

A Unique Market, Like All the Rest

BY A. BARTON HINKLE

“**T**he energy market is not like most other markets,” writes James Surowiecki, the *New Yorker’s* business and economics correspondent, in a piece defending ... well, it’s not quite clear exactly what he’s defending. Not Solyndra, the subject of his column. He concedes Solyndra is a “cautionary tale.” Not Barack Obama, whom Surowiecki unflatteringly quotes predicting that “the true engine of economic growth will always be companies like Solyndra.” And not industrial policy in the abstract, which Surowiecki admits has a “checkered history.” Mostly he is not defending so much as objecting—to the notion that “government support for green companies should be abandoned as a pure boondoggle.”

After all, not every case is a colossal failure.

Surowiecki’s argument—one market needs government’s guidance because it is different from other markets—has shown up before, notably in health care. “Health care is different,” says a widely quoted piece in the *Journal of the American Medical Association*. The Sixth Circuit Court of Appeals takes the same view, along with the *Washington Post’s* Ezra Klein, Nobel Prize-winning economist Paul Krugman of the *New York Times*, and about 15 million other people.

Their non-sequitur argument goes like this: The health care market is unique. Therefore, the Patient Protection and Affordable Care Act provision forcing people to buy health insurance is con-

A. BARTON HINKLE is senior editorial writer and a columnist for the *Richmond Times Dispatch*. He received the 2004 Eugene C. Pulliam Fellowship for Editorial Writing.

stitutional. This argument would carry a lot more weight if Article I, Section 8 of the Constitution read something like, “The Congress shall have the power to ... regulate Commerce ... among the several States ... and ... in all Cases in which ... seem different somehow.”

But it’s not just energy and health care. The housing market is different from other markets too, say many people, because—well, because everybody has to live somewhere, and because “price expect-

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tations create momentum,” and because housing “suffers from a supply/demand imbalance,” and ... um, gimme a second and I’ll think of some more. Point is, we need more government intervention!

Pause here for a second.

Health care accounts for about a sixth of the U.S. economy, housing accounts for about the same, and the energy sector another 7 percent. If we’re to believe Surowiecki, Krugman, et al., this means 40 percent of the U.S. economy is totally different from the other 60 percent. We probably could repeat this exercise for education, transportation—pretty much anything people spend money on. Every market is totally unique, just like all the rest.

Funny how nobody ever seems to say, “The market for X is different, so it needs even less government control.” Of course, when advocates of government interven-

tion say the market for X is different, they really mean they dislike its results more intensely. Surowiecki, for example, argues that “the economics of alternative energy are such that private investors, left to their own devices, are bound to underinvest in it.” Underinvest according to whom? If there is a celestial yardstick by which to measure the correct level of investment in alternative energy, the world’s astronomers have somehow missed it.

Often, those who complain about “market failure” fail to notice that much of the alleged failure is not due to market forces, but to government ones. The federal tax exclusion for employer-provided health insurance, sometimes called the original sin of the American health care system, is just one small example. Then there’s certificate-of-need regulation. And then there’s—well, you get the drift.

Same story in housing: decades of government meddling, from zoning to the Department of Housing and Urban Development, have left in their wake the sad ruins of public tenements, the recent housing crash, and too many other unintended consequences to list here. Quick, better hire more bureaucrats.

Likewise energy. As Surowiecki writes:

[T]he government is already hopelessly entangled in the energy market.... Government subsidies have played a key role in the energy industry since the nineteenth century. The nuclear-power industry was effectively created by the government in the nineteen-fifties.... The coal industry was heavily subsidized during the nineteenth century. And the oil-and-gas industry has received tax breaks and allowances worth billions of dollars a year.

His solution? Repeat the same mistakes with alternative energy.

Those who say the government should steer decisions in market X because it is different are not just wrong, but risibly wrong. As it turns out, the energy market *is* like most other markets: government has managed to screw nearly every one of them up. **R**