

Title: **A Capitalist She is Not**
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A Capitalist She is Not

Senator from Massachusetts and presidential hopeful Elizabeth Warren asserts that she is “a capitalist to my bones.” She must be thinking of the “capitalism” adopted by countries like Russia and China. That type of government-controlled system is very different from what most of us would consider capitalism. While it allows market processes to allocate some goods and services, decisions over big-ticket areas, such as healthcare, are left to government bureaucrats.

The mere fact that Senator Warren has dozens of policies that increase government intervention in our daily lives should be a clue to her belief in capitalism. Let me focus on just a few to illustrate her true position on capitalism.

One proposal bans fracking, or hydraulic fracturing. Initially a ban on public land, then on private. There is no question that fracking is controversial, and I will not get into that debate. What would be the cost of such a Draconian policy?

The most obvious is job loss. A study published by the National Bureau of Economic Research found that in the two years between 2012 and 2014 over four million net new jobs arose

because of fracking. An outright ban on fracking would push millions of those workers into unemployment, instilling severe economic hardship on their families and communities.

Eliminating fracking would effectively levy a tax increase on all energy consumers. A study by the Brookings Institution, not a hotbed of conservative thought, found that between 2007 and 2013, fracking in the United States lowered gas bills paid by all energy consumers a whopping \$13 billion per year. Doing away with fracking would reverse that windfall. If the Senator’s real objective is to reduce carbon consumption, which is laudable, there are less economically destructive approaches than shuttering an entire industry.

The Senator also wants to ban private healthcare insurance, purportedly to rein in rising healthcare costs and improve service. Few would disagree that the U.S. healthcare system needs fixing. Moving to a government-run healthcare system is not the answer, however. The Warren plan effectively eliminates any competition in the healthcare market. Pitting two giant bureaucracies against each other, neither of which has a sufficient motive to lower costs or improve the delivery of health

care, will not lead to better care.

Nationalizing the healthcare industry removes a critical incentive that private markets now face. Private healthcare providers, just like any other business, know that failure to provide services satisfactorily means a loss of patients to other, more proficient providers. Eliminating competition and the profit motive are peculiar ways for a died-in-the-wool capitalist to fight higher prices and poor service.

Senator Warren, like several other Democratic hopefuls, is pushing a surtax on the ultra-rich. Public sentiment supports this: A recent poll found that 76 percent of registered voters contacted favors such a tax. Since most of them believe they are immune to its effects, why not soak the rich?

Instituting a wealth tax will have a cost. For one, the wealthy will find legal ways to avoid it, so the predicted surge in revenues from her tax scheme may not materialize. How then will the Warren administration pay for the promised “free” goods, like college tuition and Medicare for All? The answer is higher taxes on everyone else.

Why not just raise taxes on annual incomes of the rich? After

accounting for deductions and the fact that it is “effective” tax rates, not those stated in the IRS schedule that count, Michael Cemblast of JPMorgan Asset Management has estimated that today’s top one-percenters pay about as much as they did in the 1970s, when the highest marginal tax rate was higher than 90 percent. In other words, raising marginal tax rates may not generate the revenues needed to pay for the expanded government programs she promises.

The Senator has one policy that even the staunchest of free-marketers can agree with: Improve the rule-keeping function of the government. Calling out and prosecuting corruption and anti-competitive behavior promotes competition and improves our collective economic well-being.

Overall, Senator Warren’s plan will greatly reduce your freedom of choice in the private market and replace it with the decisions made by an overreaching, centralized government. Between the two, the future will be much better with old-fashioned capitalism, warts and all.

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