

Cato Institute's Allison speaks on keys to economic recovery

By: Alan Alexander - May 16, 2013

The impact of egalitarians – those with the help everyone mentality – in today's economy is trumping capitalism and could be detrimental to financial growth and operations in the U.S., John A. Allison, CEO of the Cato Institute and retired CEO of BB&T Bank, told the combined Birmingham Kiwanis Club and Rotary Club of Birmingham at the Harbert Center Wednesday.

Allison, who also authored the No. 1 Wall Street Journal best-selling book "The Financial Crisis and the Free Market Cure," discussed the philosophical and economical fight occurring between egalitarians and capitalists. According to Allison, the group that triumphs in this struggle of ideologies – both of which have considerable political impact – will dictate the future of economic recovery in the U.S.

"Egalitarians don't want equal opportunity, they want equal outcome, which is an unnatural phenomenon," he said. "We all want to be treated equally by the government, but the fact is we are not equal. Everyone is a unique, special individual and the goal to make everyone equal will not happen naturally. It requires the force of government."

Allison said one of the biggest reasons for the economic troubles our nation has faced this decade is the government's bad approach toward public policy, namely "the ball and chain" tax restrictions on America's wealthy.

"One percent of taxpayers pay 25 percent of the taxes, 6 percent pay 60 percent of the taxes and 50 percent of the taxpayers pay no taxes. Putting a ball and chain on those who achieve success brings the whole country down," Allison said.

Because of this, he said egalitarians have adopted a sense of entitlement, creating a belief system that diminishes the importance of personal responsibility, which goes against everything America was founded on.

Allison emphasized that revisiting the elements from the Declaration of Independence, such as life, liberty and the pursuit of happiness, are key in achieving a prosperous community and avoiding another economic collapse.

In regards to liberty, Allison alludes to the evolution of the human mind to show how an unregulated, highly competitive market can revitalize America.

"A thousand years ago, what was useless to man? Somebody invented oil, and 20 years ago telecommunications went through copper wires that were expensive and rare. Now it's processed through fiber optics, which is made from silicon that's derived from sand, one of the most common elements on earth's surface. Somebody invented that. In order

to think productively, you have to be free to think creatively. Creativity is responsible for all human progress,” Allison said.

Allison also said the ability to think creatively produces entrepreneurship and therefore establishes capitalism, which is why America is a world power. If the government continues to allow political inhibitions to impact the regulation of the economy, then America won't continue to recover economically, he said.

“We have a gigantic long-term challenge if we continue with the lack of personal responsibility and with the entitlement mentality. If you look at the unfunded liabilities under government pension plans and the Obamacare program, there is an excess of \$100 trillion. Currently, the U.S. government has a net worth of -\$400 trillion,” he said. “Those are kind of scary numbers.”

But Allison believes it's a positive thing that the problem is identifiable and therefore fixable, albeit with some pain. He said the mathematics don't show signs of a full recovery anytime soon, and that fixing the problem isn't hard on the nation economically, but politically.

“It's not impossible, but you have to have a free market and maintain the incentive for Americans to work hard,” he said. “Hard work is what drives self esteem, and a good self esteem creates happiness. Money can be the ends to a mean, but happiness is the end.”