



The Daily Dish

## Wishes for 2023

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Happy New Year! 'Tis the season for personal resolutions, bold predictions, and general wishfulness for the upcoming year. I'm hoping that 2023 will be a year of rediscovering the importance of personal economic freedoms and the value of limited government. In this age, the profligate progressives on the left and the unprincipled populists on the right are united by a belief in the unbridled use of the power of the state.

Take, for example, the monumental Southwest Airlines meltdown over the holiday travel season. Historically, the policy response would be: nothing. Customers would witness the failure, cross Southwest off their future purchase plans, and the airline would go the way of the dodo. Other airlines would observe and conclude: "Gee, maybe we should take steps to avoid stranding a million paying customers." Market discipline would generate better outcomes in the future.

But not in this day and age. Instead, Secretary of Transportation Mayor Pete (why can't he just grow up and be Secretary Peter Buttigieg?) has assumed the role of airline discipliner-in-chief. Employing the combined powers of the bully pulpit and the regulatory state, he will inflict sufficient pain to ensure the public perception that Southwest has paid for its sins. The problem with that, of course, is that it also sends the message to consumers that Southwest is somehow okay and should be open for business, which is a bad message. And it sends the signal to other airlines that they should be checking in with Pete on whether their staffing software and other logistics meet his approval, instead of providing consumers what they want in a travel experience.

Another reminder was this [gem](#) of an article in *The New York Times* on the recent industrial policy known as wasting taxpayer dollars on semiconductor chip subsidies. It remains unclear exactly what problem is being solved, but by God the administration is going to spend a hundred billion dollars somehow. The article points out that "U.S. companies led chip production for decades starting in the late 1950s. But the country's share of global production capacity gradually slid to around 12 percent from about 37 percent in 1990, as countries in Asia provided incentives to move manufacturing to those shores."

The good news: massive subsidies are "likely to prompt corporate spending that would take the U.S. share of global production to as much as 14 percent by 2030...." That's right, an enormous rise of 2 percentage points! Wow!

But even this misses the point. One should not care where the chips are manufactured as long as the supply chains are secure. Much of this is driven by fear of China disrupting production in Taiwan, but any firm would recognize the danger of relying on Taiwan. In order to satisfy their customers, manufacturers should naturally diversify away from Taiwan. Private incentives are enough to solve the problem. But they are not (and should not) going to guarantee that all production is in the United States. That is the fool's errand being sold by the administration.

Even the article acknowledges: "The new chip factories would take years to build and might not be able to offer the industry's most advanced manufacturing technology when they begin operations. Companies could also delay or cancel the projects if they aren't awarded sufficient subsidies by the White House. And a severe

shortage in skills may undercut the boom, as the complex factories need many more engineers than the number of students who are graduating from U.S. colleges and universities.”

Just because the state is powerful, it does not mean that it is good, wise, or just. My wish is that lesson is learned this year.