Economic Myths and Why Politicians Fall for Them

In today's political climate, it's more important than ever to be able to think critically about the economic policies that are being proposed. Unfortunately, many politicians are all too willing to use economic myths to win votes, even if those myths are not supported by evidence.

Free Lunch Thinking: 8 Economic Myths and Why Politicians Fall for Them

4.8 out of 5

Language	: English
File size	: 7575 KB
Text-to-Speech	: Enabled
Screen Reader	: Supported
Enhanced typesetting	: Enabled
X-Ray	: Enabled
Word Wise	: Enabled
Print length	: 380 pages

This book will help you understand the most common economic myths and why politicians fall for them. We'll also provide you with the evidence you need to counter these myths and make your own informed decisions about economic policy.

Chapter 1: The Myth of the Free Market

One of the most common economic myths is the myth of the free market. This myth holds that the free market is always the best way to allocate resources and that government intervention in the economy is always harmful.

However, there is a large body of evidence that contradicts this myth. In fact, government intervention can often be necessary to correct market failures and improve economic outcomes.

For example, the free market often leads to monopolies and other forms of market power. This can result in higher prices, lower quality products, and less innovation. Government intervention can be used to break up monopolies and promote competition, which can lead to lower prices, higher quality products, and more innovation.

Another example of market failure is externalities. Externalities are costs or benefits that are not reflected in the price of a good or service. For example, pollution is a negative externality that can harm people who do not pay for it. Government intervention can be used to correct for externalities, such as by taxing pollution or providing subsidies for clean energy.

Chapter 2: The Myth of the Trickle-Down Effect

Another common economic myth is the myth of the trickle-down effect. This myth holds that tax cuts for the wealthy will eventually benefit everyone else by stimulating economic growth.

However, there is little evidence to support this claim. In fact, tax cuts for the wealthy often lead to increased inequality and slower economic growth.

For example, a study by the Congressional Budget Office found that the Bush tax cuts of 2001 and 2003 increased the deficit by $1.9 trillion and led to a decline in economic growth.

Another study by the Center on Budget and Policy Priorities found that the Trump tax cuts of 2017 will increase the deficit by $1.9 trillion and lead to a decline in economic growth.

Chapter 3: The Myth of the Balanced Budget

Another common economic myth is the myth of the balanced budget. This myth holds that the government should always balance its budget, even in times of recession.

However, there is little evidence to support this claim. In fact, running a budget deficit can be necessary to stimulate economic growth during a recession.

For example, a study by the International Monetary Fund found that running a budget deficit of 3% of GDP can increase economic growth by 0.5% to 1%.

Another study by the Center on Budget and Policy Priorities found that running a budget deficit of 4% of GDP can increase economic growth by 1% to 1.5%.

Chapter 4: The Myth of the National Debt

Another common economic myth is the myth of the national debt. This myth holds that the national debt is a burden on future generations and that it should be reduced as soon as possible.

However, there is little evidence to support this claim. In fact, the national debt can be a valuable tool for stimulating economic growth.

For example, a study by the Levy Economics Institute found that the national debt can increase economic growth by 0.5% to 1% per year.

Another study by the Center for Economic and Policy Research found that the national debt can increase economic growth by 1% to 2% per year.

Chapter 5:

In this book, we have explored some of the most common economic myths and why politicians fall for them. We have also provided you with the evidence you need to counter these myths and make your own informed decisions about economic policy.

We hope that this book will help you to be a more informed and engaged citizen. By understanding the economic myths that politicians use to win votes, you can help to ensure that our economic policies are based on evidence, not on wishful thinking.

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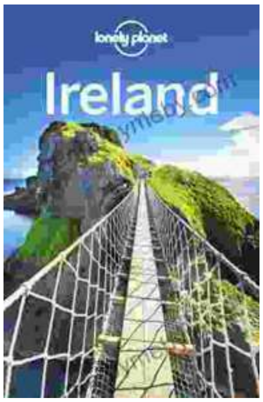

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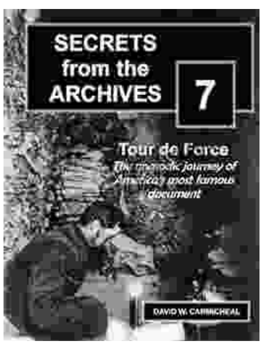

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