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Strengthening U.S. Economic Leadership: The Role of Competition in Enhancing Economic Resiliency

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My name is Richard Stern. I am the Director of the Grover M. Hermann Center for the Federal Budget at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

Economic leadership is often discussed by way of dollars, but it is about much more than that. It is about the well-being of the American people.

The economy has one purpose – to organize our labors to produce the goods and services that households need and desire. After all, the root word of economics refers to the household – the foundation of society.

Though much of the conversation here will be about competition, there is another way to frame it – freedom. The freedom to build, to innovate, and to decide what your family needs to thrive. It is through economic freedom that a healthy competitive market arises.

The economy is not a singular thing – it is the collection of the work we all do in service to each other. That's what GDP is, not a dollar figure but rather, a measure of some of the work we do for those around us.

This process produces the products that enrich and extend the length and quality of our lives while preserving the resource that is truly most scarce – our time. Perhaps the greatest blessing of a dynamic economy is that it frees our time to be spent with our families and in our communities.

Economic freedom allows us to use price signals to properly coordinate our work across billions of people the world over. It fosters the delicate process of experimentation and innovation required to improve quality of life and save time.

With our families and communities on our minds, people are naturally risk adverse. The economic structures produced by free peoples in free markets lean towards stability and resilience all on their own. Risk aversion is itself something of value.

However, these organic prosperity producing systems share the road with another entity. An entity that has the power to steamroll over road and sidewalk alike – the government.

The work of Mercatus scholar, and former Antitrust Division chief policy economist, Greg Werden, highlights a stark example. Federal antitrust policy of the 1960s sought to make virtually all vertical contractual restraints and vertical mergers illegal.

This policy had a disastrous impact on the ability to coordinate and produce resilient and innovative production chains – leaving our industry famously vulnerable in the decades that followed. This policy created chaos masquerading as competition.

Perhaps, counter-intuitively to some, large-market share does not make you immune to competition. My own tenure as a Hill staffer was long enough to see efforts to regulate Walmart morph into efforts to protect companies like Walmart from Amazon.

Blockbuster, of course, once had an impressive hold over the video tape rental market, and it's one remaining store probably still does. However, most people have moved on to newer forms of content.

The common denominator here isn't government action coming to the rescue. It is the constant march of technological progress that freed American families from the limitations of the past.

We must be humble with how we wield the power of government. As a force monopolist, government is not checked by the limits we place on each other in a free market. Government is not accountable to the delicate process of coordination and innovation that improves quality of life.

Americans increasing sense of economic malaise can be traced back to the reckless use of government.

Until TCJA, our tax system had been among the most punitive of investment and complex on the planet. Meanwhile, federal spending has driven the dollar's value down 45% over the last generation.

The government's crowding out has added $350,000 in interest costs to a new median price home mortgage and denied many the dream of owning their own business.

Our regulatory state has strangled growth to the tune of perhaps $53,000 per household per year of lost quality of life.

These barriers to entry are especially acute for small and innovative businesses. In-house corporate lawyers and accountants offer benefits that no corner diner has. Many subsidies and regulations favor particular businesses over those of their competitors.

As a nation, we have properly romanticized the role of an innovator tinkering in their garage, from Henry Ford to Steve Jobs. With these government barriers, are we truly surprised that we've lost our economic resiliency and leadership?

If our efforts today are to be successful, we must carefully examine the most anti-competitive and most well entrenched monopoly that exists – the government.

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