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Analysis: Nominees for Top 5 Worst Government Services

By JARRETT SKORUP | June 23, 2010

To qualify for an award the nominee must be government run, backed or financed, and fail a "Yellow Book" test, meaning that if a private company found in the Yellow Pages can do the work, the government should get out.

The nominees are, in reverse order:

5. **Veterans Hospitals**

Long waiting lists, doctor shortages, massive inefficiency and cost increases are characteristics usually associated with socialized health care systems like those found in Canada and Britain. Yet this country has its own domestic version.

The VA runs more than 1,400 hospitals, clinics and nursing homes nationwide. With an annual budget of nearly $100 billion, its inflated bureaucracy seems to become less efficient every year. The department recently began asking veterans to pay for more of their care out of pocket. Why? The Cato Institute's Jim Powell explains:

> One reason is that officials are spending other people's money, so they tend to have ambitious spending objectives. Also, as government grows bigger, the competition for appropriations becomes more intense. By proposing to start new programs and expand old programs, [the government] virtually guarantees that more programs will be under resourced

Perverse incentives make private insurance no paragon of value, yet the presence of competition does ensure better service for lower prices than government-run systems.

4. **U.S. Post Office**

"UPS and FedEx are doing just fine. . . It's the Post Office that's always having problems."

The words are not those of a radical free-marketeer, but President Barack Obama. Despite massive subsidies and a virtual monopoly on first-class mail, the Post Office still manages to lose billions of dollars every year.

Economist Justin Ross points out that for 44 cents one can either mail a letter through the USPS - or buy a kiwi fruit "grown and watered in New Zealand, picked, carefully packaged, and shipped across the world to a store near you."

Is the Post Office still needed? UPS and FedEx are both in the Yellow Pages, and deliver everywhere.

3. **General Motors**

Since becoming the second-largest industrial bankruptcy of all time and receiving a $50 billion taxpayer bailout, General Motors remains in trouble despite the spin. Fortune Magazine's Shikha Dalmia writes:

> GM boasts that, because it is doing so well, it is paying the $6.7 billion five years ahead of schedule since it was not due until 2015. So will there be an accelerated payback of the rest of the $49.6 billion investment? No. That goal has been pushed back, as it turns out...GM Chief Financial Officer Chris Liddell, when queried about that timeline a few days ago, demurred. The offering will be made, he said, "when the markets and the company are ready."

Columnist Mark Steyn once explained, "The UAW is the AARP in an Edsel: It has three times as many retirees and widows as 'workers' (I use the term loosely). GM has 96,000 employees but provides health benefits to a million people."

And that was before the bankruptcy and bailout.

2. **The Public School System**

Since 1965, the U.S. federal government alone has spent $1.8 trillion on K-12 education without generating any improvement in reading, science or math test scores. Spending is triple today what it was in 1965 when adjusted for inflation, and increased nearly five-fold since World War II.

Education scholar Andrew Coulson writes:

> Meanwhile, education economists have spent the last several decades finding out what actually does work in education. They've compared different kinds of school systems and it turns out that parent-driven, competitive education markets consistently outperform state monopoly school systems like ours."

And that's not even considering *higher* education, which has increased several times above inflation for decades.

1. **Fannie Mae and Freddie Mac**

Arguably, no institutions contributed more to the recent mortgage meltdown and subsequent recession than these two government-sponsored entities (GSEs). Collectively they own more than half of the bad bank loans, have cost tax payers $145 billion and counting, have lost money for 11 straight quarters, and yet still managed to persuade the same members of Congress who previously enabled and benefited from them to approve unlimited taxpayer bailout funds as far as the eye can see.

In just the past week, both mortgage giants have requested upwards of $10 billion each. The Wall Street Journal editorial board writes:

> The losses are unlimited because the companies are now run by the government not to make money, by deliberately subsidizing housing. In yesterday's press release, CEO Mike Williams didn't even pretend that he's running a profit-making business. "In the first quarter we continued to serve as a leading source of liquidity to the mortgage market, and we made solid progress in our ongoing efforts to keep people in their homes," he said....In case anyone still hasn't gotten the joke, the company also clarified yesterday that its directors "are not obligated to consider the interests of the company" unless the government tells them to do so.

These government operations are all strong contenders, but the nominations are still open. Ours is a large and growing welfare/regulatory state, and certainly contains many more operations that at least deserve honorable mention.

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