Obama should be pro-market, not pro-business

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Should the Obamacrats be friendlier to Corporate America? Big Business has certainly amped up its kvetching of late. But it's not Washington's job to be pro-business and make nice with CEOs. That smells of crony capitalism and often just means rewarding big campaign contributors with government favors. The better measure of any given Washington policy is whether it respects markets.

To hear many U.S. CEOs tell it the nation's free enterprise system, as they call it, is faltering. General Electric boss Jeff Immelt, a member of President Barack Obama's economic advisory board, says government and business are "out of sync." Ivan Seidenberg, CEO of Verizon and hea of the Business Roundtable, complains that "by reaching into virtually every sector of economic life government is injecting uncertainty into the marketplace and making it harder to raise capital and create new businesses."

The cranky guys in the suits make some good points. As the U.S. Chamber of Commerce pointed out in an open letter to the White House and Congress last week, the U.S. corporate tax rate is the second-highest among advanced economies, Congress has failed to push through key trade agreements and federal spending is on a worrying trajectory. In a nation suffering from a sluggish recovery after a deep recession, every government policy should be optimized for economic growtl Addressing some or all of these problems might nudge American companies to put to work some o the $1.8 trillion in cash they are sitting on, according to the Federal Reserve.

Yet while a pro-business agenda may intersect at points with a pro-market one, they are not the same thing. Pro-market public policies make markets function fairer and more efficiently for everyone. They encourage competition and "creative destruction" and entrepreneurial capitalism. Pro-business policies often shift taxpayer money and other government goodies to favored companies, raise barriers to entry and otherwise defend the status quo.

For instance, the Chamber wants the government to cut spending by reforming the social insuranc system. That sounds good — but how about also reducing the $90 billion a year in subsidies and tax breaks that the Cato Institute reckons businesses get every year? The oil and gas industries alone benefit to the tune of $4 billion annually. It would be better to eliminate such distorting politica blessings and then lower the corporate tax rate for everyone.

It's clear the 11,000 registered lobbyists working in Washington aren't all there to foster competitior an market forces. Their job is to gain an edge for specific corporate paymasters. During the healthcare reform debate, for instance, Wal-Mart actually lobbied for employers to be forced to provide employees with insurance coverage. The company knew it could more easily afford it than many smaller retailers.

Or take financial reform. While big banks may complain about the tidal wave of new regulation, the also know they got off easy in some respects. They weren't broken up, nor were size limits put in place. In fact, the biggest banks have gotten bigger since the financial crisis and have every incentive to keep doing so since the bigger they are, the more likely Uncle Sam will see them as to big to fail. And what sort of climate change policy has Big Business pushed? Cap-and-trade whose size and complexity make it the perfect target for lobbying and rent seeking.

What's good for business can also be what's good for America. Tackling the budget deficit is one example. But whatever companies and their lobbyists would have politicians believe, it's not always so.