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Free markets vs. government plunder

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Published: Sunday, May 27, 2012, 12:30 a.m.

Updated 11 hours ago

People buy and sell stuff all the time. Unfortunately, this leads many to the false conclusion that they understand economics. Engaging in commerce doesn't impart an understanding of economics any more than being sexually promiscuous imparts an understanding of genetics.

This lack of understanding is at the heart of a recent Gallup poll showing that a third of all Americans, including almost half of Democrats, believe that we have no need for rich people.

According to the poll, 80 percent of Republicans believe that the U.S. benefits from having a class of rich people, but only 64 percent of Republicans want to be those rich people. Meanwhile, only half of Democrats believe that we benefit from having a class of rich people, but 64 percent of them want to be rich.

In other words, the average Republican doesn't want to play a role that he believes is beneficial for society, while the average Democrat wants to play a role that he believes is detrimental to society. Thank God for independents (as always, the only adults in the room) who at least are consistent -- 60 percent believe we need a rich class and want to be rich.

Economic ignorance, bolstered by the random musings of politicians and pop icons, holds that the wealthy get money by taking it from the rest of us. That isn't wealth -- it's plunder. Plunder comes from coercion, and to obtain plunder you need to force people to do things they wouldn't do freely. Wealth comes from free markets, and to obtain wealth you need to offer people something they find so valuable that they freely give you their money in exchange for it.

Steve Jobs became rich because he offered people "iThings" that they found more valuable than the money Jobs asked for in exchange. When people have economic freedom, they decide for themselves what they will or will not buy and reward good ideas with their hard-earned dollars.

In a free market, every dollar that an entrepreneur accumulates is evidence that the entrepreneur has provided value to someone. In a free market, having money is not an indication that you need to "give back" to society. It's an indication that you've created more value for society than you consumed.

But when the government interferes in the economy, you become rich by convincing politicians to force people to buy your product to prevent people from competing with you -- and to require people to invest in your business.

In a government-controlled economy, having money is an indication that you have taken more from society than you have contributed.

Both economic systems reward entrepreneurs; the important difference is whom the entrepreneurs serve. When people have economic freedom, entrepreneurs obtain profit by serving customers and investors. When the government controls the economy, entrepreneurs obtain profit by serving politicians. Regardless of the economic system, there will always be a class of rich people. The question is whether we want to live in a world where people become rich by creating value for others or where they become rich by using the government to steal.

Which of those options do you think would poll better?

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