**The Principle of Sound Investment Applied to the Public Sector:**

**What Can Be So Capitalist (in a Good Sense) about “Government Spending”**

Most of us understand why you can’t just sit on money – you have to invest it; do something with it. This is not just for the sake of one’s individual prosperity, but for the sake of social prosperity as well. In all of our investing of wealth, time, and effort, we cannot afford to lose sight of this dual teleology. For example, there would be no good reason to have a stock market unless it were a boon to society as a whole and not just to individuals. Even more to the point, it is not really for the sake of individual prosperity *per se* that we have stock markets, but for the sake of permitting our economy to develop on a wider base of ownership. Individual investment in the stock market does the work of sharing or spreading out, and to an extent even dissipating, the risk of failure, and providing a more stable basis for growth. If you invest and lose, you are still doing that work, so all is not for naught. At any rate, for this transcendent purpose to be achieved, the investment game must keep the odds in favor of the individual investor, and usually does.

The key notion here is that the human species develops toward the ideal of universal socialness and world community largely by cultivating and maintaining habits of continually investing our time, effort, and wealth in greater causes and enterprises - both individually and in groups; both in the private and public sectors.

Free market mavens do well to proselytize this cause, but unfortunately many lack vision of the breadth of the investment that needs to be done. At times we focus on the short term at the expense of the long term, whereas it is long-term investment that most keys development. More often, we obsess about monetary returns at the expense of returns in the form of other kinds of human good. Most often, we fail to see that the public sector has a role to play in investing just as important as private sector investment: the development of human resources, the ultimate source of all wealth. Familiarly, the chief forms of this kind of investment are in education, employment training, housing, nutrition and food safety, health care, law enforcement, and defense, or peacekeeping. An optimally prosperous economy requires optimal investment in all of these, since human resources are the wealth upon which the wealth of the private sector is developed.

The forms this kind of investment can or must take vary, from the institution and maintenance of public sector agencies that produce goods and services to the regulation of private-sector production of vital products and services from which the consumer has no reasonable option to abstain. Lacking that reasonable option to abstain puts the consumer unfairly over the barrel in a manner that certainly interferes with the private-sector forces that ordinarily keep prices and quality competitive. As long as sellers are made to compete not only against their competitors, but also against abstention from the product, there is less reason for government intervention. Where abstention is not a reasonable option, quite clearly government must play a mediating role.

Of course, just as with other organizations, whatever otherwise uninvested wealth remaining in the public sector may well be fruitfully invested in lower risk investments to increase the public revenue. There is no reason for the burial of talents, whether in the private or public sectors.

If the economy at large is conceived as a game, it is the public sector that provides the game board, legislates and enforces the rules, and develops the human resources into a constant stream of able players of the game, all aimed at producing an optimal result in the private sector as well. This is what investment in the public sector is all about, and upon which the entirely of free market theory depends as a tacit premise.

It is past time once and for all to mothball the tired old capitalism-versus-socialism polemic and proceed unabashedly to maximizing our opportunities for sound investment in both the public and private sectors. The very advocacy of free market theory is advocacy for the benefits and necessity of sound investment. On those grounds, it is sheer hypocrisy to denigrate public-sector investment in human resources – carried out on the same grounds - as counterproductive “government spending” on ‘social programs’.

We cannot allow the public sector to shrink away and leave an increasingly deregulated private sector to morph into a vicious black market, something we have seen occurring in the past several decades right before our eyes in various market niches. This is the direction in which the philosophy of “Reaganomics” had sent us, and which to an all-too-significant extent was followed through even by several democratic presidencies.

We must, on the contrary, expect the public sector to develop in stride with the private sector, reasonably regulating it in the name of maximizing human resources, which is the ultimate source of wealth for the private sector.

The remaining question is: what constitutes sound investment? On the one hand, if we want or need to see quick returns, it may seem most sensible to invest in already productive ventures. This tendency is countered, however, by the fear of “buying high”, of being the last ones to jump onto the bandwagon of an already peaking venture. So, we may go in the opposite direction of buying low, opting into an enterprise with greater growth potential. The deciding factor of which strategy to employ depends largely on the intended term of our investment. The longer the term, the more sense, *ceteris paribus*, it makes to go with the “buy low” strategy. The longer the term, *ceteris paribus,* the greater the return.

Whereas the intended terms of investment in the private sector vary widely according to situation, the overriding intention of the public sector, by its very nature, is the longer term.

This leads us to consider that the main target of public sector investment should not be in the wealthy, who are not in need of human-resource development, but in the poor, who most direly are in such need.

This raises another investment quandary. It somehow seems counterintuitive to invest in the poor, as it seems to be a case of investment in poverty, which is tantamount to investment in failure. Contrarily, investment in the wealthy sounds like investment in wealth, which is tantamount to investment in success. Is it not clear that investment in failed enterprise is bad, while investment in successful enterprise is good? Most of the conservative critique regarding government investment in the poor reduces to this one point, which in fact is based on fallacious reasoning, as explicated below.

In the first place, investment in the poor is not the same as investment in poverty; the two are quite distinct. Secondly, investment in the wealthy is not the same as investment in wealth; the two are quite distinct. Investment in the poor is investment not to proliferate, but to end poverty. The poor are poor only for the lack of being invested in. This leads to the conclusion that investment in the poor, if done soundly, is a wise and productive thing to do, a way of stimulating long-term economic prosperity. It may not yield immediate returns, but investment in human beings who are as yet not integrally engaged in the economy due to youthful age or prior economic underdevelopment is the surest way to ensure a future of economic prosperity.

Secondly, investment in the wealthy is investment in economic agents already enabled to the point where such investment will at best be an inefficient way of developing future economic prosperity. The wealthy already are integrally engaged in the economy, so public sector handouts to them mostly serve to pad their savings. Once we are engaged in the economy, we benefit from our own economic activity and are able to fold the resources thus gained back into our endeavors to yield more wealth. A tree with a healthy root system may in fact no longer benefit from being watered; the extra water may in fact lead to the rotting of their roots.

Against the claim that investment in the poor is a waste of public resources, consider what happens by not investing in them. They will not go away, but not having been invested in to the point where they are economically disabled, they will only grow poorer, becoming an even greater public burden.

 In short, the difference between the wealthy and the poor comes down to the difference between who has been invested in and who has not. To be sure, individual examples may be proffered of those who become poor even after having been invested in and of those who become wealthy despite not having been invested in. But these rare and unlikely cases can never come close to explaining the phenomenon of poverty and underdevelopment as a whole, which arise from systematic inconsistencies in social investment and not by and large from absence or presence of personal virtue.

In short, we need to extricate ourselves from the non-productive contention between a contrarian view of capitalism which inherently abhors the public sector, and socialism which inherently abhors the private sector, and see the two sectors as interdependent agencies relying on one another’s healthy functioning in order to function well themselves. Both essentially operate on the same principle of sound investment, with the focus of the public sector on the development of human resource and that of the private sector entrepreneurial success in the production and equitable distribution of products and services for the benefit of human prosperity and happiness.

Just as in the private sector, so, too, in the public, not all investment is sound or well-conceived. But just as in the private sector, so, too, in the public, the fear of bad or unwise investment is no excuse for not investing at all. Such would be the epitome of unreason. Therefore, just as in the private sector, so, too, in the public, we must always invest, always seeking to do so wisely and soundly. Investment in the poor is the soundest investment we can ever make, yielding the greatest long-term returns - especially in the private sector.