown.

- https://mises.org/library/critique-labor-theory-value
- https://mises.org/library/contra-marx-labor-and-value
- Click here for Carl Menger's Subjective Theory of Value
- UBERSOY Debunks the LTV

- **Surplus Value**
  - What is it:
    - **Here is an example of how the surplus value works:** A worker in a factory is given $30 worth of material, and after working 3 hours producing a good, and using $10 worth of fuel to run a machine, he creates a product which is sold for $100. According to Marx, **the labor and only the labor of the worker increased the value of the natural materials to $100.** The worker is thus justly entitled to a $60 payment, **or $20 per hour.** If the worker is employed by a factory owner who pays him only $15 per hour, **according to Marx, the $5 per hour the factory owner receives is simply a ripoff.** The **factory owner has done nothing to earn the money** and the $5 per hour he receives is **"surplus value,"** representing **exploitation of the worker.**
    - In this section we will be using two main arguments to refute this, **time preference and unseen expenses.**
  - IMPORTANT: to better understand Marxist vocabulary so that you are not strawmanning the arguments, read the first part of **this document** and read **this document**
  - Hans Herman Hoppe '90
    - What is wrong with this analysis? The answer becomes obvious once it is asked why the laborer would possibly agree to such an arrangement! He agrees because his wage payment represents present goods-while his own labor services represent only future goods-and he values present goods more highly. After all, he could also decide not to sell his labor services to the capitalist and then reap the "full value" of his output himself. But this would of course imply that he would have to wait longer for any consumption goods to become available to him. In selling his labor services he demonstrates that he prefers a smaller amount of consumption goods now over a possibly larger one at some future date. On the other hand, why would the capitalist want to strike a deal with the laborer? Why would he want to advance present goods (money) to the laborer in

exchange for services that bear fruit only later? Obviously, he would not want to pay out, for instance, $100 now if he were to receive the same amount in one year's time. In that case, why not simply hold on to it for one year and receive the extra benefit of having actual command over it during the entire time? Instead, he must expect to receive a larger sum than $100 in the future in order to give up $100 now in the form of wages paid to the laborer. He must expect to be able to earn a profit, or more correctly an interest return. And he is constrained by time preference, i.e., the fact that an actor invariably prefers earlier over later goods, in yet another way. For if one can obtain a larger sum in the future by sacrificing a smaller one in the present, why then is the capitalist not engaged in more saving than he actually is? Why does he not hire more laborers than he does, if each one of them promises an additional interest return? The answer again should be obvious: because the capitalist is a consumer, too, and cannot help being one. The amount of his savings and investing is restricted by the necessity that he, too, like the laborer, requires a supply of present goods "large enough to secure the satisfaction of all those wants the satisfaction of which during the waiting time is considered more urgent than the advantages which a still greater lengthening of the period of production would provide. Without the capitalist's expectation of an interest return, the laborer would be worse off because he would have to wait longer than he wishes to wait; and without the laborer's preference for present goods the capitalist would be worse off because he would have to resort to less roundabout and less efficient production methods than those he desires to adopt. Nor can the capitalist wage system be regarded as an impediment to the further development of the forces of production, as Marx claims. If the laborer were not permitted to sell his labor services and the capitalist to buy them, output would not be higher but lower because production would have to take place with relatively reduced levels of capital accumulation.

    - The laborer does not receive his "full worth" has nothing to do with exploitation but merely reflects the fact that it is impossible for man to exchange future goods against present ones except at a discount.
- Time Preference
    - Time preference is quite a simple concept to grasp, it is basically just a matter of present goods vs future goods. People deny themselves immediate consumption in favor of more consumption in the future. High time preference would mean we want something immediately, while low time preference would put off what we want, in favor of getting more of that, in the future. How does this relate to the employer and employee relationship? Well, because the employer cuts out the waiting time for the

employee to get compensated. For example, if a worker is paid $10/hour, they are paid regardless of whether or not the commodity they created is sold, and they do not have to wait for said commodity to be sold, and the worker is compensated immediately. Another example of this would be acquiring the resources to start the corporation, the worker does not have to wait for the corporation to be built, they do not go through the waiting time that the capitalist does, he cuts out that waiting time for the worker, in exchange for a larger reward at the end, so employers would have a lower time preference, as they wait longer for more compensation.

    - Example: The capitalist **saves up land and capital for X amount of years and advances it to the workers.** If the capitalist doesn't, then workers have to **save up X amount of years until they get remuneration from self-employment.** In a capitalist economy, the workers don't have to do this extra work **the capitalist has taken part in**. If it takes 3 years to save capital & land to start producing commodities, the **capitalist in effect removes the waiting period from the laborer** and exchanges present goods for future goods. The capitalist makes no profit after a few final goods are sold, and the capitalist is still down thousands of dollars while the **worker is already making money in the form of wages.** On average, it takes the capitalist entrepreneur at least 3 years for him or her to actually **make profit.** The laborer on the other hand, is already **receiving money from the capitalist in the form of wages.**
- Libirdy '18
    - To keep this simple, suppose there's just one entrepreneur (who managed to save up $100,000 after being a wage earner for several years) and one worker (who is basically living paycheck to paycheck). Suppose further that the entrepreneur forecasts that there would be at least 1,000 people out there who would value a T-shirt at $30, which means that they'll expect to make a total of $30,000 once all 1,000 shirts sell. The entrepreneur then uses their own savings (or credit, but for this example, I'll just stick with them using their own money) to bid on the cotton and machines and stuff to produce the 1,000 t-shirts and suppose they're able to acquire the various resources at a market price of $10,000. This means that they'll end up with $20,000 in profit (I'm just using small numbers to make things relatively simple).
    - Of course, they can't produce the 1,000 shirts on their own, so they then reach out to the worker and let them know about their opportunity. They let the worker know that the two of them could produce 1,000 t-shirts and make $20,000 in profit, which would be $10,000 each once all the shirts sell. In the meantime, the employer will live off of the other money that they have saved up. Since the employee, however, doesn't really have any savings, they can't wait a whole year for their half of the profit ($10,000)

because they need to buy food and have other bills to pay. The entrepreneur, though, has additional savings that they'd be willing to give the worker a loan/cash advance in exchange for what they expect their half of the profits will be. Since things in the present have more value than things in the future (all other things equal), $10,000 of future money is worth less than $10,000 of present money. This means that, depending on the entrepreneur's time preference, the present value of $10,000 future dollars may only be $9,000. So, the entrepreneur wouldn't be interested in loaning someone $10,000 now for $10,000 in one year, but they would be willing to loan out $9,000 now for $10,000 in one year. In this situation, the entrepreneur values having $10,000 in the future more than they do $9,000 in the present whereas the employee is the opposite (they value having $9,000 in the present more than they do $10,000 in the future). So the entrepreneur then pays the worker a total of $9,000 over the course of 12 months and at the end of the year, if all of the shirts sell exactly as expected, the employer will receive their half of the profit ($10,000), plus the amount loaned out to the worker ($9,000), plus interest ($1,000). It should be pointed out that the interest an entrepreneur receives, then, has nothing to do with exploitation. Instead, it has to do with how the value of something changes over time.

- David Friedman (The Machinery of Freedom)
    - This argument fails to recognize that the capitalist had to pay loads of sums of money to prepare the tools so that the workers could use them. Waiting a year for the money to come back is itself productive and the interest earned by that capital is the corresponding payment.
    - Let's take an example to break this down. In 1849 a factory was built, it cost 1 million dollars to build it, and it produced goods from 1850 to 1900. Let's say it generated 100k a year to the capitalist. Now the capitalist is considered technically some form of a worker, since he is the one who built the factory. So the money generated by the capitalist will be given to him in the first ten years, anything more than that is exploitation. Why ten years? Because the factory cost a million dollars and if he makes 100k a year then in 10 years he will regain that money back.
        - But this argument did not take into account time preference as to when you want the money. This argument is mainly dependent upon the million dollars paid to make the factory in 1849 to the million dollars generated in over a decade. But the workers wouldn't do their job if they expected one paycheck every ten years. It's the function of the capitalist to pay wages to the workers in advance. If the capitalist fails to pay the workers, there would be massive repercussions such as not being able to make products and

goods. The capitalist should receive some of the money since he himself bore the cost.

- Why does time preference matter? Because, for example, if I have $10 right now I can either go to the grocery store, or buy a book. The more alternatives the better since you then have a wider range from what you want to pick. When you get $10 you do not have to instantly spend it. Thus ten dollars today is worth more than ten dollars tomorrow. Hence why we have interest rates.

- Google Document Surplus Value
    - **Marx contradicts himself on surplus value:** Capital 3, Chap 10: “Hence, the rate of profit is the same in all spheres of production, for it is equalized on the basis of those average spheres of production which has the average composition of capital.” “...so that the deviations of price from value balance out one another through the uniform distribution of surplus-value, or through addition of the average profit of 22 per 100 units of advanced capital to the respective cost-prices of the commodities I to V. One portion of the commodities is sold above its value in the same proportion in which the other is sold below it. And it is only the sale of the commodities at such prices that enables the rate of profit for capitals I to V to be uniformly 22%, regardless of their different organic composition.” Constant capital’s price is regulated by average labour time directly, as opposed to a commodity which is regulated by c+v+s. Labour creates value which is how prices are determined. As such, labor intensive (low organic capital composition) should have higher costs of reproduction, and thus lower rates of profit. These two positions cannot be simultaneously held. In essence, Marx's challenge was to reconcile the fact that C/V varies widely between industries, yet he also expressed a tendency.
- No source/link here '21 (Slaviken)
    - The labor added into a commodity would only have an effect on its value or price, if the worker directly exchanged it into a market himself, If the worker wanted to not engage in this mutually beneficial act with the 'bourgeois', he would choose to become self-sufficient or self-employed, which I'd argue isn't in his benefit at all. Value is also subjective. Marx concedes this. He conceded that labor does not have objective value to it immediately; that it all is rooted in subjective value anyway. In the first pages of capital, Marx says the first criteria for a commodity is that it fulfills a human need. The ltv is about the exchange rates of socially necessary labor time, and what is socially necessary is subjective.
    - Time preference is the idea that an individual holds in possession a present sum of ‘goods’ goods being currency, instead of a future sum of ‘goods’.

The laborers mutually agree to this exchange, Wage payment will represent present goods whilst labour services represent only future goods, the individuals would value present goods. if however they did want to endure a lower time preference he would choose to become self sufficient or self-employed. There are many negatives to this and many reasons to deter individuals from this, the worker would have to wait longer for any consumption goods to become available to him, which would force him to endure a lower time preference which wouldn't seem viable. Second, worker may not possess enough money to do so, even then, why would capitalist want to advance present goods to the laborer in exchange for services that bare fruit only later, he does this because he expects a profit or an interest return for this "investment", the laborer not receiving the full worth of his labour has nothing to do with 'exploitation', but merely reflects the fact that this is impossible for man to exchange future goods against present goods. The worker enters an exchange because given time preference he prefers smaller amounts of present goods over larger future ones, while capitalist enters it because he prefers larger amounts of future goods than smaller ones. The relationship between worker and capitalist is a mutually beneficial one. The only way the bourgeois attains control over lower-class laborers is with aid of state regulators and subsidies.

- **Tendency of the Rate of Profit to Fall**
    - What is it:
        - Marx's theory of capitalism is that the **rate of profit would tend to decline over time as a result of technological change.**
        - In Marx's theory, the **value of a commodity is tied to the amount of labour** that is necessary to produce a commodity. Marx argued that **technological innovation enabled more efficient means of production.** In the short run, **physical productivity would increase as a result**, allowing the early adopting capitalists to **produce greater use values** (i.e., physical output). However, in the long run, **if demand remains the same** and the **more productive methods** are adopted across the entire economy, the **amount of labour required (as a ratio to capital, i.e. the organic composition of capital) would decrease.** Now, assuming value is tied to the amount of labor necessary, the **value of the physical output would decrease relative to the value of production capital invested.** In response, the average rate of **industrial profit would therefore tend to decline in the longer term.**
        - However, t**his theory has been refuted** many times (below):

- IMPORTANT: to better understand Marxist vocabulary so that you are not strawmanning the arguments, read the first part of **this document** and read **this document**
- Article Addressing the TRPF
- Marx and the Falling Rate of Profit
  - Review of the literature finds **no empirical evidence of the tendency of the rate of profit to fall**
- Demography and the Falling Rate of Profit
  - Demographics explain the falling rate of profit
- The American Economic Review
  - Marx's law of the tendency of the rate of profit to fall has shown us that-at present-no satisfactory formulation of this law exists.
- Applied Economic Letters
  - The results for this nonlinear approach reinforce previous empirical evidence that does not provide support for a systematic and declining tendency in profit rate as advanced in the Marxian literature.
- Lund University
  - A secular declining trend in the rate of profit cannot be confirmed.
- Journal of Finance
  - A large increase in the share of pure profits offsets declines in the shares of both labor and capital.
- Jan De Loecker
  - We document the evolution of market power based on firm-level data for the US economy since 1955. We find an increase in the average profit rate from 1% to 8%.
- **Other empirical analysis contradicting the theory:**
  - Technology, distribution, and long-run profit rate dynamics in the US manufacturing sector, 1948-2011: evidence from a Vector Error Correction Model (VECM)
  - Profit rate in the US, 1949–2007: a Markov switching assessment
  - Rate of Return on Everything, 1870–2015* | The Quarterly Journal of Economics | Oxford Academic
  - Declining Labor and Capital Shares by Simcha Barkai :: SSRN
  - Karl Marx: Intellectual Fraud of the 19th and 20th Centuries
  - NIPA vs. S&P 500 Profits Margins
  - Technical change and the profit rate: a simple proof of the Okishio theorem
  - S&P 500 Sectors & Industries Profit Margins (quarterly)

- **Debunking: “Capitalism is not voluntary because its work or die”**

- [Google Doc on Wealth Inequality]
  - Before we go into this, it is important to define some terms:
    - **Voluntary:** done, given, or acting of one's own free will.
    - **Coercion:** the practice of persuading someone to do something by using force or threats.
    - **Exploitation:** A exploits B only if (1) B benefits A in some way without A benefiting in B return; and (2) A forces B to benefit.
  - Now, to the objection some people will say that you can't consider something voluntary if you have to work or you must die, which is the case in a capitalist system. A few prima facie refutations to this critique would include breaking down what it means to work, how nature cannot be coercive, how this "work or die" dilemma is prominent in every system, and that people usually have other options, especially in a free market that incentivizes competition. Even if we assume that there is no other option, though, every other critique still stands; in that case, let's get more in depth on each of these critiques:
- [Same Google Doc on Wealth Inequality]
  - We would say that working would be participating in, or simply being a part of the production process; however, this definition will get us into the problem of defining production itself: What does it mean to produce? We would define production, as economist Murray Rothbard did: "the use by man of available elements of his environment as indirect means—as co-operating factors—to arrive eventually at a consumers' good that he can use directly to arrive at his end." Breaking down the dilemma that we've been presented with, we see that to say you must "work or die" is really just to say you must "apply man's reason to utilize elements of his environment or die." We suppose you can argue that this still may be coercive, but this neglects the facts that nature cannot be coercive and production is natural. Firstly, production is natural because as described before, man applying his reason to survive is something inherent to man. Nature cannot be coercive, as for something to be coercive it requires a rational being, and nature is not something like that. We foresee a common objection to this: while production may be natural, production under a capitalist means of production is not natural. This objection is entirely predicated on differing views of profit: if you view it as a net positive, then it must be natural; if you view it solely as a financial gain, then it wouldn't be natural. Nevertheless, that is up for interpretation.
    - As for work or die itself, the problem is applicable to every system, and should be treated as such. Another objection to this might be that not everyone is required to work in a communist or collectivist system. The same can be said for a capitalist system with charities,

though; in that sense, communism and capitalism are both subject to this "work or die" dilemma. "Work or die" can, in fact, be used to describe the constrained nature of goods and matter itself. This demagogue attributed to the "evils of capitalism" can simply be reduced to a critique of the human condition itself — but who are we to say that we may replace the laws of nature and the human condition?

- Moreover, the confusion between the "coercion" of necessity and the coercion of man contributes to the arguments of collectivists. When socialists and leftists claim that they must have "freedom from want", they are positing that every person has a claim against his community to be free from needing any goods; if no one offers to them what they need, they are "coerced". This is a fatal semantic confusion, as Bruno Leoni notes, that can lead to a conflation of coercion and socialization:
  - This confusion is connected, in its turn, with another. When a grocer or a doctor or a lawyer waits for customers or clients, each of them may feel dependent on the latter for his living. This is quite true. But if no customer or client makes his appearance, it would be an abuse of language to assert that the customers or clients who do not appear constrain the grocer or the doctor or lawyer to die by starvation. In fact, no one committed any constraint against him for the simple reason that no one put in an appearance. To put the matter in the simplest possible terms, the customers or clients did not exist at all. . . All socialist theories of the so-called exploitation of workers by employers— and, in general, of the "have-nots" by the "haves"—are, in the last analysis, based on this semantic confusion.
- If we define coercion correctly and consistently, we will see that free market capitalism leads to the most freedom, and perhaps the most prosperity; if we define it incorrectly and inconsistently, we find ourselves calling any voluntary transaction coercive. Dependence does not inherently create a claim, so to claim that to "work or die" is coercive would be to say that the free and harmless actions of every person in a natural state must be constrained.
- Lastly, I will be going over how people usually have multiple options of where to work, especially in a laissez-faire system. Even if we ignore that some people can start their own business, you

have to take into account there is usually a ton of options in a free market, since it incentivizes competition, and that labor is scarce, so while “work or die” may be true, it really glimpses over the choices people have to work, along with all the other objections presented above. To conclude this part of the paper, work or die is an objection that does not take into account that it is applicable to all systems, work is natural, people having options of where they work, and not taking charity or startups into account.

- Work or Die Google Document '21
    - Firstly, by implying that the capitalist is initiating force upon the individual so they can participate in the process of production is arbitrary and has no logical backing behind it. Death is an indirect cause of the capitalist refusing to hire the individual, the capitalist in this hypothetical did not directly initiate force upon this individual, but rather utilised their right to employ who they choose as it is within their property rights to do so. Capitalism is simply voluntary upon the core principle that the individual is free from all forms of coercion and is free to act within their freedom so long as it does not infringe upon the freedom of others. The capitalist is having their freedom infringed upon as the other wishing to be employed is implying the capitalist MUST provide for them otherwise it is not voluntary.
    - Coercion requires an actor in order for it to be defined as coercive, so provide me exactly with who is the coercer, since we have already established that the capitalist in this hypothetical is acting freely within their right of property. Saying otherwise would be an infringement upon the capitalist’s rights and therefore you would have to warrant that and prove why it is permitted. Furthermore, You cannot state that the individual opposed to the capitalist in this hypothetical has the right to be employed by the capitalist as that is an antithesis of what rights are supposed to be. Rights are simply just a moral principle sanctioning a man’s freedom of action and contact from a social context, therefore you cannot imply that just because it is necessary for your survival, I must adapt and provide for your living.
- Anarchy is Property '21
    - Work or die relies on positive rights, which can justify slavery and are thus self contradictory.
    - Work or die is a problem in a socialist society as well as a capitalist one.
    - Finally, work or die is inconsistent in that it can be extended to any incentive whatsoever. Say, the business owner is being ‘coerced’ into paying his workers through the threat of going out of business.

- **The claim that says “capitalism causes monopolies”**
  - What is it:
    - A market structure characterized by a single seller, selling a unique product in the market. In a monopoly market, the seller faces no competition, as he is the sole seller of goods with no close substitute.
    - According to popular opinion, capitalism inevitably tends to be a monopoly economy. In this monopoly environment, the dominant companies can freeze competition and entrepreneurial initiative.
    - However, t**his theory has been refuted** many time (below):
  - ***Logical Explanation of how Capitalism does not Lead to Harmful Monopolies***
    - Kelly '10
      - The reason that even a single firm cannot act harmfully monopolistic is rather simple. The higher the prices a company charges, the more profit it makes. The higher the profit, the more competition is invited into the market, as long as other firms are permitted to freely enter the market. the more firms that enter the given market, the more likely the existing firms will lose market share. Therefore, not only do existing firms (or a would-be monopolistic firm) try to prevent possible competitors by keeping the selling prices of their products not too far above costs, but they continually try to find ways to reduce their costs. For if existing firms remained inefficient, they would lose market share to new entrants who would come to take advantage of the fact that they could make larger profits by producing with lower costs than the current firms, while maintaining the same selling price, or even lowering the selling price. As long as even a sole competitor has the threat of a new competitor, it will sell for as low a price as possible, which it could achieve more easily with economies of scale that come from increased production.
    - David Friedman (The Machinery of Freedom)
      - If a firm is so big that it grossly destroys the competition in that specific product, for example, steel, the increase of prices on steel would be limited by the existence of substitutes for steel.
    - Ikeda '13
      - In the competitive market process, monopolies could possibly emerge. They usually don’t last long… in a free market a monopoly could theoretically arise for two reasons: (a) a business drives competitors from the market by being more efficient or providing a better product, or (b) an entrepreneur is the first to offer a new product. In each case, the monopoly only persists if

that provider is more efficient or more innovative than its rivals. When the government protects businesses from competition or subsidizes costs, efficiency and innovation suffer. But that, of course, is not the free market.

- No source/link here '21
    - The reason natural monopolies don't take over in free markets is specifically because monopolists don't like to sell at a competitive price. This creates an opportunity for entrepreneurs to chip away at their market. There are 3 scenarios in which competition occurs against an established company. They either lower prices, buy out the competition, or improve their product. Improvements in product are finite and not guaranteed to successfully sway consumers, so they need to cut their price until the competitor exits the market. They can do so at a loss, but only for a limited amount of time. The other option is to buy out your competitors as they appear, but this presents an even bigger problem as anyone with a minimal amount of business sense will see that simply setting up shop is a big payday when every firm gets acquired meaning that you constantly have to spend more and more money to retain your monopoly. Eventually, in every scenario, you run out.
- Great Document explaining why free markets don't lead to monopolies: By Liam Roma

Empirical Evidence: Modern Monopolies Aren't Natural

- DiLorenzo '19
    - "Six electric light companies were organized in the one year of 1887 in New York City. Forty-five electric light enterprises had the legal right to operate in Chicago in 1907. Prior to 1895, Duluth, Minnesota, was served by five electric lighting companies, and Scranton, Pennsylvania, had four in 1906. … During the latter part of the 19th century, competition was the usual situation in the gas industry in this country. Before 1884, six competing companies were operating in New York City … competition was common and especially persistent in the telephone industry … Baltimore, Chicago, Cleveland, Columbus, Detroit, Kansas City, Minneapolis, Philadelphia, Pittsburgh, and St. Louis, among the larger cities, had at least two telephone services in 1905."
    - When monopoly did appear, it was solely because of government intervention. For example, in 1890 a bill was introduced into the Maryland legislature that "called for an annual payment to the city

from the Consolidated [Gas Company] of $10,000 a year and 3 percent of all dividends declared in return for the privilege of enjoying a 25-year monopoly. This is the now-familiar approach of government officials colluding with industry executives to establish a monopoly that will gouge the consumers, and then sharing the loot with the politicians in the form of franchise fees and taxes on monopoly revenues.

- Holly '18
  - Today, the eight major industrial sectors, controlling about 92 percent of the economy (GDP), are dominated by special interests receiving preferential political policies. These include:
  - Banking (8%) is monopolized through the Federal Reserve central bank that regulates the banks and favors big over small banks, especially when controlling interest rates through the buying and selling of bonds from and to the big banks, respectively.
  - Housing (15%) is monopolized through the Fannie/Freddie home mortgage duopoly and Federal Housing Administration that finance and promote larger homes and urban sprawl; while local politicians favor real estate developer cronies.
  - Health care (18%) is monopolized through state licensure laws restricting the supply of doctors and other health professionals (according to Milton Friedman), certificate-of-need laws limiting the supply of hospitals, government and government-encouraged corporate buyer monopolies, and federal drug patent and other intellectual property laws.
  - Agriculture (8%) is monopolized through subsidies favoring traditional crops and the monopolies selling inputs for and outputs from those crops, including seeds (e.g., GMO), corporate mono-culture farms and junk food processors. The subsidies discourage the development of alternative crops, diversified family farms and healthier foods. Subsidized crop exports traded by international conglomerates have been rendering agriculture uncompetitive in the developing world .
  - Energy (12%) is monopolized through the U.S. government-encouraged OPEC oil cartel while U.S. electricity and natural gas markets are controlled by territorial utility monopolies. The utility monopolies conduct rigged bidding of power supplies favoring cronies . The U.S. also creates energy monopolies by picking winners and losers among fuel types. Big Oil & Gas receives preferential exemptions from environmental regulations for fracking . The natural gas by-product of oil fracking is favored

over otherwise lower-cost coal in base-load electricity markets and for backing up favored wind and solar energy. Wind and solar energy, and also ethanol vehicle fuel made from corn and cellulose, receive tailored mandates and subsidies that block the development of other potentially lower-cost energies including renewables .

- Transportation (10%) is monopolized through government regulations, including bailouts, favoring the Big Three automakers and airport favoritism for the four major airlines.
- Technology (8%) is monopolized through patent and copyright laws while regulated territorial franchises are awarded to local telephone, internet and cable monopolies .
- Government (13%) has created public monopolies through dominant federal, state and local funding, especially education.

- Popovic '21
  - All “monopolies” in history have almost always been formed through government intervention. By subsidizing, regulating markets, lobbying, setting a minimum wage, etc, the state prevents competition. Big companies that are formed through government/state intervention into the economy are what we would call a monopoly of coercion or an oligopoly of coercion. This is exactly what is happening today. A great example would be Amazon. Everyone knows Amazon; they are likely everyone's go-to for online shopping, as there is virtually nowhere else to go. Amazon is a great example of what I was talking about in regards to monopolies or oligopoly of coercion. Amazon is a massive company today and has massive government support. They receive mass subsidies and have a company-wide minimum wage of $15. But what many are unaware of is that Amazon mass lobbies for a federal minimum wage of $15. This would hinder competition, allowing their company to grow bigger. Market regulations also prevent free-flowing competition in the industry.
- Ebeling '17
  - In modern American history, it was the government that legally provided a monopoly position to AT&T in the provision of telephone services around the United States through most of the twentieth century. It was government regulation that limited market entry and controlled pricing and routes to a handful of passenger airline carriers from the mid-1930s to the end of the 1970s. It was government control of the airwaves that restricted

radio and television broadcasting to a limited number of companies, again, until the late 1970s.

- Great article outlining empirical evidence of government monopoly creation
- See this document for resources on pretty much any monopoly industry one can think of

Empirical Evidence: The Gilded Age

- Pretty much any invention in the Gilded Age was patented: no wonder there were monopolistic tendencies
- **Standard Oil was not a natural monopoly:**
- Fraser '16
  - **John D. Rockefeller's Standard Oil Company** was among the first to **misuse public eminent domain powers** to drive out competitors by building and controlling oil transportation facilities.
- Mises Wiki '21
  - Government granting of patent monopolies shielded Standard Oil from competition. **Standard Oil "relied heavily on patent rights to attain an advantage over competitors in cost and quality of products**. ... Patents for the mechanical fabrication of cans were practically monopolized by Standard Oil companies." Furthermore, "the Standard Oil combination received and fully utilized patents granted by the federal government. That patent monopoly constituted the foundation for the large earnings of several Standard Oil units for more than fifteen years." In this manner, the **government in fact *granted* Standard Oil monopolies.**
  - Tariffs are another government intervention in the free market which contributed to the size of Standard Oil. **There was a consistent tariff on kerosene in the US. In 1865 the kerosene tariff was increased to 40 cents per gallon.** In 1884, kerosene was placed on the free list, yet with a catch: if another country had a tariff on the goods of the US, then the kerosene tariff on that country was 40 percent. As D.T. Armentano explains, tariffs restrict foreign competition, which is a vital section of the free market (after all, foreign competition is simply business which is outside of the arbitrarily-drawn line of a given country). **The hindering of possibly more efficient foreign competitors shielded Standard Oil from pressure to lower its prices even further. Indeed, abroad Standard Oil was forced to lower its prices to compete with Russian oil, yet the protective tariffs prevented the same from occurring in the US.**

- Desjardins '17
    - By the time the Standard Oil was broken up in 1911, its market share had **eroded to 64%**, and there were at least **147 refining companies competing with it in the United States**. This was much smaller than its earlier 90% market share.
- **Standard Oil had many benefits:**
- Weinberger '18
    - As Standard Oil grew, the price of oil plummeted from 30 cents per gallon in 1869 to eight cents in 1885.
- Armentano '19
    - Petroleum market outputs increased and prices declined for decades during the alleged period of "monopolization" by Standard Oil. For example, prices for kerosene (the industry's major product) were 30 cents a gallon in 1869 and fell to about 6 cents a gallon at the time of the antitrust trial.
- Galles '11
    - Its output and market share grew as its superior efficiency dramatically lowered its refining costs (by 1897, they were less than one-tenth of their level in 1869), and it passed on the efficiency savings in sharply reduced prices for refined oil (which fell from over 30¢ per gallon in 1869, to 10¢ in 1874, to 8¢ in 1885, and to 5.9¢ in 1897). It never achieved a true monopoly.
- Mises Wiki '21
    - **Environmental Friendliness/Curtailing Waste:** Standard Oil came at a time when many of its competitors extracted only one product from oil and moved on without creating byproducts. Standard Oil instead squeezed the most it could out of oil and created numerous products from the products left after the creation of kerosene such as paraffin wax and lubricating oils, which allowed it to decrease its kerosene prices. Acid sludge was sold to fertilizer companies instead of being dumped into the Atlantic Ocean and coke byproducts were either used internally or sold to outside companies.
    - **Quality of products:** Standard Oil worked to bring both a higher and more uniform standard of products to the market. Indeed, it also built better infrastructure than competitors: when constructing its pipelines, it sank the pipe beneath the earth at least eighteen inches deep, except over solid rock, while some competitors only sank their line when it crossed tilled land. This resulted in whipsawing of the pipes of competitors when cold weather came.

- **Self regulation:** Standard Oil also provides an example of market regulations at work. Standard Oil engaged outside experts to investigate complaints and to recommend methods for improvement whenever necessary. When there were leaks in its barrels it immediately sealed them and sought out the cause (resulting in environmentally-friendly policies due to a desire to not lose profit). Furthermore, when there were allegations that the company was using inaccurate and fraudulent measurements on its tanks, Standard Oil invited all of the oil exchanges to send delegates to check their measurements. No errors were found, and honesty of Standard Oil's field storage units were never again seriously questioned.
- **Building of pipelines:** Standard Oil followed a policy geared to win the good-will of landowners along their right of way and was generous in the prices it paid to private individuals and in adjustments for damages.
- **Increased standard of living:** Through its superior quality goods and uniform standards, Standard Oil helped to increase the standard of living in millions of homes using kerosene. Furthermore, in efforts to create new markets, Standard Oil distributed heat stoves, lamps, and other utensils to consumers for little or no profit.

- **Other "Monopolies" were not natural monopolies:**
- Woods '12
    - For a time, Carnegie did support steel tariffs.
- Wikipedia '21
    - Carnegie had competition, the most major of which was J&L Steel.
- Anarchy is Property '21
    - Carnegie Steel was not a natural monopoly. A compiled timeline clearly shows this. They were **securing patents left and right early on** in their operation and **actively prosecuting competitors for violations**. They even **used violence against their own workers** when they **went on strike**.
- Vanderbilt and The Great Northern Railroad, among others, also utilized patents.
- **Other "Monopoly" benefits:**
- Woods '12
    - Andrew Carnegie, for instance, almost single-handedly reduced the price of steel rails from $160 per ton in 1875 to $17 per ton nearly a quarter century later.

        - Cornelius Vanderbilt, operating earlier in the century, reduced fares on steamboat transit by 90, 95, and even 100 percent. (On trips for which a fare was not charged, Vanderbilt earned his money by selling concessions on board.)
        - During the 1880s, when real GDP rose 24 percent, output in the industries alleged to have been monopolized for which data were available rose 175 percent in real terms. Prices in those industries, meanwhile, were generally falling, and much faster than the 7 percent decline for the economy as a whole. We've already discussed steel rails, which fell from $68 to $32 per ton during the 1880s; we might also note the price of zinc, which fell from $5.51 to $4.40 per pound (a 20 percent decline) and refined sugar, which fell from 9¢ to 7¢ per pound (22 percent). In fact, this pattern held true for all 17 supposedly monopolized industries, with the trivial exceptions of castor oil and matches.
    - Kelly '10
        - Thomas J. DiLorenzo showed in the June 1985 issue of the International review of Law and economics that the industries accused of being monopolies at the initiation of the Sherman Antitrust Act were expanding production four times more rapidly (some as much as ten times faster) than the economy as a whole for the entire decade leading up to the Sherman Act. These firms were also dropping their prices faster than the general price level (remember that prices fell during most of the 1800s). One of the senators in favor of antitrust laws at the time, representative William Mason, admitted that the trusts "have made products cheaper, have reduced prices."
        - Similarly, Dominick Armentano found that of the fifty-five most famous antitrust cases in U.S. history, in every single one, the firms accused of monopolistic behavior were lowering prices, expanding production, innovating, and typically benefiting consumers. He found that it was their less efficient competitors, not consumers, who were harmed.
    - DiLorenzo '04 (Page 186-187)
        - Economists have compiled a list of industries that were accused during the Sherman Act debates of being monopolistic. The results were startling: while real (inflation-adjusted) gross national product (GNP) increased by approximately 24 percent from 1880 to 1890, those industries that were allegedly restricting output actually increased production in that period—by 175 percent, on average. (For example, steel production rose 258 percent; zinc, 156 percent; coal, 153 percent; steel rails, 142 percent; petroleum, 79 percent; and sugar, 75 percent.) In other words, in the decade preceding passage of the Sherman Act, those industries targeted as

"monopolies" grew at seven times the rate of the economy as a whole.

- [ ] In the same period, prices charged by the trusts also fell faster than the general price level did. The consumer price index fell by 7 percent from 1880 to 1890, but on average the trusts' prices fell more dramatically: steel rail prices fell 53 percent; refined sugar was 22 percent cheaper; the price of lead declined 12 percent; the price of zinc was reduced by 20 percent; and the price of bituminous coal remained steady.

- **Cartels**
  - What is it?
    - Cartels, unlike a one-firm supplier, would require inter-firm cooperation and coordination in order to achieve any market-output restraint. However, this is not possible under a free market system:
  - Mises '19
    - How is market output for each cartel member to be reduced? How are the reductions to be monitored? Won't the firms attempt to cheat and won't the cheating lead to larger outputs and lower prices? Indeed, won't the higher cartel prices encourage new supply from outside the cartel, and won't that lead to lower prices? In reality, free-market cartels (absent governmental support) have proved notoriously short lived and unsuccessful, especially when courts refuse to enforce cartel price-coordination agreements.
  - Murray Rothbard '12
    - **Economist Murray Rothbard provides 2 reasons why cartels or mergers with the intent of stifling competition inevitably fail in free markets:**
    - 1. Under a free market where companies can enter the market freely without government intervention; as soon as one cartel is formed and then they cut production and raise prices and profits go up, other businessmen come and say: "Hey, this looks like a great industry here; let's come into the market with a new, non-cartel firm, sell at lower prices, and outcompete the other cartel." And then the older cartels are stuck with this new competitor and therefore have to lower prices to stay in the market or else they would simply go out of business. Essentially competition under a free market will always make the cartel unstable to last.
    - 2. Individuals in these cartels will actually start breaking up the cartel. These individuals will say to their buyers: "Hey, I'm not supposed to do this because I have a cartel agreement but here's what I'm gonna do for you… I will sell you this product at much less than the other individuals in the cartel but you can't tell anyone about it." So you have a secret price

cutting here where the firm that does this will obviously make more profit than the other firms in the cartel and then this secret leaks out pretty quickly… this then causes the others firms in the cartel to get pretty upset about this… and then the whole cartel falls apart.

- A Spontaneous Order: The Capitalist Case For A Stateless Society (Page 353)
  - "The first and most obvious complication in any cartel is determining unanimously amongst the individual members exactly where the prices for their goods or services should be set and/or how much each member firm should be permitted to produce. Of course, the more efficient members are likely to be the most uneasy about such an arrangement as they would likely resist any restrictions on their own production for the sake of the less efficient member firms. Thus, at the soonest feasible opportunity, it is likely that these more efficient members will emancipate themselves from the cartel.
  - Further, under such an arrangement, all the members will be tempted to "cheat" by either lowering their agreed upon prices or increasing their agreed upon production as a means to secure a larger share of the market outside of officially established lines.
  - Finally, even assuming a cartel is able to successfully coordinate the actions of its members and to reconcile all of their disparate interests, there would still be the issue of potential outside competition. The main purpose of a cartel is to coordinate with other firms in the same industry so as to generate greater revenue for their services than they could otherwise earn. However, the higher the prices – or the lower the production limit the cartel sets for its members – the more vulnerable the cartel becomes to outside competition undercutting the cartel's prices and taking away its valuable customers."
- Cato '88
  - **This is similar to Murray Rothbard's view on cartels but here are more arguments indicating cartels are unstable:**
  - First, the higher, cartel-administered prices will attract new firms to enter the industry-absent bafflers to entry-and prices will be driven back toward the competitive level.
  - Second, each member of the cartel has an incentive to cheat on the cartel agreement by secretly lowering its price and substantially expanding its share of the market, thus increasing its profits at the expense of the other cartel members. As a result, the new critics claim, cartels are inherently unstable and unlikely to be effective in maintaining artificially high prices; the social costs of price fixing are thus overstated.
- FEE '87
  - **Historical evidence of a cartel failure:**

- The first concerted effort to establish an international cartel occurred when secret meetings, sponsored by the "Big Three"—Jersey, Shell, and Anglo-Persian—were held at Achnacarry Castle in Scotland during the summer of 1928. The result, officially termed the Achnacarry Agreement, was an ambitious plan to "stem the rising tide of competition" by "freezing the market in its existing mold." But agreement was short-lived. First, the members themselves found it next to impossible to agree on production quotas and price levels. And second, the "majors" were unable to secure cooperation of the "independents" who, Tugendhat says, "continued to export their oil at lower prices than the cartel members." As a result, "by November 1929 the association had collapsed."

- Murray Rothbard (Pg 101-103)
  - **Historical evidence of a cartel failure:**
    - Sugar Industry: The sugar refining industry had attempted a cartel in 1882, but the agreement had fallen apart for the usual reasons. The American Sugar Refining Co. promptly did what it had been formed to do: cut production and raise prices. Its 20 plants were dismantled and reduced to ten, and it was able to raise its price to $7.01 in 1888 and $7.64 in 1889. However, non-cartel independents increased their production so that the cartel's share of the total refined sugar market began to fall precipitously: to 73% in 1888 and 66% the following year. By 1891, the refining capacity of the independents had almost doubled, and prices had fallen drastically to $4.69, and reached $4.35 in 1892. Overall, "As a result of the new competition by independents, the price of sugar, which had risen to $4.84, fell back to $4.12 in 1894."
    - In 1900–01, the same industry tried once again. Arbuckle and Havemeyer formed a cartel to bring the Sugar Trust's share of national output back up to 90% by 1902. Sugar prices rose from $4.50 in 1897 to $5.32 in 1900. Once again, however, the Trust could not maintain a monopoly position. New sugar plants, including a modern one built by Spreckles, again entered the industry. Seeing this, the Sugar Trust tried to maintain its quasi-monopoly position by buying up beet sugar com- panies after 1901. But, by 1905, American Sugar Refining was forced to abandon this costly policy as a losing proposition. When it did so, in 1905, the Sugar Trust, including its cartel, only controlled 70% of total sugar production, which included 70% of total beet sugar production. When the Sugar Trust abandoned its policy of buying up competing beet sugar companies, after 1905, the Trust's share of beet sugar production fell to 54%. By 1917, the share of the

Sugar Trust had fallen to 28% of the total market. Increased competition had also brought sugar prices down to $4.52 by 1906.

- Thomas J. DiLorenzo '19
  - **Historical evidence of a cartel failure:**
    - [ ] In 1880, there were three competing gas companies in Baltimore who fiercely competed with one another. They tried to merge and operate as a monopolist in 1888, but a new competitor foiled their plans: "Thomas Aha Edison introduced the electric light which threatened the existence of all gas companies." From that point on there was competition between both gas and electric companies, all of which incurred heavy fixed costs which led to economies of scale. Nevertheless, no free-market or "natural" monopoly ever materialized
- Koi-Akrofi '16
  - 40-50% of mergers failed, 40-50% went bankrupt, and 34% did worse than prior

---

- **Alienation**
  - What is it:
    - Alienation (described by Karl Marx) under the capitalist mode of production is **not just a subjective state of mind that** one enters, but an objective process that develops from the reality that **we experience through labor in capitalist society.** Alienation in a generalized abstract sense, is the loss of control over an attribute of the self, one in which the **actor is separated from any sense of agency in relation to the attribute.** It is a historical objective process that comes into being from the relations and forces of production in the specific mode of production in existence. **Workers in capitalist society are forced by the necessity of subsistence and lack of ownership over the means of production** to sell their labor-power as a commodity to someone else: **the capitalist.** However, this theory has been refuted (below):
  - Stanford Encyclopedia of Philosophy '21
    - A range of complex empirical and quasi-empirical issues also look to be woven into Marx's views about the extent of alienation. Consider the various unsystematic claims about the historical location and comparative intensity of alienation that can be found in his writings (and, less ambiguously, in certain secondary interpretations of those writings). These various claims include: first, that certain systematic forms of alienation—including alienation in work—are not a universal feature of human society (not least, they will not be a feature of a future communist order); second, that at least some systematic forms of alienation—presumably including

religious alienation—are widespread in pre-capitalist societies; and third, that systematic forms of alienation are greater in contemporary capitalist societies than in pre-capitalist societies.

- https://www.lewrockwell.com/1970/01/murray-n-rothbard/marx-and-alienation/
- https://mises.org/library/marx-and-alienation
- https://rationalstandard.com/marx-alienation/

- **Job Automation**
    - Economics in One Lesson (Page 38-39)
        - Automation will not cause unemployment. Henry Hazzlit explains this with the following example: "Suppose a clothing manufacturer earns a machine that will make men's and women's overcoats for half as much labor as previously. He installs the machines and drops half his labor force. This looks at first glance like a clear loss of employment. But the machine itself required labor to make it; so here, as one offset, are jobs that would not otherwise have existed. The manufacturer, however, would have adopted the machine only if it had either made better suits for half as much labor, or had made the same kind of suits at a smaller cost. After the machine has produced profits sufficient to offset its cost, the clothing manufacturer has more profits than before (because the machines are more productive). At this point, it may seem, labor has suffered a net loss of employment, while it is only the manufacturer, the capitalist, who has gained. But it is precisely out of these extra profits that the subsequent social gains must come. The manufacturer must use these extra profits in at least one of three ways, and possibly he will use part of them in all three: (1) he will use the extra profits to expand his operations by buying more machines to make more coats; or (2) he will invest the extra profits in some other industry; or (3) he will spend the extra profits on increasing his own consumption. Whichever of these three courses he takes, he will increase employment and stimulate economic growth. In other words, the manufacturer, as a result of his labor-saving machines, has profits that he did not have before. Every dollar of the amount he has saved in direct wages to former coat makers, he now has to pay out in indirect wages to the makers of the new machine, or to the workers in another capital industry, or to the makers of a new house or motor car for himself, or of jewelry and furs for his wife. In any case (unless he is a pointless hoarder) he gives indirectly as many jobs as he ceased to give directly. In brief, on a net balance, machines, technological improvements, do not throw people out of work but they rather benefit the economy by lowering consumer costs, increasing the quality of products, and creating new jobs that have never existed before."

- Matthew '18
  - For example, four out of every five Americans worked on farms in 1800. Today, just one in 50 do. If job loss were permanent, unemployment would be astronomically high. We'd also see cashiers from video rental stores out on the streets. Instead, these workers found new jobs, possibly in new sectors. It's a generally accepted economic theory that when technology eliminates jobs, it creates gains in efficiency, which ultimately leads to the creation of more jobs than were lost. Economic researchers recently tested this idea. They looked at 19 advanced economies from 1970 and 2007 and found that the theory held true.
- Khan '16
  - A study found that one million industrial robots directly created nearly three million jobs. Of the six countries examined in the study, five saw their unemployment rates go down as the number of robots used went up.

- **Infinite Growth on a Planet with Finite Resources**
  - No source/link here '21
    - Every system requires growth. Under a communist society, when the population expands, you will need more resources to provide and therefore, you rely on growth. This isn't a feature of "capitalism," it's a feature of scarcity which all real world systems must face. Henceforth, this suggests that every society, no matter what economic system, will need to rely on growth and an increase of resources. Therefore, it's a non unique argument against capitalism. Now, since every system relies on growth, the truth is that capitalism is the best way to achieve everlasting growth but also have enough resources to compensate for this growth. For example, with competition under a private market, after a while, when society gets more wealthy, we will no longer have a need for fossil fuel energy and we can start adjusting to renewable energy. So even if we run out of resources for fossil fuels through intensive growth, capitalism ensures that society will find more efficient ways to adjust to more better resources. Research shows that, "Growth rates slow dramatically as societies become wealthier." You can also relate this to the ECP as we all know that capitalism is the only system that can allocate these scarce resources efficiently, especially on a planet with finite resources. Communism or socialism will fail to do this properly, and furthermore illustrates that capitalism is the only system that can deal with intensive growth in both the short and long run.
  - Free Market Environmentalism '01
    - After all, if resources are finite and production to meet material needs uses up some of those finite resources, the world's natural endowment must be

getting more scarce. During the Industrial Revolution in England, the Reverend Thomas Malthus articulated this view, hypothesizing that exponential population growth would eventually overwhelm productivity growth and result in famine and pestilence.

        - The reason that Malthusian hypotheses are continually refuted is that they fail to take into account how human ingenuity stimulated by market forces finds ways to cope with natural resource constraints. As the late Julian Simon observed, the “ultimate resource” is the human mind, which has allowed us to avoid Malthusian cycles. Human ingenuity is switched on by market prices that signal increasing scarcity and provide rewards for those who mitigate resource constraints by reducing consumption, finding substitutes, and improving productivity. For example, it was rising copper prices that helped stimulate the switch to fiber optics and satellite communication as substitutes for millions of miles of copper wire. Rising prices of aluminum and human ingenuity did more to reduce the thickness of drink cans and thus conserve resources used to produce and transport aluminum than did recycling regulations and campaigns. In fact, in the 1960s and the 1970s, the amount of aluminum in soft drink cans was reduced by 32 percent. These examples of aluminum and copper, two finite resources that Malthusians would doom to extinction, show that the human mind is a powerful tool, particularly when the incentives are right.
    - Can Economic Growth Continue Forever? Of Course!
    - How Do the Arts Show That Economic Progress Has No Limits?
    - The Success of Global Development
    - Can Economic Growth and Sustainability Coexist? | The Journal of Diplomacy and International Relations
    - https://thebreakthrough.org/journal/issue-6/does-capitalism-require-endless-growth
    - https://www.aei.org/economics/is-infinite-economic-growth-a-fantasy-or-is-the-fantasy-the-idea-that-we-are-quickly-using-up-the-earth/
    - You can also look at the discussions on this Reddit post: https://www.google.com/amp/s/amp.reddit.com/r/badeconomics/comments/7wtvpn/capitalism_isnt_sustainable_because_it_relies_on/
    - https://www.reddit.com/r/AskReddit/comments/cmf9o/does_capitalism_actually_require_infinite/?utm_source=amp&utm_medium=&utm_content=post_body

---

- **Child Labor**
    - NBER '13
        - While bans against child labor are a common policy tool, there is very little empirical evidence validating their effectiveness. In this paper, we

examine the consequences of India's landmark legislation against child labor, the Child Labor (Prohibition and Regulation) Act of 1986. Using data from employment surveys conducted before and after the ban, and using age restrictions that determined who the ban applied to, **we show that child wages decrease and child labor increases after the ban.** These results are consistent with a theoretical model building on the seminal work of Basu and Van (1998) and Basu (2005), where families use child labor to reach subsistence constraints and where child wages decrease in response to bans, leading poor families to utilize more child labor. The increase in child labor comes at the expense of reduced school enrollment. We also examine the effects of the ban at the household level. Using linked consumption and expenditure data, we find that along various margins of household expenditure, consumption, calorie intake and asset holdings, households are worse off after the ban.

- Powell '14
  - In the United States, Massachusetts passed the first restriction on child labor in 1842. However, that law and other states' laws affected child labor nationally very little. By one estimate, more than 25 percent of males between the ages of ten and fifteen participated in the labor force in 1900. Another study of both boys and girls in that age group estimated that more than 18 percent of them were employed in 1900. Carolyn Moehling also found **little evidence that minimum-age laws for manufacturing implemented between 1880 and 1910 contributed to the decline in child labor.** Claudia Goldin and Larry Katz examined the period between 1910 and 1939 and found that child labor laws and compulsory school-attendance laws **could explain at most 5 percent of the increase in high school enrollment.**
- Powell '14
  - 73 percent of the variation of child labor rates can be explained by variation in GDP per capita.
  - The overall cross-country empirical evidence in the economics literature suggests a strong link between the level of income and elimination of child labor.
  - For households that emerged from poverty during the period, the increase in expenditure explains 80 percent of the decrease in child labor.
- Powell '14
  - Also, working is not necessarily incompatible with school attendance. In 2000 and 2001, UNICEF surveyed thirty-six low-income countries on their use of child labor. They found that almost 74 percent of children aged five to fourteen who worked also attended school.
- Cato '14

        - In 1993 Sen. Tom Harkin (D-IA) introduced the Child Labor Deterrence Act, which would have banned imports from countries employing children. In response, that fall Bangladeshi garment companies let go of approximately 50,000 children. “But did the children go back to school? Did they return to happy homes? Not according to Oxfam, which found that the displaced child workers ended up in even worse jobs, or on the streets—and that a significant number were forced into prostitution." Based on the information they have, families tend to choose the best available job for their children. Taking that option away does not eliminate the necessity of work; it forces them to take a less-desirable job. As repulsive as a child working in a sweatshop may be, it is not nearly as repulsive as a child forced into prostitution through the actions of unthinking Western activists.
    - Robert Whaples article
        - Most economic historians conclude that this legislation was not the primary reason for the reduction and virtual elimination of child labor between 1880 and 1940. Instead they point out that industrialization and economic growth brought rising incomes, which allowed parents the luxury of keeping their children out of the workforce. In addition, child labor rates have been linked to the expansion of schooling, high rates of return from education, and a decrease in the demand for child labor due to technological changes which increased the skills required in some jobs and allowed machines to take jobs previously filled by children. Moehling (1999) finds that the employment rate of 13-year olds around the beginning of the twentieth century did decline in states that enacted age minimums of 14, but so did the rates for 13-year olds not covered by the restrictions. Overall she finds that state laws are linked to only a small fraction – if any – of the decline in child labor. It may be that states experiencing declines were therefore more likely to pass legislation, which was largely symbolic.
    - Murray Rothbard (Page 66)
        - “Child labor laws, by restricting the supply of labor, lower the production of the economy and hence tend to reduce the standard of living of everyone in the society. To reduce the working population while the *consuming* population remains undiminished is to lower the general standard of living.”

- **Sweatshops**
    - Powell '14
        - Workers in firms accused of being sweatshops almost universally earn more than $2.00 per day. However, large portions of the population in

each of these countries live on less than $2.00 per day. Working in a sweatshop in three of these countries results in workers earning more than twice the average national income, and in another three countries it lifts workers above the average. In another four countries, sweatshop workers earn 80 percent or more of the average.

- Powell '06
  - "We Find that most sweatshop jobs provide their workers an above average standard of living."
- AJES '12
  - Sweatshops, while not ideal, are still favourable to other alternatives. For third-world workers, sweatshops often provide much better employment than their available alternatives.

- **Slavery**
  - Slavery was never economically profitable nor efficent:
  - **Slavery was declining before state interference**
    - Murphy '07 (pg 43)
      - ❑ Ironically, government interference interrupted the market forces that would otherwise have gradually (and peacefully) spelled the demise of slavery. According to Thornton, "Between the 1790 and 1800 census, the free black population of America increased by over 82 percent and in the South Atlantic states by over 97 percent. . . . The total free population increased from 8.5 percent to almost 16 percent of the total black population between 1790 and 1810." However, as states instituted slave patrols and enacted restrictions on manumission (it actually made economic sense for masters to allow their slaves to buy their freedom, so pro-slave legislatures acted to discourage it) and the free movement of blacks, "the growth of the free black population decreased, fell below the rate of growth of the slave population, and was reduced to a trickle in the decade prior to the Civil War."
  - **Slavery is Expensive**
    - FEE '19
      - ❑ A slaveholder has to pay for the room and board, food, clothing, and medical treatment of his slaves. Of course, this can be incredibly minimal—even dehumanizing—but costs nonetheless he would not incur if he did not treat them as living property. A wage reflects value added and is not meant to compensate workers for the food and board they need to survive. With slavery, instead of paying a low wage commensurate with the value created, the slaveholder pays for these living expenses directly. Additionally,

the slaveholder has to invest in near-24-hour security to keep his slaves from escaping. This may mean infrastructures like fencing, buildings, chains, locks, cameras, and more, and it could also include personnel to watch and keep slaves locked away. Hence, it's not really cheap labour because the slaveholders have to pay for many of the things with the slave with makes it expensive

- **Slaves are Less Productive**
  - FEE '19
    - ❑ In the free market, some are paid even above the equilibrium wage for an industry or job at a rate known as an efficiency wage. This wage is higher because it attracts exceptional workers who can do the job with greater skill and efficiency, more than justifying their wage. While this type of wage is mainly used in high skill sectors, and slavery is usually centered around low skills, the worker attitude is relevant. Slaves have no incentive to work harder or better. In fact, in all likelihood, they resent and hate their oppressors. If the slaveholder forces them to work hard at a low-skill job, they can threaten pain or withhold food or comfort. This means the slave has no options and must keep up the output, but due to fear, pain, or exhaustion, is less likely to be operating at full capacity. The mental resistance likely drags this even further. A slaveholder demanding ten units of output could get them. But a motivated worker at full capacity may be able to put out far more units. And when slaves are harmed, they cannot produce as much.
- **Empirical Evidence (1)**
  - Harvard '07
    - ❑ "Examining the relationship between past slave use and current economic performance, I find evidence consistent with their general hypothesis that slavery was detrimental for economic developme or nt.
    - ❑ America: according to the 1860 estimates, if in 1860 South Carolina had no slavery, rather than 57% of its population in slavery, then its average **per capita income in 2000 would have been $29,400 rather than $24,300.** This is an increase in income of over 20%.
    - ❑ Jamaica: if Jamaica had relied less on slave production so that the total proportion of slaves in its economy was only 46% rather than 90%, which was the proportion of slaves in the Bahamas at the time, then **Jamaica's income would be $11,580, rather than $3,640.** This is an increase of well over 200%.
- **Empirical Evidence (2)**

- Hummel '12
    - [ ] Southern slavery was indeed profitable but nevertheless inefficient; it operated like other obvious practices — from piracy through monopoly to government subsidies — where individual gains do not translate into social benefits. In the terminology of economics, it was a system that imposed significant “deadweight loss” on the Southern economy, despite being lucrative for slaveholders.
- https://mises.org/wire/left-argues-slavery-was-economic-blessing-heres-why-they-are-wrong
- https://economicsdetective.com/2019/08/the-poverty-of-slavery-with-robert-wright
- https://economicsdetective.com/2019/09/cotton-slavery-and-the-new-history-of-capitalism-with-alan-olmstead-and-paul-rhode
- https://economicsdetective.com/2019/09/slavery-and-capitalism-with-phil-magnes
- https://economicsdetective.com/2019/09/cotton-slavery-and-the-new-histry-of-capitalism-with-alan-olmstead-and-paul-rhode/
- https://www.nber.org/papers/w25197.pdf
- https://muse.jhu.edu/article/725375/summary
- https://link.springer.com/article/10.1007/BF02300553
- https://www.independent.org/pdf/tir/tir_14_01_4_thornton.pdf
- https://t.co/urgc2Cmn3n?amp=1
- https://www.jstor.org/stable/26303523?seq=1

- **Marxist Tactics**
    -

Keynesian School of Economics (Flaws)

Debunking post Keynesian Economics

- **Modern Monetary Theory (MMT) and post Keynesian Economics**
    - ***MMT***
        - Cato '19
            - [ ] MMT has been attempted in Latin American countries and has caused runaway inflation, huge currency devaluations, and precipitous real wage declines.
        - Google document refuting the MMT (dead link)
        - Deficit Spending and Interest Rates correlate over time
        - https://www.google.com/amp/s/fee.org/articles/modern-monetary-theory-is-a-recipe-for-hyperinflation/amp

- https://www.cato.org/commentary/magical-monetary-theory
- https://www.cato.org/cato-journal/winter-2021/modern-monetary-theory-meets-greece-chicago
- https://mises.org/wire/problem-modern-monetary-theory
- https://mises.org/wire/mmt-fake-economics
- https://www.mercatus.org/bridge/commentary/5-problems-mmt
- https://www.econstor.eu/bitstream/10419/213401/1/1666036390.pdf
- https://www.google.com/amp/s/fee.org/articles/modern-monetary-theory-isnt-economics/amp
- https://mises.org/library/upside-down-world-mmt

Endogenous Money

- This paper supposedly proves endogenous money from the perspective of a central bank
  - It also states:
  - "The amount of money created in the economy ultimately depends on the monetary policy of the central bank. In normal times, this is carried out by setting interest rates. The central bank can also affect the amount of money directly through purchasing assets or 'quantitative easing'."
  - **Note addressing the above quote:** Even presuming the validity of endogenous money, central banks exogenously set interest rates, causing money supply to move towards a certain quantity of money. Central banks do indirectly control not only the interest rates, but correlated money supply, and they can control it directly via credit expansion. Thus, the market for loanable funds and the models for the Austrian Business Cycle Theory hold; showing that endogenous money fails to debunk the Austrian Business Cycle Theory.
- https://voxeu.org/article/banks-do-not-create-money-out-thin-air
  - Contrary to post-Keynesian endogenous theory, banks cannot create money out of thin air, but are constrained by assets.
  - A summary may be convenient for some readers. For one thing, the lending activity of any individual bank, and hence money creation, is limited by its holdings of central bank reserves, since when the borrower uses the newly obtained funds to make a payment to a seller with an account at a different bank, the borrower's bank will frequently have to use reserves to settle this transaction. Second, households and businesses are not only one party in the process of money creation, but through activities such as loan repayment they also contribute to money destruction. Thus,

if an individual took out a new loan but did so for the purpose of mortgage refinancing, the net money creation would be (approximately) zero. And third, a whole host of factors affect and limit the incentives for borrowers to take out loans and for banks to create money, including the various parties' risk perception and appetite, and the stance of monetary policy. For example, the federal funds rate in the US or the Bank Rate in the UK, the primary instruments of the Federal Reserve and the Bank of England, respectively, influence the costs banks face in acquiring reserves as well as the demand for credit coming from households and businesses.

- https://www.sciencedirect.com/science/article/pii/S1090944319303606
  - In other words, what really matters is not whether central banks target the supply of money or interest rates, but whether they affect the money supply at all—whether the quantity of money is determined solely by market forces. Contrary to the real-bills doctrine and post-Keynesian monetary theory, the fact that money is endogenous does not mean that credit expansion, and the resulting malinvestments and misallocation of resources, is endogenous to the market economy. Actually, the opposite is true. As Hayek (1937) notes, cyclical activity is a standard feature of an economy with an elastic currency—that is, an economy in which the supply of money either wholly or partially responds to changes in the demand for money or the demand for credit.
- Blumen: the ABCT, not endogenous money, is responsible for crashes
- Shostak addresses the endogenous money argument
- Endogenous money does not debunk the ABCT (sorry fortnitegod and Mr. Monkey)
- This paper synthesizes endogenous money and the Austrian Business Cycle Theory
- Murphy addresses endogenous money

Contra post Keynesian Kaleidics against the ABCT

- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3595495
  - A recent paper from the Bank of England cast doubt on the 'textbook' model of the money multiplier. **However, this criticism is inconsistent and misleading.** It understates the importance of the central bank's control over the monetary base, and how this influences the money supply. The confusion suggests that it would be more fruitful to conduct analysis using the currency-deposit ratio and reserve-deposit ratio rather than the money multiplier,

and evidence from 1998–2013 is provided. **This article explains how these ratios depend on the monetary regime, and the distinction between inside and outside money. Although a modern regime alters the way that money creation occurs, the monetary base still matters.**

- ***Savings Effect on Economic Growth***
    - https://innovation-entrepreneurship.springeropen.com/articles/10.1186/s13731-020-00140-6
        - [ ] The test of the unit root confirms stationarity, and the regression results showed that deposits have a significant positive impact on… economic growth, because savings stimulate investment, production, and employment and consequently generate greater sustainable economic growth.
    - http://jibe-net.com/journals/jibe/Vol_2_No_4_December_2014/7.pdf
        - [ ] The results of the study show that there is a positive and significant impact of savings on total and non-oil economic growth. Both types of economic growth are also found to have positive and significant effect[s] on savings. In addition, the results show that there is a long-run causal relationship between savings and economic growth, and between saving and non-oil economic growth, and that these relations are two-way.
- ***Interest Rates Effect on Investment***
    - https://www.jois.eu/files/JIS_Vol8_No1_Wuhan_Suyuan_Khurshid.pdf
        - [ ] "Now it can be concluded that in the long run, rate and investment have a positive relationship. Reducing the rate will promote investment"
    - https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/IDGSR08082013.pdf
        - [ ] Overall, while this paper finds empirical evidence that lower real interest rates can stimulate growth and investment, it does not recommend a policy of higher inflation tolerance as the means to lower real rates.
    - Interest Rates, Roundaboutness, and Business Cycles: An Empirical Study | Mark Gertsen
        - [ ] All that it is necessary to prove regarding firm responsiveness to interest rates and savings is that some level of correlation exists - the ABCT does not posit a certain level of responsiveness among all firms in response to interest rates. Coupled with empirical analysis of crashes, Austrian views of loanable funds, savings, interest rates, and investment hold.

- ### ***ABCT versus Minsky FIH***
  - Martinez '16
    - In this paper we'll attempt to explain the connection between interventionism in financial markets, financial crises and economic downturns, as the main cause of the financial crisis mainstream models; As well as the connection between the theories of Austrian and Minsky's economic cycle as branches of heterodox economic theory. In order to achieve this target, we'll begin with a brief introduction of mainstream financial crises models in the orthodox economic literature, then we'll examine the statements of the Austrian Business Cycle Theory and the Financial Instability Hypothesis, and evaluate whether there is a connection between the two. **We conclude that Financial Instability Hypothesis can be studied as a particular case of the Austrian Business Cycle Theory.**
  - https://mpra.ub.uni-muenchen.de/68874/9/MPRA_paper_68874.pdf
    - Minsky's policy conclusions manifest a lack of familiarity with the conclusions of the Austrian analysis of the problems of central planning by Big Players such as Big Bank and Big Government.
    - Even if the two theoretical frameworks do not directly contradict each other since they are actually non-commensurable, the Austro-Wicksellian paradigm arguably provides superior insights that can complement and correct Minskyan analyses of the historical experience of the Financial Crisis and Great Recession.
  - https://link.springer.com/article/10.1007/s11138-009-0097-1
    - This paper evaluates the Minsky hypothesis. I discuss the Austrian theory of the business cycle against his theory, from the perspective of the theory and with reference to the current crisis. Minsky offers some of the theoretical details of speculation during the boom phase, which is a positive feature of his hypothesis and allows us to see more clearly how the recent financial crisis played itself out, but **in the end his cycle theory remains incomplete. The Minsky moment—a feature of the recent housing bubble—is something that the Austrian theory of the cycle is already fit to explain.**
  - https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1567626
    - **Minsky-ABCT Attempted Synthesis:**
    - The FIH is then reinterpreted in terms of Austrian Business Cycle (ABC) theory, which depends on inflationary credit expansion to drive the unsustainable prosperity. According to Minsky's FIH,

unsustainable prosperity emerges endogenously as long periods of economic expansion make borrowers and lenders alike more willing to engage in investment activities for which they fail to see the inherent risk. **It becomes clear that this process is amplified and exacerbated by credit expansion.** Minsky's FIH helps flesh out some of the missing dynamics of the malinvestment liquidation phase of ABC theory, and **the two views turn out to be surprisingly complementary**.

- ❑ Austrian Analysis: It's OK but there are very problematic aspects that could be revised BUT it gives insight to the other side" or the bust of the ABCT that has surprisingly been overlooked compared to the literature on the "boom" phase. Fisher's DDT was so close too, and minsky's FIH was inspired by Fisher's DDT.

- https://mises.org/library/does-current-financial-crisis-vindicate-economics-hyman-minsky
- https://mises.org/wire/minsky-having-moment
- https://mises.org/wire/was-hy-minsky-blockian
- https://mises.org/wire/boombustology-can-mises-and-minsky-help-investors-spot-bubbles

○ *Contra PK Price Theory (and Debt Deflation Theory)*

- https://econo-miaytuya.blogspot.com/2014/01/some-fallacies-of-some-heterodox.html
  - ❑ This article also covers the Keynes-Minsky-Fisher DDT in addition to pK price theory. It's pretty good against pK econ in general
- https://cdn.mises.org/The%20Price%20Determined%20by%20the%20Cost%20and%20Costs%20Determined%20by%20Prices_0.pdf
  - ❑ Proposed synthesis of pK and Austrian price theory
- https://wapescholar.pure.elsevier.com/en/publications/problems-with-post-keynesian-price-theory-a-marxist-perspective
  - ❑ Marxist critique of post Keynesian price theory (it's not great, but I'm leaving it here to spite pKs):
- https://b-ok.cc/book/5180693/9f5f96 p.191-203
- https://www.jstor.org/stable/10.13169/worlrevipoliecon.5.1.0078#metadata_info_tab_contents

○ *Contra PK Reswitching Argument*

- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3499027 (and Man, Economy, and State Chapter 7)

- ❑ What is reswitching?
- ❑ It will be helpful to have some prior understanding of the Pure Time Preference Theory of Interest before tackling this topic. It is a niche subtopic within capital theory, and not all that relevant. 'Reswitching' came up during what is called the Cambridge Capital Controversy between the "Neoclassical" economists (Paul Samuelson and Robert Solow at MIT Cambridge, Massachusetts) and the "neo-Ricardian" or "post-Keynesian" economists (Pierro Sraffa and Joan Robinson) at the University of Cambridge, UK. The debate was broadly over capital aggregation; the neo-Ricardians maintained that neoclassical capital theory involved improper aggregation of microeconomic concepts to the macro economy as a whole.
- ❑ Examples of technique reswitching almost always involve either extremely unrealistic scenarios such as 50% interest rates or 30 year planning horizons, or the difference between the techniques involved is negligible. There is little evidence that the phenomenon is empirically relevant. As such, it is not even a particularly strong criticism of the neoclassical approach.
- ❑ For the Austrian perspective, reswitching has been brought up by Robert Vienneau and Saverio Fratini as objections to the theory of the business cycle, with the charge being that interest rates do not affect production decisions linearly as their interpretation of the ABCT (Austrian Business Cycle Theory) tends to suggest, since compounding results in higher order polynomials that can have multiple roots.
- ❑ However, this criticism is lacking on two fronts. For one, the focus of the ABCT is not on interest rates per se but on the expansion of credit, as Mises repeatedly emphasises. Expansion of credit does not simply push the rate down, it merely results in the rate being lower than it otherwise would have been. Non-linear relationships between interest rates and capital valuations do not affect the theory.
- ❑ Secondly, the examples of reswitching that Vienneau and Fratini put forth assume constancy in all relevant prices other than the rate of interest. However, Austrian production theory tells us that the prices paid to the productive factors tend to move towards their discounted marginal productivity, and heavy emphasis is paid to the unsustainable rise in wage rates as a result of credit expansion. Thus, the constancy assumption violates the theoretical

underpinnings of the Austrian framework itself, and so is not entertained as a serious criticism. These are two of the reasons why it is such a niche topic in the first place

- ***Contra Pierro Sraffa***
  - https://book4you.org/book/952743/af7919
    - Contra Keynes and Cambridge, debates of Hayek, Keynes and Sraffa. P,74-120/198-225
  - https://mises.org/library/failure-new-economics-0
    - The Failure of New Economics by Hazlitt
    - Chapter XVII: "Own Rates of Interest" P,236-252
  - https://books.google.com.ar/books?id=X5fVkpN-rQcC&pg=PA127&lpg=PA127&dq=%22With+given+and+uniform+expectations+the+rates+of+interest+on+different+commodities+are+identical+in+equilibrium%22&source=bl&ots=IKEPwvzi_l&sig=IPyDXRaosyRGcr_it5Edc9XJXIo&hl=en&sa=X&ei=UUn9UJDvBc_y0QHe34HQDg&redir_esc=y#v=onepage&q=%22With%20given%20and%20uniform%20expectations%20the%20rates%20of%20interest%20on%20different%20commodities%20are%20identical%20in%20equilibrium%22&f=false
    - Introduction to the Theory of Interest by Joseph W. Conard
    - Chapter VIII: Money Rates, Own Rates, and Real Rates of Interest
  - https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.192.5326&rep=rep1&type=pdf
    - A Defense of the Traditional Austrian Theory of Interest* By Paul Cwik
  - https://mises.org/library/capital-and-its-structure
    - Capital and It's structure by Ludwig Lachmann P,57-59
  - https://book4you.org/book/1004372/2603f0
    - Austrian Economics Under Fire, The Hayek-Sraffa duel in retrospect by Ludwig Lachmann P,141-157
  - http://consultingbyrpm.com/uploads/Multiple%20Interest%20Rates%20and%20ABCT.pdf
    - Reply to Sraffa from Bob Murphy and reply to Bob Murphy from Smiling Dave
  - https://smilingdavesblog.wordpress.com/2014/10/04/saving-ae-from-piero-sraffa/
  - https://econo-miaytuya.blogspot.com/2013/01/sraffallacies-misesian-defense-of-abct-i.html

        - https://econo-miaytuya.blogspot.com/2013/01/sraffallacies-misesian-defense-of-abct.html
        - https://econo-miaytuya.blogspot.com/2013/02/the-posts-war-rejoinder-post-to-reply.html
        - https://econo-miaytuya.blogspot.com/2013/05/sraffallacies-abridgment.html
    - ***Contra Steve Keen***
        - Steve Keen's theories in general are rather weak. Sraffians admit he's no good and he's gained enough traction to have been thoroughly eviscerated in his faultily narrow argumentative approaches. The following articles tear into his thesis "debunking" economics:
        - https://chrisaulddotcom.files.wordpress.com/2012/04/debunk.pdf
            - ❑ Mathematical Neoclassical refutation
        - https://www.gmu.edu/depts/rae/archives/VOL16_4_2003/6_BR_Murphy.pdf
            - ❑ Methodological Austrian refutation
        - https://www.forbes.com/sites/timworstall/2012/09/10/debunking-steve-keens-debunking-economics/?sh=41db325b7a68
        - https://www.adamsmith.org/blog/economics/steve-keen-s-debunking-economics
        - http://pc.blogspot.com/2012/09/debunking-keen.html

- **Debunking: "Uh sticky prices debunk Austrianism lol"**
    - Salerno '12
        - Our daily experience with coupons, early morning specials, restaurant blackboard specials, supermarket rewards cards, and so on makes the widely accepted story of intractable price rigidities ring hollow. But whether prices are rigid or flexible is really beside the point. The point is that the degree of price rigidity or flexibility is not *determined* by objective external factors such as menu costs, but is *chosen* by entrepreneurs as one of the dimensions of the good or service they bring to market. As Hans Hoppe once succinctly put it, "Prices are as rigid or as flexible as they need to be." Entrepreneurial pricing policies are driven by and constantly adapted to the demands of consumers. For instance, the prices of movie theater tickets change very slowly and appear somewhat sticky because consumers prefer it that way; in contrast the prices of theater concession items like soft drinks, popcorn, and candy are continually varied by coupons, rewards cards and daily specials.

        - In 1992 American Airlines tried a rigid price scheme, slashing the number of prices in its computerized reservation system by 86 percent, from 500,000 to 70,0000. In the process the average fare was reduced by 38 percent and first class fares by 20 to 50 percent. The airline had estimated that the move would save $25 million annually and enable it to reallocate 600 employees to other tasks. No sale—air travelers rejected it and within six months the plan was rescinded.
    - Murphy '10
        - The argument of sticky wages does not justify the existence of a central bank. Market prices, including wages, are flexible enough to smooth out macroeconomic disturbances. To the extent that workers hold out for a better job, rather than take a pay cut, this too reflects a *legitimate* outcome on a free market.
    - Amirault, Kwan, Wilkinson '05
        - This survey of the price-setting behaviour of a representative sample of 170 Canadian firms has several interesting findings. For one, firms show a wide variation in the frequency with which they adjust prices. **While one-third adjust prices once a year or less, a similar portion adjust prices more than twelve times per year. Overall, results indicate that, for the portion of the economy we surveyed, half of Canadian firms changed prices at least once every three months.** Compared with previous findings in surveys of a similar nature, our findings suggest more flexibility in prices.
        - [T]he survey has found evidence of increased price flexibility among Canadian firms over the past decade.
        - These theories as to why profit-maximizing firms may keep prices unchanged despite pressures to adjust them seem to have a common genesis: the firms' fears of antagonizing customers or disturbing the goodwill or reputation developed with customers.
        - The authors find that the most important motivators of price changes are price changes by competitors, changes in domestic input costs, and changes in demand. Surprisingly, but consistent with the results reported in Bils and Klenow (2002), the survey evidence suggests that more than 50 per cent of firms change their prices more than four times a year. Moreover, the survey indicates that prices change more frequently than they did ten years ago, because of more intense competition and advances in information technology.
    - Machaj '18
        - Even though the Post-Keynesian criticism may create potential problems for the neoclassical version of marginalism, this **need not be** the case with respect to Austrian theory, which at times is poles apart from neoclassical

analysis. Actually, in some cases the Post-Keynesian contribution to price theory strengthens Austrian arguments about the market process, especially in those aspects where Post-Keynesians are anti-neoclassical.

    - Ludwig von Mises **does not mention** the concepts of marginal revenue and marginal cost while discussing the basic functions of profits and losses. The concept of markup pricing enriches calculation arguments and the entrepreneurial approach to the theory of pricing. Part of the empirical research on pricing by managers actually confirms this view: managers give reasons for not raising prices that include fear of competition and a preference for higher turnover.
    - To relate the notion of "rest" to the above discussion: marginalist neoclassicals seem to talk about the final state of rest – when future prices are in full accordance with the costs existing throughout all industries, including interest payments. Post-Keynesian reservations are the result of a plain state of rest perspective. In the immediate run, in everyday transactions, sellers make inventory adjustments based on their capacities and their business canvas. As decisions become more incorrect, further mistakes are capitalized into the project. The adjustment toward a (never attainable) final state of rest is a constant process that includes temporary optimal lags. **Therefore, despite the fact that changing supply and demand conditions do not produce equilibrium prices as conventionally defined, economic reasoning can rely on the realistic momentary equilibrium of the plain state of rest for analyzing the pricing process.**
  - "Muh Sticky Wages" is not an argument against the ABCT.
  - https://www.researchgate.net/publication/336903128_Reconciling_Full-Cost_and_Marginal-Cost_Pricing

---

- **Failed Keynesian Predictions and Successful Austrian Predictions**
  - Woods '09 - the 1920-21 Depression ended with no government interference
    - The conventional wisdom holds that in the absence of government countercyclical policy, whether fiscal or monetary (or both), we cannot expect economic recovery — at least, not without an intolerably long delay. Yet the very opposite policies were followed during the depression of 1920–1921, and recovery was in fact not long in coming.
    - The economic situation in 1920 was grim. By that year unemployment had jumped from 4 percent to nearly 12 percent, and GNP declined 17 percent. No wonder, then, that Secretary of Commerce Herbert Hoover — falsely characterized as a supporter of laissez-faire economics — urged President Harding to consider an array of interventions to turn the economy around. Hoover was ignored.

        - Instead of "fiscal stimulus," Harding cut the government's budget nearly in half between 1920 and 1922. The rest of Harding's approach was equally laissez-faire. Tax rates were slashed for all income groups. The national debt was reduced by one-third.
        - The Federal Reserve's activity, moreover, was hardly noticeable. As one economic historian puts it, "Despite the severity of the contraction, the Fed did not move to use its powers to turn the money supply around and fight the contraction." By the late summer of 1921, signs of recovery were already visible. The following year, unemployment was back down to 6.7 percent and it was only 2.4 percent by 1923.
    - As opposed to the successful US response of nothing to the 1920-1921 Depression (which contradicts Keynesian posits), Japan's anti bust economic intervention ruined its recovery (this also contradicts Keynesian posits)
    - Contrary to Keynesian Predictions, There Was No Crash After World War II Spending Was Cut
    - Paul Krugman Thought Preparing For A Fake Alien Invasion Would Help The Economy
    - Paul Krugman Stated 9/11 Would Do Economic Good
    - Paul Krugman Thought We Would Need to Inflate a Housing Bubble To Recover From The Dot Com Bubble
    - Paul Krugman Predicted There Would Be No Dot Com Crash
    - Keynesian Economist Janet Yellen Predicted That the Housing Bubble Would Not Be An Issue
    - Mises and Hayek Predicted the Great Depression
    - Peter Schiff Predicted the Housing Bubble
    - Ron Paul Predicted the Housing Bubble
    - List of successful Austrian Economic Predictions

Austrian School of Economics

Google document with source supporting Austrian Economics
Another google document with information supporting Austrian Economics

---

- **Praxeology**
    - Analysis of Austrian School Sociology-Document
        - The Austrian Sociological View can be summed up from just one term: Praxeology, the study of human action. Human Action in the sense of social action, sociological a-priori deductive activity, that creates social organization, particularly in economics. To dissect this view, what is this social organization that we speak of? The Social Organization of Aggregates and Secondary Groups. Aggregates are a collection of people who happen to be at the same place at the same time but who have no

other connection to one another. Secondary Groups are large groups whose relationships are impersonal and goal oriented. Both Aggregates and Secondary groups act on an impersonal, temporary and individual field, particularly one with separate actors trying to achieve different ends through different means. A field identical to this arrangement of people is economics. The field of economics is the field of a-priori deductions of all individual actors involved in these arrangements. This is because all individual actors are not acting for a collective purpose, but to rationalize their actions in ways to compete against one another and to differentiate against one another to achieve certain differentiating ends in the same social arrangement. And the basis of this socio-economic arrangement would be Mise's Grand Deduction and Axiom: The Human Action Axiom. This Axiom posits that in economics, actors act on the most highly valued preference to economize their means overtime, purposefully. The HA Axiom posits purposeful behavior as a way to act in an economic framework. All of the theories conceived from the Austrian School presuppose the HA Axiom as a way to justify the subjectivist nature of economics and sociological/socio-economics arrangements.

- Austrian School Document
    - Human Action is the purposeful action of human beings. We do this in every single purposeful action we have, this excludes bodily actions that are uncontrollable like flinching. The main purpose of this when looking at economic methodology is understanding we can assume each person is acting in a rational sense to satisfy an end. For example, if you are trying to get six dollars you do something, or act, to reach the end of getting six dollars. This idea of humans attempting to reach an end is the way that Austrians view the way to understand economics and economic reasoning.
    - All humans act, this is undeniable, we all have ends we attempt to reach and have means to obtain an end. The means is the action; the means in other words is the ways we act to obtain a certain end to satisfy a desire. This action relates in the same way to economic action. We have a means as producers to reach an end of profit or wage. Action relates to everything in economics and is the way we develop economic calculation and understanding the way markets demand. Without this, we do not have economic calculation, we want a certain thing and producers produce and both ends are met. This is why Praxeology is inherently economic, every desire has economic consequences for producers wanting to have profit and you to consume. What we can see is that humans will always act to achieve a desired end, this end is a subjective process inside the human mind telling them to choose A versus B and vice versa. Economics have the same logic when we act in an economising way, we act to achieve a

desired economic end, we figure these ends by reasoning and weighing options in our mind that are subjective to our desire. This is why the Austrians reject mathematical and historical analysis when it comes to economic models and social sciences. The subjective values that we give to a certain object or objects cannot be quantified in any kind of mathematical problem or through any kind of prediction on how humans will act.

- Human Action: Ludwig Von Mises
  - **Praxeology is Superior to Empiricism**
  - Professional economists' certainty with regard to models crafted out of fragmentary data is misguided and has hastened the expansion of the total state. The methodological individualism of Praxeology is the sound alternative to the shallow nostrums of the willing shills of the state. Mises writes: "It is no longer enough to deal with the economic problems within the traditional framework. It is necessary to build the theory of catallactics upon the solid foundation of a general theory of human action." "The essence of logical positivism is to deny the cognitive value of a priori knowledge by pointing out that all a priori propositions are merely analytic. They do not provide new information, but are merely verbal or tautological, asserting what has already been implied in the definitions and premises. Only experience can lead to synthetic propositions. There is an obvious objection against this doctrine, viz., that this proposition that there are no synthetic a priori propositions is in itself a -- as the present writer thinks, false -- a synthetic a priori proposition, for it can manifestly not be established by experience." -Ludwig von Mises
- Aleks Popovic's article: On the Austrian Method: Praxeology '20

- **Economic Calculation Problem (ECP)**
  - ECP section here.

- **Subjective Theory of Value**
  - Carl Menger: Principles of Economics
    - According to Carl Menger in his book “Principles of Economics,” value is indeed subjective. That is, the value of a good is not determined by the physical inputs, including labor, that helped to create it. Instead, the value of a good emerges from human perceptions of its usefulness for the particular ends that people had at a particular point in time. Goods acquire their value, he showed, not because of the amount of labor used in producing them, but because of their ability to satisfy people’s wants. People will exchange something they value less for something they value more. Because both trading partners do this, both gain. Value is not

something objective and transcendent. It is a function of the role that an object plays as a means toward the ends that are part of human purposes and plans.

    - Any two people will not and need not agree on the value of the same item at the same instant of time. If they should agree, it is a coincidence of no significance whatever so far as discovering value objectively is concerned. For any item at any given instant of time, each person sets his own value in a way that is a mystery to all others. He takes into account a vast range of considerations, many of which are peculiar to him alone and which may be so deeply subjective that he cannot even describe them to another person.
- George Reisman: Capitalism-A Treatise on Economics
    - **Example of Subjective Value (1)**
    - For example, previously, I have shown that the LTV does not consider the nature of natural resources like land, soil, and so forth as they do indeed hold value, but no labor time went into them. Thus, according to the subjectivists, land had value not because of the labor that went into tilling it, but because people believed that it could contribute to the satisfaction of some direct want of their own (such as growing crops to eat) or that it would contribute indirectly to other ends by being used to grow crops to sell at the market. Works of art had value because many people found them to be beautiful no matter how much or how little labor went into producing them. With value being determined by human judgments of usefulness, the variations in the quality of labor posed no trouble for explaining value.
- Carl Menger: Principles of Economics
    - **Example of Subjective Value (2)**
    - If an inhabitant of a virgin forest has several hundred thousand trees at his disposal while he needs only some twenty a year for the full provision of his requirements for timber, he will not consider himself injured in any way, in the satisfaction of his needs, if a forest fire destroys a thousand or so of the trees, provided, he is still in a position to satisfy his needs as completely as before pith the rest. In such circumstances, therefore, the satisfaction of none of his needs depends upon his command of any single tree, and for this reason a tree also has no value to him.
    - But suppose there are also in the forest ten wild fruit trees whose fruit is consumed by the same individual. Suppose too, that the amount of fruit available to him is not larger than his requirements. Certainly then, not a single one of these fruit trees can be burned in the fire without causing him to suffer hunger as a result, or without at least causing him to be unable to

satisfy his need for fruit as completely as before. For this reason each one of the fruit trees has value to him.

- Carl Menger: Principles of Economics
    - **Example of Subjective Value (3)**
    - If the inhabitants of a village need a thousand pails of water daily to meet their requirements completely, and a brook is at their disposal with a daily flow of a hundred thousand pails, a concrete portion of this quantity of water, one pail for instance, will have no value to them, since they could satisfy their needs for water just as completely if this partial amount were removed from their com- mand, or if it were altogether to lose its goods-character. Indeed, they will let many thousands of pails of this good flow to the sea every day without in any way impairing satisfaction of their need for water. As long as the relationship responsible for the non-economic character of water continues, therefore, the satisfaction of none of their needs will depend upon their command of any one pail of water in such a way that the satisfaction of this need would not take place if they were not in a position to use that particular pail. For this reason a pail of water has no value to them.
    - If, on the other hand, the daily flow of the brook were to fall to five hundred pails daily due to an unusual drought or other act of nature, and the inhabitants of the village had no other source of supply, the result would be that the total quantity then available would be insufficient to satisfy their full needs for water, and they could not venture to lose any part of that quantity, one pail for instance, without impairing the satisfaction of their needs. Each concrete portion of the quantity at their disposal would certainly then have value to them.
- Thomas C. Taylor: An Introduction to Austrian Economics
    - **Diamond-Water Paradox**
    - The paradox of value (also known as the diamond–water paradox) is the contradiction that, although water is on the whole more useful, in terms of survival, than diamonds, diamonds command a higher price in the market. The subjective theory of value presents what it sees as a solution to this paradox by arguing that value is not determined by individuals choosing among entire abstract classes of goods, such as all the water in the world versus all the diamonds in the world. Rather, an acting individual is faced with the choice between definite quantities of goods, and the choice made by such an actor is determined by which good of a specified quantity will satisfy the individual's highest subjectively ranked preference, or most desired end. For example, if a man living next to a clean mountain stream is offered a barrel of water, he may not value it at all. The stream itself provides him with more water than he can possibly use, so the value of

this extra quantity to him is literally nothing. (Perhaps it is even negative—it might be a nuisance having the barrel around.) But this fellow may not have any diamonds, so the possibility of acquiring even one might be enticing. It is clear that the man will value the diamond more than the water. But even for the same man, if we change his circumstances, then his valuation may change completely. If he is crossing the Sahara Desert, with the diamond already in his pocket, but he has run out of water and is on the verge of dying, most likely he would trade the diamond for even a single cup of water. (Of course, if he were a miser, he might still value the diamond more highly than the water, even at the risk of dying of thirst.) The value of goods is subjective—the exact same diamond and barrel of water may be valued differently by different people, and even valued differently at different times by the same person. Carl Menger also utilized this line of logic to argue against Marx's LTV. Henceforth, to quote Menger: "Value is therefore nothing inherent in goods, no property of them, but merely the importance that we first attribute to the satisfaction of our needs . . . and in consequence carry over to economic goods as the . . . causes of the satisfaction of our needs."

- **Broken Mirror Fallacy**
    - Economics in One Lesson Book
        - This thought experiment presents a situation where party A has his window broken and it costs 250 dollars to repair. Party A will pay party B 250 to fix the window. But looking from a wider perspective than just party A loss and Party B gained-- there could be potential 3rd parties, for example a tailor. Party A planned to buy a suit from Party C but now no longer has a chance. This goes to show that people can be deceived, people may see the window in a day or two, but people cannot see the potential suit that could have been made, they only see what is immediate to the eye and completely disregard Party C.

- **Opportunity Cost and Time Preference**
    - Anglo Libertarian '20
        - This video explains the concepts of opportunity cost and time preference pretty well.

- **Austrian Business Cycle Theory**
    - See here.

Book Notes and Summaries

- **Economics in One Lesson:** Notes by this document
    - **The lesson**
        - Economics is flawed. It can be infiltrated by people's greed and self interest.
        - Overlooking secondary consequences is what bad economists do-- looking at what policies immediately strike, what direct consequences come from, and one particular group affected by a policy.
        - We already face the consequences of policies that were implemented in the past
        - Failed economics births new and 'orthodox' economics in which we had hoped classical economists had doubt to fixed
        - Bad economists only look at the effects policies have in the short term. Good economists look at what happens both in the short term but especially in the long term. *Economics in one lesson* mainly pays attention to the long term.
    - **The Broken Window**
        - This thought experiment presents a situation where party A has his window broken and it costs 250 dollars to repair. Party A will pay party B 250 to fix the window. But looking from a wider perspective than just party A loss and Party B gained-- there could be potential 3rd parties, for example a tailor. Party A planned to buy a suit from Party C but now no longer has a chance. This goes to show that people can be deceived, people may see the window in a day or two, but people cannot see the potential suit that could have been made, they only see what is immediate to the eye and completely disregard Party C.
    - **The Blessings of Destruction**
        - People often associate war with profits and a miracle of production.
        - Need is not demand, and post war need.
        - Effective economic demand requires not merely needs but actual corresponding purchasing power. For example, the needs of India are greater than the U.S but the corresponding purchasing power is considerably lower.
        - People often think purchasing power is just money. -- which is a bad thing since it can be infinitely printed.
        - The more money thought in circulation as a result of excessive printing, the value of any given unit of money falls, and this falling value can be measured by the rising price of commodities.
        - Yes there was observable demand (needs) for things such as housing post WW2 but the more manpower that went into supplying housing etc , another section of the economy was reduced.

        - The interventionism that took place during the post war time (artificial expenditure, heavy taxation, absurd commercial restriction, etc. This destroyed capital faster than any private sector could.
        - Supply creates demand because at the bottom it is demand
        - Mere reflection, that is, the mere issuance of more money, with the consequence of higher wages and prices may look like creation of more than man. But in terms of the actual production and exchange of real things it does not.
        - Back to the WW2 circumstance, bombs that destroyed valueless plants, ones that could no longer produce optimally, gained value by installing newer technologies.
    - **Public Works Mean Taxes**
        - There is a false doctrine that the government can spend without ever facing consequences. Although this has always resulted in debt, and just because we “owe it to ourselves” means nothing if inflation occurs, and when that happens it will be aggressive, a mere form of taxation itself.
        - The form of taxation with the sole reason to raise unemployment is not a good idea. A main argument for taxation to fund ‘projects’ is that it will ‘raise employment’ lets say 500 jobs in the first year. We can deduce from this illogical argument that these jobs would not have existed without this ‘project’.
        - Well yes, at an immediate observation, there were many jobs created although, money had to come from somewhere right? So taxation is implemented, if the total cost of the bridge+ labor costs 10 million U.S dollars (and in this situation let's say every one dollar = one dollar of taxation to avoid inflation) then 10 million dollars will be taxed from citizens and businesses. This ten million that was taxed was taken from the private sector and put on one project. This ten million could have been circulated in the economy, funding jobs, and buying of consumption. Think of all products that are now lost due to that net ten dollars being stolen.
        - For every public job that is created by this bridge project is a private job that was destroyed somewhere else. In conclusion, this project is a diversion-- more like an illusion-- of false net positives of jobs. There are now fewer technicians, fast food workers, retailers, mechanics as a long term result of an increase in bridge workers. (back to 1st chapter *includes bad economics*)
        - The second argument for taxation for public work is that-- let's continue the bridge thought experiment-- the bridge exists and without the government there would be no bridge (this argument supporting public

works and taxation pre-supposed that there was no demand for this bridge by the market therefore no capitalist decided to take on the project.)
    - This is faulty; yes there is no bridge, BUT since the ten million was not taxed and workers were not pulled out of the private sector, there are now things possible built beyond the imagination of a consumer such as: homes, appliances, clothes, food, and in some cases labor. This again can be pointed back to Hazlitt's thesis of bad economists and their uncredible short term thinking.
- **Public Housing**
    - An argument for public housing is the potential wealth that could be produced, but taxation destroys just as many private sector housing and appliances, jobs, and unmade appliances.
    - The illusion is that housing is a physical object, the workers are seen, and the final product with a happy consumer is seen. ‘
    - It is obvious if money is stolen from all other sectors and focused into one sector, without a doubt that one sector will soar economically and appear astonishing
    - Private capital itself funds the public sector.
    - Taxpayers themselves can allocate money more efficiently than the state itself, the same or more jobs come from the self interest and methodological individualism of the human and not the entity of the state.
- **Taxes Discourage Production**
    - While people dilate the benefits of party B when taxed they forget about A. Which is obvious when allocating money from A to B.
    - Taxes affect the incentives of an individual.
    - When a business, lets say, gains 52 cents per dollar they gain and losses 100 cents per dollar they lose and cannot adequately offset losses and gains can lead to businesses not expanding or only expanding enterprises of minimum risk.
    - People who see this are deterred from starting new businesses, suppressing capitalistic competition.
    - Thus old employers give less employment.
    - The speed of which new technology and machinery are slowed
    - The consequences in the long run is that consumers miss out on obtaining cheaper more quality products and workers get lower wages.
    - Think about it: in countries with 50,60,70 percent income taxes people wonder why they should have to work 8,9,10 months out of the year for the government
    - It is conspicuous that hoarding of capital and/or holding onto accumulation hurts the economy, therefore when a person loses 100% of what they get when lost but only gets to keep 50% of what they gain,

leading to capital accumulation. It is taxed faster than can be accumulated. Therefore, leading to unemployment [1,2,3]

        - Larger percent of taxes, the bigger deterrent to private production and employment. Taken too far, the devastation of taxation becomes insoluble.

- **Credit Diverts Production**
    - Government credit can be defined as grants or loans levied by the government.
    - Government credit involves the possibility of inflation
    - The often complaint of private loans is that the interest rate is too high, you need a credit score, and/or not enough money. Firstly, let's realize the importance of a loan: it consists of other people's money and their mortgages. When taking out credit it is temporary debt. In hopes that an individual must pay back the bank. After acknowledging this information, the government can lend loans or guarantee money that can give, lets say, a farmer capital to start or lift up a business to the free-market. This enables the farmer to purchase a mule, tractor, farm, or all three. The hope from the government is that providing a temporary loan to fund, let's say, a poor family in hopes of eventually them being successful and that economic boost will go back into the free-market and helpful economy for them. Theoretically, it is supposed to boost the whole community by the added output. The government claims that it costs the government and taxpayers pay nothing because it is ‘self liquidating’. The same can happen under the institution of private credit. The difference is that the private institution or bank has to think more about this transaction as they are risking their own money in this transaction trusting that the individual will pay them back and extra (interest). If a person wishes to buy the mule, tractor, or farm he will have to buy at least some of it or have a past of successful transactions. When people risk their own capital the outcome of a success is higher, but when the government loosely loans people money the outcome of success is lower and the taxation destroys the private sector and potential jobs. When government loans are introduced, private loans are reduced to other potential consumers. The net result of government credit has not been to increase the amount of wealth produced by the community but to reduce it, because the available real capital has been placed in the hands of the less efficient the borrowers rather than in the hands of the more efficient and trustworthy.
    - Another common argument is that there are some risks that are ‘too great for the private industry’ This means that bureaucrats should be permitted to take the risks that the private sector would not, except the problem with this is that it is now taxpayer money in the hands of the bureaucrats. This policy not only deters the economy but can lead to many evils such as

favoritism in the market. If this does not happen it can be guaranteed that the bureaucrats can throw a large sum of available capital into bad projects. Keep in mind that the human is a rational actor and acts in their own self-interest therefore is not a good idea to put taxpayer money in the hands of bureaucrats to “boost” the economy.

- Putting aside ethics, the only justification for handing out government credit is for vague purposes such as “creating employment” or hoping to “boost the economy.”
- Private loans can utilize the existing resources more properly than the states can. The state can print money off leading to inflation.
- These government loans force the general taxpayers to disregard the bad risks and defray the losses and look towards the positive, such as buying houses that they cannot really afford. The government using these loan techniques stimulates the cost of living and the cost of property for everybody involved. Overall these actions do not increase overall national production but actually encourage investments.

- **The Curse of Machinery**
  - It is a very huge economic delusion to believe that machines on the net balance will create unemployment.
  - In 1787 27 years after cotton spinning machinery was introduced the number of persons actually engaged in spinning and weaving of cotton had risen from 7900 to 320000, which is an increase of 4400 percent.
  - In 1873 Bessemer Steel in England, it's price demanded $80 per ton; in 1886 it was profitably manufactured and sold within the same country for less than $20 per ton. This is due to the fact that machinery was introduced and there was no increase in pay along with an increase in labor.
  - Worker unions advocating for the eradication of technology and machinery, by replacing it with individual workers for every job in the 1900s did not help much. It actually made the capitalists pay more with no actual increase in labor, lowering wages for the workers, and increasing the prices of commodities.
  - It is important to acknowledge the actual point of machinery, the point of machinery is to make a job easier.
  - At first it seems like there is a net loss of employment to be accounted for but in the long run it can actually create more jobs and save money by adopting the machine. It may take years for the machine to actually pay for itself, but after the machine pays for itself and the net loss of unemployment. The capitalist that pays for the machine pays for the workers to build that machine keeping them in their jobs, and the extra profit that the capitalist obtains by acquiring this machine and not having to pay workers is one of two ways. 1.) The capitalist will use the extra

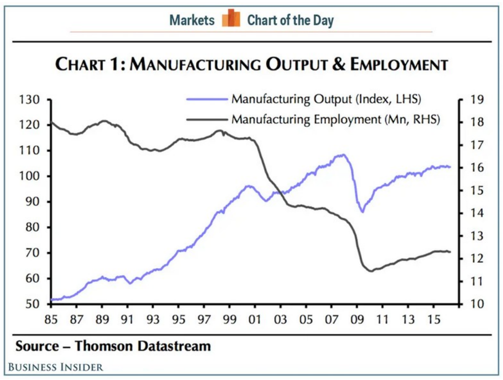
profits to expand their operations by buying either more machines to make more commodities or to invest or buy other operations. 2.) the capitalists will spend the extra profits on their own consumption. This self-interest of consumption will increase employment in other parts of the economy. Every dollar the capitalist has saved in direct wages to former workers he now pays this in indirect wages to the makers of a new machine, or to the workers in another operation, or to the makers of new houses or cars. In the end, if a good economist looked at a longer time period of machinery they would acknowledge there would be no net loss of unemployment.

        - Machinery also allows for higher production (supply) of a commodity at a lower price therefore lowering the price of a commodity to the consumers. As a commodity gets cheaper we have to presuppose that the demand for them gets higher. More people will buy a single commodity that is cheaper, increasing the profits for the capitalist, higher wages for the workers, and getting what the consumer needs.
        - Sometimes machinery and technology allows for a net gain of employment right away. An example of this is objects that would not be of existence until the introduction of them such as Precision Instruments, x-ray machines, radios, TV sets, air conditioners, computers. A bigger example of this is aviation and automobile technology. In 1910 140000 persons were employed in the United States to create automobiles. In 1920 the industry Rose to 250,000. And the 1930 industry rose to 380000. In 1973 it had risen to 941000 people. In 1973 an additional 514000 people were employed in making aircraft in aircraft parts and finally 393000 people were engaged in making electronic components. The automobile industry grew 670 percent.
        - An important thing to note is that jobs do not always equate to a good thing. The point of machinery is to create commodities efficiently and economically better. This being said production will stay at the same rate or go higher, which is the important thing.
        - Machinery increases the standard of living.
    - **Spread-the-Work-Schemes**
        - There is a common fallacy that the more efficient way to do things, actually destroys jobs, for this fallacy to have foundation it deduces that there is a fixed amount of work in the world and the only goal is to have as many people working as possible.
        - Lets say, a homeowner has to pay 2 people instead of one to do a simple task, well then now he has less money that could have employed someone else. Because of the government and unions implementing spread the work policies, giving a false demand to the market and an unneeded supply, causing problems in factoring allocation of resources.

- To justify spreading the work legislators often propose these policies would give more jobs for example making capitalists pay 50% after a 40 hour week (overtime-- hiring more workers), reducing a work week from 40 hours to 30, or 6 days to 5 days, forcing the capitalist to hire more workers.
- Let's say there was a reduction from a 40 to a 30 hour work week without any change in the wage earned by the workers: even if more people are hired the workers' hours would be cut resulting in no net gain of main hours. Purchasing power would not increase, and production would stay stagnant.
- Now let's say that the unions demand, in this thought-- a 33.33 percent pay increase ALSO reducing the work week from 40 to 30. This would result in raising the cost of production, which will raise the price of commodities, and production will be reduced. Unemployment will occur. These results would be similar if there was no pay increase

- **Disbanding troops and bureaucrats**
  - When we can find no better argument for the retention of any group of office holders than that of retaining their purchasing power, it is a sign that the time has come to get rid of him.
  - Public jobs such as bureaucratics and unneeded officials should be disbanded, the common argument against this is they manage purchasing power and without them there would be lesser purchasing power. This is incorrect because to fund them and fund the operations they hold comes from taxation, this taxation is stolen from the people lowering their purchasing power. The newly added purchasing power given to these bureaucratic officials are making up for the ones lost via taxation.
  - This disbanding of bureaucratic positions forces people to work in the private sector, working in the private sector makes men and women more productive therefore having a higher level of production with the same employment.
- **The Fetish of Full Employment**
  - The main economic goal of any nation or school of economics is to get the greatest results with the least effort.
  - An illusion in economics to get the greatest results is to maximize or have full employment (presupposing that there is an absence of involuntary idleness) becomes necessary.
  - The main goal should (and actually is) production, employment is just a factor and means to get there.
  - Indeed it is true that you cannot have fullest production without full employment (although it can be close), but it is true that you can have full employment but not full production.

    - Incentivizing employment over production is not the right step.
    - Countries like India and China, which are poorer than us (considerably) have lower national primitive production but do not have a problem with unemployment. Primitive tribes are seen as poor, but have full ‘employment’.
    - Achieving full employment is one of the easiest things in an economy and perhaps can always be done: for example, ww2 had full employment for almost every nation, Hitler himself made his country have full employment via coercion
    - Full employment will ALWAYS be achievable via coercion and statism.
    - Employment should not be critiqued and looked at by economists or people, you see our government (united states) not passing any production bills but ALWAYS employment bills (oil pipes, infrastructure, even covid EMPLOYMENT bills, boosting wages solely for jobs, etc.)
    - Employment means nothing if the natural rate of production does not increase.
    - Graphs listed below to prove Hazlitt's point.



    - Wage and employment boosts are talked about as if they have no correlation to production, but politicians are blind sided by the effects of this)
    - It's because we are such a wealthy country and the progress of the country that we can eliminate jobs and child labor. When poorer countries can't.
    - The questions economists, politicians, and people should be asking is “how much can we produce in the next xyz years” NOT “ how will employment be affected in the next xyz years”.
  - **Who is ‘Protected’ by Tariffs?**
    - The increase of prices on production, leading people to spend more money on the same product, can manipulate capitalist competition. People are better off buying in their self-interests at the cheapest price.
    - Lets say, America imposes a 5$ tariff [a tax or duty to be paid on a particular class of imports or exports.] to buy from a british sweater

company to incentivise American sweater companies to form (creating artificial demand, supply, etc). Note, the tariff can be altered so high it actually forces Americans to buy domestically. The prices of the American sweaters would be expensive (since there was no demand for it earlier we can logically deduce it was cheaper in Britain to produce) and that extra money a consumer lost due to the imposed tariffs could have gone somewhere else, employeds another job, etc. If the tariffs were exponentially higher, and a hypothetical industry started, it would need workers. Well if this sweater industry needed 50.000 workers it needs to come out of another place in the economy. Therefore, no net gain.
    - The illusion placed in this given situation is that simply no one sees the loss from forcing this product to cost more. No statistician or politician can see the losses of jobs, purchasing power, and money from the tariff. Many would claim, the newly started industry cost nothing.
    - Tariffs can lead to the production efficiency to actually go down, why? With the increased price, things such as transportation aren't used as often, shipping containers, and stores leading to those jobs and eventually declining this product.
  - **Saving the X Industry**
    - There are always industries that need saving. People (congress) will always see it as well if x industry is dying then it must be saved to protect commodities, workers, production, and investors. These industries lobby in congress.
    - Two arguments are made to protect X industries 1. Overcrowding and 2. X industry needs to be supported by a direct government subsidy.
    - If X industry was really 'overcrowded' there would be no need for coercive legislation, as there would be no demand for workers, or Capitalists if other companies are doing considerably well. If there was a demand then there is no such thing as overcrowding.
    - If new capital and new labor are forcibly kept out of Industry X, by monopolies, cartels, unions, and/or legislation then it deprives the capital.
    - This forces investors to invest in less promising opportunities.
    - It forces workers into industries with lower wages and prospects.
    - Overall, capital and labor are both inefficiently employed, rather the industries taken by free choice and risk. Lowering production, resulting in lower average standard of living.
    - New capital does not go into industries that are dying, investors do not (usually) invest into an industry with high risks and low rewards. Workers also do not go into industries that are dying, due to better alternatives they may have.

- Keep in mind, direct government subsidies have to be 'funded' by taxes which will come out of the private sector, leaving companies A,B,C at expense to save industry X.
- It is healthy in a market for old industries to die, or weaken, to let others grow or flourish. Because resources and workers need to be allocated from one to another via wages, chance, risk, money, etc, not by government intervention.

- **How the Price System Works**
  - Profit is a strong incentive and drives a market
  - One occupation can expand only at the expense of another or many occupations
  - To say that the businessman will only do an action if profit is involved, but as SOON as there is no incentive of profit involved, the business man will no longer do that action is not necessarily true → it comes down to a matter of urgency in the economy.
  - Prices are fixed by supply and demand and yet simultaneously affect supply and demand. When more people want an object they will pay more for it. When a lot of people want it, supply will increase (if applicable) and prices will drop, until the most efficient producers exist.
  - Price is only affected by demand (current)
  - What a commodity has to cost to produce in the past cannot determine its value. Only the present relationship of supply and demand can affect the cost. But the expectations of a businessman concerning what a commodity will cost to produce in the future, and what the future price will be, will determine how much of it is made. This will affect further supply.
  - A free market will always be at equilibrium and to make the statement that a pricing system creates scarcity is objectively not true. It is outrageous to conclude that when an industry is shrinking, that the market on the net is declining. Demand will always control the prices. So when the government disrupts the equilibrium in the market and lets say, invests or creates a surplus supply in an industry that has lower demand than other industries just for the fact of " production for use and not for profit" will create price problems, and affect the market as a whole.
- **"Stabilizing: Commodities**
  - A temporary dent in the price of a commodity should not warrant a chronic fix in the price of it as it would either 1.) be detrimental to the consumer or 2.) "hurt the producer".
- **Government Price fixing**
  - Consequences of controlling a max price and in this case lowering the price lower than it would be in a free market can can be 2 things:

- Increase demand, reduce supply
- Seems good, but the incentive to produce this commodity is now discouraged.
- Creates shortages — antithetical to what should happen when gov. Implement this.
- Leads to even more government intervention.

- **What Rent Control Does**
  - The argument that supports this is often that the housing market is not elastic-- shortage cannot be made up spontaneously.
  - If landlords can raise rents in accordance to actual supply and demand simultaneously with monetary inflation then the tenants can economize by taking up less space.
  - These rent caps only benefit the ones who already live on the inside of these homes and apartments, but negatively affects the ones on the outside.
  - Allowing rent increases allows for free market competition and bidding prices.
  - New housing production is suddenly halted due to no incentivisation of previous rent caps or future rent caps. Let's say through the government. Allows rent increases on new built housing but not previously, this can lead to the housing market becoming incredibly expensive and can raise the previous rents up to 10x as much to compensate for the previous non exempt housing (this can be seen in France during world war 2).
  - As rent control legally protects existing tenants, it cannot for future tenants and future construction, given the higher cost of living surrounding them it can prevent them from actually moving anywhere, warranting them mobilization.
  - Due to the new but extremely expensive newly built buildings, the government will most likely impede on this sector with adjusted rent cap laws but with the same negative effects.
  - Low capital returns can result in intolerable and ignored repairs and remodeling as they cannot raise rents. This leads to the infamous tenant and landlord relationship dichotomy that is perceived almost always as negative.
  - Alternatively, exempting “richer” and “luxurious” housing from these rent caps (as an argument to back it up being: the rich can afford these and the poor can't) leads to many problems we can actually visualize today. Doing this leads the builders and land upkeepers to direct towards richer areas due to incentivisation, and free market capital generation which can be invested into or build new luxurious homes that will be guaranteed to gain capital (a cycle). There is no incentive to repair or even build low income

housing via the free market (which leads to government build housing -- explained in an earlier chapter). This creates a class gap and many pressures today.
    - With the ever-growing population and the slow growing housing market, it can lead to devastation. When losses become too compulsory and harmful to the landlords, abandonment and foreclosure starts to occur: leading to a huge net loss and further problems. The owner no longer gets money so he abandons the property and kicks people out, leading to homelessness, an increase in violence and arson. Leading to poorer cities and lower taxes for the local government providing essential jobs. What can fix this? Expansionary government control; our officials' claim. With the introduction of the notouise welfare state. And they blame capitalism and human action.
- **Minimum Wage Laws**
    - Raising the minimum wage will always lead to the increase in the prices of production. The common argument made is that it's fine because the wages of workers are increased, but this cannot simply be true: this is due to the fact consumers will be deterred from purchasing products or even purchase less. With increased wages and decreased income, this can lead to fiscal problems(cont. Part 2)
    - The fiscal problems can lead to firing, and or closing down the business. A common argument is: " IF A BUSINESS CANNOT PROVIDE BASIC LIVING WAGES (or some say if they can ONLY provide slave wages) THEN THE MINIMUM WAGE LAWS SHOULD BRING THEM OUT OF BUSINESS. This is an extremely disingenuous and dishonest debate as they do not account for the unemployment or the net loss of money allocation.
    - This makes previous (previously current) workers being allocated to jobs of less self interest or less skill.
    - Conclusion: Minimum wage laws will always affect employment and merely will decrease production.
    - These laws force people to pay above a worker's actual skillset. When a worker produced subpar work but higher wages.
    - Creates monopolies as it is often that big companies and monopolies can easily pay the minimum wage with no harm and some may even pay higher than it to attract more and more workers! But smaller companies cannot, decreasing competition.
    - We cannot distribute more wealth than created or pay for labor that doesn't produce as efficiently.
- **Do Unions Really Raise Wages?**
    - Wages are determined by labor value and productivity

- **Man, Economy, and State by Murray Rothbard**
  - **Chapter 1: The Fundamentals of Human Action**
    - Praxeology:
      - *Praxeology* is the scientific study of human action, which is *purposeful behavior*. A human acts whenever he uses *means* to achieve an end that he or she subjectively values.
      - Human action is thus teleological or intentional; a person acts for a *reason*. Therefore not all human behavior is action in the praxeological sense: purely reflexive or unconscious bodily movements (such as coughing when exposed to tear gas) are not examples of action.
    - Characteristics of human action:
      - Every action involves not only a value judgment concerning different ends, but also a belief on the part of the actor that he possesses adequate means to achieve his desired end. (A person may prefer sunshine to rain, but this preference alone will not lead to any action if the person does not believe he has the power to change the weather.)
      - All action is future-oriented, in the sense that action seeks to create a more desirable future from the actor's viewpoint. All individuals possess time preference, which means that they prefer a given satisfaction sooner rather than later.
        - All people prefer a *given end* to be achieved sooner rather than later. This is the universal fact of *time preference*.
      - All action involves uncertainty of the future. (If the future were completely known and hence determined, there would be no scope for action.) Entrepreneurship involves coping with this uncertainty by forecasting future conditions, and hence is implicit in every action.
      - The two *original* factors of production are *labor* and *land*. In addition to these factors we also have *capital goods*, which are factors of production that are themselves *produced* by human beings (with labor, land, and possibly other capital goods).
    - The means
      - In action, a man uses means to (attempt to) achieve his ends. When a man uses a certain means for one end, then he cannot use it for some other possible end; we thus say that the means is scarce. In contrast, if a particular item or condition is so abundant that man is not faced with a choice in its disposal, then it is not a means but a general condition of the environment. (For example, air is certainly

necessary for action, but we would not normally classify it as a means to an end.)

- The means to satisfy wants are called goods. Those goods that directly satisfy wants are consumers' goods or goods of the first order. Those goods that are useful only indirectly in satisfying wants are producers' goods or factors of production or goods of higher *order*. Goods which are involved in the production of *these* goods (perhaps the labor of the store clerk in selling the loaf of bread) would be *second-order producers' goods*, and so forth.

- The time elapsing from the beginning of an action until the end is achieved is the *period of production*. The period of production is the *working time* plus the *maturing time*. Note that the period of production for a given consumer good does *not* include the time used in the construction of all capital goods used in the process.

- <u>The Law of Marginal Utility</u>
  - Each unit of a good is valued separately. People never choose between "guns" or "butter" but rather between a *unit* of guns and a *unit* of butter. The total *supply* or *stock* of a good is defined by units that are equally serviceable, or interchangeable, from the actor's point of view.
  - As an actor acquires more and more units of a good, he devotes them to successively less and less urgent ends. Therefore the *marginal utility* of a good declines as its supply increases. This is the law of *diminishing marginal utility*.
- <u>Factors of Production</u>
  - **Law of Returns:** The factors of production necessary to produce a certain consumer good are called *complementary factors of production*. The *law of returns* states that with the quantity of complementary factors held constant, there always exists some optimum amount of the varying factor.
  - **Convertibility and Valuation:** Factors of production differ in their degree of *specificity*, i.e., the variety of consumers' goods that they can produce. Labor is completely *nonspecific*, because it is used in the production of every consumers' good. The less specific a factor is, the more *convertible* it is when conditions change and plans must be altered.
- <u>Formation of Capital</u>
  - Capital goods can be produced only through the act of *saving*, i.e., consuming less in the present than one's means allow.
  - An actor will opt for longer, more roundabout methods so long as the enhanced output more than offsets the increased waiting time, which in itself is a disadvantage because of time preference.

- **Chapter 2: Direct Exchange**

- What is direct exchange?
  - *Direct exchange* involves trades where the goods received are of *direct use to the recipient*. These "direct uses" can be for production; i.e., a person can engage in direct exchange of higher-order goods. However, if a person desires a good with the intention to trade it away to someone else, then he is engaged in *indirect exchange*, the subject of the next chapter.
- Characteristics of trade and exchange
  - A voluntary exchange involves a *reverse valuation* of the goods: each party values what he is giving up less than what he is receiving in exchange. This principle underscores the fact that value is subjective: if goods had an objective, intrinsic value, then there could be no reverse valuation (except through error).
  - With the possibility of trade, goods are valued not only by their direct *use-value* but also their *exchange-value*. An actor will always value a unit of a good at the higher of these two. (For example, even a nonsmoker would prefer a box of cigars over a hot dog, if he thought he could trade the former to a smoker.)
  - Trade also fosters *specialization* and the *division of labor*.
- Market supply and demand
  - There is scope for trade whenever the *minimum selling price* of the seller is lower than the *maximum buying price* of the buyer.
  - **Market supply:** The market *supply* relates the quantity of goods that will be offered at various prices, while the market *demand* relates the quantity of goods that buyers will attempt to purchase at various prices.
  - **Market demand:** The *demand* for a good indicates the quantity of units that buyers desire at various hypothetical prices.
  - **Equilibrium price:** The *equilibrium price* is that which equates quantity supplied with quantity demanded. There is a tendency for actual market prices to approach equilibrium, but new changes in the data constantly interrupt this tendency.

Chapter 3: The Pattern of Indirect Exchange

- What is indirect exchange?
  - *Indirect exchange* occurs when at least one of the parties obtains a good that he does *not* intend to directly use in con- sumption or production, but rather that he intends to eventually trade away to someone else. This good would then be a medium *of exchange*.
  - This indirect route will put these sellers in a much better position to obtain the commodities that they ultimately desire for personal use (in consumption or production).
- The emergence of indirect exchange
  - The possibility of indirect exchange gives individuals much more flexibility. Someone who wishes to trade eggs for shoes doesn't need to find a corresponding person who wishes to trade shoes for eggs (which would be the case in direct exchange). Rather, the egg

seller has the option of achieving his desired goal *indirectly*, by first trading the eggs for butter (say) and then finding someone who wishes to trade shoes for butter.

- The emergence of money
  - Money allows for specialization in the stages of production. Entrepreneurs can use money to hire workers and purchase natural resources and capital goods, and then sell the enhanced capital goods (for money) to an entrepreneur in a lower order of production. The money proceeds can then be used to buy consumption goods for the entrepreneur.
  - Money also allows for economic calculation, because entrepreneurs can compare money expenditures with money receipts to determine if they are efficiently using scarce resources.

- **Chapter 4: Prices and Consumption**
  - What is the price of money?
    - The "price" or *purchasing power* of money is the array of goods and services for which a unit of money can be exchanged.
    - Thus, the direct exchange ratio between any two commodities can easily be computed from their respective money prices.
  - Characteristics of utility
    - The utility from *selling* a good for money is the value of the most highly ranked use to which the additional money can be devoted (whether to spend on consumption, invest, or add to the cash balance).
    - The utility from *buying* a good with money is the value of the most highly ranked end (consumption, production, or future sale) to which the good can be devoted.
  - Money Prices
    - When talking about the "price" of money, we mean its *purchasing power*. It is thus the *entire array* of goods and services that can be exchanged for one unit of the money commodity. (Notice that in barter, the price of *every* good is ultimately an array of its exchange ratios with all other goods.)
    - The introduction of the money good simplifies things greatly. Because virtually *every* transaction involves the money commodity on one side, any good's price is quoted as its exchange ratio with the money commodity.
    - Thus there are only as many prices as there are different commodities. There is a tendency for *one price* to emerge on the market for each separate commodity.
  - Determinations of money prices
    - Money prices are generated by the actions of individuals, and must ultimately be explained by reference to individual value scales. Each individual in the market ranks various units of each commodity, including the money commodity, on an ordinal scale of value.

- The individual's demand schedule for each good in terms of money prices is then determined in the exact same way as under barter, except that here one of the goods happens to be the universally accepted medium of exchange.
- <u>Marginal utility of money</u>
  - The marginal utility of a unit of money depends largely on the marginal utility of the various goods (consumer or producer) for which it can be exchanged; i.e., the marginal utility of money depends on its anticipated *purchasing power*.
  - The utility from *selling* a good for money is the value of the most highly ranked use to which the additional money can be devoted (whether to spend on consumption, invest, or add to the cash balance). The cost of selling a good is the value of the most highly ranked alterna- tive end (whether consumption, production, or future sale) to which the good could have been devoted, had it not been sold.
  - **The consumer:** As with all goods, the consumer allocates additional units of money to the most highly ranked end that is yet unsatisfied. Units of the money commodity can be (a) used in direct consumption, (b) exchanged for other con- sumption goods, (c) invested in factors of production, and (d) added to the cash balance. At any given time, *all* units of money in the economy are held by someone; there is no such thing as money "in circulation."
- <u>Diminishing marginal utility of money</u>
  - Money is a commodity and hence is subject to the law of diminishing marginal utility: the greater the units of money one has, the lower its marginal utility. In the case of money, we must be careful to maintain the *ceteris paribus* assumptions.
  - For example, prices may change between the time that the 100th and 101st units of money are acquired, and this will affect the indi- vidual's estimate of their respective marginal utilities.

- **Chapter 5: Production, the Structure**
  - <u>Evenly Rotating Economy (ERE)</u>
    - The ERE is a fictitious construct where the future is certain, a world where economic activities repeat themselves indefinitely. This latter stage is the state of *final equilibrium*.
      - It is to be distinguished from the market equilibrium prices that are set each day by the interaction of supply and demand. *The final equilibrium state is one which the economy is always tending to approach.*
    - However, there is time preference, and a corresponding discount on future goods. Thus capitalists still earn interest income in the ERE.
    - The ERE is primarily used to distinguish *profit* from *interest.*

            - Entrepreneurs earn pure profits when they judge future conditions better than their rivals, while they suffer losses if they exercise poor foresight.
        - ^ This phenomenon is impossible in the ERE because everyone knows exactly how much each good will fetch from consumers in the future.
        - The ERE is not something we should be striving to accomplish; it's rather a mental construct to help us analyse the way things would be without change and uncertainty and further help us comprehend a world that does indeed have change. This change is entrepreneurial profit and loss.
        - Thus, in the words of Rothbard: "The evenly rotating economy is unrealistic, for it cannot actually be established and we cannot even conceive consistently of its establishment. But the idea of the evenly rotating economy is indispensable in analyzing the real economy; through hypothesizing a world where all change has worked itself out, we can analyze the directions of actual change."
    - Costs
        - Cost is a subjective, ephemeral concept.
        - The classical economists, as well as Alfred Marshall, were mistaken when they argued that prices are somehow influenced by the "costs of production."
        - The causality is completely the reverse: It is not the case that diamonds are expensive because they are costly to produce. On the contrary, diamond mines are expensive because consumers place a high marginal utility on diamonds.
    - Capitalists and interest
        - Laborers in coal mines would have to wait years before receiving any income from their efforts. But the capitalists offer to pay workers (and land owners) *immediately* for services that will not yield finished consumer goods until the future. Thus, the capitalists are exchanging a present good (money) for a future good (the marginal product, in terms of the final consumer good, of the factor in question).
        - The excess of the capitalists' income from consumers, over the sum of payments they make to the owners of original factors, is due to interest (i.e., time preference), and *not* to any bargaining power or other "contribution" of the capitalists.
- **Chapter 6: The Rate of Interest and its Determination**
    - Pure rate of interest
        - The *pure rate of interest* (i.e., exchange rate between present and future goods) will be established by the various individuals' subjective time preferences in the same way that any other price is established.

- This pure rate of interest will manifest itself in all "time markets," including not only the loan market but also markets for the factors of production.

- Role of the capitalist and interest
  - In the Austrian view, the role of the capitalists is to provide an "advance" to factor owners in exchange for the future con- sumer goods that these factors help yield.
  - For example, a hired hand who fertilizes a field wants to be paid now so that he can buy his dinner, even though his labor will not actually produce food until several months have passed.
  - Because present goods are exchanged for future goods at a premium, the capitalist who invests in this process ends up with more capital funds than he started with.
    - This "excess" return is not due to the productivity of the farmland, or of the capital goods such as tractors used on the farm, but instead is due to the fact that present goods are subjectively preferred to future goods.
- Time preference and individual value scales
  - An individual can rank prospective and currently held *future* goods on his or her value scale, just as he or she can rank any goods in the current time period.
  - Thus, an individual might prefer two units of steak next year over one unit of steak this year. However, another individual could prefer vice versa.
  - There is thus a potential gain from (intertemporal) trade, with the first individual selling one unit of present steak in exchange for the other individual's promise to deliver two units of steak next year.
  - Although we cannot compare the marginal utility that various individuals enjoy from present and future goods, we can certainly compare their time preference schedules.
- Joint stock company
  - Various individuals may pool their capital and exercise *joint ownership* over the assets and liabilities of a company.
  - There are various methods of exercising control over such an entity; one popular method is to allow each shareholder one vote per share of stock.
- Forces affecting time preference
  - Although praxeology cannot explain ultimate value judgments, it can make *ceteris paribus* statements regarding preferences.
  - The higher a person's real income in the present, the lower will be his time preference. If the world were expected to end in one week, on the other hand, everyone's time preferences would rise incredibly.

- **Chapter 7: General Pricing of the Factors**
  - Marginal value product

- The marginal value product (MVP) is the additional revenue that can be imputed to the marginal unit of a productive factor.
- The discounted MVP is then simply the *present market value* of the (future) MVP.
- For example, if an additional hour of labor will generate $110 of additional revenue in one year's time, a prospective employer will pay no more than $100 *today* to hire this worker if the interest rate is 10 percent.

- **Chapter 8: Production; Entrepreneurship and Change**
  - <u>Entrepreneurial profit and loss</u>
    - Entrepreneurial *profit* occurs when someone buys factors at a certain price and sells the resulting product for a certain price, such that he reaps a higher rate of return than the prevailing rate of interest.
    - Entrepreneurial *loss* entails the opposite, in which a capitalist invests in relatively overvalued resources only to find that he can sell the product at a price that does not correspond to the rate of interest.
    - Remember, profit and loss do not occur in the ERE
  - <u>Progressing economy</u>
    - A *progressing* economy is one in which there are net aggregate profits
    - A progressing economy corresponds to one with net investment
    - When time preferences drop and foster higher investment, this corresponds to a reduction in the natural rate of interest. The reverse is also true. Thus a progressing economy is characterized by falling interest rates, while a retrogressing one is characterized by rising interest rates.
  - <u>Stationary economy</u>
    - A *stationary* economy is one in which aggregate profits equal aggregate losses
  - <u>Retrogressing economy</u>
    - A *retrogressing* economy is one in which losses exceed profits
    - A retrogressing economy suffers from a reduction in gross investment (i.e., net dis- investment).
  - <u>The effect of net investment</u>
    - There will be *aggregate* profits in the economy whenever there is net saving and investment, i.e., whenever gross investment exceeds the amount necessary to maintain the previous structure of production.
    - This occurs when investors' time preferences fall, and thus (on the margin) they postpone a greater amount of present consumption in the hope of future consumption.
    - This reduction in present consumption frees up resources (previously used in the lower orders) and allows investment in higher stages of the production structure.

- Capital Accumulation and the Length of the Structure of Production
  - Böhm-Bawerk demonstrated that longer, *wisely chosen* processes would always be more *physically* productive than shorter processes.
  - That is, the quantity of physical output from a given input could always be increased by investing the input in a longer process.
  - This of course does *not* mean that *every* longer process will be more physically productive, but merely that there always exists at least one such process (that is both longer and more productive).
- Risk, uncertainty, and insurance
  - Following the pioneering treatment by Frank Knight, the distinction between *risk* and *uncertainty* is that risk refers to unknown outcomes with quantifiable probabilities.
  - Risks can be insured against, while uncertainty cannot.
  - All entrepreneurship involves bearing uncertainty; it cannot be transferred away.

- **Chapter 9: Production; Particular Factor Prices and Productive Incomes**
  - Land, labor, rent
    - **Land:** Taken as a class, the supply of land-in-general is vertical; there are no reservation uses for it. But the supply curves for *particular* uses of land are upward sloping, reflecting the opportunity costs of using a given parcel in alternative ways.
    - **Labor:** As with land, the supply curves of labor for particular uses will be upward sloping, due to alternative outlets. However, because labor is the ultimate nonspecific factor, individual supply curves will likely be more elastic than for land factors.
    - **Rent:** Rent is the price paid for the hire of unit services of a factor; the price for a durable factor in its entirety is (in the ERE) equal to the present discounted value of its future rents.
  - Costs to the firms
    - Prices determine costs, not vice versa.
  - Business income
    - A business owner's gross income consists of: (a) interest on capital invested, (b) (implicit) wages for his managerial tasks, (c) rents of ownership-decision, and (outside the ERE) (d) entrepreneurial profit or loss.
  - Vertical integration and the size of the firm (merging)
    - If a hypothetical firm were to merge with all other firms, there would no longer be a market for the various factors and hence its owner(s) could not calculate the relative profitability of various lines.
    - Such a chaotic situation would never persist on a free market.
- **Chapter 10: Monopoly and Competition**
  - Consumer's sovereignty
    - Consumer preferences ultimately drive a market economy.

        - Consumers can't force producers to make certain goods; they can merely try to influence producers (to the extent that they seek monetary returns) by their spending decisions.
    - <u>Cartels and their consequences</u>
        - Voluntary cartels formed for the purpose of restricting output and raising prices are inherently unstable:
        - **1.** There will always be an incentive to cheat on the cartel agreement and produce more than the assigned quota.
        - **2.** The more efficient members will demand larger and larger quotas over time; why should they restrict their own output in order to benefit inefficient competitors?
        - **3.** Even if the members of the cartel can reach an agreement and obey it, if they are truly earning "above normal" returns, outsiders will enter the industry.
    - <u>Free competition and cartel (responding to objections)</u>
        - A common argument is that certain industries have such high startup costs that this "entry barrier" allows for long-run profits. But no individual needs to come up with $20 million to enter the automobile industry; a large number of individuals can pool their assets by forming a corporation.
    - <u>Definition of a monopoly</u>
        - **1.** A single seller of a good or service
            - The first definition is vacuous; *everyone* is a monopolist in this sense.
        - **2.** The recipient of a government privilege
            - The second definition is legitimate, and focuses on government intervention that hampers welfare.
        - **3.** A business unit that can achieve monopoly prices.
            - The third definition is empty once we realize there is no such thing as "monopoly price."
    - <u>Labor unions</u>
        - Labor unions are NOT examples of monopolies
        - In practice, labor unions often rely on the actual use (or at least threat) of violence to achieve such "bargains" with management.
    - <u>Patents and copyrights</u>
        - On a free market, there would be no analogue to the patent; someone who independently discovers a technological recipe would be free to begin using it immediately.
        - However, there *would* be copyrights, in the sense that it would be illegal to fraudulently impersonate another individual when selling a good or service.
- **Chapter 11: Money and its Purchasing Power**
    - <u>Price of money</u>
        - Like all goods, the price of money is determined by the interaction between supply and demand. The purchasing power of money (PPM) is thus its "price."

- Money is unique in that its "price" is not a single number—in this sense the price of an ounce of gold would always be *one* (oz. gold).
- If money has zero price, it is useless

- Changes in money relation
  - If the demand for money increases, this means that people wish to hold a stock of money balances higher than the actual stock in existence.
  - This "shortage" of money balances can be eliminated through a rise in the PPM of money; that is, if people want to hold higher money balances, they stop spending as liberally and thus the nominal money prices of other goods and services fall until equilibrium is reestablished.
  - Increasing the money stock (aside from its non monetary uses) can't make the community richer per capita; it can only redistribute wealth.
- Money in the ERE
  - Money would fade out of use in the ERE.
  - With perfect certainty, people would loan out their cash balances and schedule repayment just in time for their planned expenditures.
- Demand for money
  - As an economy grows, there are more exchange opportunities and hence (*ceteris paribus*) an increase in the demand for money.
  - People's demand for money may be influenced by their speculation about future changes in the PPM.
  - For example, if a woman expects that prices in general will rise greatly in a few months, this may lower her current demand for money (i.e., she will spend more).
  - Thus her expectation of a future fall in the PPM will lead to a reduction in the current PPM of money.
- Quasi money
  - Some goods (such as jewels and high-grade debentures) are very liquid and hence function as quasi money.
  - However, they are not actually money because they cannot be used to settle debts at par.
- Exchange rates of coexisting money
  - If there are two or more commonly accepted media of exchange, their exchange ratio will be such that no arbitrage opportunities are available in selling the money against other goods. This is termed *purchasing power parity*.
  - For example, if an ounce of gold buys 1,000 DVDs while an ounce of platinum buys 2,500, then the equilibrium exchange rate must be 2.5 ounces of gold for 1 ounce of platinum.
- Money and value
  - Money is not a measure of value. When someone buys a TV for $50, we cannot conclude that he "values it" at $50; on the contrary

we know that he values the TV *more* than he valued the $50. All price indices are arbi- trary.

- **Chapter 12: The Economics of Violent Intervention in the Market**
  - Types of Intervention
    - **Autistic intervention**: occurs when the aggressor uses force on an individual such that no one else is affected.
    - **Binary intervention:** occurs when the aggressor establishes a hegemonic relationship between himself and the victim.
    - **Triangular intervention:** occurs when the aggressor uses force to alter the relations between a pair of subjects.
  - Price controls
    - A *price control* involves the use of force to alter the terms on which individuals exchange goods or services. Maximum prices lead to *shortages*, i.e., situations where quantity demanded exceeds quantity supplied.
    - Minimum prices lead to *surpluses*, i.e., situations where quantity supplied exceeds quantity demanded.
    - This is an example of triangular intervention
  - Taxation and government spending
    - Both taxation and government spending distort the economy; the former drains resources away from the private sector while the latter distorts resource allocation away from what it otherwise would have been.
    - This is an example of binary intervention
  - Credit expansion
    - In a credit expansion the government artificially lowers the interest rate, thereby spurring investment in higher stages of production. There is a temporary "boom" period of illusory prosperity.
    - With no genuine increase in saving, the capital structure becomes unbalanced and eventually entrepreneurs realize that their plans cannot be fulfilled.
  - Keynesian taxation fallacies
    - Keynesians suggest taxation as a remedy for price inflation, by "sopping up" excess purchasing power.
    - This suggestion has several flaws:
      - **1.** Why are higher prices considered more burdensome than higher taxes?
      - **2.** Also, why would the government's action reduce aggregate demand, since the government spends its tax revenues anyway?
      - **3.** It also overlooks the fact that the cause of price inflation is government inflation of the money supply.
  - Government borrowing
    - Government borrowing is not inflationary per se; it merely diverts spending from private capital goods to projects favored by the government.

- Government borrowing is harmful because it siphons funds that would otherwise have gone into private investment.

- A Critique of Interventionism
  - **Restrictions on production**
    - The result is always the same: a given expenditure of capital and labor yields less with the restriction than without it, or from the beginning less capital and labor is invested in production. This is true with protective tariffs that cause grain to be grown in less fertile soil while more fertile land is lying fallow, with class restrictions of trade and occupation (such as the certificates of qualification for certain occupations in Austria, or the favored tax treatment of small enterprises) which promote less productive businesses at the expense of more productive activity, and, finally, with the limitation of labor time and of the employment of certain labor (women and children), which diminishes the quantity of available labor.
    - The only case that can be made on behalf of protective tariffs is this: the sacrifices they impose could be offset by other, noneconomic advantages—for instance, from a national and military point of view it could be desirable to more or less isolate a country from the world.
  - **Interference with prices**
    - When the unhampered market determines prices, or would determine prices if the government had not interfered, the proceeds cover the cost of production. If the government sets a lower price, proceeds fall below cost. Merchants and producers will now desist from selling—accepting perishable goods that quickly lose value—in order to save the goods for more favorable times when, hopefully, the control will be lifted
    - Let us take yet another example: the minimum wage, wage control. It is unimportant whether the government imposes the control directly, or labor unions through physical coercion or threats prevent employers from hiring workers who are willing to work for lower wages. As wages rise, so must the costs of production and also prices. If the wage earners were the only consumers as buyers of the final products, an increase in real wages by this method would be inconceivable. The workers would lose as consumers what they gained as wage earners. But there are also consumers whose income is derived from property and entrepreneurial activity. The wage boost does not raise their incomes; they cannot pay the higher prices and, therefore, must curtail their consumption.

- **Chaos Theory**: Notes by this document
  - **Contracts**
    - “All actions in a purely free society would be subject to contract.”

        - Free society just means a society where private property is respected.
    - “Under market anarchy, all aspects of social intercourse would be “regulated” by voluntary contracts.”
        - Society is built upon respecting private property which can only be achieved through voluntary contracts
    - Regarding theft, for example, in a society with a state theft is wrong because the legislature says so. In a stateless society, the employer obviously still wants protection from theft, “So before hiring an applicant, the employer would make him sign a document[5] that had clauses to the effect of, “I promise not to steal from the Acme Firm. If I get caught stealing, as established by Arbitration Agency X, then I agree to pay whatever restitution that Agency X deems appropriate.””
        - The employer would be protected from theft because the employee signed a contract to an arbitration agency.
        - This transaction is completely voluntary because any repercussions for breaking the “law” have been acknowledged and “the existence of Arbitration Agency X ensures fairness and objectivity in any disputes.”
        - Let's think theoretically. Suppose a big company bribed the arbitrators at Agency X, the lazy workers (less productive) were falsely charged by the employers with theft, then Agency X rules the employees to be guilty. The idea is that the big company could suck up thousands of dollars from the lazy workers and since the workers agreed to this arbitration agency they have to agree to the arbitrations agency’s outcome.
            - There are some flaws with this argument. “Just because an arbitration agency ruled a certain way, wouldn’t make everyone *agree* with it, just as people complain about outrageous court rulings by *government* judges. The press would pick up on unfair rulings, and people would lose faith in the objectivity of Agency X’s decisions. Potential employees would think twice before working for the big firm, as long as it required (in its work contracts) that people submitted to the suspect Agency X.”
            - Since Agency X’s reputation is taking a hit, this opens up competition for other arbitration agency’s to jump into the business. This will make Agency X less reliable and the end result would cripple the corrupt business.
- **Insurance**

        - "An insurance company would act as a guarantor (or co-signer) of a client's contracts with various firms."
            - The insurance company would be the bridge between the *contract* that the employee signed.
        - The experts at the insurance company will determine the risk of every client, just like how they do today. In today's system insurance companies won't pick you if you're a horrible driver and if you don't pay back your bills on time, this is the same way insurance would work. The experts at an insurance company would try to determine the likelihood that the client will be stealing and/or killing.
            - Another reason that we have an insurance system is because then the firm doesn't have to keep tabs on all of their employees, "the firms' only responsibility would be to make sure everyone they dealt with carried a policy with a reputable insurance agency." (18)
    - **Prison**
        - Before explaining this "keep in mind that wherever someone is standing in a purely libertarian society, he would be on somebody's property. This is the way in which force could be brought to bear on criminals without violating their natural rights."
            - The use of property would allow us to punish criminals, even if we use force.
        - "For example, the contract of a movie theater would have a clause to the effect, "If I am judged guilty of a crime by a reputable arbitration agency [perhaps listed in an Appendix], I release the theater owner from any liability should armed men come to remove me from his property."
            - So it's not a contradiction to use force to capture a fugitive.
        - Specialized firms will create places, similar to our current jail house, and these places will compete with each other to attract criminals.
            - Here's some support for this idea. "Consider: No insurance company would vouch for a serial killer if he applied for a job at the local library, but they would deal with him if he agreed to live in a secure building under close scrutiny. The insurance company would make sure that the "jail" that held him was well-run. After all, if the person escaped and killed again, the insurance company would be held liable, since it pledges to make good on any damages its clients commit."
            - "On the other hand, there would be no undue cruelty for the prisoners in such a system. Although they would have no chance of escape (unlike government prisons), they wouldn't be beaten by sadistic guards. If they were, they'd simply switch to a different jail, just as travelers can switch hotels if they view the staff as

discourteous. Again, the insurance company (which vouches for a violent person) doesn't care which jail its client chooses, so long as its inspectors have determined that the jail will not let its client escape into the general population."

- **What does private law mean?**
    - "Stripped to its essentials, a system of private law means that people who can't come to an agreement on their own will literally seek the opinion of a third party." (8)
- **What's the role of a private judge?**
    - "The judge's job would be to opine on what "the law" had to say about a particular dispute, whether the law was understood as tribal customs passed down over the generations, or instead as a web of voluntary contracts and profitable practices as they spontaneously evolved in a modern capitalist society." (9)
- **What's contract law?**
    - "Contract law is a specific branch of law, much as tort law or constitutional law. It is used, for example, to determine whether a contract between two parties is legally binding. Now surely contract law can't be established in an anarchist system of contractual law, for wouldn't this beg the question?" (28)
    - "No. The contractual pledges made by individuals would contain provisions for all of the contingencies handled by today's contract law." (28)
- **What level of expertise would this private law be able to accommodate?**
    - "legal experts would draft the "laws of the land," not corrupt and inept politicians." (16)
        - Legal experts would make the laws.
    - "These experts would be chosen in open competition with all rivals. Right now one can buy "definitive" style manuals for writing term papers, or dictionaries of the English language. The government doesn't need to establish "experts" in these fields. It would be the same way with private legal contracts." (16)
        - Legal experts would be chosen to be the best due to competitive forces.
        - The market solves the problem that everyone has competing desires. "For example, it would be very convenient for customers if a deli were open twenty four hours a day. But on the other hand, such long shifts would be very tedious for its workers. So the market system of profit and loss determines the "correct" hours of operation." (17)

        - The free market, through profit and loss, determines everything. This can also be applied to *private law*.
            - How? Well “Because people would be submitting themselves contractually to the rulings of a certain arbitration agency, the agency would need a reputation for objectivity and fairness to defendants.” (17)
            - So the competitive forces (free market), profit loss test, will determine the arbitration agency and the specialized firms.
    - **What about murder? Who would protect me from this?**
        - All voluntary contracts would have a clause, prohibiting murder, that would say “If I am found guilty of murder I agree to pay $y million to the estate of the deceased.” The procedures would have to be designed so that there is a good chance that guilty people get convicted and innocent people have a chance to be innocent.
        - If this system doesn’t get designed like this then people wouldnt go to there ordinary mall if murder is unpunished and therefore this drives profit loss in a society and this would incentivize for specialized firms to push these voluntary contracts to prohibit murder.
        - Now since specialized firms pushed, murder to be illegal, in the clauses this would be applicable to all of the anarchist society even though penalties might vary area to area.
        - “The penalties for injury and murder would be established by contractual pledges,” (36)
    - **What if I have no insurance?**
        - So first off, without insurance, you will be seen as very suspicious, and people would be reluctant to deal with you. You “would probably be unable to get a full-time job, a bank loan, or a credit card. Many residential and commercial areas would probably require that all visitors carry valid policies before allowing them to even enter.” But this is to say that if you’re not a criminal, just like our current credit system (if you're a good driver), this basic insurance will be cheap.
        - “Under this system everybody would buy homicide insurance, just as right now surgeons buy medical malpractice insurance; the insurance company is pledging to compensate the estate of anyone killed by its clients. Because the probability of an individual (with no prior record) being convicted of murder in the next year is very small, his premium would also be small. If the company’s actuaries estimate that a potential client has, say, only a one in a million chance of killing in the next year, and the standard damages for murder are, say, $10 million, then the company would only need to charge roughly $10 per year to break even.”

        - If you do commit a serious crime, and you do not have insurance, private detectives would be after you and once you are on a normal piece of property they will arrest you.
    - **What if the private insurance company replaces the State?**
        - Well for starters private companies, that provide legal services, have less power than government institutions (for example the insurance company in an ancap society can not initiate force to tax or monopolize service.)
        - "All the horrors of the State—onerous taxation, police brutality, total war—are not only monstrous, but they're also grossly inefficient. It would never be profitable for anarchist insurance and legal firms to mimic the policies set by governments."
        - "Unlike feudal monarchs, democratic rulers don't actually own the resources (including human) that they control. Furthermore, the duration of their rule (and hence control of these resources) is very uncertain. For these reasons, politicians and other government employees do not exercise much care in maintaining the (market) value of the property in their jurisdiction.
        - Shareholders of a private company, however, have every interest in choosing personnel and policies to maximize the profitability of the firm."

- **Choice: Cooperation, Enterprise, and Human Action**
    - **Chapter 1: The Science of Human Action**
        - Many economists have given incomplete and broad definitions of what it means to study economics.
        - Ludwig von Mises, and many of the Austrian economists who followed him, resolved this thorny problems in the following way: The study of economics is the study of human action; more notably: Praxeology
    - **Chapter 2: The Definition and Components of Action**
        - When we say that economists study action, we mean purposeful behavior, which does not include all human behavior. Unconscious decisions are NOT purposeful behavior and therefore, not action.
            - ❑ Purposeful behavior also implies that the actors are acting for an underlying purpose (aka preference)
        - Action also consists of a person not behaving a certain way intentionally. For example, a person seeing a homeless man on the street and refusing to give the man money, is still an example of human action.
        - If there's action, there MUST be an actor or person. If a rock falls in the river, it is illogical to claim that the rock acted to get in the water...because the rock is not a human actor.
        - Preferences are subjective rankings, not an objective measurement. If someone prefers strawberry flavored ice cream more than someone else, it

is impossible to objectively measure how much that person preferred strawberry ice cream. We can only rank preferences from best to worst (ordinal preferences), but we cannot quantify them (cardinal). Preference is thus ordinal, not cardinal.

    - If someone makes a wrong decision in terms of getting to a desired end, it does not mean that the wrong decision is irrational; since the original action was intended for a rational reason.

- **Chapter 3: Economic Theory versus Historical Understanding**
    - Mises claims that economics is a priori science. Mises basically believed that the economist should build economic theory upon logical deductions from the starting point of human action rather than observable historical events.
        - ❑ Notice that this is different from the typical description of how physicists work, in which they make a conjecture about the laws of nature and then conduct an experiment to see how well the results match the theoretical prediction.

    - Mises says that an economist cannot prove economic laws with historical outcomes. He gives the analogy of Geometry and the Pythagorean Theorem:
        - ❑ "For Mises, this would be as nonsensical as a geometry teacher telling her class to go out and measure hundreds of right triangles to establish the truth of the Pythagorean theorem. At best, such an activity would illustrate Pythagoras' result, but under no circumstances could a student come back with measurements that would prove the teacher either right or wrong."
    - Mises did NOT reject empirical or historical evidence. He rather believed that economists should use logical deductive reasoning to come to conclusions and would not need empirical evidence for the conclusion.
- **Chapter 4: Further Economic Concepts and Principles Flowing from Action**
    - <u>Goods of first order:</u>
        - ❑ Goods of first order are economic goods which are fitted to satisfy human wants directly and whose serviceableness does not depend on the cooperation of other economic goods.
        - ❑ In a situation where a person on a stranded island sees coconuts that would alleviate his/her hunger; the concunts would therefore be first order goods.
    - <u>Goods of higher order:</u>
        - ❑ Means which can satisfy wants only indirectly when complemented by cooperation of other goods are called producers'

goods or factors of production or goods of a remoter or higher order.

- In a situation where a person on a stranded island sees coconuts that would alleviate his/her hunger, instead of directly getting the coconut with his/her hand (first order good), the person may break off a long and sturdy branch from a tree and then use it as a tool to knock down coconuts. In this case, since the branch satisfied the person's wants not directly, but indirectly through the cooperation of other goods, the branch is therefore a higher order good (or a second order good).
  - Note that a branch is not inherently a second order good. If someone were to break off the branch to scratch his/her back, then the branch would be a first order good.
- Suppose the stranded man cannot reach the coconut with the branch so he therefore acquires a sharp rock to throw it at the tree to break off a branch, and then he utilizes the branch to obtain the coconut; in this situation, the rock would be a third order good. This process can go on and on again.

- <u>Capital goods</u>
  - Capital goods are those factors of production that are created by people, as opposed to being direct gifts from nature.
  - Every capital good does indeed have a combination of labor and at least one natural resource.
- <u>Action as exchange</u>
  - All action is exchange. Action is an attempt to substitute a more satisfactory state of affairs for a less satisfactory one (which is exchange).
- <u>Time and uncertainty</u>
  - Action is always directed towards the future
  - The uncertainty of the future is implied in every action. If man knew the future, he would not have to choose and would not act.
- <u>The law of diminishing marginal utility</u>
  - The law of diminishing marginal utility works like this:
    - “For example, suppose a man has $20 in his wallet and sees bottles of water priced at $1 each. Further suppose the man places three bottles into his shopping cart. Using the law of marginal utility, we can easily explain these observations: The man valued the first bottle of water more than the twentieth dollar, he valued the second bottle more than the nineteenth dollar, and he valued the third bottle of water more than the eighteenth dollar. Yet he didn't value the

fourth bottle of water more than the seventeenth dollar, and that's why he pushed his cart away.”

- ❑ This economic law is based on logical consequences rather than empirical observations. Thus, it is a priori reasoning.

- The law of diminishing returns
  - ❑ This law dictates that as investment in a particular area increases, the rate of profit from that investment, after a certain point, cannot continue to increase if other variables remain at a constant. Here’s an example of this in the real world:
    - If someone opens a restaurant and has only one waiter, then that restaurant would not make that much profit due to the lack of consumers who would want to wait in a restaurant with only one waiter. So then, the restaurant owners would invest in hiring more waiters which would increase consumer satisfaction, and therefore lead to more profit. However, after a certain point, if the restaurant owners hire more waiters than necessary, then the profit of this business would drop due to the unnecessary costs of compensating the extra waiter. This effect only manifests if all other variables stay constant...If the restaurant owners expanded the restaurant to larger spaces, then that increase in waiters would likely not lead to less profit.

- **Chapter 5: Human Society and the Division of Labor**
  - Characteristics of Human Society
    - ❑ Human society is constantly cooperating and cooperating humans are at an advantage to isolating humans.
    - ❑ Society does not act, individuals within that society do. The claim “Our society is sick” is therefore an illogical saying.
    - ❑ Mises argues that society is founded when humans are more productive when they act in concert with each other and when individuals within society recognize this fact.
    - ❑ Humans have sympathy (for the most part)
    - ❑ Mises was a defender of liberalism...not American liberalism, but rather classical liberalism.
  - Division of labor
    - ❑ The division of labor basically means that people divide up the work to get something done. In the real world, instead of every individual making their own clothes, growing their own food, building their house, and so on, individuals specialize in one of these tasks and consume the rest on the market.

        - If this didn't exist and everyone had to do all these tasks themselves, the world's population would die out within a month or two as productivity would decline.
        - The division of labor also increases automation as output would be higher if the workers specialize in their jobs because it's then easier to incorporate machinery and tools to help them.
        - Thus, it is more productive for people to cooperate with each other.
        - The benefits of the division of labor can be reaped only when people are able to trade with each other. If some people focus on growing food while others focus on building houses, then this arrangement works only if the farmers are allowed to trade their surplus food in exchange for some of the builders' surplus houses.
- **Chapter 6: The Role of Ideas and the Importance of Reason**
    - Mises was a firm believer in the power of ideas to influence individual action and, hence, the course of world events. Even his rival-Keynes-agreed with this.
    - Positive economics explains how the world is, whereas normative economics prescribes how the world should be.
- **Chapter 7: Even the Economists Missed the Importance of Monetary Calculation**
    - <u>What is monetary calculation?</u>
        - It is the evaluation of a course of action where at least some of the benefits and costs can be quantified in terms of their money prices. ONLY money can allow individuals to do such evaluations.
        - Without money prices, Mises says, the results of arithmetical computations would provide little guidance for people when they made their plans for the future or when they evaluated the success (or failure) of previous plans.
    - <u>Example of the economic calculation problem in the real world</u>
        - We know American farmers should plant oranges in Florida and California rather than Montranta and Alaska because they are more profitable through the monetary perspective. Only money can do this.
        - **1.** Science and technology can't replace money in this situation because they don't tell us *how many* oranges should be planted nor do they indicate if people were getting sick of oranges. More importantly, since orange production takes up land, the less available land there is for more houses and apartments...which is one of the trade-offs of orange production. But these technicians and scientists couldn't explain the proper decision in light of these physical tradeoffs.

        - **2.** Even if we could do the action described in step one without money, we would still be left with the problem of distributing these oranges. Should we do it with bicycles, cars, trains, and so on? One might say that we should do it with the fastest method. But under this logic, why don't we transport oranges with supersonic jets? Under a money economy, we can see that the supersonic jet would be too expensive, but this evaluation would be possible in a world without money.
    - <u>Money in exchange</u>
        - **Barter economy:** Economic goods would be traded not with a medium of exchange (money) but would rather be traded through subjective ordinal preferences among the traders. If someone valued 4 Snicker bars for 2 Milky Way's, and someone else valued vice versa, then trade would likely arise without money. In equilibrium, a Milky Way bar would have twice the market value of a Snickers bar.
        - **Money economy:** In a money economy, the situation would be a bit different. The economist might say that a Snickers bar had a price of $1, while the Milky Way had a price of $2. Then, if the quantity of dollars held by the children were to double, maybe the price level would double, too, driving the Snickers price up to $2 and the Milky Way price up to $4.
- **Chapter 8: What Economic Calculation Can and Can't Do**
    - <u>Economic calculation and future expectations</u>
        - It is not the task of economic calculation to expand man's information about future conditions. Its task is to adjust his actions as well as possible to his present opinion concerning want-satisfaction in the future. For this purpose acting man needs a method of computation, and computation requires a common denominator to which all items entered are to be referable. The common denominator of economic calculation is money.
    - <u>Economic calculation doesn't reduce everything to money</u>
        - The Austrian school of economics does not assume that people are just out to make money.
        - For example, there is nothing wrong with a man buying a $40,000 sports car, when a $20,000 car could solve his same needs for transportation. However, it is important for the man to know how much more expensive the sports car is, so that he realizes just how much in other potential goods and services he is forfeiting by buying the car that will give him more subjective enjoyment. This can only be done with money.

- **Chapter 9: Defining and Studying the Market Economy**
  - <u>What is the market economy?</u>
    - ❏ The market economy is the social system of the division of labor under private ownership of the means of production. Everybodies actions aim at providing more satisfaction for themselves, voluntarily.
    - ❏ The market is not a place, thing, or a collective entity; it is rather a process.
  - <u>Change in the economy</u>
    - ❏ **In a real world market economy**, there is always change such as new competition, new inventions, and so forth that prevent full equilibrium.
    - ❏ **In the evenly rotating economy,** there is no change at all and everything repeats itself indefinitely. Profit would not exist in this economy. This is likely impossible to happen in the real world.
    - ❏ **In a stationary economy,** the economic profits of the expanding industries or firms are exactly matched by the losses of the shrinking industries or firms. It is essentially when 2 market forces counterbalance each other.
  - <u>Entrepreneurial processes</u>
    - ❏ Almost every actor on the market acts as an entrepreneur as they deal with uncertainty in hope of making future profit:
    - ❏ **The workers** act entrepreneurially as they have to make a choice in which job to pick to make the most profit.
    - ❏ **The capitalist** obviously acts entrepreneurially as they have to discover which production processes satisfy consumers the most.
    - ❏ **Investors** act entrepreneurially as they have to predict the future of the performance of companies in order to decide whether to invest in them to further reap the profits, or the losses.
    - ❏ All these processes deal with uncertainty
  - <u>Capital, Income, and Saving</u>
    - ❏ **Capital:** Capital is quoted in monetary units, and is equal to the total market value of all assets minus the total market value of all liabilities.
    - ❏ **Income:** Income is defined as the amount of consumption in monetary terms that can occur over a defined period without reducing the capital.
    - ❏ **Savings:** We can further define saving as the difference between income and consumption, while dissaving or capital consumption is the opposite, namely the amount by which consumption exceeds income.

        - Consumer Sovereignty
            - Contrary to Marxist view, the capitalists in the economy are not the one's in charge of the public...consumers are. If a capitalist fails to obey the orders of a consumer, then he or she will suffer a loss.
        - Inequality
            - Inequality is the natural product of market forces. It is not a bad thing as inequality usually rises when the "top 1 percent" earn more money...and the only way they can earn more money is by satisfying consumers.
            - Any government redistributive policies interfere with the voluntary transactions between consumers and capitalists and further harm both sides.
        - Private Management versus Government Bureaucracy
            - Private management is more efficient than government management because private entrepreneurs can utilize monetary calculation and profit and loss signals to best fit the needs of consumers, unlike government management.
    - **Chapter 10: How Prices Are Formed on the Market**
        - Prices are ultimately formed through the relationship between the entrepreneur and the consumer (s)
        - Money prices
            - Because all of the potential goods and services in which they are interested have money prices, the consumers can easily evaluate various possibilities in terms of the direct happiness that they would yield.
            - Money itself is not valuable because of its physical characteristics, but it is rather valuable because it allows people to buy certain desirable things and services with it.
        - Valuation versus appraisement
            - There is a difference between valuation and appraisement
            - **Valuation:** this is the significance an individual; places on a good or service with regards to its ability to confer happiness or utility.
                - It is subjective
            - **Appraisement:** this assesses the amount of money for which a good or service can be sold. This can only happen in the marketplace.
                - It is objective
        - Prices of goods of higher order
            - The prices of the goods of higher orders are ultimately determined by the prices of the goods of the first or lowest order, that is, the consumers' goods.

- As a consequence of this dependence, they are ultimately determined by the subjective valuations of all members of the market society.

- <u>Prices of consumer goods</u>
    - The prices of consumer goods are determined by the consumers' subjective valuations between various units of each good and various units of money.
    - Therefore, the consumers determine all prices.
- <u>Sunk costs</u>
    - A sunk cost refers to a cost that has already occurred and has no potential for recovery in the future. An old car that can't be fixed is an example of this.

- **Chapter 11: Indirect Exchange and Money**
    - <u>Direct exchange</u>
        - This exchange occurs when 2 parties trade with each other both with the intent using the item obtained.
        - If I trade my peanut butter sandwich with someone else's beef sandwich and we both consume the sandwich in which we received, then we both have completed a direct exchange.
    - <u>Indirect exchange</u>
        - This exchange occurs when at least 1 party acquires a good through trade with the intention of trading it away again, rather than directly using it.
        - For example, if there are 3 people with different sandwiches all willing to trade, then if I trade my peanut butter sandwich with someone else's beef sandwich with the intent of trading the beef sandwich for a turkey sandwich, then I have engaged in indirect exchange. See, I traded the beef sandwich not because I like the taste of beef more than peanut butter, but rather because I could trade the beef sandwich for something more satisfactory. Hence, for me, the beef sandwich acted as a medium of exchange…like modern cash.
    - <u>Origins of money</u>
        - **Steps for the origin of money:**
            - 1. Money came about naturally. In society, many individuals are willing to trade what they have for something more satisfactory in the future (direct exchange).
            - 2. Say a man wants to trade a horse for a laptop.
            - 3. The only problem is that the horse is *illiquid*, meaning that there are not many participants on the market who want a horse, especially in exchange for a laptop.

- 4. Thus, the owner of the horse must engage in indirect exchange to further sell the horse.
- 5. The owner of the horse finds someone who wants the horse and this person says that he will trade either a large quantity of eggs or a large quantity of tobacco for the horse.
- 6. The owner of the horse trades the horse for the tobacco with the future intent of trading the tobacco for the laptop (indirect exchange).
- 7. The owner of the horse traded the horse for the tobacco rather than the eggs because the tobacco does not spoil, is more durable, and more liquid.
- 8. He then uses this tobacco to trade for the laptop. Thus, in this situation, tobacco was a medium of exchange.
- 9. Over time, the best medium of exchanges must be durable and liquid for it to be accepted by society.
- 10. Hence, in the long run, only the best few mediums of exchange will rise up for society to use such as paper or gold.
- 11. This is all a natural process that does not need a political leader to enforce.

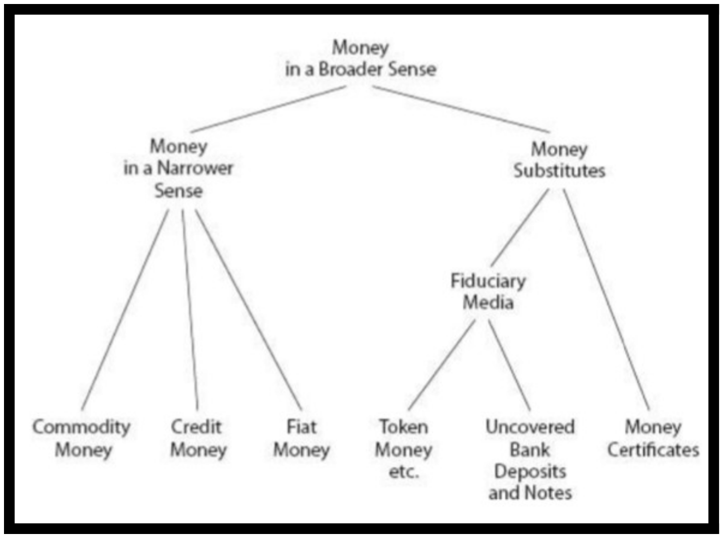
- ❑ There is no historical record of any wise ruler truly inventing money from a preceding condition of barter.

- Demand for money
  - ❑ Because money is not consumed or used up in production, the demand for money is the demand to hold money.
  - ❑ The price or purchasing power of money adjusts so that in equilibrium, the total quantity of money demanded across all individuals is equal to the total quantity of money in existence at that moment.
  - ❑ To say that the price of money goes up is equivalent to saying that the money prices of other goods and services go down, and vice versa.
  - ❑ Money is never in circulation; at any moment, money is in someone's possession.
- The Non-Neutrality of Money
  - ❑ Mises claims that money is neutral and that non neutral money is undesirable.
  - ❑ Government injections of additional money supply cause the prices of most commodities and services to eventually rise. There is thus never a social benefit from enlarging the quantity of money.

- In the case of gold, it is a bit different because unlike cash, gold can be used for money and for consumption directly. Thus, an increase in the quantity of gold would be beneficial for mine owners and jewelry stores, but not in its role as money because it would not benefit the community overall.
- <u>Gold Standard</u>
  - The gold standard is a monetary system where a country's currency or paper money has a value directly linked to gold. With the gold standard, countries agreed to convert paper money into a fixed amount of gold.
  - Gold prevented governments from causing inflation because you cannot “print” more gold, unlike fiat money.
  - Critics argued that a true gold standard was an unrealistic goal because in cases of emergency—such as a major war—the government would want the flexibility to spend money without the handcuffs of the gold standard. Mises responds to this critic by asserting that “an increase in the quantity of money does not create war materials—either directly or indirectly.” Mises also contends that it is undemocratic for a government to resort to printing money and causing inflation to finance a war. If the government has no other way of financing the war, then this is a sign that the people are not willing to bear the costs of waging the war in the manner that the government desires.
- **Chapter 12: The Misesian Approach to Money & Banking**
  - <u>Important Definitions</u>
    - **Commodity Money:** this is money whose value comes from a commodity of which it is made. An example of this is gold as it can be used as a medium of exchange and as a commodity to use directly.
    - **Money Substitute:** this is a claim on the genuine money that is redeemable upon demand and in which the community has no doubt about its reliability. For example, in the 1900s, pieces of paper called dollars could be redeems physical gold which makes the paper dollars a money substitute.
    - **Money in the Broader Sense:** this includes both money in a narrow =r sense and money substitutes. Money in the broader sense would include not just the commodity money of gold itself but also the dollar bills that substituted for, or effectively represented, the underlying commodity money.
    - **Credit Money:** this is any form of financial instrument that cannot or is not meant to be repaid immediately can be construed as a

form of credit money. Examples of credit money include bank deposits and credit card loans.

- ❑ **Fiat Currency:** These are government notes that are neither commodity money, money substitutes, nor even credit money because they are no longer claims on anything at all. Yet they still satisfy the definition of money because the public commonly accepts the government's paper notes in trade. The US dollar, ever since the close of the gold standard, is a fiat currency.
- ❑ **Money Certificate:** This is a money substitute for which the issuer has set aside in reserve an appropriate amount of the actual money to back up. For example, suppose I go to the bank and deposit $1000 in my account so that the bank gives my $900 in the form of a loan to someone else. The $100 technically left in my account consists of money certificates.
- ❑ **Fiduciary Media:** if an issuer creates money substitutes for which it does not keep actual money in reserve, these money substitutes are fiduciary media. For example, suppose I go to the bank and deposit $1000 in my account so that the bank gives my $900 in the form of a loan to someone else; the $900 that the bank is obligated to return back to my account consists of fiduciary media.
- ❑ **Circulation in Credit:** this is when banks issue loans by granting fiduciary media. If this is done with newly created fiduciary media, Mises calls the entire process a **credit expansion.** Credit expansion decreases the purchasing power of money, raises prices in general, and reduces the rate of interest.
- ❑ **Credit Contradiction:** This occurs when banks do not re-lend the fiduciary media that they receive as customers pay back their loans. This effectively destroys money in the broader sense, such that—other things being equal—the purchasing power of money increases, prices tend to fall, and the rate of interest increases.

- 

- <u>Functions of a bank</u>
    - One of the functions of banks is to serve as warehouses for money. It is safer for people to have their money in a reliable bank than in their pocket or at their house.
        - This function can occur under 100% reserve banking in which banks are not allowed to engage in loans with deposited money. Usually, the banks under this system would charge money for such a "warehouse" service.
    - Another function of banks is to serve as a credit intermediary, a middleman between the ultimate lenders and borrowers in the economy.
        - This function can again occur under 100% reserve banking in which the savers lend their money to the bank, rather than deposit it in a checking account. The bank will then use this lended money to loan it to a small business owner. The original saver will over time receive more money than he gave in from the bank...as the banks will return this money as a certain percentage of their profits.
- <u>Mise's view on free banking</u>
    - Mises supported free banking in which the government applies the standard rules of contract enforcement, but allows open entry in the banking sector.
    - Free banking, according to him, was the only method to prevent credit expansion.
        - To understand why this would work, we can analyze the following example:
        - **1.** Suppose there is a society with twenty-six banks, named Bank A, B, C, D, and so on. Everyone in the economy

chooses his or her bank on the basis of name: Andy, Aaron, Amanda, and so on, all open up checking accounts with Bank A, while Bob, Bill, Betty, and so on, open up checking accounts with Bank B. Of the 26 million people in this society—coincidentally enough—exactly one million people have names starting with A, one million have names starting with B, and so forth. Thus each bank has one million customers who have a checking account with that bank and only that bank.

- **3.** Suppose that all money is traded in the form of checks individually. For example, if Aaaron wants to buy Cathy's book for $10, then Aaron will write Cathy a check for $10 that she deposits or withdrawals from her Bank C. Thus, bank A (Aaron) will owe bank C (Cathy) $10.
- **4.** Because of a relative period of tranquility, the managers of Bank C decide to make more loans (at a low interest rate) to their own customers and they accept. This is credit expansion.
- **5.** Bank C has made a huge mistake. With twice as much money as others in the society, clients of Bank C will spend more than they did before. On net, the clients of Bank C will spend more buying things from the clients of Banks A, B, D, E and so on than vice versa. Thus, when the banks settle up with respect to the personal checks written by their respective customers, Bank C will, on net, owe more to the other banks than vice versa. Therefore, Bank C will have to ship paper currency from its vaults to the other banks.
- **6.** This drains bank C's cash and would make them go out of business, which shows how free banking will prevent credit expansion on part of private banks.

- **Chapter 13: Capital, Time Preference, and the Theory of Interest**
  - Time preference is human action.
  - <u>Böhm-Bawerk's critique of the Naïve Productivity Theory of Interest</u>
    - ❑ **What is the Naïve Productivity Theory of Interest?** This theory claims that the productivity of capital explains the ability of capitalists to earn interest income. From this perspective, this theory would dictate that a capitalist farmer for example earns more wealth for the reason that his tractor is productive: a farmer can harvest more crops, with a tractor than without one, and so naturally, someone who buys a tractor can earn an income over time.

- **Böhm-Bawerk's Critique:** Say a tractor that costs $10,000 brings $1,000 in revenue per year after it breaks after 10 years. According to the Naïve Productivity Theory of Interest, the tractor creates a $1,000 per year income for the capitalist simply because the tractor is productive. However, this flow of income will represent a net return on the original investment only if the original purchase price is less than $10,000. If the purchase price is $10,000, the depreciation of the tractor over its ten-year lifespan would exactly offset the flow of income, so that the net rate of interest on the investment would be zero. Note that this is perfectly consistent with the fact that the tractor is productive, and so the tractor's productivity as such cannot be the explanation for a positive rate of interest.

- <u>The true explanation of interest (Subjective Time Preference)</u>
  - Back to our previous example of a tractor that costs $10,000 and brings $1,000 in revenue per year after it breaks after 10 years. Since no one would be willing to give $10,000 now in exchange for a promise of $1,000 payments for each of the next ten years, it naturally follows that no one would pay $10,000 for our hypothetical tractor.
  - If the tractor could be purchased for less than $10,000, then a capitalist would likely buy it because it can increase the market value of their wealth.
  - Thus, it is an undeniable fact that present money is worth more than future money (all other things being equal) because present money allows us to buy present goods while money delivered in the future only allows us to buy goods available in the future. This is called time preference.
- <u>Originary interest</u>
  - The percentage excess of the total revenues compared to the total monetary expenses is called originary interest.
  - It is determined by subjective time preference as it reflects the principle difference in valuation between present and future goods.
- <u>Capital accumulation</u>
  - **Pros of Capital Accumulation:** with net capital accumulation due to saving, resources that could have been devoted to the production of consumer goods are instead devoted to the production of tools, equipment, and other capital goods. Future workers will be more productive per hour of their labor, and natural resources will also yield more, when they work in conjunction with a greater stock of capital goods.

- **Cons of Capital Accumulation:** capital accumulation requires postponing of consumption and refraining from present enjoyment.

- **Chapter 14: Austrian Business Cycle Theory**
  - What the Austrian Business Cycle Theory dictates
    - Read **this** for this chapters summary of the ABCT
  - Misconceptions about the ABCT
    - The ABCT explains that credit expansion leads to malinvestments, not overinvestments. The entrepreneurs invest on a scale for which capital goods available do not meet the supply needed.
  - The Master Builder analogy to explain the ABCT
    - Read this
- **Chapter 15: The Impossibility of Economic Calculation under Socialism**
  - What Mises assumes first
    - To begin, we must first address a few important principles. Mises assumes that the socialist planner is a benevolent man trying to do his best. Mises also assumes that the socilaits planner has all the technological knowledge of his age. The planner also has complete inventory of all the material factors of production. Even with this information, Mises argues that economic calculation would be impossible under socialism.
    - It is also important to realize that this calculator problem has nothing at all to do with the valuation of the ultimate ends. It refers only to the means by the employment of which the ultimate ends chosen are to be attained.
  - What is the Economic Calculation Problem (ECP) ?
    - Mises argues that a socialist planner cannot rationally allocate resources Because without market prices, the planner will not be able to calculate the costs of various projects and will thus be unable to determine if they represent a wise use of scarce resources.
    - In the real world, say a socialist planner decides to build an apartment complex out of 100% gold. Although this apartment would be extremely luxurious, in reality, using gold to build an apartment is incredibly wasteful because it would reduce the quantity of gold jewelry and other goods using gold. Through opportunity costs, the production of a gold apartment would be a malivesntment as the socialist planner would be sacrificing more important goals in his/her achievement of the luxurious gold living space.
    - The market solves this problem as it puts a market price on gold (unlike socialism). A builder will pick the assortment of features in

light of anticipated profitability and realize that building an apartment out of gold is not worth the costs of doing so. This process is economic calculation.

- **Chapter 16: Government Intervention in the Market Economy**
    - Restrictions on production
        - **Child Labor laws:** In poor countries where famimilies get a large portion of tehir income from their children's labor, outlawing this work would only harm the families and reduce the standards of living.
        - **Tariffs:** Government tariffs do not boost industry or create jobs but they rather just rearrange production and employment patterns. For example, if the government makes it harder to buy Japanese cars, this may boost employment in cities in America but then the Japanese will have less dollars to buy other American exports.
    - Price controls
        - **Minimum Wage laws:** These laws only hurt the low skilled workers whose productivity is below the set artificial minimum wage; which thus creates unemployment
        - **Rent Control:** Rent control creates a shortage of housing as it makes landlords offer an artificial price for the apartment that is too low for the landlord to make profit...so the landlord simply does not offer housing.
    - Currency and credit manipulation
        - When the government messes with the currency either by printing more cash money or adding other metal substances to gold to make it appear that they have more gold, this only leads to inflation which causes the price of goods to rise.
    - The economics of war
        - It is often said that the government should nationalize industries to produce the certain amount of goods they need for war. However, this logic is flawed. If the government wants more military output, then they should tax the citizens for the necessary funds they need to purchase military equipment from the market.
    - Social Security
        - Social security is a Ponzi scheme. While it taxes younger workers for current retired people, when those younger workers reach their retired age, then they would have either the same or less retired wealth because that money is just the money they were taxed before.
        - Private savings are more effective than social security.

- **Meltdown by Tom Woods**
    - **Chapter 1: The Elephant in the Living Room**
        - In September 2008, the House of Representatives entertained a $700 billion bailout package-soon to be renamed the "rescue plan" by the Bush administration and its media accomplices-for the financial sector, the public response was swift and clear. Democratic senator Barbara Boxer of California reported receiving nearly 17,000 e-mail messages on the subject, nearly all of them negative. Of more than 2,000 calls to her California office (on a single day), only 40 callers supported it-that's 2 percent. Out of 918 calls to her Washington office, exactly one was in favor.
    - **Chapter 2: How Government Created the Housing Bubble**
        - Fannie and Freddie Mae
            - ❑ Fannie and Freddie Mae are government sponsored enterprises (GSE) that buy loans on the secondary market.
            - ❑ Let's say a lender has successfully lent many people money for their homes with a fixed rate of interest (a mortgage). However, after giving people all these loans, the lenders may run out of reserves to give loans to other customers. So what they do is that they sell their previous mortgages on the secondary market (usually Fannie and Freddie Mae) to acquire money and further use this money to give more loans on the primary market.
                - From that moment on, the loan is no longer on the books of the originating bank and Fannie or Freddie becomes responsible for it, both receiving the stream of monthly payments it represents and bearing the risk associated with the possibility that the homeowner could default. Fannie and Freddie Mae could hold these mortgages themselves or they can sell them again to investors.
            - ❑ The whole process spurs more mortgage lending than would otherwise have taken place, making it easier for people to buy homes.
            - ❑ This process artificially inflates home prices because Fannie and Freddie Mae are largely granted special government privileges. And for years, Fannie has had a special $2.25 billion line of credit with the U.S. Treasury.
            - ❑ The government granted that if a GSE were in trouble, then investors would be bailed out at taxpayer expense.
                - For years, this implicit bailout guarantee made it possible for the companies to raise money from investors more

readily, and make higher offers for mortgages from banks than any competitor could.

- ❑ On the eve of 2008, Fannie and Freddie Mae had a hand in about half the country's mortgages, and nearly three-quarters of new mortgages.
- ❑ Fannie and Freddie Mae have also been extending home mortgages to individuals whose credit is generally not good enough to qualify for conventional loans as they were politically pressured to extend loans to low income minorities.

- ■ Community Reinvestment Act and Affirmative Action in Lending
  - ❑ The Federal Reserve published an erroneous, faulty study that concluded American banks were discriminating against Blacks and Hispanics. A follow up study that assessed these conclusions later found no evidence of American banks discriminating...but it was too late. Government authorities started enforcing laws that punished banks for not lending to minorities at a high amount. Thus, banks started lowering lending standards.
- ■ The government's artificial stimulus to speculation
  - ❑ Alan Greenspan (an official for the Federal Reserve) urged people to use “Adjustable-Rate Mortgages” which is basically a mortgage that starts off with a really low interest rate but then rises in the future based on certain economic conditions.
    - ○ It turns out that there was a larger percentage increase in adjustable-rate prime mortgages than there was in subprime mortgages, where all the trouble was said to be. This, too, explodes the myth that the mortgage crisis came about because of unscrupulous lenders preying on vulnerable people who for whatever reason couldn't understand the mortgage terms they were agreeing to. If that were the case, how did prime adjustable-rate borrowers get more bamboozled than subprime borrowers?
      - ○ Prime are low risk mortgages and subprime are higher risk mortgages
  - ❑ The rating agencies were not able to signal that these mortgages were too risky because “these agencies would not want to create political waves by rocking the mortgage boat, endangering a potential loss of their protected profits.”
- ■ The "pro-ownership" tax code
  - ❑ Government, at the federal, state, and local level, developed hundreds of little programs intended to encourage more people to buy homes, thereby channeling more artificial demand into the housing sector. The tax code is a good example of this:

- The home mortgage interest deduction is a tax code that allows homeowners to deduct the interest they pay on any loan used to build, purchase, or make improvements upon their residence, from taxable income.
- First-time homebuyers in Washington, D.C., for instance, receive a $5,000 tax credit. More significant is the special treatment accorded to a home as an investment. If you buy $500,000 in stock, or buy a business worth that much, and sell it ten years later for $1 million, you'll pay capital gains taxes (15 percent in 2008). Thanks to a 1997 law, if a couple bought a house for $500,000 and sold it for $1 million, they paid no capital gains taxes.
- This is not to suggest that any of these tax breaks are undesirable or should be repealed; a "tax break" is an oasis of freedom to be broadened, not a loophole to be closed. Instead, they should be extended to as many other kinds of purchases as possible, in order not to provide artificial stimulus to any sector of the economy.

- <u>The Federal Reserve and artificially cheap credit</u>
  - After 9/11 and the dot com bubble, the Federal Reserve chairman Alan Greenspan attempted to help the economy by lowering the interest rate to 1 percent from June 2003 until June 2004. In order to bring about this result, the supply of money was increased dramatically during those years, with more dollars being created between 2000 and 2007 than in the rest of the republic's history.
  - This new money supply went into the housing market due to lax home lending due to government intervention as explained before.

- **Chapter 3: The Great Wall Street Bailout**
  - <u>Extensive Bailouts</u>
    - The Federal Reserve bailed out Wall Street investment bank Bear Stearns without any vote in Congress.
    - The American International Group (AIG) was bailed out by the Federal Reserve as well. The Fed's bailout of AIG was, in the words of the New York Times, "the most radical intervention in private business in the central bank's history." The Fed would lend AIG $85 billion in exchange for 80 percent of the company.
  - <u>Deregulation is NOT the problem</u>
    - Commercial bank deposits are insured by the federal government up to $100,000 (and, temporarily, up to $250,000). Any "deregulation" of the banking system that permits the banks to take greater risks while maintaining government (that is, tax- payer) insurance of their deposits is not genuine deregulation from a free-market point of view.

- **Chapter 4: How Government Causes the Boom Bust Cycles**
  - Austrian Business Cycle Theory
    - 1. When the Fed artificially lowers interest rates, entrepreneurs think that consumers have saved more and they thus invest in long term projects, especially with loans from the bank.
    - 2. Interest rates naturally lower when consumers have saved more, under central banks policies, this did not happen.
    - 3. Thus, the pool of real savings turns out to be smaller than entrepreneurs anticipated, and thus the complementary factors of production they need wind up being scarcer than they expected.
    - 4. The prices for these parts, labor, and other resources will therefore be higher than entrepreneurs expected, and business costs will rise. This is the end of the boom. The bust begins
    - 5. Firms will need to borrow more to finance these unanticipated increases in input prices. This increased demand for borrowing will raise the interest rate.
    - 6. Hence, the low interest rates set by the fed give an illusionary prosperity but it eventually ends with a bust
  - Keynes's fantasy: Permanent boom
    - Keynes believed that the remedy for a boom was not raising the interest rate, but lowering the interest rate even more to keep us in this boom. This is a flawed way of thinking
    - **Economists give the following example:** When a circus arrives, its performers and the crowds it attracts patronize local restaurants and businesses. Now suppose a restaurant owner mistakenly concludes that this boom in his business will endure permanently. He may respond by building an addition, or perhaps even opening a second location. But as soon as the circus leaves town, our businessman finds he has tragically miscalculated. Does it make sense to try to inflate this poor businessman's way out of his predicament? In other words, should the banking system create new money out of thin air to lend to him to keep his business profitable? Creating new money doesn't create any new stuff, so lending this business owner newly created money merely allows him to draw more of the economy's existing resource pool to himself, at the expense of genuine businesses that actually cater to real consumer wishes. Getting him hooked on cheap credit only prolongs the misallocation of resources. It needs to end.
  - Public Work Projects
    - Additional public-works spending is one of the last things the economy needs, for it (1) deprives the private sector of resources

by taxing people to support these projects; (2) diverts resources toward firms that themselves may need to be liquidated; and (3) artificially drives *up* interest rates (if the projects are funded by government borrowing), thereby making bank credit more difficult to come by for firms that are actually producing things consumers have freely in- dicated they want.

- The dot com boom
  - The dotcom bubble can be predicted by the ABCT:
  - 1. There were low interest rates brought about by the Fed's expansionary monetary policy: the money supply grew by 52 percent between June 1995 and March 2000
  - 2. However, the American savings rate was negative by the year 2000 and households' outstanding debt as a percentage of income was hitting all-time highs, while at the same time, investment in the Bay Area was 233 percent higher than trend.
  - 3. Programmers' salaries more than doubled during the boom. Coveted domain names skyrocketed: while tv.com sold for $15,000 in 1996, by 1997business.com was selling for $150,000.
  - 4. With consumers not saving, and in fact falling into ever greater debt, the necessary resources to complete these investment projects were not being released. This mismatch could not persist.
  - 5. These dot-com stocks sent the NASDAQ tumbling in the year 2000, when it suffered a 40 percent decline.
  - 6. The Federal Reserve responded by lowering interest rates to a mere 1 percent from June 2003 to June 2004. The Fed chose to embark on a robust policy of inflation, an approach that began in early 2001. Thus, the cycle began again, and led to the 2008 recession

Education

Preschool

- **The Case Against Universal Preschool/Daycare**
  - Baker '11

        - “The province of Quebec in Canada introduced universal day care for children through age four beginning in 1997. Children exposed to the program were 4.6 percent more likely to be convicted of a crime and 17 percent more likely to commit a drug crime. Their health and life satisfaction were also worse.” According to NBER, “anxiety of children exposed to this new program is between 60 percent and 150 percent, and a decline in motor/social skills of between 8 percent and 20 percent.”
    - Burke '16
        - Head Start is a program of the United States Department of Health and Human Services that provides comprehensive early childhood education, health, nutrition, and parent involvement services (childcare) to low-income children and families at no cost. In late 2012, an evaluation that tracked 5,000 children through the end of third grade. The study found little to no impact on the parenting practices or the cognitive, social-emotional, and health outcomes of participants. Notably, on a few measures, access to Head Start had harmful effects on participating children. For both the three-year-old and four-year-old cohorts, access to Head Start had no statistically measurable effects on any measure of cognitive ability, including reading, language, and math. In other words, by the time they finished third grade, there was no difference between those children who attended Head Start and the control group of their peers who did not.
        - Tennessee has a state funded pre-K program introduced in 1996 in which 18,000 children participate in the program. By the end of kindergarten, the control children had caught up to the childcare program children and there were no longer significant differences between them on any achievement measures. And notably, by second grade, “The groups began to diverge with the state childcare children scoring lower than the control children on most of the measures. The differences were significant on both achievement composite measures and on the math subtests.”

Middle and High School

- **Public vs Private Schools**
    - A Priori Argument: Gor Mkrtchian ‘20
        - Producers of private schooling engage in profit and loss calculation in terms of money. If they want to stay in business, they have to make sure that their revenue (what people are willing to pay *or donate*) exceeds the costs of running the school. If they succeed, the ensuing profits they earn mean that society prefers the schooling they provided to the other possible

uses of the resources that went into creating it: the bricks, plaster, asphalt, paper, computers, the labor of the teachers and administrators, etc. If a private school suffers losses, that means that consumers would have preferred that the resources that went into that school had been spent otherwise. This could mean that the school should be run differently, offering different classes, operating on a different schedule, hiring different teachers, etc. Or, it could mean that this particular school shouldn't exist at all. The problem with tax-funded government schools, or tax-funded anything, is that economic calculation can't take place. The *involuntary nature of the funding* means that the connection between consumers' preferences and the use of resources is lost. The questions of how many government schools to build, where to build them, whom to hire, how big the parking lots should be, how long each class should be, etc. are not determined by customers voluntarily choosing which school to patronize. If you don't pay taxes, you go to jail. Instead, these economic decisions are made bureaucratically and politically. But, whereas for private businesses revenue communicates information about consumer preferences, revenue provided by involuntary taxation says nothing about consumer preferences. As a result, bureaucrats and politicians have no market prices on the revenue side of the equation, and no idea whether or not the lumber, plaster, paper, and labor they're using to run a particular school a particular way is more urgently desired by society in another application: on healthcare, housing, comic books, or different forms of schooling. Without voluntary exchange, there are no market prices, and so the employment of the means of production has no link to consumers' preferences. Economic calculation becomes literally impossible. Scarce resources are being spent on X, when society more urgently wants Y.

- NAEP '06
  - In 2006, the National Assessment of Educational Progress (under the U.S. Department of Education) **examined differences in mean National Assessment of Educational Progress (NAEP) reading and mathematics scores between public and private schools for students grades 4 and 8.**
  - "In grades 4 and 8 for both reading and mathematics, **students in private schools achieved at higher levels than students in public schools.** The average difference in school means ranged from almost **8 points** for grade 4 mathematics, to about **18 points** for grade 8 reading. The average differences were **all statistically significant**."
  - Researchers also **adjusted the comparisons for various student** characteristics, including gender, race/ethnicity, disability status, and identification as an English language learner.
- Rahman '16
  - The average monthly operational cost per student in low-cost private schools is 34 percent lower than in public schools within the same districts

and low-cost private schools also do not provide lesser quality. Students in schools that were covered in this study had significantly better national exam scores in mathematics and only slightly lower reading skills than public schools.

- Contrary to popular belief, not all of those private schools are exclusively for the upper middle class. Some of them even play a crucial role in providing formal education to families in impoverished areas.

- Kern '19
    - "[Public education] may be free, but children do not learn. This makes the quality of the education poor and that is why many parents have brought their children back." A father commented: "While most of the teachers in government school are just resting and doing their own things, in private school our teachers are very much busy doing their best because they know we pay them by ourselves."
    - "Controlling for the range of background variables, including education and wealth of parents, student's IQs, and peer-group effects, the differences were usually slightly reduced but generally still large and still favored both types of private schools in each study."

- **Benefits of a Private, Free Market Education System**
    - Harris '19
        - The post-Katrina New Orleans school reforms created the nation's most intensive market-based school system. These reforms increased student achievement by 0.28-0.40 s.d., and high school graduation by 3-9 percentage points. Moreover, on most measures, the reforms reduced the majority of education gaps between this socioeconomically challenged district and the rest of the state, and between advantaged and disadvantaged groups within the district.

- **Benefits of School Choice**
    - EdChoice '16
        - In 2016, EdChoice, an education reform and school choice advocacy organization, published a comprehensive review of **studies evaluating various effects of school choice. The results are as follows:**
            - Fourteen of 18 random assignment studies show choice participants' proficiency scores **improved as a result of using a private school voucher or scholarship.** Two of those 18 studies show no visible effect on student test scores. This report also discusses the negative results found in two new studies of the same Louisiana voucher program, including potential reasons for their anomalous findings. Also, 31 of 33 studies find the competitive

effects driven by **school choice programs led to improvement in public schools' academic performance.** In fact, **more expansive school choice programs can be expected to lead to more positive changes for students and schools.**

        - **Eight of 10 empirical studies find educational choice programs move students from more segregated public schools to less segregated private schools.** The other two studies find no visible effect. No studies have ever shown private school choice programs exacerbate segregation in schools. In fact, two recent studies of the Louisiana Scholarship Program find **school choice programs help desegregate participating private schools a**nd affected public schools.
        - Opponents often argue that choice programs are expensive and drain resources from public schools. However, 25 of the 28 studies on the fiscal effects of **school choice show such programs save taxpayers money—sometimes thousands of dollars per participating student.** Three studies show the programs examined are revenue neutral, and **none find school choice programs cost taxpayers additional money.** Though savings vary from program to program, the research demonstrates that **educational choice has the power to save millions, even billions, of dollars for taxpayers and school districts.**
        - Eight of 11 empirical studies show **choice programs have a positive effect on students' civic values and participation**, and three studies show no impact. Civic values are measured in a variety of ways, from tolerance for the rights of others to voting. Studies also show students participating in **educational choice programs are likely to volunteer more and give more to charity than their public school counterparts.**

- Harvard '12
    - A Harvard study published in the *Quarterly Journal of Economics* in 2011 **studied the effects of a public school choice initiative** in the 20th largest school district in the nation (Charlotte-Mecklenburg, North Carolina).
    - The study **compared the adult crime outcomes of male students who won and did not win a first-choice-of-school lottery and found:**
        - "Across several different outcome measures and scalings of crime by severity, high-risk youth who win the lottery commit about **50% less crime**."
        - "The effect is concentrated among **African American males and youth** who are at highest risk for criminal involvement."
        - "They are also more likely to remain **enrolled and 'on track'** in school, and they show **modest improvements** on school-based behavioral outcomes such as absences and suspensions."

- See How School Choice Can Improve Education and Society for an overview of the positive impact of school choice
- Does School Choice Reduce Crime?
- School Choice in the United States: 2019
- https://fee.org/articles/school-choice-reduces-teen-suicide-new-study-finds/

- **Charter Schools**
  - Study: Charter High Schools Have 7-11% Higher Graduation Rates Than Their Public School Peers
  - School management and efficiency: An assessment of charter vs. traditional public schools
  - The Effect of Charter Schools on Student Achievement (Meta Analysis)
  - Urban Charter School Study Report on 41 Regions
  - National Charter School Study 2013
  - What Can We Learn from Charter School Lotteries?
  - Charter Schools and Labor Market Outcomes | NBER
  - Do charter middle schools improve students' college outcomes?
  - Chicago's Charter High Schools
  - The Effects of Start-Up Charter Schools on Academic Milestones
  - Charter High Schools' Effects on Long-Term Attainment and Earnings
  - The Medium-Term Impacts of High-Achieving Charter Schools
  - FISCAL IMPACTS OF CHARTER SCHOOLS: LESSONS FROM NEW YORK Robert Bifulco Syracuse University 426 Eggers Hall Syracuse, New York 1
  - School Choice and School Productivity (or Could School Choice be a Tide that Lifts All Boats?)
  - Charter Schools and Student Achievement in Florida
  - The effect of charter schools on traditional public school students in Texas: Are children who stay behind left behind?
  - The Impacts of Charter Schools on Student Achievement: Evidence from North Carolina
  - Direct and indirect impact of charter schools' entry on traditional public schools: New evidence from North Carolina
  - Rising Tide: Charter School Market Share and Student Achievement
  - A Good Investment: The Updated Productivity of Public Charter Schools in Eight U.S. Cities
  - Charter Schools help public schools
    - Charter schools increase property values, thereby increasing tax revenues for public schools
      - Boost to property taxes Willing to Pay: Charter Schools' Impact on Georgia Property Values

            - Schools reliance on property taxes The Property Tax- School Funding Dilemma
            - Also see In Pursuit of the Common Good: The Spillover Effects of Charter Schools on Public School Students in New York City

---

- **Educational Funding**
    - Chingos '17
        - A 2017 study by the Urban Institute found: “Nationwide, per-student K-12 education funding from all sources (local, state, and federal) is **similar, on average, at the districts attended by poor students ($12,961) and non-poor students ($12,640)**," **a 2.5% difference in favor of poor students**.
        - Unlike many other studies on school funding, which only consider state and local funding, this study examined **funding across all three levels of government**, while adjusting for the cost of education in individual districts.
        - Federal funding is primarily allocated to school districts with fewer resources. In 2011, the Government Accountability Office noted, “In individual districts, the share of funding from Title I ranged from **zero** to **36 percent** in 2008. Generally, Title I allocations to districts are based on the district’s size and percentage of students from low-income families, as well as the **population of the district’s state and how much that state spends per pupil on education.”**
    - CATO '10
        - In 2010, the CATO Institute **compared public school spending to estimated total expenditures in local private schools**.
        - They found that most reports comparing public and private school spending **"leave out major costs of education and thus understate what is actually spent."**
        - In the areas studied, **public schools spent 93%** more than the estimated median private school.
        - The analysis also revealed that **27 cents of every dollar collected at the state or local level is consumed** by the public K–12 education system.
    - Brookings ‘17
        - Research published by the Brookings Institution in 2017 revealed that “on average, poor and minority students receive between **1-2 percent more resources** than non-poor or white students in their districts, equivalent to about **$65 per pupil**.”

- **Home Schooling**
    - HSLDA

        - The Homeschool Legal Defense Association (HSLDA) reports that homeschool students have a **30% higher GPA**.
    - NHERI
        - The National Home Education Research Institute reports that, on average, homeschooled students have **15-30% higher grades** than public school students.
    - Cogan '09
        - homeschool students have **better chances at finishing college** than public school students, with **66% homeschooled students graduating from college as opposed to 58% of public school graduates**
    - Ray '15
        - The home-educated typically score 15 to 30 percentile points above public-school students on standardized academic achievement tests. (The public school average is the 50th percentile; scores range from 1 to 99.) A 2015 study found Black homeschool students to be scoring 23 to 42 percentile points above Black public school students.
    - Ray '17
        - 78% of peer-reviewed studies on academic achievement show homeschool students perform statistically significantly better than those in institutional schools.
    - Ray '15
        - Homeschool students score above average on achievement tests regardless of their parents' level of formal education or their family's household income.

College

- **Free College**
    - Boyce '19
        - Making college education free is not going to resolve the disconnect between the market and colleges. If college education is free, there is no downside of coming out underemployed. The risk associated is almost eradicated. One of the crucial parts of college education is determining whether it's of value. It's an investment. An investment that future earnings will be enhanced as a result. Will the enhanced earnings be worth more than the $50,000+ spent on education? **By removing the cost, Warren's proposal changes the incentives. The cost-benefit is changed. There is a significant benefit, but little cost. This incentivises greater participation. When the price of any good is removed, the demand for it will increase.** College will be no exception.

- **Free Market, Privatized College**
  - Harris '19
    - The post-Katrina New Orleans school reforms created the nation's most intensive market-based school system. These reforms increased college attendance by 8-15 percentage points, college persistence by 4-7 percentage points, and college graduation by 3-5 percentage points.

- **Government Caused the Student Loan Crisis**
  - Doris '20
    - **Virtually all the peaks in student-loan defaults are driven by changes in federal policy** that expand access to the high-risk, for-profit institutions, researchers argue. Addressing this means working through the complex trade-off between enabling access to credit—and educational opportunities—and attenuating default risks for borrowers and taxpayers alike.
  - Feshbach, Gunn, Parikh, Dhokte '19
    - The remaining 92.29% ($1,474.96B) of the $1.59T in total student loans are federal loans.
  - https://www.nber.org/system/files/working_papers/w21967/w21967.pdf
    - "In 2016, Grey Gordon and Aaron Hedlund conducted a 'quantitative model of higher education' to explain the rise in college tuition from 1987 to 2010. From 1987 to 2010 there was a 106 percent increase in overall tuition and **102 percent of that increase is solely because of changes to the Federal Student Loan Program** (FSLP). They concluded that the 'Bennett' theory has validity based on the cumulative data they reviewed." — Mises Institute
  - https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr733.pdf
    - The average tuition increase associated with expansion of student loans is as much as 60 cents per dollar. That is, more federal aid to students enables colleges to raise tuition more.
  - https://scholar.harvard.edu/files/goldin/files/does_federal_student.pdf
    - "Stephanie Riegg and Claudia Goldin analyzed the difference in tuition between T4 [schools that accept federal loans] schools, which participate in Title IV of the Higher Education Act of 1965, and NT4 schools [schools that do not accept federal loans], which do not participate. They controlled for the program, county, year-fixed effects, enrollments, program length, etc., and they found a 'large and significant' difference between the two kinds of schools' tuition. **T4 schools charge 78 percent more than NT4 schools.** This 'Bennett' hypothesis has been proven correct through an honest review of tuition prices for decades." — Mises Institute

- https://xthomas-shelbyx.medium.com/higher-education-a-crony-capitalist-dystopia-part-1-d1ae10f87b04 (Great series on this topic)
- https://mises.org/wire/federal-government-owns-92-percent-student-loans-why-do-politicians-lie-about-it
- https://mises.org/wire/student-debt-conundrum

Healthcare

Doc on Superiority of Private Healthcare

Medicare for All

Good google document on the failures of other single payer systems
A Critique of "M4A a Citizen's Guide"

- **Quality and Health Outcomes**
  - Mises '09
    - **LOGICAL EXPLANATION:** Medicare for All would lower the quality of care in light of the fact that under a Medicare for All system in which healthcare is free at the point of service, there is no market price for an operation or a course of drug therapy, so health managers (or Medicare) are required to undertake rationing and allocation decisions based upon accounting prices or their own judgment of where resources are most needed. When there are no prices for medical resources, it is impossible to know if any particular health product or service is profitable or more valuable since there is no common denominator to add up all the different health resources that go into production or service. Like all goods, healthcare resources by their very nature are substitutable for one another. For some cancers for example, chemotherapy, radiation therapy, and surgery may be substituted or complemented with one another. The health manager then has to discover the natural substitutability of millions of healthcare services in accordance with the exchange relations that in a free healthcare market economy take place automatically, permanently, and instantaneously. Managers then have no way of knowing the accuracy of their accounting prices or their personal judgments and therefore cannot undertake the heuristic learning that is available to market participants who can observe the profits and losses resulting from their actions. In addition, Medicare severely undercompensates for health services as hospitals lose 13 cents for every dollar spent caring for government health

beneficiaries. If any insurance company compesnated hospitals like that, it would quickly go bankrupt. Therefore, under a system in which hospitals are forced to accept predominantly Medicare patients, a hospital's profit and loss signals would be heavily skewed in a way in which hospitals would be utterly clueless in determining which medical resources are the most valuable, which medical resources they should produce more or less of, and most importantly, how to substitute and produce these resources. Hospitals would also be less able to afford more advanced and newer medical resources due to lack of adequate revenue. Henceforth, this will ultimately lead to a significant increase in patients receiving subpar care if free healthcare—a system without market prices— were to be implemented.

- NLB '13
  - According to the National Library of Medicine, **privately insured patients had lower risk-adjusted mortality rates than did Medicare enrollees for twelve out of fifteen quality measures examined.** To a lesser extent, privately insured patients also had lower risk-adjusted mortality rates than those in other payer groups. In fact, after adjusting for the distribution of ages, sexes, and numbers of comorbidities, Medicare patients had on average 8.52 more deaths per 1,000 than patients with private insurance did at the same hospital. If Medicare was the only method for patients to acquire health insurance, the mortality rate inside hospitals would get drastically worse. “Medicare patients appeared particularly **vulnerable to receiving inferior care.”**
- Germinal G Van A Statistical Inquiry Into the Cost of Healthcare in America
  - “Using several empirical approaches, we find no evidence that the introduction of nearly universal health insurance for the elderly had an impact on overall elderly mortality in its first 10 years... Our findings suggest that Medicare did not play a role in the substantial declines in the elderly that immediately followed the introduction of Medicare.”
  - The authors of the study estimated that the reduction in out-of- pocket medical spending among seniors that followed Medicare’s introduction produced benefits of less than 40 percent of the program’s total cost. Additional evidence suggests Medicare may not even pass a cost-benefit test
- Forbes '19
  - Research has revealed government health coverage actually yields worse health outcomes. A 2010 study conducted by researchers at the University of Virginia looked at nearly 900,000 major surgeries between 2003 and 2007. Patients with government health coverage were **13% more likely to die after surgery than uninsured patients.**

        - Another study analyzed Medicaid expansions, which allowed states to amplify Medicaid coverage to people in households with incomes below 133% of the federal poverty line. Thirty-six states opted to do so. **Some 12 million people gained coverage through Medicaid this year thanks to the expansion. As of the end of 2018, nearly 66 million people were enrolled in Medicaid nationwide.** Since 14 states didn't expand the program, researchers had the chance to compare differences in mortality between the expansion and non-expansion states while controlling for other relevant variables. If giving people government health insurance actually leads to improved health outcomes, states that expanded Medicaid should have seen a decrease in mortality rates. **However, this research did not find that at all.**
    - Nber '08
        - A detailed study looked at a Medicaid expansion scheme in Oregon that predated Obamacare. In 2008, Oregon used a lottery to determine who would be able to enroll. The lottery was exclusive to low income, uninsured adults. Researchers analyzed the health outcomes of 6,400 people who won the lottery and gained Medicaid coverage compared to 5,800 who remained uninsured. **The study concluded the Medicaid beneficiaries showed "no significant improvements in measured physical health outcomes over the course of two years."** If medicare for all really improved the health outcomes for low income, uninsured people, these results would simply not appear.
    - Pipes '18
        - Due to higher quality care in America, it best explains why roughly 40 percent of patients seeking treatment outside their home country **go to the United States.** That's more than **twice the share of the second-most popular country.**
    - **MORE DATA ON QUALITY UNDER M4A CAN BE FOUND HERE AND HERE**

- **Wait Times**
    - PRI '18 Staff Absence and Wait Times
        - **Logical Explanation:** When a single payer system is implemented, doctors and medical professionals will earn significantly less. Nevertheless, you will see a major decrease in doctors entering the field because there is less incentive to become a doctor. More importantly, hospital closures would spike. At the same time, you will see a major increase in demands for medical services because they are now free. So a decrease in the supply of doctors and an increase in the demand of patients will artificially lead to longer waiting times to see a doctor for these patients
        - **Doctor Shortages:** For example, according to a book from John Goodman, Canada has 35 percent fewer physicians per capita than the United States. Another example is the UK (which is a single payer

healthcare system) which has struggled to fully staff its hospitals and clinics since its inception in 1948. But today, the shortages are growing worse. 9% of physician posts are vacant. That's a shortfall of nearly 11,500 doctors. The UK is also short 42,000 nurses. Meanwhile, in the United States, nearly all states will have a surplus of nurses by 2030. The shortage of providers has resulted in longer wait times for patients in the UK:

    - **Wait Times:** In fact, research has proven that 19% of the UK waits two months or longer for specialist appointments compared to only 6% in the US. 31% of British doctors report patients often experience long wait times to receive treatment after diagnosis compared to only 9% of American doctors. 12% of the UK waits 4 months or longer for elective/non-emergency surgery compared to only 4% of the US. 32% of the UK waited two hours or more for care in emergency rooms compared to only 25% of the US.

- **MORE DATA ON WAIT TIMES CAN BE FOUND HERE AND HERE**
- PragerU Analysis (sorry for the meme source lol)
    - If you want to understand what a government run healthcare system would look like in America, just take a look at The U.S. Department of Veterans Affairs (the VA). The **VA provides a single payer healthcare system for all veterans.** They run the largest hospital and health care system in America, employing over 340,000 people, operating on a $180 billion annual budget, and serving 7 million patients. However, **the VA's healthcare system is inefficient, inaduqtable, and sometimes deadly.**
    - For example, Phoenix revealed that 1,700 veterans had waited an average of 115 days just to receive an initial appointment. According to the VA's official policy, **that wait time should have been no more than 14 days.** Due to the horrendous inefficiency of the VA's single payer health care system, it would best explain why **two-thirds of all veterans (14 million people) don't use the VA at all**. And those who do use the VA still get 75 percent of their healthcare outside of the VA system even though they have to pay more for it. In short, whoever can afford not to use the VA doesn't use the VA because **of poor quality care.**
    - In 2018, 39% of patients were sent for treatment outside a VA hospital because the government's facilities **could not provide care in a timely manner**, investigators Reported
    - An Inspector General report released in 2017 found that 36 percent of new patients had wait times in excess of 30 days. Of these patients, **the average wait time was 59 days.** A 2014 survey of **private physician practices found that the average wait time to see a physician in medical specialties was only 18.5 days.** This is a vast improvement compared to the VA.
    - If the government can't provide adequate healthcare to **7 million veterans**, it certainly can't provide it for **320 million Americans.**

- Now that we have shown that a M4A system will ultimately lead to longer wait times, lets see how this affects mortality:
- Pizer '07
  - Veterans who visited a VA medical center with facility-level wait times of 31 days or more had significantly higher odds of mortality compared with veterans who visited a VA medical center with facility-level wait times of < 31 days. "Our findings support the largely assumed association between long wait times for outpatient health care and negative health outcomes, such as mortality."
- JAMA '17
  - "In this retrospective cohort study that included 42 230 adults, wait time longer than 24 hours was associated with higher risk-adjusted likelihood of 30-day mortality."
- **MORE INFORMATION ON DEATHS CAUSED BY WAIT TIMES CAN BE FOUND HERE AND HERE**

- **Medical professionals compensation drops under Medicare for All**
  - Mises Institute 19'
    - Under Medicare for All, doctors will be **forced to take a 40 percent pay cut on all their former private insurance patients.**
  - Washington Policy '20
    - A recent report backed by the Partnership for America's Health Care Future predicts that the physician workforce would **decrease by over 44,000 doctors by 2050 under a single-payer system.**
    - Research has analyzed the 3 major private sector healthcare companies and confirmed that the highest physician payments for many healthcare services were **at least 350% higher than Medicare payments.**
    - Research from the Journal of the American Medical Association found that American general physicians earn an average annual salary of $218,000. The comparable compensation for Canadian generalists was $146,000, while British generalists received just $134,000.

- **Doctor shortages under Medicare for All**
  - FTI '20
    - As demonstrated here, Medicare for All would lead to doctors getting paid significantly less. Nevertheless, due to these pay cuts under Medicare for All, you would see a major decrease in doctors entering the field because there is less incentive to become a doctor. According to research from FTI consulting, Medicare for All, when fully implemented, could result in a nationwide loss of 44,693 physicians by 2050 relative to current projections. By 2050, urban and rural areas alike could see a decrease of

5.4% in the supply of physicians. The nursing workforce, already projected to reach shortage levels in seven states by 2030, could see a reduction of 1.2 million nationally by 2050 under Medicare for All.

- Goodman '09
  - According to a book from John Goodman, Canada has 35 percent fewer physicians per capita than the United States.
- Pipes '18
  - The UK for example, (which is a single payer healthcare system) has struggled to fully staff its hospitals and clinics since its inception in 1948. But today, the shortages are growing worse. 9% of physician posts are vacant. That's a shortfall of nearly 11,500 doctors. The UK is also short 42,000 nurses. Meanwhile, in the United States, nearly all states will have a surplus of nurses by 2030.

- **Shortages of Medical Machines**
  - Sally Pipes '20
    - The OECD's most recent data on CT scanners in Great Britain come from 2014. In that year, there were a little over nine for every million Britons. That's less than one-fourth the number available to American patients that year.
    - In 2011, the most recent year for which the OECD has data, there were just over 10 mammography machines for every million British residents. That year, there were almost 40 per million people in the United States; today, it's 60 per million.
    - The United Kingdom had just seven MRI machines per million residents in 2014—less than one-fifth as many as the United States.
    - In 2017, the Royal College of Radiologists estimated that over 56,000 patients with angina, a type of chest pain, were unable to access a CT scanner due to shortages. A sufficient number of the machines could have prevented thousands of heart attacks a year by empowering doctors to potentially catch patients' heart problems before they became acute.
  - Sally Pipes '20
    - Take CT scanners—medical imaging devices used to detect and diagnose a number of conditions, including cancer. In 2017, Canada had less than 16 machines for every million people, according to the Organization for Economic Co-operation and Development (OECD). The United States had 42 per million people—2.6 times as many.
    - Less than 15 percent of rural emergency departments, which serve 20 percent of Canadians, had a CT scanner in 2017. Each of the country's three northern territories had just one scanner—in total.

        - MRI machines are just as hard to come by in Canada. There are 366 of them spread throughout the country. That equates to less than 10 units per million people. The United States has close to 40 MRI units per million people.
        - Then there's the discrepancy in mammography machines, which are used to detect breast cancer. Canada has 18 of them per million people; the United States has just under 60 per million.

- **Economy and Taxes**
    - Cato Institute '20
        - **Even if Congress doubled all federal individual and corporate income taxes, it would not be enough to pay for Medicare for All.** The Council of Economic Advisors estimates the necessary tax increase would leave the economy 9 percent smaller than otherwise. (One of the worst economic disasters, The Great Recession erased just 4.3 percent of GDP.) The study projects "free" health care would **leave households with $17,000 less to spend on non-health items.**
    - Forbes '13
        - In European countries with a universal right to health care, the cost of coverage is paid through higher taxes. In the United Kingdom and other European countries, payroll taxes are on average **37% which is much higher than the 15.3% payroll taxes paid by the average US worker.** According to a Research Fellow at the Hoover Institution, financing a universal right to health care in the United States **would cause payroll taxes to double.**
    - UCLA '14
        - A single payer health care system would increase the US debt and deficit. Spending on all government programs that provide a right to health care for certain segments of the population, totaled less than 10% of the federal budget in 1985, but by 2012, these programs took up 21% of the federal budget and are predicted to **reach 30% of federal spending by 2028.** Research from George Mason University concludes that providing government funded health care to all could **increase federal spending by $32.6 trillion over the first ten years of implementation.** The Committee for a Responsible Budget calculates that universal health care coverage would result in an additional $19 trillion of federal debt **"causing debt to rise from 74 percent of GDP in 2015 to 154 percent of GDP by 2026."**
    - NYtimes '19
        - Expanding medicare would make hospitals lose a large percentage of their money and likely make many hospitals go out of business. For example,

For a patient's knee replacement, Medicare will pay a hospital $17,000. **The same hospital can get more than twice as much for the same surgery on a patient with private insurance.** On average, the government program pays hospitals about 87 cents for every dollar of their costs, compared with private insurers that pay $1.45.

- In fact, **Hospitals could lose as much as $151 billion in annual revenues, a 16 percent decline**, under Medicare for all
- Some hospitals, especially struggling rural centers, **would close virtually overnight**, according to many policy experts.

- Boehm '17
  - In 2018, the state of California completely rejected the Medicare for All plans **in light of the fact that it would double the states budget.** In New York State when they attempted to implement a single payer healthcare system, it was completely rejected because it would **require doubling or possibly quadrupling the state's tax burden.** Vermont's (Bernie Sanders own hometown) attempt to implement a single-payer healthcare system **collapsed in 2014 because the costs were too high.** Colorado voters rejected a proposed single-payer system in 2016 when **faced with the prospect of increasing payroll taxes by 10 percent to meet the estimated $25 billion annual price tag.** This all despite the fact that all of these states are liberal. If a few states can't pass a Medicare for All plan, **then why would the entire United States be able too?**
- Ramm '19
  - Due to the fact that Hospitals under Medicare for All will earn significantly, many hospitals, especially **rural hospitals could close virtually overnight.** For example, Iowa's rural hospitals could experience a **loss of more than $476 million dollars under a public health insurance proposal**, putting dozens at high risk for closure. If a public option plan would go into effect, the study found that between **25 and 52 of Iowa's 90 rural hospitals would be at high financial risk for closure due to a loss of millions in revenue.** Overall, the total revenue loss for the 1,900 rural hospitals in the United States is projected at **up to 25.6 billion dollars.**
- AHA '19
  - In 2018, **hospitals lost money providing care to Medicare and Medicaid patients and about one-third of hospitals were operating on negative operating profits.**
  - Government health coverage represents 71% of the typical hospital's volume of patients, and **hospitals lose 13 cents for every dollar spent caring for government health beneficiaries.** Thus, eliminating private insurance and replacing it with fully government insurance would likely

make **many hospitals lose a ton of money and make many go out of business.** The impact of this is huge; **Rural hospital closures increase** patient **mortality** by **5.9** percent

- https://www.justfacts.com/healthcare
  - The Medicaid program made $36 billion in improper payments, or 10% of the program's outlays.
  - The Medicare program made $48 billion in improper payments, or:
    - 7% of the program's outlays.
    - 32% of all improper payments reported by 75 federal programs.
    - $380 per U.S. household.
  - A 2010 Medicare fraud investigation by the *Wall Street Journal* found that:
    - a family doctor in Florida received about $1.2 million from Medicare in 2008, which is "more than 24 times the Medicare income of the average family doctor."
    - a Brooklyn physical therapist received about $1.8 million from Medicare in 2008.
    - another Florida doctor received about $8.1 million from Medicare during 2007–2009.
    - a Houston doctor received about $7.1 million from Medicare in less than a year.

- **Innovation**
  - Forbes '19
    - Currently, America leads the world in the most medical innovations. In a profit-driven healthcare market, private innovation around medicine yields big monetary gains. Thus, **moving to a publicly funded healthcare system would reduce the profit incentives and thereby reduce private innovation in medicine.**
    - The reason for this is that the availability of funding "is the single most important factor explaining the dominant role of the USA in innovative research." As one illustration, in the 15-year period, the **U.S. invested more than 5 times as much as European nations did into private biotechnology companies.**
    - The aggregate social cost of **lost innovation under single-payer health care would be up to $152 billion.**
  - FDA '16
    - The United states greatly leads the world in clinical trials, with 31 percent of all participants, despite being 4% of the population. The study from the Milken Institute found that in 2011, the United States accounted for 50.9 percent of all clinical trials, with a per capita rate of 174 per million, compared to Japan at 15 and Europe at 37.

- WhiteHouseGov '19
    - A 1 percent reduction in market size reduces innovation—defined as the number of new drugs launched—by as much as 4 percent. If Medicare for All would lead to the same below-market pharmaceutical prices that other countries have imposed through government price controls, it would reduce the world market size and thereby medical innovation, and ultimately mean that future patients would forgo the health gains that would have come from these forgone innovations.

Failures of other Single Payer Systems

- ***Canada***
    - **Taxes:**
        - ❑ Taxes are extremely high in Canada due to the government run healthcare. Technically, when accounting for taxes, medicare for all is not free. Research has shown that In 2017, the estimated average payment for public health care **insurance ranges from $4,000 to $12, 500** for six common Canadian family types, depending on the type of family. For the average Canadian family, the cost of public health care insurance increased 1.8 times faster than average income.
        - ❑ **The 10% of Canadian families with the lowest incomes will pay an average of about $470 for public health care insurance in 2017.** The 10% of Canadian families who earn an average income of $63,000 will pay an average of $5,800 for public health care insurance, and the **families among the top 10% of income earners in Canada will pay $39,000.**
    - **Wait Times:**
        - ❑ Research shows that Americans are more likely to see a specialist far more quickly than in Canada. "In the United States, **70% of patients are able to be seen by specialists less than four weeks after a referral,**" according to a 2019 report. "In Canada, less than 40% were seen inside of four weeks. After being advised that they need a procedure done, only about **35% of Canadians had their surgery within a month, whereas in the United States, 61%** did. After four months, about 97% of Americans were able to have their surgery, whereas Canada struggled to achieve 80%.
        - ❑ Research has shown that in Canada, **21% of doctors report patients often experience long wait times to receive treatment after diagnosis compared to only 9% of American doctors.** 50% of patients in Canada waited 2 or more hours for care in emergency rooms compared to only 25% of America. 30% of Canadian patients waited 2 months or longer for specialist appointments compared to only 6% in America. 18% of Canadian patients waited four month or longer for elective/non-emergency surgery compared to only 4% americans.

- According to a report released by Fraser Institute, Canada's wait times are tremendously long. In 2019, Canadians had to wait an average of 20.9 weeks between referral from a general practitioner and receipt of treatment (when treatment from a specialist was provided/performed). The 20.9 week figure is up from 2018, where the wait times were an average of 19.8 weeks, although they are shorter than the 2017 week figure of 21.2 weeks. The 20.9 week 2019 figure is up 124% from 1993, where the average wait time was just around 10 weeks (9.3 weeks). Fraser Institute also states in the report, that wait times differ from region and type of treatment needed. The average wait time was lowest in Ontario, with just around 16 weeks, and was the highest in Prince Edward Island at just around 50 weeks (49.3). When it came to specialty treatment, patients waited the longest from GP referral to procedure for orthopedic surgery (39.1 weeks), whilst those waiting for oncology treatment waited just about 4.4 weeks.
- In another study, 27 percent of Canadians said that waiting times were their biggest complaint about their health system, **versus only 3 percent of Americans.**

- **Deaths caused by wait times:**
  - An analysis estimates that up to **63,000 Canadian women may have died** as a result of increased wait times in the past 2 decades. And that doesn't even account for men. Adjusting for the difference in populations (the US has about 9 times as many people), that middle value inflates to an estimated **400,000 additional deaths among females over a 16 year period**. This translates to an estimated **25,000 additional female deaths** each year if the American system were to suffer from increased mortality similar to that experienced in **Canada due to increases in wait times.**

- **Quality:**
  - Research finds that in Canadian hospitals, 63% of all general X-ray equipment is severely outdated, and half of all diagnostic imaging units require replacement.
  - Detailed research of 191 members nationwide ranked the US "responsiveness", or quality of service for individuals receiving treatment, **as 1st, compared with 7th for Canada.**
  - Research from Sally Pipes shows that of 21 new treatments for blood disorders introduced between 2011 and 2018, Canadian patients have access to just 14 percent of them. All 21 were available in the United States.
- **Deaths due to Subpar Quality:**

- [ ] 2017 research finds that if we implemented a Canadian style healthcare system with their cancer survival rates**,** there would be an additional **21,000 additional cancer related deaths per year.**
- [ ] In Canadian hospitals, the death rate in hospitals for patients suffering a heart attack is 22% higher and almost three times as high for those suffering a stroke.

- **Pharmaceutical Drugs:**
  - [ ] Recent studies show that of the 290 new medicines brought to market between 2011 and 2018 showed that less than half were available in Canada. U.S. patients had access to 89 percent of those new drugs.
  - [ ] Research from Sally Pipes confirms that only 59 percent of the 82 new cancer drugs are available in Canada, whereas 96 percent of them were accessible to American patients.
- **Shortages of Medical Machines**
  - [ ] Click here

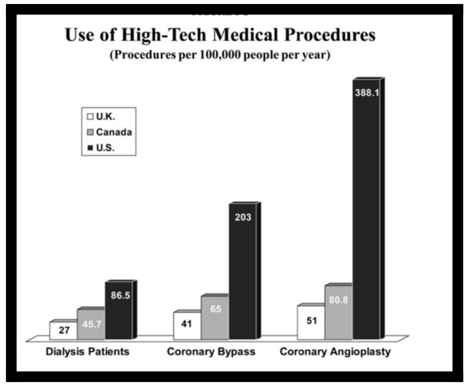
- ***The United Kingdom***
  - **Taxes:**
    - [ ] 18% of a citizen's income tax goes towards healthcare, which is about 4.5% of the average citizen's income.

  - **Wait Times:**
    - [ ] In one month, 4.3 million people were on a waiting list for surgeries. In fact, research has proven that 19% of the UK waits two months or longer for specialist appointments compared to only 6% in the US. **31% of British doctors report patients often experience long wait times to receive treatment after diagnosis compared to only 9% of American doctors.** 12% of the UK waits 4 months or longer for elective/non-emergency surgery compared to only 4% of the US. 32% of the UK waited two hours or more for care in emergency rooms compared to only 25% of the US.
    - [ ] According to a 2010 book, In England's state-run system, the waiting list is nearly 800,000 people. This is in addition to those denied medical attention: 7,000 for hip replacements; between 4,000 and 20,000 for coronary bypass surgery; 10,000 to 15,000 for cancer chemotherapy.
    - [ ] Goodman '04 shows that the same proportion of Americans and Canadians had experienced difficulty seeing a medical specialist when needed. In the US, cost was most frequently cited as the major obstacle, while waiting times and physician shortages were the main barriers in Britain and Canada.
  - **Deaths caused by wait times:**
    - [ ] According to one article, 5,449 people have lost their lives since 2016 as a direct result of waiting anywhere between six hours and 11 hours. In fact, 960 out of 79,228 patients who had to wait about six hours died as a direct result of the delay. This means that one in every 83 people who have to

wait that long to be admitted will die as a direct result of the delay in them starting specialist care for their condition. The risk of death goes up to one in 31 for those kept on a trolley for nine hours and rises to one in 30 for patients whose admission is delayed for 11 hours. They concluded that the deaths are entirely and solely caused by the length of wait and not by the patient's condition.

- ❑ 10,000 more patients die each year on waiting lists under the NHS.
- ❑ Nearly a quarter of patients waited at least four hours to be seen, while 372,000 in total turned up to casualty
- ❑ For example, in January, an elderly woman died from cardiac arrest after waiting 35 hours on a trolley because there was a shortage of hospital beds.

- **Quality:**
  - ❑ A Cato study finds that fewer than one-third of British patients who suffer a heart attack have access to beta-blockers used by 75% of patients in the US, despite the fact that the use of these beta-blockers reduces the risk of sudden death from a subsequent heart attack by 20%.
  - ❑ Another example is that the US has the highest cancer survival rates in the world due to American patients receiving the best and most advanced treatment while in the UK, a report found 15,000 cancer patients failed to receive or even get access to the best treatment.
  - ❑ Terminally ill patients are incorrectly classified as "close to death" so as to allow the withdrawal of expensive life support.
  - ❑ In the British National Health Service, cancellations are common. Last year, the Uk canceled **85,000 elective operations in England for nonclinical reasons on the day the patient was due to arrive.** The same year, it canceled **4,000 urgent operations in England, including 154 urgent operations canceled two or more times.** Times of high illness are a key driver in this problem. For instance, in flu season, the UK also canceled **50,000 "non-urgent" surgeries**.
  - ❑ In fact, only 59% of new cancer drugs are available in Canada, whereas 96% of them were accessible to American patients. More generally, for some medical services, American patients are 6.6 times more likely than UK patients to receive advanced technology during the procedure.

- 

  - **Deaths due to Subpar Quality:**
    - A WHO study found 25,000 people die unnecessarily in Britain each year because they are denied the highest quality cancer care.
    - 2017 research finds that if we implemented a UK style healthcare system with their cancer survival rates, there would be about 72,000 additional cancer related deaths.
    - A study conducted by the London School of Hygiene concluded that around 750 patients a month – one in 28 – pass away due to poor quality of care. In other words, patients needlessly die as a result of the incompetence of the single payer system in the UK.
    - When controlling for relevant variables, studies found that people who have treatment in the UK are four times more likely to die than US citizens undergoing similar operations. The most seriously ill UK patients were seven times more likely to die than their American counterparts.
  - **Pharmaceutical Drugs:**
    - Recent studies show that of the 243 medicines across 15 therapeutic categories launched worldwide between 2011 and 2018, just two-thirds were available in the United Kingdom which is far less than the 88 percent on offer in the United States.
    - Research from Sally Pipes shows that fifty-three percent of new diabetes medications made their way to the United Kingdom, compared to 67 percent in the United States. Fifty-seven of 74 new cancer drugs launched in the United Kingdom during that time period; 70 of those 74 did so in the United States.
  - **Shortages of Medical Machines**
    - Click here

Obamacare-Affordable Care Act CA)

Why ObamaCare Will Fail: A Reading List

- **Problems with the Individual Mandate**
  - Germinal G Van A Statistical Inquiry Into the Cost of Healthcare in America

        - The most important yet controversial part of the whole reform is the individual mandate. The mandate stipulates that those without coverage shall pay a tax penalty of the greater of $695 per year up to a maximum of three times that amount ($2,085) per family or 2.5% of household income
        - Obamacare's original sin is its requirement that insurers cover people with pre-existing conditions without charging them premiums commensurate with their costs. By trying to interpolate people who are almost by definition uninsurable into the traditional insurance markets, Obamacare undermined and destabilized those markets— risking what actuaries call an adverse-selection death spiral, in which the sick are increasingly likely to purchase insurance while the healthy drop out of the market. The individual mandate was overall costly and quite an ineffective attempt to deal with this problem by forcing young and healthy people to buy overpriced insurance, thereby offsetting the losses insurers were suffering on covering the old and sick

---

- **ACA did not make healthcare affordable**
    - Sally Pipes (Page 83) (source) (source)
        - In 2006, prior to Obamacare, the average individual plan deductible was $584, according to the. By 2015, post-ACA, it had more than doubled – to $1,318.
        - The growth in deductibles doesn't just sap household finances. It also puts patients' health at risk. Two in five adults with deductibles totaling at least 5 percent of their income reported avoiding or putting off necessary medical care, according to the Commonwealth Fund.
    - Sally Pipes (Page 99) (source)
        - Since 2008, when President Obama promised that his vision for health reform would "reduc[e] premiums by as much as $2,500 per family," premiums for the average family have surged by $4,865.
    - Moore '18
        - The average deductible for people with employer-provided health coverage last year was $1,221 compared to $303 in 2006. Usually, you pay higher deductibles for lower premiums. Under Obamacare, you pay more when you get your hospital bill.
    - Schaefer '20
        - In 2013, the last year before full implementation of the ACA, the average monthly premium paid for individual market coverage was $244 per member per month. In 2018, the national average premium paid in the individual market was $550 per member per month. In other words, premiums more than doubled—with a 125 percent increase in the cost of health insurance—during the first five years of ACA implementation.

- Manchikanti, Helm II, Benyamin, Hirsch '17
    - "[I]n many ways, [the ACA] has not improved[] coverage. As a result, the quality of care has not been shown to have increased. Further, the majority of the increased insurance enrollment has been with Medicaid expansion. Consequently, Obam-acare does not work well for the working and middle class who receive much less support, particularly those who earn more than 400% of the federal poverty level, who constitute 40% of the population and do not re-ceive any help. Further, as so many individuals don't do well under the ACA, only about 40% of those eligible for subsidies have signed up and, with multiple insurers declaring losses, the ACA is not financially sustainable because not enough healthy people are on the rolls to compensate for the sick. There is ample evidence that the reductions in costs and some improvements in quality of care are not entirely related to the ACA. Further, supporters of the ACA have neglected to con-sider the facts of increasing out-of-pocket costs, which affect the access to coverage substantially."
- https://www.rpc.senate.gov/policy-papers/a-decade-of-repairing-damage-done-by-obamacare + https://content.naic.org/cipr_topics/topic_health_coop.htm + https://www.forbes.com/sites/sallypipes/2016/07/25/obamacares-co-op-disaster-an-unfunny-comedy-of-errors/?sh=2aa9a98e5d5b
- https://www.govinfo.gov/content/pkg/CHRG-115hhrg24442/html/CHRG-115hhrg24442.htm

---

- **ACA lowers the quality of healthcare**
    - Cato '18
        - "Obamacare's preexisting conditions provisions are indeed making coverage worse; the erosion in quality affects all enrollees; and it is all happening despite the risk-adjustment and reinsurance programs."
    - Manchikanti, Helm II, Benyamin, Hirsch '17
        - "While providing higher insurance affordability for more Americans, quality appears to have not increased or may have even deteriorated with EHRs and increased regulatory burdens"
    - https://www.justfacts.com/healthcare#_ftn104
        - A 2015 study by Avalere Health of insurance plans offered by Obamacare exchanges in the five states with the greatest enrollment found that:
            - ❒ The Obamacare plans have 34% fewer doctors and hospitals in the network than traditional private plans.
            - ❒ The Obamacare plans have "42 percent fewer oncology and cardiology specialists; 32 percent fewer mental health and primary care providers; and 24 percent fewer hospitals."

- https://www.npr.org/sections/health-shots/2016/02/29/467980734/health-quality-an-issue-for-poor-2-years-into-obamacare-poll-finds

---

- **ACA hurts employment and the economy**
  - AAF '14
    - Workers at businesses with 50 to 99 employees are seeing annual wages drop by an average of $935 a year, thanks to the ACA.
    - ACA regulations and rising premiums have reduced employment by more than 350,000 jobs nationwide, with five states losing more than 20,000 jobs.
  - Germinal G Van A Statistical Inquiry Into the Cost of Healthcare in America
    - The incentive changes embedded in Obamacare, based on past incentive changes, are expected to ultimately reduce employment by 3% and GDP by 2%. Obamacare has subtracted $250 billion from the Gross Domestic Product.

- **ACA crowds out private insurance**
  - Federal law requires all nonprofit hospitals to treat Medicare and Medicaid patients–most hospitals in the US are not-profit.
  - GFA '19
    - Arizona, for example, expanded Medicaid to able-bodied adults through a voter referendum in 2000. After ten years of operation, the share of Arizona's population on Medicaid had grown by six percentage points.26 But over that same time, the share of individuals with private insurance coverage dropped by an identical six percentage points
    - In 2002, Maine followed suit and expanded eligibility to able- bodied adults through a federal waiver. Ten years later, the share of Mainers covered by Medicaid had grown by seven percentage points, while the share with private health insurance had dropped by seven percentage points.
    - Economists,including ObamaCare architect Jonathan Gruber, have concluded that Medicaid expansions in the late 1990s and early 2000s produced a crowd-out effect of roughly 60 percent. That means that for every ten new Medicaid enrollees, six left private insurance plans.32 Worse yet, **research focusing specifically on the ObamaCare expansion population estimated that the crowd-out rate could reach as high as 82 percent.**
    - Expanding Medicaid to able-bodied adults could shift more than one million kids out of private insurance

---

The Free Market Alternative

A doc on why Privatized Healthcare is the Best System

- **Benefits of Private, Free Market Healthcare System**
  - A Spontaneous Order (Page 398)
    - In the early 1900s, America had a more market oriented healthcare system usually free of government intervention. In the time period, there was something called a lodge practice which was a means of acquiring inexpensive medical care, used by people with low incomes in the late 19th and early 20th centuries. Individuals were able to obtain a physician's care for about $2.00 a year, roughly equivalent to a day's wage for a laborer. Essentially, a free market healthcare system can reduce the prices of healthcare dramatically, as we have seen historically.
  - Privatization in the Irish hospital sector since 1980
    - between 1980 and 2015, total inpatient beds decreased by 25.5% nationally. Inpatient bed numbers in private for-profit (PFP) hospitals rose from 0 to 1075 but decreased from 9601 to 5216 in private not-for-profit (PNFP) hospitals and from 7028 to 6092 in public hospitals (using the Irish hospital classification, beds in private hospitals increased from 1518 to 1910 but decreased from 15 111 to 10 473 in public hospitals). Also, by 2015, 24.1% of PFP hospital beds were day beds, compared to 17.7% for PNFP and 15.7% for public hospitals (using the Irish classification, by 2015, day beds accounted for 23.8% of beds in private hospitals and 16.1% in public hospitals).
  - Mises '17
    - Over the past two decades, quality has risen as prices have fallen for this service: In 1997, a precursor to lasik surgery that involved the surgeon wielding a knife cost $8,000. In 2012, a safer laser-guided surgery cost only about $3,800. Prices halved in 15 years even as quality rose. Cosmetic surgery also has minimal government intervention with high rates of privatization. From 1992 to 2012, cosmetic surgery costs indeed have also fallen"
  - https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5375601/
  - https://poseidon01.ssrn.com/delivery.php?ID=60406403109812609706712107806807910301805
  - https://moscow.sci-hub.do/4914/ea6539a9a83f95cdcf9b59fb39416c20/testa2013.pdf?download=t
  - https://www.hhs.gov/sites/default/files/Reforming-Americas-Healthcare-System-Through-Choice

- https://mises.org/library/private-sector-health-care-leads-way
- https://www.city-journal.org/free-market-health-care-solutions
- https://lawecommons.luc.edu/cgi/viewcontent.cgi?article=1585&context=lclr

---

- **Benefits of hospital competition**
  - NBER '00
    - According to a paper from David R. Francis, as of 1991, it was approximately 8 percent more costly to be treated in the least competitive fourth of hospital markets, as compared to the most competitive fourth. And, the quality of care in competitive markets was higher as well. Patients in the least competitive fourth of hospital markets experienced approximately 1.5 percentage points higher mortality (that is, were more likely to die) than those in the most competitive areas. Expressed as a share of 1994 average mortality from AMI in the elderly, competition had the potential to improve mortality by 4.4 percent, the authors found. Patients from the least competitive markets also experienced higher rates of readmission for some cardiac complications, suggesting that the additional survivors attributable to competition in hospital markets were not in especially marginal health.
  - AEA '16
    - According to an article from the American Economic Education, prices for hospital services like a knee replacement or an MRI are on average 15% higher in monopoly markets than in more competitive regions with at least four hospitals, where patients have some choice about where to go.
  - Melnick '98
    - According to research from Melnick GA., from 1983 through 1985 in California, total inpatient costs (inflation adjusted) increased by less than 1% in hospitals in low-competition markets compared with a decrease of 11.29% in hospitals located in highly competitive markets. After controlling for the effects of the Medicare prospective payment system program, the rate of increase in cost per discharge in hospitals in highly competitive markets was 3.53% lower than the rate of increase in hospitals in low-competition markets during the period from 1983 through 1985. The study concluded that hospital competition has a significant reduction on medical prices.

Claim: Healthcare is Inelastic and can't Therefore be Left to the Free Market

Response: According to a recent paper**,** of the 100 highest-spending diagnosis-related groups (i.e., categories of medical problems that determine payment for hospital stays) for inpatient care, 73 percent were shoppable; of the 300 highest-spending diagnosis-related groups for outpatient care, 90 percent were shoppable. In fact, “There is evidence—based on a study of three conditions and two common surgical procedures, that higher-quality hospitals attract a greater market share at a point in time and also grow more over time.” According to another article by Jason Shafrin, medical care and prices do have an elastic relationship. The results show that the price elasticity of expenditure on medical care is -2.3 across the .65 to .95 quantiles of the expenditure distribution, with a pointwise 95% confidence interval at the .80 quantile of -2.5 to -2.0. Although the price elasticity estimate varies with expenditure, there is a fairly stable elasticity across the estimated quantiles. A possible objection to this is that emergency medical services are completely unshoppable but I have already addressed this argument below:

Claim: Emergency Care is Unshoppable and can’t be Left to the Free Market

Response: This doesn’t take into account the fact that private health insurance would prevent hospitals from raising the prices of emergency services intentionally. For example, just as you get yourself car insurance, before you have a crash, you get yourself a year-subscription of medical service that would cover emergency services. Accordingly, a book by Christopher Rachels explains: for a risk to be insurable at all, one must be unable to predict with relative certainty those clients who will be "winners" or "losers" (“winners” and “losers” in this context simply refers to those clients who received more (winners) or less (losers) in reimbursements than he/she paid into the system. This should not be confused with someone who comes down with cancer which his/her insurance covers as being a winner in the general sense of the term. Thus, health risks which are largely in one's control are not "insurable" as they are neither unforeseeable nor random in occurrence. If the occurrence of a particular event may be systematically predicted, then any attempt to cover this would undermine the purpose of insurance. That is to say, insurance is intended to act as a sort of lottery in the sense that each of its individual clients are largely uncertain in advance regarding the degree to which they will have insurable damages to claim. However, they realize if such an insured event occurred, they may not have the funds available to pay for the resulting damage. Thus, they may choose to purchase coverage as a means to protect them from this risk. Since you obviously can’t predict when an individual needs an emergency service, insurance companies will indeed cover emergency services. These insurance companies usually pick which hospital is best for the consumers so that they can attract the most customers to maximize profits. To more effectively determine optimal pricing at any given point in time, insurance companies will be compelled to engage in continual in-depth research regarding the field covered. Naturally, those companies that attain more accurate data on such risks will be at a relative advantage to their competitors as such information will reveal more precisely the potential risk and frequency of its payouts to clients. Insurance companies will also negotiate with the hospital to get them to lower prices especially for emergency services. If one hospital starts intentionally raising the price of their emergency services, then that hospital would rarely make profit because no insurance company would pick an expensive hospital they have to cover the costs for. In other words, if a company uses poor data (or unverifiable prejudice) to determine prices, it will either overcharge for its services driving clients away to lower cost alternatives or undercharge relative to actual risks, resulting in losses, which will either cause the company to alter its practices or go broke, thereby freeing up the resources it once commanded to more efficient and profitable firms in the marketplace. In addition, even if you were uninsured, the truth is that emergency rooms account for only 2% of all healthcare spending. This is the smallest fraction of care, of which the hospitals would still compete on price. There isn't an "emergency surcharge" under free market healthcare. Everything the hospital would treat you for is something that they would treat on a non-emergency basis. An emergency heart bypass would be the same as a non-emergency one, the only real difference being in if they needed more supplies which you'd pay for if it were non-emergency and they used more supplies. The idea that emergency care is somehow some different thing completely detached from the rest of the care is ludicrous. It would be like you rushing into a grocery store last minute to buy supplies for a party versus buying them a week in advance. Hospitals essentially are not tacking on a surcharge for the urgency of your need. In addition, a hospital cannot exist by solely providing overpriced treatment for emergency services, because if it could exist, that would mean a demand for this kind of work would exist in the region and more hospitals would very quickly open. Especially by repealing all the government regulations (ie: CON laws) that have caused a decrease in the quantity of hospitals, a free market will spur more hospitals into the market than ever before. Then, there's the fact that such a hospital would have a horrible reputation and would quickly go bankrupt because people would prepare for such situations (ie: by purchasing insurance), if it were to exist. Not to mention the fact that private charity hospitals would also exist to assist those in need. Hence, emergency medical services would still be adequate under a free market.

- **American Healthcare is NOT a free market**
  - No source/link here '21
    - Free market healthcare would be absent of the many government intervention policies in healthcare today:
    - Interventions:
      - ❑ **Illegality of Cross-State Insurance Purchases** - Consumers are prohibited from reaching across state lines to purchase their health insurance. This narrows the selection available to consumers, encourages graft in each state and makes insurance pricing less competitive.
      - ❑ **Licensure of Medicine** - Doctors, clinics, hospitals and insurance providers must become licensed by local, state or federal government, depending on the scenario, in order to provide care. Doctors are licensed by the American Medical Association and granted "scope-of-practice" privileges by states,hospitals and clinics are licensed by municipalities, and insurance providers are licensed by state governments. The essential function of licensure in this case is to exclude would-be providers. Licensure has capital

and credential requirements, which exclude providers which are lower-quality and lower-cost. For example, a would-be doctor may not have attended a prestigious medical academy but could diagnose common diseases. Hospitals require "certificates-of-need" in order to start construction, which are handed out by municipal or state planning boards. Hospitals can create local monopolies by influencing planning boards not to award "certificates-of-need". Thus, there is a restricted supply of medical facilities and professionals.

- ❑ **Insurance Alternatives Regulated** - At the turn of the century, people belonging to fraternal societies were able to afford basic medical care for the entire year for just a day's wages. Fraternal societies were created as an alternative to insurance companies, where members could buy into the communal pool and then collectively hire a doctor to work on wages. Elitist doctor's were humiliated by this 'lodge-practice' and demanded the AMA be created, which then only granted licenses to those who did not do 'lodge-practice'. Mutual aid societies withered away in response to both the licensure and the capital and reserve requirements which were imposed on all 'insurance companies', which were too burdensome for the comparatively small mutual aid societies to comply with. Competition in insurance stagnated as alternatives were prohibited.
- ❑ **Unionism in Medicine** - Medicine is a unionized industry. Nurses and other random hospital personnel, through their unions, demand that certain processes be made impossible unless under the supervision of a unionized worker. This means that jobs which require only the labor of one person become jobs that require the labor of six people. The hospital, and ultimately the taxpayer, then has to pay for said extra labor. This also raises the barrier to entry for possible competing clinics, if they can't provide certain services without hiring unnecessary workers.
- ❑ **Patents** - Patenting is when a government gives an inventor a monopoly over an idea. Said inventor may then punish others should they try to use the same idea, using only their own private property. This limits the amount of providers-per-innovative-idea to one. Some might say that patents are a necessary carrot to the proverbial horse for spurring innovation. Patent lawyer Stefan Kinsella disagrees, saying that empirical evidence suggests that patenting actually has a depressing effect on innovation. Patenting

in the medical industry leads to needlessly expensive medical goods, namely machinery and pharmaceuticals.

- ❑ **Food and Drug Administration** - The FDA is an organization which screens products for safety and quality before giving them the 'green light' for sale and consumption. It has also been captured by agribusiness corporations since its very inception. It slows the release of new medicines, prohibits people from trying alternatives, and occasionally seizes property and privilege only to confer it to a state-blessed enterprise. This discretionary authority, especially when seized by monopolistic interest, leads to slowed innovation, fewer products available, and product markups as large as 37 times.
- ❑ **Medicare/Medicaid Price Fixing** - The Medicaid and Medicare programs set the minimum reimbursement rates, which companies then use as a baseline. This system encourages you to go onto an insurance plan. Physicians offer lower prices to clients with insurance to try to attract business and then charge higher prices to make up for said insurance discount. This means then, that those without insurance and can probably least afford care, end up paying the most for it. Without price-fixing for procedures and treatments, there would be no general minimum charge and physicians wouldn't have to discount insurance companies to attract clients.
- ❑ **Paperwork** - Paperwork in general is a restriction on business. It raises the costs of a business; as entrepreneurs are forced to comply with regulations, they must also employ lawyers and pencil pushers to sort through red tape. This disadvantages small businesses as they aren't politically connected enough to avoid regulation and also are more sensitive to high costs of businesses than are large businesses. Paperwork slants markets in favor of well-established businesses.
- ❑ **Institutional Tilt Towards Insurance** - When everyone is encouraged to go on health insurance, everything is encouraged, and even employers are encouraged to provide health insurance, the consumer's function as a discriminator and cost-cutter is qualitatively altered. Instead of economizing and considering every purchase of medicine, the care-seeker will simply ask for help and sign the bill. Care-givers, acknowledging this, will sell high-cost options primarily and not suffer for it, seeing as the care-seeker's treatment is being covered by his insurance company. What

happens over time when consumers do not seek the best bang for their buck is that both treatments and insurance rates will go up.

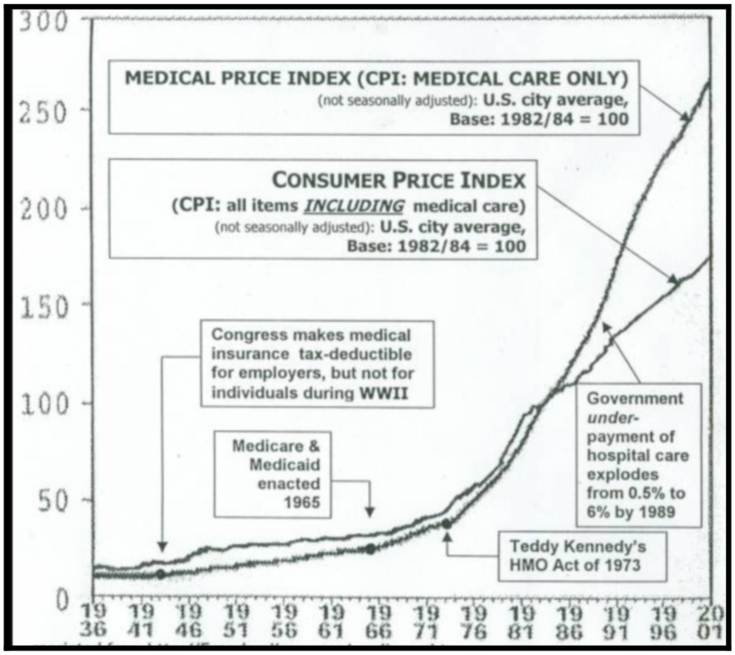
- **Mandatory Coverage of Specific Conditions** - Insurance companies are compelled by law to offer coverage to certain treatments in all of their policies. This benefits the person with said medical condition to the disadvantage of all without said medical condition. All are forced to pay for the now higher rate, due to the increment of risk added by mandatory extra coverage, whether they want to be covered for said condition or not. If a person A has a certain condition, it is not the responsibility of the next person to subsidize the treatment of person A. Insurance plans become homogenized and unnecessarily expensive. This encourages people not to avoid certain conditions, such as obesity or heart disease.
- **Aid to Hospitals (Equipment)** - Hospitals receive aid for having the latest and greatest hi-tech equipment. This encourages hospitals to spend too much money on expensive equipment, partly paid for by taxpayers. And since the hospitals aren't buying the equipment because of a legitimate need but because of a political incentive, they are not discriminating buyers. Thus, we can expect that suppliers of expensive medical equipment will raise prices comfortably without fearing that hospitals will stop buying.
- **Aid to Hospitals (Patients)** - The government will pay for a share of a patient's hospital bill if it is sufficiently huge. Since hospitals are non- competitive they will respond by ratcheting up the hospital bill to get federal money. Citizens, in the aggregate of their tax forms and ER bills, end up paying twice as much.
- **Aid to Employers** - The federal tax code encourages employers to provide their employees with health insurance. Some might say this is great, but it is not. Employers offer that health insurance out of your wages. Though the wage compensation you would get if employers were not encouraged to off you health insurance would probably not, at this moment, be as big as the total value of the health insurance he does provide you, at this moment, it causes some big problems. Firstly, it programs you to clutch your job like a life-line, whereas if you acquired insurance independently, you could go where you liked. If you value independence and self-respect, that's problematic. This also disables the consumer choice mechanism; no one will leave their job just to get a different healthcare plan. Secondly, it puts everyone on bloated insurance plans, which leads to the problems described above (insurance for

things you don't need to be insured for, can pay for yourself, don't need to pay for, etc.)

- **Inflation** - Since much of the deficit is financed out of Open Market Operations and Medicaid and Medicare are about half of the deficit, a sizable chunk of all printed money goes into government spending in healthcare. This means that the government's buying activity in healthcare drives the prices up and those not on the government healthcare teat will have to pay higher prices; not having had the privilege of paying yesterday's low prices with tomorrow's new money, they will have the pain of paying tomorrow's high prices with yesterday's old money. As the deficit gets worse, more debt will have to be monetized, and there will be more inflation in healthcare. Meaning, healthcare isn't getting any cheaper.

- **How Government Intervention, not Free Markets, Ruined the American Healthcare System**
  - Doc w/ Overlap: Government Ruined American Healthcare
  - ***General Healthcare Regulations***
    - Cannon '07 (Pg 122)
      - Health care regulation costs Americans more than they spend on gasoline and oil ($165.8 billion in 2002) or on pharmaceuticals ($162.4 billion in 2002). Spread across all households, health services regulation cost the average household an estimated $1,546 in 2002. In fact, the annual cost of health care regulation is 50 percent higher than the fiscal cost of the Iraq war ($109 billion per year). The cost of health care regulation is equal to roughly 10 percent of all U.S. national health expenditures.
      - The government controls more than 80 percent of health spending.
    - Edwards '05 (Page 95)
      - A two-year study by a team at Duke University found that regulations on the U.S. healthcare industry create annual costs of $339 billion. At the same time, health care regulations create benefits of $170 billion. That leaves a net cost to society of $169 billion, according to the study.
    - Block '13
      - Hospitals, which were mostly privately owned 100 years ago, are almost all governmentally run today. This start of government intervention in the 1900s within the healthcare

industry has been responsible for the skyrocketing medical prices. Take a look at this graph from the Mises Institute:

- 

- Mises '11
    - ❑ One out of every six uninsured persons was uninsured because of the cost of government regulations.
- FEE '21
    - ❑ 700 state government mandates "have been estimated to increase the cost of health insurance by 30 percent."
- Moffit '20
    - ❑ According to the Heritage Foundation, complying with the 629 "discrete" federal regulations governing hospitals and post-acute care providers costs almost $39 billion per year —an estimated $1,200 for each patient admitted.

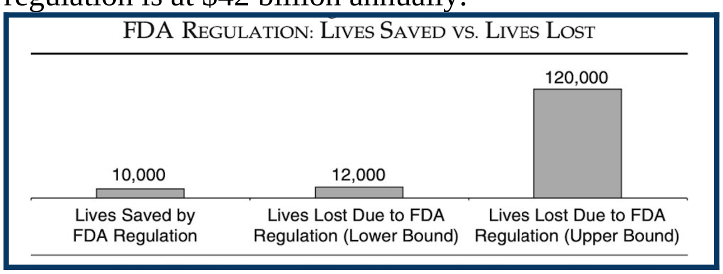
- ***CON (Certificate of Need) Laws***
    - Forbes '18
        - ❑ Entrenched provider groups use their political influence to block new rivals from entering the market. This crony capitalism inflates prices for consumers. States with CON laws have 11% higher healthcare costs than those without such law. Free-market reforms would make insurance more affordable. Nixing CON laws in Florida, for instance, would reduce health spending by $235 per person. Axing the laws would also lead to the creation of more than 100 additional healthcare facilities, including nine rural

hospitals.

- Lanning '91
  - Another study from Joyce A. Lanning found that CON laws add 20.6 percent to per capita hospital expenditures in the long run.
- John Locke Foundation
  - According to the John Locke Foundation, CON states have 30 percent fewer rural hospitals and 13 percent fewer rural ambulatory surgical centers compared to states without CON laws.
- Mercatus '16
  - This finding indicates that CON laws may not be protecting access to rural health care, but are instead correlated with decreases in rural access.

- ***Medicare and Medicaid***
  - Mises ‘19
    - Before Medicare programs, the United States had the finest healthcare system in history. Healthcare costs were low and stable, to such an extent that most people didn’t even have major medical insurance. That’s because they didn’t need it. Going to the doctor was like going to the grocery store. How many people have grocery insurance to help them cover soaring grocery costs? Healthcare costs were just as low and stable as grocery store prices, so there was no need for major medical insurance. Everything changed with the enactment of Medicare and Medicaid. Healthcare costs began soaring. Doctors and hospitals began entering into all sorts of complex and convoluted arrangements to deal with the increasing crisis. Consumers started buying major medical insurance. The federal government embarked on a series of never-ending reforms. Doctors began to hate what they do and started to retire early. The drive toward medical invention and innovation lost its vitality. Today, many consumers are being pushed into bankruptcy owing to enormous medical bills. According to another Mises Institute article, the U.S. “health care cost crisis” didn’t start until 1965. The government increased demand with the passage of Medicare and Medicaid while restricting the supply of doctors and hospitals. Health care prices responded at twice the rate of inflation.

- Finkelstein '11
  - According to a paper from Amy Finkelstein, a back of the envelope calculation based on the estimated impact of Medicare suggests that the overall spread of health insurance between 1950 and 1990 may be able to explain about half of the increase in real per capita health spending over this time period. According to the same paper, “A back of the envelope calculation that extrapolates from the estimated impact of Medicare to the impact of the overall spread of health insurance more generally suggests that the spread of health insurance between 1950 and 1990 may be able to explain about half of the six-fold rise in real per capita health spending over this time period.” The study concluded that the introduction of Medicare programs led to a significant increase in healthcare spending.

- ***FDA Regulations***
  - Cato '07 (Pg 122-123)
    - Texas A&M University economist Steven Wiggins estimated that by the 1970s, the growing cost of FDA regulation reduced the number of new drugs introduced annually in the US by 60 percent. The FDA’s censorship of the benefits of just one drug’s ability to fight just one medical condition may have resulted in as many as 40,000 to 80,000 preventable deaths. Dale Gieringer estimated that FDA regulation results in anywhere from 21,000 to 120,000 lives lost per decade, yet prevents at most 10,000 deaths from unsafe drugs. Overall, the net cost of FDA regulation is at $42 billion annually.
    - 

  - Sally Pipes Book
    - Researchers at the University of Connecticut Center for Healthcare and Insurance Studies recently found that government interference in drug pricing (ie: FDA) has caused $188 billion in lost R&D spending since 1960. That money would have gone to develop new, perhaps life-saving, medicines. These “lost” medicines could have saved 140 million life years.

- Mercatus ‘20
  - On average, it takes 466 days for a new drug to be approved for marketing by the US Food and Drug Administration (FDA). Pharmaceutical companies respond to the regulatory delay by bringing fewer new drugs to the market. A three-month delay in drug marketing is associated with one fewer drug in development for that disease category. This phenomenon means not only that the public receives potentially life-saving treatments later, but also that, under current policies, some drugs are never going to be developed.
- Klein '00
  - The European agencies took less time to approve new drugs, but such laxness did not produce a scourge of unsafe drugs. As researchers of the Tufts Center for the Study of Drug Development write: “the probability that a marketed drug will be removed for safety reasons was not appreciably greater in the United Kingdom than in the United States.”
- Death by Regulation Mary J. Ruwart, PhD
  - Steven Wiggins at Texas A&M University, for example, studied the relationship between regulatory stringency, measured by FDA approval times, and NCE approvals for the years 1968 through 1976. Even for those early post-Amendment years, when development costs were lower than they are now, he estimated an overall **innovation loss of 52% caused by the Amendments**
  - New drugs for heart disease were **reduced by a 81%**

Price Controls

- Cato '04
  -

Estimated Decline in R&D from Price Controls

REAL DRUG PRICES	R & D INVESTMENT
-10%	-5.8%
-20%	-11.7%
-30%	-17.5%
-40%	-23.3%
-50%	-29.2%

- Life-Years Lost from Price Controls

REAL DRUG PRICES	LIFE-YEARS LOST (MILLIONS)
-10%	-40.1
-20%	-77.8
-30%	-113.5
-40%	-147.1
-50%	-178.8

- Long-run Economic Cost of Price Controls (in Trillions)

REAL DRUG PRICES	LIFE-YEAR VALUE		
	$50,000	$100,000	$150,000
-10%	$2.0	$4.0	$6.0
-20%	$3.9	$7.8	$11.7
-30%	$5.7	$11.3	$17.0
-40%	$7.4	$14.7	$22.1
-50%	$8.9	$17.9	$26.8

- NBER '05
  - "Cutting prices (through price controls) by 40 to 50 percent in the United States will lead to between 30 and 60 percent fewer R and D projects being undertaken in the early stage of developing a new drug."

- ***Patents*** (**No, patents don't increase innovation**)
  - FTC '18
    - AbbVie, which markets the world's number one selling drug, Humira ($18bn in global sales in 2017), is also the worst patent offender with 247 patent applications. One third of the drugs had price hikes of more than 100% just since 2012: Lyrica (163%), Enbrel (155%), Humira (144%), and Lantus (114%).
    - The study found, "The top grossing drugs have on average 125 patent applications, which are filed with a strategic intent to extend the commercial monopolies far beyond the intended twenty years of protection.
    - Such patent filings allow drugmakers to a) increase the price of the branded drugs by an average of 68% in six

years, and b) seek to stall generic competition by an average of 38 years.

- [Avorn '16]
  - ❑ For example, of the 8 cholesterol-lowering statins that the FDA has approved, 2 have until recently remained patented: **rosuvastatin** (Crestor) and pitavastatin (Livalo). Despite the similar performance of these drugs in decreasing low-density lipoprotein cholesterol to other off-patent statins, the price of **rosuvastatin** increased 91% between 2007 and 2012, from $112 to $214 per prescription. During the same time, the price of the comparably effective **atorvastatin** decreased from $127 to $26 per prescription owing to the expiration of its patent protection in 2011.44 Similar effects have been observed for other drug classes**.**
- [El-Sayed '21]
  - ❑ High prices don’t always incentivize the production of new, innovative drugs. That’s because we’re often charged high prices for drugs that are not new or innovative. Consider the most lucrative drug in the world: Humira, an anti-inflammatory medication produced by AbbVie that’s used to treat conditions like rheumatoid arthritis and inflammatory bowel disease. Humira was approved in 2002, with its patent set to expire in 2016. But instead of letting Humira’s patent expire, AbbVie filed for more patents on all aspects of the drug, even though it was the very same medication approved in 2002! At the dawn of 2021, Humira is not just on patent—it’s protected by more than 100 patents, some of which won’t expire until 2034. AbbVie has allegedly taken advantage of this prolonged monopoly to double the price of Humira from about $19,000 per patient per year in 2012 to $38,000 in 2018, a year where global sales of Humira reached $20 billion. Moreover, when the makers of competing drugs started gearing up for a colossal legal fight to challenge these patents, AbbVie allegedly paid settlements to eight different companies in exchange for agreements to delay bringing competing products to market.
- [March '19]
  - ❑ Although insulin treatment was developed nearly 100 years ago, no generic versions are available in the United States.

Because insulin is classified as a biological compound, its producers are able to extend their patents by slightly modifying recombinant DNA techniques. This process stifles competition, allowing three insulin producers to extend their patent protections for over 90 years and encompass 99 percent of the market.

- https://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=3288&context=lcp
- https://theconversation.com/explainer-evergreening-and-how-big-pharma-keeps-drug-prices-high-33623
- https://www.theregreview.org/2016/09/29/xu-regulations-could-be-increasing-consumer-prices/#:~:text=Their%20study%20found%20that%2C%20on,statistically%20significant%20across%20numerous%20industries
- https://academic.oup.com/jlb/advance-article/doi/10.1093/jlb/lsaa061/5918811#skipNav

---

- **The Case Against Medical Patents**

A common argument against completely free market healthcare is that no one would have an incentive to create drugs without government patents because other people could easily steal their ideas and create the same drug but without all the expensive research process. We will dedicate this section to refuting this line of reasoning.

- Boldrin '13
  - First off, when a firm invents a new medicine, it already has the largest market share and thus is able to maximize profits while in this temporary position. In economics, this is known as the "first mover advantage." One study found that it takes closer to four years to bring a pharmaceutical product to market after the original is introduced, even without a patent system. This means that on average, medicine inventors already have 4 years to maximize profits while in their monopoly position, WITHOUT any intellectual property protections. In fact, overall, being the first mover with a non-patented drug allowed a company to maintain a 30% market share and to charge premium prices. This maximization of profits clearly is enough to incentivize innovation without patents. This maximization of profits clearly is enough to incentivize innovation without patents. Secondly, if you are a medicine inventor and you're afraid someone is gonna buy your product and sell it for less on the market, then you make a contract with your consumers saying that: "If you buy this, you will not be allowed to copy and sell it on the market. If you do so, I have the right to prosecute you." Once that contract is signed, then you have "voluntary intellectual property" which does not contradict the affirmative stance on

nations reducing intellectual property because when these medicine firms make such a contract, this is not a strengthening intellectual property, it's rather a private firm doing so which is valid under an affirmative stance. This is both voluntary, and it encourages innovation.

- Mises '13
    - The notion that unpatented medical technologies are not feasible is historically false. Surveys of important medical breakthroughs provide insight into whether patents are absolutely necessary and conducive to innovation in medicine. In 2006, the British Medical Journal challenged its readership to submit a list of the most noteworthy medical and pharmaceutical inventions throughout history. The original list contained over 70 different discoveries before being narrowed down to 15. The list goes as follows in no particular order: penicillin, x-rays, tissue culture, ether anesthetic, chlorpromazine, public sanitation, germ theory, evidence-based medicine, vaccines, the pill, computers, oral rehydration therapy, DNA structure, monoclonal antibody technology, and smoking health risk. Of these discoveries, only two of them have remotely anything to do with patents, chlorpromazine and the pill.
    - In another survey conducted by the United States Centers for Disease Control the results are strikingly similar. Of the ten most important medical discoveries of the twentieth century, none of them had anything to do with patents.
- Challu '95
    - A study measured the effect of a program that strengthened drug patents introduced in Italy in 1978. They found no evidence that drug R&D accelerated within the well-established Italian drug manufacturing industry after the law change.
- Qian '06
    - A study that conducted a detailed cross-country study of changes in pharmaceutical patent coverage from 1978 to 2002, controlling for general property rights and other variables that might affect pharmaceutical innovation. They found that, in general, changes strengthening patent coverage for pharmaceuticals do not increase domestic innovation.
- Chen '17
    - “The impact of intellectual property rights protection on imports of pharmaceuticals is relatively low because merely copying pharmaceutical products is not likely to be successful in capturing the market shares as complementary resources in distribution also play a significant role.”
- Feldman '18
    - Most medical innovation is not the creation of new treatments or cures, but are rather just pharmaceutical companies recycling and repurposing

old ones to gain an unnecessary amount of market share. Specifically, research shows that 78% of the drugs associated with new patents were not new drugs, but existing ones, and extending protection is particularly pronounced among blockbuster drugs. Once companies start down the road of extending protection, they show a tendency to return to the well, with the majority adding more than one extension and 50% becoming serial offenders.

- Jung '15
  - **Patents make drugs unaffordable**: A 2015 study found that among both low, medium, and high income countries, "Higher levels of intellectual property rights significantly increased the likelihood of non-access to prescribed medicines."
- WHO '01
  - The current patent system creates a deadweight loss in the US drug market of up to $30 billion annually and up to 8 billion dollars lost in sales.

Debunks (Healthcare)

Claim 1: Since the overall life expectancy and mortality rates in free healthcare systems (Canada, UK, Australia, ect) are significantly better than Non Free healthcare systems (America, Somalia, Vietnam, ect), then therefore, the healthcare quality in free healthcare countries is overall better than non free healthcare countries.

Response 1: The problem with this claim is that it relies on a logical fallacy known as the causation correlation fallacy. Essentially, there is no evidence of casualty indicating that life expectancy is a direct result of the healthcare system. Several factors unrelated to our healthcare system explain Americans' poor life expectancy. Our nation's rate of gun deaths, for example, is ten times higher than that of other wealthy countries. Our death rate from car crashes is more than double that of other high-income nations. The U.S. drug overdose death rate is higher as well; Americans are twice as likely as Brits and six times as likely as the French to die of overdoses. Americans are also heavier than citizens of other nations. More than 70 percent of U.S. adults are either overweight or obese, which increases their risk of premature death. None of these factors reflects the quality of America's doctors or hospitals; yet they all contribute to our low life expectancy. In fact, after removing deaths from fatal injuries, among the 29 members of the OECD, America actually ranks number 1 in overall life expectancy. Essentially, there are many other confounding variables to be considered when suggesting that life expectancy is linked to a healthcare system. If you wanted to correctly measure the quality of a healthcare system, it would be more accurate to measure the rates of death after surgery. And the fact is that people who have treatment in the UK (free healthcare country) are four times more likely to die than US citizens undergoing similar operations. The most seriously ill UK patients were seven times more likely to die than their American counterparts. This number was similar in other single payer systems. Overall, it is illogical to assume that a healthcare system causes either low or high life expectancy rates, rather, life expectancy is linked through personal life choices in that specific country.

Claim 2: A recent study from Lancet confirmed that Medicare for All will lower health care costs in this country by $450 billion a year and save the lives of 68,000 people who would otherwise have died.

Response 2: This study is extremely flawed in light of the fact that it **cherry picks data, and ignores several other factors and reasoning.** For instance, when it mentions the Medicare for All savings, they base their data on uncertain assumptions. The researchers calculate $78.2 billion in savings from providing primary care to uninsured people, $70.4 billion from avoided hospitalizations, and $7.8 billion from avoided emergency room visits. But previous evidence suggests that this methodology is extremely flawed and relies on many fallacies. When you look at the proven data, when states expanded Medicaid providing new insurance to people who had previously lacked coverage, providing more insurance actually **did not reduce emergency room visits or avoidable hospitalizations because people could suddenly use preventive care, unlike what the Lancet study falsely assumed.** The Lancet study assumes that these hospitalizations and emergency room visits would completely disappear, however, **this has never manifested historically.** Next, The researchers also assume that a Medicare for All system would pay hospitals at a maximum of Medicare rates. This assumption is incredibly flawed because if you look at the year 2017, the Medicare Payment Advisory Commission estimated that, on average, **a hospital loses 9.9% on a patient who is insured through Medicare.** (Private pay helps make up that difference.) Some hospitals certainly would be able to swallow this cost. But others would struggle to stay afloat. Beyond the lower payments, the researchers also suggest hospitals would spend less money on overhead, only having to navigate a single insurance plan. That change accounts for $29 billion in their estimated savings. But again, **that ignores some of the reality of how hospitals work.** While a single-payer system would undoubtedly cost less to administer, **it would not eliminate the need for expensive items like electronic health records, which coordinate care between hospitals.**

Now, let's move one to the figure about saving 68,000 lives under Medicare for All. On the 6th page of the Lancet study, it states: *"Given that uninsured people experience a 40% elevation in age-specific mortality risk (Source 62), we calculated the expected number of deaths in each age cohort if all Americans became insured. We estimated that on an annual basis, universal coverage would save 68531 lives in the USA."* Essentially, the method in which the Lancet study got to the 68,000 lives saved figure was solely based on "Source 62." Now, when you scroll to the reference section of the Lancet study, source 62 takes you to this 2009 study written by Andrew P. Wilper. Accordingly, the 2009 paper the Lancet study utilizes is also methodologically flawed. What the 2009 study did is that it noted the insurance status of a group of people in 1993. They followed up in 2001, checking whether they were dead or alive. They found that the group who had been uninsured in 1993 had a higher mortality rate than those who were insured, and from that they calculated a 40% increased risk for death due to lack of insurance. However, there is one major problem which the authors themselves admitted in the study which I quote: *"We were unable to measure the effect of gaining or losing coverage after the interview."* In other words, the authors had no idea how many people uninsured in 1993 acquired health insurance later on. For example, if someone was uninsured in 1993, got insurance in 1996, and then died in 1999 from a hospital death, the authors of the study would have attributed this death due to lack of health insurance even though they were unaware of whether they had insurance at the time or not. In fact, among adults who were uninsured in 1993, 74.5% later became insured in the later years. Therefore, in light of the fact that the Lancet study failed to take this factor into account, the claim that free healthcare would save 68,000 lives is untrue. In addition, according to Richard Kronick NCBI who conducted an extensive review of the association between health insurance and mortality, found that lacking health insurance at baseline was not independently associated with an increased risk of mortality. According to Kronick, "there would not be much change in the number of deaths in the United States as a result of universal coverage." Research from the Texas Public Policy Foundation found that the introduction of Medicare did not have a discernible effect on mortality for people upon turning. Moreover, "*there is no consistent evidence for statistically significant effects of insurance on mortality for the general adult population*.

Claim 3: A Meta Analysis from PLOS of 22 peer reviewed journals found that 91% agreed that Medicare for All would save money in both the short run and the long run.

Response 3: First off, the survey included 22 studies, **more than half of which were written by the same four authors**, some of which dated back to 1991. Secondly, the survey cherry picks which studies it wants to include in the study and excludes all the other opposing estimates. A reanalysis of the survey found that **the report excluded 35 studies that have shown different results.** Overall, the survey relies on cherry picked evidence and excludes all the other studies that have shown different results.

Claim 4: 45,000 Americans die each year due to lack of health insurance. Medicare for All would eliminate all of these deaths.

Response 4: This study has received a lot of criticism due to its flawed methodology. What the study did is that it noted the insurance status of a group of people in 1993. They followed up in 2001, checking whether they were dead or alive. They found that the group who had been uninsured in 1993 had a **higher mortality rate than those who were insured, and from that they calculated that 45,000 people die each year due to lack of insurance.** However, there is one major problem which the authors themselves admitted and I quote: ***"We were unable to measure the effect of gaining or losing coverage after the interview."*** In other words the authors had no idea how many people uninsured in 1993 acquired health insurance later on. For example, if someone was uninsured in 1993, got insurance in 1996, and then died in 2001 from a car crash, **the authors of the study would have considered him to die due to lack of health insurance even though they were unaware of whether he had insurance at the time or not.** In fact, a study found that people who are uninsured at one point in time are more likely to be insured in the later years as **nearly half of those uninsured in 1993 reached age sixty-five and became eligible for Medicare by 2000.** Thus, due to the fact that the study failed to account for this, it is logically false to say 45,000 people die each year due to lack of insurance. In addition, according to Richard Kronick NCBI who conducted an extensive review of the association between health insurance and mortality, found that lacking health insurance at baseline was not independently associated with an increased risk of mortality. According to Kronick, “there would not be much change in the number of deaths in the United States as a result of universal coverage.” Research from the Texas Public Policy Foundation found that the introduction of Medicare did not have a discernible effect on mortality for people upon turning. Moreover, “*there is no consistent evidence for statistically significant effects of insurance on mortality for the general adult population*.”

Claim 5: Studies have confirmed that black and hispanic Americans are more likely to not have health coverage compared to white Americans. This is the shocking reality of how racism penetrates the healthcare system. With Medicare for All, it would help eliminate these racial inequities.

Response 5: That is actually evidence of a disparity not really discrmination. And the fact is that **disparity does not equal discrimnation the same way causation does not equal correlation.** Just because there is a difference in health coverage rates by the races does not mean there is discrimnation. For example, it turns out that Asian Americans are more likely than white Americans to have health coverage, but **no one calls that racist against whites in favor of Asian Americans.** These racial disparities are caused by differences of wealth between the races **rather than discrimnation on part of the actual healthcare system.** Essentially, this brings me back to my original point, disparity simply does not equal discrimnation.

Claim 6: Medicare for All would boost job productivity and benefit the market place

Response 6: Actually, Medicare for All would **wipe out a staggering 2.5 million health insurance and healthcare jobs nationwide**, causing the number of **unemployed people in this country to jump by almost half.** In fact, New research by Stanford shows that Medicare for All will cause hospitals to lose a whopping $151 billion in payments the first year. Hospitals will be **forced to eliminate as many as 1.5 million jobs overnight.** Overall, this totals to **4.5 million layoffs, almost doubling the number of unemployed Americans.** When you weigh, causing 4.5 million people to go unemployed is significantly worse than increasing job productivity by a slight amount. Bernie Sanders loves to brag about how Medicare for All will **prevent Americans from having to choose between food on the table and medicine.** Well sorry, but if your job is eliminated, putting food on your table will be impossible.

Claim 7: “In 2017, the average VA wait time was 17.7 days, while the private-sector average was 29.8 days. That translates to a shorter average wait time of 12 days in the VA, compared with the private sector (Reuters Health JAMA).”

Response 7: That study actually contains many methodological errors: Researchers have looked at primary and mental health care appointments for new patients and referrals for specialists and found that overall, **36% had to wait longer than a month for an appointment, but the VA scheduling system said only 10% had waited that long.** A reanalysis also reviewed a sampling of more than 1,400 appointment records from the last quarter of 2015 and found **veterans waited an average of 27 days for primary care appointments, however, the VA scheduling system said the average was only eight days.** Also, the study failed to control for the VA patients that had to visit a private hospital because the government hospitals had too many people. In 2018, 39% of patients were sent for treatment outside a VA hospital because the government's facilities **could not provide care in a timely manner**, investigators reported. In a separate report released, they found that since the VA's tracking system captures only part of the appointment scheduling process; the department may show it is meeting its average wait time goal of 30 days, **but when considering all factors, veterans potentially are waiting up to 70 days for an appointment.** Essentially, the study that claimed the VA healthcare system has shorter wait times relies on logical fallacies and methodological errors.

Claim 8: Medicare has lower administrative rates than private insurance means that Medicare for All would save money in terms of lowering administrative costs

Response 8: These figures are extremely misleading, for several reasons: According to Avik Roy at Forbes, medicare is partially administered by outside agencies, unlike private healthcare insurance. The Internal Revenue Service collects the taxes that fund the program; the Social Security Administration helps collect some of the premiums paid by beneficiaries (which are deducted from Social Security checks); the Department of Health and Human Services helps to manage accounting, auditing, and fraud issues and pays for marketing costs, building costs, and more. Private insurers obviously don't have this kind of outside or off-budget help. Medicare's administration is also tax-exempt, whereas insurers must pay state excise taxes on the premiums they charge; the tax is counted as an administrative cost. In addition, Medicare's massive size leads to economies of scale that private insurers could also achieve, if not exceed, were they equally large. Administrative costs are also calculated using faulty arithmetic. Because Medicare patients are older, they are substantially sicker than the average insured patient — driving up the denominator of such calculations significantly. For example: If two patients cost $30 each to manage, but the first requires $100 of health expenditures and the second, much sicker patient requires $1,000, the first patient's insurance will have an administrative-cost ratio of 30%, but the second's will have a ratio of only 3%. This hardly means the second patient's insurance is more efficient — administratively, the patients are identical. Instead, the more favorable figure is produced by the second patient's more severe illness. This illustrates the need for such calculations by using the administrative costs per patient, rather than per dollar of medical expenses. And by that measure, even with all the administrative advantages Medicare has over private coverage, the program's administrative costs are actually significantly higher than those of private insurers. **In 2005, for example, Robert Book has shown that private insurers spent $453 per beneficiary on administrative costs, compared to $509 for Medicare. Medicare's administrative costs per beneficiary were consistently higher than that for private insurance, ranging from 5 to 48 percent higher, depending on the year.** These conclusions are also supported by many other studies. According to the Cato Institute, in 1992, University of Pennsylvania economist Patricia Danzon estimated that total administrative costs were more than 45 percent of claims in Canada's Medicare system (a system in which the author loves to praise throughout this book), compared to less than 8 percent of claims for private insurance in the United States. Pacific Research Institute economist Ben Zycher writes that a "realistic assumption" about the size of the deadweight burden puts "the true cost of delivering Medicare benefits [at] about 52 percent of Medicare outlays, or between four and five times the net cost of private health insurance." Hence, this claim about Medicare having lower administration costs as compared to private insurance is simply false as it fails to take into account a multitude of significant factors.

Claim 9: Canada has lower administrative rates than America

Response 9: According to a book from John Goodman, as noted, a number of studies claim to show that the Canadian system is simply better at controlling administrative costs. However, these studies only focus on inputs into administration—administrative salaries, costs of paperwork, and so forth. Health economist Patricia Danzon of the University of Pennsylvania's Wharton School of Business points out that a public insurer essentially performs most of the same functions found in private insurance. It must reimburse providers for services performed, collect "premiums" (usually from taxes) and attempt to control moral hazard (this is, limit utilization). Likewise, public insurers incur overhead costs, but these are often difficult to analyze using traditional cost accounting methods. Government accounting practices invariably underestimate the real cost of government provision of goods and services. The true cost is often hidden in a complex bureaucratic reporting and tracking system. In both Canada and the United States, auditing expenses for health services are usually included in the budgets of other public agencies. Collecting taxes or lobbying for additional funding are not included in the overhead expense of public programs, whereas collecting premiums and marketing would count toward the cost of a private health insurer. Cost comparisons also usually ignore the effects of administration on the efficiency of the health care system in meeting consumer needs, says Danzon. One cannot legitimately calculate administrative costs of single-payer health systems without including adverse effects on patients. These include the excessive time patients spend waiting for treatment, lost productivity caused by lack of advanced medical equipment, and reduced quality of life when certain procedures are unavailable. For example, the physician fee structure found in Canada is designed to limit the volume of procedures performed in doctors' offices. As a result, patients are often forced to make multiple visits to get the same services they could receive in one visit. In fact, according to the Cato Institute, economists who have tallied the full administrative burden of government health insurance programs conclude that administrative costs are far higher in government programs than in private insurance. In 1992, University of Pennsylvania economist Patricia Danzon estimated that total administrative costs were more than 45 percent of claims in Canada's Medicare system, compared to less than 8 percent of claims for private insurance in the United States.

Claim 10: Healthcare is a human right

Response 10: First, let's define the different types of rights:

- **Positive rights:** the holder of a positive right is entitled to provision of some good or service...while a right to welfare assistance is a prototypical positive right
- **Negative Rights:** the holder of a negative right is entitled to non-interference...A right against assault is a classic example of a negative right

- ○ The problem with positive rights is that negative rights can be respected simply by each person refraining from interfering with each other, while it may be difficult or even impossible to fulfill everyone's positive rights if the sum of people's claims outstrips the resources available. In most cases, both negative and positive rights are normative in principle, and as such have no relation to underlying dynamics like a system of economics. What I mean by this is that since positive rights, like a right to healthcare, have to contend with underlying dynamics of supply, demand, market structure, deadweight loss, welfare costs, and many of the other problems we have discussed thus far; A positive right is therefore constrained by the conditions of dynamic systems upon which the right is to be extracted. Furthermore, positive rights often require a duty on a second or third party, which tramples on their negative rights. A negative right, like a right to free speech, is not constrained by an underlying dynamic So long as you are free from coercion. In addition to that, negative rights like free speech do not trample on the rights of others, it requires no duties on other agents. So can healthcare truly be an affirmative right as a workable theory? I say no, because it is often unworkable from its own constraints and also requires duties on others which interferes with their negative rights.

Claim 11: Medicaid expansions improve health outcomes

Response 11: The main issues with the studies saying this is that there is no statistical causation. Research from Northwestern University found that mortality was rising in Medicaid non-expansion relative to expansion states prior to Medicaid expansion, making it difficult to estimate the effect of insurance using difference-in-differences. According to Sally Pipes at Forbes, researchers analyzed Medicaid expansion, which allowed states to expand Medicaid coverage to people in households with incomes below 133% of the federal poverty line. Thirty-six states and Washington, D.C. opted to do so. Some 12 million people gained coverage through Medicaid this year thanks to the expansion. As of the end of 2018, nearly 66 million people were enrolled in Medicaid nationwide. Since 14 states didn't expand the program, researchers had the chance to compare differences in mortality between the expansion and non-expansion states while controlling for other variables. If giving people government health insurance actually leads to improved health outcomes, states that expanded Medicaid should have seen a measurable decrease in mortality rates. But they didn't. This shows the importance of analyzing Medicaid expansions not on a state level, but rather an individual level. Accordingly, another study looked at a Medicaid expansion scheme in Oregon that predated Obamacare. In 2008, Oregon used a lottery to determine who would be able to enroll. Researchers analyzed the health outcomes of 6,400 people who won the lottery and gained Medicaid coverage compared to 5,800 who remained uninsured. The study concluded the Medicaid beneficiaries showed "no significant improvements in measured physical health outcomes in the first two years." Therefore, since these studies rely on flawed methodologies and don’t take into account the previous factors mentioned, it is invalid to claim Medicaid expansions save lives or that Medicare for All would save lives.

Claim 12: Medicare has over thirty years of experience setting payment rates and has had better success in controlling medical spending relative to the private sector

Response 12: This is not true when you take into account other important factors. According to the Heritage Foundation, the value of Medicare is not keeping pace with private insurance. For persons under age 65, the generosity of private health insurance grew by 41.5 percent between 1977 and 1996. For persons 65 and older, the generosity of Medicare grew by only 22.2 percent over the same period. In conclusion, although private insurance spending has risen faster than Medicare spending over the past 30 years, the value of private insurance has grown just as rapidly. These data suggest that Medicare does not have an advantage over the private sector in limiting the growth of healthcare spending. More recent research from the Cato Institute also found similar results as a third or more of Medicare spending provides no value whatsoever: it makes the patient no healthier or happier. If we were to add to that figure spending on services whose costs exceed the benefit to the patient, it would show an even larger share of Medicare spending to be wasteful. In addition, we should also consider data from 1987-2019 as it spans a greater time period and looks at the general data on government healthcare vs private healthcare spending. According to research from Peterson-KFF, in 1987, public sector spending accounted for just under one third (32%) of total health spending. Since then, health spending through government funds has grown faster than private spending, and public spending now represents almost half (45%) of overall spending. Public sector spending includes spending on insurance programs, such as Medicare and Medicaid, as well as other government spending, such as spending on public health and research. Lastly, a reason for high private insurance costs and spending can be attributed to Medicare. According to a Rand Corporation study, "Medicare severely underpays hospitals. Because of those underpayments, hospitals are compelled to charge high prices to their privately insured patients merely to stay afloat." According to the American Hospital Association, hospitals lost money providing care to Medicare patients and about one-third of hospitals were operating on negative operating profits. Government health coverage represents 71% of the typical hospital's volume of patients, and hospitals lose 13 cents for every dollar spent caring for government health beneficiaries. In fact, according to Reed Abelson at the New York Times, for a patient's knee replacement, Medicare will pay a hospital $17,000. The same hospital can get more than twice as much, or about $37,000, for the same surgery on a patient with private insurance. According to the Cato Institute, more importantly, the author's comparison between private insurance and Medicare commits the fallacy of conflating *spending* and *costs*. Even if the government contains health care spending better than private insurance (which is not at all clear), it could still impose greater overall costs on enrollees and society than private insurance. For example, if a government program refused to pay for lifesaving medical procedures, it would incur considerable nonmonetary costs (i.e., needless suffering and death). Medicare's inflexibility also imposes costs on enrollees. Medicare took 30 years longer than private insurance to incorporate prescription drug coverage into its basic benefits package. The taxes that finance Medicare impose costs on society in the range of 30 percent of Medicare spending. In contrast, there is no deadweight loss associated with the voluntary purchase of private health insurance. Hence, the author's claim about Medicare controlling costs and spending better than private insurance doesn't take into account the many factors mentioned previously.

Claim 13: Medicare for all would lower prescription drug costs

Response 13: This claim ignores the fact that access to new, more effective (and more expensive) prescription drugs is often restricted in countries with national health insurance. According to the Cato Institute, Drug development is costly. Only one in five drugs tested ever reaches the public, and the cost of bringing a new drug to market now averages $900 million. A government facing rising health care costs is tempted to negotiate prices just above the costs of production, ignoring the research and development (R&D) costs. Countries with single-payer systems thus reap the benefits of new drugs without sharing the burden of their development. As a result, many pharmaceutical firms based in single-payer countries have gone abroad to recoup their costs, and drug innovation is limited. One way that single-payer countries control their drug spending is by delaying the introduction of the newest, most expensive drugs or by restricting access to them. In Britain, many drugs that are available to private pay patients are not available to NHS patients. Each local health board decides which drugs will be covered, and expensive drugs are often left off the lists because of budget constraints. For example, Dr. Edward Newlands, the British doctor who co-developed the brain cancer drug Temodal, cannot prescribe it to his patients. Fewer than one-third of British patients who suffer a heart attack have access to beta-blockers used by 75 percent of patients in the United States, despite the fact that post–heart attack use of the drug reduces the risk of sudden death from a subsequent heart attack by 20%. Less publicized, however, is the fact that some Canadians travel to the United States to buy drugs not available at any price in Canada. One of the newest drugs to treat non insulin dependent diabetes—Glucophage X—is not available in Canada. Some drugs are approved for use in one province, but not another. Furthermore, Canada's federal Patented Medicines Price Review Board only allows manufacturers to charge higher prices for new drugs if they are judged to be "a substantial improvement" over existing drugs. From 1994 to 1998 the board approved only 24 of the 400 drugs considered. A Fraser Institute study found that the main effect of Canadian price controls has been to limit patients' choices, causing them to rely more on hospitals and surgery. The consequences of restricted access to drugs have been particularly profound in British Columbia. British Columbia can require that a patient receiving subsidized drugs under the provincial health plan be treated with the least costly drug, even if it is a completely different compound, as long as it is deemed to have the same therapeutic effect. 27 percent of physicians in British Columbia report that they have had to admit patients to the emergency room or hospital as a result of the mandated switching of medicines, and 60 percent have seen patients' conditions worsen or their symptoms accelerate due to mandated switchings. Despite the fact that countries with single-payer systems go to great lengths to limit both price and availability of prescription drugs, they don't appear to be all that successful at holding down drug spending. OECD data from 1992 showed that when per capita spending on medications was adjusted for purchasing power parity, the United States spent less than France, Germany, and Japan. It spent a few dollars more than Canada and substantially more than Britain. During the 1990s, drug spending in the United States inched up relative to other countries, but since much of that spending represents the substitution of drug therapies for more expensive doctor and hospital services, the United States is getting a significant return on its investment in drugs. Columbia University professor Frank Lichtenberg, for example, indicates that each dollar spent on drugs correlates with roughly a four dollar decline in spending on hospitals. In short, it may be a good thing that the United States spends more on prescription drugs than other countries. Effective prescription drugs can prevent or shorten expensive hospital stays and doctor visits, and investment in pharmaceutical R&D yields more cutting-edge medications. You must also consider that a major reason as to why we have high costs for these prescription drugs can be attributed to government intervention in the form of patents, not the free market.

Claim 14: We need Medicare for All to combat Covid-19

Response 14: The United States was certainly unprepared for a pandemic of this magnitude and has been slow and disorganized in responding to it. But the most egregious errors have actually been made by government organizations, from the FDA to the CDC to FEMA, while many of the breakthroughs that we've seen, such as rapid tests, potential treatments, and possible vaccines, have originated in the private sector. We might have seen even quicker results from the private sector without the government regulations and bureaucracy that slowed it down. But it is not logical to believe that we should put the same government that can't manage the acquisition and delivery of ventilators and personal protective equipment in charge of even more of our health-care decisions. While some countries, especially in Asia, have responded better than others, that appears to be as much a question of tactics as of systemic design. According to the Cato Institute, In the UK, the government-run health-care systems have been every bit as overwhelmed as ours, if not more so. One should be skeptical of death rates, given the many well-documented limitations of the currently available data, but, notably, some countries with government-run health care have reported higher mortality rates than the U.S. Indeed, by some metrics we may have been better positioned to absorb a crisis like this one than many other countries. According to the National Center for Biotechnology Information, the United States has the most ICU beds per capita of any country studied; Italy has only two-thirds as many, and 11 percent fewer ventilators. In Canada, often pointed to as a model by Medicare for All advocates like the author, nearly half of Ontario's acute-care hospitals were over 100 percent capacity during the first six months of last year. Roughly a quarter of the province's hospitals average more than 100 percent of capacity. Pity the poor health-care professional who must respond to a pandemic when his hospital is already stuffed to the gills with patients. Britain's National Health Service didn't come into this crisis in much better shape. The NHS has long had a problem handling even outbreaks of the flu; during the 2018–19 flu season in Britain, one out of four patients waited more than four hours in an emergency room, and 11 percent of ambulances transporting patients were forced to wait outside the hospital for 30 minutes or longer. Due to this, the coronavirus situation is not an argument for the implementation of Medicare for All.

Claim 15: The US spends more on healthcare than another single payer system

Response 15: According to a book from John Goodman, the United States spends more on health care than any other country in the world, both in dollars per person and as a percentage of GDP. Does this mean that our predominantly private health care system is less able to control spending than are developed countries with national health insurance? Not necessarily. As we shall see, international comparisons of health care spending are difficult, not least because of differences in the measuring techniques used by other countries. First, however, we should note that the United States is wealthier than other countries. Almost without exception, international comparisons show that wealthier countries spend a larger proportion of their GDP on health care. In his classic 1977 and 1981 studies, health economist Joseph Newhouse found that 90 percent of the variation in health care spending among developed countries is based on income alone. This should give pause to anyone who believes that the United States will significantly lower health care spending by adopting the system or institutions of some other country. The truth is that when people have more income, they spend more on health care, whether their spending takes place through the market, the political system, or quasi public institutions. Some believe that countries with national single-payer health insurance have a coercive “advantage” the United States does not—they can more easily deny access to care. Governments, for example, can and do limit health care dollars and force hospitals and doctors to ration services. However, such power is not unlimited. Politicians who abuse it risk being replaced by their competitors. In the political systems of other countries, just as in the United States, the pressure to spend more on health care is unrelenting. Most international statistics on health care spending are produced by the OECD. However, OECD statistics are not always useful because different countries use different methods to report costs. No effective international guidelines exist, and some countries include services that others do not. For instance, the OECD definition of health care expenditures includes nursing home care. But while Germany includes nursing home care as part of total health expenditures, Britain does not. Some countries count hospital beds simply by counting metal frames with mattresses, whether or not they are in use. In others, a “bed” is counted only if it is staffed and operational. Although the percentage of the population admitted as inpatients in the United States (11.8) is below the OECD average of 15.4 percent, the U.S. figures exclude procedures performed in outpatient facilities, while OECD figures most likely include these surgeries. In addition, payments made in the “informal health sector” (under-the-table payments, common in many countries) are generally missed in official estimates. Most importantly, we should compare the US with Canada, as Canada does have a single payer system. During the 1990s, Canada was able to limit the real rate of growth in its health care spending to 1.7 percent per year. By contrast, the rate of spending growth in the United States healthcare system was equal to the OECD median of 3.0 percent per year. However, Canada limited spending increases by cutting funding for services in ways that cause people to suffer. For example, the Canadian federal government reduced block grants to provinces for health care as a percentage of GDP in 1986 and again in 1989; funding to the provinces was frozen at 1989–1990 levels through 1995, and further cuts were made in the second half of the 1990s. Provincial governments, in turn, reduced funding available to hospitals (their global budgets), began limiting total health expenditures for physicians' fees, severely limited the purchase of new technology, and removed some services from coverage by provincial insurance plans. Many smaller hospitals were closed—fifty in Saskatchewan alone—and the number of hospital beds available nationwide was reduced from 6.6 per thousand population to 4.1 in 1987. According to the Foundation for Economic Education, up to 63,000 Canadian women may have died as a result of increased wait times in the past 2 decades. Adjusting for the difference in populations (the US has about 9 times as many people), that middle value inflates to an estimated 400,000 additional deaths among females over a 16 year period. This translates to an estimated 25,000 additional female deaths each year if the American system were to suffer from increased mortality. By most accounts, these reductions in the availability of medical services had more to do with budgetary shortfalls than lack of medical need. A recent report for the Canadian federal government argued that the Canadian health care system was underfunded and in need of an additional C$5 billion annually. In 2000, the United States spent 13.0 percent of its GDP, or US $4,631 per person, on health care. By contrast, Canada spent 9.1 percent of its GDP, or US $2,535 per person. Here again, the spending figures are almost certainly incomplete. In both Canada and the United States, the costs of administering government health care spending are largely hidden. In addition, there are larger, systemic differences between countries: (A) Canadian figures do not include the capital cost of building and equipment to the extent that the U.S. figures do because Canadian facilities are paid for by the government; hence, the cost of capital is subsumed within the Canadian government's debt. (B) The United States spends far more on research and development (R&D) than Canada. The U.S. spending results in technological innovations that benefit Canada and the rest of the world. (C) The U.S. population is slightly older, and older people inevitably consume more health care. According to one study, correcting for these differences between the two countries cuts in half the gap in the fraction of GDP spent on health care. Lastly, I would also like to clarify that I do believe America spends too much on healthcare and our prices are too high. However, I believe these problems are caused by government intervention, rather than the private market. I have further explained this here.

Claim 16: According to a RAND study, prices within the same hospital can be ten times higher for patients with private insurance compared to patients on Medicare—for the exact same service

Response 16: This same Rand study states an important reason as to why private health insurance has higher prices on page 26: "Medicare severely underpays hospitals. Because of those underpayments, hospitals are compelled to charge high prices to their privately insured patients merely to stay afloat." Other studies agree with this claim as well. According to another book by Robert P. Murphy, "The federal government tried to push some of the costs it was bearing onto others. Doctors and hospitals, receiving only partial reimbursement from Medicare and Medicaid, began to compensate for their losses by charging private insurers more. Private insurance costs, in turn, began to skyrocket, a phenomenon that subsequently gave rise to so-called managed care, the bureaucratic mess that everyone dislikes for its efforts to drive down costs by denying certain kinds of care." According to the American Hospital Association, hospitals lost money providing care to Medicare patients and about one-third of hospitals were operating on negative operating profits. Government health coverage represents 71% of the typical hospital's volume of patients, and hospitals lose 13 cents for every dollar spent caring for government health beneficiaries. In fact, according to Reed Abelson at the New York Times, for a patient's knee replacement, Medicare will pay a hospital $17,000. The same hospital can get more than twice as much, or about $37,000, for the same surgery on a patient with private insurance. A recent study showed that, in Washington State alone, $738 million in charges were shifted to private payers to make up for underpayments by Medicare and Medicaid in 2004. That same year in California, private payers and hospitals paid an extra $45 billion to compensate for unpaid Medicare costs. Now, if we adjust to a system where Medicare is the only health insurance provider, hospitals, as demonstrated before, will earn significantly less and many hospitals could close virtually overnight. For example, according to Michaela Ramm, Iowa's rural hospitals could experience a loss of more than $476 million dollars under a public health insurance proposal, putting dozens at high risk for closure. If a public option plan would go into effect, a study found that between 25 and 52 of Iowa's 90 rural hospitals would be at high financial risk for closure due to a loss of millions in revenue. Overall, the total revenue loss for the 1,900 rural hospitals in the United States is projected at up to 25.6 billion dollars. The impact of this is huge. According to Becker Hospital Review, rural hospital closures increase patient mortality by 5.9 percent. Hence, even according to the study the author cited to justify their claim, when considering all factors, it is not fairly reasonable to conclude that Medicare has lower costs and these lower costs would be more adequate for the population. In addition to this, you must not only measure the success of a health insurance plan solely by the price of it within hospitals. You also have to take into account the quality of care. According to the National Library of Medicine, privately insured patients had lower risk-adjusted mortality rates than did Medicare enrollees for twelve out of fifteen quality measures examined. To a lesser extent, privately insured patients also had lower risk-adjusted mortality rates than those in other payer groups. Medicare patients appeared particularly vulnerable to receiving inferior care. Essentially, the government with their Medicare programs causes hospitals to lose money, covers up for those losses by using private insurance money, and then further blames the private health insurance market for the expensive problems they created in the first place.

Claim 17: A Right Wing Think Tank Mercatus finds that M4A saves $2 trillion

Response 17: This 2 trillion dollars in savings figure is simply a misinterpretation of the study's conclusions. According to an [article from Charles Blahous]() that addressed these misimpressions, The study estimated the federal budget costs of M4A, as this is an important number that would guide Congress's procedural points of order if such legislation were considered. The study did not focus on aggregate changes to national health spending under M4A, in part because such estimates do not affect Congress's legislative procedures. Accordingly, my study's estimates, like any performed by the Congressional Budget Office, focused on M4A's effects on the federal budget rather than on other areas of the U.S. economy. This is a primary reason why neither the $2 trillion figure nor any other such estimate appears in the study. However, a critical additional reason why the attribution of $2 trillion in savings is wrong is that it is inconsistent with the study's conclusions. Some, like the author, have attempted to convert the study's lower-bound federal cost estimate of $32.6 trillion into an estimate of savings in national health spending, arriving at the $2 trillion number. It is incorrect to do so, as the following analogy may help to explain. Imagine that members of a family have separate cell-phone data plans that add up to $57 a month. Now imagine the following conversation:

- ❑ **Q:** How much would it cost my mother to buy my cell-phone data for me instead of continuing to pay it for myself? I think she's better than I am at negotiating a good deal.
- ❑ **A:** Well, if she buys it and allows you to use it for free, your usage will typically go up. Even if she's the brilliant negotiator that you say, it's going to cost her at least another $33 a month on top of her current expenses. Most likely her extra costs would be between $33-$39, possibly more.
- ❑ **Q:** But then it wouldn't cost me anything, right? Don't you have to think of it in terms of how much money everyone in the family, together, would pay? If she bought it, how much would my family as a whole be paying?
- ❑ **A:** Well, she was already paying $22 each month, so altogether the family would pay at least $55, probably between $55-$61, again possibly more.
- ❑ **Q:** But otherwise we'd pay $57. So, you're saying we'll save $2 a month because of her superior negotiating skills?
- ❑ **A:** No, I didn't say anything about her negotiating skills; you did. Her actual history shows a tendency to overspend. I'm just saying that even under your assumption, it's going to cost the family at least $55, probably somewhere between $55-$61. It's actually highly unlikely it would be as low as $55.
- ❑ **Q:** Great, so you're saying we'll save $2!

■ Basically, what some advocates have done is the equivalent of the above. They've done this by taking my study's lower-bound federal cost estimate and converting it into a claim of savings relative to currently projected national health spending. The study does indeed emphasize the lower-bound estimate, but it does so only by way of explaining that the federal costs of M4A would be AT LEAST $32.6 trillion over 10 years, and more likely substantially higher. The study does not present the $32.6 trillion number in a manner consistent with a finding of $2 trillion in national health cost savings. The study is clear and explicit that the $32.6 trillion estimate is a lower-bound (best case) estimate, and repeats this caveat throughout the report. This point is made in the study's abstract, on its first page of text, and in many other passages. To cite but some of the quotes from the study explaining the nature of the lower-bound estimate:

- ❑ It is likely that the actual cost of M4A would be substantially greater than these estimates" (Abstract)
- ❑ "Conservative estimates" (Abstract); "conservative estimates" (p.3)
- ❑ "It is likely that the actual cost of M4A would be substantially greater" (p. 3)
- ❑ "These cost estimates essentially represent a lower bound" (p. 4)
- ❑ "Actual savings (from lower drug prices) are likely to be less than assumed under these projections (p. 14)
- ❑ "This is an aggressive estimate of administrative savings that is more likely to lead to M4A costs being underestimated than overestimated" (p. 14)
- ❑ "The resulting implicit estimates of national and federal spending on LTSS should be regarded as conservative" (p. 17)
- ❑ "This study's assumption of no net increase in LTSS benefit utilization. . . is an additional factor contributing to these projections' being more likely to underestimate costs than to overestimate them" (p. 17)

- ■ In other words, the study emphasizes that the $32.6 trillion federal cost minimum cannot be accurately converted into a claim of $2 trillion in national health cost savings. Actual costs would likely be substantially greater (specifically, factors such as drug costs, health provider payment rates and long-term care utilization would probably all be greater than assumed in that lower-bound estimate). It is the same principle by which, if someone tells you that something now costing $57 would cost somewhere between $55-$61 after a policy change, it would be incorrect to claim thereafter that the person had concluded you would save $2. In fact, many "fact-check" sources have all come to the conclusion that to claim, "the Mercatus study said Medicare for would save 2 trillion dollars" is not true:
  - ❑ https://www.factcheck.org/2018/08/the-cost-of-medicare-for-all/

- [ ] https://www.politifact.com/factchecks/2018/aug/03/bernie-s/did-conservative-study-show-big-savings-bernie-san/
- [ ] https://www.washingtonpost.com/news/fact-checker/wp/2018/08/07/democrats-seize-on-cherry-picked-claim-that-medicare-for-all-will-save-2-trillion/
- [ ] https://www.nationalreview.com/corner/a-libertarian-think-tank-still-did-not-find-that-medicare-for-all-saves-money/

Debunking the Commonwealth Fund Study

The most politically biased and disingenuous study to ever exist

Claim 1: According to a commonwealth fund study, Among the 11 wealthy nations studied, the U.S. ranks last overall in terms of healthcare.

Response 1: One of the main ways this Commonwealth study ranked healthcare is with the utilization of a measure called “healthy outcomes" which used infant mortality rates as a justification. The major problem with infant mortality statistics is that studies use different data definitions. For instance, American medical practice more commonly resuscitates very small premature and nonviable-birth babies; these babies later die but are treated as “live births" in U.S. statistics. Countries such as France, Japan, and other European nations are likely to classify these babies as stillbirths, which aren’t counted into the infant mortality statistics. This would inevitably increase the amount of infant mortalities counted in the United States. Infant mortality rates are also affected by outside factors such as the mother’s behavior and lifestyle (e.g., obesity, tobacco use, excessive alcohol use, recreational drug use, and marital status).

Now, let's talk about the second category used to calculate Health outcomes. The commonwealth study included something called “amenable mortality” or “potentially preventable deaths.” All the study does is show how many people died in each country from a set of diseases and conditions. Period. This study was not an effort to identify people who died when their particular condition could have been preventable or amenable to care; all it measures is the number of people in each country who died from a list of conditions. If I am talking to you and I suddenly flop over instantly dead of a massive heart attack, the author's of the study consider me to have died of a disease amenable to healthcare. This makes it entirely possible that this mortality difference is entirely due to lifestyle differences and disease incidence rates rather than the relative merits of the healthcare system. In fact, this study is close to meaningless. If they really wanted to make a point about the quality of health care systems, they would compare them relative to the disease mortality rates and not relative to the total population. If you wanted to see this in data, Research has actually revealed that in Canadian hospitals (which is a single payer system), the death rate in hospitals for patients suffering a heart attack is 22 percent higher and almost three times as high for those suffering a stroke. Overall, deaths amenable to mortality is an incredibly misleading statistics and has absolutely nothing to do with the nation's actual healthcare system.

Now the third way this Commonwealth study measured health outcomes was with life expectancy after age 60. I have already addressed the problems with life expectancy statistics here. Therefore, since the study uses faulty metrics in judging the American healthcare system, it is invalid to say that America ranks 11th in healthcare rankings.

https://www.manhattan-institute.org/html/last-credibility-2665.html

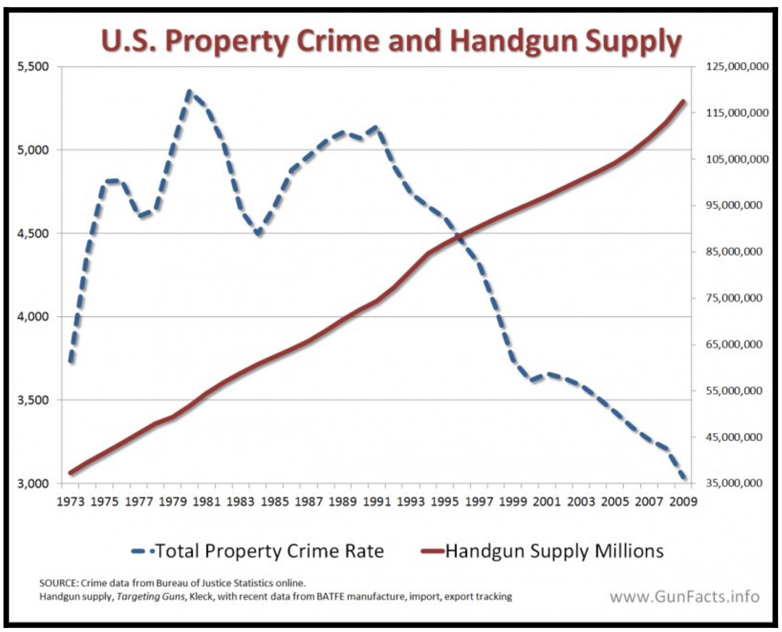
---

Gun Control

This is a really good control pdf
Another google document on gun control
Against the 'militia' argument
More gun stats

- **Gun control overall effect on violent crime**
  - Kleck '16
    - These study results indicate that gun control laws generally show no evidence of effects on crime rates, possibly because gun levels do not have a net positive effect on violence rates.
  - Patterson '93
    - Another study on the The Impact of Gun Control and Gun Ownership Levels on Violence Rates Findings indicate that (1) gun prevalence levels generally have no net positive effect on total violence rates, (2) homicide, gun assault, and rape rates increase gun prevalence, (3) gun control restrictions have no net effect on gun prevalence levels, and (4) most gun control restrictions generally have no net effect on violence rates.
  - Stewart '00
    - This study includes results showing a strong positive relationship between illegal gun availability and violent crime, gun crime, and juvenile gun crime. Little or no effect for the legitimate gun availability measure is observed in any of the estimated models.
  - Kleck '99
    - Results indicated that gun ownership had a weak (odds ratio = 1.36) and unstable relationship with homicidal behavior, which was stated as not statistically prevalent.
  - AmericaGunFacts
    - Nations with **strict gun control laws have substantially higher murder rates** than those who do not in general. In fact, the 9 European nations with the ***lowest* gun ownership rate have a combined murder rate 3x** that of the 9 European nations with the ***highest* gun ownership rate.**

- NBER ‘21
    - Using data from the National Vital Statistics System, we also find no evidence that gun buyback programs reduce suicides or homicides where a firearm was involved.

- **More Guns=Less Crime**
  - Kates '16
    - We have taken pains never to suggest the correlations we have found prove that the more guns in a population, the less murder there will be. Thus, the historical and anthropological evidence suggests that more guns tend to lead to less murder, not more.
  - GunFacts '10
    - 

- **Red Flag Laws**
  - CPRC '18
    - Moody and Lott Jr. (2018) analyzed the 4 states of California (2016), Indiana (2005), Connecticut (1999), and Washington (2016) and the effects of their red flag laws on crime. They concluded that the implementation of **red flag laws had no substantial effect on the minimization on murder, robbery, aggravated assault, public mass shootings, and burglary**. Furthermore, insignificant evidence suggests rape cases decrease while suicide rates had some inclines.

- **Assault Weapons ban**
  - Gius '14

    - A review of states who enacted an assault weapon ban was shown to **not have any significant effect on gun-related murder rates** in those states, deaming the laws inutile.
- FBI '18
    - In 2019, fewer murder victims were killed with rifles (364) than with:
        - [ ] Blunt objects, like **clubs and hammers** (397)
        - [ ] Personal weapons, like **hands, feet, and fists** (600)
        - [ ] **Knives or cutting instruments** (1,476)
- Reuters '18
    - "[A Journal of the American College of Surgeons] research team found that [mass shooting] events with a handgun were associated with a higher percentage of people killed, whereas events involving a rifle were associated with more people shot. About 26 percent of those shot with a handgun had more than one fatal wound, versus two percent of people shot with a rifle. Handguns were also more likely to be associated with brain and heart injuries." In all fairness, more people shot means a high death toll is more likely, but FBI data affirms that the vast majority, 64%, of intentional slayings with a firearm involve handguns, while those involving rifles account for a mere 4%.
- Koper '04
    - The National Institute of Justice found that if the ban was renewed, the effects on gun violence would likely be small and perhaps too small for reliable measurement, because rifles in general, including rifles referred to as "assault rifles" or "assault weapons", are rarely used in gun crimes. That study, by the Jerry Lee Center of Criminology, University of Pennsylvania , found no significant evidence that either the assault weapons ban or the ban on magazines holding more than 10 rounds had reduced gun murders
- NAP '05
    - A recent evaluation of the short-term effects of the 1994 federal assault weapons ban did not reveal any clear impacts on gun violence outcome.. Using state-level Uniform Crime Reports data on gun homicides, the authors of this study suggest that the potential impact of the law on gun violence was limited by the continuing availability of assault weapons through the ban's grandfathering provision and the relative rarity with which the banned guns were used in crime before the ban.
- Gius '13
    - Using data for the period 1980 to 2009 and controlling for state and year fixed effects, the results of the present study suggest that states with restrictions on the carrying of concealed weapons had higher gun-related murder rates than other states. It was also found that assault weapons bans did not significantly affect murder rates at the state level.

- Roth '99
  - “The ban has failed to reduce the average number of victims per gun murder incident or multiple gunshot wound victims. The public safety benefits of the 1994 assault weapons ban have not yet been demonstrated.”
- Rand '20
  - We found no qualifying studies showing that bans on the sale of assault weapons and high-capacity magazines decreased any of the eight outcomes we investigated.

- **Gun Concealment Restrictions**
  - Gius '14
    - Studied the effects of states with more severe gun concealment regulation while controlling for state and year fixed effects. He found that **states with tighter gun concealment restrictions had higher gun related murder rates** than other states with less ferocious restrictions.
  - Cohen '98
    - This provides evidence that enactment of concealed handgun (“right-to-carry”) laws deters violent crime and induces substitution into property crime.
  - Plassmann '12
    - In this paper we use a generalized Poisson process to examine the geographical and dynamic effects of right-to-carry laws on reported homicides, rapes, and robberies. We find that the effects of such laws vary across crime categories, U.S. states, and time, and that such laws appear to have statistically significant deterrent effects on the numbers of reported murders, rapes, and robberies.
  - Lott '98
    - “Taken together these results imply that concealed handguns deter criminals and that the largest reductions in violent crime will be obtained when all the states adopt these laws.”
  - Moody '01
    - Overall, right-to-carry concealed weapons laws tend to reduce violent crime. I find evidence that these laws also reduce burglary.
  - Hamill '18
    - During the study period, all states moved to adopt some form of concealed-carry legislation, with a trend toward less restrictive legislation. After adjusting for state and year, there was no significant association between shifts from restrictive to nonrestrictive carry legislation on violent crime and public health indicators. Adjusting further for poverty and unemployment did not significantly influence the results.
  - Lott '01
    - Right-to-carry laws reduce the number of people killed or wounded from multiple victim public shootings as many attackers are either deterred from attacking or when attacks do occur they are stopped before the police can arrive.

- [WashingtonPost '16]
  - Researchers at the University of Pittsburgh analyzed all **893 firearms** that police recovered from crime scenes in Pittsburgh in 2008. In approximately **8 out of 10 cases (80%), the perpetrator of the crime was not the lawful owner of the firearm.**
- [Bureau of Justice Statistics]
  - According to the Bureau of Justice Statistics, only **10%** of prisoners who possessed a gun during their offense obtained it from a retail source. **Fewer than 1%** obtained it at a gun show. **43%** obtained the firearm from the **underground market/off-the-street** — the most common source.
- [Lott '96]
  - The estimated annual gain from allowing concealed handguns is at least **$6.214 billion.**

- **Mass and School Shootings**
  - [CPRC '18]
    - A 2018 study by the Crime Prevention Research Center found that the U.S. accounts for less than **1.43%** of the world's mass public shooters, **2.88%** of their attacks, and **2.11%** of their murders—all much less than the **4.6% U.S. share** of the world population. The US is simply not the mass shootings capital of the world
  - [SS '19]
    - A Secret Service analysis of school shooters found:
      - ❑ **80%** were bullied by classmates.
      - ❑ **91%** showed symptoms of mental health disorder(s).
      - ❑ **89%** exhibited concerning behaviors prior to the attack—e.g. direct threats of violence—which were observed by others.
  - [NE '18]
    - A Northeastern University study found that, on average, **four times the** number of children were killed in schools in the early 1990s than today. The study also found that shooting incidents involving students declined approximately **80%** from 1992 to 2015. In fact, In the United States, approximately **1%** of homicides of [school-age children] occur in schools. More kids are [killed] each year from **pool drownings** or **bicycle accidents** than from school shootings.
  - [CRS '13]
    - A 2013 Congressional Research Service report identified **78 public mass shootings** from 1983 to 2012, in which a total of **547 people** were killed. For context, **11,622 people** died in gun homicides **in 2012 alone**. Essentially, mass shootings are uncommon
  - [AFLF '16]

        - According to the Crime Prevention Research Center, “gun free zones” (areas where guns are prohibited) have been the target of more than **98% of all mass shootings.** This staggering number is why such designated areas are often referred to as **“soft targets,” meaning unprotected and vulnerable.** Only a little more than **1% of mass public shootings since 1950 have occurred in places that were not considered to be a gun-free zone.** In fact, only **two mass** shootings in the U.S. since 1950 have occurred in an area where citizens were not prohibited from carrying a gun.
    - Follman ‘20
        - Gun control laws will not prevent criminals from obtaining guns or breaking laws. **Of 62 mass shootings in the United States between 1982 and 2012, 49 of the shooters used legally obtained guns.** Collectively, 143 guns were possessed by the killers with about 75% obtained legally. A Secret Service analysis found that of 24 mass shootings in 2019 at least 10 **(42%) involved illegally possessed guns.** John R. Lott, Jr., PhD, gun rights activist, stated, “The problem with such [gun control] laws is that they take away guns from law-abiding citizens, while would-be **criminals ignore them.**” According to a Bureau of Justice Statistics report, **37.4% of state prison inmates who “used, carried, or possessed a firearm when they committed the crime for which they were serving a prison sentence”** obtained the gun from a family member or friend. Despite Chicago’s ban on gun shops, shooting ranges, assault weapons, and high capacity magazines, in 2014 Chicago had 2,089 shooting victims including at least 390 murders. Approximately 50,000 guns were recovered by police in Chicago between 2001 and Mar. 2012. The guns came from all 50 states, and **more than half came from outside of Illinois.**
    - AmericaGunFacts
        - With just one exception, every public mass shooting in the USA since 1950 has taken place **where citizens are banned from carrying guns.** Despite strict gun regulations, **Europe has had 3 of the worst 6 school shootings.**
    - Luca '19
        - A Harvard study found no significant effect of mass shootings on laws enacted when there is a Democrat-controlled legislature, nor do they find a significant effect of mass shootings on the enactment of laws that tighten gun restrictions.

- **Background Checks**
    - Lott '16

        - Persistent claims have been made that expanding background checks to include any private transfers of guns would reduce mass public shootings. Yet, this is the first study to systematically look to see if that is true. In fact there is no evidence that these laws reduce the risk of these attacks. Examining all 47 mass public shootings in the US from 2000 through 2015, we find that states adopting additional background checks on private transfers see a statistically significant increase in the rate of killings (80% higher) and injuries (101%) from mass public shootings. There is not one mass public shooting that occurred over that period that these checks would have been prevented.
    - [Shev '18]
        - There is no evidence of an association between the repeal of comprehensive background check policies and firearm homicide and suicide rates in Indiana and Tennessee.
    - [Cramer '13]
        - What is the statistical evidence of the effects of state mandatory firearms background check laws on murder rates? For states that adopted or repealed such laws after 1960 (when consistent and high quality murder rate data becomes available), an interrupted time series analysis shows that two out of eight states have statistically significant changes in murder rates. Of the six states with statistically insignificant changes in murder rates, four had higher murder rates during the background check period. This suggests that mandatory background check laws are at best unproven at reducing murder rates.
    - [SSRN '08]
        - Data does not support claims that more modest measures - waiting periods, background checks, enhanced sentences for using a gun in the commission of a crime, and firearm training programs - actually reduce firearm deaths and injuries.
    - [GOA '08]
        - Vermont: one of the safest five states in the country. In Vermont, citizens can carry a firearm without getting permission… without paying a fee… or without going through any kind of government-imposed waiting period. And yet for ten years in a row, Vermont has remained one of the top-five, safest states in the union — having three times received the "Safest State Award."
    - [Mises '19]
        - 93 percent of NICS gun background check denials were false positives in 2009.
    - [Source on how the government creates "false positives" with gun background checks]

- **Guns used in Self Defense**
  - CDC '13
    - According to the CDC, “Almost all national survey estimates indicate that defensive gun uses by victims are at least as common as offensive uses by criminals, with estimates of **annual uses ranging from about 500,000 to more than 3 million**.” “Studies that directly assessed the effect of actual defensive uses of guns (i.e., incidents in which a gun was ‘used’ by the crime victim in the sense of attacking or threatening an offender) have found consistently lower injury rates among gun-using crime victims compared with victims who used other self-protective strategies.”
  - AmericaGunFacts
    - Every year, guns are used over **80x more often to protect a life than to take one**
    - ⅗ of polled felons report that **they would would not mess with an armed victim**
    - 200,000 women a year **use a gun to defend agaisnt sexual abuse**
    - In 1982, Kennesaw, Georgia passed a law **requiring heads of households to keep at least one firearm in the house.** The residential **burglary rate subsequently dropped 89% in Kennesaw**, compared to just **10.4%** drop in Georgia as a whole. Today, the violent crime rate in Kennesaw is still **85% lower** than Georgia's or the national average.
  - FBI '15
    - According to an FBI report Armed Citizens Are Successful 94% Of The Time At Active Shooter Events. For more on the probability of possibly decreasing the amount of lives taken during active shooter incidents when armed civilians are present.
  - Southwick '00
    - A third study found that using National Crime Victimization Study data, that victims who have and use guns have both lower losses and lesser injury rates from violent crime. It was also found that the victim's choice of having a gun is not independent of the criminal's choice. Based on these findings, the consequences of having a greater portion of the potential victims being armed were analyzed. It was found that this would reduce both losses and injuries from crime as well as both the criminals' incentives to commit violent crimes and to be armed.
  - NAP '13
    - The Center for Disease Control, in a report ordered by President Obama in 2012 following the Sandy Hook Massacre, estimated that the number of crimes prevented by guns could be even higher—as many as 3 million annually, or some 8,200 every day.

- Kleck '95
  - Based on data from a 1993 survey published in the Journal of Criminal Law and Criminology, at least 3.5% of households had members who had used a gun “for self-protection or for the protection of property at home, work, or elsewhere” over the previous five years. This amounts to 1,029,615 such incidents per year and excludes all “military service, police work, or work as a security guard.”
- Will '93
  - A study across the United States found that only 2% of the bandits killed by civilians turned out to be innocent, compared with an 11% police error rate, more than 5 times higher.
- Fact Sheet '09
  - In 1979, the Carter Justice Department found that of more than 32,000 attempted rapes, 32% were actually committed. But when a woman was armed with a gun or knife, only 3% of the attempted rapes were actually successful.
- FEE '19
  - Guns prevent an estimated 2.5 million crimes a year, or 6,849 every day. Most often, the gun is never fired, and no blood (including the criminal’s) is shed.
  - Every year, 400,000 life-threatening violent crimes are prevented using firearms.
- Wright '94
  - A 1982 survey of male felons in 11 state prisons across the U.S. found:
    - 34% had been “scared off, shot at, wounded, or captured by an armed victim.”
    - 40% had decided not to commit a crime because they “knew or believed that the victim was carrying a gun.”
    - 69% personally knew other criminals who had been “scared off, shot at, wounded, or captured by an armed victim.”

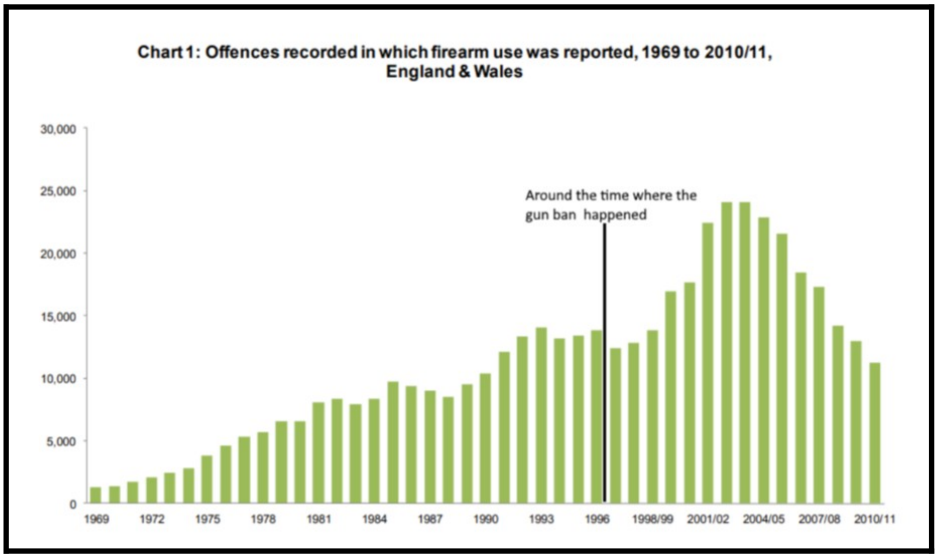
- **Gun control policies in other countries**
  - ***Multiple Countries***
    - Miron '12
      - A common correlation fallacy is that just because some countries with tight gun control have lower homicide rates, gun control must work. For example, Japan and England have **one homicide per 100k citizens but the US has 9 per 100k.** With this info, some would make the argument that just because Japan and England have tighter gun control, that it must be the factor that correlates it.

But a look at **Israel, New Zealand and Switzerland show that despite having relatively relaxed gun control policy and a high firearm availability rate, they have very similar homicide rates to England and Japan.** Miron (2012) found that countries with more lax gun control have lower rates of homicide.

- ### *Canada*
  - Mauser '13
    - This article examines whether the 1995 Firearms Act (Bill C-68) had a significant impact on female firearm homicide victimization rates in Canada. There was little evidence to suggest that increased firearms legislation in Canada had a significant impact on preexisting trends in lethal firearm violence against women. **These results do not support the view that increasing firearms legislation is associated with a reduced incidence of firearm-related female domestic homicide victimization.**
  - Langmann '12
    - Canada has implemented legislation covering all firearms since 1977 and presents a model to examine incremental firearms control. Neither were any significant beneficial associations between firearms legislation and homicide or spousal homicide rates found after the passage of three Acts by the Canadian Parliament--Bill C-51 (1977), C-17 (1991), and C-68 (1995)--nor were effects found after the implementation of licensing in 2001 and the registration of rifles and shotguns in 2003. **This study failed to demonstrate a beneficial association between legislation and firearm homicide rates between 1974 and 2008.**
  - Mouser '03
- ### *Australia*
  - Kleck '18
    - In 1996 Australia implemented arguably the **most ambitious gun control effort ever attempted**, banning all semi auto rifles and shotguns and all pump-action rifles and shotguns, and buying the banned guns already in circulation. Chapman, Alpers, and Jones (2016) produced what is arguably the most extensive evaluation, concluding that the measure was a success. In fact, their own data indicated that **the effort failed to reduce homicides, suicides, or unintentional firearms deaths.** It is even questionable whether the effort reduced mass shootings, the problem that had triggered the gun control effort in the first place.
  - Baker '11

- - - The current paper examines the incidence of mass shootings in **Australia and New Zealand (a country that is socioeconomically similar to Australia, but with a different approach to firearms regulation) over a 30 year period.** It does not find support for the **hypothesis that Australia's prohibition of certain types of firearms has prevented mass shootings**, with New Zealand not experiencing a mass shooting since 1997 despite the availability in that country of firearms banned in Australia. These findings are discussed in the **context of social and economic trends.**
    - Lee '10
      - The 1996-1997 National Firearms Agreement (NFA) in Australia introduced strict gun laws, primarily as a reaction to the mass shooting in Port Arthur, Tasmania, in 1996, where 35 people were killed. **The results suggest that the NFA did not have any large effects on reducing firearm homicide or suicide rates.**
    - Gilmour '18
      - The NFA had no statistically observable additional impact on suicide or assault mortality attributable to firearms in Australia.
  - ***United Kingdom***
    - Mauser '04
      - In the past 20 years, both Conservative and Labour governments have introduced restrictive firearm laws; even banning all handguns in 1997. Unfortunately**, these Draconian firearm regulations have totally failed.** The **public is not any safer and may be less safe**. Police statistics show that England and Wales are enduring a serious crime wave. In contrast to the handgun-dense United States, where the homicide rate has been falling for over 20 years, the **homicide rate in handgun-banning England and Wales has been growing.** In the 1990s alone, **the homicide rate jumped 50%, going from 10 per million in 1990 to 15 per million in 2000.** Police statistics show that violent crime in general has increased since the late 1980s and, in fact, since 1996 has been more serious than in the United States. The **firearm laws may even have increased criminal violence by disarming the general public.** Despite Britain's banning and confiscating all handguns, violent crime, and firearm crime, continue to grow.
    - Berman '12

- ❑



- ### *New Zealand*
  - [SFU '19]
    - ❑ The Arms Legislation Bill of 2019 creates a regulatory behemoth that focuses exclusively on non-violent, lawful firearms ownership. **No convincing evidence has been presented to justify the numerous restrictions on the lawful use and possession of arms and ammunition.** A review of the international evidence shows that **civilian firearms ownership does not pose a public safety hazard.** Moreover, there is no convincing evidence that the introduction of **strict regulations on firearms ownership acts to reduce criminal violence or suicide rates.**
- ### *Japan*
  - [GunFacts '21]
    - ❑ In Japan, the total murder rate is almost 1 per 100,000. In the U.S, there are about 3.2 murders per 100,000 people each year by weapons other than firearms. This means that even if firearms in the U.S. could be eliminated, the U.S. would still have three times the murder rate of the Japanese.

- **Gun control and authoritarianism**
  - ### *Dictatorships*
    - **Disarming a civilian populace makes it a lot harder for them to resist totalitarianism.**
    - [Wikipedia '21]
      - ❑ During the dictatorship of Juan Vicente Gómez, in 1914, a disarmament decree in the Federal District was enacted, and later in 1919, a disarmament law was decreed, ordering every weapon

owner to give them away to the authorities; the only exceptions were machetes and hunting shotguns. **The official justification offered was to diminish crime, but the law was ultimately used to disarm the population and to prevent possible uprisings.** Historian Manuel Caballero argued that while Gómez's final intention was to prevent his enemies from obtaining weapons, the law contributed to avoid civil wars in Venezuela for the next century.

- ❑ **In 2012 Venezuela banned private sales of firearms and ammunition hoping to lower crime rates. The army, police, and certain groups trusted by the government (colectivos) are exempted from the ban and can buy firearms from state-owned manufacturers.** In 2013 Venezuela stopped issuing new firearm licenses, and in 2017 the government banned carrying firearms in public places. The government declared that more than 15,000 firearms were confiscated in 2018. Sixty disarmament centres were created in the country and the penalty for illegal firearm possession was raised to twenty years imprisonment.

- A good paper on Nazi disarmament of the Jews
- A lot of good authoritarian gun control quotes by leaders
- Disarmament in the USSR, Nazi Germany, Cuba, Venezuela, and South Africa

- ***Modern Society***
  - **Countries without gun rights often have hate speech laws.**
  - Wikipedia '21
    - ❑ **Estonia, Indonesia, Japan, and the United States** are the only listed countries **without national hate speech laws**; and **Japan has some local regulation of hate speech**.
  - Beckford '19
    - ❑ In the UK, **a mother was arrested in front of her children and locked up for seven hours** after referring to a transgender woman as a man online.
  - Estonia came under fire from the EU for not criminalizing hate speech
  - A comprehensive article on hate speech laws in Europe

Drugs

- **The War on Drugs**
  - The Hill: Clark 18

        - **$100 billion a year** is spent waging the war on drugs globally
        - **$40 billion** of that is spent in the United States alone
        - Despite this, drug use **rose by 31%** between 2011 and 2016.
        - Illegal drug markets have expanded relentlessly to meet this growing demand, with opium and [cocaine] production rising respectively by **130% and 34%** between 2009 and 2018.
- Justice Policy Institute: McVay et al. 04
    - Among drug offenders released from prison, **41.2%** will be **re-arrested** on another drug offense.
- Center on Addiction 10
    - Approximately 65% of prison inmates in the US meet the diagnostic criteria for addiction [but] **only 11%** receive any form of treatment.
    - *"In 2005, federal, state and local governments spent **$74 billion** on incarceration, court proceedings, probation and parole for substance-involved adult and juvenile offenders and **less than 1%** of that amount ($632 million) on prevention and treatment for them"*
- Skywood Recovery: O'Leary 18
    - Approximately **95%** of incarcerated addicts will **return to substance abuse** after their release from prison.
    - **60% to 80%** of them will **commit new crimes.**
    - Others will become addicted while in prison due to access to **smuggled drugs.**
    - There have been a number of reports of individuals **dying from severe withdrawal** while in prison.

- **Decriminalization**
    - DPA '15 (easier to read)
        - An empirical analysis of drug decriminalization in Portugal
        - As a result of decriminalizing all drugs, Portugal experienced:
            - [ ] No major increase in **overall drug use**
            - [ ] Reduced problematic and **adolescent drug use**
            - [ ] Reduced **drug-induced death**
            - [ ] More people receiving **drug treatment**
            - [ ] **18% reduction** in the **social costs** of drug misuse (legal and health related)
            - [ ] The European Union also confirmed in 2013 that countries like Portugal that have decriminalized drug possession, have not experienced any increases in monthly rates of use and in fact tend to have lower rates than countries with strict drug laws
            - [ ] Separate informational piece - Drug Policy Alliance: notes also that overdose deaths **decreased by over 80%**

- Shone '21
    - The main aim of Portugal's shift in policy was to help those suffering with addiction to heroin, who were dying at an unprecedented rate. In 2001, over 1,000 drug-users were diagnosed with HIV in Portugal, and a further 568 were diagnosed with AIDS. By 2012, those numbers had fallen dramatically, to 56 and 38, respectively. It now also boasts one of the lowest rates of overdose deaths in the world; 2.5x less than Spain, 10x less than the UK and 31x less than the US.
- Choo et al. '14
    - This study Looks at adolescent marijuana use before and after legalisation of medical marijuana:
    - *'There were **no statistically significant differences in marijuana use before and after policy change for any state pairing**. In the regression analysis, we did not find an overall increased probability of marijuana use related to the policy change.'*
- Gallup '19
    - In 2019, **66% of Americans said "Cannabis should be made legal."**

- **Benefits of Legalizing Drugs**
    - Cato '10
        - This report estimates that legalizing drugs would save roughly $41.3 billion per year in government expenditure on enforcement of prohibition. Of these savings, $25.7 billion would accrue to state and local governments, while $15.6 billion would accrue to the federal government.
        - Approximately $8.7 billion of the savings would result from legalization of marijuana and $32.6 billion from legalization of other drugs.
    - Gross, Duke '96
        - About $50 billion a year could be saved if drugs were legalized, and this figure could go as high as $150 billion a year if one considers the resources spent on ineffective drug suppression activities. Drug legalization could increase property values in cities.
        - If the illicit drug business no longer existed in cities, streets and schools would become safer. About one-third of inmates would not be in prison if it were no longer a crime to possess or traffic in illicit drugs. Further, if drugs were legalized, dangers to public health from using heroin, cocaine, and marijuana would be greatly reduced since legalizing drugs would likely reduce the use of harmful drugs.
        - Because the drug market is already saturated with a combination of legal and illegal drugs, however, virtually everyone who wants to get "high" already does so. The authors conclude that, considering all benefits and costs, the case for drug legalization is overwhelming.

Immigration

The libertarian ideology (for the most part) supports immigration as it has a positive effect on the economy of a capitalistic society. It also is a moral requirement for the state not to hinder freedom of movement for peaceful individuals. However, immigration in a statist society may have political issues, and private property owners can morally restrict immigration via property rights.

- **Crime**
  - FEE: Nowrasteh '15
    - Census Data
      - In 2010, **10.7** percent of native-born men aged **18-39** without a high school degree were incarcerated compared to **2.8** percent of Mexican immigrants and **1.7** percent of Guatemalan and Salvadoran immigrants.
      - *"The disparity in incarceration rates has existed for decades… **incarceration rates of the native-born were anywhere from two to five times higher than that of immigrants."***
    - Macro-Analysis
      - 159 cities at three dates between 1980 and 2000: **crime rates and levels of immigration are not correlated** (Ousey and Kubrin)
      - 111 US cities with populations of at least 5,000 Hispanics and **found no statistically significant findings**. (Martinez 2008)
      - 150 Metropolitan Statistical Areas (MSAs) and found that **levels of recent immigration had a statistically significant downward effect on homicide rates but no effect on property crime rates.** (Reid et al. 2005)
  - Ewing et al. '15
    - The violent crime rate declined by **48%** and the property crime rate by **41%** during the period of **1990 to 2013**, while the undocumented population more than **tripled from 3.5 million to 11.2 million**.

        - Correlation =/= causation, but the seemingly negative relationship between immigration and crime certainly suggests that, at the very least, **more immigrants will likely not bring an onslaught of crime**
    - Light & Miller 18 (non-paywall)
        - Longitudinal analysis of the **relationship between illegal immigration and violent crime**, using data from a variety of sources that covers all 50 US states from 1990-2014
            - Violent crime here is considered to be homicide, aggravated assault, robbery, and rape
        - Finds that the **relationship between illegal immigration and violent crime is generally negative**
        - Suggests that **common explanations for this relationship don't have much evidence**: "*Using supplemental models of victimization data and instrumental variable methods, we find little evidence that these results are due to decreased reporting or selective migration to avoid crime.*"
    - Gunadi 2020
        - Specifically deals with DACA and local crime rates
        - "Thee results of this analysis show **no evidence that DACA statistically significantly affected the incarceration rate of undocumented youth**. Furthermore, [..] implementation of DACA is not associated with a **statistically significant change in violent crime rate."**
        - "However, there is evidence that the enactment of **DACA is associated with lower property crime rates.** An increase of one DACA application approved per 1,000 population (~1 S.D. increase) is associated with **1.6% decline in overall property crime rate.** Further analysis shows that this reduction is driven by the decline in burglary and larceny rates."
    - Data provided by the American Civil Liberties Union:
        - "Data obtained through a FOIA lawsuit by the Center for Constitutional Rights (CCR), the National Day Laborer Organizing Network (NDLON), and the Cardozo Law School show that from the date of S-Comm's activation until April 2010, in some localities—including Maricopa County, Arizona, and Travis County, Texas—**the proportion of individuals arrested and deported under S-Comm who had no criminal convictions at all were dramatically higher than the national average.**"
        - "**ICE's own data**—obtained through the above-mentioned FOIA lawsuit—**show that nationwide, just over a quarter (26%) of all those deported** under S-Comm from the program's start in 2008 to June 2010 **were classified by ICE as "non-criminals," meaning they had no**

criminal convictions. 79% of those deported were either non-criminals or were picked up (and not necessarily charged or convicted) **for lower level offenses. Only 21% were charged with or convicted of a serious felony.**"

- **Jobs and Wages**
  - Brookings: Hoban '17
    - Immigrants are **highly skilled and necessary** to the job market
    - College graduates are more prevalent among recent immigrant adults than among all adults in **90 of the 100 largest metropolitan areas.**
  - National Bureau of Economic Research: Kerr '16 (cited)
    - Immigrants contribute to **entrepreneurship and innovation greatly**
    - Immigrants constitute **15%** of the general U.S. workforce, but they account for around a **quarter of U.S. entrepreneurs**
    - This immigrant share of entrepreneurship has been **increasing dramatically since the mid-1990s**
  - New American Economy Factsheet:
    - Key Takeaways:
    - **93.3%** of the over **1,250,000** DACA eligible population is employed
    - **90%** of the undocumented population is working age and **86.6%** of males are working
      - This is compared to **80%** of the foreign born population and **62.2%** of the native-born population
  - WIENS '14
    - immigrants are **twice as likely to become entrepreneurs** and that number is going up. A quarter of engineering and technology companies started in the United States between 2006–2012 had at least **one key founder who was an immigrant.** Immigrant startups **hire over 500,000 in America and they generated $63 billion in sales** in 2012. Immigrant founders from top venture-backed firms have created an average of approximately **150 jobs per company in the United States**
  - National Bureau of Economic Research: Ottaviano & Peri '06
    - **National Bureau of Economic Research** paper on the effects immigration has on wages in the United States
    - Study contends **previous analyses** on the relationship between immigration and wages **falsely assumed perfect labor substitutability between immigrants and native workers** of similar education levels, distorting results
    - Research shows average American wage **RISES due to immigration**, both short-term and long-term

- **Only native demographic whose wages drop are High School dropouts** who suffer a decrease in wages of approximately **~2% short-term, alleviating to ~1.1% over time.**
- Study finds **new immigration does severely impact wages of prior immigrants**, suggesting **lack of substitutability with *natives**.
- Overall, **vast majority of American workers' wages increase from immigration**, High School dropouts (<10% of population) experience a slight **decrease which alleviates with time** (and there is evidence that immigration **[may increase native High School graduation rates]**, too).

- [Ortega & Verdugo '14] ([non-paywall])
  - **Similar research to the above paper**, except conducted on the **French labor market.**
  - Findings are **near-identical**; immigration leads to **across-the-board wage increases** for all except a **small minority of low-education native workers**.
  - Reaffirms conclusion that there is **low substitutability between native workers and immigrant workers**.
- [Card 90]
  - Famous research on the **Mariel Boatlift** and the impact of a **wave of Cuban immigrants (mostly low-skilled)** on the economy of **Miami**.
  - Research found essentially **no impact on native wages**, even for **low-skilled workers**, despite the Mariel Boatlift **increasing Miami's labor force by seven percent.**
  - Even **former Cuban immigrants** didn't seem to be affected.
- [National Academies of Sciences, Engineering, and Medicine '16]
  - When measured over a period of 10 years or more, **the impact of immigration on the wages of native-born workers overall is very small**. To the extent that negative impacts occur, they are most likely to be found for prior immigrants or native-born workers who have not completed high school—who are often the closest substitutes for immigrant workers with low skills.
  - **There is little evidence that immigration significantly affects the overall employment levels of native-born workers**. As with wage impacts, there is some evidence that recent immigrants reduce the employment rate of prior immigrants. In addition, recent research finds that immigration reduces the number of hours worked by native teens (but not their employment levels).
  - Immigration has an overall positive impact on long-run economic growth in the U.S.

        - Some evidence on inflow of skilled immigrants suggests that **there may be positive wage effects for some subgroups of native-born workers, and other benefits to the economy more broadly**.
    - Ojeda '09
        - Report which investigates the effects of the "The Immigration Reform and Control Act of 1986" (IRCA) which led the way to the **legalization of over 2.7 million undocumented immigrants within five years.**
        - Finds that when the Department of Labor reported over the four year period following legalization (1988-1992) of undocumented immigrants, that **the mean hourly wages of the general U.S. worker grew by 15%. (16.1% for the mean hourly wage of a U.S. citizen worker)**
        - Keep in mind, that legalization occurred at the same time in a period when the U.S. unemployment rate rose from 5.3% to 7.5%
        - "Almost immediately, **IRCA-based legalization had the effect of giving rights to more workers, raising the low wage floor of the economy, reducing the demand for easily exploitable immigrants, and reducing illegal crossings and apprehensions**. (-- without huge expenditures on a border wall)."
    - Stefano Longhi '09
        - A meta-analysis of 7 studies found that there is **no significant effect caused by immigration on native employment and native wages.**

- **Taxes and Social Security**
    - Institute on Taxation and National Economic Policy (ITEP) 13
        - Undocumented Immigrants paid an estimated **$10.6 billion to state and local taxes in 2010**
        - Allowing undocumented immigrants to work in the United States legally would increase their state and local tax contributions by an **estimated $2 billion a year**
    - Social Security Administration (SSA) 13
        - Undocumented Immigrants paying an estimated **$12 billion a year into Social Security with no intention of ever collecting benefits**
            - ❑ *"We estimate that earnings by unauthorized immigrants result in a net positive effect on Social Security financial status generally, and that this effect contributed roughly **$12 billion to the cash flow of the program for 2010.** We estimate that future years will experience a continuation of this **positive impact on the trust funds."***
    - New American Economy Factsheet:
        - Key Takeaways:
        - **$100 billion SSA surplus was generated** by undocumented immigrants in the last decade

        - **$35.1 billion Medicare surplus** was generated by undocumented immigrants from 2000-2011
    - National Academies of Sciences, Engineering, and Medicine '16
        - In terms of fiscal impacts, first-generation immigrants are more costly to governments, mainly at the state and local levels, than are the native-born, in large part due to the costs of educating their children. However, as adults, **the children of immigrants (the second generation) are among the strongest economic and fiscal contributors in the U.S. population, contributing more in taxes than either their parents or the rest of the native-born population**.
        - Over the long term, the impacts of immigrants on government budgets are generally positive at the federal level but remain negative at the state and local level — but these generalizations are subject to a number of important assumptions. Immigration's fiscal effects vary tremendously across states.

- **Public Benefits of Immigration**
    - CATO: Ku and Bruen '13
        - Poor immigrants use public benefits **at a lower rate than** poor native-born citizens
        - **MEDICARE/MEDICAID**
            - More than one quarter of native citizens and naturalized citizens in poverty receive Medicaid, but only about **one in five non-citizens do so.**
            - Immigrants who receive Medicaid or CHIP tend to have lower per beneficiary medical expenditures than native-born people
        - **SUPPLEMENTAL NUTRITION**
            - 33% of native citizens, 25 percent of naturalized citizens, and 29 percent of non-citizens **received SNAP benefits in 2011**
        - **SSI / INCOME**
            - SSI receipt **was higher for native and naturalized citizens** than non-citizen immigrants.

- **Economic Growth Caused by Immigration**
    - Oxford: Goldin et al. '18
        - Even from a *neoliberal* perspective, **immigration benefits capitalist economies**
        - Strong positive effect on GDP per capita as **75% of migrants are working age**
        - Migration **increases the rates of innovation** within a capitalistic economy
            - over **40% of global patent applications** are filed by immigrants
        - Also **increases total worker output** by adding workers
    - University of Pennsylvania: Budget Model 16

        - **Extensive summary** on the **effects immigration has on the US economy,** with sources
        - "While some policymakers have **blamed immigration for slowing U.S. wage growth** since the 1970s, most **academic research finds little long run effect on Americans' wages"**.
        - "The available evidence suggests that **immigration leads to more innovation, a better educated workforce, greater occupational specialization, better matching of skills with jobs, and higher overall economic productivity".**
        - "Immigration also has a **net positive effect** on combined **federal, state, and local budgets**".
        - "Economists generally agree that the **effects of immigration on the U.S. economy are broadly positive**".
    - OECD 14
        - **Migrants accounted for 47% of the increase in the workforce in the United States**
        - Migrants **fill important niches** both in fast-growing and declining sectors of the economy
        - Migrants contribute significantly to **labor-market flexibility**
        - Migrants **contribute more in taxes and social contributions** than they receive in benefits
        - Migration boosts the **working-age population**
        - Migrants arrive with skills and contribute to **human capital development** of receiving countries
        - Migrants also contribute to **technological progress**

- **Deportation**
    - New American Economy Factsheet
        - Mass deportation of illegal immigrants would result in a:
            - [ ] **6.4%** shrink in the labor force
            - [ ] **5.7%** shrink in the economy
            - [ ] **$1.6** trillion reduction in GDP
            - [ ] **$409** billion direct cost to the federal government
    - Gitis & Collins '15 (evidence cited for source above)
        - the budgetary and economic implications of alternative strategies to addressing undocumented immigrants.
        - **$400 billion to $600 billion** to address the 11.2 million undocumented immigrants and prevent future unlawful entry into the United States.
        - In turn, this would shrink the labor force by 11 million workers and reduce real GDP by $1.6 trillion.

        - Depending on how the government conducts its apprehensions, it would need to spend **$100 billion to $300 billion arresting and removing all undocumented immigrants** residing in the country, a process that we estimate would take 20 years.
        - As a result [of the labour shrinkage], **20 years from now the economy would be nearly 6 percent or $1.6 trillion smaller than it would be if the government did not remove all undocumented immigrants.**
    - Miles & Cox '14
        - "The first empirical analysis of the most important deportation initiative to be rolled out in decades" finds that a deportation initiative program called "Secure Communities" working through more than 3,000 U.S. counties which affected more than 250,000 illegal immigrants "**led to no meaningful reductions in the FBI index crime rate. Nor has it reduced rates of violent crime—homicide, rape, robbery, or aggravated assault. This evidence shows that the program has not served its central objective of making communities safer."**
    - Theodore '13
        - "A randomized telephone survey of 2,004 Latinos living in the counties of Cook (Chicago), Harris (Houston), Los Angeles, and Maricopa (Phoenix) was conducted to assess the impact of police involvement in immigration enforcement on Latinos' perceptions of public safety and their willingness to contact the police when crimes have been committed." They find that "**45 percent of Latinos stated that they are less likely to voluntarily offer information about crimes, and 45 percent are less likely to report a crime because they are afraid the police will ask them or people they know about their immigration status**." They also find that "**70 percent of undocumented immigrants reported they are less likely to contact law enforcement authorities if they were victims of a crime.**"
    - Police Foundation: Amendola et al. '08 (cited)
        - A national survey of 54 police chiefs made by the Police Foundation finds that **85%** of police chiefs believed "**that aggressive enforcement of immigation law would have a negative impact on community relationships by decreasing reporting of crime victimization"** While **83%** felt the same for its impact on resulted **decreased reporting of criminal activity**. In addition, **67%** of police chiefs believed **that it would also have a negative impact on communities by weakening criminal investigations.**
    - Migration Policy Institute: Capps et al. '11
        - A report on the effects of 287(g) State and Local Law Immigration Enforcement finds that among **the effects of the deportation program**

was immigrants “having a reluctance to report crimes” due to distrust and fear of authorities.

- Fellow & Lum '13: (And a very good news source for elaboration)
  - One of the most pivotal findings from a report on transnational criminal organizations and Central American gangs finds that one of the most infamously known gangs, MS-13, “is actively seeking to expand its presence around Latin America and Europe through a variety of methods” which primarily included “**seeking deportation to countries where they do not yet have a presence in order to begin forming new structures**.” Where they “would falsely declare one of those countries as their country of origin when arrested and facing deportation from the United States or elsewhere. Since gang members seldom have travel documents, authorities cannot prove an individual is not from the country he declares as his point of origin. **Some of the deportations are reported to be deliberately planned as a way for a selected MS--13 member to obtain a ‘free ride’ to a specific country**.” Through targeting deportations, the gang is able to deepen their influence through gathering more recruits and resources across countries, only later to come back to the US even bigger than before, and a vicious cycle is born.

- **Diversity and Social Cohesion**
  - Meer & Tolsma '14
    - Enormous meta-analysis of **90 cross-sectional studies analyzing relationship between diversity & social cohesion.**
    - Vast majority of studies on the subject **fail to prove the relationship between two variables.**
    - In fact, study finds positive relationships between **inter-ethnic contact & trust in ethnically heterogeneous communities.**
    - Only contrary data shows small-scale (intra-neighborhood) **trust suffers with ethnic heterogeneity** in some circumstances, and even then only in America.
    - Plurality of data does not support - and largely **contradicts - assertion that diversity hurts social cohesion.**
  - Glaeser et al. '2k
    - Study which tested around **200 students in a trust based experiment and compared results** from diverse groups and homogenous groups .
    - Finds **no statistically significant negative relationship** between diversity and social cohesion.
  - Nai et al. '18
    - Study examining a range of **experiments meant to gauge the relationship between diversity and social cohesion.**
    - Study finds all of the experiments found a **positive relationship between diversity and social cohesion.**

    - Proposed mechanism is that diversity causes people to identify more **broadly with humanity, increasing sociability.**
  - Williamson '08
    - Longitudinal study comparing the change in social cohesion over time in an area which **experienced a large increase in diversity with a comparative control which didn't.**
    - The two areas did not differ significantly in how their levels of social cohesion changed over time, suggesting the increased **level of diversity had no statistically significant impact on social cohesion.**
  - Ziller '14
    - Another longitudinal study analyzing changes in trust in **22 European countries between the years 2002 and 2010.**
    - Study suggests immigration often leads to decrease in social trust, but **results were heavily affected by ethnic polarization & economic stability.**
    - With low polarization and a good economy, immigration was shown to **actually increase social trust.**
    - Results suggest it isn't the diversity of immigrants which lessens trust, but **rather the economic and political context in which they arrive.**
  - Lymperopoulou '19
    - "Immigration and Ethnic Diversity in England and Wales Examined Through an **Area Classification Framework"**
    - Examines the complexities of diversity's impact (both positives and negatives) on social cohesion
    - "In the UK, studies have generally shown that it is area **deprivation and not ethnic diversity which erodes social cohesion** (Letki 2008; Laurence 2011; Becares et al. 2011; Sturgis et al. 2011)." [pg. 830]
    - "Traditional ethnic minority settlement areas with high socio-economic diversity and high migration rates for migrants of different nationalities and migration streams are associated with **higher levels of social cohesion and inter-ethnic social mixing**." [pg. 843]
    - "Improvements in the economic circumstances of local populations, and investments in resources in local areas such as housing, will minimize perceptions of competition for resources **and improve community relations.** In the long-term, **increases in ethnic diversity are likely to promote contact, tolerance and understanding and improve social cohesion** (Laurence and Heath 2008)."

Prostitution

- **Criminilzation of Sex Work Negative Effects**
    - POS Medicine - Platt et al. '18 (cited here)
        - HUGE **META-ANALYSIS** of **130 studies** on **33 countries** on the legalization and policing of sex work and workers.
            - Studies were published in scientific journals between 1990 to 2018.
        - It showed that in contexts of criminalisation, the threat and enactment of police harassment, repressive policing, and arrest of sex workers or their clients:
            - increased risk of sexual/physical violence from clients or other partners across 9 studies and 5,204 participants.
            - **displaced sex workers** into isolated work locations
            - **Disrupted peer support networks** and service access
            - **limited risk reduction** opportunities.
            - **discouraged** sex workers from obtaining and carrying methods of safe sex
            - **exacerbated existing inequalities** experienced by transgender, migrant, and drug-using sex workers.
        - In cites: *"Those of us who work on the street are running from the police, pushed into more isolated areas because clients are **fearful of arrest**" ~ Niki Adams of English Collective of Prostitutes*
    - https://commons.emich.edu/cgi/viewcontent.cgi?article=1230&context=theses
    - https://www.eurekalert.org/pub_releases/2017-12/oupu-dpc121917.php

---

- **Benefits of Decriminlizing Prostitution**
    - Gunderson '18
        - Findings revealed that the decriminalization of prostitution led to a 40 percent decrease in female gonorrhea incidence and a 30 percent decrease in reported rape offenses.
        - From 1999 to 2003, the rate of reported rape offenses in Rhode Island was about the same as it was in the rest of the country. However, during the period when indoor prostitution was legal, the rate of reported rape offenses fell below both historical rates in Rhode Island and the average rates in the U.S.
    - Lopez '15
        - After Germany loosened its anti-prostitution laws in 2002, prosecutions and convictions for sex trafficking, began to steadily drop. Another report found that, "Criminalizing prostitution makes sex trafficking more likely." For example, "After legalizing prostitution in 2003, New Zealand found 'no incidence of human trafficking.' Moreover, legalization made it easier for sex workers to report abuse and for police to prosecute sex crimes."

Death Penalty

A doc on why the death penalty is bad

Libertarianism, a la self ownership, is opposed to giving the power to the state to take life of an individual (see here)

- **The Death Penalty Fails to Deter Crimes**
  - Radelet & Lacock '09
    - Looks at the opinions of leading **criminologists on the topic of the death penalty** detering murder
    - **88.2% of the respondents said no to the question**: *"Do you feel that the death penalty acts as a deterrent to the commitment to murder—that it lowers the murder rate, or not?"*
    - In 1996, **83.6% said no to that question, so consensus has been consisten**t
  - https://www.huffpost.com/entry/does-the-death-penalty-re_b_13362760
    - "We found that among the **25 states with the highest murder rate, 20 have the death penalty"**
    - "Among the 25 states with low murder rates, **11 have the death penalty"**
  - https://deathpenaltyinfo.org/facts-and-research/murder-rates/murder-rate-of-death-penalty-states-compared-to-non-death-penalty-states
    - "The murder rate in non-death penalty states has remained consistently **lower than the rate in states with the death penalty, and the gap has grown since 1990**"
    - "During the last 20 years, the homicide rate in states with the death penalty has been 48% **- 101% higher than in states without the death penalty"**
  - https://deathpenaltyinfo.org/news/study-international-data-shows-declining-murder-rates-after-abolition-of-death-penalty
    - Examined murder rates in **11 countries that have abolished capital punishment**
    - Finds that ten of those countries experienced a **decline in murder rates in the decade following abolition**
  - https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1745-9125.1994.tb01148.x

        - Looks at **Oklahoma**, where the death penalty was abolished then put back in
        - **Finds death penalty is not a deterrent**
    - http://users.nber.org/~jwolfers/papers/DeathPenalty(SLR).pdf (cited)
        - Suggets that the **deterrence argument should be taken out of the death penalty debate**
    - https://files.deathpenaltyinfo.org/documents/pdf/CostsRptFinal.f1560295688.pdf
        - A poll of police chiefs rank **the death penalty at the bottom of their priorities for safer societies**
        - They say the death penalty in the U.S. is an enormously expensive and wasteful program with **no clear benefits**
    - Zimring, Fagan, & Johnson '10
        - **Study in Hong Kong** (who abolished the death penalty in the 90s) and **Singapore** (who increased use of it)
        - Finds **no detectable effect on crime** with use of death penalty

---

- **The Death Penalty is Expensive**
    - https://files.deathpenaltyinfo.org/legacy/documents/deathpenalty.pdf
        - In Tennessee, **death penalty trials cost an average of 48% more than the average cost of trials** in which prosecutors seek life imprisonment
    - https://pdfs.semanticscholar.org/2981/5daf99ef101a39609de843bbf7f2d3659563.pdf
        - In Kansas, the estimated cost of a death penalty case was **70% more than the cost of a comparable non-death penalty** case
        - Death penalty case costs were counted through to execution **(median cost $1.26 million)**. Non-death penalty case costs were counted through to the end of incarceration **(median cost $740,000)**
    - https://www.urban.org/research/publication/cost-death-penalty-maryland/view/full_report
        - In Maryland, death penalty cases cost **3 times more than non-death penalty cases**, or $3 million for a single case
        - It cost the taxpayer at least **$37.2 million for each of just five executions** since the death penalty was re-enacted in 1978
    - https://digitalcommons.law.scu.edu/cgi/viewcontent.cgi?article=1000&context=ncippubs
        - In California, the current system costs **$137 million per year**
        - It would cost **$11.5 million for a system without the death penalty**
    - https://scholarlycommons.susqu.edu/cgi/viewcontent.cgi?article=1026&context=supr
        - On average, across all 50 states, a death row inmate **costs $1.12 million more than a general population inmate**

- https://deathpenaltyinfo.org/news/pennsylvania-death-penalty-costs-estimated-at-350-million
    - The cases of the 185 people on Pennsylvania's death row is estimated to **cost $351.5 million**
- https://files.deathpenaltyinfo.org/legacy/documents/CookCostRpt.pdf
    - North Carolina: "Thus abolition of the death penalty would have **reduced state expenditures on murder cases by about $10.8 million per year."**

Covid 19

- **Coronavirus Deaths**
    - JHU '20
        - John Hopkins University (Gu 2020) found that deaths prior to the covid outbreak have **remained very similar throughout all age groups, especially older people.** They also found that there has been **no excessive deaths that have came as a result of covid**
    - Klausner '20
        - This study found that somebody aged 50-64 who has a single interaction has a **1 in 852,000 chance of getting hospitalized and a 1 in 19.1 million chance of dying from it**, presuming the virus is a **lot less lethal than people have assumed it is.** And keep in mind that for people ages 50-64 whereas the number is going to be **unanimously a lot lower** for younger people
    - Bhopal '20
        - Researchers from Newcastle University and the University of Edinburgh (UK) found that at least **six times as many children died from the seasonal flu than from coronavirus** during lockdowns in the U.S.
    - CDC '19
        - Just **6%** of COVID-19 deaths have the virus **as the only cause mentioned,** according to the CDC. **94%** of those who died from coronavirus also had other "health conditions and contributing causes."
        - "For deaths with conditions or causes in addition to COVID-19, on average, there were **2.6 additional conditions or causes per death.**"
        - These conditions include influenza & pneumonia, respiratory failure, hypertensive disease, diabetes, and vascular & unspecified dementia.

- **Coronavirus Contagion**
    - Cao et al. '20

        - This studied the effects that asymptomatic individuals with COVID-19 had on the probability of others to contract the virus and found that there were **no new covid deaths after thousands of asymptomatic people were put in close proximity of people who don't have covid**

- **Coronavirus Lockdowns (**Be sure to be aware of the dates of these studies)
    - Bjørnskov '21
        - Comparing weekly mortality in 24 European countries, the findings in this paper suggest that more severe lockdown policies have not been associated with lower mortality. In other words, the lockdowns have not worked as intended.
    - Heine '20
        - Covid lockdowns are ten times **deadlier than virus itself**- "The results are nothing short of staggering, and suggest that the lockdowns will end up costing Americans over **10 times as many years of life as they will save from the virus itself." (NOTE:** old study)
    - Bendavid '21
        - "...we fail to find an additional benefit of stay-at-home orders and business closures."
        - "The data cannot fully exclude the possibility of some benefits. However, even if they exist, these benefits may not match the numerous harms of these aggressive measures."
    - Abadi '20
        - "The results of our analysis show that social distancing is a major factor in controlling COVID-19 spread. Similar to previous studies, our analysis shows that if social distancing is not adopted, death incidents are doubled every 7.49 days. However, it also shows that a strict lockdown policy is not required. Therefore, to avoid major infection outbreaks, we suggest undertaking a moderate form of a lockdown that can be tolerated by the society for longer time periods, with minimal socio-economic damage."
    - Chaudhry '20
        - "Rapid border closures, full lockdowns, and wide-spread testing were not associated with COVID-19 mortality per million people."
    - Meunier '20
        - Comparing the trajectory of the epidemic before and after the lockdown, we find no evidence of any discontinuity in the growth rate, doubling time, and reproduction number trends. Extrapolating pre-lockdown growth rate trends, we provide estimates of the death toll in the absence of any lockdown policies, and show that these strategies might not have saved any life in western Europe. We also show that neighboring countries applying less restrictive social distancing measures (as opposed to police-

enforced home containment) experience a very similar time evolution of the epidemic.

- Galton '20
  - Evidence strongly suggests that the usefulness of masks depends on a significant number of factors—type, fit, length of use, purpose, and circumstances—which are effectively impossible to account for in public universal-masking policies. The science, contrary to the ignorant platitudes we are bombarded with, has *not* proven that universal masking is effective in viral containment, and has instead provided substantial grounds for skepticism of such a policy.
- Luskin '20
  - Measuring from the start of the year to each state's point of maximum lockdown — which ranges from April 5 to April 18 — it turns out that lockdowns correlated with a greater spread of the virus. States with longer, stricter lockdowns also had larger COVID outbreaks.
- Mark '20
  - "This analysis shows that higher Covid-19 mortality rates are mostly found in countries experiencing higher life expectancies and showing a recent slowdown of this progression. Most of these developed and aging societies are latitudinally located over the 25° parallel. They also have higher GDP and chronic diseases levels (e.g., CVD and cancer) associated with major metabolic risk factors (e.g., inactive lifestyle, sedentarity, and obesity). High temperature and UV levels are associated with low death rates such that northern and western countries pay the most severe toll to Covid-19."
- ABCnews '20
  - More suicide deaths than covid ones "we've seen a years worth of suicide attempts in 4 weeks" (**NOTE:** old study)
- NPR '20
  - Double in opioid overdose fatalities this quarter compared to last year's quarter 1700 fatalities by the end of the year in Maryland alone. NPR reports it has risen overall by 18%, for comparison last year there were 67,000 deaths from it, an 18% increase would kill thousands more.
- Sundaram '20
  - "60% of pandemic business closures are now permanent"
- Sullum '21
  - "We find no evidence that the Texas reopening affected the rate of new COVID-19 cases during the five weeks following the reopening."
- Meunier '20

- “Comparing the trajectory of the epidemic before and after the lockdown, we find no evidence of any discontinuity in the growth rate, doubling time, and reproduction number trends. Extrapolating pre-lockdown growth rate trends, we provide estimates of the death toll in the absence of any lockdown policies, and show that these strategies might not have saved any life in western Europe.”
- Bjørnskov '20
  - “[There is] …no clear association between lockdown policies and mortality development.”
- Reilly '20
  - “We do not seem to know the effectiveness of the various strategies adopted by national and regional governments to respond to the disease – ranging from the advocacy of social distancing to full-on lockdowns.”
- MM '20 (around 10:00)
  - Cancer Deaths will most likely meet or surpass covid deaths due to the redirection of resources of COVID (in the UK)
- Rozmajzl '21
  - Government- and media-induced panic have blinded us to the data, which for the past thirteen months have consistently shown zero correlation between the timing, strength, and duration of mitigation measures and covid-19 incidence. Nowhere could this lack of correlation be more prevalent than among lockdowns and mask usage.
- https://www.reuters.com/article/us-health-coronavirus-children-un/u-n-warns-economic-downturn-could-kill-hundreds-of-thousands-of-children-in-2020-idUSKBN21Y2X7
  - Expected Child Deaths according to the UN
- https://www.cbsnews.com/news/coronavirus-deaths-suicides-drugs-alcohol-pandemic-75000/
  - 75,000 deaths of despair (alcoholism, drug abuse, suicides)
- https://pubmed.ncbi.nlm.nih.gov/30445391/
  - Linking social isolation to suicide
- https://jamanetwork.com/journals/jamapsychiatry/fullarticle/2764584?guestAccessKey=c40eefb2-c634-47ed-b3c3-f00b005e3cf2&utm_
  - COVID-19 and Social Isolation
- https://www.nytimes.com/2016/12/22/upshot/how-social-isolation-is-killing-us.html
  - How Social Isolation is Killing Us
- https://fee.org/articles/suicides-up-nearly-100-among-young-people-in-wisconsin-s-second-largest-county-as-medical-experts-cite-perils-of-social-isolation/
  - 100% Increase in Suicides in Wisconsin Dane County
- https://www.nationalreview.com/corner/lockdown-suicides-on-the-rise/

        - Suicide rates rising
    - https://www.cdc.gov/nchs/nvss/vsrr/drug-overdose-data.htm
        - Increasing drug overdoses
    - https://www.globalcitizen.org/en/content/domestic-violence-covid-19-increase-us-ncccj-study/
        - 8.1% increase in domestic violence
        - http://www.emro.who.int/violence-injuries-disabilities/violence-news/levels-of-domestic-violence-increase-as-covid-19-pandemic-escalates.html
            - (Worldwide increase)
    - https://jamanetwork.com/journals/jama/fullarticle/2771764
        - Extreme boost in unemployment

Abortion

The libertarian position on abortion is typically a form of evictionism. It is pretty well explained with all necessary refutations in this document here. However, here, Sean Parr argues against Walter Block's evictionism case in favor of departurism.

- **Abortion in High Demand**
    - Guttmacher Institute '20
        - From 2015-2019, there were an average of 121 million unplanned pregnancies per year, and 61% of these unplanned pregnancies resulted in abortions, resulting in about 73.3 million abortions anually.
        - This came out to an annual rate of about 39 abortions per 1000 women aged 15-49.
        - "In countries where abortion was restricted, the proportion of unintended pregnancies ending in abortion had increased compared with the the proportion for 1990–94, and the unintended pregnancy rates were higher than in countries where abortion was broadly legal."

- **Abortion Bans Are Not Effective**
    - Ahmad '20

        - "57 percent of the U.S. decline in the number of abortions from 2011 to 2017 happened in the 18 states, along with Washington, D.C., that did not enact any new abortion restrictions during those years."
    - Gideon M-K '19
        - "One study looked at abortion restrictions across the United States between 2008 and 2011. They found that, although many states had implemented restrictions that curtailed the access of abortions significantly, there was no relationship between abortion rates and any particular restrictions."
        - "Another piece of research looked at what happened in 23 US states after they passed laws restricting the access to abortion for a decade. Similarly, this study found that restrictive abortion laws didn't do anything to abortion rates, which continued their slow but steady decline."

- **Abortion Bans Are Dangerous**
    - Guttmacher Institute '19
        - 35 million women annually have abortions in unsafe conditions.
        - About 23,000 women die annually due to this, but if bans were revoked and access to safe abortions was easier, the death rate would be reduced by at least 78%, saving 18,000 lives.

Foreign Policy

Here is a great website regarding foreign policy. Libertarians view foreign intervention as violent and a violation of the self-ownership of many and a country's autonomy, and thus oppose all offensive foreign wars.

- **Death Toll of Interventionism**
    - Crawford '18
        - This study found that between 2001 and 2018, American wars in Afghanistan killed between 244-267 thousand civilians.
        - In addition, they also cost the lives of around 125,000 US and allied troops, and a little under 1,000 journalists and humanitarian workers.
        - The total death toll of the wars was around 480-507 thousand people.

- **Negative Effects of Foreign Aid**

- Vásquez '17
  - Analyses of cross-country data in this paper provide evidence that higher aid levels erode the quality of governance, as measured by indices of bureaucratic quality, corruption, and the rule of law. Indeed, a comprehensive study by economists for the National Bureau of Economic Research found no relationship between aid and growth.
  - Raghuram Rajan and Arvind Subramanian found "little robust evidence of a positive (or negative) relationship between aid inflows into a country and its economic growth."

Political Theory

The Case for Right-Anarchy

- **Right-wing anarchism, self ownership, and property**
  - Anarchy is Property '21
    - Given self-ownership and private property, it is unethical to violate self-ownership and private property. Given that theft and rights violations are immoral, we should not engage in them. We are obligated, therefore, to respect natural rights, and establish a voluntaryist society. A voluntarily funded, peaceful "state", is acca to keep crime low. Courts would be less prone to bribery and miseptable, as is anarchy, but a mandatorily funded minarchist state is not.
      - Anarchist Bonfire - First Principles and Minarchism

- **How Anarcho-Capitalism could work**
  - Anarchy is Property '21
    - How would anarcho-capitalism not? All 3 major industries: police, military, and courts, would be competitive. Competitive services are higher quality, cheaper, and more accountable than monopolized state services. And no, state services are no more benevolent than private ones. Private police will be cheap, easily affordable, and there will be incentive to pursue all criminals in an arejudgement. In a situation of foreign aggression, defense services would be incentivized to work together (we will still have the incredibly powerful defense infrastructure of today), and historically, private defense has been superior to public defense. This is ignoring the sheer unlikeliness of foreign attack.

        - The superiority of competitive services applies to every other industry as well.
    - Rothbard - For A New Liberty
    - Rachels - A Spontaneous Order
    - Friedman - The Machinery Of Freedom
    - Murphy - Chaos Theory
    - A good doc on this
    - “But muh roads”
    - https://www.peterleeson.com/Efficient_Anarchy.pdf

- **Private police**
    - Joseph '00
        - Smaller scale private security arrangements are also effective. Critical Intervention Services (CIS) provides private security to landlords who own apartment complexes priced to attract low-income tenants. Since CIS began offering service in Tampa, Florida, in 1991, it has received many more requests than it can serve, but it has expanded into Miami, Jacksonville, and Orlando. Revenues grew from $35,000 to roughly $2 million in 1996. The firm provided security for 50 apartment complexes that year, and crime dropped by an average of 50 percent.
    - Zedlewski ‘92
        - A comprehensive 1992 statistical study using data from 124 Standard Metropolitan Statistical Areas in an effort to analyze the effect of both public police and private security on the overall safety of communities and on decision-making by offenders. The addition of public police showed no statistically significant deterrence, but the result of private security was significant. Additional private security personnel correlated with less crime, suggesting that the benefits spill over into the community at large.
    - Camber ‘18
        - Britain's first 'private police force' has caught 400 criminals with a 100 percent conviction rate after taking on cases regular officers are too busy to look at.
    - Williams '20
        - As of January 2020, crime rates came down 43% in Woodford, East London, since private firm My Local Bobby began patrols there May 2019.
    - Khan '17
        - When New York police officers temporarily **reduced their “proactive policing”** efforts on low-level offenses, **major-crime reports in the city actually fell**, according to a study based on New York Police Department crime statistics.

- Steven's '00
  - **The inefficiency of public police:**
    - Less than 5 percent of all calls dispatched to police are made quickly enough for officers to stop a crime or arrest a suspect.
    - "In most states the government and police owe no legal duty to protect individual citizens from criminal attack. The District of Columbia's highest court spelled out plainly the "fundamental principle that a government and its agents are under no general duty to provide public services, such as police protection, to any particular individual citizen."
    - A Massachusetts statute spells out the rule there: the government has no legal duty "to provide adequate police protection, prevent the commission of crimes, investigate, detect or solve crimes, identify or apprehend criminals or suspects, arrest or detain suspects, or enforce any law."
  - G.R. '15
    - In New Orleans, it **often takes an hour** for police to arrive on the scene.
    - It is even worse in Detroit: a television host there was able to check a house for intruders, visit McDonalds twice, take a bath, and read to a child in the **four hours** it took public police to arrive after 911 was called.
  - KBP '13-'20
    - From 2014-2017, 1100 citizens were killed by public police annually.
  - Deangelis '18
    - The system of policing in the United States is largely failing US citizens by providing low-quality services. **Police response times are slow**, and, even more importantly, **government police officers are frequently shown to be abusing their power (Lewis 1999).**
    - Evidence suggests that private-police groups such as the Bow Street Runners were effective. London's Old Bailey Proceedings (2015) indicate that the Bow Street Runners improved detection rates and decreased crime. News outlets such as the BBC have contended that "the Bow Street Runners proved to be very effective" in that crime rates fell and conviction rates increased. In addition, the BBC claimed that "the success of the Bow Street Runners led to other initiatives" increasing private protection such as the Middlesex Justices Act of 1792 and the origin of the River Thames Police in 1798.

- Detroit police have issued public statements saying that since the city is so dangerous, visitors must "enter at [their] own risk." Perhaps because of the inability of the government police force to keep Detroit safe, private security agencies, such as Threat Management Center, have emerged. The founder of Threat Management Center, Dale Brown, has frequently pointed out that his employees are **highly trained to use negotiation and de-escalation tactics based on knowledge of human psychology, rather than force**, to de-escalate otherwise violent situations. He has also discussed how he **provides security services for free**, even with his company's currently strong monopoly power, **to those that are unable to afford the services, as well as senior citizens and victims of domestic violence and stalking**. In addition, **none of the employees have been killed, and none of his customers have been injured or killed** since the company's inception over twenty years ago. Dale Brown also claims his **services have reduced violent crime by 90 percent in some neighborhoods.**
- In addition, current government regulation could mean high barriers to market entry for private police firms even if public funding were to be made available (Meehan and Benson 2015; Stenning and Cornish 1975).

- **Private Military**
  - Chaos Theory: Robert Murphy
    - 1. One of the biggest benefits of having defense provided on the free market is that market forces help push for stronger and stronger defense (not perfect). Specifically, private militias would have an incentive to continuously compete with others to figure out better and better ways to defend people in order to attract customers and stay in business.
    - 2. Another major benefit of having defense provided on the free market is that the process is self-correcting. This is because those in search of a private militia have an incentive to go to private militias that do the best job of defending people, which means that private militias that engage in abusive conduct will lose customers to private militias that don't abuse their power and likely be outcompeted by them. Basically, this means that unlike the military in a statist society (where bad decisions do not result in a loss of money, the firing of soldiers, or military divisions going out of business), private militias that engage in undesirable conduct or fail to adequately protect others will be punished (they will lose money, the individuals responsible will be fired, and if nothing changes, the private

militias will likely go out of business) while private militias that engage in desirable conduct will be rewarded (they will get money and not go out of business).

- In the words of Robert Murphy:
    - “In a situation comparable to the Battle of Stalingrad, the anarchist community would respond in the most efficient manner humanly possible. Insurance companies would determine the relative value of various military targets, and place bounties on them (for capture or elimination). Individuals left to their own spontaneous devices would try various techniques to produce this “service.” Some might buy tanks and hire men to attack the Germans head-on; others might hire sharpshooters to snipe at them from afar. Some might buy mortars and shell them. Some might hire propagandists and offer bribes to lure defectors. Over time, only the best defense firms would survive. They would expand their operations, increasing the overall efficiency of the war effort. Because they would be operating in a system of property rights, they would need to purchase all of their resources, including labor. This would ensure that the resources were being used as effectively as possible. (For example, those areas on the front in urgent need of soldiers or ammunition would bid up their wages or prices, avoiding the arbitrariness of government troop deployment and supply.) Even if—to reduce transaction costs and maximize response time—a single firm monopolizes the defense of a region, the firm could still engage in internal cost accounting and calculate the profitability of its various branches. Perhaps more important, free competition would ensure that technological and strategic advances were rewarded and quickly implemented. In contrast, a government military must rely on a bureaucratic chain of command where innovation, especially from outsiders, is stifled. In a very real sense, a military confrontation between a statist and a free society would be a war of a few minds versus millions.”

- McMaken '20
    - Many militias were independent of a centralized state militia system and functioned largely as private entities. They elected their own officers, were self-funded, and trained on their own schedules. Although they were ostensibly commanded by the state governors, **this system of functionally private militias became an established part of daily life for many Americans.** These were local volunteer militias with names like the “Richardson Light Guard,” the “Detroit Light Guard,” or the “Asmonean Guard.” They were essentially private clubs composed of gun owners who

were expected to assist in keeping law and order within the cities and towns of the United States.

        - Contemporary National Guard troops and local police forces are clearly inadequate to provide safety and security for private homes and businesses. Half of the nation's violent crimes remain "unsolved" as police focus on petty drug offenses rather than homicides. Meanwhile—as happened in both Ferguson and Kenosha—National Guard troops focus their protection on government buildings while private businesses burn.
    - Sechrest '19
        - In the case of the United States, it is interesting to compare the record of the public warships with that of the privateers. During the Revolutionary War, the **ships of the Continental Navy took 196 British prizes**, while the **privateers took at least 600 (Maclay 1899, p. viii)**. Moreover, as the war progressed, the number of privateers increased from **136 in 1776** to **449 in 1781** before declining to **323 in 1782**. During those **same years**, the number of active public warships decreased from **31 to nine to seven, respectively (Maclay 1899, p. viii)**. In short, the British Navy succeeded against the Continental Navy, even though it failed to curtail the activities of American privateers. In the War of 1812, the **U.S. Navy captured or destroyed 165 British merchant ships and 15 naval vessels**. American privateers, on the other hand, took only three British naval vessels (a task for which they were really not designed), **but a minimum of 1,300 merchant ships (Garitee 1977, p. 243)**. A Baltimore newspaper of the time put the **figure at 1,750**. One recent writer has said that the **British lost 2,500 ships, with the majority taken by privateers (Petrie 1999, p. 1)**. "Even a maritime establishment as large as Britain's in 1815 could not ignore such figures nor enjoy the prospect of greater losses at sea if the war were extended another year or more" (Garitee 1977, p. 244).
    - Sechrest - An Analysis of Privateering
    - Hoppe - The Myth Of National Defense
    - Hoppe - The Private Production Of Defense

- **Private Courts**
    - Murphy '05
        - In terms of private courts, there is the burgeoning arbitration industry. Just as millions of people opt for market-produced bottled water, despite the "free" government alternative, so too do millions of people resolve their disputes through private arbitration.
        - For another obvious example, consider the umpires and referees in professional sports. Despite the clichés, these "judges" have to be generally unbiased, because the owners of teams know that customers

would stop watching games if they were rigged. Although die hard sports fans may still bitterly lament the horrible call back in 1978 (say) that cost their team victory, that's just the point—you have to go back decades for most teams to remember such a travesty! And if anyone claimed that his football team had a losing record last season because of bad refs, everyone would know the guy was being absurd. Especially when it's not their own team at stake, sports fans know and trust the integrity of their "judicial system."

    - To argue *for* a private legal system is really just to argue *against* a government-imposed monopoly. In every other sector, the coercive approach fails, and there is nothing unique about law to change that conclusion.
  - Kinsella '06
    - Emperor Kang-hsi decided during his reign over China that government courts should be as bad as possible, in order to get his subjects to pursue recourse through private courts instead.
  - Repa '21
    - Private arbitration is **less hostile, more flexible, cheaper,** and **faster** than pursuing a matter in public courts. Its issues can be fixed through increased competition in an anarchist society, and one of its issues is even a nonissue relative to public courts.
  - https://mises.org/library/arbitration-disputes

- **Empirical Evidence for Anarcho-capitalism**
  - Anarchy is Property '21 - A Comprehensive Doc of Empirical Examples of Anarcho-Capitalism
    - **Viking Age Iceland** was quasi anarchist with localized property owners acting as replacements for sovereigns, and you can kind of just associate with whatever group or property owner you want. It had a population of around 60,000. Freedom of movement, private property, and private courts were cornerstones of early Icelandic society. It lasted for 290 years without any major conflict before collapse; the US, for comparison, lasted for 80 before it fractured during the Civil War and in total is 245 years old; nearly half a century younger than VAI. That said, it did have a few issues preventing it from being true anarchism.
    - **Cospaia** was **genuine anarcho-capitalism**. Free market, no state. It lasted for 386 years; **one of the most stable societies in history.** It was slowly bought out by neighboring states who didn't want an anarchist society on their borders.
    - Capitalist Anarchist **Somalia** only lasted for 15 years, but it was in the middle of an African warzone and multiple studies show that it performed

better than during its statist period in almost every metric. This is literal statistical evidence of anarcho-capitalism's superiority. 15 years is also twice as long as the brunt of the much more united CNT-FAI, which failed due to its lack of property rights.

- More examples covered in the above doc.

- Leeson '07
  - In 18 indicators of QOL, Somalia was only worse in 3 ways (and clearly in 2), none of which cannot be attributed to statelessness after its ML government, and improved in 14, after transition to statelessness. **It is great statistical evidence of the superiority of anarchy.**
  - First, let's analyze the factors which did not improve.
  - Adult literacy rate fell from 24% to 19.2%, GDP per capita fell from 836 to 600, and combined school enrollment fell from 12.9% and 7.5%, however, GDP numbers were inflated by state coercion to inflate estimates of incomes. Also a lot of GDP during the Somali state actually came from state technology used to suppress the populace (shitty GDP). So all in all GDP may not have even been lower after transition to quasi statelessness if we remove state tech from the mix, and even if we keep it in. Furthermore, 50-70% of the Somalian state's budget was financed by foreign aid (further casting out on GDP fall), including almost 100% of its education budget, so education cannot be attributed as a quasi statelessness failure either. Finally, adult literacy rate could be attributed to a drop in foreign financed education. Finally, population with access to water stayed the same at 29%.
  - However:
  - **Life expectancy rose from 46 years to 48.47 years**, percent of infants immunized against measles rose from 30 to 40%, infants vaccinated against TB rose from 31% to 50%, physicians per 100,000 rose from 3.4 to 4, infants with low birth weight fell from 16% to 0.3%, **infant morality per 1000 fell from 152 to 114.89**, maternal mortality rate per 100,000 fell from 1600 to 1100, population with access to sanitation rose from 18 to 26%, population with access to at least one healthcare facility rose from 28 to 54.8%, **extreme poverty (population making less than a dollar per day) fell from 60 to 43.2%**, radios per 1000 rose from 4 to 98.5, telephones per 1000 rose from 1.92 to 14.9, TVs per 1000 rose from 1.2 to 3.7, and measles fatality fell from 8000 to 5598.
  - Finally, let's take a look at how violent capitalist-anarchist Somalia was.
  - After Somalia's transition to anarchy, some fighting continued into the mid-1990s, but died down considerably in 1991. By the late 1990s peace prevailed over most of Somalia. Until 2006, when the attempted reestablishment of central government sparked new violence, conflict was

isolated and sporadic, confined when it did occur to pockets of small-scale rivalry in a few areas (Menkhaus 1998, 2004; Nenova, 2004).Important to this expanding peace was expanding commerce, discussed below (Menkhaus, 2004; Nenova, 2004).Most depictions of Somalia leading up to the 2006 period grossly exaggerate the extent of Somali violence. In reality, fewer people died from armed conflict in some parts of Somalia than did in neighboring countries that have governments. In these areas security was better than it was under government (UNDP, 2001). About the same number of annual deaths in Somalia during this period were due to childbirth as were attributable to war—roughly four percent of the total(World Bank/UNDP, 2003, p. 16). And these deaths were combatants, not civilians. "Atrocities against civilians...[were] almost of unheard of" (Menkhaus, 2004, p. 30). This is still too high,but far from cataclysmic. In fact, it's not far from the percentage of deaths due to homicide in middle-income countries such as Mexico, which in 2001 was 3.6 (WHO, 2006). Somalia is no longer anarchist; as of 2006.

  - https://www.sciencedirect.com/science/article/abs/pii/S0167268108001017

- **Debunking: "Warlords/big business will take over"**
  - Baky '21
    - First of all, there would be a disincentive to engage in offensive violence because doing so would be costly, especially compared to companies that stick strictly to defensive violence. Second, even if a private militia and a big businessman could afford to engage in offensive violence, there would still be a disincentive to do so because other private militias would have an incentive to intervene. Lastly, this argument is a better objection to statism as under a statist society, the government can oppress people living in the area without them hiring a private defense, because the state has removed the demand for private defense previously.
      - **Potential Statist Response 1:** Well the big businessmen could easily buy off all private security in the area and thus corner the market.
      - **Response 1:** First off, this ignores the fact that when a firm provides subpar services by buying out every company, another firm emerges to take their customers. Essentially, my opponent views private protection services as a static flow of services when rather it is competitive and constantly has firms being pushed in and out of the market. Secondly, this argument that these rich businessmen will buy out every protection service is widely unrealistic as it relies on the assumption that other protection companies are just going to accept the deal and sell their own

company. Lastly, buying out every protection service would be extremely expensive and would likely not be affordable, even for the richest person in ancapistan. For comparison, the US has spent about 850 billion dollars on protection services only in 2017. Obviously, that number would be lower if run privately; however, it can still contrast slightly with a fully privatised system as no person on this planet could ever spend even half of that amount. This therefore suggests that it is highly unlikely for any person in ancapistan to ever buy out all protection services.

        - This doc also addresses affordability of private defense by the poor and people agreeing on the same or different courts.
    - SEE HERE
        - SEE ABOVE FOR THE BIG BUSINESS ARGUMENT
    - Anarchist Bonfire - Warlords Argument
    - Anarchist Bonfire - More On The Warlords Argument
    - https://mises.org/library/wouldnt-warlords-take-over

- **Debunking: "Property rights will be used to enslave people"**
    - Anarchy is Property '21
        - How would this be done exactly? Government causes wealth to consolidate vertically. Voluntary slavery and a corporation surrounding someone with land owned by them to entrap them are both theoretically possible but due to competition and prosperity, neither could realistically happen at all. The roads argument, unlike voluntary slavery, isn't automatically rendered invalid by decentralization inherent to a free market, but to buy out all the roads and land surrounding a town would require both everyone surrounding the town with property to be OK with this (extremely unlikely if they foresee what will happen), and it would require truly ridiculous amounts of money. Furthermore, any corporation that did this would be seen as neocameralist and would likely suffer as residents of the city go self-sufficient, supplies are airdropped in, and customer revenues drop. This doesn't even work for roads as this deal for them wouldn't be profitable (and roads are incentivized monetarily through insurance, contracts, and other regulators to make access, already naturally cheap, very easy), ignoring how other property owners may just let people through anyway. Finally, the town itself could easily decide to simply buy passage out of the proposed barrier, rendering the corporation's efforts obsolete.
    - More on roads

- **Debunking: "Uh without a government military we'll get invaded"**

- Anarchy is Property '21
  - No, we won’t. The first thing which we have to realize is that there is no actual reason for another country to invade. An anarchist society would be nonaggressive and a valuable trading partner; this can even be shown empirically. Next, it is definitely possible that neighboring states and territories would take a serious issue with a country invading an anarchist territory. However, most notably, competing defense agencies would undoubtedly be much stronger than non competitive monopolies, numbers and technology being equal. There is empirical evidence for this as well. Even the nuke issue would be solved through simple disarmament (as it's pretty much impossible to ethically use a nuke), and private ownership with the right checks is arguably more stable than a state, which hasn't used a nuke outside of tests since WWII.

- **Debunking: “But what if someone encircles a suburban neighborhood and charges lots of money for leaving”**
  - See here
  - Molyneux ‘08
    - This is fundamentally impossible. First of all, no one is going to buy a house in a neighborhood unless they are contractually guaranteed access to roads. Thus it will be impossible for anyone to completely encircle the neighborhood. Secondly, even if it were possible, it would be a highly risky investment. Can you imagine going to investors with a business plan that said: “I’m going to try to buy all the land that surrounds the neighborhood, and then charge exorbitant rates for anyone to cross that land.” No sane investor would give you the money for such a plan. The risk of failure would be too great, and no DRO would enforce any contract that was so destructive, unpopular and economically unfeasible. DROs, unlike governments, must be appealing to the general population. If a DRO got involved with the encircling and imprisonment of a neighborhood, it would become so unpopular that it would lose far more business than it could potentially gain.

Democracy

- **Anarchy, Democracy, Politics, and Ethics**
  - Anarchy is Property ‘21
    - First proclaimed anarchist Joseph-Pierre Proudhon stated:
      “Neither heredity, nor election, nor universal suffrage, nor the excellence

of the sovereign, nor the consecration of religion and of time, can make royalty legitimate. Whatever form it takes, — monarchic, oligarchic, or **democratic**, — royalty, or the government of man by man, is illegitimate and absurd." The implications of this are important to note. Proudhon, opposed democracy. This throws a clear wrench into the myth that "anarchy is democracy."

- **Anarchism and Democracy**
  - Anarchy is Property '21
    - First proclaimed anarchist Joseph-Pierre Proudhon stated: "Neither heredity, nor election, nor universal suffrage, nor the excellence of the sovereign, nor the consecration of religion and of time, can make royalty legitimate. Whatever form it takes, — monarchic, oligarchic, or **democratic**, — royalty, or the government of man by man, is illegitimate and absurd." The implications of this are important to note. Proudhon, opposed democracy. This throws a clear wrench into the myth that "anarchy is democracy."
    - Democracy means rule of the majority. This **contradicts** the etymological definition of anarchism, "no rulers."
  - Anarchism is not democratic. It is not the rule of the people, but a lack of rulership entirely. Democracy, being the rule of the people over individual autonomy, cannot be anarchistic, unless the democracy is entirely voluntary.

- **Debunking: "Democratic societies have done better so they are better"**
  - There is little evidence that democ

- **Debunking: "Opposing democracy is inherently authoritarian"**

- **Ethics of Democracy**

- **Effects of Democracy**

- **Against Fascism**

Political Debunks

- **Debunking: "Ancaps aren't anarchists"/"Anarchists oppose private property"**
  - LM93v2 '21

- **Debunking: "Anarchists can oppose private property"/"Ancoms are anarchists"**

- [LM93v2 '21]

- **Debunking: “Anarchism is far left”**
  - [LM93v2 '21]
    - Anarchism is

- **Debunking: “Egoists are anarchists”**

- **Debunking: “Proudhon/Mutualism opposes private property”**

- **Debunking: “SEK3/Agorism is anti private property”**

- **Debunking: “Anarchy is chaos”**

- **Debunking: “The state exists to protect private property”**

- **Debunking: “The state is needed to protect private property”**

- **Debunking: “The Nazis were capitalists who privatized industry”**
  - https://youtu.be/17DkMDvKqw0
  - https://dspace.mit.edu/bitstream/handle/1721.1/64262/sovietnazieconom00temi.pdf
  - [Hitler's Socialism _ Defeating the Counterarguments.pdf]

- **Debunking: “Fascism is pro capitalist”**

- **Debunking: “Most pedophiles are ancaps”/“Most pedophiles are not leftists”**

Philosophy

Proving Self-Ownership and Private Property

- **Argumentation Ethics**
  - [Google document on Argumentation Ethics '21]
    - Argumentation ethics is a proposed proof of the right-libertarian private property ethic developed in 1988 by Hans-Hermann Hoppe.

Argumentation ethics aims to prove that arguing against the right-libertarian interpretation of self-ownership (which extends the concept to include control of private property as part of the self) is not logically coherent. Here is the detailed justification for this ethical claim:

- **First**, all truth claims, all claims that a given proposition is true, or false, or indeterminant, or undecidable, or that an argument is valid and complete or not raised are justified and decided upon in the course of an argumentation.
- **Second**, that the truth of this (1) proposition cannot be disputed without falling into a contradiction because any attempt to do so would itself have to come in the form of an argument, hence the a priori of argumentation.
- **Third**, argumentation is not free-floating sounds, but a human action. Namely, a purposeful human activity employing physical means, at least a person's body, and various external things in order to reach a specific end or goal. Namely, the attainment of agreement concerning the truth value of a given proposition or argument.
- **Fourth**, that while motivated by some initial disagreement, or dispute, or conflict concerning the validity of some truth claim, every argumentation between a proponent and an opponent is itself a conflict free, mutually agreed upon and peaceful form of interaction aimed at resolving the initial disagreement and reaching some mutually agreed on answer as to the truth value of a given proposition or argument.
- **Fifth**, that the truth or validity of the norms or rules of action that make argumentation between a proponent and opponent at all possible, that is, the praxeological presuppositions of argumentation cannot be argumentatively disputed without falling into a pragmatic or performative contradiction.
- **Sixth**, that the praxeological presuppositions of argumentation then, that is, what makes argumentation as a specific form of truth-seeking activity possible are two-fold. First, each person must be entitled to exclusive control or ownership of his own physical body, the very means that he and only he can control directly at will so as to be able to act independently of one another and come to a conclusion on his own, that is, autonomously. And second, for the same reason of mutually independent standing and autonomy, both proponent and opponent must be entitled to their respective prior possessions, that is, the exclusive control of all other external means of action appropriated indirectly by them prior to and independent of one another, and prior to the onset of their argumentation.
- **And seven**, that any argument to the contrary, that either the proponent or opponent is not entitled to the exclusive ownership of his body and all prior possessions cannot be defended without falling into a pragmatic or

performative contradiction because by engaging in argumentation both proponent and opponent demonstrate that they seek a peaceful, conflict-free resolution to whatever disagreement gave rise to their arguments. Yet to deny one person the right to self-ownership and his prior possessions is to deny his autonomy and his autonomous standing in a trial of arguments. It affirms instead dependency and conflict, that is, heteronomy, rather than conflict free and autonomously reached agreement. It is, therefore, contrary to the very purpose of argumentation.

  - Maximus '16
    - Another accurate way to describe argumentation ethics is as follows:
    - 1. No position is rationally defensible unless it can be justified by argument.
      2. No position can be justified by argument if it denies one or more of the preconditions of interpersonal argumentative exchange.
      3. Interpersonal argumentative exchange requires that each participant in the exchange enjoy exclusive control over her own body.
      4. To deny the right of self-ownership is to deny exclusive control over one's own body.
      5. Therefore, the denial of the right of self-ownership is rationally indefensible.
  - Argumentative Ancap - Argumentation Ethics

- **Debunking: "Robert Murphy and Gene Callahan Refuted Argumentation Ethics"**
  - Kinsella '16
    - It seems to me that if [Murphy and Callahan] accept any form of argumentation ethics as valid – that is, if there are some norms implied in discourse – then, as libertarians who believe libertarian norms *are* (somehow) justified, they would have to believe that the argumentative norms are at least compatible with, if not the grounding for, libertarian rights.
    - [Murphy and Callahan] try to make much of their notion that propositions advanced "during" argument are not subject to the presuppositions of argument, if the rule is designed to be applied in a non-argumentative context. But propositions *can only* be justified during argumentation. A participant in discourse cannot deny that conflict-avoidance is good. *When he seeks to justify something*, it is always some action he seeks to justify. The justification takes place at one time; the action to be justified, at another. So what? Are [Murphy and Callahan] saying that *no* action can ever be justified, other than argument itself? Consider an act of theft, or property acquisition, or rape: all non-argumentative actions. Obviously, these actions are not justifying-actions, because they are not arguments.

The only time they could possibly be justified is at another time, during argument. In any event, this critique seems to miss the point. If two people seek to agree upon a fair, universalizable rule for assigning property rights in scarce resources to individuals in a way that would allow conflict to be avoided and the resources to be used – of course the rule they are considering will be applicable to future property disputes. I am baffled at how they could think otherwise.

  - http://propertyandfreedom.org/2016/10/hans-hermann-hoppe-on-the-ethics-of-argumentation-pfs-2016/
  - https://mises.org/library/reply-current-critiques-formulated-against-hoppes-argumentation-ethics
  - https://cdn.mises.org/-1-20_2.pdf

- **Debunking: "Robert T. Long Refuted Argumentation Ethics"**
  - Maximus '16
    - Robert Long separates argumentation ethics into 5 bullet points, misconstrues 3), and fails to properly critique any of the other points.
  - https://traditionalliberty.blogspot.com/2021/09/reply-to-roderick-long-on-argumentation.html

---

- **Other Theoretical Proofs of Self Ownership and Private Property**
  - **Life Right (credit to frank the ancap):** Anarchy is Property '21
    - "Assertion: Man is a living being with a right to support his own life. (I.e. The Right to Life.)
      Life is a process of self-sustaining and self-generated action.
      If an organism fails to engage in the action specified then it dies.
      Man may engage in a process of self-sustaining and self generated action.
      Therefore Man is/may be a living organism.
      A right is a moral principle defining and sanctioning a man's freedom of action.
      Morality is a code of values to guide man's choices and actions.
      A value is that which one acts to gain and/or keep.
      A principle is a fundamental, primary, or general truth, on which other truths depend.
      Life requires self-sustaining and self generated action to be kept.
      Therefore life is a value.
      A dead or nonliving organism is incapable of action.
      Therefore a dead or nonliving organism is incapable of keeping values.
      Therefore a dead or nonliving organism is incapable of being moral or immoral.

In order for a Man to live he must engage in self-sustaining and self-generated action.
In acting to keep the value of his own life, Man chooses to keep the ability to value.
This act is a moral principle.
Man is free to choose whether or not to act upon this moral principle.
Therefore Man has a Right to Life."

    - Self-ownership would be derived from this right as you cannot act to preserve your life without owning yourself. Thus, private property would be further derived.
  - **First Principles (credit to Shane Killian):** Killian '16
    - This logical proof goes through several links of reasoning:
    - 1) Law of Noncontradiction
    - 2) Consistency Principle
    - 3) Burden of Proof falls on active side, not passive side
    - 4) Burden of Proof falls on use of force since use of force is active
    - 5) Initiation of force cannot be defended
    - 6) Self Ownership
    - 7) Private Property
    - 8) Violating Private Property cannot be defended
  - **Kantian Proof:**
  - https://philarchive.org/archive/TAYAKD-2v1
  - **Private Property Proof:**
  - https://docs.google.com/document/d/1Q-qDY2opbqgFlxPkJg-fImQ5vr3CGoE9RgUHHezU_3o/edit?usp=sharing
  - **Miscellaneous Proofs:**
  - https://cdn.mises.org/12_2_5_0.pdf
  - Anarchist Bonfire - First Principles
  - Anarchist Bonfire - Anarchy and Property Part 1
  - Anarchist Bonfire - Anarchy and Property Part 2
  - The Capitalist Ethics Opening Statement Combines First Principles and Argumentation Ethics
  - **Note: Other proofs based off of Utilitarianism (Backwards, Rule, Pure) and Positive Rights (Backwards), Action Ethics, Ethical Intuitionism, and Reason (Paine, McIntyre, Aquinas, Aristotle, Ayn Rand, Rothbard) also exist**

- **Debunking: "Property Rights Are Circular"**
  - Anarchy is Property '21
    - This is based on a misunderstanding of property rights. No one claims that the ability to own is based on self ownership. At most, a proof would claim that the ability to own external objects is based on self ownership,

but the ability to own itself is derived from the use of reason and logic. Property rights are not circular.

Intellectual Property (IP)

- **IP is Invalid**
  - Against Intellectual Property: Stephan Kinsella
    - **Libertarians believe in the property rights of tangible goods because they are scarce.** Due to their being scarcity for these goods, there is thus conflict over these goods because one person's use of it excludes another person's use of it. Thus, the fundamental social and ethical function of property rights is to prevent interpersonal conflict over scarce resources.
    - **However, IP is not scarce, and therefore, it is not ownable property.** If I invent a technique for harvesting cotton, your harvesting cotton in this way would not take away the technique from me. I still have my technique (as well as my cotton). Your use does not exclude my use; we could both use my technique to harvest cotton. There is no economic scarcity, and no possibility of conflict over the use of a scarce resource. Thus, there is no need for exclusivity and property of ideas.
  - Arnold Plant '34
    - It is a peculiarity of property rights in patents (and copy- rights) that they do not arise out of the scarcity of the objects which become appropriated. They are not a consequence of scarcity. They are the deliberate creation of statute law, and, whereas in general the institution of private property makes for the preservation of scarce goods, tending . . . to lead us "to make the most of them," property rights in patents and copyrights make possible the creation of a scarcity of the products appropriated which could not otherwise be maintained.
  - Anarchy is Property '21
    - Intellectual property, put simply, is not scarce or the product of someone's labor. You cannot own ideas or information without owning part of someone else's brain. Libertarians for this moral reason do not support intellectual property.

- **Voluntary IP**
  - ***Contracts***
    - Against Intellectual Property: Stephan Kinsella
      - ❑ Many opponents of IP rights typically support only *contractual* arrangements to protect ideas and innovations—private contracts

between property owners. Suppose, for example, that *A* writes a book and sells physical copies of it to numerous purchasers *B*1, *B*2 . . . *B*N, with a contractual condition that each buyer *B* is obligated not to make or sell a copy of the text. Under all theories of contract, any of the buyers *B* becomes liable to *A*, at least for damages, if he violates these provisions.

  - ***Limits of Contracts***
    - Against Intellectual Property: Stephan Kinsella
      - ❑ Page 52-53

- **IP Does Not Increase Innovation or Inventions**
  - Tomlinson '09
    - A new study published in The Columbia Science and Technology Law Reviewchallenges the traditional view that patents foster innovation, suggesting instead that patents may harm new technology, economic activity, and societal wealth.
  - Moser '06
    - Using information on inventions exhibited at the 1851 Crystal Palace World's Fair, it was found that only 11 percent of British inventions were patented.
  - Moser '02
    - Nations with patent systems were no more innovative than nations without patent systems in the nineteenth century. Similarly, nations with longer patent terms were no more innovative than nations with shorter patent terms. Patents did seem to make a difference in national patterns of specialization, however. In countries without patents, innovation was centered in industries that appeared to have strong trade-secrecy protection; in countries with patents, this was not the case.
  - Branstetter '01
    - Sakakibara and Branstetter examined the effect of a 1988 law that increased patent scope in Japan. They found no evidence of an increase in either R&D spending or innovative output that could be plausibly attrib-uted to the patent reform.
  - Kinsella '12
    - This is an excerpt adapted from Kinsella's draft paper "Law and Intellectual Property in a Stateless Society," collecting and summarizing just some of the empirical case against patent and copyright.

Rights

Libertarians believe in natural, negative rights via self ownership and private property.

- **For Animal Rights**
  - Anarchy is Property '21
    - The argument for animal rights is that animals are sentient beings with possession of their own bodies, thus they should have rights, same as any human.
  - https://www.libertarianism.org/articles/do-libertarians-care-about-animals
  - https://americasfuture.org/the-heresy-of-animal-rights/
  - https://quillette.com/2020/01/27/the-libertarian-case-for-rejecting-meat-consumption/
  - It is important to note that if animals have rights, bestiality would be rape.

- **Against Animal Rights**
  - Anarchy is Property '21
    - The argument against animal rights is that animals are neither rational, nor they have the potential to be rational; thus they do not deserve rights.
  - https://mises.org/library/rights-animals

- **Debunking Positive Rights**
  - Anarchy is Property '21
    - Positive rights imply X has a right to something. However, one cannot have a right without owning oneself first. To act upon one's right, one must have rightful exclusive ownership over the vessel used to act upon one's positive rights, which is one's body. However, positive rights deny full self-ownership as well, as one must act to secure the positive rights of others. Ergo, positive rights are self-contradictory and cannot exist. QED.
  - Also, the proofs of self ownership and private property contradict and refute positive rights.
  - https://mises.org/library/why-libertarians-should-reject-positive-rights
  - https://chicagounbound.uchicago.edu/cgi/viewcontent.cgi?article=12187&context=journal_articles&httpsredir=1&referer=
  - https://fee.org/articles/the-perils-of-positive-rights/

- **Rights of Children**
  - Anarchy is Property '21
    - The rights of children under libertarianism are a complicated issue, but on a base level, guardians take custody of children up until they are rational adults, and in doing so, they must not abuse the children without risking

losing custody and paying restitution. And no, pedophilia - children are not rationally able to consent to these things yet.

- https://mises.org/library/children-and-rights
- https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3952542/

Philosophical Debunks

- **Debunking Moral Anti-Realism (Error Theory, Nihilism, Skepticism, Subjectivism/Relativism, Noncognitivism)**
  - Anarchy is Property '21
    - Essentially we are here looking for a reason based "ought" proof. If one can find even one such proof, then we have derived a moral ought, and thus, we have derived moral realism. One possible proof is that of the value of consistency. In engaging in argumentation through the use of logic, you must accept the presuppositions of logic.
    - There are a few important presuppositions but the one is the Law of Noncontradiction. Any assertion which violates the LNC proves itself through logic to be incorrect and thus cannot hold. Thus, in argumentation, since consistency is a lack of contradiction, you must be consistent. An inconsistent moral theory would contradict itself and thus refute itself. It is therefore wrong. Morality is constrained by the bounds of reason. Thus, we can derive that you ought to be consistent.
  - Also, the proofs of self ownership and private property contradict and refute anti realism.
  - https://youtu.be/Vk88sZw4YhM
  - https://youtu.be/zjkgD4w9w1k
  - https://youtu.be/Bo6OaOzuyLM
  - https://youtu.be/aMK9oznyTVw
  - https://youtu.be/eH2iDbmIM9M
  - https://1lib.us/book/815209/edbdb9
  - **Refuting Moral Error Theory** - https://docs.google.com/document/d/1NPkD15-uiMghG5XAN2HstLu9Rb8ym0RamIjru-U5U_A/edit?usp=sharing
  - https://youtu.be/HjU4OTgdZDM
  - https://oxford.universitypressscholarship.com/view/10.1093/acprof:oso/9780199678044.001.0001/acprof-9780199678044-chapter-7
  - https://link.springer.com/article/10.1007/s10677-020-10062-7
  - **Refuting Moral Subjectivism/Relativism** - Anarchy is Property '21
    - Moral relativism contradicts itself and treats it's foundation as objectively binding and that all people should be relative to others and that they

should take other people’s belief into account, but by doing this it applies a normative objective to people’s actions. We as people don’t act out moral relativism.

- **Refuting Noncognitivism** - Internet Encyclopedia of Philosophy '21
  - Noncognitivism is proven untenable by the Frege-Geach problem.
  - Briefly, the Frege-Geach problem is that sentences that express moral judgments can form part of semantically complex sentences in a way that an expressivist cannot easily explain. According to Geach, the sentence “Telling the lies is wrong” has the same meaning regardless of whether it occurs on its own or as the antecedent of “If telling the lies is wrong, then getting your little brother to tell lies is also wrong”. This must be so, since we may derive “Telling your little brother to tell lies is wrong” from them and both by *modus ponens* without any fallacy of equivocation. Yet nothing is expressed (in the relevant sense) by “Telling lies is wrong” when it forms the antecedent of the conditional, since the antecedent is not itself the same illocutionary force as the premise, and so its meaning (regardless of where it occurs) apparently cannot be explained by an expressivist analysis. Analogous problems within other kinds of embedded contexts (Unwin, 1999).
- An empirical argument against moral non-cognitivism

- **Debunking Ethical Egoism (not Objectivism) and Ethical Altruism**
  - Anarchy is Property '21
    - Any moral view, in order to be valid, must not posit that arguing for it is immoral. If arguing for a view is wrong, then one cannot argue for the view and the view is clearly incorrect. To posit that it is ethical for one to act in their best interests under any circumstance would by its own moral code be unethical, as convincing others to only act to benefit themselves is not in one’s best interests. Thus, one cannot rationally argue for ethical egoism. QED.
    - The same goes for altruism: by telling others to be altruistic, you are not being altruistic.
  - Also, the proofs of self ownership and private property contradict and refute ethical egoism and altruism.

- **Debunking Consequentialism (Utilitarianism, Other Forms)**
  - Anarchy is Property '21
    - Consequentionalism’s primary problem is the complete lack of moral prescription. If one judges action from the consequences they can never give a moral prescription, since one can never know the consequences of

their actions. Succinctly: Good luck being omniscient and justifying acts actually mattering in the face of moral luck.
        - An additional issue of consequentialism is either its tendency to fall into utilitarianism, which can easily be debunked independently of moral prescription, or its lack of a reason-based backing.
    - Howard '21
        - Many contemporary act consequentialists define facts about what we should do in terms of facts about what we should prefer. They claim that we should perform an action if and only if (and because) we should prefer its outcome to the outcome of any available alternative. Some of these theorists claim they can accommodate deontic constraints, such as a constraint against killing the innocent. I argue that they can't. If there's a constraint against killing, then when we can prevent five killings only by killing one, we shouldn't kill—but we should prefer the outcome where we do.
    - Also, the proofs of self ownership and private property contradict and refute all forms of consequentialism, including but not limited to utilitarianism.
    - **Refuting Utilitarianism** - Anarchy is Property '21
        - Utilitarianism relies on the assumption that all pleasure is good. Given this, anyone feeling any amount of pleasure is viewed as inherently good. However, emotions are what represent pleasure and for one to consider pleasure to be good they must assert that it is rightful for the person to feel said pleasure, meaning you must assert that one owns their body as that is the only way they can possibly own their emotions. Thus utilitarianism presupposes self ownership and thus falls apart.
        - If one does not presuppose self ownership one runs into the issue of making the illogical jump that one feeling their own pleasure is good, as they do not rightfully own said pleasure and thus one cannot assign an ought to it, necessary to proceed with the utilitarian framework.
        - Therefore, to violate private property for a utilitarian end would go against an underlying axiom and thus invalidate utilitarianism, making your actions no longer moral. Thus, utilitarianism is self-contradictory, ergo it is false. QED.

- **Debunking Actualized's Critiques of Libertarianism and Property Rights**
    - Anarchy is Property '21
        - Leo first defines freedom in its extreme metaphysical form as disassociation of particles. "If you disintegrate you die, freedom debunked!" (no, this isn't a strawman) Anyone with an IQ over room temperature can see why this joke of an argument doesn't even deserve a response. He misunderstood libertarianism as based off of freedom, while

in reality it is based off of self ownership and private property rights. A lot of his arguments were weak consequentialist strawmen (irrelevant in the face of morality, but also incorrect) - “muh warlords will take over” and “society wouldn’t exist without the state” were too pretty common ones. He also talked about how we “enslave” children - no, libertarians do not enslave children, they just assert that adults can hold guardianship over children until they are rational, functional adults. “Muh warlords” is illogical wishy washy nonsense which ignores competition and voluntary cooperation and assumes state benevolence, and “no state no society” is little more than ahistorical nonsense which can be debunked through an Austrian examination of economics. “Muh capitalism failed” is economically illiterate and easy to debunk. “Muh body works collectively” isn’t just irrelevant, but it is also incorrect. “Property rights are hard to define” is also both incorrect and irrelevant (libertarian thinkers such as Rothbard, Hoppe, Block, and Kinsella have dealt with this issue extensively). Side note Leo; lobbying is not libertarian.
    - Leo’s final argument was “ok but property rights are subjective” - no, actually. Time and space being relative does not mean morals are necessarily relative, this is a non sequitur. Check the libertarian fact sheet’s self ownership and private property section for reason based proofs of self ownership and private property.
  - Porto '20
    - To answer Leo’s frankly irrelevant point regarding all of one’s cells working together collectively, neurons in a brain are actually decentralized, and they compete for connections. Note that how one’s body works in this way doesn’t actually mean anything for morality, but still, Leo being wrong here is prudent to point out.
    - Leo is incredibly arrogant, comes across as close-minded, acts frankly obnoxious, and his critiques are not anything special, contrary to what he claimed. They are actually very weak.

- **Debunking: “You are a slave to your desires, so freedom is meaningless”**
  - Anarchy is Property '21
    - Consider the nature of action. Action, by its nature, can only be undertaken when there is a desire to guide it. You, by nature, cannot choose your desires without non chosen desires pre-empting them at the start, because to choose would be an action, and action requires desire as a prerequisite.
    - “Free will” is defined as “the power of acting without the constraint of necessity or fate; the ability to act at one's own discretion.” To have the power to act, one must be able to act. In other words, one must already

have desires. Ergo, freedom and free will by definition already imply desire, so freedom does mean that you act according to your desires. Freedom is therefore not meaningless given you act according to your desires. QED.

- **Answering: "Even if there is an objective morality, why should I care?"**
  - Anarchy is Property '21
    - To summarize, given objective morality, one cannot argue against following it because in the course of argumentation, one must presuppose the correctness of consistency, and as to be immoral is to be inconsistent with reality, one cannot consistently argue against following objective morality. See the source for elaboration.

Other

- **Media Literacy**
  -

Culture

Libertarianism by its nature takes no cultural stances. However, we have created two culture sheets, a right-wing and a left-wing one. Feel free to email ernojames@gmail.com with recommendations to add!
