

The government does not deserve credit for private businesses' success

By [Antony Davies](#) 1:59 PM 07/25/2012

In past discussions with friends of mine who support President Obama, I've tried to be polite in explaining why a particular policy of his will have unintended consequences and do more harm than good. But those polite days are over. ADVERTISEMENT

On the campaign trail this month, the president made the following claim: "If you've got a business, you didn't build that. Somebody else made that happen." It's a claim that's as astounding for its error as it is for its hubris. Unfortunately, it's also par for the course for a president whose ignorance of economics is so fundamental that he is to economic science what the medieval blood-letters and star gazers are to medical science.

Medieval medicine was based on superstition. Similarly, the president's economic policies are based on a superstitious fear of liberty and a zealot's belief in government. The president believes that business owners who have earned money have taken something from society and that they are obliged to "give back."

That phrase — "give back" — can only come from the mind of someone who has no idea how a free market works. Steve Jobs made billions of dollars by trading us iPhones for our money. He obtained billions of dollars not because he took our money, but because we freely gave it to him. Only a politician who relies on force to take what he wants could fail to understand this dynamic.

More than that, Jobs' billions are only half of the action — the iPhones themselves are the other half. If Jobs, as a business owner, had an obligation to "give back" some of his profit to society, then we also had an obligation to give back some of our iPhones. This is the unspoken core of the president's argument: free transactions between free people are always suspect. It is better that the government take whatever it wants from the people and use the proceeds to provide what it believes the people should have.

Some politicians hide behind phrases like "equality"; others hide behind loaded terms like "social justice." The president hides behind "giving back." The underlying goal is the same: to replace individual liberty with collective captivity.

In a recent study, I compared tax returns for business owners and non-business owners. As we might expect, business owners' adjusted gross incomes are more than double those of people who don't own businesses. The president, based on his recent statements, believes business owners don't really "own" this income, because it's the result of other people's hard work.

But here's the rest of the story. Business owners shield less of their income from taxes than do non-business owners. Through the use of deductions and exemptions, the average business owner shields 24% of his income from taxes. The average non-business owner shields more than 35% of his income from taxes. On the portion of income that is taxed, the business owner pays a higher percentage than does the non-business owner. Counting federal, state, and local income taxes, business owners pay an average income tax rate of 20% versus 13% for non-business owners.

The president is correct that no one achieves anything without the help of others. What he fails to understand is that, in a free market, help is either freely given (as with charity) or is provided as part of a free exchange. Investors provide capital in exchange for a share of profits, employees provide labor in exchange for a paycheck, and customers provide their money in exchange for a company's product.

We live in fear and wallow in unemployment because our politicians believe that freedom is the enemy. It is time that people of conscience stopped being polite and started demanding freedom.

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