

Tuesday, December 15, 2009

BOOKS: U.S. culture hostile to capitalist system

[Doug Bandow](#)

THE 5 BIG LIES ABOUT AMERICAN BUSINESS: COMBATING SMEARS AGAINST THE FREE-MARKET

By Michael Medved, Crown Forum, \$26.99, 262 pages

REVIEWED BY DOUG BANDOW

Last fall's financial crisis led to more than the usual talk about the end of capitalism -- but what tottered dangerously last year was America's mixed economy, not a true market economy.

With capitalism under attack and statism on the march, Michael Medved has written a defense of both capitalists and capitalism. "The 5 Big Lies About American Business" is sometimes uneven, mixing popular polemic and considered analysis, but most of Mr. Medved's thrusts are well-aimed.

Mr. Medved opens with an anecdote about his father, "the unacknowledged entrepreneur." Despite the latter's many years in business, Mr. Medved thought of his father as a scientist or academic rather than an entrepreneur. He writes: "Like many other children in countless families across the country, we unresistingly imbibed the antibusiness bias that's pervaded American culture since the Great Depression."

In fact, though the United States is viewed as the epitome of capitalism, Americans are surprisingly uncomfortable with the actual operation of the market. Indeed, observes Mr. Medved, many people who are only too happy to possess money have "an odd discomfort in admitting the means by which those resources were acquired."

Much of the culture is hostile to economic freedom. For instance, the educational system exalts almost every form of service other than commerce.

Literature and television tend to reinforce the same themes. So does Hollywood. Notes Mr. Medved, "For more than a generation, the Hollywood dream factory has continued to churn out similar nightmares that emphasize the ugliest, most unpleasant elements of the commercial, competitive system - the same system exemplified, in a particularly ferocious form, by the entertainment industry itself." The signature movie in this genre, of course, is "Wall Street," with Michael Douglas as Gordon Gekko.

Mr. Medved challenges these stereotypes, going beyond purely economic arguments. Markets involve human cooperation, which benefits all parties. Mr. Medved explains: "Far from the heart-hardening and spirit-killing processes cited by poets or movie producers who loudly lament the central role of business in our society, the capitalist system actually opens us to a greater sense of connection, community, and even creativity."

The bulk of the book is devoted to rebutting five "big lies." The first is that last year's financial debacle meant the death of capitalism. In fact, politicians were at least as responsible as businessmen. Mr. Medved, however, focuses on a larger point: "For the better part of five generations, the enemies of capitalism have been singing lustily to celebrate its imminent demise."

Yet the fall of the Berlin Wall dramatically showed that it is collectivism that is intellectually and morally kaput. While history did not end, democratic capitalism clearly triumphed. Nothing over the past year has changed that. Observes Mr. Medved: "The crisis of 2008-2009 may have stalled this progress but in no sense erased it, or discredited the system that produced it."

The second big lie is that as the rich get richer, the poor get poorer. Mr. Medved recognizes that wealth is created. The much-touted income gap is to some degree a statistical artifact, and income mobility is constant. Moreover, any gap is meaningless because it "actually reflects increased wealth for the most prosperous rather than falling living standards for the poor." We are all benefiting.

Lie No. 3 is that businessmen are overpaid and corrupt. The excesses are real. However, companies are not unique in this regard.

Moreover, many complaints in this area suggest that corporate critics assume salaries reflect moral virtue. They do not. Rather, the market purports to reward market participants for market

value, and, as Mr. Medved puts it, "you do get what you pay for."

Where corporate decisions can literally make or break companies, paying well for someone more likely to make the right decision is critical. Mr. Medved cites as an unlikely ally former Clinton administration Labor Secretary Robert Reich, who observed that shareholders were "likely to let CEO pay continue to soar. That's because of a fundamental shift in the structure of the economy over the last four decades, from oligopolistic capitalistic to super-competitive capitalism. CEO pay has risen astronomically over the interval, but so have investor returns."

The fourth lie is that big businesses are bad and small businesses are good. There is a long strain in American history of "fighting the 'money power,'" as Mr. Medved puts it. He nicely punctures the myth that "trust-busting" has protected the public. He also defends globalization from those who "associated the idea of companies getting big with the prospect of them going bad."

Perhaps Mr. Medved's most audacious undertaking is to praise the accomplishments of big business and question the virtues of smaller enterprises. He acknowledges the "romance and adventure connected to small business and entrepreneurship, no matter how ill-advised or pedestrian these new ventures may be." But when it comes to economic growth and job creation, he argues, look to larger concerns.

Mr. Medved concludes with big lie No. 5: "Government is more fair and reliable than business." Making this case is a lot like shooting fish in a barrel. He begins with Seattle, which spent billions of dollars to construct an underserved light rail system, making it as inconvenient as possible for people to drive (as opposed to ride buses or bikes, or walk) and use the system. Other examples of similar foolishness, waste and arrogance abound. Explains Mr. Medved, "Logical argument and empirical evidence lead inevitably to identical conclusions regarding economic efficiency: free-market decisions in a competitive business system lead to better results than top-down government directives, no matter how well-intentioned."

Mr. Medved concludes his worthy book on a moral note. Despite the events of the past year, capitalism has triumphed over collectivism in the practical sphere. It also is a more ethical system. Says Mr. Medved: "That aspiration to build and defend businesses arises from the very core of our humanity and for many Americans involves an important religious component."

How true. Although not all businessmen are good, business is good, a worthy calling to human service. With liberty under siege today, all who benefit so much from the operation of a market economy should join Mr. Medved in coming to its defense.

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