



Apr 8

Privatization FTW

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A few weeks ago, our own Anurag Singh wrote an [article](#) about the dangers of privatization. That article made my libertarian blood boil with righteous anger, tempered with the calm refutation that we prize here at *The Orator*. So, I set down a few pages of argumentation on the benefits of privatization. For context, it would likely be helpful for you to read Anurag's article, but I'll attempt to make this one standalone, in case backstory isn't your thing. Before I start, though, I'd like to outline two key principles, with corresponding examples, that should frame the way we think about privatization.

Those principles are first, power, and second, cost-effectiveness. They're illustrated by the military-industrial complex and the U.S. Postal Service. The military-industrial complex is a favorite punching bag that we haul out when we want to harangue the government, but it's actually really helpful. It occurs because the government simply can't make all its own military equipment without accruing a dangerous amount of power. Imagine if the government, with its standing army and ability to hand down capital punishments, manufactured all of its own guns, tanks, tasers, rockets, planes, submarines, and destroyers. That would be somewhat frightening. Making the government rely on other organizations helps avoid the consolidation of power. On the other hand, we like to praise the Postal Service for being a nostalgic, comforting piece of Americana, but it's actually incredibly inefficient. The U.S.P.S. ran a deficit of [\\$2.7 billion last year](#), while FedEx enjoyed a [profit of \\$3 billion](#). Our post office loses money every year, while private shipping corporations profit off of their ability to adjust to the market. If private companies can't adjust, they suffocate



This principle of efficiency through competition is demonstrated quite well in Anurag's first example, which is about the recently imploded British mega-contractor Carillion. According to Anurag, Carillion "...had its grubby fingers in many pies, from managing prisons and housing military personnel to providing school meals and hospital beds. It should be mentioned that they weren't particularly good at providing these services." Righto, good to know. Carillion was the kind of company that didn't specialize in one area and didn't really face competition. Of course, there are companies who are now moving to fill the gap left by Carillion's demise, but no firm seriously challenged Carillion's grubby digits for government contracts.

So, why not? Why didn't Serco, Interserve, Balfour Beatty, or the Kier Group, all of whom would love to expand their contracts with the British government, step in and take control from a failing and over-stretched contractor? The answer is plain old British incompetence. What else would we expect from a nation that couldn't even unload a shipment of tea back in 1776? Anurag informs us that "Postmortem analyses reveal that despite knowledge of the deteriorating financial situation, U.K. Transport Secretary Chris Grayling continued to hand contracts out to Carillion." Chris, buddy, you can't do that. Incompetent companies should lose contracts, not win more courtesy of a glad-handing Transport Secretary. If the Brits don't use the free market, they can't benefit from it. Carillion may have been a disaster, but it's a disaster exacerbated by a failure to abandon the Titanic and hop aboard some lifeboats. The entire point of the free market is that consumers — here, the U.K.'s government — have the option to buy products elsewhere if they're displeased with the quality. If the consumer never expresses displeasure by finding another seller, the system doesn't work.

Next, Anurag switched sides of the Atlantic to criticize the U.S. healthcare system. His complaints were...high costs, that was about it. And true, in the U.S., we pay more out of pocket for healthcare than most other countries. And yes, that means that not everyone has access to healthcare. But, those costs occur because in our privatized system, we don't fork over 45 percent of our income so that the government can pay for our healthcare. In the U.K., that 45 percent figure applies to anyone who makes over £161,000 a year (about \$225,000 USD). That does increase accessibility, but ease of access to treatment has actually caused problems. *The Guardian*, which incidentally is sympathetic to socialized medicine, wrote in January that:

"The creation of a universal healthcare system, free at the point of use, was Britain's greatest post-war achievement. But the NHS made an error from the start: building services around treatment rather than prevention...Today, soaring levels of obesity and type 2 diabetes have strained the treatment model to breaking point. Moreover, too much unnecessary surgery and prescriptions of statins and antidepressants, for example, place avoidable strain on the service. Quick fixes are prioritised over the promotion of light exercise or a clampdown on junk food corporations."

Now, while I don't support *The Guardian's* approval of clampdowns on junk food, they do make a good point. Publicly funded healthcare means that treating a problem is just as expensive, and perhaps cheaper, than preventing the problem. It's hard to be motivated to exercise when gastric sleeves are provided by the government for free. The avoidable strain on the service is leading to long wait times, which is why private healthcare providers are seeing 15-to-20-percent increases in "self-payers." Patients are opting out of Britain's public system and going private, because England's system is a mess.

Anurag goes on to make a couple of shorter points about individual U.S. states' attempts at privatization, and about how those didn't always work out as planned. But, on closer inspection, the problems mostly come from implementation, not flaws in principle. In Anurag's California example, idiotic non-compete clauses in the contract meant certain public roads couldn't be repaired. Private prisons aren't responsible for our high incarceration rate; effective policing (we actually catch our criminals), overcriminalization, and strange sentencing tactics (stacked mandatory minimums, anyone?) are why so many Americans are behind bars. Anurag does bring up some good examples of where privatization has flat-out failed, but there's one interesting trend: all of those examples included either a company matching up against a subsidized government service, or a company merely taking over a government monopoly. In both of these scenarios, privatization is somewhat pointless. Of course a private contractor's services will be more expensive than subsidized services. Of course the transition phase will be rocky, as contractors learn the ropes of a service that used to be public. And of course, you can't benefit from free market competition if you replace a monopolizing government agency with a monopolizing contractor.

When privatization is organized around competition, it works like a charm. Our private contractors provide the U.S. military with cutting-edge technology that gives us a huge geostrategic advantage. Amtrak, our government-subsidized hot mess of a train system, has run deficits every year since 1973, while keeping a less than stellar safety record. Meanwhile, our private and competitive airline and bus industries make millions in profit. There are situations where competition can't reasonably be added to a system, and we have to be careful not to rush into privatization, but overall the free market generally works best.

Economy

privatization





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