

# MINI-TOOLKIT: REBUTTING ECONOMIC FALSEHOODS

## INTRODUCTION

Conservatives often traffic in intentionally-misleading, inaccurate economic arguments when critiquing progressive economic proposals — and it's important for progressives to push back every time with facts that tell the real story of how the economy works. The need for this “myth-busting” has been made even more crucial in the context of the public health and economic crises sparked by the COVID-19 pandemic.

Below are a few timely progressive messages around the Recession, along with typical conservative arguments against them. We also include suggested responses that call out, correct, and rebut the misleading oversimplifications of conservative economic principles. **Progressives should be careful not to repeat those common economic myths when engaging the public, media, or conservatives.**

*Note: “The upshot” of each section is short enough to post directly to Twitter.*

## MESSAGING

### The Facts: The federal budget does not need to be “balanced” like a household budget.

- **THE FICTION:** Conservatives would say that we need to balance the federal budget like we would a household budget – taking on debt to finance government spending puts our economy at risk.
- **BUT HERE'S THE TRUTH:** The federal government has financial powers that households do not; from levying taxes, to creating and assigning value to money, to setting its own interest rates. Under the right conditions, smart government spending – including deficit spending – stimulates the economy by boosting demand, which in turn spurs business investment. U.S. government debt is the safest type of debt, and even when the debt is high, the U.S. government's creditworthiness is never in question.
- **THE UPSHOT:** The federal budget is nothing like a household budget – the U.S. government can, should, and always has run deficits to support valuable public investments, especially in times of crisis.

### The Facts: The 2017 GOP tax law further destabilized an already precarious economy.

- **THE FICTION:** The GOP claim that their 2017 tax law stimulated the economy by cutting taxes for individuals and corporations, which encourages businesses to invest more and repatriate overseas profits back to the US.
- **BUT HERE'S THE TRUTH:** The federal government has financial powers that the GOP tax law was a \$1.5 trillion giveaway to the wealthiest corporations and individuals, exacerbating wealth and income inequality along racial, gender, and class lines – and making our economy more vulnerable to recession and shocks like the COVID-19 outbreak.
- **THE UPSHOT:** The GOP tax law contributed to the current economic crisis by fueling inequality and further concentrating wealth and power in the hands of the wealthy, white, and privileged few.

### The Facts: Policy choices and discrimination have ensured that the Black unemployment rate is consistently double the white unemployment rate.

- **THE FICTION:** No doubt, you'll hear some people say that Black unemployment during recessions is unavoidable, and can't be resolved by public policy. Prior to the current recession, Trump had brought Black unemployment to historic lows.
- **BUT HERE'S THE TRUTH:** Black workers are more vulnerable to unemployment during recessions because they are disproportionately engaged in more precarious work than their white counterparts. Higher rates of unemployment among Black workers cannot be explained by differences in marital status, education, age, or location, and are instead largely explained by employment discrimination, weak enforcement of anti-discrimination law, and eroded worker protections.
- **THE UPSHOT:** Discriminatory policies keep the Black unemployment rate at double the rate for white workers, and ensure that recessions worsen the trend. Policies to protect and empower Black workers can close these gaps – in booms and busts.

### The Facts: The state of the stock market says little about the state of the economy.

- **THE FICTION:** Conservatives argue that the stock market is a reliable bellwether for the state of the economy – when Wall Street does well, the gains to investors are reinvested in everyone else.
- **BUT HERE'S THE TRUTH:** Because 84% of all stocks are owned by the richest 10% of households, stock market gains and losses don't affect the typical worker or consumer – and Black and Hispanic folks at all income and education levels are less likely than their non-Hispanic white counterparts to own any stocks at all.
- **THE UPSHOT:** Stock performance has very little to do with the state of the economy – that's why Wall Street can post historic gains during an unprecedented economic crisis in which everyday workers and consumers are struggling.

## The Facts: Well-funded, well-run governments are perfectly capable of responding efficiently to crises like the COVID-19 pandemic and the current recession.

- **THE FICTION:** Those who are ideologically committed to the idea that government is the problem will, of course, say that the government will never be able to quickly and efficiently respond to crises like the COVID-19 pandemic and the recession it has sparked—that instead we should encourage the private sector, private philanthropists, and everyday people to step up instead.
- **BUT HERE'S THE TRUTH:** Federal, state, and local governments are uniquely well-positioned to respond to crises like those triggered by COVID-19 – when they are well-funded and well-run. The problems our governments are currently facing with the response can be traced directly to decisions to defund and undermine the very agencies tasked with relief work.
- **THE UPSHOT:** Decades of defunding and undermining essential government agencies have made it more difficult for them to respond to COVID-19. Robust, well-funded governments, accountable to the public—not billionaires or wealthy corporations—are the best locus for large-scale crisis response.

## The Facts: The rise in unemployment and long-term economic damage resulting from this crisis sparked by COVID-19 is a policy choice—we can choose a different path.

- **THE FICTION:** As the economic devastation spreads, it will be in some people's interests to convince you that mass unemployment and major declines in living standards were an inevitable result of an unexpected public health crisis—and no one could have prevented it.
- **BUT HERE'S THE TRUTH:** The government has multiple tools at its disposal to prevent mass layoffs and shutdowns when the economy experiences shocks like the COVID-19 pandemic, from work-sharing programs to salary subsidies to industry "bailouts" conditional on employee retention, and more. What's more, we could have made different policy choices in advance of this crisis which would have made us both more likely to avoid this calamity in the first place, and more resilient against its effects.

- **THE UPSHOT:** We are perfectly capable of preventing high unemployment during recessions and economic shocks and just as capable of ensuring that the damage is not lasting or painful to everyday people—declining to intervene is a policy choice, and an accountable government can make different policy choices.

## The Facts: Only robust public investment will save the economy from the current recession.

- **THE FICTION:** Conservatives will argue that high government spending is dangerous to the economy, even in a recession – so we shouldn't overspend on the response and recovery.
- **BUT HERE'S THE TRUTH:** Government spending improves the economy by boosting demand and spurring a virtuous cycle of consumer spending and business investment, which accrues more GDP growth than the initial spend. The private sector alone has never and will never save an economy in crisis.
- **THE UPSHOT:** Robust government spending is a highly-efficient way to boost the economy – and is especially necessary during a crisis like the one sparked by COVID-19.

## The Facts: There is no "choice" between public health and economic health – they are inextricably linked.

- **THE FICTION:** We are already hearing some people say that we must accept the risks to public health of "re-opening the economy" as soon as possible – saving the economy takes precedence over certain human lives.
- **BUT HERE'S THE TRUTH:** The economy does not exist separately from people. The health of the public is the health of the economy, and endangering one endangers the other.
- **THE UPSHOT:** The health of the public is the health of the economy – prematurely lifting the measures protecting human life endangers both.

## ADDITIONAL RESOURCES

[The Federal Budget Is Not Like a Household Budget: Here's Why](#) (Huffington Post)

[Why government spending is the solution, not the problem](#) (Roosevelt Institute)

[The Deficit: Nine Myths We Can't Afford](#) (Roosevelt Institute)

[Hidden Rules of Race Are Embedded in the New Tax Law](#) (Roosevelt Institute)

[Still terrible at two](#) (Economic Policy Institute)

[If you tax the rich, they won't leave: US data contradicts millionaires' threats](#) (The Guardian)

[AP Fact Check: Trump exaggerates his role in black job gains](#) (Associated Press)

[The stock market is not the economy](#) (NPR's Marketplace)

[We All Have a Stake in the Stock Market, Right? Guess Again](#) (New York Times)

[Toward Sustainable, Equitable Trade Policy—Not False Solutions](#) (Roosevelt Institute)

[Why a wealth tax in the United States might increase efficiency](#) (Washington Center for Equitable Growth)

[Who from the labor force is most likely to find a job?](#) (Federal Reserve Bank of San Francisco)