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The price con

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Assume you decided to build a new home and contracted with a builder to construct it for \$300,000. Several months later, after the basement is finished, the builder comes back and says, "I underestimated my costs, and the house will now cost \$900,000." Would you pay the additional amount?

Assume you ordered a new car from a dealer for an agreed upon \$20,000 price. Two weeks later, the dealer calls and says the car will now cost \$60,000. Would you pay more?

In both the above cases, you would refuse to pay the additional amount, because in the real world of competitive private sellers and buyers, such behavior by a seller would be unacceptable. However, what we find unacceptable behavior in our private dealings becomes the norm when dealing with government.

Every place in the world, taxpayers are promised many things by politicians. We are routinely told, if we agree to more taxes, we will get new roads that will reduce traffic congestion, better education for our children, aid programs to poor people which will cure poverty, etc.

In reality, we taxpayers are subject to an endless series of con jobs by government. Unlike dealing with private suppliers, we have to pay whether or not the goods are delivered on time for the price and performance promised.

For example, there are several major construction projects in the Washington metropolitan area, all projected to cost many times the original estimates. We are not talking about 10, 20 or even 30 percent more; we are talking about 300 percent more. The projects I refer to are an "improved" highway interchange, a new bridge across the Potomac River and an extension of the local Metro subway to Dulles Airport.

At some price, each project is probably worthwhile. And at some price, none of them is worth doing. To make an informed decision, an objective and competent cost-benefit study should have been done for each project, and the taxpayers should have been told before at what price the project isn't worth it.

Let's take the highway interchange project. The two interstate highways (395 and 95) intersected in a classic cloverleaf, which at times became congested. The highway

department's solution was to build a series of elevated "flyovers" with an initial price tag of a little more than \$200 million (or \$200 for each of the 2 million people living in Fairfax County, Va. -- home of the interchange).

Six years later, the price has gone to \$700 million and rising. If you asked Fairfax County residents if they were willing to pay another \$700 in taxes for each family member to improve the intersection, what do you think they would say?

Of course, the citizens of Fairfax are correctly told they are paying only a small part of the price increase, because the citizens of Boston and everywhere else in the U.S. get stuck with part of the tab for this intersection they may never use. But Boston gets its revenge by making every American pay for its "Big Dig" of highway tunnels under the city, which has had a price overrun of more than \$10 billion. This is the classic price con of shifting cost overruns to someone else.

Last week, leaders of the G-8 industrial countries had the audacity to tell us, if we, global taxpayers, spent an additional \$50 billion in aid for Africa, the situation would much improve. The evidence from many development studies and the empirical evidence out of Africa is that just giving aid often worsens matters. Things better are made better by good economic policies and access to world markets, particularly for agricultural products -- which, of course, these hypocritical leaders from the rich countries were unwilling to do.

This is the classic price con of saying the reason the bad idea and poorly managed program didn't work in the past is that you did not spend enough on it.

Also, coming out of the G-8 was a lot of blather about global warming. This price con has several parts. First, to assert there is unquestionably global warming though the science is mixed. Second, to claim it will be disastrous for mankind though highly respected economists (such as former Council of Economic Advisers member Thomas Gale Moore) who have studied the issue say there will be more benefits from global warming than costs (e.g., more rainfall, longer growing seasons, improved climate for much of planet, better health, longer outdoor sport seasons, etc.). All this is ignored in the interests of spreading misinformation so government bureaucrats across the globe get a chance to tax and regulate more.

What were lacking in all of the above examples were serious objective cost-benefit studies by disinterested but highly technically competent third parties. Until citizens force the political class to require such studies before any money is spent on any project and insist those charged with carrying out the projects -- whether government agencies or private parties -- operate within the cost and time limits or suffer severe employment and financial penalties, the government price con games will continue. There is a sucker born everyday, and he is called a taxpayer.

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