

Commentary

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Stop Trying to Pick Winners and Losers in the Economy, Mr. President

By Andrew Wilson

Summary

The president's State of the Union address was filled with a misplaced belief in the ability of government to do a better job of picking winners and losers than the free-enterprise system is able to do on its own. There is an overwhelming body of scholarly evidence suggesting that government officials almost always wind up picking losers and compounding failure.

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Unfortunately, the president stood his “winning the future” theme on its head through a misplaced belief in the ability of government to do a better job of picking winners and losers than the free-enterprise system is able to do on its own.

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Advancing liberty with responsibility
by promoting market solutions
for Missouri public policy

The recurring theme in President Barack Obama's State of the Union address was “winning the future.” It's a good theme — focusing attention on the need for U.S. workers and businesses to face the challenge of competing in world markets. We are no longer living in a world — as the president pointed out — where “your competition” in seeking a job is “pretty much limited to your neighbors.”

Unfortunately, the president stood his “winning the future” theme on its head through a misplaced belief in the ability of government to do a better job of picking winners and losers than the free-enterprise system is able to do on its own.

Obama cited high-speed rail as one of the primary would-be winners, saying (emphasis added): “Within 25 years, our goal is to *give* 80 percent of all Americans access to high-speed rail. This could allow you to go places in half the time it takes to travel by car. For some trips, it will be faster than flying.”

Show-Me Institute scholars have conducted detailed cost-benefit studies of high-speed rail and found that it would be an egregious waste of money. It is not just that 200-mph bullet trains and the infrastructure needed to support them are extraordinarily expensive. There is also the fact that it may not be practical to run even 110-mph passenger trains on the same tracks as freight trains.

Other would-be winners identified by Mr. Obama included:

- Construction: “Over the last two years, we've begun rebuilding for the 21st century, a project that has meant thousands of good jobs for the hard-hit construction industry. And tonight I'm proposing that we redouble those efforts.”
- Wireless technology: “Within the next five years, we'll make it possible for businesses to deploy the next generation of high-speed wireless coverage for 98 percent of all Americans.”
- Clean energy (emphasis added): “Now, clean energy

breakthroughs will only translate into clean energy jobs if *businesses know there will be a market for what they're selling*. So tonight, I challenge you to join me in setting a new goal: By 2035, 80 percent of America's electricity will come from clean energy sources."

Let us leave aside the staggering pick-a-number-out-of-the-sky presumption of that last statement, which suggests that in two-plus decades our nation will reduce coal from more than 50 percent of total electricity generation to no more than 20 percent. It seems that the president is prepared to use a two-edged sword to make that happen: First, hitting up taxpayers in order to lavish billions of dollars in subsidies on wind, solar, and other producers of politically favored forms of alternate energy. Second, forcing utilities to buy at inflated prices from the same subsidized producers, which — by federal fiat — would be guaranteed the lion's share of the power industry's demand for energy. That, in turn, would force the utilities to jack up their rates on homeowners and businesses.

There is an overwhelming body of scholarly evidence, to which the Show-Me Institute has contributed, supporting the conclusion that whenever government intervenes in the marketplace in order to try to pick winners and losers, they almost always wind up picking losers and compounding failure. If, as the president suggests, there is a bright future for high-speed rail, high-speed wireless, or wind and solar energy, there is no reason to suppose that private companies would not support such enterprises, lured by the prospect of future growth and earnings.

Finally, Obama talks of *giving* Americans access to high-speed rail and other projects built at taxpayers' expense. In doing so, he neglects to consider the deadening effect upon the economy as a whole that has come from ramping up public expenditures. Now or in the future, that can only mean higher taxes on individuals and businesses.

During the past two years, the federal government spending has increased from slightly more than 20 percent of GDP to nearly 25 percent. That is 4 percent of GDP that almost certainly would have been put to better use in the private sector. It is one reason that may be cited for the painfully slow pace of the economic recovery.

On Nov. 2, voters in Missouri and most other states indicated a strong desire for smaller and less intrusive government. Our president does not yet seem to have gotten the message.

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