



Privatize Almost Everything

by Richard W. Rahn

WITH MONEY RUNNING LOW, GOVERNMENT
FUNCTIONS BECOME INVIABLE

As a mental challenge, try to think of all of the governmental activities — federal, state and local — that could be privatized. Now, go a step further. Suppose you were required to develop a plan to privatize, or make self-supporting through user fees, nearly every activity of government. Could you or a group of your friends do it? Try it. I expect your success will surprise you.

The reason this is relevant is because most governments will reach their borrowing limits in the not-too-distant future, which means they will have to operate on current revenue from taxes and fees. Many governments have reached or are reaching their ability to increase taxes, and income-tax systems will begin to fall under their own weight. Governments will be forced to downsize and privatize — or private citizens and groups will just take over as they are increasingly doing because of failing government schools, for example.

The U.S. government was created to protect people and property and to ensure liberty; but more and more often, it does just the opposite. The air-traffic controller fiasco last week was a perfect illustration of how almost all governments eventually turn against the citizens they are supposed to protect and serve. As The Wall Street Journal noted April 26, the Federal Aviation Administration “managed to convert a less than 4 percent budget cut into a 10 percent air traffic control cut that would delay 40 percent of flights.” This occurred despite several years of substantial budget increases for the agency, coupled with a decreasing number of flights and workload for the controllers.

The episode demonstrates not only gross managerial incompetence but an incredible degree of mean-spiritedness by the folks at the FAA and in the administration, right up to President Obama himself. Furthermore, the president had the unmitigated gall to attack Congress (as well as a large majority of the members of his own party in both houses of Congress) in his weekly radio address for coming up with a fix for a problem he had created.

The Founding Fathers understood that it was not uncommon for political leaders to turn on their own people. Hitler, Stalin and Mao showed there is no limit as to how far some leaders will go. Even in rather civil, democratic regimes, it is common to see leaders far more concerned with their own power than the common good. This is why the Founders tried to design a system that would limit government — particularly the federal government, which was given very few tasks and powers. As is widely and correctly understood, when government directly manages an activity, it often does it poorly because of the lack of competition and accountability, and because governmental activities often become politicized — delivering inferior service at high cost.

The solution to this problem is to keep as many activities in the private sector as possible. Prime Minister Margaret Thatcher began a massive privatization of the British economy more than three decades ago, which enabled economic renewal. Many other countries followed suit; however, the global effort has waned in recent years. Now, when stagnation has re-emerged, part of the solution is again privatization.

My Cato Institute colleague Chris Edwards, in an article published in the Daily Caller last week, noted: “Canada provides an excellent model for U.S. reforms. Canada’s Air Traffic Control system is run by the nonprofit corporation Nav Canada, which is separate from the government. It raises money from its customers to cover operational costs and capital investments. Unlike the U.S. system, Nav Canada is self-supporting and not subsidized.” It also has a reputation for being very well run, with state-of-the-art systems (unlike the FAA). Approximately 50 countries have now, in part or fully, privatized their air-traffic control systems — with excellent results.

The debate over sequestration has caused a renewed focus on all of the waste, duplication and inappropriate or nonessential things the federal government does. As noted above, at some point, the ability of the government to borrow at low cost will run out. At that time, the government will have no choice but to make many activities self-supporting and privatize them. Smart politicians will begin proposing such solutions now — rather than pushing for more destructive tax increases.

Finally, if you are having trouble with the quiz at the beginning, you might wish to go the websites of major free-market think tanks, such as the Reason Foundation, Heritage Foundation, Competitive Enterprise Institute, American Enterprise Institute, and, of course, the Cato Institute, as well as the many excellent international, state and local think tanks. (The Atlas Economic Research Foundation has a comprehensive listing of most of the world’s free-market think tanks.) You will be amazed at how many examples you will find of successful privatization programs — of almost any traditional federal, state or local governmental activity — somewhere in the world.

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