

Government and Business Are the Same?

It Just Ain't So!

Let us now praise slothful, inefficient, bloated government," reads the opening of an April 30 *Washington Post* essay, "When the Blue Chips Are Down, in Gov We Trust." "Let us now rejoice in the glory of your trillions of tax dollars at work." Why are we rejoicing? Because staff writer Paul Farhi intends to show us just exactly how the government and the marketplace are really about one and the same.

"We've heard so much, for so long, about government waste, fraud and corruption (WFC)," he begins, "But America's corporations—those smug lions of capitalism, those sleek models of can-do efficiency—seem to be getting awfully good at WFC, too."

What follows are Farhi's "Items," a cornucopia of capitalism's recent "failures":

- "AOL Time Warner, the world's largest media company reports a \$54 billion quarterly loss, the largest in corporate history."
- "Telecommunications first go on a six-year building spree, wiring the country with thousands of miles of high-capacity fiber-optic lines. A new infrastructure is created to handle an expected boom in data transmission. Except that the boom never arrives."
- "Merrill Lynch . . . apologizes after its analysts publicly recommended stocks [they] were privately disparaging. . . . The analysts apparently were under pressure to give high ratings to companies that paid Merrill big investment banking fees."

"The difference between the federal government and AOL," concludes Farhi, "is that taxpayers could at least get a few extra Apache helicopters . . . for their \$54 billion."

Conveniently, Farhi glosses over the *real* difference, peripherally mentioning that government has "a couple of key advantages" over business, like taxation and "a monopoly over certain services and activities." But what he casually refers to as "advantages" are actually the major distinctions in how the two function and the results they deliver.

First, the free market brought the civilized world to its unprecedented level of wealth. If government and business were really so much alike, people wouldn't have starved for thousands of years under lords and bureaucrats, while just 200 years of free enterprise has made even the poorest members of our society wealthier than a medieval prince could have imagined.

Quite laughable are Farhi's numerous attempts to show how government is, at worst, as good as the market at delivering goods and services. "Big government builds roads, fights disease, directs air traffic, fights wars, inspects food, takes the census, doles out food stamps, Medicare and Social Security checks, sends the space shuttle up and performs about 12,000 other necessary and vital functions," he writes.

It would take gallons of ink to refute every fallacy in such suggestions as the "necessity" of welfare programs; those arguments have been made quite adequately elsewhere. Suffice it to say that without some politician wielding a club for the "common good," people would still need to travel, cure the sick, make better food, and take care of the poor and elderly—and some ambitious entrepreneur would gladly satisfy all these needs. How we'd get along without wars and the census is even easier to imagine!

Farhi asks, "Could the private sector deliver mountains of first-class letters as quickly as the U.S. Postal Service, and at the same price?" About 160 years ago some

folks tried to find out—and the federal government got so worried that it shut them down. “Could any company process millions of tax returns with as few mistakes as the Internal Revenue Service?” Private companies have no trouble processing millions of credit transactions every day, and they don’t use coercion. But the IRS does get an “A” for intimidating the populace, admittedly something government forces do better than market forces.

Collective Effort

Farhi says, “Even those who believe in the gospel of smaller government and the miracles of the private sector know there’s no decent substitute for collective effort.” I’ll bet he isn’t talking about public education, the “War on Poverty,” welfare, or any of the many other failed programs. If the market isn’t bringing quality to those areas that are currently monopolized by government, perhaps it’s because government is monopolizing them.

Calling the service industry an “oxymoron,” Farhi states that although a “visit to the post office might be frustrating . . . so is a visit to the bank or the department store.” Actually, the “poor” service that many speak of is another sign of the success of the marketplace, since the day has passed when people placed such a high premium on service. No one likes to reach an automated answering machine, but we love all the wonderful things brought to us by freed-up labor when 15 people aren’t waiting for one customer’s call. Still postal clerks can be found in abundance while only one works the counter.

The fact that AOL Time Warner lost \$54 billion, the telecom industry underwent a false boom, and stock analysts recommended “junk” stocks is hardly symptomatic of some defect inherent in the capitalist system. Businesses *do* lose money, and often, and so does government, yet the difference is one of accountability and consequences.

When a company tries to inspire investors with the chance of turning a profit and fails

to deliver, the company goes bust. Enron has of late been held up as a poster child for capitalist excess, when it really shows that you can’t fool the market; for all Enron’s allegedly misleading tactics, investors smelled a rat and walked away. Moreover, failed businesses perform a vital function in a free economy. They tell producers what *not* to do. The same can’t be said for corporate welfare—another program we should “rejoice” in, more of our “tax dollars at work.”

Government, on the other hand, can continue to pour money down the drain with effectively no recourse available to its “investors.” When government “business” runs in the red, “customers” become hostages, deficit spending covers the “loss,” and worse, no one knows the “business” is failing because it was never expected to be profitable. When the spending, debt, and inflation get bad enough, politicians blame it on big business and raise taxes.

If anyone truly doubts that government and the private sector are as different as punk rock and coconuts, try a simple experiment: stop patronizing the firm of your choice for one year—forgo purchasing stocks or real estate, give up your telephone, or shun the Internet—then decide whether you are better or worse off and adjust your lifestyle accordingly. Now stop paying your taxes. Life *will* get decidedly worse, but not for the reasons Farhi would have us believe.

Government simply *cannot* replace the market in terms of delivering abundance and efficiency. These are not just the words of a capitalist partisan—it is an inescapable fact. Were it to be otherwise, Soviet Russia might have chugged along with the West indefinitely. Instead it collapsed in total economic turmoil. The spectacle of a failed business is, at worst, several thousand people losing money or maybe even their jobs. Bad “business” from government brings the specter of mass unemployment, ration lines, and people burning cash for fuel.

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The Blight of Eminent Domain

by Steven Greenhut

My sister-in-law came back from a recent trip to Poland outraged at how that former communist country treats its citizens. An acquaintance of hers owns a beautiful home in the Polish countryside and is now involved in an ugly court battle because a government official was so impressed with the property that he began the legal process of taking it for himself.

That sort of outrage would never happen in America, for heaven's sake. This is the land of the free and home of the brave. A place where every man's home is his castle and where the government can't just take property for the heck of it, thanks to a sophisticated system of property rights. At least that's what my sister-in-law and the vast majority of Americans think.

Unfortunately, the truth is far different. The experience of that Polish homeowner isn't much different from what happens every day in southern California. And don't think it's only on the left coast property rights are treated shabbily. Eminent-domain abuses are rampant in every state in America.

In the city of Cypress, a well-kept middle-class community in the north Orange County suburbs of Los Angeles, a large non-denominational church made the tragic mistake of operating with the assumption that

this is still a free country. The Cottonwood Christian Center negotiated the purchase of an 18-acre property in a commercial center with zoning that specifically allows the construction of a church.

The church bought the land and developed plans for an attractive architect-designed community center—a first-rate project that would be a considerable improvement over an empty parking lot next to a sprawling racetrack. Trouble started when the church submitted plans to the city to gain the necessary approvals.

City officials had an epiphany. This was the last large tract of vacant land in the city, they realized. If a church builds a facility there it won't pay much in the way of property or sales taxes. So city officials have found every reason to deny the church a permit to proceed with the project, and began shopping the land around to tax-generating companies.

The latest in this long and deceitful process: The City Council, at the urging of the city manager, voted to take the property under eminent domain (while still claiming it is willing to “negotiate” a settlement) and plans to hand it over to developers, most likely at deep discount prices, to build a Costco retail center. The national discount chain is notorious for strong-arming cities into using eminent domain on its behalf.

“It is hubris for the city of Cypress to decide a church isn't the best use of land owned by the church,” Assemblyman Ken

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