

## The Minnesota Free Market Institute Weekly Update Friday, July 17, 2009

### Remembering Milton Friedman

Once again, the Minnesota Free Market Institute will be honoring the legacy of Milton Friedman, whose contributions to free market ideas and the cause of freedom need remembering today, more than ever. Our third annual event will take place on **Friday, July 31st, 2009 at the Metropolitan, 4-7 PM; 5418 Wayzata Blvd. Golden Valley, MN 55416.** Please RSVP to Sara Linert by July 28th by calling 651-294-3593 or emailing [saral@mnfreemarketinstitute.org](mailto:saral@mnfreemarketinstitute.org).

David Strom, Senior Policy Fellow at the Minnesota Free Market Institute will deliver remarks on Milton Friedman's legacy for Freedom.

*Pat Anderson is President of the Minnesota Free Market Institute*

### One on One, Capitalism is a Slam Dunk

Dane Smith, president of the progressive think tank Growth & Justice and I have gone back and forth on the idea of limited government in several forums. Most recently I "fisked" one of his Legal Ledger columns in which he asked and question "If taxes are bad for us, how did we get so healthy, wealthy and wise?" His premise is that the nation and Minnesota has prospered over the last century, "a period when government and taxes grew exponentially, therefore how can taxes be bad.

Of course, there's a case for the difference between correlation and causation to be made, but I also had a little fun responding with an analogy.

"Suppose I challenge LaBron James to a little game of one-on-one basketball, and he beats me 21-0. We play again, and to make things more fair LaBron wears 25-pound ankle weights. He still beats me 21-0. Now suppose, as Dane suggests, we "exponentially" increase LaBron's handicap and attach 50-pound weights to his ankles. This time he beats me 21-1. Same outcome: LaBron wins. Relative to kicking my butt, it is accurate to conclude that even 50-pound ankle weights did not affect LaBron's performance, but it is not logical. Of course the 50-pound weights affected LaBron's performance, but he is so much better than I am, he still beats me handily. So it is with capitalism.

"The economic engine of capitalism, the adaptability and innovation of free people in a capitalistic system can carry a lot of deadweight government activity. That is accurate, but it

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also follows logically that without carrying excessive government on its back, a capitalistic society could produce a whole lot more wealth for a lot more people. It also logically follows (and Dane acknowledged in his column) that at some point even a superstar can be handicapped beyond ability to produce. Chain LaBron James to a truck, I just might beat him; chain capitalism to a government that finds virtue in "expanding exponentially," and capitalism is defeated." Dane found that analogy of LeBron James as capitalism and government as dead weight on his ankles to be "inspired but also absurd." A better analogy he proposed "would be LeBron and the Cavaliers' second leading scorer as capitalism, the guys that actually rack up the points, and the rest of the team as government, non-profit sector, and all the other supporting roles. As the playoffs showed, it takes a team (maybe even a village)."

Well, if Dane wants to go one-on-one with basketball analogies, here's a couple.

The Congress passes and the president signs the "Cap and Pass" act, which caps the number of points an NBA player can score at his previous season average. When a player reaches his average, he cannot score again and must pass to a teammate. No more feeding the hot hand or designing plays around your leading scorer. For a team to increase its allowable points, it must adjust its roster, not with the intent of creating a better basketball team and more exciting team for the fans, but a team that is best suited to win under the rules of parity. Just think of the jobs such a plan might create for statisticians and point trackers. Of course, it would change the entire concept of the game of basketball but certainly not any more dramatically than "Cap and Trade" legislation of carbon emissions will change the way American does business - and for the worse.

Another way to analogize basketball and the economy is to look at the Cavaliers as a team with a common objective - winning basketball games. To achieve that objective they have to arrive at the optimum division of labor. Each player, endowed by his Creator with certain unalienable talents and with individual work habits, individual backgrounds and motivations, will find and fill their role on the team. Government in that scenario is represented by the referees who ensure that games are played with the parameters of a set of well-understood rules - written rules, for example, that define what constitutes a "foul" and an understanding of how the written rule is applied on the court. Now consider what happens should the referees depart from the accepted norm start arbitrarily reinterpreting the "foul" rule from one game to the next. Or what happens if referees decide one team has an unfair advantage and decide, arbitrarily to "level the playing field." You get the point - the best referees are those you don't notice, those who let the players play, those who keep the game within the rules, but who don't change the rules from game to game.

It was a nice try by Dane, but free-market principles are a slam dunk when it comes to creating economic prosperity.

*Craig Westover is a Senior Policy Fellow at the Minnesota Free Market Institute*

## Must Read

[Does the House really want to raise taxes on eight million uninsured people?](#)

Former White House economic advisor Keith Hennessey points out on his blog that in the currently proposed Health Care reform, 8 million uninsured people will be thrown into a bind--they may end up paying taxes because they are unable to afford health insurance, so they'll pay the tax...and still get no health insurance at all! Although 8 million may seem like a small percentage of the total population, when compared with varying estimates of the uninsured, it's as much as 20% of that total. And what problem were we trying to solve again? Hennessey creates a few scenarios of how this could happen, and notes that it is similar to problems with the Massachusetts reform.

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- [All Scarce Goods are Rationed Somehow](#)
- [Quit yer job And the government will give you a house.](#)
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- [Fisking Dane Smith: "If taxes are bad for us, how did we get so healthy, wealthy and wise?"](#)

*The Minnesota Free Market Institute Weekly Update is edited by [Margaret Martin](#)*

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