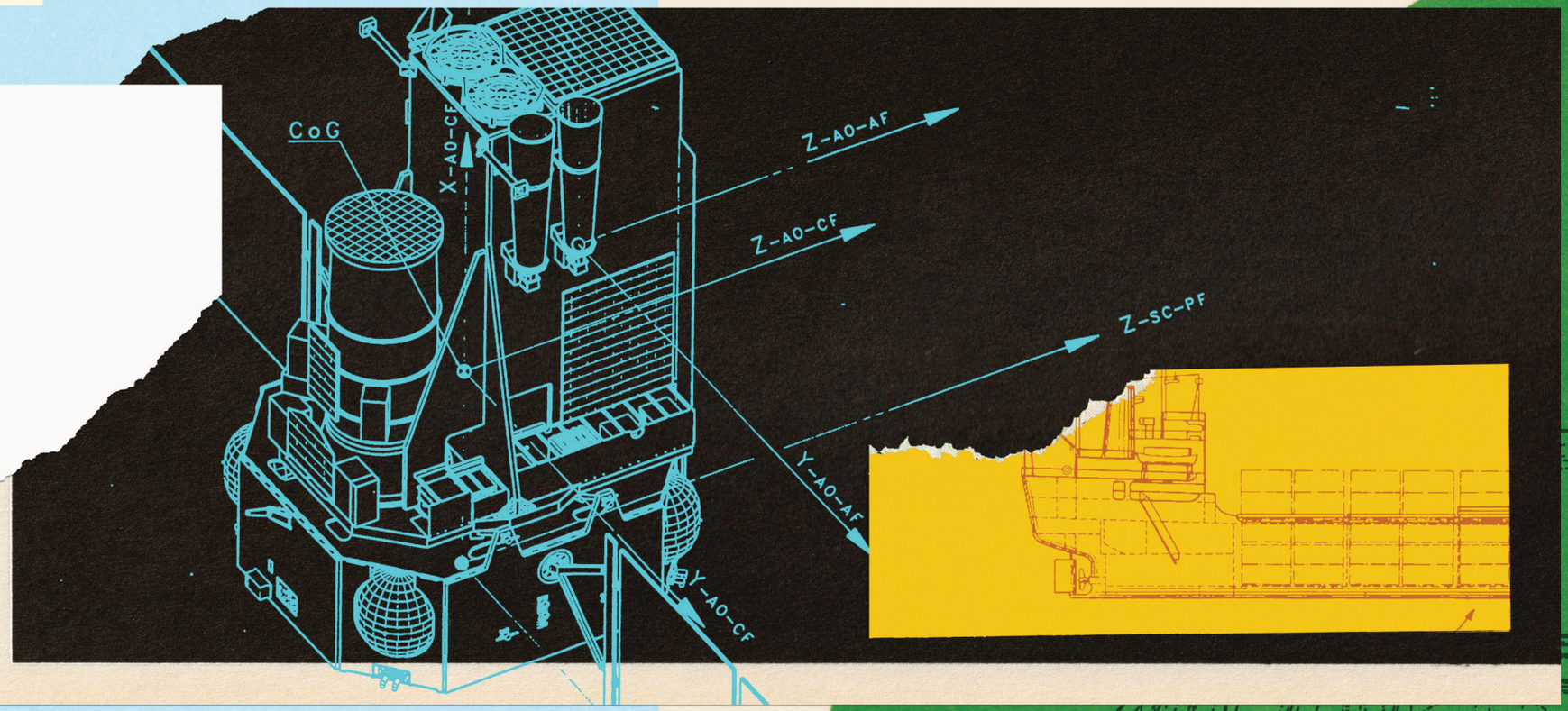
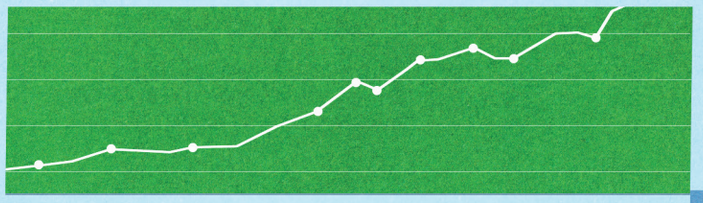




THE *Unplanned Path* TO ABUNDANCE

By Johan Norberg

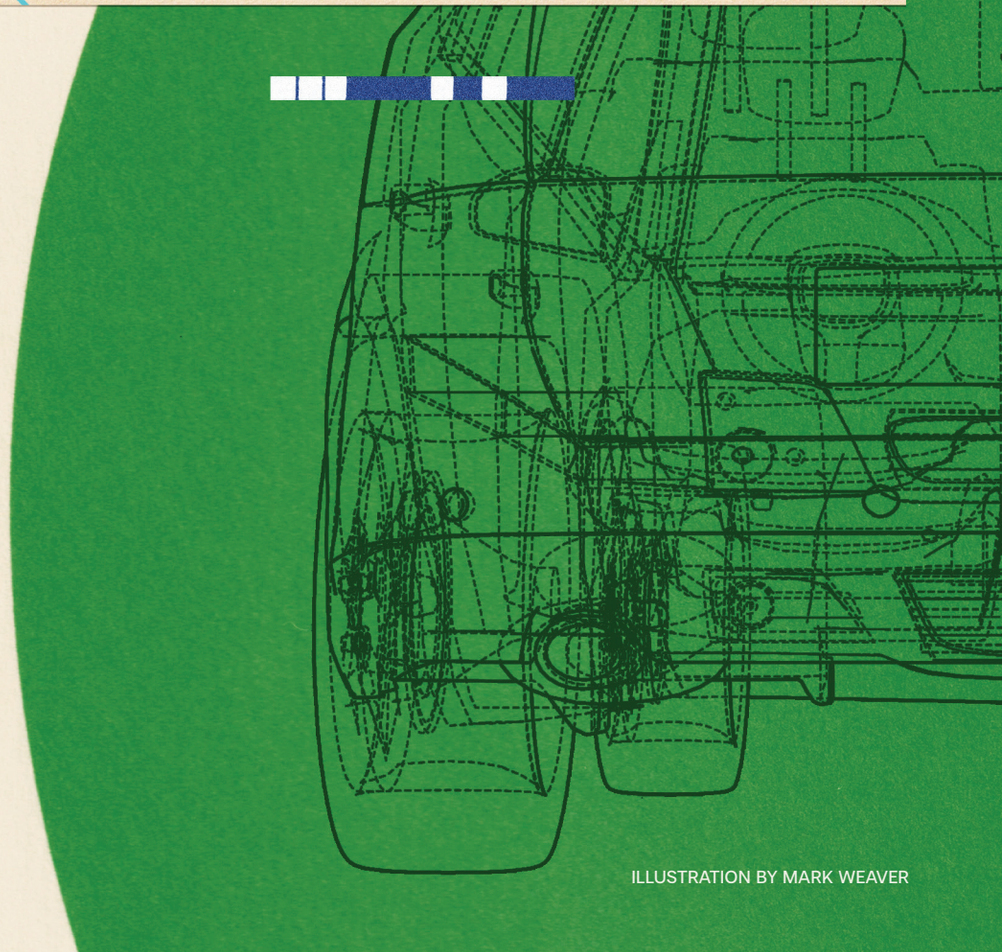


ILLUSTRATION BY MARK WEAVER

Progressives and conservatives alike have their own plans for prosperity, but both miss the same core truth: There is no blueprint for abundance. Humans thrive only when they're left alone to freely think, speak, invest, and experiment—to take risks and shoulder the consequences, good or bad.

This is the bottom-up abundance articulated for centuries by classical liberals, from Adam Smith and F. A. Hayek to Julian Simon and Marian L. Tupy.

Something exciting is happening on the American left. While some still cling to degrowth policies and "democratic socialism," a new intellectual front has opened among a group of young, talented progressives who actually believe in progress. They have begun to worry that it is impossible to build anything anywhere amid the expanding labyrinth of regulations, permitting processes, reporting requirements, environmental reviews, lawsuits, and procurement rules favoring small, locally based, and preferably minority-owned firms—policies that in practice block economies of scale and drive up costs.

Their manifesto is the book *Abundance*, by *New York Times* columnist Ezra Klein and *The Atlantic* contributing writer Derek Thompson. With little mercy, they examine how government regulation stands in the way of innovation and construction of even the very things Democrats support, like housing for the poor, high-speed rail, and green technology. The Democrats perfected the art of saying no, to prevent bad people from doing bad things, and so they are stuck. Texas builds more green energy than California not because it is more committed to the environment, but because it is less regulated.

Regulation has also made construction more difficult, expensive, and time-consuming, and housing prices have soared. Klein and Thompson cite research showing that the geography of homelessness does not primarily follow patterns of poverty or unemployment: The single most important factor is the availability and price of housing. California has just over a tenth of the US population but half of its unsheltered homeless. Houston, which has no zoning and limited land-use regulations, has the lowest rate of homelessness of any major American city.

The progressive urge to subsidize demand of all good things is self-defeating, since it boosts prices, not supply. "Giving people a subsidy for a good whose supply is choked is like building a ladder to try to reach an elevator that is racing ever upward," write Klein and Thompson. Halfway through the book, the authors even suggest that government redistribution is overrated. They note that most of the goods and services progressives seek to evenly distribute, such as medical technology, didn't exist as recently as 50 years ago. What matters is developing new technologies and resources, and to focus solely on the distribution of today's wealth is therefore "worse than a failure of imagination":

> It would be a kind of generational theft. When we claim the world cannot improve, we are stealing from the future something invaluable, which is the possibility of progress. Without that possibility, progressive politics is dead. Politics itself becomes a mere smash-and-grab over scarce goods, where one man's win implies another man's loss.

The obvious conclusion, albeit one they are reluctant to concede, is that any redistribution today that reduces growth and innovation is a welfare loss. In fact, taxation is theft—generational theft.

For a classical liberal, this book is a refreshing read. And I am tempted to say: Welcome to the party. You may have arrived fashionably late, but that's quite all right—there's plenty of room, the music is still playing, and the buffet is abundant.

But there are also a lot of things to quarrel about. At times, Klein and Thompson are so excited by innovation that they think it is too important to leave to the free market: "Markets will, we hope, proffer some of these advances. But not nearly enough of them." While they have a keen eye for all the problems that come with a government that slows things down, they suggest that they know how to speed it up:

> What we are proposing is less a set of policy solutions than a new set of questions around which our politics should revolve. What is scarce that should be abundant? What is difficult to build that should be easy? What inventions do we need that we do not yet have?

How do you make such decisions? Klein and Thompson seem to think we can decide all this collectively, and that government can implement the right policies with generous subsidies. Indeed, when they talk about successful alternatives to a government that slows things down, they cite the New Deal, the moon landing, and an active industrial policy in which government picks winners. This is the kind of book that discusses how to build high-speed rail better and faster without ever making a case for why it should be built in the first place.

In this regard, the "supply-side progressives" at times resemble less abundance libertarians than the Silicon Valley technocrats of the Trump coalition,

who also want to usher in a new golden age of abundance through government intervention. As MAGA entrepreneur Peter Thiel has described it, they are advocating for "a conservatism that seeks to build up American state capacity in order to solve dire social problems and push the technological frontier."

The national conservative project is to design their preferred industrial structure and employment patterns with protectionist trade policies and by deporting immigrant workers. Donald Trump also wants to control the economy with a hyperactive, personalized industrial policy. He tells businesses who should be leading them and what prices drug firms should charge. The administration is even reviving the idea of state ownership of the means of production, acquiring a golden share in US Steel, becoming the biggest shareholder in MP Materials, taking a 10 percent ownership stake in Intel, and demanding a 15 percent cut for the government from all Nvidia and AMD chip sales to China. This is "state capitalism with American characteristics," concludes the *Wall Street Journal*'s Greg Ip, in a nod to how it all resembles Xi Jinping's socialism with Chinese characteristics. "We are a department store," as the president himself describes his economic philosophy, "I own the store, and I set prices."

Just as abundance progressives understand the failures of past government intervention but think they can do better, national conservatives admit it has failed before but believe that with them in charge, it will finally work. As the title of a 2024 Marco Rubio article in the *Washington Post* put it: "Why I believe in industrial policy—done right."

Supply-side progressives and department-store conservatives both have a plan for the future. To me, it looks a lot like the old failed plan, except that this time they have decided it will be *done right*. It reminds me of the David Lynch meme where the famous director impatiently instructs his struggling actors with a megaphone: "Okay, let's try that again, but this time good."

The problem is that government doesn't tend to run off the road because it has a poor driver, but because there is no road yet—it must always be built, stone by stone, by the people themselves as they find the way. If you speed up, you will just have more crashes. Discovering the future is a discovery process, not a planning project.

As F. A. Hayek explained in *The Use of Knowledge in Society*: "The knowledge of the circumstances of which we must make use never exists in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess." And as Yoda counseled in *The Empire Strikes Back*: "Difficult to see. Always in motion is the future." In other words, knowledge is dispersed and constantly changing. When government steps in and directs resources to a particular purpose, it doesn't add anything extra; it simply replaces the continuously updated wisdom of billions of people looking at the world from their specific vantage points with the preferences of a few smart people at the top. We lose knowledge, and we lose creativity.

"But when government tips the scales, it often throws good money after bad and short-circuits the very process by which failure and feedback generate more knowledge and adaptation."

Of course, there are examples of successful government investments, but anecdotes are not a governing philosophy. As evaluations of industrial policy show, for each effective intervention there are hundreds of failures. Nobody knows which technologies will work and which business models will triumph in the future—not even innovators and entrepreneurs themselves. So how would politicians, who do not act on markets and do not even risk their own money, know?

Scott Lincicome, vice president of general economics at Cato, has repeatedly documented how and why attempts to pick winners have failed. Efforts to identify critical technologies mostly flop, as they did recently when politicians of every stripe agreed that ethanol was the fuel of the future, until they decided it wasn't.

Even when planners pick the right industries, they fail to predict how those technologies and markets will develop. Support for semiconductors and supercomputers in the 1990s went to important industries but the wrong products and companies. When the CHIPS and Science Act became law in 2022, ChatGPT didn't exist and Nvidia was considered just a gaming company. Most support was heading toward Intel.

The whole process is also distorted by mechanisms familiar to public choice economists. Support tends to go not to the most promising ideas but to those with the strongest political connections, the biggest lobbying budgets, and the most jobs in favored constituencies.

Government support also changes the companies themselves. Government is bad at picking winners, but losers are good at picking governments. They adapt their behavior to the incentives, seeking to stay in politicians' good graces, and that is not necessarily the same as building competitive business models.

A recent example is the battery-maker Northvolt from Skellefteå, in my own country, Sweden. It received the incredible sum of $15 billion, partly from Swedish, Canadian, German, and Polish taxpayers. After all, everyone saw electric cars as the future, and everyone wanted to repatriate battery production from China, making

Northvolt a darling of the green left, the nationalist right, and security hawks alike. Indeed, it is the kind of company Klein and Thompson call for in *Abundance*, when they write that the state should subsidize "bettering battery storage." Northvolt also had tons of orders from the European electric vehicle industry, so there didn't seem to be much risk involved.

So Northvolt set to work, establishing factories in Sweden, Canada, Germany, and Poland (those governments obviously wanted something in return). It also pursued other politically fashionable ventures, including investing in wood-based batteries, developing a new sodium-ion cell battery, backing batteries for aviation, and supporting a battery-analytics start-up. They even invested in a lithium refinery to own the entire supply chain. Naturally, they also poured money into AI.

Northvolt did almost everything—except that tiny detail of actually producing EV batteries on time in its Skellefteå factory. Instead of relying on trial and error and incremental improvement, Northvolt got so much money and political backing that it could scale up everything, everywhere, all at once, without ever mastering the basic technology. Consumers never received their batteries, and after burning through $15 billion, Northvolt was formally declared bankrupt in March of this year.

Failure is fine. It is a necessary part of every journey into the unknown. But when government tips the scales, it often throws good money after bad and short-circuits the very process by which failure and feedback generate more knowledge and adaptation.

Northvolt is not an exception. As Bloomberg recently reported, there are already dozens of industrial-policy ghost factories scattered across the US—green factories that have been canceled or downsized as they were hit by soaring costs, high interest rates, and slow-growing electric vehicle demand.

"Sometimes it seems as though abundance planners imagine a button marked 'growth and innovation' that we simply need to press more often. But innovation is not a button you can push at will—it is unpredictable, uncharted, and often messy."

This is not the kind of policy that has made our world rich since the Industrial Revolution, and it is not how to build future prosperity. As the philosopher and novelist Ayn Rand wrote in *Capitalism: The Unknown Ideal*: "America's abundance was not created by public sacrifices to 'the common good,' but by the productive genius of free men who pursued their own personal interests and the making of their own private fortunes."

In my new book *Peak Human: What We Can Learn from the Rise and Fall of Golden Ages*, I document that this has also been true throughout history's great civilizations—ancient Athens and Rome, Abbasid Baghdad, Song China, Renaissance Italy, the Dutch Republic, and the Anglosphere. Though quite different from one another, what set them

VOICES *of Superabundance*

"The ultimate resource is people—especially skilled, spirited, and hopeful young people endowed with liberty—who will exert their wills and imaginations for their own benefits, and so inevitably they will benefit the rest of us as well."
—**Julian Simon (1932–1998)**, senior fellow at Cato and professor of business administration at the University of Maryland

"Any innovation—mechanical, biological, institutional, scientific, artistic, personal—begins of course as a new idea in a liberated human mind."
—**Deirdre N. McCloskey**, distinguished scholar and Isaiah Berlin Chair in Liberal Thought at Cato

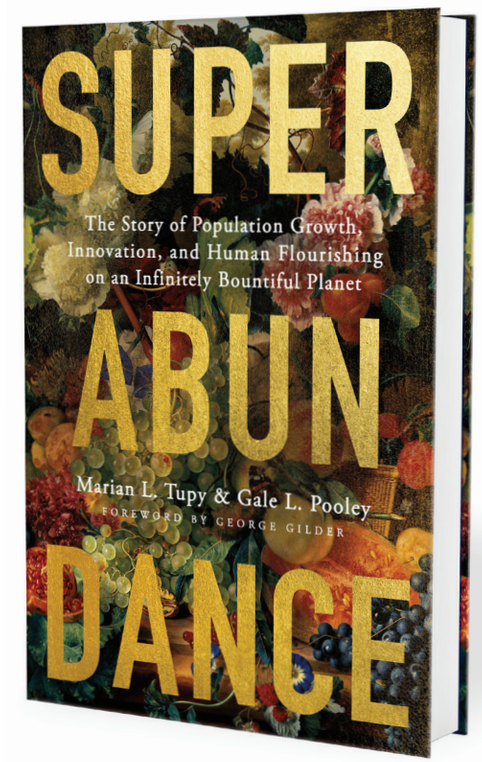
"Time and again, we've seen that freer markets can best deliver vital goods and services, often in new and once-unimaginable ways."
—**Scott Lincicome**, vice president of general economics and the Herbert A. Stiefel Center for Trade Policy Studies at Cato

"Population growth is important, because new knowledge is not restricted by the physical limits of our planet, but by the number of people who are free to think, speak, associate, invest, and profit from their ideas and inventions."
—**Marian L. Tupy**, senior fellow at Cato and author of *Superabundance*

apart from their contemporaries was that they all had more open societies, constantly acquiring new ideas from merchants, migrants, and missionaries, and they had more decentralized economies, so new ideas and innovations could emerge anywhere, not just from the top. This gave them far more space for individual creativity, exploration, and experimentation. In short, they were open to surprises, and that openness led to unexpected breakthroughs in science and technology, flourishing art communities, and, by contemporary standards, spectacular wealth.

As the economic historian Joel Mokyr puts it, every major act of technological innovation is "an act of rebellion against conventional wisdom and vested interests." Therefore, we have to give even (and perhaps especially) eccentrics and rebels a chance rather than centralize power and resources in conventional wisdom and vested interests.

This bottom-up abundance is neither Trump's "I alone can fix it" nor Obama's "Yes, we can." It is more like: "Go ahead, surprise us!" It does not pretend to guarantee results or promise solutions to all problems, but it creates an institutional infrastructure that unleashes more local knowledge and individual initiative, and therefore does in fact produce better results and more solutions.



Marian Tupy and Gale Pooley document this with their Simon Abundance Index, drawing on the economist Julian Simon's insight that the ultimate resource is people—free, hopeful, spirited people. Tupy and Pooley measure the price of resources relative to income changes in different countries and over different periods, going back as far as 1850. They find that personal resource abundance grew by more than 3 percent per year, roughly doubling every two decades. And in every dataset, they find that resource abundance grew faster than the population—a phenomenon they call *Superabundance*, the title of their book published in 2022 (which gives them a one-up on Klein and Thompson).

Tupy and Pooley show that this progress is intimately tied to freedom. They cite one of the leading experts on innovation, Matt Ridley, who concludes that the secret sauce is "freedom to exchange, experiment,

"From the steam engine and the bicycle to the refrigerator and the personal computer, [innovations] were the result of experiments, trial and error, feedback, and constant adaptation— an evolutionary process that happens from the bottom up."

imagine, invest, and fail." This in turn reflects the unpredictability of innovation, since we are always trying to do things that have never been done before. In fact, "nobody really knows why innovation happens and how it happens, let alone when and where it will happen next."

Sometimes it seems as though abundance planners imagine a button marked "growth and innovation" that we simply need to press more often. But innovation is not a button you can push at will—it is unpredictable, uncharted, and often messy. There are plenty of buttons, and you don't know exactly what will happen when you press them.

Therefore, the real political divide, as Virginia Postrel explained in her 1998 book *The Future and Its Enemies*, is between dynamists, who see the future as open, and reactionaries and technocrats, who have a particular endgame in mind and differ only in whether they find it in the past or in the future. Postrel asks:

> Do we search for stasis—a regulated, engineered world? Or do we embrace dynamism—a world of constant creation, discovery and competition? Do we value stability and control, or evolution and learning? . . . Do we think that progress requires a blueprint, or do we see it as a decentralized, evolutionary process? Do we consider mistakes permanent disasters, or the correctable by-products of experimentation? Do we crave predictability, or relish surprise?

The way to tap as much knowledge as possible, and test as many ideas as possible, is to allow everyone to look and to experiment—competitors, outsiders, minorities, and immigrants. In the memorable words of Deirdre McCloskey, modern wealth was created when individual rights and economic freedom finally allowed people from all walks of life to "have a go."

The ensuing Great Enrichment, which increased our average real income per person by at least 3,000 percent over roughly the last 200 years, speaks for itself. The technologies and business models that made this possible could not have been foreseen. From the steam engine and the bicycle to

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the refrigerator and the personal computer, they were the result of experiments, trial and error, feedback, and constant adaptation—an evolutionary process that happens from the bottom up.

The most successful business models, which grew out of continual learning from discoveries in other sectors, feedback from the market, and many successive failures and adaptations, have often surprised even their founders. These businesses rarely resembled the original blueprint: DuPont began as a gunpowder manufacturer, Berkshire Hathaway as a New England textile mill, and 3M as a mining company. YouTube was supposed to be a video dating site, and Tencent a chat program.

The same holds for technological breakthroughs. Klein and Thompson rightly mention marvels such as CT scanners, CRISPR gene editing, and autonomous drones. I would add that the CT scanner was developed after experiments with X-rays and computers at the record label EMI, fueled by the Beatles’ sales. The CRISPR breakthrough came after studies of yogurt bacteria at the food company Danisco. Drone technology advanced rapidly by borrowing from the gaming industry, especially in graphics chips and motion-sensing controllers. The history of innovation is full of surprises, serendipity, and strange combinations.

Similarly, decentralization explains why we have emerged from so many recent disasters in better shape than expected. If there was ever a moment for doomsday preppers to say “I told you so,” it should have been when a pandemic shut down the world, Russia invaded Ukraine, and wars in the Middle East disrupted energy markets. And yet supply chains proved remarkably resilient. Businesses adapted to shortages and disruptions by changing suppliers, reallocating labor, tweaking production, and rerouting shipments to get goods back on our shelves.

This amazing achievement worked because it was not centralized. Each adjustment was based on local knowledge of what could be done in a particular place with the raw materials and workforce at hand—and what could be set aside without creating even more disastrous shortages elsewhere. That knowledge—which cannot be centralized in a supply-chain czar—exists only on the ground, in households, shops, farm fields, factory floors, and logistics offices, and can only be revealed in prices that shift with millions of individual actions.

The freedom to improvise based on this local information is never more important than when the world is changing rapidly and unpredictably. This is a crucial lesson from history. We often assume that resilience comes from predicting future problems and planning for them. As I document in *Peak Human*, this assumption often led cultures to misjudge the future and become stuck with outdated, static solutions.

Fortunately, we now know that the nature of our problems will change completely in a few decades, and, if we do things right, our arsenal of possible solutions will have expanded dramatically. Some of the most difficult challenges will come as total surprises, and therefore the solutions will also have to surprise us. Our most important preparation is to build a dynamic culture that continually generates more prosperity, knowledge, and technological capacity overall. That will help us remain resilient, no matter what form future problems take. The solution to our greatest challenges is never a single Big Solution with trumpets blaring and banners flying; it emerges in an open culture that allows us to adapt and innovate around every challenge the world throws our way.

To create abundance in the 21st century and beyond, we need to return to fundamentals: a limited government that guarantees individual liberty through the rule of law, to give everyone a chance to have a go. These are the conditions for flourishing that Hayek laid out in *The Road to Serfdom*:

> It is more important to clear away the obstacles with which human folly has encumbered our path and to release the creative energy of individuals than to devise further machinery for “guiding” and “directing” them—to create conditions favorable to progress rather than to “plan progress.”

So top-down, state-led abundance is not the answer. Still, it must be said that it’s a notable improvement over the degrowth absurdities popular on the left and the false nostalgia on the right. That more is better than less is an important, even radical message in an age when reactionary anti-consumerism is strong on both sides of the aisle—from Bernie Sanders’s “You don’t necessarily need a choice of 23 underarm spray deodorants or of 18 different pairs of sneakers” to Donald Trump’s “Kids don’t need to have 30 dolls. They can have three. They don’t need to have 250 pencils. They can have five.”

At the very least, supply-side progressives like Klein and Thompson have a fresh and important appreciation for growth and innovation, and they acknowledge that deregulation is required to achieve it. That is an important step forward. If we abundance libertarians are wiser than the progress planners, it is mostly in the Socratic sense: Unlike them, we know what we do not know. ✦

ABOUT THE AUTHOR

Johan Norberg is a senior fellow at the Cato Institute and the author of more than 20 books, including most recently *Peak Human: What We Can Learn from the Rise and Fall of Golden Ages*.