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Sudan, TX

Sudan Beacon-News

Circ. 355

SEP 26 2003

The business of government?

When Texas governments compete with the private sector, we all lose

By Wendell Cox

From trash collection to telecommunications and printing to parking, Texas' local governments are bucking an international trend. Unfortunately, in this case that's nothing of which to be proud.

Today, Texas governments compete with the private sector in a number of consumer markets, producing services similar to those already commercially available. While foreign governments have been steadily withdrawing from economic regulation and involvement since the 1980's, the commercial activities of governments in Texas and other states are expanding.

There's a high cost to be paid when government competes with the private sector.

Economic efficiency is the biggest problem, not surprisingly. Government-run enterprises are neither as responsive nor cost-effective as private industry. The mindsets and bureaucracies needed to do one are rightly different from the other. Just as businesses shouldn't govern, neither should local government compete in the market.

When governments duplicate what is provided in the competitive market, government pre-empts competition, stifles entrepreneurial opportunity, destroys economic growth, and raises the price of doing business. And every taxpayer pays the price.

Many will argue local governments currently providing these commercial services are doing so at a lower rate than "profit-hungry" corporations.

While the price-tag for the product might be visibly lower, consumers — taxpayers — pay

extra when government is involved in business. This happens because taxpayers subsidize the tax-exempt government "businesses," eliminating the market incentives that produce economic efficiency and greater wealth for both buyers and sellers.

Texas government intrudes in all private industries, but most particularly in telecommunications — even though Texas' Public Utilities Code strictly prohibits municipalities from providing telephone service. Indeed, a number of Texas communities are improperly providing internet service and fiber optic cable leasing — it's improper because these services are widely available in the competitive marketplace.

Governments have also muscled into the business of selling utilities. Approximately \$3 billion dollars are generated annually in Texas by municipally-owned electric utilities. And there's more. Texas communities are in the natural gas, water and wastewater and solid waste disposal businesses.

Day-in and day-out, Texas governments are competing with private companies in a multitude of businesses: emergency medical services, natural gas supply, parking lots and golf courses, as well as airports, seaports, toll-roads, public transit, corrections facilities and convention services.

The businesses operated by Texas governments now command a sizeable segment of the commercial market. It is conservatively estimated that all Texas governments receive more than \$11 billion in revenue from consumer markets and spend \$8 billion annually on support services for which there are well-devel-

oped commercial markets. Thus, government competition in Texas accounts for nearly \$1 billion dollars, the equivalent of three percent of Texas' gross state product.

Government business is bad business for Texans. Many government services, such as public transit and school busing, can be provided more cost-effectively through competitive contracts with the private sector. Electricity and gas and other utilities could be sold to the private sector, with proceeds used to balance local budgets or even provide a dividend to taxpayers. Each represents a community asset that can be converted to cash and less expensive service could be provided to consumers by private companies.

We should forbid government from entering the competitive market as a first principle. Never should the brute force of government be allowed to bully its way into the marketplace. For those markets in which government has already intruded, we must find ways to divest from the endeavor and allow competitive forces to operate in providing the services. Ideally, if government is going to compete in the marketplace, it should do so under the same tax-impositions and regulatory requirements as private industry.

Public policy in Texas should always favor marketplace competition over government-run business endeavors. Texas can improve the economic vitality of our state by taking government out of the business of business.

Wendell Cox is a senior fellow for the Texas Public Policy Foundation. His latest study, "The Business of Government?", is available at www.TexasPolicy.com.