

Every month since February 1987 the Olympia Fellowship of Reconciliation has produced one-hour TV programs on issues related to peace, social justice, economics, the environment, and nonviolence. The Olympia FOR's program airs several times every week for the entire month on Thurston Community Television (TCTV), channel 22 for Thurston County's cable TV subscribers. You can see TCTV's schedule at www.tctv.net.

You can also watch the program described below (and many more than 125 of our previous monthly interview programs and also many special programs) at the Olympia FOR's website, www.olympiafor.org. Simply click the **TV programs** link, scroll down, and click the program you want to watch. Many of our website's TV program listings also include links to documents describing the program in Word and/or .pdf format.

MARCH 2016

"Support an Effective Public Sector"

by Glen Anderson, this TV series' producer and host

Context for this month's TV topic:

This month we'll explore how a vibrant and effective public sector can serve the public interest.

For a several decades – especially since Ronald Reagan's era – we have been hearing anti-government rhetoric from politicians and other powerful interests who want to cut taxes in order to starve and shrink the public sector. Sometimes voters have gone along with that, cutting taxes and cutting governments' abilities to meet needs.

Those powerful interests also have pushed governments to sell public resources to private corporations (to "privatize" them) so they can reap private profits from activities that should focus on serving the broad public interest.

They have also "de-regulated" many functions so businesses could reduce their accountability to the general public.

This month's TV topic and guests:

During this hour we'll explore questions such as:

- Which services should be owned by the public instead of by private businesses?
- Even if something is owned privately, how can it be regulated to serve the broad public interest?
- How should we make these kinds of decisions?

Two guests help us explore many interesting aspects of this topic. They share insights and apply their fresh thinking to many sectors, including education, health care, parks, and more.

Both guests have many decades of experience helping our local community make smart decisions about a variety of public policy issues:

- Jim Lazar decades of experience as a professional economist, especially focusing on energy issues.
- Bob Jacobs had a long career as a public policy analyst for state government, and he was widely appreciated as the mayor of Olympia.

What underlying values – and what practical factors – should guide our decisions about public policy?

When we were preparing for this TV conversation, Bob asked an important question, "What kind of government do we want?" The public needs to consider this question thoughtfully. Our guests suggested several important values, such as a commitment to high quality services, accountability to the public, and so forth.

Besides grounding our decisions in solid values, Bob also urged us to carefully consider practical factors as well. Consider the benefits and the costs of different options.

Our guests pointed out that the statewide initiatives that Tim Eyman has promoted are basically deceptive because they only ask, “Do you want to pay less taxes?” But they don’t say what services the state would have to cut if the state has less money. Likewise, sometimes people vote for more services but don’t necessarily have a plan for paying for them. It might be better if every ballot issue about taxes or services explicitly addressed both halves of the deal, so voters could consider both the benefits and the costs of the “benefit-cost” analysis.

In the past few decades there has been a mania to “privatize” public services and “let the free market decide.” When governments privatize public services – or let the so-called “free market” handle them – the results might not work well. Jim provided a 1-minute video that shows what a market-based fire department might do. The short video shows people wanting to get out of upper stories of a burning building. Firemen below are holding their big round net, inviting people to jump into their safety net. But someone is auctioning off that life-saving opportunity. Frantic people in the burning building shout their bids and bid each other up. The winner jumps out of her window, but before she lands in the safety net someone in another window calls out a higher bid, so the firemen move over there to catch that person, and we hear the previous apparent winner hit the sidewalk.

Which functions must be performed by governments? Which functions are optional?

Both Jim and Bob affirmed that certain functions must be performed by governments at national, state or local levels. Examples include national defense, police, courts, streets, currency regulation, and some others. Beyond these necessities, some other functions could be performed by governments or private entities – so long as any privately performed functions are regulated to serve the public’s need for high quality, fairness, accountability, etc.

Certain services are “natural monopolies” because it makes no sense to duplicate them for private competition. It would be wasteful for several water companies to run their own duplicate or triplicate pipes underground in the same public right-of-way or for several electric utilities to each run their own power lines through it. In such cases, it makes sense for one “natural monopoly” to provide the service, but be regulated by government to make sure the quality is good, the prices are fair, etc.

Many functions that we think of as “public” spend much of that money in the private sector. For example, much of the federal budget’s “foreign aid” is really taxpayers’ money given to foreign militaries in order to subsidize their purchases of military weapons produced by U.S. weapons manufacturers. It is not the kind of “foreign aid” that people assume it is. But even much of this “foreign aid” is really paid to U.S. consultants who go to other countries to train their people and bring U.S.-manufactured products to other countries, so even much of the non-military “foreign aid” is geared to enriching Americans rather than “giving it away” to other nations.

Cutting budgets can cause serious problems, as the water crisis in Flint, Michigan, has shown. The City of Flint used to provide clean water processed from Lake Huron, but after General Motors shut down its factories and laid off many thousands of workers, the city became so poor that Michigan’s Republican governor took over and appointed a political crony to cut costs. Instead of processing the clean water from Lake Huron, they substituted toxic water from the Flint River and poisoned 102,000 citizens. The governor refused to spend \$100/day to remove the toxic lead from the drinking water. By early January 2016, 10 persons died from the polluted drinking water and many more had been disabled by it.

Clean water should be regarded as a basic human right. It is common for the local government to provide it directly and be accountable to the voters. But even if a government contracts with a private entity to provide it, the government should regulate safety, quality and cost – and remain accountable to the voters.

Beyond the basic functions that must be provided, some other functions are option. Voters and residents can help local governments decide whether to fund swimming pools, museums, etc.

Some local communities have “public-private” projects such as convention centers and sports arenas. Nearly always, the projects operate at a loss and local taxpayers suffer financially, but somehow big profits go to the private owners and the owners of hotels and restaurants. If some business wants to build and run a convention center or sports arena, they should fund it privately. If they can’t find private funding, that’s a strong indicator that it is not financially viable, so nobody should make taxpayers subsidize it.

Bob said that instead of trying to convince people exactly what to decide in any particular instance, he wants people to think of how to make decisions – and how to consider different alternatives. There are many ways to do something. Consider the desired outcome, and then figure out how to achieve it, and how to consider the benefits and costs of the various ways of achieving it. Make sure the voters are well informed and have opportunities to think things through carefully, and then governments should remain accountable to the voters.

The non-military part of the discretionary federal budget is small:

The general public grossly misunderstands how much of the federal budget goes for what. Many people mistakenly assume that the federal budget's various items are either bigger or smaller than they actually are. Jim provided this pie chart of the federal budget. More than half of the left side is "mandatory" based on existing law, interest on the debt, etc., so Congress can't do much about this. Less than half of the right-hand part of the pie chart is "discretionary," so Congress can make substantive decisions about how to spend this. But we see that the military is a huge part, and the non-military part of the "discretionary" part of the federal budget is quite small. Rhetoric about significantly cutting the federal budget is not very realistic. We showed this pie chart on the TV screen while Jim explained it.



Privately operated functions that serve the public should be competently regulated:

Beyond the question of public vs. private, a third option is for privately owned entities to be regulated to serve the public interest. This happens in a variety of ways. Our county health department makes sure our local restaurants practice good food safety. In Washington State, privately owned utilities (*e.g.*, phone, electric and natural gas) are regulated by the Washington Utilities and Transportation Commission (WUTC). The WUTC makes sure our rates are fair and will consider complaints from dissatisfied customers.

However – and especially at the federal level – many regulatory agencies have been “captured” by the industries they purport to regulate. Instead of serving as strong watchdogs for the public interest, some agencies actually bend over backward to let the companies get away with reckless, dangerous, insensitive practices. Officials from giant agribusiness companies go to work for the U.S. Department of Agriculture or the Food and Drug Administration, where they make sure the regulations are weak and serve the businesses more than the consumers. After working for USDA or FDA for several years they return to their businesses, and the revolving door continues.

In light of what we have been discussing, we considered several sectors, such as health care:

Health care is a huge issue, a huge part of our economy, and a huge part of governmental budgets. We discussed the economics and delivery of health care. The government has a huge and evolving role. The federal government pays for much health care (Medicare, Medicaid, VA, and federal employees), but actually provides very little health care directly. One exception is the Veterans Administration, which – like Britain’s socialized health system – employs the medical professionals, operates its own clinics and hospitals, etc. In addition to the huge federal funding for health care, state and local governments, school districts, etc., also spend a lot for health care services. Overall, governments pay for about 2/3 of health care in the U.S., but they have relatively little control.

The “free market” does not work well regarding health care. For example, while the VA does aggressively control drug prices by negotiating prices, Congress actually prohibits Medicare from doing that, and Obama excluded that from his “Obamacare” legislation. We consume a lot of health care but have sloppy ways of understanding and managing it.

The Olympia FOR’s December 2015 TV program about universal single-payer health care is very informative. Watch it at www.olympiafor.org. Click the “TV Programs” link and scroll way down on that page for the link to watch the December 2015 program or a link to read a thorough summary of what we discussed.

Education:

Another huge topic – and a huge budget item – is education. All schools funded by tax dollars should be accountable to locally elected school boards. However, some private schools – not accountable to voters – want to use taxpayers’ money to fund schools that promote their religious beliefs, their anti-science curricula, etc. Nearly all of Washington’s charter schools are chartered by local school boards. In Washington the charter schools are not privately manipulated as they are in other states.

Environmental protection and parks:

Economic activities and other aspects of our lives interact with the environment. Both of our TV guests strongly support healthy environments – and parks that are owned by the public for everyone to use. Even though parks are not absolutely necessary, a community without parks might not be worth living in. National parks might be the best idea that our nation has come up with. Parks should be available for everyone, not with high fees that would make them accessible only by the rich. Olympia voted in 2004 and 2015 to increase public funding for parks. The second vote included a promise by the City Council to not have this funding displace general fund money for parks.

Jails and prisons:

Traditionally, governments have been operating jails and prisons, but in recent years this has changed somewhat. Privately owned prisons are very profitable. The giant business corporations that own those prisons lobby hard for laws that make long prison sentences and laws that imprison many immigrants. The NW Detention Center in Tacoma – the prison for immigrants – is privately owned. It has notoriously bad conditions, food, health care, etc.

Utilities: water, electricity, garbage, wi-fi, etc.:

Jim shared some information and insights based on his decades of experience as an economist who specializes in energy and utility issues. We discussed utilities a bit earlier in the interview and a bit more now.

Puget Sound Energy – owned by private investors based in Australia – takes money out of our community. We could revive the recent effort to have our publicly owned Thurston County Public Utility District (PUD) provide electricity.

Jim told us about free wi-fi offered by the Burbank, California, for its residents. The City installed the wi-fi network to read meters, but the new wi-fi system had much excess capacity, so they offered free wi-fi to the public. They set its speed to be fast enough so anyone can browse the internet, but not so fast as to compete with private movie download companies. “The public is paying for it anyway, so why not let the public use it?”

Banking: Publicly owned (e.g., Bank of North Dakota) or regulated (e.g., Federal Reserve):

Our conversation about public functions and private functions gets more complicated when we consider banking. We discussed several aspects of this.

In the U.S. (but less so in some other nations), banking is largely privately owned. It has a huge effect on the public, but the public has very little control. In the U.S. nearly all banks are capitalist businesses, but there are some exceptions – such as credit unions, which are owned by their members. Also, the State of North Dakota has owned the Bank of North Dakota for about 100 years, and some people in have been urging the State of Washington and the City of Seattle to do something similar.

The Federal Reserve is not a typical federal agency, but rather it is a creature of the banks and serves their interests, even while it controls the amount of money in circulation.

During the Great Depression – in 1933 – Congress passed the Glass-Steagall Act to provide stability in the banking system, but Congress repealed it in 1999, and this de-regulation contributed toward the financial crisis of 2008.

Private sector influences upon executive and legislative branches: Campaign financing, lobbying, revolving door, “free trade” deals, etc.:

Other major interactions between public and private occur when businesses work very hard to influence the executive branch and the legislative branch. They donate big money to politicians campaigning for election. They spend a lot of money lobbying the legislative branch and executive branch agencies. There is also a “revolving door” in which people alternate working for business and government. Much of what we think we regulate has actually been “captured” by the industries.

Most people do not pay close attention to school board meetings or candidates for school boards. Teachers do. This is just one of many instances where public decisions are made but very few persons – typically those who are directly affected – pay attention. Likewise, the State of Washington has an elected Insurance Commissioner and an elected Public Lands Commissioner. People in upper levels of the affected businesses probably pay close attention to the candidates, but how many other people do? A vibrant democracy should consider such matters.

The broad public interest has been terribly hurt by the giant corporations and extremely rich people who fund election campaigns. Elections that should be accountable to the public have been corrupted by private financing. This hurts democracy.

Businesses promote “free trade” deals that change public policy in ways that give them more power and profits. “Free Trade” deals such as the Trans-Pacific Partnership (TPP) allow giant business corporations to rig the rules for how businesses interact with national, state and local governments. This is a massive shift of power from the general public – and from our governments – to private business corporations.

Professional licensing can serve those professions more than the public:

Many professions that are licensed or regulated are actually dominating the governmental agencies that license or regulate them. Professions dominate the governmental agencies that license and control them. Many professions are licensed and regulated by private organizations.

Closing encouragement:

During the Olympia Fellowship of Reconciliation's weekly peace vigils, one of the signs people sometimes hold says, "We're all in this together." This is a principle that a humane and fair society should recognize and appreciate – at the local level, nationally, and globally. During this TV interview our guests have explored how to serve the broad public interest.

There is also a concept called "the commons," referring to the cultural and natural resources that are available to serve all members of a society. "The commons" includes public spaces such as parks and other public gathering places. It also includes the natural assets we all share, such as air, water, and a habitable earth. These belong to everyone, not private owners.

Let's protect ordinary people's right to shape governmental decisions, and not be elbowed aside by the rich and powerful. And let's make public decisions that are good for all of us.

You can get information about a wide variety of issues related to peace, social justice and nonviolence by contacting the Olympia Fellowship of Reconciliation at (360) 491-9093 or www.olympiafor.org

Thank you!