

# China, Big Tech, and Big Government: An Interview with Jeffrey Miron

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On the most important public policy issues facing the United States, Republicans and Democrats are in vehement disagreement. However, both parties agree on a crucial point: that government intervention is the basis of any solution. While libertarians have been mostly sidelined in national debates, their ideology continues to influence policy and political decision-making.

Thus we decided to interview a thought-leader in the libertarian movement: Professor Jeffrey Miron, Director of Undergraduate Studies in the Department of Economics at Harvard University and the Director of Economics Studies at the Cato Institute. While many, even some on the staff of the *Review*, disagree with Professor Miron's views, we believe the Libertarian perspective is valuable because without understanding the potential costs of any form of government intervention, it is impossible to have an effective policy discussion. We spoke to Professor Miron about the American response to Covid-19, US-China relations, and Congressional antitrust concerns policy with regards to technology companies.

## **What do you think a libertarian perspective on government has to say about COVID-19 and the government's response?**

Prof. Miron: A pandemic obviously raises issues of externalities, and libertarians do not, and should not, assert that the private sector would do a perfect job of dealing with a situation [like this]. Yet... this is *not* the same as accepting that the actual interventions used have been a good idea, or that they were the best balance of costs and benefits.... I don't think there's a good case out there yet that the policy responses to the pandemic have on net been beneficial; at a minimum, it's still an open question.

Many pre-existing government policies have [also] played a significant role in the pandemic and made it worse. I'm not saying COVID would have gone away or had minimal impact had it not been for these preexisting bad policies, but they certainly didn't help. These are policies like price controls that, for example, make it harder for the supply of hand sanitizers or masks or ventilators to respond to the increase in demand; policies like licensing restrictions of doctors and nurses that made it harder for them to move across state lines and help in the places that had more serious outbreaks. There are policies from the FDA that slow or restrict the ability to develop new tests and vaccines. So there's plenty of blame on the government side of the equation from preexisting policies, including policies that didn't make sense even in the absence of a pandemic...

**The Trump administration's ban on travel to and from China is the latest of a series of China, US conflicts over the course of the Trump presidency. How should we think of US China trade disputes?**

Prof. Miron: China and many other countries, including the United States, do a lot of things that are not ideal in terms of their internal or trade policies. And it's therefore tempting... to use negotiations to convince them to behave in exchange for us behaving better toward them. In practice [however], negotiation to reduce tariffs or reduce other countries' intellectual property demands on US firms seems to be ineffective and take a long time. In the meantime, US consumers and US businesses are losing the ability to buy Chinese-produced goods at lower costs than the alternatives.

And so libertarians' strong hunch is that we're better off just eliminating all of our trade barriers... Now there are exceptions if you're talking about some good or technology that is crucial to US national defense and it's important that we try to keep China from getting access to the same technology... But the Trump administration's and many other administrations' efforts have been much broader than that, not clearly tied to legitimate well-established and defensible national defense objectives. So I think actual policy has really been about wanting to bash China and make them a scapegoat, rather than recognizing that some things like declining manufacturing employment in the US is a result of productivity growth, which overall is a good thing. It's not China's fault, and we wouldn't want to stop it even if we could...

**Do you think there's a national interest in resiliency beyond the private interests of individual companies to ensure that stuff like pharmaceutical ingredients manufacturing capacity in America?**

Prof. Miron: No. I think that the way to have resiliency, to the extent I know what people mean by that, is to recognize that even if... importing raw materials or ingredients from China might've been problematic because that trade was disrupted by COVID or disrupted by actions by the Chinese government, there were zillions of other medicines that have been produced and consumed and used effectively for decades coming from China. So any benefit we might get from trying to avoid that disruption has to be balanced by the fact that there would be a huge cost of not being able to rely on the lowest cost suppliers on a regular basis... Part of the way to be resilient is to be a relatively rich, productive, efficient economy. And that means relying on the lowest cost suppliers, not forcing things to be produced in your own country.

The next crisis, whatever it turns out to be, might have absolutely nothing to do with pandemics... then anything we did to reduce our reliance on imports from China to make pharmaceuticals would be completely irrelevant. It was all cost and no benefit... I think that it's incredibly misguided to disrupt trade because of factors that arose during this pandemic. It will be used as an excuse for all sorts of bad policies along the way...

**What do you think of the antitrust claims that breaking up Facebook would make American data safer or that breaking up the Big Tech companies would make life better for American consumers?**

Prof Miron: I just think it's all assertion. There's just no thoughtful analysis behind any of those statements. The usual complaint, the reason for antitrust, is because companies are charging excessive prices. Several cases that we're talking about here, the companies charge zero prices! So that should make you pause at a minimum. Breaking them up is going to make them less effective. It probably won't succeed very well because people will like the idea of having everybody on one platform, such as Facebook, and so somebody will innovate around the broken up pieces of Facebook to connect them. More broadly, some of these companies have huge network externalities, they're valued because everybody's connected via the same app or site. And so breaking them up has a huge cost in diminishing that network externality... What's the problem? Who's being harmed? Not the consumers...

**And do you think there's anything to the idea of Facebook increasing polarization and harming the election?**

Prof. Miron: No. Facebook is a reflection of the population and the attitudes of the population. What generates polarization in my judgment is the government imposing policies, especially federal policies, that tend to impose one view on the entire country. They tend to impose policies that create winners and losers, and a whole set of policies do that. And a whole set of policies implicitly say to people who disagree: you're not a good person because you disagree with this policy. And I think that's the reason we have polarization, much more than anything Facebook could have done. Facebook is just a reflection.

**The US seems to be entering a new age of strategic competition with China. Do you think the US should do something like subsidizing AI research or electric cars, strategies which have been successful in individual cases like Tesla?**

Prof Miron: How do we know it's successful in the Tesla case? What's the metric by which it's been successful? It's made Elon Musk rich. I presume that's not the objective. I don't think we know the net impact of electric cars; it turns out it's sort of messy. If it were done in a certain way, it could reduce carbon emissions, but one of the ways it's been done so far, the \$7,500 credit for buying an electric vehicle, has probably been a slight negative because having an electric car doesn't mean you don't need energy to power the car. It means it's powered by a battery, but the battery has to get charged. The battery relies on the local fuel supply... which might be coal, and coal is really dirty... So it's not as easy to get these things right as you might think, and some existing examples get them wrong, that is, there are cases where well-intentioned global warming policies or other environmental policies have gone awry.

**Should the US have a high technology policy at all?**

Prof Miron: No. It will be captured by certain particular industries, it will end up subsidizing those industries, which may or may not turn out to be the ones that are beneficial from a technology perspective, and we won't stop doing it. The good thing about capitalism, about leaving it to the private sector is that stuff fails... you can't have effective capitalism without failure. But if the government gets in the business of industrial policy, it'll stay in that business forever. We're still subsidizing agriculture, which we started decades and decades ago.... So no, technology policy is a terrible idea. Any kind of industrial policy is a terrible, terrible idea.