

# They Want to Scare You with Myths of “Unhampered Capitalism”

Tags: [Big Government](#), [Bureaucracy and Regulation](#), [Capitalism](#), [Economic Freedom](#)

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Bad ideas are sometimes the hardest to dethrone. It’s probably accurate to say most people think of money as the paper currency printed by governments. And it *is* money in the sense that it functions as a medium of exchange, but is it sound? Is it vulnerable to inflation? Its very existence is evidence that it is, so why are so many people reluctant to switch to a money that isn’t?


There are [many myths](#) surrounding hard money currencies, and one of them is that money, both its nature and supply, is best left to the alleged guardian of our rights, [the state](#). The fact that money came into existence on the market, and that its ultimate form and supply were determined by economic law, is disregarded. Money matters belong to the state because the state, unlike the rest of us, is in a position *to remove itself from market discipline*. Since the state is necessary to our survival, [the story goes](#), it cannot do its job unless it can control the growth of money. Money, therefore, must be of such a nature that its supply can grow in accordance with the orders of a state-appointed committee.

Even the classical gold standard was under control of the state. When that control proved too limited for those [eager for war](#), it was abandoned. The gold standard did not fail. States failed to keep the gold standard.

When Keynes unloaded his *General Theory* on the world in 1936 it was a [manifesto](#) of state economic law. Free-market economists would [critique](#) his work, but *capitalism untethered scared the public*. After 1929 it became the devil in fine suits. The fact that even top economists and industry leaders failed to [see the Crash coming](#) was especially unnerving.

Unaware of [Austrian trade cycle theory](#), the public saw the market as an alluring evil, drawing people into its clutches with promises of riches then suddenly stripping them of their wealth. Fear, then, and not ideological persuasion led them to reject the market as it existed in the 1920s and along with it any notion that the unhampered market was self-regulating.

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Prior to US entry into World War I, the government and its media allies worked hard trying to convince Americans that Germany was a threat to civilization itself. No such effort was required to scare them about the Depression. Unlike the Germans who were over there, the Depression was very painfully over here.

Robert Higgs' outstanding [book](#) *Neither Liberty Nor Safety: Fear, Ideology, and the Growth of Government* underscores the importance of widespread fear for government growth. In his opening chapter, "Fear: The Foundation of Every Government's Power," he contends that, contrary to the positions of David Hume, Ludwig von Mises, Murray Rothbard, and others, public opinion is not the bedrock of government. Public opinion rests on something deeper and more primordial: fear. After the Great Crash, the man in the street feared the market, and the governments of Herbert Hoover and Franklin D. Roosevelt were eager to oblige. Gold, by then, had been [corrupted](#) enough to take the fall.

Whether the public still feared the market six years later was immaterial because neither major party offered a free-market candidate for election. But FDR knew the importance of keeping the public uneasy. In his [State of the Union address](#) of 1936, he told listeners, "In thirty-four months we have built up new instruments of public power. In the hands of a people's Government this power is wholesome and proper. In hands under control of an economic autocracy such power would provide shackles for the liberties of the people."

It's difficult to believe Americans would fall for the notion of a *wholesome* people's government, but the times were ripe for [collectivist ideas](#) as long as they were served up properly. FDR won reelection that year by a huge landslide.

It's been said that [FDR saved capitalism](#) by co-opting the radical left into his New Deal. Without FDR, in other words, we would be living under full fascism instead of quasi fascism. The free market was still useful, especially the name, but only if government-appointed bureaucrats regulated it, never mind the contradiction. Exactly which regulations were needed was a big unknown, but as a way of emphasizing the new in New Deal, government would experiment until it found the right combination. How would they know if the system of [rugged individualism](#) that favored the big guys was adequately harnessed? By looking at the economy. Every trouble spot, for the government, acted like a magnet, the attraction of which was in direct proportion to the potential votes at stake.

## The Highly Regulated Free Market

So successful were FDR and his successors in saving capitalism that finding something today that isn't taxed, regulated, subsidized, cartelized, forbidden, mandated, or bound like a mummy in endless red tape is a near impossibility. We can get a feel for the massive number of regulations the market is subjected to on the federal level alone by browsing the electronic version of the [Code of Federal Regulations](#), updated *daily* by the Office of the Federal Register. Joe Biden, as president, has the whole economy in his hands. As Higgs points out, with passage of "the National Emergencies Act (1976) and the International Emergency Economic Powers Act (1977), nearly all economic liberties in this country exist at the sufferance of the president. If he decides to take over the economy, he possesses ample statutory power to do so."

What was once an economy with a strong element of freedom has become an economy of rent-seeking special interests, or as Albert Jay Nock [expressed](#) it, people using politics to gain an "uncompensated appropriation of wealth produced by others." In accordance with Garet Garrett's thesis of a revolution [within the form and the word](#), the old names have been quite useful for getting people to look the wrong way, as we saw in 2008 when George W. Bush announced he was [abandoning free-market principles](#) to save the free market.

The forgotten man of the [Depression](#), whether Charles Sumner's or FDR's, was fearful, and considering the intellectual ammunition at his disposal, it's easy to see why. But what can one say about today? Should people be fearful of the economic mess governments have created? Not necessarily. More people are beginning to understand, if only vaguely, that politics has brought the roof down, and that a sound economy is impossible without something politically indifferent supporting it: [sound money](#).

Austrian critics are debunking the claims about gold's role in the Great Depression, pointing out that the straw-man gold exchange standard of the 1920s and early 1930s was another government solution destined to collapse. [Ben Bernanke's statement](#) that the longer a country remained committed to gold, the deeper its depression and the later its recovery is being seen as grossly misleading, at best.

(Earlier in his commentary Bernanke explained that the gold standard of the 1920s was a reconstituted version of the gold standard that had endured prior to World War I. Abandoning a pseudo-gold standard makes sense only if an honest monetary system replaces it. As it was, the country moved from one controlled system to one much worse.)

Unlike the poor souls of the Depression era, anyone on planet earth who is wired and can read English (and certain other languages) can access a [vast literature](#) of economic theory, applications, and criticism from an Austrian School perspective at Mises.org. It would be impossible to deal with today's

misinformation without the many works of Austrian analysis, most of which are accessible to a lay audience. In their absence we could well be the fearful captives of an [FDR simulator](#) like Joe Biden.



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