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A COMMENT ON ECONOMIC THEORY, LAW, AND POLICY IN THE SPACE ECONOMY

Abstract

Engineers, economists, and lawyers share many common visions and all work hard to fulfill the promises and potential for the future of space as an exciting and critical component of society. But each views the world quite differently and many times these different worlds seem to conflict. When translated into operations and government policy, they often include significant contradictions, sending mixed and confusing signals to different shareholders in the space economy. This paper will explore these conflicts that can and should be better understood by all and will explore ways of communicating more effectively and working toward common goals in space. Examples include: 1) misusing economic data and methodology to support unsustainable policy options such as advocating a free market competitive solution in an industry that has high barriers to entry and that is inherently oligopolistic and monopsonistic, 2) jumping ahead with proposals for expensive and complex engineering projects without exploring either the cost/benefit of those efforts or the legal changes that need to be addressed to reduce the risks in space and to provide incentives directed to accomplish similar goals, and 3) using economic studies to justify decisions that are made for political, security, or non-economic goals such as directly relating an ROI that compares the returns on government investments in space exploration to those of a corporate investment in RD for a new consumer product. Both have significant returns to the economy, but the comparison is akin to the proverbial adding and comparing very different commodities such as “apples and oranges.” In summary, the paper will argue that we need to achieve our common goals in space using the best and most appropriate practices of all theory and disciplines rather than the present “pick and choose” approach to force-fit good theory into misleading conclusions and resultant policy choices that will backfire in the long-run.