

March 17, 2012

0

[Recommend](#)

1

Ted Boettner: Government not in the way; government is the way

CHARLESTON, W.Va. -- Does government play a large role in private sector growth? Of course, but you would never know it from the current political discourse.

Presidential candidates and others would have you believe that liberals want a large government that intervenes in the private market while conservatives want a small government with a "free market." For example, Mitt Romney, recently told voters in Washington State that he is "a conservative businessman who understands the private sector and knows how to get the federal government out of the way, so that the economy can once again grow vigorously."

Nothing could be further from the truth. There has been a long-standing and historical consensus that one of government's primary roles is to bolster private sector growth. There is nothing inherently wrong with government playing a large role in economic development. This important role has been a fact of life in our country since its founding.

Basic infrastructure helps business. Historian Michael Kazin recently pointed out that decades before the Civil War, "public money and support were essential to creating the nation's infrastructure. ... State and federal funds helped build every major turnpike, canal, bridge, dock, and railroad line." This infrastructure boosted private enterprise, by giving it a platform on which to function.

Financial and scientific infrastructure helps business. Another example of government support for private industry is financial infrastructure. Abraham Lincoln created the national banking system that we still use today, and presided over the creation of land grant colleges, the National Academy of Sciences, and the Department of Agriculture — which were conceived as efforts to lay the foundation for rapid economic growth and an integrated national economy.

Tariffs help business. Tariffs are another way in which government policy has strategically benefited private sector growth. Alexander Hamilton and Henry Clay developed policies to protect private manufacturing businesses from competition through the Tariff of 1816 and the Morrill Tariff of 1861. From the 1830s up until the Second World War, the U.S. maintained the highest industrial tariff rate in the world.

Technological research helps business. During the 20th century, the U.S. government began financing key scientific and technological research — including the accelerated development of automobiles, airplanes, radio, and the establishment of the National Sciences Foundation in 1950. Government-business partnerships built over the last century are responsible for many of the technological innovations in today's knowledge-based economy, including the Internet, GPS, lasers, computers, Teflon, communication satellites, jet aircraft, microwave ovens, solar-electric cells, and semiconductors.

Pharmaceutical research helps business. Federally financed drug research has also played a pivotal role in boosting private sector growth and subsidizing the pharmaceutical industry. Each year the National Institute of Health spends roughly \$30 billion on basic bio-medical research. According to a recent study in the New England Journal of Medicine, federally financed drug research contributed to the discovery of up to 21 percent of all drugs approved over from 1990 to

2007.

Nurturing the energy sector helps business. The history of using government to boost and protect our nation's energy sector is also profound. A recent study by Nancy Pfund of DBL Investors and Ben Healey of Yale University found that government has also played a large role in nurturing new forms of energy. Whether it was providing the coal industry with steep tariffs in the 1790s, or providing billions to nuclear power in the 1950s and beyond, the U.S. government has protected and financed energy industries for centuries.

It's not just the federal government that boosts private sector growth. Each year lawmakers and the business community in West Virginia work together to fund private sector enterprises. Whether it's providing \$3 million in budget surplus money to the South Charleston Technology Park, doling out millions each year in subsidized loans to companies through the state economic development authority, or including line-items in the state's budget for the Polymer and Chemical Alliance Zone and other economic development authorities, the business community and state form an interwoven partnership in building private sector industry. Recently, the chair of the West Virginia Business & Industry Council was advocating for the state to sell \$1.5 billion in bonds to financing infrastructure improvements across the state.

Most, if not all, of these examples of government support to benefit private sector growth are extremely positive. They lead to good jobs for American workers and a strong and innovative economy that is the envy of other nations. It is important that conservatives and liberals alike not to forget the role of government in providing this support. And the media should report it, especially when political rhetoric would mislead us into thinking that government "needs to get out of the way."

Boettner is executive director of the West Virginia Center on Budget and Policy.

0 Comments

Post a Comment
