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The Washington Times

RAHN: The end of progress?

Government overregulation threatens innovation

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Have things stopped getting better? Americans had become used to ever-increasing living standards, but there is evidence that for many people, life is not improving. There is also a growing pessimism about the future with surveys showing that Americans do not think their children and grandchildren will be better off.

Last week, there was a most interesting discussion between two of the world's leading tech gurus - George Gilder and Peter Thiel - at FreedomFest in Las Vegas. Mr. Gilder has written some of the most influential books of our time, including "WealthandPoverty," "Microcosm" and "Telecosm," and was the one who popularized Moore's Law, which says computer power doubles about every 18 months and costs fall by half. Mr. Thiel is best known as a co-founder of PayPal and the angel investor in Facebook. He also has gained attention by offering \$100,000 grants to college students who drop out to form companies.

Mr. Thiel argues that, in many areas, progress has stopped or almost stopped. For instance, for hundreds of years, mankind has sought to travel faster and faster - first with faster and faster sailing ships and then with powered sea vessels, and subsequently with trains, automobiles and airplanes. Fifty years ago, it was widely predicted and assumed that commercial airplanes would be traveling at speeds of 2,000 miles an hour or more by now. It hasn't happened. In fact, travel times have gotten slower. The Concorde, which became the first supersonic commercial airplane in 1976, was abandoned eight years ago. Planes now fly no faster than they did in the 1960s because of government policies and restrictions. In addition, the government's incompetent Transportation Security Administration has unnecessarily managed to increase trip times to another hour or so.

Nuclear power was supposed to bring us electricity too cheap to meter. But government restrictions on many types of power production and excessively costly regulation have driven up energy prices in real terms after centuries of falling energy prices. After the first moon landings, many confidentially predicted that the moon would have permanent manned bases by now and, perhaps, even be colonized - but now the space shuttle has been abandoned with no replacement. Drug approvals are dramatically down at the Food and Drug Administration compared with where they were a decade or more ago. Meanwhile, the promised cure for cancer is still in the future, even though progress has been made.

Some industries, notably education, have been showing negative productivity, in that it now costs more in real terms to provide the same level of education in primary and secondary school as well in college than it did four decades ago.

George Gilder, while agreeing with Mr. Thiel's critique of government in denying people the benefits of existing or new technologies, is somewhat more optimistic about the ability of venture capitalists and the tech entrepreneurs to overcome the heavy drag of government on our lives. Mr. Gilder notes that Moore's Law continues to hold decades after Gordon Moore first described the process. In every decade, we have seen a

hundredfold increase in computer power and a 524-fold increase in bandwidth, which is why you can now see movies on your cellphone.

The technologies would have translated into much higher real incomes for most people if it were not for the heavy foot of government on the economic windpipe. Whereas the private sector makes almost everything faster, cheaper and better, the government makes almost everything slower, more expensive and worse.

It is no secret that those in government seek power - including the power to tax and regulate. But it takes some time to figure out how to regulate new industries. Old industries, such as energy production, transportation and education, are heavily regulated. Accordingly, the people do not get the benefits of lower costs and better products in these industries that would be possible if the regulators were not outlawing innovations. The United States and other governments are now in the process of destroying the global financial industry through misguided and destructive regulations. Few medical advances come from countries that have nationalized medicine, and if Obamacare is allowed to continue in the United States, it is almost a certainty that medical progress will be stifled and millions will die unnecessarily early.

The government has not figured out how to destroy the Internet and advances in computers. So the struggle goes on between those who try to innovate faster than the government can find ways to outlaw the future. It is no surprise that as governments grow, the rate of technological progress in those countries slows down and vice versa.

There is a titanic struggle now going on in Washington over the size of the U.S. government. Those who want a smaller government are, in effect, saying they want to unleash the future with all of its benefits by removing many of the regulatory and tax restrictions that impede human progress, while those who seek a bigger government are, in reality, pushing for a less prosperous and less kind future.

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