

## LIVING BETTER DESPITE GOVERNMENT

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*May 19, 2016*

Most Europeans and Americans have seen little or no real increase in wages since the beginning of the Great Recession. People are unhappy but are, for the most part, not rioting in the streets – why not? Despite wage stagnation, many people are living much better. How can that be? It is because those reviled capitalists all over the world are creating more and better goods and services at lower cost and lower prices, and in doing so improving everyone's real standard of living, well-being, and happiness.

Economic prosperity and growth is most often measured by the change in real (inflation adjusted) gross national product per capita. Gross national product (GDP) is the monetary value of all goods and services produced within a country in a specific time period, such as a year. There are many problems with the GDP measure, including not differentiating between value added and value subtracting goods and services. Most goods and services provided by the private sector are value added to the purchaser, or people would not pay for them. Governments by contrast spend huge amounts on value subtracting goods and services, such as subsidies (which often misallocate resources) and transfer payments. Obviously, some government expenditures are value added. The interstate highway system and teaching children to read are examples of value added government spending, even if the private sector might do it better and cheaper.



The iPhone and iPad are products whose cost is only a small fraction of their value to most people. There are now 2.6 billion smart phones in the world – a product that is less than 20 years old. The Apple iPhone is only ten years old but it has changed the world. Economists have calculated that twenty years ago, if one had to buy all of the devices that do what iPhone apps can do, it would have cost much more than \$3 million (that does not include those features that could not have been bought at any price two decades ago, because the technology did not exist). Just for a moment, visualize the camera you would have needed to take pictures at only a fraction of the quality of what one can take with an iPhone. One needed a music player, and a computer for email, and maps, and directions; and TV with thousands DVDs for all of the movies that one can get now get on demand with an iPhone or iPad. One needed a separate alarm clock, rolodex, calendar, bulky photo albums, a video camera, voice recorder, flash light, and

stacks of newspapers and magazines, etc etc. Thanks to Google, people now carry almost all of the world's information and knowledge in their pockets without even thinking about it.

In many places in the world, smart phones have replaced physical banks and coin and paper currency – so that poor people now have access to banking services and do not have to worry about their paper currency being stolen. With “Google Earth” people can see the homes they live in, the office or factory they work in, and every place they have gone or plan to go on vacation – right down to the beach umbrella. There are increased numbers of apps to monitor medical conditions, saving tens of thousands of lives.

If you add up all of the benefits from the products that Google, Apple, Samsung and all the rest that these greedy capitalist companies have produced, it would run into many trillions of dollars, yet most of these devices we can buy for a few hundred dollars or even less. The last century was the best century humans ever had, despite the fact that well over two hundred million were killed by their own governments (almost all of them socialist or communist). Average life spans increased by over 60 percent in the developed countries and much more in poorer countries, in large part because of private companies developing antibiotics and other

drugs and medical devices. Despite the Great Recession, and the very weak recovery, life spans are still increasing a couple of months each year, and there are very real prospects that mankind will see huge increases in average life spans in the next few years as the causes of aging are increasingly mitigated or even reversed.

With the inventions of the automobile and the airplane, people gained real mobility for the first time. The world was electrified, taking away the terror and uselessness of dark nights, as well as liberating both housewives and industrial workers from much physical toil. These advances depended primarily on the availability of cheap oil and gas, which are far more benign than using wood, hay, and manure for power and warmth. The environmentalists demand that the world replace fossil fuels with solar and wind no matter how impractical, costly and inefficient. Such a world will only make the poor poorer and ultimately degrade the environment rather than protect it. Cheap gas will trump windmills, as can be seen in Europe as it retreats from so called green energy.

Almost all of the great innovations came from those in the private sector who created them out of the desire for more wealth or just intellectual curiosity, such as fracking. The socialist countries produced almost no new innovations except for bread lines, coercive and destructive taxation and regulation, and gulags. Yet, politicians all over the world proudly proclaim themselves socialists and attack the capitalist wealth creators and innovators – as if the real world had never existed.

The global ruling political elite, using organizations like the OECD and others, are pushing for higher corporate and other business taxes. Who do you trust more to spend corporate profits in a way that will better your life – the officers of Apple, Google, and even “evil” big Pharma, or those in government? It is easy to see that bigger government (more taxation, spending, and regulation) reduces economic growth until the point that it becomes negative – which in addition to the repression and loss of liberty is the reason that socialist countries always fail.

As Thomas Malthus did two hundred years ago, the “Club of Rome” and other doomsayers told us a few decades ago that the world was going to run out of food and raw materials because of overpopulation. In real terms, almost all foods and raw material are becoming both less expensive and more abundant (in terms of man’s economic ability to grow or obtain them). Each year, the U.S. and other developed countries grow more food, and now with even less fertilizer per pound, on less land. If you have flown over the Northeast part of the U.S., you may have noticed that is now largely woodland where even a half century ago it was

largely cropland. As the woods have come back, so have the animals – with even a densely populated state like New Jersey having a problem with a growing bear population.

Increases in farm production have been decoupled from increases in farm land. Corn production per acre has more than quintupled since 1940, with no end in sight. Similar increases in productivity have occurred with many other crops. There is no longer a legitimate fear that future population growth is going to out-pace mankind's ability to produce enough food. The new concern is falling population in many places and eventually the world. A hundred years from now there may be fewer humans but ones that live to great ages in good health.

The current welfare state, as all knowledgeable people know, is unsustainable. Most government pension schemes are headed towards bankruptcy, which is true when life expectancy is only about 80 years. What happens when people live to average age of 130? Are they going to spend half their lives in retirement? The answer is clearly no and that is because the nature of work is changing, and much of it is less physically taxing and more interesting, so many people will choose to work to great ages.

Robot engineering, like the biological sciences, is now approaching "Moore's law" (where performance doubles approximately every two years and costs are cut in half), which means we will not only continue to see astonishing advances in labor saving devices and in the medical sciences but at an accelerating rate. As we find better and cheaper ways to actually prevent and cure diseases and injuries, medical costs will fall, not increase.

Because of ever increasing government spending, regulation and debt, the world is going to have a major financial crisis. However, this need not be the end of real increases in standards of living, provided that entrepreneurs and business people are still allowed to – inadvertently give us many more three million dollar gifts by producing and creating all of those products that better our lives. The scientists, the engineers, and the entrepreneurs are and will continue to give us better lives, if they are not strangled by those in the global political class.

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