

## [Read Part 1 - The Distortion Of Capitalism By Wall Street](#) [Read Part 3 - Capitalism Is The Worst, Except For The Rest](#)

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In the introduction to this series, we discussed the bit of the history leading us to the outcry against capitalism. As I concluded:

*"The important point is that 'capitalism' isn't broken, but there is one aspect of the system which has morphed into something no one intended. **As you hear candidates promising to 'eat the rich,' remember 'political narratives' designed to win votes is not always representative of what is best for you in the long run.**"*

In every economy, throughout history, there have always been those individuals who aspire to wealth and privilege and those that beg on street corners for scraps. The battle between "haves" and "have nots" has been going on since men lived in caves.

***"Did you see Ugg's new cave? He's got a T-Rex floor covering by the fire pit."***

Likewise, throughout history, there have also been the subsequent revolts where the oppressed have stormed the castle walls with "pitchforks and torches" to change the balance of inequity. Unfortunately, those changes only lasted for a little while. Eventually, the system imbalances always return due to our basic human nature:

- *Aspiration (the will to take risks, determination, and drive),*
- *Education, and socio-economic factors (access to capital, connections, etc.), and;*
- *Greed*

However, it is our human nature of greed and competition, which lifts individuals out of poverty. Inequality should not be viewed as a negative, but rather as a driver of prosperity and innovation. As Daniel LaCalle recently wrote in his new book ["Freedom, Equality, & Prosperity Through Capitalism:"](#)

*"By contrast, the U.S. has historically been a clear example of positive inequality. 'Mimic inequality'? where you want to do your best and make it seem to others that 'you've made it'--is a positive force. That's what we all call The American Dream. **The reason why millions emigrate to the U.S. is the promise of equal opportunity, not equality.** Very few ever emigrate to socialist countries. In fact, governments in those regimes spend large sums of money trying to prevent their citizens from escaping"*

This is a vastly important statement. **We should be seeking to foster is equal opportunity, not wealth equality.** Fortunately, the United States is rich with opportunity. All you have to do is take advantage of it.



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## Myth: The System Is Unfair, You Have To Be Rich To Start With

Jeff Bezos, the creator of the world's largest online retailer and one of the richest men in the world, took advantage of capitalism. Now he has become villainized for it. What did he have that allowed him to generate billions in personal wealth that others didn't? Nothing.

1. **He had an idea.** (*We all have ideas.*)
2. **He took on the "risk of failure."** (*Would you quit your job to start a business that could fail?*)
3. **He had an educational background.** (*Princeton University. But education isn't everything. Bill Gates dropped out of college. Education can provide access to potential contacts and resources.*)
4. **He had access to capital.** (*His dad loaned him \$250,000 to seed the company. However, this is why private equity and venture capital firms exist which can fund startup projects.*)
5. **He dedicated himself to the project to see it to completion.** (*Determination and drive in the face of potential failure.*)

There is nothing extraordinary about Jeff Bezos. Any person in the U.S. could achieve the same outcome. We see it occur every day with products and services that we use from Grubhub to Uber.

**FedEx is another [great example](#) of capitalism at work.**

*"Fred Smith developed the idea of a global logistics company when he was a student at Yale University with other notable students such as future President George W. Bush and Democratic presidential candidate John Kerry." - **Education and Contacts** "Smith submitted a paper that proposed a new concept where one logistics company is responsible for a piece of cargo from local pickup to ultimate delivery, while operating its own aircraft, depots, posting stations, and ubiquitous delivery vans." - **Innovative Idea** "Smith began Federal Express in 1971 with a \$4 million inheritance from his father and \$91 million of [venture capital](#)." - **Access to capital** "The first three years of operation saw the company lose money despite being the most highly financed new company in U.S. history in terms of venture capital. It was not until 1976 that the company saw its first profit of \$3.6 million based on handling 19,000 packages a day." - **Dedicated to an idea in the face of adversity, risk of loss of his inheritance.***

Here are a few others who started with nothing, took risks, and built substantial wealth:

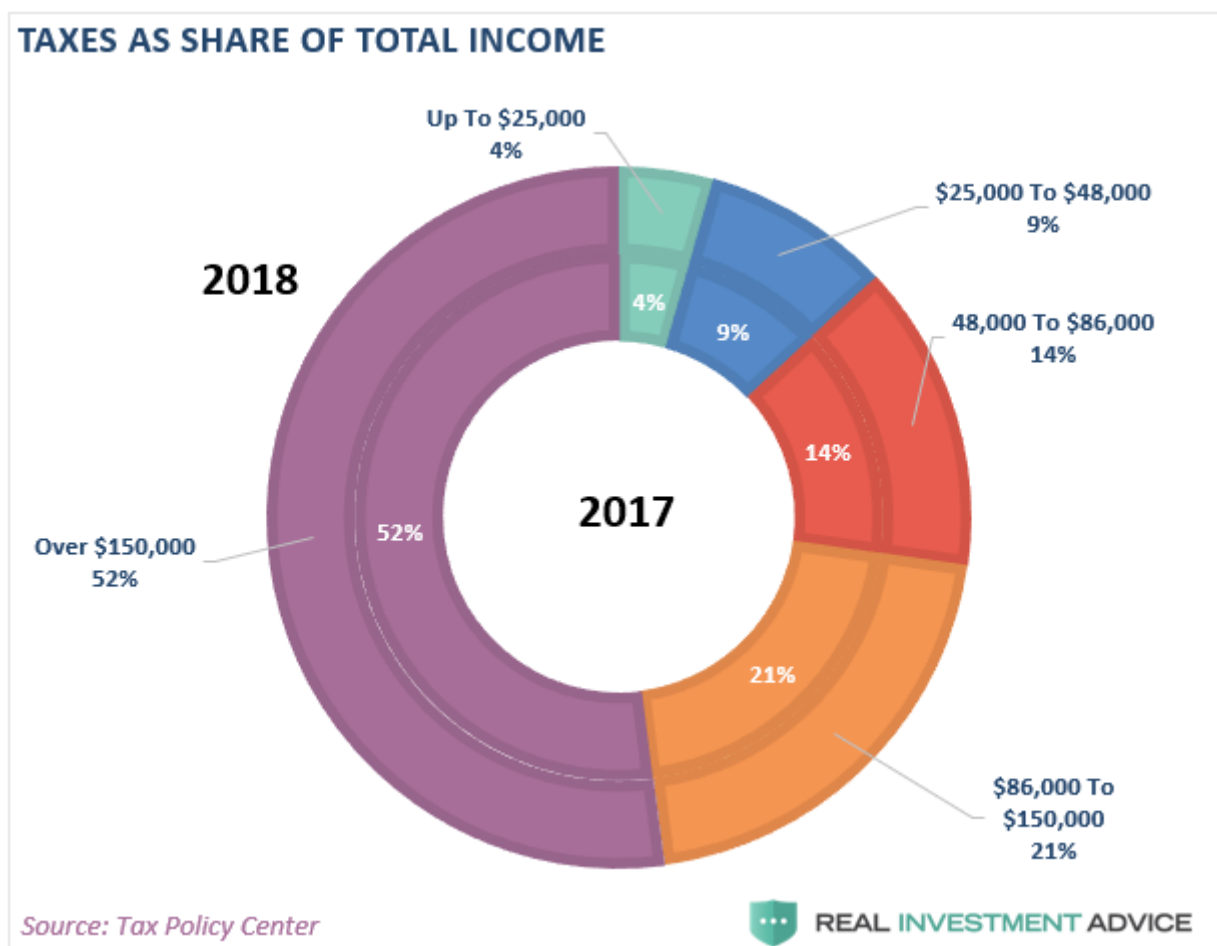
- Jan Koum, CEO and Founder Of WhatsApp, who once lived on food stamps.
- Kenny Troutt, founder of Excel Communications, paid his way through college selling life insurance.
- Howard Schultz grew up in a housing complex for the poor.
- Investor Ken Langone's parents worked as a plumber and cafeteria worker.
- Oprah Winfrey was born into poverty.
- Billionaire Shahid Kahn washed dishes for \$1.20 an hour.
- Kirk•Kerkorian dropped out of school in the 8th grade to be a boxer.
- John Paul DeJoria, founder of Paul Mitchell, once lived in a foster home and out of his car.
- Do Won Chang, founder of Forever 21, worked as a janitor and a gas station attendant when he first moved to America.
- Ralph Lauren was a clerk at Brooks Brothers.
- Francois Pinault quit high school in 1974 after being bullied because he was so poor. •

So, what exactly is your excuse? It is easy to make excuses for "why you CAN'T do something." The only difference between you, and Jeff Bezos, is that Jeff didn't make excuses.

## Myth: *The Rich Don't Pay Their "Fair Share"*

Bernie Sanders suggests "*billionaires*" shouldn't exist; such implies we should confiscate all their wealth to support the public good. This seems fair, considering the ongoing "*claims*" the rich don't pay their "*fair share of taxes*." The [data below clearly shows the issue](#).

*"By contrast, the lower 60% of households, who have income up to about \$86,000, receive about 27% of income. **As a group, this tier will pay NO net federal income tax in 2018 vs. 2% of it last year.** Roughly one million households in **the top 1% will pay for 43% of income tax**, up from 38% in 2017. These filers earn above about \$730,000.?"*



Since we are currently running a trillion-dollar annual deficit, we should probably think twice about keeping the rich in a position to continue feeding the public coffers. As Daniel Lacalle noted:

*"In effect, **the message of taxing the rich to solve multibillion-dollar spending problems is simply a way of advancing total control**, creating clients in low-income voters and creating a group of industries that benefit from being close to the government?**in other words, cronyism.** This is why **governments always use the fallacy of taxing the rich to obtain total control and destroy freedom.** This doesn't mean that high earners shouldn't pay their fair share. It means that the magic trick*

*played on us all is to make us look at one hand (the rich) when the trick is in the other (excess spending and increased intervention and government control) **If taxing the rich were the solution to high debt, inequality, and excess spending, the world would have no such problems by now.***"

## Myth: The Rich Don't Share

[https://twitter.com/Krow\\_75/status/1176518865888710657?s=20](https://twitter.com/Krow_75/status/1176518865888710657?s=20) According to Giving USA, in 2017, total donations to charity clocked in at **\$410 billion**, a figure (*in current dollars*) that has increased almost every year for four decades. **The 50 largest families gave \$7.8 billion in disclosed donations in 2018 alone, and \$14.7 billion to nonprofits the year prior. (2017 was skewed due to Gates donation of \$4.8 billion to their charity.)** Those donations support everything from United Way to the St. Jude's Hospital, which provides free healthcare to children and housing for their parents. **Without those billions in donations, charities which support everything from art, to music, education, research, healthcare, etc. would all cease to exist.** Unintended consequences are very important to consider.



## Myth: More Government Is The Answer

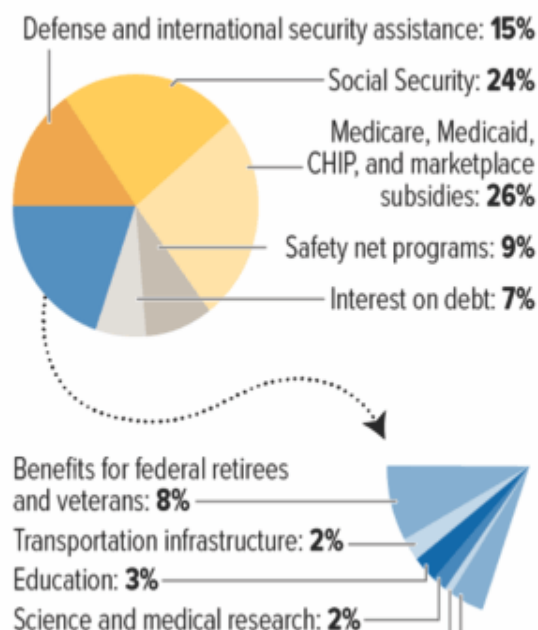
*"Who cares? No one deserves to have that much wealth. The Government would do a better job."*

The following are the two most high profile proposals of Democratic candidates.

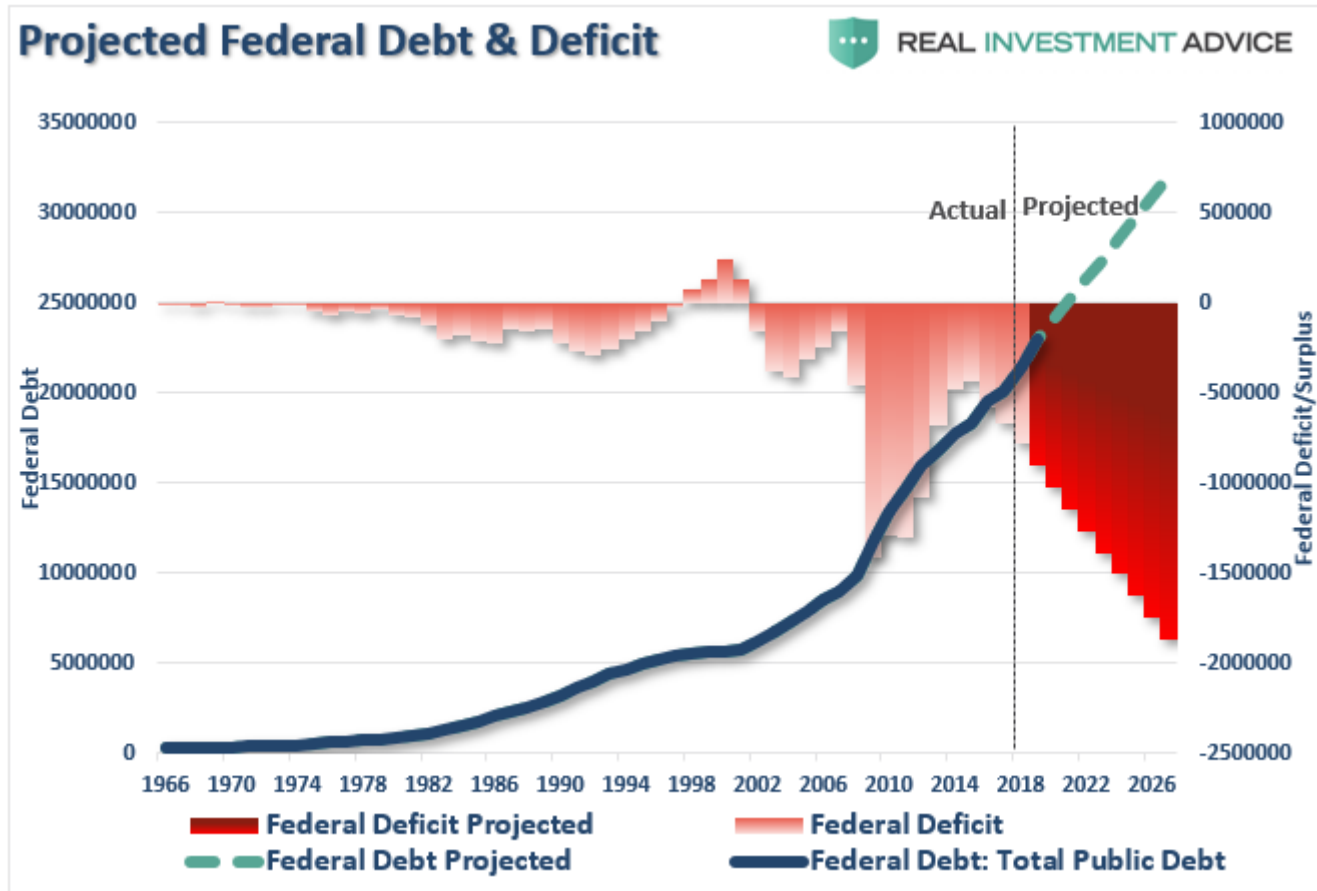
- Pay off student loan debt = \$1.5 Trillion
- Medicare for all = \$3 Trillion/Year

So, we need \$4.5 trillion to pay for those two proposals in Year 1, and \$3 trillion more annually to pay for "Medicare-For-All" going forward - forever. (*This doesn't include the current \$70 trillion unfunded liability of the social welfare system currently.*) According to the [Center On Budget & Policy Priorities](#), **roughly 75% of every tax dollar currently goes to non-productive spending.**•

### Most of Budget Goes Toward Defense, Social Security, and Major Health Programs



In 2018, the Federal Government spent \$4.48 trillion, which was equivalent to 22% of the nation's entire nominal GDP. Of the total spending, **ONLY \$3.5 trillion was financed by Federal revenues.** The shortfall of \$986 billion was financed through debt. In other words, if 75% of all expenditures is social welfare and interest on the debt, those payments required \$3.36 Trillion of the \$3.5 Trillion (or 96%) of the total revenue coming in. Do you see the problem here? (In the financial markets, when you borrow from others to pay obligations you can't afford it is known as a Ponzi-scheme.)



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In 2018, Forbes identified the 585 U.S. billionaires which had \$3.1 trillion in net worth combined. So, if we confiscated 100% of the wealth from those 585 billionaires we could:

1. We pay off all the student debt, and;
2. We can pay for 1/2 of "Medicare-For-All" in year one

This leaves a shortfall of \$1.5 trillion in the first year, plus the existing \$1 trillion deficit, or \$2.5 trillion further in debt in year one. In year 2, and beyond, assuming no increase in the current deficit, the shortfall would grow to \$4 trillion annually. But therein lies the problem. Who pays the most in taxes? Since we confiscated all the wealth of the billionaires, tax revenue is going to fall markedly, further increasing the annual deficit. Moreover, since those billionaires made their wealth by building Fortune 500 companies, they will reconsider exactly what they are doing operating within the confines of a country that has now taken all their wealth. So, which companies created the most jobs in the U.S.?

Apple  
Amazon  
Progressive

General Motors  
Incentive Technology Group  
Volkswagen



Importantly, each of those companies have:

1. *Created thousands of other companies,*
2. *Which employ millions of people,*
3. *Who sell to, support, or sell the products and services of those companies.*

**The economy is a living organism that creates hosts and parasites, which feed upon each other for survival.**

*"The inequality debate is often an excuse to intervene. Politicians don't want the poor to be less poor, so long as the middle and upper classes are less wealthy. That's because interventionism assumes that inequality is a perverse effect that can be solved by state intervention. **But the truth is interventionism perpetuates bad inequality-- inequality in opportunity, in job availability and in access to a better life. In fact, it deepens it. What matters to us is equality of opportunity, and that is what the state has to focus on, not on penalizing success.**" -Daniel LaCalle*

So, you may want to consider the consequences of "killing the 'Golden Goose.'"

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### **Part 3, How To Take Advantage Of "*Capitalism*" To Realize The American Dream**