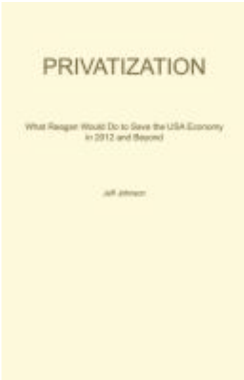
PRIVATIZATION

What Reagan Would Do to Save the USA Economy in 2012 and Beyond

Jeff Johnson



Privatization, contracting government services to the private sector, provides answers to controlling government spending and avoiding any future fiscal cliffs. It provides solutions to both liberals and conservatives. Privatization can allow first and second generation immigrants to become entrepreneurs. It can also reduce government spending. This could represent a win/win for both political parties.

Privatization

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WHAT REAGAN WOULD DO

TO SAVE THE USA ECONOMY

IN 2012 AND BEYOND

Jeff Johnson

ISBN 978-1-62141-975-4

Published by BookLocker.com, Inc., Bradenton, Florida.

Printed in the United States of America on acid-free paper.

BookLocker.com, Inc.
2012

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Chapter 1
Privatization

Privatization is the out-sourcing of government services to private firms. The government still pays for the services. However, the public agency does not have the full time employees and the benefits that go along with doing the work themselves; thus usually cutting expenses. Cities and schools could benefit from considering out-sourcing of services. Considering the slow economy in the early 2010 decade, the idea of privatization is an item to consider. Unfortunately, while government was busy bashing private industry for out-sourcing of jobs in the 1990s and 2000s, government was busy in-sourcing jobs. Some of those jobs need to be privatized.

As Alexander Fraser Tyler said, “A democracy cannot exist as a permanent form of government. It can only exist until the voters discover that they can vote themselves largesse from the public treasury. From that moment on, the majority always votes for the candidates promising the most benefits from the public treasury with the result that a democracy always collapses over loose fiscal policy, always followed by a dictatorship. The average age of the world’s greatest civilizations has been 200 years.” Largesse has occurred in our governments and schools and privatization is a way to get government and schools under control and return liberty and freedom to the individual American. It is time to stop the raiding of the public treasury.

My personal experience with privatization began in the 1980s when the Reagan Administration started suggesting the concept. While working on a doctorate in the late 1980s, I wrote the article "Privatization of Public Transportation: An Analysis Using Forecasting to Predict the Financial Analysis". It was published as a chapter 8 in the book, Public Works Administration: Current Public Policy Perspectives, in 1996 by SAGE Publications. SAGE Publications has given permission to reprint this chapter and it is included in the APPENDIX of this book. It is reprinted without references.

Privatization needs to be revisited and considered as an option to save cities and school districts from bankruptcy. The question of what Reagan would do in the 2010s to save the federal government from its burgeoning debt and the pathetic US economy. Privatization is reviewed as a potential Reagan solution. In fact, privatization is what is needed to save the US economy. It is not enough to just tinker at the edge and lower taxes and reduce expenditures. A more aggressive approach is needed to save US government agencies and schools. Such approach would include lowering taxes, reducing expenditures and budgets, and privatize as many public agencies and schools as possible. Such an effort would unleash a growth in the private sector not seen in years. Though it may seem radical, privatization is really the only answer to saving government agencies and public schools from the disaster of bankruptcy. So much debt has been piled up that cutting expenses is just not enough; raising taxes is not the answer either. Privatization along with cutting taxes and expenses is the only answer to save many government agencies and public schools from bankruptcy.

PRIVATIZATION

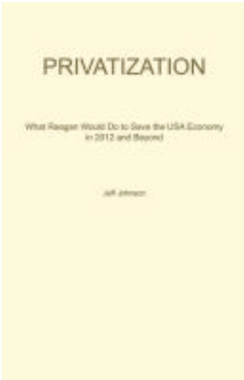
The privatization chapter I wrote is reviewed. This book reviews the wages of public agencies and private industry. It reviews the issues of government jobs, government pensions, schools, the green economy, and garbage disposal. It then reviews the Clinton national debt myth and the potential conspiracy of finding political candidates to analyze how progressives think. Then potential privatization solutions are reviewed.

Chapter 2
Privatization in the 1980s and 1990s

I was first introduced to privatization while working in public transit in San Francisco and Los Angeles in the 1980s and 1990s. These years and my work on a doctorate shaped my approach to this subject. As I was working at a government transit agency, I was concerned about the future of public transit and who the operators were going to be. This lead to the authoring of the article, “Privatization of Public Transportation: An Analysis Using Forecasting to Predict the Financial Impact”.

My intent was to use multiple regression analysis to find out if their were items that could be used to predict how to win future privatization contracts and show public transit agencies what they would have to do to be competitive. Multiple regression analysis indicated that wages were the only significant indicator to predict the price of a privatization contract. This essentially means that the private and public operators pay the same for other non-wage items such as material and supplies, utilities, and other expenditures.

In 1987 the private operator of the privatization contract studied in Los Angeles was paying $7.50 /hour for drivers and $10/hour for mechanics. The public transit operator was paying $14.08/hour for drivers and $18.25/hour for mechanics. Thus, the public transit operator was paying 88% more for bus drivers and 83% more for mechanic. One of my hypotheses was that this wage gap would shrink and thus, public transit operators would become more competitive with private company transit operators. I sited arbitrage as a reason that the difference in wages between public agencies and the private sector would shrink in the long term. Arbitrage is a financial tool that indicates one will eventually not over pay for a product of equal quality in the long run. I applied this concept to wages as I believed that public agencies would not continue to pay more for the same service; transit service in this case. The next chapter on this book is on wages and tests this hypothesis with logic. Also, my article did not consider pensions and benefits. This has changed since I wrote this article and must be addressed in this book.



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