



## Perils of privatization

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President-designate Donald Trump and the new Republican Congress have announced they want to deregulate to spur economic growth.

When Trump and running mate Mike Pence announced the Carrier Corp. deal that would keep around 1,000 jobs in the U.S., Pence said the “free market has been sorting it out, and America’s been losing.” Pence is under the mistaken impression that America has a free market system.

America has tumbled to 20th in the world in economic freedom, according to the Cato Institute and Canada’s Fraser Institute. The President of Carrier said the reason to move his factory to Mexico was the new energy regulations imposed by the Obama administration. Pence refused to help him in 2014 by vetoing state energy regulations, so Pence arranged state subsidies instead, effectively making taxpayers pick up the bill for his political mistake. At best, Trump’s Carrier deal treated the symptom, not the disease.

The dilemma facing free market advocates is similar to their opposites, the Warren-Sanders wing of the Democratic party. They disliked Obamacare because it was not single-payer. They believe it was a compromise that betrayed their socialist ideals, and leads to cronyism.

The same paradox faces deregulators. If deregulation is not done well, it can degenerate into crony capitalism and betray their free market principles.

One of the best examples of deregulation is the abolition of the Civil Aeronautics Board and the deregulation of airline ticket prices. Deregulation lowered ticket prices by allowing competition. Millions can now afford air travel that would not under the old system. Since air travel is much safer than driving, especially for the poor who drive older cars, deregulation has saved lives.

Many forget that one of the principle architects of this landmark deregulation was liberal lion Sen. Ted Kennedy. Few liberals have supported his vision since. Deregulation and privatization are anathema to most Democrats.

When Nevada voters approved Question 3 last November, they voted for deregulation of one of the cornerstones of Progressivism—the regulated public energy utility. Classical liberals like Hoover Institute senior fellow Richard Epstein called Obamacare the effective transformation of health care insurance into a public utility. Now Republicans want to unwind that transformation and allow more market freedom in health insurance than there was even before Obamacare was passed.

Republicans are talking about keeping some of the popular aspects of Obamacare, like lower costs for those with pre-existing conditions, keeping children on adult policies until they are 26, etc.

There are two ways to accomplish these goals. One is to mandate the coverage. The other, which people like Senator Rand Paul advocate, is to free insurance from other government imposed structures, such as by decoupling insurance from employers and making insurance available to new independent private pools that will allow people to obtain insurance at affordable rates.

The very need for health insurance for anything but catastrophic coverage should be discussed more. Obamacare spurred many health care providers to set up practices that did not take insurance, avoiding the enormous paperwork burden involved. Practices like the Surgery Center of Oklahoma offer cash based services at a fraction of the cost of the regulated insurance-based practices. Medical tourism to Mexico, Southeast Asia, India, etc (helped by deregulated airfares) also provide a much cheaper alternative to American over-regulated health care.

Obamacare is all about expanding insurance coverage. But insurance does not necessarily mean better health care. Heavily regulated health insurance often leads to unnecessary procedures, higher costs and poor outcomes. The Republicans now finally got their wish to be in a position to “repeal and replace” Obamacare. Let’s see what they produce.