New American

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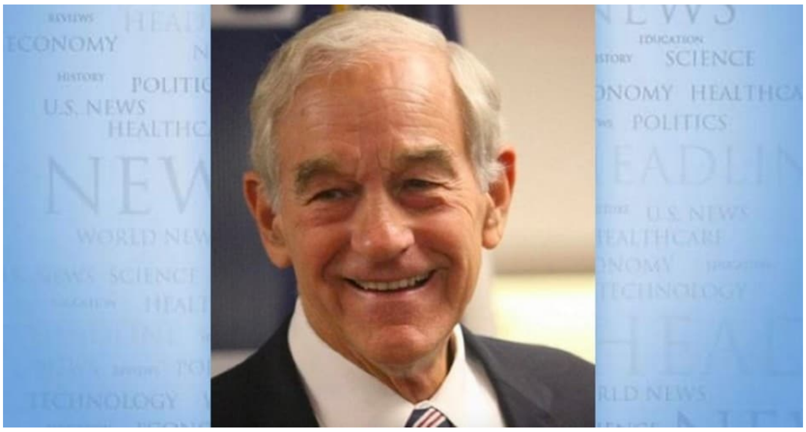
A Golden Share Will Not Make America Great Again



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Japanese company Nippon Steel's plan to purchase US Steel was bound to provoke a strong reaction from left- and right-wing economic nationalists. After all, US Steel was once the world's largest company, and it was the first company to be valued at over a billion dollars. US Steel was thus a symbol of America's economic dominance. So it was not surprising that Nippon Steel's purchase of US Steel was blocked by both the Biden and Trump administrations. This was disappointing — especially since Nippon Steel planned to invest billions in modernizing US Steel's facilities.

Last week, President Trump praised the deal with some added conditions. One major condition is that the US government will receive a "golden share" in US Steel. This will enable the government to overrule any business decision made by the company's management if the government determines the business decision threatens "national security." This power could be used to prevent US Steel from exporting steel to certain countries, as well as to require US Steel to prioritize production for the military and other government agencies. It could also be used to interfere with labor-management relations based on the idea that a labor dispute can disrupt production and thus harm national security. In fact, there is almost no decision US Steel's management could make that cannot be labeled as involving "national security."

Supporters of the "golden share" have forgotten (or never learned) the lessons from the failures of allowing politicians and bureaucrats to run private businesses. When government takes a full or partial ownership interest in a business, the result is decisions made based on political considerations rather than on seeking to improve the company's productivity and profits. This causes the company to lose money, resulting in laid off workers unless the government tries to cover up failures with subsidies. It also distorts the signals sent to other market actors via the price system because the government-run company is allocating resources based on considerations other than their most efficient use.

This is not the only case where the Trump administration is harming the economy by interfering with businesses. Fannie Mae and Freddie Mac, the government sponsored enterprises created to support the housing market, may soon go public. President Trump has stated that the government would nonetheless continue to guarantee Fannie and Freddie backed mortgage loans. This will cause over-investment in housing as investors see only an upside from investing in Fannie and Freddie since the government will bail out Fannie and Freddie if they lose money while investors will keep the profits. The result will be a housing bubble, followed by a housing crash that may be worse than the one Fannie and Freddie — along with the Federal Reserve — helped cause in 2008. Once again, President Trump and his advisors have failed to learn from history.

Government involvement with businesses may be promoted as intended to protect national security, or to protect "great American companies" from being taken over by foreign companies, or to make the

American dream of homeownership possible for every American, or to accomplish a myriad of other goals that may sound good in sound bites on the campaign trail. However, the result will be economic stagnation, recessions, or even depressions. To ensure a strong economy, government can get out of the way. A policy of limited government, free markets, free trade, peace, and sound money is the path to prosperity.

Ron Paul is a former U.S. congressman from Texas. This article originally appeared at the Ron Paul Institute for Peace and Prosperity and is reprinted here with permission.