New Years: a time to reflect; to look back and to look forward; to greet the future with hope; to make resolutions to better one’s life. In short, starting the new year with a new perspective. And perhaps no other mode of thought needs a new perspective as much as common beliefs about economics do. So, in keeping with the theme of this month’s issue of Blog Wyrm, this article will look at the top 5 myths or misconceptions that still plague the how we think about the dismal science.

## 5. Wealth is a Zero Sum Game

It is all too common to hear even highly-educated people claim that the wealth of the rich was obtained and is built on the backs of the poor. And, unfortunately, there are some cases where this is actually true – isolated and small cases when measured against all of human progress – but, nonetheless still there. But, as discussed in the earlier post [*A Provocative Question*](http://commoncents.blogwyrm.com/?p=15), it is an unsupportable position that all wealth is based on zero sum game. Additional proof, beyond the mere standard of living increases discussed in that post are the fact that these improvements are enjoyed mostly world-wide. Consider, Ukrainian hackers who hold your computer hostage, Nigerian scammers who go on phishing expeditions, or South Korean gamers who ‘pwn a noob’ in Call of Duty. None of these characters can exist in the world without having access to computers, electricity, and a culture of specialized labor that allows them to hone their craft. It is undeniable that wealth is created.

## 4. Things Have Unique Values

Closely related to the zero sum fallacy, another puzzling misconception that is widely held is the notion that a good, service, or commodity has a fixed value that can be assigned by the market or that is agreed upon in a transaction. As pointed out the in the previous posts [Value and Trade](http://commoncents.blogwyrm.com/?p=198) and [Candy and Wealth](http://commoncents.blogwyrm.com/?p=277), value is strictly in the eye of the beholder. In any type of transaction, financially-based or strictly bartered, each side gains from the transaction. This must hold, else the transaction would never happen. When party A agrees to pay $10 for an item and party B agrees to take the money in exchange, both sides or gaining (or, at least, perceive that they are gaining). That means that party A values the item greater than the $10 he is willing to pay just as party B values the $10 more than the item he just delivered. The prices found in any market, for example a grocery store, are simply the shorthand for the seller saying that he values the monetary value listed more (not equal to) the item in question. The item for sell must be substantially less in his eyes than the price listed, else why would he go to the trouble of displaying, listing, and ultimately exchanging it.

## 3. Any Activity is Good for the Economy

It is often said by people either citing John Maynard Keynes or by those purporting to be Keynesians that any economic activity is good. They will say things like: ‘In a time of crisis, get people digging ditches even if you have them filling them back up again.’ This myth is brilliantly debunked by Frederic Bastiat in his refutation of the [Broken Window Fallacy](https://www.investopedia.com/ask/answers/08/broken-window-fallacy.asp). As is often the case, subtle logic, such as Bastiat employs, is often easier to understand when carried to an extreme as is done in the post [Save the Economy: Nuke a City](http://commoncents.blogwyrm.com/?p=182). There it is argued that if destruction were really embraceable as a valid economic strategy, then any society should always be destroying large swaths of property in order to ‘stir the pot’. Interestingly, many of those same ditch-digging proponents who think arbitrary activity equates to an economic stimulus are the same people who are most vocal about the wastes of war.

## 2. Licensing Protects

This myth is so pervasive, insidious, and just plain wrong it is hard to even know where to begin. Taken almost as a doctrine of religious faith, most people believe that licensing by the state protects consumers. But, as a critical examination of Airbnb, ebay, or any another of the myriad services offered in the internet reveals, human interaction can be dependable done with a minimum of government oversite. And while these endeavors aren’t perfect can an honest person say that he is somehow worse off engaging these goods and services than he would be from those offered in the highly-regulated sectors? Compare the rider experience of Lyft to that of conventionally licensed taxi-cabs. Does the licensing really benefit the consumer? (See [Medallions for Freedom?](http://commoncents.blogwyrm.com/?p=58) for a look at just what licensing does to the taxi-cab owner.) More often than not, licensing and regulation is used as a barrier to entry that protects entrenched interests that lobby the government from new-found competition. Just ask the monks of Covington Louisiana who were prohibited from selling coffins that undercut the ridiculous profits of funeral homes ([Of Monks and Coffins](http://commoncents.blogwyrm.com/?p=360)). And finally, there is ample evidence that lawmakers using licensing for their own ends, ensuring that their interests are protected from scrutiny while keeping all other out ([Gunless and Gunrunners](http://commoncents.blogwyrm.com/?p=131)).

## 1. Socialism Works

Closing out this list is a myth, whose scope and damage dwarfs all the others by leaps and bounds: the myth that socialism works. One would think that all the required evidence to debunk this myth is available just by looking at the failure of the USSR, Cuba, or Venezuela. Unfortunately, the misery of the hundreds of millions of people who have suffered and died under this economic scheme over the past century or so is a dark testament to just how wrong, and yet how eternally appealing, this idea is. Unfortunately, its adherents are willing to look past the enormous body of empirical evidence offered by these failed states and the experiential accounts of the victims and survivors. Neither are they swayed by historical analysis offered by those who experimented with the system ([Free Riders on the Mayflower](http://commoncents.blogwyrm.com/?p=45)) nor by the body theoretical analyses in behavioral economics (e.g see [Free Electric Riders](http://commoncents.blogwyrm.com/?p=73), [An Ultimatum You Can’t Refuse](http://commoncents.blogwyrm.com/?paged=6), or [The Gravity of a Minimum Wage](http://commoncents.blogwyrm.com/?p=275)). Just what will convince people that this myth is dangerous and should be shunned is beyond me – but I hope we find an answer soon.