

STRATEGIC OUTLOOK

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A Defense of Free Market Capitalism

Capitalism is an economic organizing system based on the private ownership of property and resources that facilitate or control the means of production. Company owners or shareholders are incentivized to maximize profit or reward vs. risk. We will discuss the roots of Capitalism and Individualism, comparing its success to the dismal consequence of various forms of Collectivism, including Socialism, Communism, and Marxism. The Law of Supply vs. Demand dictates transaction prices in goods, services, resources, property, labor, capital markets, and other valued things.

Minimizing costs encourages resource conservation and efficiency in pursuit of higher reward or earnings. Increased efficiency and productivity also limit inflation. Free market trade occurs when mutually agreeable informed prices are determined by a competitive market of sellers and buyers maximizing their own self-interest or benefit. Inefficiencies emerge from unnecessary regulation or collective control of commerce or means of production, which increases inflation and scarcity. It is not surprising socialist countries continually struggle with higher inflation, affordability, and resource shortages.

Capitalism is a system of values and principles that incentivizes individuals or enterprises, which provide better products or services at competitive lower cost due sacrifice, innovation, ideas, and risk-taking. Free market competition is an instinct that collectivists can't understand or appreciate, highlighting the modern clash of ideological values. Competition produces winners and losers that drive inequality, rather than being chosen by central planners or government policies. Collectivism has never worked in two centuries of trying and failing—it is insidious to believe consequences of Socialism will be different this time. It is terrible at boosting prosperity or increasing affordability, believing bureaucrats can dictate equality of outcomes based on collective needs.

We discuss below the *State of Capitalism* today, its origin, and why its economic efficiency yields higher potential growth, productivity, and profit margins than any other form of collectivism. Capitalism results in greater prosperity and higher living standards, as well as greater upward mobility. Free market Capitalism can maximize economic efficiency by incentivizing hard work, entrepreneurialism, research, developing creative

ideas, risk-taking, or enhance productivity that leverage experience, talent, ability, or education. We also explore virtues of Capitalism vs. vices of Socialism, and amoral Communism. We contend that the choice of economic organizing system has pivotal consequences for nations.

There are various economic and political organizing systems, namely: Capitalism vs. Socialism, Marxism, or Communism, but there exist only two forms of social organization, specifically *collectivism* and *individualism*. *Individualism* believes the government exists to protect individual life, liberty, and pursuit of happiness by reinforcing basic rights, equal opportunity, and natural freedoms, including: speech, religion, press, petition, and assembly or association. Adam Smith argued that individuals chasing their own self-interest for personal gain usually help society more than those who claim to work for the public good. Collectivism asserts collective needs, goals, and harmony above individual freedom, personal independence, individual liberty, and choice.

Classic liberalism and individualism are fundamentally aligned, prioritizing individual freedom, liberty, free markets, free choice, and a limited role of government. Liberalism is actually the opposite of progressivism and collectivism. Liberalism opposes boundless government, progressive welfare statism, and redistribution, but embraces individual liberty, natural rights, and freedom. Bernie Sanders is a Socialist, and insists that he is not a Liberal or a Democrat, but is a Progressive. If Socialists and Progressives are not liberals, then their only reason for collaborating with the Democratic Party is to ride their coattails in power alliance of convenience and rework the platform to favor collectivist policies. Same might be said of Socialists that usurp Labour in the United Kingdom.

Progressives believe government control, redistribution of wealth and income with an expanded welfare state is necessary to protect individuals from exploitation and systemic inequalities. They favor *collective liberty* over individual liberty, private property, and freedoms to fund program costs and entitlements, regulation for collective good, outcome equality, and social justice. The Democratic Party's identity crisis is the consequence of adopting progressive and collectivist beliefs, rather than individualism and classic liberalism. Progressives are *liberals in name only in adopting* collectivist policies.

Convergence of Capitalism and Individualism

John Locke (*Two Treatises of Government*, 1689) argued that the role of government is to protect individual natural rights of *Lives, Liberties, and Estates* (property), as well as the idea that governments rule only with the consent of the people. This eternal truth was adopted by the Founders, including Thomas Jefferson who drafted the Declaration of Independence. We discuss the role of government below.

Capitalism relies on fair competition and free market enterprise to promote innovation, creativity, and entrepreneurial risk-taking. We recognize that both parties to a transaction have vested self-interests, so efficient outcomes balance desires of both parties, just as game theory predicts. For collectivists to argue the logical opposite, contrary to human instinct and natural rights, is nonsense. Capitalism yields better quality products at lower cost by incentivizing free market competition to promote greater productivity, thereby limiting inflation, increasing prosperity, and raising living standards for society.

The Wealth of Nations in 1776 by Adam Smith was the first conceptualization of Capitalism, spanning economic organisation of labor, wages, property, money, resources, trade, business, and government. It explained the miracle of how unrelated free-thinking individuals pursuing their independent desires of an *invisible hand*¹ promote economic prosperity for the greater good. The *Law of Supply vs. Demand* enables efficient function of free markets coexisting with rule of law and prudent regulation to ensure fair competition. Competitive free markets and free trade driven by behavioral self-interest that endured for centuries, benefiting from innate self-correction and adapting to innovation to maintain economic balance.

Publishing *The Wealth of Nations* coincided with shaping America's founding principles, values, and beliefs, including individual freedom, liberty², and property rights in the pursuit of happiness. Adam Smith postulated that income inequality is an expected consequence of profit seeking incentives in competitive free markets. As divergences in income and wealth naturally increase, compounding over time, different outcomes with equal opportunity are not something to fear, instead reflect incentivized effort *in pursuit of happiness*.

The Theory of Moral Sentiments (Adam Smith, 1759), established that society relies on empathy, conscience, and mutual sympathy as a remarkable ethical and philosophical basis for economic theories of *The Wealth of Nations* (1776). Smith believed human actions are driven by the desire for mutual understanding and empathy, rather than just simple greed or selfishness. He describes sympathy arising when we imagine how others

feel in given circumstances. Smith believed sympathy and self-interest are compatible, working together because our moral sense (sympathy) keeps our personal desires in check by respecting rights of others.

Self-interest must be governed by mutual benefit and fair play in a just way. Individuals pursue self-interest as a moral and virtuous capitalist when we respect one another, yet sympathetic to their needs. Conservatives, individualists, and capitalists experience empathy and sympathy for others—such traits aren't unique to liberals or collectivists. Family, charity, faith, and religion are a bedrock of conservatism, and deeply intertwined with free-market capitalism.

The remarkable breadth of pivotal truths in this two-volume economic operating manual for individualism of capitalist societies remains as relevant today as it was 250 years ago. Simple principles and values of Capitalism remain unchanged, even as some still seek to reform or replace it. No one questions its success in lifting millions out of poverty globally or driving U.S. poverty to its lowest level. Values of *Free Market Capitalism* were bold and novel, coinciding with America's founding 250 years ago, which shaped a nation needing unique revolutionary direction.

The *market* judges unlawful, improper, unethical and prohibited activities, as well as poor operating performance and ruinous decisions in the impartial court of consumer choice and capital markets. Free market Capitalism has proven robust, uncontested, and unreformable over too many generations in America to be questioned.

It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self-interest.

—Adam Smith, *Wealth of Nations*, 1776.

The butcher, brewer, and baker aren't simply pursuing greedy *selfishness*, but are virtuous incentivized agents acting according to predictable behaviors in their self-interest. Implicit is the notion free-market commerce is a two-sided exchange in which both parties seek to benefit from trade—there is far deeper meaning to self-interest than to convey selfishness of a capitalist seller. Desire to create value or wealth isn't immoral, unethical, or illegal.

Self-interests of both a buyer and seller capitalize differing objectives of independent decision makers that arrive at an equilibrium price for a given quantity—how can only the seller be selfish or greedy and not the buyer too? We lost sight of the game theoretic notion of *dual self-interest*—of *buyer and seller*—required for efficient price discovery in free market competition *Homo Economicus*, or economically rational human beings, are incentivized by self-interest of their desires or objectives.

¹ We refer to the *invisible hand* as the unbiased free market force guiding independent decisions of buyers and sellers exchanging goods and services for their own best interest.

² Liberty (def.): Freedom of choice, given natural social, or economic rights without arbitrary political or despotic control.

Each decision maker takes into account reward vs. risk aversion, respect or reputation, if not decision consequences of buyer-vs-seller engaged in *dual self-interest*. Independent competing agents acting in their self-interest inspire innovation, product development, resource efficiency, and rationalization of other factors.

Dual Self-Interest isn't selfishness when both parties act in their own best interest for mutual benefit—competitive tension enables efficient price discovery without need for intervention of central planning or price controls. If respect and trust are key to operating a business, profitable businesses are not immoral or evil. Without central planning, choice, or government intervention, the *invisible hand* guides our morality for one's reputation to be trustworthy, yet offer value at a competitive price. Thus, bolstering trust and goodwill are critical to success, reinforcing ethical, moral, and prudent guardrails.

Dual Self-Interest is intuitive and optimally consistent with cooperative game theory, yet distinct from *Dual Interest Theory*³ implying joint operation of two separate motivations: Ego-based self-interest interacting with Empathy-based shared interest, which coexist within oneself in fluctuating internal tension—balance is neither stable or assured. Expressing empathy is desired, and the basis of charity—it so happens, conservatives are more charitable with their own money, than collectivists are with *other peoples' money*. Voluntary charity is more efficient, effective, righteous, and morally superior versus government-mandated redistribution.

Under free-market Capitalism, the *Invisible Hand*⁴ engages to communicate an equilibrium market price for a given *supply vs. demand* without intervening command and control. The *invisible hand* frees us to coordinate and transact efficiently without authoritarian policy control (regulation, tax regime, production, price controls, etc.) to pick winners and losers. Optimizing *Dual Self-Interest* doesn't require maintaining balanced motivations—instead the invisible hand in free-market competition only requires individual agents (buyer vs. seller) maximize their own objective. The ability to self-correct and evolve without intentional direction due to the invisible hand is one of Capitalism's greatest attributes.

Milton Friedman was one of the most articulate and perceptive economists advancing the principles of free market competition, individual liberty, and *limited government*. He stood on the shoulders of Adam Smith and others who conceived novel economic ideas and natural rights that America embraced in its *US Constitution* and *Declaration of Independence* during the Enlightenment Era. Friedman observed in 2001: "*Those of us who were fortunate enough to live and be raised in a reasonably free society tend to underestimate the importance of freedom. We tend to take it for granted. It has made us in the West more complacent.*" His books

(*Free to Choose, Capitalism & Freedom*), papers, and debates live on in support of Free Market Capitalism.

A society that puts equality—in the sense of equality of outcome [or equity]—ahead of freedom will end up with neither equality nor freedom. The use of force to achieve equality will destroy freedom, and the force, introduced for good purposes, will end up in the hands of people who use it to promote their own interests. On the other hand, a society that puts freedom before equality will get a high degree of both." -M. Friedman

America's economy prospers from a higher level of private ownership, free market competition, liberty and freedom. Private ownership of the means of production is necessary to enhance economic efficiency, individual liberty, and productivity. Free markets naturally reinforce ethical behavior of individuals and business, more so than Socialism or Marxism, which rely on state capital planning and restrict fundamental rights, or impose price controls. Customer trust must be earned, and is critical for viable business. Nothing maintains discipline of economic interests, increases productive efficiency, or limits chaos more than the *invisible hand* of Capitalism.

Only by applying our individual abilities though sacrifice (i.e., time, effort, ideas, resources) can self-interest be rewarded. Capitalism's *invisible hand* encourages efficiency and productivity with conservation of resources, energy, and lower labor intensity to bolster return on capital, productivity, growth, and affordability. Capitalism motivates relentless progress, innovation, and learning to reward merit of creativity, invention, education, talent, and hard work.

Behavioral instinct of self-interest wasn't meant to imply proprietor's selfishness, instead is the economic intuition and individual responsiveness to incentives and choice. The buyer acts with self-interest too. Political recasting of *self-interest* as *selfishness* is deceitful, conjuring images of corrupt immoral behavior serving oneself at the expense of others. This con of misguided collectivist populism denies natural competitive processes of the omnipresent *invisible hand* in *dual self-interest*.

Karl Marx misconstrued *self-interest* as the capitalist's selfishness for political advantage in "*without regard for other men, independently from society, the right of selfishness?*" Such political rhetoric continued over the last century, including Barack Obama: *Who would dare to make a virtue out of selfishness, and ...If you've got a business—you didn't build that. Somebody else made that happen!* Bernie Sanders built a political career on promoting his collectivist values, and criticizing *greed of Marxian oligarchs who don't pay their fair share of taxes*.

Friedrich Hayek's framing of the *Knowledge Problem*⁵ explains why no government bureaucracy or agency can ever know enough to run an entire economy through

³ Gary Lynne expanded dual framing of self-interest in *The Theory of Moral Sentiments* by Adam Smith, 1759

⁴ Adam Smith, 1776, *The Wealth of Nations*

⁵ Friedrich Hayek, *The Use of Knowledge in Society* (1945) was a condemning critique of economic central planning.

central planning because vital economic information is dispersed among millions of unknowable reference points. Hayek's work was a dramatic rebuke of central planning, which fundamentally changed the debate. He demonstrated that the obstacle to central planning is not a lack of goodwill, storage, or computing power, but the nature of knowledge itself. All the knowledge required to run an economy can't exist in one mind, but is instead dispersed, incomplete, and even contradictory across millions of contact points. Adam Smith's "invisible hand" implied that individual self-interest promotes public good, but Hayek explained how this materializes through the omnipresent price mechanism. Only through the invisible hand can we see how Capitalism scales, as America has grown faster and beyond imagination, but required central planning of Socialism cannot scale.

Invention and innovation limits long-term inflation, as does conservation in lowering resource, energy, and labor intensity, which drives productivity and restrains inflation to bolster real potential growth—the well-known economic relationship is: productivity growth plus workforce growth equals long-term real potential growth. Thus, Capitalism limits high inflation by incentivizing free market competition, while lowering costs by promoting substitution, innovation, and creativity that increases *conservation* of energy, resources, and labor.

America enjoys higher operating margins and greater productivity growth with lower cost of capital resulting in higher potential growth. Productivity growth may be limited by anti-competitive or free market limiting frictions and adverse government regulatory or tax policies to bestow unfair advantages benefiting select companies.

Capitalism promoted greater global prosperity, wealth creation, and reduced poverty than any other economic organizing philosophy—greater upward mobility, less inequality, or better living standards never emerged from Socialism, Marxism, or Communism. Creative innovation and product development occurs through reinvestment of profits, while anticipating consumer choice, needs, and desires. Incentivized free-markets foster *competition*, entrepreneurialism, and *creative destruction*⁶, which reinforce productivity, and thus real potential growth. Margins expand when conserving energy, reducing labor intensity, or decreasing resource consumption with creative destruction of improving process efficiency. Capitalism is more compatible with American founding principles established during the *Age of Enlightenment* than any other economic system.

Natural Rights and Equal Opportunity

Thomas Jefferson wrote: *We hold these truths to be self-evident, that all men are created equal, that they are endowed by their creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness—that to secure these rights, governments are*

instituted among men, deriving their just powers from the consent of the governed. Life is not fair, nor is outcome equality moral or justified. Indeed, only rights of equality under the law or equal opportunity are Constitutional—meaning all individuals will be judged equally, based only on their character and talents, not by where they live, who they associate, what they believe, color of their skin, or their family name.

Capitalism and Socialism define fairness differently and seems to be at the crux of how each is viewed. Capitalism offers equal opportunity such that individuals are incentivized and rewarded based on their merit, ability, knowledge, or aptitude to create value. Socialism seeks greater equity or outcome equality to meet basic needs, irrespective of hard work or ability. Inequality under free-market capitalism is more benign than inequality under Socialism, while inhibiting life, liberty, pursuit of happiness, among other natural freedoms. Socialism has a greater problem with political corruption, fraud, and waste with controlling centralized power.

Capitalism assumes free market competition, free trade, fair play, limited government intervention, modest barriers to entry, and freedom to free exercise of property, capital, or labor management in productive ways. Individuals are free to act rationally to live well and prosper to the best of their ability, and may not be impeded from pursuing goals or opportunity by government or others.

Capitalism is compatible with natural rights of life, liberty, and pursuit of happiness, as well as freedom of speech, assembly, and equal opportunity. Businesses compete for talent, just as workers compete for job opportunities and promotions. Meritocracy bestows advantage of compensation, privileges, responsibility, or position based upon individual ability, talent, and effort, rather than wealth, race, gender, or social standing. Meritocracy is virtuous and mitigates corruption, thus more stable than relying on bureaucratic central planning to redistribute equity or pick winners and losers.

The US Constitution mentions *Right or Rights* just once, other than in the *Bill of Rights*, of course:

To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries
—US constitution, Sec. 8

The right to benefit from our effort, intuition, invention, risk-taking, leveraging our talent, and being creative or inventive is just and virtuous, aligned with the *pursuit of happiness*. Capitalism promotes equal opportunity and upward mobility better than any other system. Compare U.S. economic prosperity, productivity, and economic performance over any longer horizon to anywhere else in the world, under any other organizing system—America remains an unrivaled global powerhouse with

⁶ Schumpeter, Joseph, *Can Capitalism Survive*, 1942, and *Capitalism, Socialism, and Democracy*, 1942

unmatched innovation, prosperity, military strength, and the world's reserve currency. There is no alternative.

Capitalism's Natural Guardrails & Moral Foundation

Meaningful life derives from faith, family, community, and earned success through work rather than materialism or bloated welfare states. — Arthur Brooks

Capitalism is the most moral, righteous, and noble economic organizing system conceived, guided by discipline of the *invisible hand* of free market competition. Economic prosperity is not a zero-sum game to be dived up or redistributed, as often assumed. The free market's unforgiving judgement may seem ruthless, but it is fair and unbiased, subject to free choice. American Capitalism has endured because it is the most compatible, just, and stable economic organizing system for Democracy aligned with our U.S. Constitution. It respects individual natural rights, rule of law, and equal opportunity.

As with any organizing system, certain guardrails are needed—most of which are universal, but not specific to Capitalism. Below we discuss human behaviors contrary to Capitalist principles and rule of law, yet Capitalism is still often blamed for financial instability. We need laws, rules, and regulations to promote rule of law, fair dealing, and competition with a level playing field without collusion or oligopoly. Promoting trust and respect among customers are incentivized behaviors, which discourage criminal, exploitive, unethical, immoral, or illegal behaviors. Smart laws, regulations, or rules of limited government promote competitive free markets, free trade, and fair play for all. Laws and regulatory enforcement exist to protect individuals, property, and businesses from undue harm or hostile force of others.

Prudent laws and ethical or moral accountability are effective guardrails to Capitalism, but over-regulation can stifle mechanisms that make Capitalism so effective. Larger corporations too often influence legislation, using regulation as barriers to entry to block innovative and more nimble competitors. Consider the Anthropic and OpenAI playbook, on the eve of public offerings, to increase competitive barriers, including increasing regulation to slow frontier or agentic AI development—how would any regulator validate or enforce slowing research down in a capitalist nation? AI companies should bear responsibility of controlling the safety and security of Frontier AI models, not some half-wit legislator or regulator. They were the one's that lit the fuse of insecurity to convince the world GenAI was so powerful it would destroy jobs and create an existential threat to humanity, yet they were the good guys.

Safety and environment regulations prevent large companies from offloading costs that adversely impact communities they serve. A free and fair press can leverage moral accountability to sway businesses to do the right thing, but that doesn't preclude the need for prudent, adaptive regulation. Anti-trust rules must break-

up oligopolies or monopolies that impede fair competition. These issues are implicit in the *rule of law*, but still must be codified to be effective and enforceable.

Competition may be limited if unchecked mergers and acquisitions purge upstarts, novel patents, or innovative processes that challenge status quo of market leaders. Government too often creates anti-competitive issues in regulations that advantage larger enterprises with greater scale, but instead should focus on maintaining fair competition, while limiting fraud, consumer risks, unfair business practices, negligence, or collusion, if not monopolies or oligopolies, with better enforcement.

Free to Choose (see Milton Friedman) whether or not to engage in charity, either giving of your time or wealth, is a sign of true charity. Murray Rothbard explains: "It is easy to be conspicuously compassionate if others are forced to pay the cost." Forcing taxpayers to pay the bill for expanding entitlement programs is easier than self-sacrifice of genuine charity. Capitalism is the only economic system where willful giving of one's private property, wealth, or resources is moral charity. Various studies illustrate a negative correlation between government spending and share of GDP given to charity, likely resulting in crowding-out. Individuals may view public welfare spending as a substitute for private donations or higher spending mandates higher taxes, which reduces disposable income and limits the capacity to give. Conservatives tend to donate a larger total amount of money and higher percentages of income to charity more frequently than liberals, although liberals generally have higher average incomes, as Thomas Sowell has highlighted. Is genuine charitable giving of one group versus another a sign of greater morality?

The U.S. Constitution directs government, organized into three independent branches (executive, legislative, and judiciary), to ensure *domestic tranquility* (peace, order, safety) and support *general welfare* of health and pursuit of happiness—not to pursue some *warm embrace of collectivism*. Rugged individualism, meritocracy, and free-market competition form an interconnected triad that equates personal success, survival, and prosperity with leveraging individual effort or hard work, talent, ideas, education, and property rights.

Shareholders vs. Stakeholders

Companies are created for a purpose. The universal corporate objective is to maximize long-term shareholder value. This can be achieved with growth in productivity and innovation while lowering costs and increasing efficiency, thereby incentivizing profitability and return on capital. Companies remain subject to financial discipline, consumer preference, and other risks. The notion of *too big to fail* is a collectivist *bug*, not a capitalist *feature*. Higher operating margins and productivity bolster long-term profit growth, which increases stakeholder value.

Growth depends on the ability to leverage opportunity, measured in terms of sales, earnings, product demand,

or market share. Return on capital enriches communities and welfare of employees with better wages, benefits, and job security, as well as charity, while incentivizing reinvestment. Shareholderism is more economically stable than collectivist Stakeholderism, which has no self-correcting mechanism and arbitrary controls.

Businesses are owned by shareholders—their interests vs. stakeholder interests are not mutually exclusive, but shifting accountability toward stakeholder objectives compromises ownership rights afforded shareholders. Stakeholderism seeks bureaucratic control of prices and production like Socialism or Communism, undermining individual liberty, property rights, and competition, which limit potential growth, margins, and profitability.

How can management be held accountable if multiple objectives, often in conflict, aren't clearly defined as shareholder value? It is impossible to satisfy all constituents equally. Stakeholderism is incompatible with free market Capitalism and costly to shareholders—thus, has an adverse impact to shareholder value for marginal, if any, benefit to stakeholders. Optimizing shareholder value⁷ is a corporate governance objective. Free market competition is compromised if companies don't *optimize shareholder value*.

Asset managers with discretionary authority over other people's money are legally bound by fiduciary duty to prudently exercise shareholder rights. Regulations and common law require asset managers and proxy advisors to act solely in the economic interest of shareholders to maximize risk-adjusted returns. They shouldn't sacrifice shareholder value to advance non-pecuniary social or political agendas. Asset managers of *other people's money*⁸, or their proxy voting advisors, may not sacrifice fiduciary responsibility of shareholder primacy or bully companies with threats of swaying adverse ratings—only shareholder majority have the right to choose alternative objectives vs. maximizing shareholder value.

Stakeholder Capitalism is a misleading oxymoron, borrowing from credibility of Capitalism, yet seeking alternative statist governance that has detrimental economic consequences. Stakeholderism seeks to reset business objectives, often to the detriment of shareholders. This allows corporate officers and directors to arbitrarily elevate conflicting interests of discordant stakeholders. Insulated from shareholder oversight, management may be less accountable for substituting their preferences ahead of shareholders.

The Business Roundtable, an organization of leading company CEOs, has championed principles of good corporate governance. Its *Purpose of a Corporation* since 1978 was rooted in primacy of *shareholder value*—the primary corporate duty of officers, management, and

the Board of Directors of a Corporation is to increase shareholder value, but not at expense of stakeholders.

The Roundtable's *Purpose of a Corporation* followed Economist Milton Friedman's immortal NY Times article: *The Social Responsibility of Business Is to Increase Its Profits* for over 50 years. Shareholder primacy stood the test of time empirically long before Milton Friedman's September 1970 article. Strong financial performance increases financial flexibility to fund raises or bonuses, benefits, and retirement plans. If a company is failing, it is more likely to compromise its ethical or cultural values, sacrifice governance, suspend benefits, limit pay increases, or skirt paying taxes to survive.

Milton Friedman concluded:

The difficulty of exercising 'social responsibility' illustrates, of course, the great virtue of private competitive enterprise—it forces people to be responsible for their own actions and makes it difficult for them to 'exploit' other people for either selfish or unselfish purposes. How can management be held accountable if objectives aren't clearly defined?

Friedman wasn't anti-stakeholder, but was concerned about inefficient or misallocation of other people's money, resources, or property favoring decisions which undermined shareholder value. Owners' self-interest in operating their company is of foremost preference, but if management is not aligned, alternative preferences become a governance issue. *Shareholder* objectives remain unchanged, as embedded in corporate charters for generations under Delaware law.

Capitalism isn't anti-stakeholder, but stakeholderism can be misconstrued to be anti-Capitalism. Who decides which stakeholder interests among employees, community, customers, suppliers, or environment are most important at any point in time? Management should not spend other people's money or allocate resources contrary to shareholder value or rights. Stakeholderism presents ethical and governance challenges in prioritizing one constituency over another with different objectives. Stakeholderism lacks efficient adaptive control that incentive-driven Capitalism enjoys.

Stakeholderism departs from Milton Friedman's ideas in *Capitalism and Freedom* (1962):

There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.

In August 2019, the Business Roundtable updated its "Purpose of a Corporation", first published in 1978, and compromised its long-standing assertion of shareholder

⁷ *Optimizing Shareholder Value* broadens our definition of maximizing profit to include risk thereof over long-term.

⁸ **Blackrock:** [Net Zero: A Fiduciary Approach, 2021](#), [A Fundamental Reshaping of Finance, 2020](#), and [Sustainability as BlackRock's New Standard for Investing, 2020](#)

primacy to align more with stakeholder interests. This *pivot* implied new multi-objective accountability, which is more difficult to manage and assess performance, particularly as stakeholder values may not align well with each other or compromise shareholder value. Business reputation, or employee loyalty can be jeopardized under *stakeholderism* in attempting to serve conflicting multiple objectives opposed to maximizing *shareholder value*.

Shareholder value increases if return on capital outpaces financing costs. Maximizing shareholder value suggests persistent earnings growth should well exceed the cost of capital. Stakeholder decisions that undermine operating margins without commensurate benefit to earnings growth reduce shareholder value over time. Implicit in the "rules of the game" are constraints on profit-maximization: *Fair competition* by law-abiding prudent businesses and shareholder value is a function of earnings growth, or increasing book value, rather than speculative stock price increases. We believe the new Corporate Purpose Statement fell short of undermining shareholder primacy, but still was not constructive.

Businesses are collaborative organizations by design. Competitive advantages include pursuing constructive stakeholder relationships, and to do otherwise defeats objectives of maximum return on investment. We don't need reforms such as WEF's New World Order of progressive Stakeholderism, nor collectivist agendas rooted in envy—instead, a reinvigoration of free market competition and policies that are compatible with individual liberty, free enterprise/trade, free speech, free association, and respect for private property.

Reputation, trust, and other implicit values are key to long-term earnings growth. So, optimizing shareholder value requires constructive stakeholder relationships. Corporate culture enshrined in beliefs and values is central to securing stakeholder trust. Thus, illicit behavior is no more associated with Capitalism than any other governing systems, instead bad behavior is costly, if not severely penalized in competitive free markets.

Shareholderism versus Stakeholderism is a red herring. Businesses can't succeed without its stakeholders. In undermining fiduciary accountability, the Business Roundtable increased confusion with *multiple masters* of conflicting objectives to satisfy different and varied expectations. Business leaders know well the difficulty serving multiple masters in multi-objective governance. Stakeholderism weakens entrepreneurial risk-taking, rather than being governed by the *invisible hand* of free market competition. Americans uphold equal opportunity and equal protection under the law, but oppose prejudice and quotas for race, gender, religious, or other identity-based preferences, which gave rise to Diversity, Equity, and Inclusion mandates. Affirmative action recently was constitutionally rejected by the Supreme Court. The 14th Amendment specifically protects persons under both the *Due Process* and *Equal Protection* Clauses:

...nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

Delaware law, governing most US public companies, requires corporation directors to fulfill their fiduciary duties to the corporation and its shareholders, instilling shareholder primacy. Thoughtful informed operating decisions that consider the well-being of employees, vendors, community, or reputation are constructive and consistent with good corporate governance. Decisions that promote long-term growth without compromising shareholder primacy are good policies. Alternatively, statutory *public benefit corporations* were created to allow deviation from shareholder primacy for agreed owner-preferred objectives of an organization, but requires support of majority of shareholders.

The corporate proxy voting process is broken and become complex in the wake of driving stakeholderism. Companies are forced to address an increasing volume of ideology-driven proposals that often impose significant costs without meaningful economic benefits to shareholders. An existing oligopoly of proxy advisory firms emerged to help manage the fiduciary workload for asset managers, but now exert outsized influence over corporate governance of proxy voting. They operate with minimal oversight and conflicts of interest, including pay-to-play. To restore balance and return to prioritizing long-term shareholder value, reforms are needed to proxy voting agency, and preventing activist investors from hijacking stakeholder initiatives. Oversight of proxy advisory firms must be strengthened to ensure that they operate prudently for the independent fiduciary interests of shareholders with transparency and accountability.

The World Economic Forum released its updated *Davos Manifesto* in 2020 authored by Klaus Schwab, founder and executive chair of the WEF. As a supporter of *stakeholder theory* since 1973, *Dr. Schwab hoped* to enshrine *Stakeholder Capitalism* by advocating a *Great Reset* of stakeholder accountability or Stakeholderism.

The Great Reset envisions a new world order of managed global economic, political, and social objectives enforced by supernational government control and collective regulation of commerce, including price and wage controls. This compromises individual liberty, undermines meritocracy, undercuts free market competition, and repudiate shareholder capitalism. It also is subversive to sovereign control. No extraterritorial organization should undermine sovereign government powers to redistribute a nation's wealth, income or property, nor administer rules contrary to sovereign interests. WEF's *Great Reset* likely won't extend investor horizons, reduce poverty, enhance democracy, or provide for greater tranquility.

America's exceptionalism and competitive advantage have resulted from prioritizing Shareholder Values over Stakeholder objectives. Academic studies analyzing the

value of alternative objectives has fixated on volatile relative share prices, rather than long-term shareholder value, because it's easier to measure stock prices than sustained shareholder value of earnings growth and increasing book value. Given enough attempts with different factors⁹ over infinitely many horizons, we'd expect a few factors to correlate well with sufficient data mining, but stakeholder objectives struggle versus any rigorous statistical significance. Lagging performance indicate wasted scarce resources, which were not conserved or managed efficiently.

Misguided Criticism of Capitalism

The inherent vice of capitalism is the unequal sharing of blessings; the inherent virtue of socialism is the equal sharing of miseries. -- Winston Churchill.

American Capitalism has existed for 250 years, yet is again under siege by the same malcontents. We have observed economic and geopolitical crises affecting both capitalist and socialist economies. Economic or financial crises are often a consequence of various underlying causes unrelated to Capitalism's enduring principles and values. Financial or economic instability is often a consequence of reckless speculation, cognitive biases, policy mistakes, enforcement lapses, misguided policies, or misdirected monetary intervention, and illegal, immoral, imprudent, or unethical behavior.

It is a myth every *Crisis* is a *Failure of Capitalism*. Capitalism endured centuries, but blame for crises from the Great Depression to the Global Financial Crisis were a consequence of misguided policies, enforcement lapses, and monetary mistakes. Any generalization that Capitalism *doesn't work for many* offers no hint of how any alternative would be better. Critics with a naïve zero-sum mindset suggest capitalist meritocracies¹⁰ are immoral, unethical selfish, and increases inequality at the expense of others. Correcting social injustice or inequality limit individual freedom, rights, liberty, pursuit of happiness, or equal opportunity. Critics may prefer idealistic central planning of bureaucratic masters, presumed more humane and compassionate than the impartial self-correcting and adaptable *invisible hand* of free markets. Booms and busts will always be an artifact of market inefficiencies, ruinous policies, enforcement failures, or speculative cognitive biases.

Regulatory capture is a form of government failure where a regulatory agency protecting public interest instead advances sole commercial or special interests that is detrimental to others, anti-competitive, or inconsistent with free-market capitalism. *Killer acquisitions* of smaller visionary pacesetters also are more likely when rising relative regulatory costs become too great a burden, thereby reducing competition. When inventions are sequestered, society suffers. Misguided policies and

regulations, or overly complex tax code and credits tend to burden fixed costs of smaller company innovators to a greater extent, as does lobbying efforts. Although inspired by good purpose, the unintended consequences of bad policies undermining free-market competition can be devastating to a nation.

Free market distortions impede free market competition and undermine productivity and real growth, but are not unique to Capitalism. Rather than defining legitimately flawed features or attributes, critics of Capitalism struggle to identify any reasons or prove why they believe Capitalism is flawed. We will discuss later why inequality, commodification, cyclical instability, or inflationary demand (shortages) are ideologically flawed and empirically disproven arguments of Socialist or other Collectivist theories. Such criticisms of Capitalism attribute detrimental human behaviors and general market distortions, rather than any actual significance.

While the Global Pandemic caused economic volatility, policies of the Biden Administration drove up inflation and nearly caused a recession, if not stagflation. Another banking crisis of enforcement failure, management incompetence, and cognitive error in 2023 resulted in the failure of Silicon Valey Bank, First Republic Bank. Silvergate Bank, and Signature Bank. This was clearly not a crisis of Capitalism, as some wanted to suggest.

Any organizing system can be compromised by careless disrespect for rule of law, poor policy, illegal or unethical behaviors, or woeful law enforcement. *Cronyism* unfairly favors one over another. If fraud, theft, or contract enforcement go unchecked, markets loose trust in institutions or market function. Crony Capitalism has nothing to do with Capitalism, but cronyism can increase susceptibility to monopolies or oligopolies that block new rivals or restrict fair competition. Need for anti-trust rules is indisputable, but behavioral issues are just as ruinous to Socialist as Capitalist economies.

Collectivism supposes *commodification* and *market concentration* are driven by Capitalism, rather than consumer choice. Consumers choose lower prices and convenience, enabled by economies of scale and free trade to offer cheaper and better goods or services. Capitalism incentivizes the *opposite* of commodification due to entrepreneurship, choice, and free markets. Nimble business owners differentiate their products by leveraging innovation, cost efficiency, product development, branding, or customer service to justify premium prices, rather than allow commodification of lower margin goods or services to persist. Low-cost Chinese goods leverage their *comparative advantage* of low-cost labor, subsidies, and regulatory arbitrage, which has commodified consumer markets and basic resources, but this is a consequence of free trade, not Capitalism. Karl Marx *wrongly theorized* that the

⁹ Harvey, Campbell R., and Yan Liu. "Lucky Factors." Journal of Financial Economics - Aug 2021.

¹⁰ Meritocracy: a system, organization, or society in which one is elevated into positions of success, power, or influence based on demonstrated effort, abilities, talent, or merit.

commodification of goods, services, and human labor is a consequence of Capitalism, but logic, observation, and practical reality suggest otherwise.

Misguided regulatory, fiscal, or tax policies often favor larger companies. Free market competition is impeded by policies or regulations undermining competitiveness, including cronyism, regulatory capture, lobbying, activist agendas, anti-trust acquisitions or mergers, and policies benefiting those with greater scale. Society would be well served limiting too-big-to-fail concerns long before strategic industries become too concentrated. Accretive acquisitions of smaller companies end up suppressing innovations or inventions without scale or wherewithal to overcome barriers to entry (ref: Michael Porter's *Competitive Advantage*).

Socialism, Marxism and Communism base their morality on collective well-being, welfare for all, social justice, and enforced equity, instead of equal opportunity. There is no choice with price and quantity objectives set by an omnipotent government bureaucracy---we know how inefficient and inept are government agencies in the U.S., and elsewhere. Consider our post office, Amtrak, DMV, and any other citizen facing bureaucracy. Needs of the collective group supersede the needs, choice, or desires of the individual, so wealth can be spread more equitably across society to reduce inequality.

Clash of Ideologies: Socialism and Collectivism

Collectivism is the opposite of *Individualism*, focusing instead on: communal needs before individual desires. Community welfare, government managed resources, common property ownership, redistribution of inequities, and shared identity with control over individual freedoms are hallmarks of Collectivism. Collectivism is a broad philosophical social, and political concept prioritizing a collective group over the individual, and serves as the foundational framework/ The only economic or political system compatible with Individualism is Capitalism, whereas Collectivism is only compatible with Progressivism, Socialism, Marxism, or Communism.

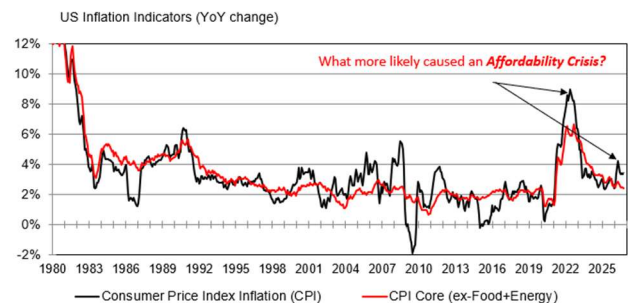
Collectivism drives lower productivity, efficiency, and thus potential growth by disincentivizing hard work, and stifling innovation, while increasing scarcity and driving higher prices, including for energy and basic resources. Higher tax rates that discourage economic growth limit tax revenue, but necessary to fund generous benefit and welfare entitlements (i.e., free healthcare, public housing, public essential services or utilities, subsidized grocery stores, free child care, free college tuition, basic income, welfare, etc.). Collectivism seeks outcome equality and greater affordability through coercion and public ownership by compromising: personal freedom, natural rights, free choice, liberty, and individualism.

Collectivism seeks to achieve its objectives *to increase public welfare for the collective good, but fails miserably by compromising individualism to promote collective welfare and social stability*. Socialists may be difficult to

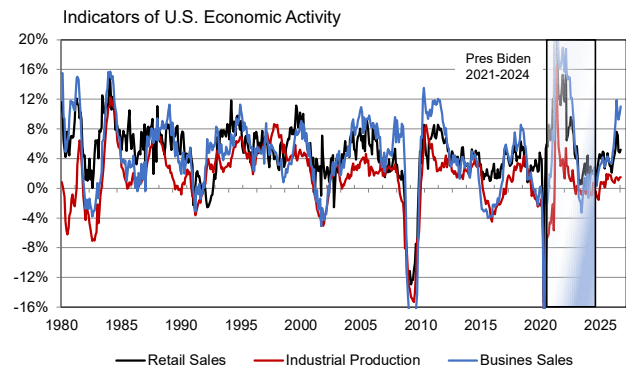
distinguish from Progressives, but not all Progressives are Socialists. Shape-shifting leftists are difficult to pin down—progressivism lends itself to evolving ideas in the name of progress by co-opting collectivist ideas as convenient, which undermine definition of liberalism.

Socialism's trap of welfare dependency weakens individual motivation, accountability, self-determination, and self-reliance, which stifle productivity, potential growth, margin, and prosperity, thus living standards. Lack of incentive implies individuals are less motivated to take risk, start a new business, leverage a talent, or develop an idea when they can't reap much benefit.

We witnessed how misguided progressive regulatory and fiscal policies rooted in collectivist corporate regulatory control and individual welfare statism during the Biden Administration adversely affected affordability for years to come, driving CPI inflation over 8% to levels unseen in 50 years for no good reason. While our inflation rate is more manageable now, only terrible and undesirable deflation could restore prices to pre-Biden levels—the best we can hope for is that housing, energy costs, transportation, labor costs, food prices, and other staples level out with an inflation rate limited to 2.5-3.5%.



Directing resource allocation with onerous regulation, market manipulation (rates, SPR release), and misguided fiscal policies (egregious spending, stimulus, tax credits) resulted in inefficient production and unintended increases in money supply. Higher inflation required hiking interest rates, thereby increasing cost of capital. Stagnation and lower productivity slowed growth.



Disinflation over the last two decades benefited from globalization, free trade, and hyper-competition in free markets that boosted productivity. Industrializing emerging market countries yielded lower cost consumer goods by leveraging *machine automation, innovation,*

Government organizing systems must operate under *rule of law*, but *Socialism* suffers a unique issue debilitating to freedom given state control managing one's property, resources, or workforce. This formidable power in government hands (rather than the *Invisible Hand*) can instill corruption, or be abused by political leaders or their agencies. Just and efficient legal systems must adjudicate contract disagreements, fraud, theft, and other anti-competitive behaviors.

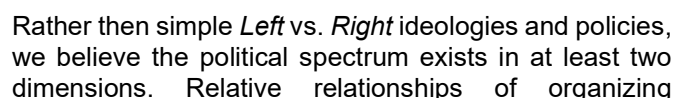
Right-to-work laws aim to ensure that employment decisions are based on competitive job performance and qualifications. *Right-to-work* allows individuals to decide how and where to apply their talents without required payment of dues. Unions may organize and advocate for the interests of their members, but employees should not be required to join a union as a condition of employment. California, New York, Illinois, and Ohio allow unions to require individuals to join unions and pay *agency fees* as a condition of employment. Union membership mandate forces one to affiliate with a group against their free will of association. A Supreme Court verdict ruled that that mandatory union fees are unconstitutional for public or government employees.

After 250 years of ingrained American Capitalism, the Socialists (DSA Party) finally exposed their radical desire to dismantle America's foundation, including obliterating our system of checks-and-balances and *separation of powers*. They seek to "pack the Supreme Court" to shift its ideological majority (add 4 justices to flip a 6-3 conservative majority and introduce term limits, assuming they regain a political controlling majority), grant Puerto Rico and Washington, D.C. statehood to add four Senators and a couple House seats aligned with the Democratic Party, eliminate the Senate, and appoint the President by majority vote of the House of Representatives—our Founders rejected parliamentary

Checks-and-balance of democracy keep Capitalism aligned with virtuous desires of free-markets and free traders given three co-equal branches of the U.S. Government. The Democratic Party's animosity toward maintaining status quo of the Supreme Court, rule of law, criminal justice, fiscal prudence, or checks-and balance is concerning as they seek greater power. Reforming Capitalism seeks to reset fundamental American values.

<u>GDP per capita</u>	<u>2025</u>		<u>2020</u>	<u>2000</u>
United States	90,027.	+42%	63,593.	36,335.
Euro Area	50,214.	+32%	37,967.	20,165.
World	14,405.	+32%	10,919.	5,531.
Latin America	10,407.	+44%	7,245	4,400.
China	13,862.	+33%	10,435.	959

Adverse consequences of Collectivist policies were observed again and again for decades across Latin America, Europe, and USSR—the result was always the same. It limited potential growth, increased inflation (resource scarcity, inefficiency, reduced productivity), and experienced repeated currency devaluation as it increased government dependency. Collectivism is not sustainable with loss of liberty, equal opportunity, freedom, choice, and individualism. As economic and financial conditions deteriorate, liberty and freedoms are lost, as promised welfare fails to materialize.



economic, political and social systems suggest more complexity than simple left vs. right ideologies, policies, principles and values. Socialism, and other forms of collectivism, is antithetical to and incompatible with the U.S. Constitution, Bill of Rights, and the Declaration of Independence. America's founding coincided with 18th Century Enlightenment that reinforced Free-Market Capitalism and natural rights. Collectivism is fundamentally incompatible with our core values of individualism, limited government, and free market capitalism driving America's economic success.

Many regard Adam Smith as the *Father of Capitalism*. If America's founding 250 years ago occurred at any other time in history, it may not have worked out so well. Capitalism remains compatible with our founding first principles alongside inalienable rights—liberty, freedom, private property rights, rule of law, equal opportunity, and pursuit of happiness of the *American Dream*. We believe that for the Republican Party to retain majority control, and restrain ascendant collectivist ideas, it must defend the principles and values of free-market Capitalism.

Fixation on Wealth and Income Inequality

Defense of Capitalism often gets bogged down in how to correct inequality, but income or wealth equality is not a constitutional right. Progressive collectivism seems less concerned about poverty or improving living standards, than reducing inequality and promoting social justice.

Correcting inequality through redistribution requires indefensible compromise of liberty, property, and other individual rights, or compromising equal opportunity. Outcome inequality will always be a consequence of any meritocratic society with differences in competitive advantage, freedom of choice or pursuit of happiness. Outcome differentials of incentivized decisions yield excess earnings, profit, investment return, or other value that reward risk taking. Inequality need not be corrected, instead is a consequence of economic function to incentivize free market competition.

Inequality can benignly coexist in a meritocracy without adverse consequence, unless emotional jealousy or envy is triggered by political populism to incite discontent. Those believing they are entitled to more free stuff are easily exploited by pious politics of envy, social justice, and equity, which is at the center of controlling political power in Collectivism. Individuals can tolerate unequal outcomes if they believe the "rules of the game" are fair and everyone has an equal opportunity to get ahead and achieve upward mobility under the right conditions.

Economic redistribution efforts through fiscal and tax policy have proven economically destructive, undermining economic incentives that promote productivity and disinflation, which are key to sustaining real potential growth. Inequality is more easily targeted as a political wedge, marshalling envy for policy ends and stirring up social unrest. Government has no constitutional right or responsibility to normalize outcome

equality (equity), whether targeting redistribution, quotas, or entitlements. Unearned inequality enabled by government corruption is more prevalent in collectivist or statist societies where government controls prices and the means of production. Latin America remains one of the most unequal regions in the world, where sweeping state-control policies of socialist governments resulted in greater poverty and inequality due to economic mismanagement, inflation, and institutional collapse.

If justification for redistributing income or wealth is to increase tax revenue, consider that the top-10% of US households paid 47% of their income in taxes and provide 71% of income tax revenue. Critics still argue the *wealthy and large corporations don't pay their fair share*. Every year there are always a few surprising outliers, but typically are just a matter of tax timing such as long-term capital gains or tax loss carry forwards—maybe simplifying the tax code (i.e., credits/deductions) would appear more rational, but increasing taxes doesn't address the complexity. Socialists think wealth of millionaires and billionaires is *stolen from others* rather than earned or result of value creation. Value is created as measured by the buyer, not hours of work. You can earn a billion dollars, as many have shown.

Both virtuous and bad origins of wealth and income inequality are observed. We can distinguish between earned and unearned or appropriated inequality, yet inequality measures don't differentiate effects between sources of inequality. Inequality perpetuated in regimes of aristocracy, dynastic privilege, nepotism, cronyism, authoritarianism, and caste systems have different effect than wealth driven by entrepreneurial pursuits. Where one's fate might be determined by birthright, familial favoritism, or inherited advantage, rather than one's character, talent, or ability effects upward mobility. Reducing poverty once mattered, but global poverty has declined significantly, particularly in capitalist countries. Socialist nations still tend to experience greater inequality, social unrest, higher inflation, and currency devaluation. Capitalism doesn't threaten Democracy; it reinforces Democracy, liberty, and our natural freedoms.

Accumulated wealth can support good purpose (charity, foundations) or have adverse consequences (political or electoral influence). It is remarkable that creation of first generation earned wealth today has never been more dynamic—not one individual in the 2021 Forbes 400 Top-10 ranking of the richest billionaires is a beneficiary of dynastic wealth, but earned their fortunes as founders and business owners. Founders often sacrifice austere beginnings, limited pay, and individual risk in pursuit of success. Capitalism can't protect us from deceit, corruption, immorality, or other regrettable behaviors. And when did government become more effective or efficient doing anything, let alone managing complex decisions about economic production and setting prices?

French President Macron (Socialist Party breakaway Renaissance/En Marche) ironically abolished the ISF

(Impôt de solidarité sur la fortune) *solidarity wealth tax* in Dec 2016—just two years after *Capital* was published—to slow rapid departure of wealthy investors and business owners. Although replaced by a basic real estate tax, the French and so many other nations have shown that wealth taxes are miserable public policy. The U.S. constitutionally prohibits a wealth tax—we may soon test this as California attempts to impose a 5% wealth tax on its 246 resident Billionaires in a state with 40 million residents—no one believes this is a one-off given the historical tax record of California Democrats.

A test the constitutionality of a wealth tax is brewing with California's Billionaire Tax Act (Proposition 40), which imposes a one-time 5% tax on net worth. Numerous constitutional challenges could invalidate the tax in whole or in part if Prop 40 passes. The most insidious part is the practical challenge of taxing unrealized capital gains on illiquid private company stock whose value is speculative, and marked-to-market infrequently.

And on what basis would wealth redistribution occur? Valuation of unlisted and highly volatile securities is always problematic, causing forced sale to pay a tax on a gain that may never be realized. We observe similar issues in attempts to tax unrealized capital gains as income, which does nothing more than bring forward tax revenues, but doesn't increase tax revenue, which otherwise will be collected once gains are realized. If a security is a large portion of net worth, this policy can force selling to pay such taxes. The practical challenges in maintaining tax records for unrealized gains is not worth the trouble, yet increases avenues for tax avoidance schemes. Doing so won't increase tax revenues, while taxpayer accounting costs increase, as will tax enforcement and collection management costs.

Denmark's ruling elite became preoccupied with income inequality and used wealth redistribution (wealth and progressive income taxes) to correct it in the 1970s. Denmark imposed a wealth tax of initially 2%, but reduced and eventually abolished it between 1989 and 1996 due to high administrative costs, behavioral distortions, capital flight, and, disappointing revenue yield. Other European countries similarly tried and failed with wealth taxes. The price paid for an experiment with socialism was steep and swift.

Thomas Piketty published *Capital in the Twenty-First Century* in 2014. The book suggests that global inequality is a consequence of Capitalism, without distinguishing between how wealth differences were realized. His formula $r > g$ implies that the rate of return on capital (r) outpaces overall economic growth (g), causing wealth to concentrate in the investor class. Many analytical assumptions and data sets are terribly flawed, including treating all forms of wealth (ex: housing and land or commercial buildings) the same as productive capital. Increasing wealth-to-income ratios is driven mostly by increasing home values, not expanding industrial machinery or business investment. Earnings

drive stock prices. There is no accounting for differences in the cost of capital or effects of world wars that destroyed productive infrastructure. Supply vs demand theory suggests more abundant or lower cost capital should reduce the rate of return (r). National statistics don't capture in-kind transfers or earned income tax credits, which are material welfare benefits. Failing to subtract federal and state or property taxes paid from income chronically skews income inequality measures.

If the analysis framework is flawed, how do we believe the conclusions or accept Piketty's remedy of imposing a progressive global tax on wealth to redistribute it more *fairly*. The Founders writing our U.S. Constitution decided that a wealth tax is unconstitutional, because it conflicts with our founding values and principles. Piketty's repeated statistical blunders and bias discredit his thesis that inequality must be radically eradicated. Consequences of inequality are impossible to quantify, and the impact depends on the source of wealth, whether earned, appropriated, or inherited. We should separate how wealth is used, whether for charitable, re-investment, consumption, inheritance, or influence use.

Fixation on *outcome equality* and *social justice equity* for political gain or control, including societal bribery, are destructively misguided. Targeting accumulated wealth inequality begs the question what are the consequences of redistribution, increased government dependency from cradle to grave, or earned wealth differentials. Do we need to correct this with redistributive wealth taxes?

Effort and hard work are an individual choice, whether working longer hours, pursuing higher education, or risking starting a business. Compounding growth of even small differences in income or wealth become much larger differences over time. Economic inequalities may become socially or politically destabilizing when envy or jealousy are exploited for political gain, and often observed. Earned inequality result from competition or leveraging resources, or property, individual effort, inventions, knowledge, abilities, talents, or a little luck.

Retirement security has necessitated increased self-reliance on voluntary contributions and investing decisions as tax-advantaged defined contribution displaced defined benefit pension and profit-sharing plans. Defined contribution retirement plans, employee stock ownership, and educational savings accounts have enriched household nest-eggs as retirement security shifts away from pensions and social security. Underutilization of company matching contributions in retirement savings, as well as varied utilization of tax advantaged savings plans can drive an even greater divide in wealth differentials.

With increasing dependency on employee-directed retirement savings, how can anyone hope to save and invest for a comfortable future in retirement without a basic understanding of economics, including effects of growth, productivity, inflation, operating margin, cost of capital, supply vs demand, comparative advantage,

interest rates, and market or financial risk. Deferred retirement savings has created a bounty of net worth with financial assets exceeding 70% of total household assets as household net worth increased 7.9% annually over the last decade as discretionary income grew 5.4%.

Household Balance Sheet (\$Bs)	2000	2005	2010	2015	2020	2025	2026:Q2	5Year	10-Year
Total Assets	51,998	75,817	80,137	104,357	148,842	203,779	217,751	6.2%	7.5%
Households: Real Estate	14,172	25,399	20,736	25,975	36,665	52,015	54,074	6.2%	7.2%
Financial Assets (inc. retirement)	34,437	46,036	54,469	72,833	105,352	142,063	153,487	6.2%	7.6%
Pensions	11,031	14,516	18,301	22,431	29,794	34,493	35,728	2.9%	4.1%
Investments	16,218	20,967	27,360	36,524	58,380	89,421	79,852	4.7%	8.0%
Deposits (Bank Acct + Money Fund)	4,773	6,493	8,521	10,940	16,351	19,904	20,262	2.9%	6.2%
Change in Financial Assets%	-0.5%	8.1%	-2.2%	7.0%	22.4%	5.6%	5.3%		
Liabilities	7,150	11,900	13,596	13,971	16,509	20,697	21,052	4.3%	4.1%
Home Mortgages	4,817	8,940	9,992	9,493	10,919	13,788	13,977	4.4%	4.0%
Consumer Credit	1,741	2,321	2,647	3,400	4,185	5,099	5,120	3.8%	3.7%
Household Net Worth	44,543	63,476	65,972	89,794	131,717	182,274	195,871	6.5%	7.9%
Growth Rate (y/y)	2.8%	9.7%	7.2%	3.6%	12.7%	8.0%	11.8%		
Disposable personal income (NIPA)	7,589	9,616	11,541	13,881	17,596	23,113	23,642	5.3%	5.4%
Growth Rate (y/y)	7.6%	4.2%	4.9%	3.0%	5.8%	5.5%	3.8%		
Financial Assets/Total Assets	66%	61%	68%	70%	71%	70%	70%	100%	102%
House/Total Assets	27%	34%	26%	25%	25%	28%	25%		
Liabilities/Assets	14%	16%	17%	13%	11%	10%	10%		

Source: Federal Reserve, US Financial Accounts (Z1-Table B.101)

One's home and retirement savings are households' most significant assets, yet choices affecting wealth accumulation from asset allocation and risk tolerance to investment selection and investing ability will have an impact on long-term wealth. Younger households that have yet to grow their savings can't be compared to those retired with their hopefully well funded nest eggs, but why should they be stood up against one another either? Younger generations are more likely to avoid equities, but their folly choosing speculative alternatives (i.e., cryptocurrencies, gold, NFTs, collectables, etc.) was debilitating. Should they be bailed out due to their poor investing decisions? In *Alternative Reality* (SFM. Q2/2026), private alternative investments are much riskier than expected, yet lagging performance vs. public market equivalents is rarely discussed, but are also adversely impacting endowments and pension funds.

The safety net of Social Security is insufficient as life expectancy extends. Personal choices to fund retirement savings, college savings accounts, or take advantage of matching benefits is an individual choice. We have been concerned that a nation so reliant on self-sufficiency to manage retirement savings will become enraged with populist envy of those that failed to manage their retirement security appropriately. If we allow it, our nest eggs will be next on the wealth tax golden goose.

Where is the accountability for individual choices that result in lagging performance due to misguided asset allocation decisions or investment choices? Must we compensate retirement accounts that erroneously followed underperforming ESG and DEI guidelines, or speculated in meme stocks? These forces applied to individual choices likely will drive greater wealth differences given our increasing reliance on self-sufficiency of retirement savings (401k, IRA, profit sharing, etc.), managing our taxable investments, and other financial choices (i.e., spending, debt burden, household income, retirement age, debt, having children, funding college, etc.). If home equity and retirement savings are the greatest share of household net worth, why do so few accept responsibility for their individual choices? Are inequality differences in

household wealth really unfair given life-long choices and sacrifices pursuing education, career, or risk-taking?

Politicians often leverage populist envy of wealth or income inequality for political control and dependency of society. How else can they justify income or wealth redistribution or other coercion to promote their flawed policies? Limiting influential power of lobbying and influence lies within campaign finance reforms, but has nothing to do with Capitalism. Outcome Equality isn't a constitutional right, just as redistribution is incompatible with American freedoms of life, liberty, and property rights or pursuit of happiness. Successful individuals and businesses are scorned today at time we lack heroes and good role models.

Many Progressives and Socialists seek reform of Capitalism to reduce inequality, yet offer unspecific ideas beyond greater *income* or wealth redistribution by increasing already highly progressive income tax rates or imposing wealth taxes—consider how California chose to address its budget shortfall. Private wealth used for political lobbying and influence is more problematic, as is wealth directed for nefarious purpose. Our overly complex US tax code allows for tax avoidance strategies, enabled by politically enabled individual and corporate variances in credits or deductions. Such issues have nothing to do with Capitalism, but suggest Capitalism can be blamed after our tax code is twisted into unrecognisable nonsense. Earned inequality doesn't cause social unrest or instability, but inciting seditious envy over inequality can tempt populist uprising.

Two Dozen Failed Sociopolitical Experiments

Over the last century, more than two dozen attempts to build Socialist societies have failed from the Soviet Union to Cuba, and other Latin American nations—Venezuela is the latest failed attempt. Socialists argue that these failures never attempted real Socialism, yet only when failure is obvious do they discredit the attempt. We must learn from history, rather than allow trojan horses to lure American voters toward drifting away from Capitalism to Socialism. We don't have to speculate about the impact of Socialism or Progressivism on prosperity, affordability, or productivity. Economic stakes are high for this mid-term election with Congressional control in the balance.

A century of repeated economic failures of *Marxism*, *Socialism*, *Communism*, *Oligarchism*, *Theocratism*, and *Fascism* are well known. Failure is inevitable given incompetent and corruptible government bureaucrats must set prices and manage industrial production without the *invisible hand*, ignoring the fundamental *Law of Supply and Demand*. Reforms compromising Capitalism require more government intervention and control that eventually destabilize social and political institutions, while increasing unearned appropriated inequality.

Adopting collectivist ideology as Socialism, Marxism, or Communism restrains individual liberty, freedom and free choice, as well as the right to pursue happiness and

own property to do as you see fit. It chooses outcome equality (equity) and social justice objectives over equal opportunity. Central planning impedes adaptation to innovation and progress of free market-driven economies that are naturally more responsive to dynamic change. Economic inefficiency, instability (higher inflation, unsustainable debt, currency devaluation), and depressed economic activity limits productivity, real potential growth, operating margins, and earnings growth. Public distrust, failed promises, loss of basic natural rights, dismal economic results of authoritarian statism and loss of liberties were always leading causes of any collectivist society's demise.

Political authoritarianism and limiting free speech are necessary for collectivist regimes to enforce rules and manage economic controls by limiting individual liberty, private ownership, and freedom of choice, if not rights of pursuit of happiness and equal opportunity. Inevitable economic decline of socialism is a consequence of indoctrination through dysfunctional repression of competition, freedom, and liberty. Competition for scarce resources is inherent to life. Productivity suffers when unnatural equal outcomes or equity are imposed on society, and incentive to work harder, excel, educate, or innovate is suppressed.

Collectivism first swept over Cuba and Nicaragua during the Cold War, then later Venezuela, Bolivia, Ecuador, Brazil, and Argentina during Pink Tide experiments of Socialism, but all resulted in greater inequality, bureaucratic corruption, scarcity of basic resources, and economic destruction. Venezuela was once one of the wealthiest nations in Latin America, yet suffered economic collapse, mass exodus, and extreme poverty following industrial nationalization and price controls under socialist regime change. Decades of state control and central planning in Cuba led to persistent shortages of basic goods, infrastructure decay, and poverty that persist today. Similarly for Brazil, North Korea, and other Islamic nations adopting collectivism.

Socialism relies on many flawed collectivist beliefs and values, which are incompatible with human nature, including natural ambition and desire to compete in pursuit of happiness. Karl Marx described Socialism as the transition state from Capitalism to Communism, seeking to achieve a utopian classless society. How can you hope to get there if Socialism itself is flawed? The primary goal of Socialism is social equity and distribution of wealth to serve the collective interests of the community, rather than protecting individual rights, freedoms, and liberty. This requires government control of production and price controls, as well as influence over media, entertainment, free speech, and public education. Socialist pseudo-religious beliefs grounded in beliefs, theories, or practices that are considered scientific, but have no basis in scientific fact, economic theory, or logic and enforced by tyranny or political totalitarianism of subservience to the government.

To promote productivity in a planned economy under collectivism, all workers must willfully produce at a high level commensurate with their ability without additional incentive or reward—it is unfair to bet the *wealth of nations* on collectivist progressive policies. Poor people can't spend enough to create national prosperity, nor can increasing the tax burden achieve greater prosperity and higher living standards or better quality of life. The *Road to Serfdom* of increased government dependency and economic decline is paved with oppressive progressive policies. Socialism results in inferior product quality and output, thus increased scarcity with little motivation to work as hard as anyone's full potential. Lower potential productivity growth ensures higher inflation and lower real growth, resulting in lower overall prosperity.

Immigration between states will always be driven by relative economic conditions and incentives. Consider California with tremendous natural resources, top-ranked colleges, and glorious geography, yet it ranks low if not dead last in so many critical quality of life areas: unemployment, poverty, homelessness, housing costs, affordability, regulatory costs, K-12 education, crime & safety (49th), fiscal deficit, energy costs, utility costs, and lagging upward mobility with the highest income and sales taxes nationally due to terrible public policies after 16 years of Democrat rule. It is time to try something different to restore California's golden edge. Net migration is now flowing to other states in larger number.

Businesses behave badly, just as individuals behave badly, irrespective of the governing organizing system—this is a consequence of human nature, not Capitalism. Those that engage in fraud, corruption, false marketing, unfair practices, oligopolies, collusion, or incompetence soon find themselves out of business. Market judgement is swift and harsh under Capitalism. Bailouts and low rates for extended periods allow zombies to muddle through for awhile, but eventually the business cycle normalizes, and they will fail with out a bailout or junky debt. Capitalism's unbiased judgement reinforces moral and ethical guardrails providing swift and effective discipline of business, but punishment is never as swift for manipulative politicians, bureaucrats, or non-profits.

Socialists keep re-trying the same insidious playbook by rebranding or adjusting principles on the margin, hoping next time will be better, as if real socialism has yet to be tried. Collectivist central planning inherently leads to economic inefficiency, shortages, and a lack of innovation because it overrides the invisible hand of price signals. Corruptible concentration of economic power in the hands of the state historically requires coercive force, leading to authoritarian regimes and loss of liberty, rather than utopian workers' paradise.

Efficient Collectivist governance is beyond the ability of technocrats. Socialists' utopian view of economic organization and morality is ruinous, guided by corruptible central planners that collapse into tyranny. Government intervention and control tend to depress

economic prosperity, increasing social instability. We believe the greatest threat to democracy is compromising liberty and limiting other enumerated basic rights with government directed censorship (i.e., canceling opposing opinion, wokeism) across all forms of media and journalism.

Falling real potential growth with lower productivity, higher inflation, thus higher cost of capital and interest rates, while increasing government indebtedness as tax revenues slow and dependency increases. Economic repression or inefficiency of dismally run countries will always lag Capitalism. Is it more enlightened to be governed by unbiased market forces of dual self interest with individual liberty, self-determination, and free market competition, than micro-managed by corruptible bureaucrats setting prices or picking winners and losers?

Socialism is guilty of *The Fatal Conceit* (Hayek, 1988) presuming government can make good and impartial decisions with better outcomes than free markets and free will of self-interested individuals. Hayek theorized that as central planning fails to meet its promised objectives, governments increase coercive control over the economy and individuals to maintain order, leading to authoritarian intervention and loss of freedom. There is no individual liberty or pursuit of happiness, nor equal opportunity in promoting equity or equality of outcomes.

We discussed how basic rights affirmed by our Constitution are complementary to free market capitalist societies, but are often compromised by state planning and control to manage collectivist societies. The Chinese government often uses *subversion of state power* and *protection of state secrets* to imprison or punish individuals that criticize the government. The drift toward Socialism in the US is troubling—consider how *freedom of opinion and expression* have been compromised recently, whether observed collusion with social media censorship or establishing a *Disinformation Governance Board* within the Department of Homeland Security, reminiscent of George Orwell's "1984".

Socialist societies suffer financial and economic crises at least as often, yet are more prone to sovereign defaults and currency devaluations, as well as lower credit ratings, higher cost of capital, and debilitating hyperinflation. Following each financial crisis, inclination is to question the economic value of free-market Capitalism, rather than consider a breakdown in free-markets, competition, rule of law, speculation, cognitive biases, or human error. Economic imbalances and financial crises are often the result of poor fiscal, regulatory, trade or monetary policies, including failing enforcement oversight.

Ills of Socialism manifest in wrenching stagflation, depression, deflation, sustained poverty, and shortages of miserable productivity that persists with economic inefficiency of poor policies. Alternatives to Capitalism fail miserably because they misallocate capital, labor, and resources. Presumed moral superiority of

collectivism eventually gives way to loss of individual freedom and liberty for a similar slice of a smaller pie allocated by corruptible bureaucrats. Many Socialist, Marxist, and Communist governments failed miserably in the 1980s after the last flirtation.

Collectivism relies on government control, enforcement, and compromise of liberties or natural rights to maintain order, fairness, and lawfulness, yet can't ensure equal opportunity or even social justice. Inefficiencies increase inflation, limit innovation, and reduce productivity, resulting in lower potential growth. Collectivism provides no incentive to innovate, but requires greater tax revenue to finance regulation, enforcement, and entitlement dependency to curry populist favor, redistributing income or wealth, while managing property or resources, supposing that it promotes outcome equality and social justice for the greater good.

Collectivism has failed repeatedly because it is incompatible with aspirational human nature (free choice and right to happiness), while inherently compromising basic rights, thereby limiting prosperity with economic inefficiency. Progressive populism sensationalizes fairness, morality, and equity to gain political power over fiscal and social policy. Capitalism is less susceptible to potential corruption than Collectivism, which enabled greater inequality and less liberty. Capitalism doesn't encourage lawless, immorality, rule-breaking, or unethical behaviors. Trust in the beautiful complexity of decentralized omnipotent coordination of the *invisible hand* of Free Market Capitalism is the foundation of exceptional economic performance that faithfully guides economic efficiency and productivity.

Socialists often deflect the notion Socialism has never worked by pointing to Nordic countries, particularly Denmark. Nordic countries aren't defined by their costly welfare state subsidized by high taxes, and Denmark found that its experiment with wealth redistribution was incompatible with its capitalist foundation. Denmark is a capitalist country because its economy depends on private property ownership, free markets, and growth incentivized by income. Denmark a costly welfare safety net, common among other Nordic countries but this doesn't define its organizational system. Denmark is organized under free-market capitalism respecting private property rights, individualism (opposite of collectivism), and private enterprise of free market competition directing production and use of resources.

Denmark adds a 25% Value Added Tax (VAT) to a highly progressive income tax rate of up to 56-61%. A municipal tax on essential services also is set locally, which averages 25%. That is the cost of welfare statism. An expansion of public spending led to large budget deficits and a severe economic crisis years ago. National debt soared, requiring decades of consolidation, structural reform, and curtailing of welfare schemes. It was an expensive lesson for Denmark, but imagine trying that in the United States. Being entrusted as the world's reserve

currency is not without consequence. In every other respect, Denmark and other Scandinavian countries are free-market capitalist countries. Private businesses own the means of production and compete freely across Denmark and globally. Capitalism is alive and well, but residents pay a high cost and lack defense capability.

Despite high taxes, Denmark has struggled to make good on their 2014 NATO commitment of spending just 2% of GDP on Defense (2022: 1.3%, 2024: 2.4%). The new NATO goal is 5% by 2035. Nations with high non-discretionary spending on welfare or entitlement cannot overlook their highest calling to protect life, liberty, rights, natural freedoms, and daily activity of its citizens—the social contract must provide for national defense from foreign or domestic aggressors, and to secure borders, Law enforcement must preserve internal order, enforce laws, and protect individuals from harm.

The Danish healthcare and pension systems have had their share of issues too. The pension system is being transformed into a private savings plan, similar to our 401(k) and Roth plans with a Life annuity option. Pension reform was required as the life expectancy extended and their social security-like system became unaffordable. After suspending its wealth tax, as many other European nations were forced to do, Denmark is further embracing Capitalism, Individualism, and self reliance.

Collectivism of any form, including Socialism, has never been and will never be a viable economic, social, or political organizing system because it is based upon infringing on Liberty, mob envy, false assertions about human psychology and sociology, and economic ignorance of incentives or human desires. The vast library of collectivist thought offers no understanding or discussion of how wealth creation or prosperity incentivizes work, effort, productivity, or innovation. Socialism is a plan of morally sanctioned theft. It is about dividing up what others have created and redistributing equitably to the collective—it is the opposite of promoting equal opportunity. Consequently, socialist economies don't work; they create poverty instead of wealth. This has not prompted progressives to have second thoughts.

Any attempt to reimagine Socialism repeatedly fails due to a fundamental conflict with *naturalism*, specifically human nature, incentives, and information complexity. There has been no emergent modern thought to resolve the structural flaws of collectivism as theorized by Karl Marx, Friedrich Engels, Vladimir Lenin, and Friedrich Hegel, yet achieving the practical utopian promise. Austrian economic liberalism of Ludwig von Mises, Friedrich Hayek, and others has shown these structural flaws cannot be engineered away by reimagining the collectivist model, including Socialism. Without private ownership of commerce, there is no market for goods or services. Without a competitive free market, there are no market prices, and without market prices, rational economic or financial calculations are impossible.

Bureaucrats cannot efficiently manage production, set price controls, and allocate scarce resources.

Every generation or so, Socialism becomes fashionable again. Not because any new academic revelation, but because we forget how free-market capitalism and individualism are rooted in our nation's founding principles and values. We lose sight of 250 years of history and allow a societal drift into progressive and socialist utopian promises. Declining literacy and educational achievement provide an opportunity for peddling alluring promises of rent-free housing, debt forgiveness, subsidized groceries, free college tuition, universal basic income, 30-hour work week, state run child care (more indoctrination), and free baseline essential utilities (electricity, water, gas, trash, sewer). Yet, consider the dismal economic consequences and loss of individual liberty among real-life experiments in Socialism playing out in Venezuela, Cuba, and Islamic nations that embrace collectivism over individualism.

America never will be, nor should ever flirt with becoming a Socialist or Collectivist society that would lead us down the abysmal *road to serfdom* with increasing government dependency and loss of individual freedom for collective liberty. Statism and government interventionism that ends in Socialism, just as Ludwig von Mises concluded. Outcome equality is an impossible utopian dream. Without property rights, there is no effort to maintain, use productively, or improve property—similarly for investment capital. Anti-capitalism rhetoric seeking greater social justice doesn't differentiate between sources of inequality. Earned inequality of incentivized capitalism is quite different than unearned inequality derived from political bureaucratic, monarchical or aristocratic (familial dynastic power transfer), oligarchist, or fascist authoritarianism.

Soon the Democratic Party will realize that they have compromised their liberal values and key principles that enshrined in our Declaration of Independence and U.S. Constitution. Are we willing to limit our God-given natural rights, Constitutional Rights, or sacrifice liberty, freedom, equal opportunity, and pursuit of happiness for the *Warm embrace of Collectivism to embrace* anti-liberal, anti-Individualist, and anti-Capitalist progressive ideals? No.

What is Government's Role?

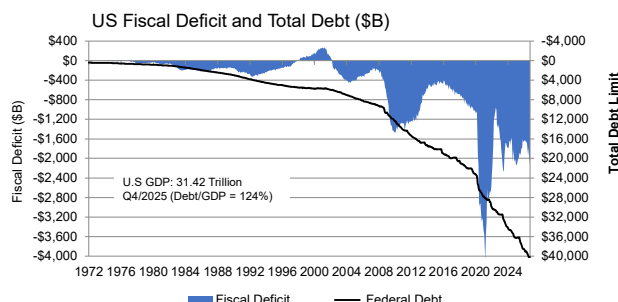
In a capitalist society, the government's primary role is to provide national defense and security for its citizens and their property, as well as maintain legal and regulatory frameworks that enable free trade and free markets to operate efficiently, safely, and fairly. Government maintains an armed military and law enforcement to protect the country from outside foreign and domestic security threats, and enforce laws. Government also provides essential public goods, including provisioning infrastructure (roads, bridges, airports, transportation, etc.) and essential services, as well as basic public services, including: fire, police, K-12 education, national defense, judicial, and other government agencies.

Socialists have long understood the importance of controlling education, health, and media as well as redefining "liberty" from emphasis on *individual liberty* to *collective liberty* enabling community freedom to arrange and govern society with shared social and economic goals, including public welfare. Controlling curriculum teaches a unified historical narrative and favors political ideologies. Regulation of media permits censorship of contradictory thought, free speech, or ideas that threaten stability. Control of energy, transportation, and essential services increases dependency for employment, mobility, communication, and basic logistics.

Increased state dependency and providing basic needs seek to increase political power or influence. Thomas Sowell has argued that the American education system has been fundamentally transformed by Marxists in education and academia retreating from teaching the intellectual tools to think critically and debate ideas to instead focusing on wrote learnings, recasting history, and ideological conformity (i.e., cancel culture, wokeism, social justice, equity, ESG, DEI, etc.).

Regulatory, fiscal, tax, and monetary policy reforms that preserve and increase free market competition are desired. US Government spending expanded since the 2020 Global Pandemic, but it will take effort and belt-tightening to restore limited government, if not initiative to balance our federal budget deficit and even begin to reduce overall debt.

In 2025, the U.S. government focused on rooting out fraud, waste, and redundancy of inefficient spending. Nondiscretionary spending is growing faster than inflation with unrestrained entitlement spending and soaring health care costs. Spending increased 37% (6.5% A.R.) since 2021, exceeding normal 3% inflation, even as tax revenues increased 47.3% (10.9% A.R.). We don't have a tax collection issue, as the rich are paying more than their fair share, but we do have a spending problem. The federal deficit of \$1.9 trillion with increasing interest rates has pushed the annual interest burden over \$1 trillion, as U.S. debt exceeds \$40 trillion.



Source: US Government OMB

A 5.9% Deficit-to-GDP is too high with the Federal Debt exceeding 124% of GDP (100% net debt). For comparison, the FY2022 budget with a fiscal deficit of \$1 trillion added to \$24 trillion in US Treasury debt. Consider significant State liabilities, particularly the usual suspects of California, Illinois, New York, and New Jersey, which are among the worst fiscally managed with soaring entitlement and pension costs, despite having high sales tax and the most progressive income tax rates.

Medicare is the second largest spending program exceeding \$1.21 trillion in 2026. By 2032 Medicare is likely insolvent, with Social Security insolvency close on its heels. Social Security and Medicare are funded by payroll taxes, thus are retirement benefit programs, not entitlement programs like Medicaid, SNAP, or welfare.

The U.S. healthcare system spends over \$5.2 trillion annually, but U.S. Treasury collected \$5.4 trillion in FY 2026 taxes. Increases in employer health premiums have exceed 10% per year since Obamacare (>70% increase)—my employer insurance increased 12% and 15% over just the last two years. Consolidation and rationalization made it difficult for most to keep their insurance plan or even their doctors/hospital, as promised. Spending for universal health care, plus government inefficiency, would drive costs well over \$5.2 trillion per year (starting point, less Medicare spending). If U.S. Treasury debt is \$40 trillion, how do we fund a new >\$54 trillion 10yr budget liability given a \$1.2 trillion annual fiscal deficit? Households are likely unwilling to give up their existing private health care plans, forgo their choice of doctors and hospitals with rationed and scarcer health resources available. The logic of universal health or *Medicare for All* is irrational and irreconcilable—collectivist budget math is always absurdly unforgiving.

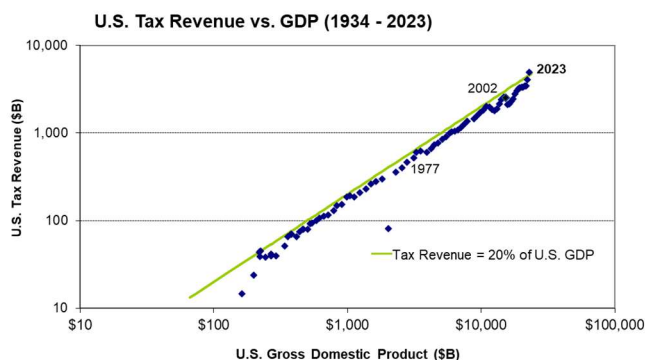
Government policy reforms are needed to restore US free market competition and global competitiveness, including limiting increase in monopolies and oligopolies or collusion (cloaked as strategic partnerships). We reversed declining global competitiveness by reforming misguided tax, trade, fiscal, and regulatory drift. Trade, tax, and fiscal reforms improved US competitiveness.

Welfare reform is needed to reduce fraud and waste as well as improve outcomes that actually reduce poverty and restore soundness to our federal budget. In FY 2026, Federal Spending is estimated to be \$7.4 trillion, or about 23.3 percent of GDP, whereas total tax revenues are projected to be \$5.6 trillion or about 17.5% of GDP resulting in an unsustainable 6% fiscal deficit. **Hauser's Law¹¹**: U.S. spending and tax revenue empirically can't exceed 20% of GDP since when the 16th amendment was ratified in 1913. There is a fiscal limit to spending. Raising tax rates won't boost tax revenue, as high tax rates tends to slow economic growth, thereby

¹¹ Hauser's Law, really an axiom, put forward in 1993 by William Hauser empirically implies no matter what tax rates have been since 1934, potential tax revenue averages 19.5 - 20.0% of GDP. Hauser realized the *Laffer Curve*, illustrating a

relationship between tax rates and levels of tax revenue, is analogous to his empirical axiom. Every country is unique in this regard, but *tax revenue potential* < *federal spending* as a share of GDP is required for fiscal stability and prudence.

limiting income growth and tax revenue. Cutting tax rates increases real growth and income, thereby boosting tax revenue. We must be more prudent and spend less of other peoples' money.



Note: Total U.S. Tax Revenue includes: Individual, Corporate, Social Security, Excise & Other Sources

We don't have a tax collection problem, as high income taxpayers pay the most of our tax revenue, but we do have out-of-control government spending. Our highly progressive tax system ensures the highest income earners shoulder most of the burden of entitlements, welfare, pensions, national defense, and other federal government programs, whereas 61% of American households paid no federal income tax last year. The top 10% of households pay 72% of total income taxes—how is it that the rich are not paying their fair share, if their statutory tax rate exceeds 50% in states like California, New York, and New Jersey? Long-term capital gains may be deferred until realized, and dividends are taxed at lower rates too, but we chose to legislate that. Until we sell stock bond, or property, calculating unrealized gains is impractical. Warren Buffet pays himself just \$100,000, as taxes on dividends and capital gains are paid at a low rate, but this is an extreme outlier relative to most.

The magic money tree of *Modern Monetary Theory* (MMT) argues that governments that issue their own currency cannot run out of money, thus can fund unlimited public programs by creating new currency rather than relying on taxes or borrowing to pay for it. MMT and wealth redistribution are misguided attempts to finance greater entitlements and broader stakeholderism without consequences. Most understand that MMT is a bad idea and fiscally imprudent, yet many Socialists ignore lessons of historical experience regarding excessive reliance on monetary and fiscal excesses. Proponents argue that government deficits are not inherently harmful, so public funds can be deployed as needed to correct economic inequality and pay for promises it otherwise can't fulfill.

US and global poverty declined over the last 50 years, but poor public education outcomes may be the single greatest cause limiting equal opportunity and narrowing upward mobility. Since 1981, when 42% of the world lived in extreme poverty, there has been a dramatic decline in poverty approaching 10% today. More than 1 billion people are no longer impoverished. Surviving

collectivist economies such as China, Russia, North Korea, Cuba, Venezuela, and Brazil, including Islamic-governed, countries suffer lower life expectancy, greater environmental stress, lagging productivity, high poverty, and entitlement dependency than capitalist societies. Root causes of widening inequality, beyond compounding of income growth, is a decline in opportunity, which seems to be a consequence of declining educational achievement.

Declining ability to communicate ideas and reading comprehension impedes ability to understand history and logic to be an informed citizenry. English is our language—it is necessary to function in our society and be able to make informed choices and choose political leaders that carry us forward, not back. Ubiquitous access to the internet is wonderful for dissemination of and access to information, but it also causes us to become lazy, forgoing our own homework, how to form individual beliefs, and understanding of the way the world works. Generative AI displaced composition, critical thinking, Socratic debate, and communication skills—trends that started with the internet. Economic and financial illiteracy leaves us ill-equipped to face life's challenges or develop critical decision-making skills. Similarly for science, history, and economics.

An appalling decline in US public education achievement in reading, writing, and mathematics is observed. Common Core Standards in K-12 education released in June 2010 by the Obama Administration, reversed any gains from *No Child Left Behind* based on the National Assessment of Educational Progress report card. Each iteration offered opportunity to channel ill-designed state curriculum changes, but adversely impacted lower-performing students most. Blaming Capitalism is easier than acknowledging policy-driven decline in educational achievement, welfare dependency, and inequality.

Focus on improving outcomes, rather than attaching other progressive objectives, might lend itself to greater prosperity, upward mobility, less inequality, and a more productive society. A high school education should be sufficient to function productively in society. In spite of terribly managed public education, we did dramatically reduce poverty. Our education system from K-12 to college must take account of misguided policies, poor administration, and reconsider the mess we've made despite spending more money for declining education outcomes—even college tuition outpaced inflation.

Education Reform is needed to improve public education outcomes in math, science, reading comprehension, writing, and history, as well as bolster college enrollment. Tuition cost inflation that has far exceeded inflation for decades. We need to restore the basic values of reading, writing, math, history, and science achievement, but also add economics, if not speech and debate. The ability to communicate thoughts and express beliefs has been hampered by the internet, social media, and ideologically skewed journalism.

Increasing illiteracy requires curriculum reform to limit further drift toward perilous lack practical understanding about how the world works. This includes understanding of economics, personal finance (retirement, investing, etc.), science, and history. Economics should be offered as a core elective. We allow rewriting of history in curriculum reforms, as math and science understanding decline. Few high school or college graduates have any intuition about economics, finance, or logic. If only 40% of 24-year-olds have a college degree, have we prepared high school graduates adequately for life on their own given the rapidly changing employer needs?

College degrees are increasingly essential for a modern workforce, but degrees are less affordable as costs increase or provide diminished educational value. Cost of college education has soared beyond means of too many households, while growth in college enrollment stalled and increasing foreign students limit educational opportunities for residents. University of California built just one new campus since 1965 at UC Merced and increased non-resident limit to 18%. Non-resident population has soared from just 5% a decade ago. Wealth and income inequality increase as value of university education declines and tuition costs increase.

How did America's once great university system come to accept such poor public education outcomes? Education administrators have pushed to eliminate standardized testing for next level graduation, and colleges removed SAT and ACT entrance exams—without accountability, no wonder the American education system is declining. College students require remedial classes just to begin their college coursework. Tuition cost inflation, lower achievement, limited college capacity, and increasing share of foreign students is limiting state residents and U.S. citizens access to college. America is not benefiting as much from sending its own residents to college. Foreign college students exceed 1.2 million, and constitute 51.6% of graduate students pursuing coveted STEM degrees. Over 53% of these students are from China and India, but most return to their home countries.

American businesses are increasingly reliant on highly trained and college educated workers, particularly in services-oriented and technology dependent jobs. This is a contributing factor to America's creative class labor shortage. "*An educated citizenry is a vital requisite for our survival as a free people*" is often attributed to Thomas Jefferson. He believed that public education was essential to maintain a free society of citizens and protect democracy from tyranny.

We suggested ways to improve economic outcomes and increase the potential of Capitalism. Regulatory, governance, monetary, fiscal, commerce, funding R&D, and trade policies, as well as education, welfare, and other social policy reforms are needed.

Myths of Crisis of Capitalism

Why must every economic or extreme financial volatility be cast as a *Crisis of Capitalism*, if not perceived *instability*, even if such periods tend not to linger more than a few quarters? Capitalism is subject to business and capital market cycles, just as any other organizing philosophy. Most such crises were often as much a consequence of misguided intervention, enforcement failures, and poorly designed policy reforms limiting free market competition. Lobbying can often steer good intent off track. Capitalism is judicious and morally defensible.

Economic and financial volatility is often labeled as yet another *Crisis of Capitalism*. Despite the success of Capitalism and dismal failures of Socialism, Americans still seem to perceive Socialism as kindlier and fairer than free market Capitalism, which is based on merit and Individualism. Business cycle volatility or economic recessions and financial market crises are not a consequence of Capitalism, but instead are ordinary occurrences exacerbated by bad policies and failures to adequately enforce rule of law, regulations, fraud, or incompetence of leaders. There is no inherent instability, weakness, flaw, or inequality in Capitalism.

When economic or financial instability (crisis) emerges, there are often root causes having nothing to do with the choice of capitalism over Socialism, Marxism, or Communism. The failure often resides in the mechanism of government tasked with many regulatory and enforcement duties, which only it can do. Our laws and regulations never adapt well to innovation, shifts in preferences, new threats, or simply changing conditions.

Every financial or economic calamity can't be a Crisis of Capitalism. There is no avoiding economic or business cycles for any organizing system, but Socialist countries tend to experience lower potential growth and operating margins with higher inflation, if not occasional currency devaluation with longer recessions. Weaker economic performance tends to increase political instability. Government control of production and price fixing of labor (minimum wage), resources, property use, or price controls doesn't encourage conservation, efficiency, innovation, or prudent risk management.

Capitalism tends to reinforce faster and more dynamic recovery from economic and financial crises. Business and financial market cycles or recessions aren't caused by Capitalism, but occur naturally over time. Financial or economic instability are often caused by misguided government policies, intervention, enforcement lapses, agency mismanagement, or failure to adapt policies to innovation. Socialism is more likely to destabilize economic conditions (inflation, growth, employment), currencies, or even democracy due to the necessary state control or restricting liberties and natural rights, even limiting equal opportunity in favor of social equity.

We live in a time that enduring fundamental values and beliefs are questioned, and are under ideological attack.

Opposition populists declare each crisis is a result of Capitalism, yet overlook dismal cyclical and secular economic performance of all forms of collectivism. Any organizing alternative is not immune from immoral or unlawful human behaviors. Capitalism need not be reformed, instead individualism, the pursuit of happiness and equal opportunity must be allowed to flourish. America should not be crippled by limiting its founding principles, rights, and values. It is time to expose the insidious vilification of Free Market Capitalism.

Every financial market crisis or economic instability is usually transitional. Crises often reflect failures of clumsy *Statism* with dismal imprudent policies. We need smarter adaptive regulation and better enforcement, as well as better understanding of history and economics. What most financial or economic crises have in common: imprudent speculation, excessive debt, extended leverage, and a trigger that exposes imbalances. Speculation is often driven by misguided policies of low interest rates, easy credit, enforcement failures, and misunderstanding of complex risks. Errors of cognitive bias and other behavioral weaknesses, or incompetence are not unique to Capitalism.

The 2008 Financial Crisis was triggered by a rapid decline in housing prices fueled by extreme speculation in risky subprime mortgages and loose lending standards, coinciding with new financial derivatives that triggered defaults of insufficiently collateralized mortgages. Housing prices soared on excessive exuberance with low interest rates, misguided housing policies, and regulator enforcement failures that allowed home buyers extend beyond their means.

Banks failed to maintain prudent underwriting and engineered new overly complex financial products. Economic or financial market instability are often a failure of financial risk management, governance, leverage, or prudence, as well as insufficient enforcement and deficient oversight. The *Community Reinvestment Act* encouraged banks to meet greater mortgage credit needs in low-income communities, which caused lenders to lower lending standards. Few still believe the Global Financial Crisis was a Crisis of Capitalism rather than a failure of policy and regulatory enforcement.

Naïve criticism of Capitalism overlooks failures endemic to human nature or misguided government policies (inc. bailouts, intervention, regulation, etc.), not Capitalism itself. Incentives that lead to reckless business risk-taking is often a consequence of *too-big-to-fail* mindset of policymakers ready with monetary or fiscal bailouts, rather than letting free markets deal with bad behavior through bankruptcy or disappointing shareholders.

Trust and respect are key to the moral guardrails of Capitalism. Repeated bailouts and cheap money policies eroded liability consequences and responsibility in key industries like banking, health, and energy. Rather than reform capitalism, misguided fiscal, tax, monetary, regulatory, and social policies need reforming. Many

generations since *Das Capital* (Karl Marx, 1867) have attempted to write the obituary of Capitalism, but failed because Socialism and welfare statism of progressive collectivism are a real threat to liberty and incompatible with our founding principles. Capitalism is the only way to improve prosperity, living standards, quality of life, and upward mobility, preserving equal opportunity and pursuit happiness, yet is entirely compatible with our Declaration of Independence and U.S. Constitution.

There are many practical challenges within any society. Collusion, insider trading, special interest lobbying, regulatory capture, corruption, and cronyism, as well as spending waste, fraud, and abuse. Illegal, immoral, and unethical behaviors are observed too often, but they are antithetical to, or have nothing to do with Capitalism itself. Bigger government hopes to improve living standards by doling out welfare or tax credits, but higher taxes, misdirected regulations, misguided policies, or loss of liberty always undermine affordability.

Many try to wrap such deviancies in the capitalist's cloak of incentives or shareholder value. The invisible hand of Capitalism is like a virtual game theory optimizer maximizing utility that is a function of reward vs. risk considering millions of variables simultaneously—this is far more complex a problem than any bureaucrat could manage in a day's work. In simple form:

$$\text{Max Utility} = \sum_i f(\text{Reward} - \text{Risk Aversion} \times \text{Risks})$$

Imagine millions of simultaneous two-player games of bargaining with each player exercising self-interest of free choice to determine optimal bargained outcomes. Each player naturally expresses their own self-interest (reward – risk) as directed by the *invisible hand*—this is Capitalism continuously at work. Society benefits when producing goods or services where a nation or organization has a *comparative advantage*.

Capitalism can flourish with unimpeded free-market competition and individual freedom to pursue happiness. Constructive limited government policies and rule of law with individual liberty and freedom strengthens the economic and financial stability of intrinsically moral and humane Capitalism. Securities markets can behave badly with unchecked human behaviors. The essence of Capitalism supports individual choice to capitalize on one's property, ideas, or resources. The risk of loss, bankruptcy, or other disappointing failure, including loss of reputation or trust, disciplines owners better for society's greater good than government ever can.

Anti-Capitalism or Free Market Competition

The greatest challenge to Capitalism may be misunderstanding free-market capitalism, individualism vs. collectivism, and the limits of fiscal and monetary policy. We discussed the origins of economic organizing systems, and why only free-market capitalism aligns with the foundation of our U.S. Constitution and Declaration of Independence. Without historical and economic

understanding of how society works, how are voters able to choose political leaders that embrace necessary principles and values that served us well over the last 250 years. Adopting Free-Market Capitalism alongside individual liberty and freedoms virtually eliminated poverty in the U.S. Reversing the decline in education and increasing opportunity is key to long-term prosperity

We witness unrelenting spending growing two times faster than inflation with annual fiscal deficits exceeding 4-5% of GDP. Tax revenues have grown even faster, but our interest burden is catching up, as low bond yields and interest rates finally normalized, driving our interest burden over \$1 trillion. It is hard to argue that America suffered much from record debt with high fiscal deficits, but a day of reckoning will come.

Anti-capitalist rhetoric seeks to discredit 250 years of American economic prosperity. Capitalism is compatible with freedom, liberty, equal opportunity, morality, and economic stability, yet collectivism is incompatible with our natural rights and human nature, yet collectivists believe otherwise. Prosperity is often taken for granted, while overlooking destructiveness of Socialism's economic failures and Communism's futile social engineering. Political repression, censorship, price controls, restricted rights, and limited freedom (even incarceration) were required to make Socialism function.

Every organizing system requires rule of law with consistent and effective enforcement. To maintain free market competition, we have to separate Capitalism from its detractors---we can't escape existence of unethical, immoral, or criminal behavior. Rather than a *Crisis of Capitalism*, there is an emerging *crisis of free market competition*, which also compromises fundamental rights and liberties. Consistent enforcement and smarter regulation are needed to maintain competitive markets. Smaller companies should not be disadvantaged by larger competitors. Enforcement of anti-trust regulation of monopolies, and against collusion, cronyism, or regulatory capture support free market competition.

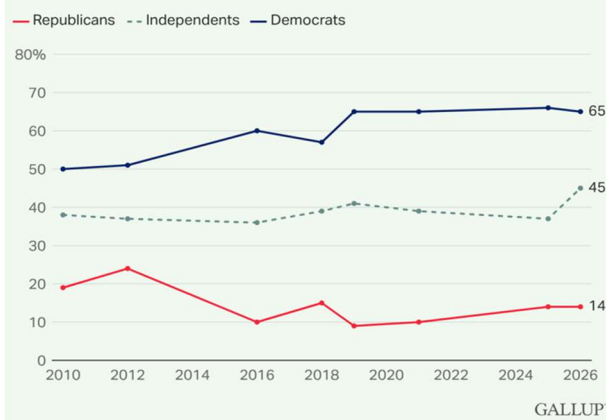
The *clash of social ideologies* between individualism and collectivism reignited a clash of economic ideologies between Capitalism and neo-Socialism with a *Modern Monetary Theory* façade. This isn't a new enlightened progressive movement, instead recast attempts to seize political power leveraging fiscal populism rooted in envious *social justice*. Socialist policies are more likely to be embraced after crises—the latest crisis being *affordability* ironically of their own making (2021-2024). This movement extends beyond political convenience.

Consider the definition of liberalism: free market, laissez-faire economics, and civil liberties under the rule of law, with individual choice, limited government, economic freedom, and freedom of speech. The Democratic Party embrace of collectivist big government and expanded welfare-statism has flipped from its liberal underpinning, and targeted its rage toward big corporate enterprises. The Democratic Party seems to have abandoned its core

liberal beliefs drifting toward progressive Socialism, yet a few politicians are finally standing up for liberal values.

Americans' Positive Views of Socialism, by Party ID

Just off the top of your head, would you say you have a positive or negative image of each of the following? Socialism
% Positive



According to Pew Research, just 20% of Americans say they trust their government to do what is right always or most of the time. The US Government's historic dismal record of inefficient policy implementation, enforcement, wasteful spending, and entitlement fraud reached epic levels in the last two years. Progressive policies of the Biden Administration fostered horrific inflation, rising crime, unchecked border crossing, economic stagnation, and soaring fiscal deficits. Department of Government Efficiency exposed widespread fraud, redundancy, and waste in tax credits, benefits, and entitlements—targeting Social Security, Medicare, Medicaid, SNAP, Veterans Affairs, Small Business Administration, and U.S. Treasury/IRS (tax credits, identity theft) revealed >20% exposure of federal spending to misappropriation. DOGE provided tools and a roadmap for exposing fraud in government programs now being pursued by DoJ.

Democratic party polarization and anti-Capitalism angst is a consequence of misunderstanding and losing sight of traditional liberal values, while conservative values and individualist principles remain constant within the Republican party. The significant drift in ideology left behind its core Democratic Party constituencies while embracing an odd-lot of anti-liberal special interests with collectivist beliefs. The only way back may be to dismiss illiberal special interests. It is apparent the Democratic Party drifted toward embracing progressive collectivist ideologies, even if not affiliating with Democratic Socialists. Gallup suggests 2/3^{ds} of members believe Socialism is more appealing than Capitalism.

It is a paradox why Capitalism is opposed by many liberals given the success of instilling free markets competition, individual liberty, individualism (individual freedom, self-reliance), meritocracy, rule of law, and pursuit of happiness over so many generations. Anti-capitalist beliefs seem to be a result of ignorance, envy, selfishness, and cognitive bias. The antidotes are:

- Origin of natural rights, individualism, natural freedoms, free-market, and pursuit of happiness association with Capitalism
- Embrace *American Dream*—means to capitalize on abilities, effort, education, talent, and merit with equal opportunity
- Restore Educational achievement in reading, writing, math, reading, science, history, economics, and logic/ reason
- Make college affordable and worthwhile, not an entitlement
- Reject collectivism, social justice, envy, outcome equality

Progressive politicians promise to provide greater collective security through entitlement and social safety nets by expanding welfare, unemployment insurance, universal health care, and other government programs. Payroll deductions contribute over a lifetime to Social Security and Medicare—these are earned benefits, not entitlements. The only way society will progress is by allowing individuals to pursue their happiness with equal opportunity and the benefits of freedom (i.e., speech, press, assembly, religion, petition), liberty, property rights, and limited government under rule of law.

Collectivism rejects human ambition, creativity, new ideas, innovation, and individual ability, thus is devoid of any good or noble aspiration of our soul. Collectivism believes that each individual exists for the sake of the collective group requiring coercion, limiting freedom, diminishing human ambition, and instills selfishness. The opposition attempts to pin failures of economic instability, behavioral deviance (i.e., cronyism, cartels, oligopolies, speculation, cognitive bias, etc.), misguided policy, and illicit or illegal behaviors on Capitalism. Economic prosperity is not a zero-sum game to be dived up or redistributed. The dismal global consequences of any form of collectivism, including Progressivism, are debilitating, including loss of freedom, liberty and property rights over the last century. Geoeconomic experiments rarely offer such clear lessons across so many countries going back in time.

While many suggest that Capitalism is unfair and promotes inequality, true Capitalism offers a moral and better alternative to illiberalism and collectivist progressivism. Capitalism is not the problem, but is the only organizing system compatible with human nature. Bolstering free market competition with smarter regulation and enforcement, education reform, and prudent fiscal policy increase dynamism of Capitalism. *Defending Capitalism* is necessary in uncertain times—flexibility of capitalist systems allows economies to adapt to crises and recover more quickly than collectivist state-regulated alternatives, particularly when misguided policies or failures of government are observed.

The Free Gift of Capitalism

America's abundance was created not by public sacrifices to "the common good," but by the productive genius of free men who pursued their own personal interests and the making of their own private fortunes. They did not starve the people to pay for America's industrialization. They gave the people better jobs, higher wages and cheaper goods with every new machine they invented, with every scientific discovery or

technological advance—and thus the whole country was moving forward and profiting[.].

—Ayn Rand, *Capitalism: The Unknown Ideal*, 1966

The *American Dream* is rooted in the foundational freedom to pursue individual success, upward mobility, and a better life through hard work and invention, regardless of background. This struggle defines the current internal struggle between the radicalized Progressive Socialist wing versus liberal Democrat values, which share common ground with Capitalism as liberal Democrats claim to be capitalists. It is self-evident there is no viable, practical, or sustainable alternative to Capitalism and individualism. Capitalism provides the only way forward for an individual to pursue their destiny given their own effort and talents to seize opportunities, and lift their standard of living.

Free markets and free trade allow for innovation, productivity, and higher real potential growth as risk-takers, entrepreneurs, and business owners are given the liberty to pursue the American Dream and upward mobility that increases national prosperity. It is the promise of the right to pursue happiness that compels so many immigrants to move to America or apply to our colleges hoping for a better life with equal opportunity founded upon conservative free-market Capitalism of 250 years ago. The American Dream is not anti-capitalist or anti-individualist, and contradictory to Progressivism.

The *invisible hand* of self-interest in free market competition and free trade is a far more powerful commercial arbitrator than government enforcing production and price controls. By interfering with price and other market signals, profit motives are suppressed, thereby stifling innovation and driving higher inflation, if not scarcity. Low inflation and higher profit margins observed for the last decade recently gave way to higher inflation with soaring energy and commodity prices, labor shortages, and supply chain disruptions due to poor policy decisions, excess monetary and spending stimulus with misguided regulation.

The *Invisible Hand of dual self-interests* is more reliable, competent, trustworthy, and unbiased than corruptible collectivist bureaucrats struggling to manage commerce or setting prices, including labor or resource costs. Owners, shareholders, and Board of Directors with vested economic interests are more likely to hold officers responsible for fraud, misconduct, incompetence, or just bad decisions, than will competing interests of stakeholders or activists. It is not surprising collectivism repeatedly fails-- *stakeholder capitalism* is an oxymoron.

Capitalism is an economic organizing system, but is silent about social and political direction, yet enables limited government. It is reinforced by America's founding principles enshrined in the Declaration of Independence, US Constitution, and Bill of Rights. When a society embraces meritocracy, individual freedom and liberty, equal opportunity flourishes and incentivized

individuals foster remarkable prosperity. Suggesting Capitalism needs to be reformed serves efforts to install utopian government dependency with control over commerce, market prices, and property—free speech, free press, and free assembly undermine control needed by collectivism.

Capitalism reinforces individual liberty, free choice, and equal opportunity. Other Collectivist alternatives are incompatible with natural rights and human nature including pursuit of happiness. Decisions about property, resources, capital, investment, and stakeholder relationships are managed for the benefit of owners or shareholders. We must not weaken liberty, property rights, or equal opportunity. Capitalism is more economically and financially stable. It isn't responsible for greater despotism, theft, fraud, misappropriation, or oligarchism any more than collectivist alternatives. We do know that Capitalism guided by the invisible hand scales better than Socialism under central planning.

Capitalism is virtuous and bases its moral foundation on individual rights, voluntary exchange or trade, freedom to choose their destiny (i.e., hard work, talent, educated insight, even luck) and earned success or own what they earn or build. Incentivized hard work, talent, and smart ideas bring self-sufficiency and increase likelihood of success. Capitalism can't achieve its potential when anti-competitive or illegal behavior interfere with competition.

Most pundits treat liberal and conservative as opposites, but the true opposite of conservative is progressive, and the opposite of *classical liberalism* is *collectivism*, where government controls the economy and limits personal rights or freedoms. Progressivism is increasingly aligned with Socialism in the same way conservative aligns with Capitalism. A *conservative* seeks to preserve traditional values and stability under consistent rule of law, adapting cautiously in response to changing conditions, rather than plunging into radical unproven reform. Conservatives believe in limited government, individual liberty, freedom (speech, press, property, etc.), constitutional constructivism, equal opportunity, and free markets, much as liberals do. Conservative beliefs, values, and principles are consistent, dependable and reliable, whereas progressivism believes society, laws, and institutions must continually evolve to improve social justice, fairness, and inequality.

So, what is the difference in labels when Progressive, Socialist, Marxist, and Communist ideological beliefs converge? What values and principles do we ascribe to Liberalism when it becomes just shorthand for Leftist or collectivist policies that no longer align with classic values of Liberalism? The shapeshifting Democratic Party lost control of its values and its platform when it sacrificed the moral center of liberalism in the 1980s. Many will continue to leave the party with abandoning individualism and classic liberal idealism.

Strong potential economic and profit growth are essential to building sustainable efficient economies that

encourage reinvestment and thus compounding of profit. Capitalism's drive for incentivized profitability is essential to creating value given highly diverse preferences, transaction costs, and regulatory frictions. Competition observes unsatisfied or emergent consumer demand by encouraging innovation, conservation (labor, materials, energy, other costs, etc.), productivity, and free trade—it is competition that is being limited by efforts to transition America's economy toward collectivism and away from individualism. Finally, the wisdom of the *invisible hand* in *dual self-interest* to manage risk of uncertainties and challenges provide a practical incentive to drive business success, rather than evidence of greed. Efforts to vilify profits and envy of economic success are destructive.

Government should preserve fair market exchange and competition, rather than seek power to control commerce and set prices. Prudent enforcement of regulations and rules with consistent application of laws is needed more than ever. Consumer protection requires smarter regulatory adaptation to innovation, particularly during the *Fourth Industrial Revolution* given changing needs of labor and resource demand. Equal opportunity provides individuals no limit to upward mobility, determined by only their own character, effort, and talent.

America has benefited from pioneering founding values and basic rights of life, liberty, and pursuit of happiness (inc., property ownership) since the Enlightenment. Meritocracy emboldens America's culture in pursuit of excellence needed to remain globally competitive. Government dependency of welfare statism only weaken society. Pursuit of excellence by incentive-based free-market competition must govern commerce, trade, market prices, and resource allocation. Good relationships with stakeholders are key to success. And creative destruction levies a high cost of losing market share for inferior effort, laziness, or design. Free markets will always allocate better than bureaucrats.

Success of Capitalism, rooted in our founding values and principles 250 years ago remains stable and resilient. President Regan described America as *the shining city on a hill* cannot be hidden as it is an inspiration for all the world to seek moral clarity, freedom, and success with individual rights and freedom. America is an example of what is possible for other nations that turn away from the failed ideas of Socialism. Collectivism is fundamentally flawed and incompatible with aspirational human nature. The American Dream is a guiding beacon of light for so many that seek to live here, and provides the greatest opportunity for upward mobility given its foundation.

America remains a better place to do business with the liberty to pursue happiness, and attracts immigrants seeking the *American Dream*. Some suggest the American Dream is an illusion, but success requires creative ideas, ability knowledge, and hard work to enjoy upward mobility and greater prosperity. Rooted in the *Declaration of Independence* is the idea "all men are created equal" with natural rights of "life, liberty, and the

pursuit of happiness". The *right to equal opportunity* is often confused with *equity*—they are not equivalent. The Constitution bestows freedom to "secure the *Blessings of Liberty* to ourselves and our Posterity". These foundational values and ideas implicitly define American political and social organization, which are indeed most compatible with Capitalism. Capitalism has prevailed too long for an untried alternative to now emerge in its place.

The American Dream is a belief that every individual has the opportunity to pursue their own version of happiness to the best of their ability and ambition. It doesn't mean life is fair or provides for outcome equality. Over the last century., the American Dream has evolved into liberty to pursue opportunities and fulfill our creative dreams. In this regard, we are unapologetic free-market Capitalists.

Capitalism drove U.S. economic growth, productivity, and innovation over the past century few others, if any, could match. America continues to be a *Shining Beacon on a Hill* for other countries to follow, as long as our nation can maintain its core values, natural rights, freedoms, and liberty. Free market Capitalism is moral, noble, and righteous, guided by discipline of the *invisible hand* of free market competition serving dual self-interests (buyer and seller), which is why so may desire entry into the U.S. Capitalism reduced extreme poverty

worldwide from 80% in the 19th century to a historic low under 10%—yet, inequality concerns still persist.

Capitalism is responsible for the greatest accumulation of wealth in human history—there is no reason to be apologetic for that. American Capitalism defined our economic organizing philosophy for well over two centuries as a proven force for prosperity and common good. Capitalism is the only organizing system that is compatible with individual freedom, equal opportunity, and liberty respecting our inalienable rights.

Free-Market Capitalism was resilient for centuries and must be defended for the sake of society and individual dignity. Free market competition and right to pursue happiness bolsters prosperity for the greater good under rule of law. Trusting individual opportunity to parlay their individual strengths and abilities into value is the best way to bolster prosperity for all. Capitalism is the only sensible economic organizing system to do so.

Defending free-market Capitalism is foundational to preserving American values, individual liberty, choice, natural rights, and economic freedom of constitutional democracy in pursuit of individual happiness and self-determination, particularly in times like these.

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