

If We Win the Future, Who Loses?

By ART CARDEN

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Or does that question even make sense?

The State of the Union Address was predicated on the notion that The Future is something that can be won or lost, and if we as Americans are not diligent about doing what it takes to Win, someone else will. "Winning the future" is an idea that doesn't really make sense.

First, while a group of White House speechwriters apparently thought that "win the future" would have the same rhetorical resonance as "yes we can," the Address conveyed an incorrect zero-sum worldview in which what others gain comes at our expense. As economics has shown over and over and over and over again, trade creates wealth. Voluntary exchange is a positive-sum game. If China gets richer, it doesn't imperil our ability to get richer, too.

Second, I have always been struck by how politicians refer to spending programs that almost inevitably turn into special interest bonanzas as "investments." President Obama exalted the teaching profession, but let's not be naïve: teachers' unions are [some of the biggest spenders in politics](#), almost all of their money goes to Democrats, and they fight educational innovations like vouchers and charter schools at almost every turn.

More fundamentally, governments don't get the kind of feedback on the success or failure of their "investments" that private firms get. Private firms can tell from their profits and losses whether they are creating value. A firm that earns a profit is using resources to produce something that people value more highly than anything else that could be done with those resources. A firm that earns a loss is using resources to produce something that people value less than at least one other thing that could be done with those resources.

Governments respond to political incentives rather than market incentives, and perhaps most importantly, they can't go out of business. A government can acquire resources. A government can spend money. There is no way to know whether that spending really qualifies as "investment" or not.

Consider [biofuels](#), high-speed rail, and other "green economy" initiatives. I was [excited when the President mentioned getting rid of oil subsidies](#), but my excitement turned to disappointment when he said he wanted to spend more to subsidize things like biofuels and high-speed rail. As the Cato Institute's Dan Mitchell wrote on [the Cato Live Blog](#), "Why not eliminate subsidies rather than transfer them to another interest group?"

[As Randal O'Toole points out](#), high-speed rail is an incredibly expensive boondoggle. The President expressed hope that we would someday be able to zip around the country on a high-speed rail network, but the costs will be massive and the benefits will largely accrue to wealthy urbanites. If President Obama, who lamented the closed Main Street stores and the victims of relocation and creative destruction, has his way, I fear that a future president will shed sympathetic tears for those whose lives were disrupted by economic reorganization around a high-speed rail network that ultimately costs more than it brings in benefits.

I'm extremely skeptical of the government's ability to make these kinds of "investments" without turning them into massive giveaways to powerful special interests. As Steven Horwitz wrote recently on the prospect of a Libertarian-Progressive alliance, the tendency for government to serve powerful interests is [a feature of politics rather than a bug](#). When we give people the power to rule others, we shouldn't be surprised that people use that power to benefit themselves and their friends.

President Obama made an important point when he said that we don't know where the new opportunities are going to come from. He should have left it at that and said that the government is going to get out of the way of those who actually deliver hope and change, [as I wrote last](#)

[year](#). Instead, he proceeded as if the right programs and plans will produce tomorrow's innovations.

I definitely agree with both Democrats and Republicans that we should get rid of unnecessary burdens on business. The minimum wage, for example, destroys opportunities for the poorest among us (I discuss the economists' argument [here](#) and some of the economists' evidence [here](#)). Congressman Ryan's response on behalf of the Republicans proceeded as if the GOP thinks that the last ten years never happened. For all their rhetoric about fiscal restraint, initiative, and the virtues of markets, we can't forget that [government spending exploded](#) under President Bush and a Republican Congress while [economic freedom eroded](#).

Back to the question in the title. There are only "winners" and "losers" in games, fights, and politics. In trade, however, everybody wins. If we are really interested in a peaceful and prosperous future, we will drop the outmoded idea that We can beat Them at commerce.