



Written by [Kelly Holt](#) on November 16, 2011

Obama Seeks to Subsidize Foreign Investments

He added, “It’s important to remember that the United States is still the largest recipient of foreign investment in the world, and there are a lot of things that make foreign investors see the U.S. as a great opportunity — our stability, our openness, our innovative free market culture.”

But the concepts of stability and free markets have taken a hit during his administration, and not because free markets don’t work. A real unemployment rate of what critics say is closer to 20 percent than nine, a downgrade of the United States’ debt rating, and a huge national debt don’t reflect stability. How does Obama propose to promote this climate as stable, open, and innovative?



“One of the things that my administration has done is set up something called SelectUSA that organizes all the government agencies to work with state and local governments where they’re seeking assistance from us to go out there and make it easier for foreign investors to build a plant in the United States, and put outstanding U.S. workers back to work in the United States of America,” he told CEOs and others at the summit.

The SelectUSA Initiative was created in June, 2011 by [executive order](#), itself questionable, since executive orders were originally intended to help direct officers of the U.S. Executive carry out their *delegated* duties, not to make law or initiate new measures. This initiative, to be housed in the Department of Commerce and funded by it, burdens taxpayers with expenditures over which they had no input and which did not receive congressional approval, according to constitutional requirements. Seems business would be better served by the free market Obama claims to promote. SelectUSA’s website states, “[SelectUSA](#) seeks to highlight the many advantages the United States offers as a location for business and investment.” But what does that mean?

The website directs foreign investors to information regarding federal and state programs, [incentives](#), loans, and grants available for companies contemplating locating in the United States. The American taxpayer, of course, is on the hook for these gifts. The problems with incentives, according to a CATO Institute report entitled “[Business Subsidies](#),” by Tad DeHaven and Chris Edwards, are numerous. First is a misunderstanding of free markets and capitalism. The authors rightly claim that government sponsorship of business is simply corporate welfare, and question why government should fund projects that have been rejected by private investors (the real risk-takers). “If a project is too risky for venture capitalists, then it is too risky for federal taxpayers as well.”

DeHaven and Edwards noted that business incentives are unconstitutional, and the government has no authority to hand out money to “particular commercial interests,” imposing an unfair burden on taxpayers. Not to mention that some taxpaying business owners are forced, through taxation, to fund



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their competitors' businesses.

They continued, "Government is a poor decision maker. Private entrepreneurs and investors put careful thought into new ventures because they risk their own money. Many private investments don't work out, but at least they help markets figure out what will ultimately work. By contrast, government policymakers have little incentive to ensure that spending projects succeed because they are not risking their own money and they are virtually never fired."

Critics have also questioned why American tax dollars should help create profits, if a venture is successful, for foreign interests.

As the authors concluded, "The United States was a great economic power long before Commerce started handing out business subsidies. Its greatest economic successes, such as Silicon Valley's technology industry, were based on individual entrepreneurial achievement, not federal subsidies. Federal subsidies should be ended, and America should revive its entrepreneurial tradition by cutting taxes, regulations, and other barriers to growing businesses."

Rather than saddling taxpayers with yet another expensive and unconstitutional initiative established by an unconstitutional executive order, perhaps Obama's efforts should be non-efforts, and let the private sector do what it does best.



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