



In the Game of Picking Winners and Losers, the Government Picks Losers

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Google Alerts recently sent me [this editorial about the debate surrounding the Ford Claycomo incentive package](#), by Samuel Lipari on OpEdNews. The following statement resonated with me:

The jobs were lost when healthcare costs of cars built in American plants like Claycomo became uncompetitive with those of Toyota and Honda.

This statement illustrates how, in the game of picking winners and losers, the government almost always picks losers. This is because the government chooses to protect companies and industries that the market has already rejected to some degree. If they were successful and viable on their own, they wouldn't need to seek the favor of the government.

A knowledge problem exists. When the government picks winners and losers, it asserts that it knows the optimal level of something. In practice, such a level is impossible to determine. I do not know the socially optimal mix of any set of products and services, and neither do government officials. No one has access to perfect information. It would be beneficial if the state government stayed out of playing favorites in the market and instead let individuals determine their own optimal levels by engaging in unrestricted trade.

In the profit-loss system of our economy, the prospect of profits encourages individuals and firms to take risks and to innovate, and the losses weed out failure. By picking losers to subsidize, the government penalizes success and rewards failure, reversing to some degree the incentive structure that the profit-loss system would otherwise provide.

Instead of competing in the market on an even playing field, groups that are short-sighted and self-serving petition the government to tilt the field in their favor. We witness this behavior all too frequently in Missouri (in the form of [targeted tax credits](#) , [rebates](#) , [sales tax exemptions](#) , [property tax abatements](#) , [occupational licensing requirements](#) , and [mandates](#) , etc.). As a negative consequence of performing favors for a few losers, the government places winners at a disadvantage by making it harder to compete in the marketplace.

Government should cease offering incentives to losers in the market, and instead return the money to taxpayers to spend in the private sector on the goods and services that they desire.

About the Author



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