Capitalism: Shaken, not Stirred

[GSE’s](http://en.wikipedia.org/wiki/Government-sponsored_enterprise) + [Government Corporations + Government Agencies](http://www.usa.gov/Agencies/Federal/Independent.shtml) = Capitalism? Now that really is some fuzzy math. Government spending accounts for 38.9% of US GDP (all levels of US government) according to the [Heritage Foundation.](http://www.heritage.org/index/) That means there are 121 other countries in the world where the government plays a smaller percentage role in direct spending than in the US.

The problem is that the 38.9% underestimates the government’s control over the US economy. In addition to direct government spending, federal, state, and local governments also have created “independent” entities to transform the economy. The federal government has created GSE’s that are explicitly backed by the US Treasury chartered to carry out the wishes of government officials. Need a home loan, student loan, farm loan, or a small business loan? Great, there’s a GSE or government created “corporation” built just for you! Don’t want to pay back your loans? No worries, the feds won’t make you do that. [They’ll write off your student loans](http://www.nydailynews.com/news/money/obama-s-student-loan-plan-offer-family-money-experts-weigh-article-1.970942?localLinksEnabled=false) or your [mortgage interest](http://online.wsj.com/article/SB10001424052970203911804576651502457797670.html).

State and local governments have created private development authorities designed to steer and manage (of all things) economic development. Gone are the days of believing that economic growth is organic. We apparently need to import bureaucratic BS to fertilize economic development.

Calvin Coolidge once said, “After all, the chief business of the American people is business.” What happens when the business of government becomes business? Then the government forms “businesses” such as GM, the US Post Office, and Amtrak. Politicians control even larger swaths of the American economy. How much leeway did Ford have in negotiations with the UAW when the government run GM had already cut a deal with them? When governments sponsor businesses, from local convention centers and golf courses to national rail travel or mail delivery, they are rarely, if ever, run in the black, or even for the purpose of making money. If businesses were to maximize profit they would be left to the private sector. The government runs them for the express purpose of taking resources and using them to achieve political, rather than economic, goals.

When the government is not busy directing the economy or running businesses, it creates regulations to tell businesses how they can use their resources for the benefit of humanity. From zoning regulations to environmental protection rules, every level of government attempts to direct business decisions regarding resource allocation. Then businesses have to hire people to fight regulations (lobbyists), understand regulations (attorneys and tax accountants) and comply with regulations (compliance officers). These are private sector jobs, but not jobs the private sector would create.

When you combine direct government spending with government sponsored businesses and the regulatory power of government, you are not left with much capitalism. How many economic transactions any more take place without government intervention? If I go to the grocery store I can only buy products subject to FDA labeling. If I want to build a house I have to comply with a myriad of government regulations down to how many outlets I have to place in each room.

Economic textbooks often refer to the US economy as a mixed economy. This is because the government makes some decisions about what to produce, how to produce, and who get the output, while other such decisions are made by private individuals. I’m not sure if the economy is mixed, or just mixed up. A mixed drink with all mix and no booze does not have much of a kick. Then again, neither does the US economy. Where’s James Bond when you need him? We need an economy that is shaken by voluntary private action rather than stirred by a central bartender if we are going to have any fun.