

Daily Policy Digest

Privatization Issues

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FEDERAL AGENCY SAYS WASTEFUL SPENDING "ALL GOOD"



It's not uncommon to hear the claim made that the "stimulus" would have had a greater economic impact had the money been focused on infrastructure. But proponents of public "investment" in infrastructure seem to forget that the government allocates capital on the basis of politics rather than economics. Government is naturally inefficient because it is immune to the market signals that guide private actors who stand to lose their own money should an investment not pan out, says the Cato Institute.

A perfect example is federal spending on airport infrastructure. USA TODAY'S Thomas Frank has been looking at how the Federal Aviation Administration distributes funds to the nation's airports. In his latest piece, Frank analyzed Federal Aviation Administration (FAA) records obtained under the Freedom of Information Act and found that taxpayer money is being put to questionable use:

- Airports have spent \$3.5 billion in federal money since 1998 on projects the FAA rated as low priority because they do little to improve the most pressing needs in the nation's aviation system.
- The money comes from a program that is supposed to improve aviation safety, but the program also has funded terminals at little-used airports, hangars to store private jets, and parking areas that are free to customers.
- For example, Pellston Regional Airport in Michigan used \$7.5 million in federal funds to build a terminal with stone fireplaces and cathedral ceilings; the airport averages three departures a day.

The FAA sees it differently:

"They're all good projects," says Catherine Lang, FAA acting associate administrator for airports.

In a sister piece, Frank quotes Lang as saying that the terminals at these airports are "... crumbling, loaded with asbestos and have no other source (of money)." If airport infrastructure in this country is truly crumbling, then why is the FAA expending scarce resources on stone fireplaces?

We should be looking to privatize infrastructure, according to Cato:

- Privatization would reduce the responsibilities of the government so that policymakers could better focus on their core responsibilities, such as national security.
- There is vast foreign privatization experience that could be drawn upon in pursuing U.S. reforms.
- Privatization would spur economic growth by opening new markets to entrepreneurs.

Source: Tad DeHaven, "FAA Says Wasteful Spending 'All Good,'" Cato Institute, December 15, 2009.

For text:

<http://www.cato-at-liberty.org/2009/12/15/faa-says-wasteful-spending-all-good/>

For Frank text:

http://www.usatoday.com/travel/flights/2009-09-17-little-used-airports_N.htm

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http://www.usatoday.com/travel/flights/2009-09-17-little-used-airports_N.htm

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http://www.ncpa.org/sub/dpd/index.php?Article_Category=37