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The Business of Government? *Competition Between Texas Governments & the Private Sector*

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Governments in Texas compete with the private sector in a number of commercial markets. While the commercial activities of governments in Texas and throughout the nation are expanding, pre-emption of the private sector by other nations has been steadily decreasing since the 1980's. Today, many nations have gone farther than the United States in limiting the activities of government in the marketplace. This study outlines the public policy implications when government competes with the private sector, and through a review of Texas government budgets, attempts to quantify the financial consequences for all Texans.

Today, Texas governments compete with the private sector in a number of consumer markets, producing services similar to those already commercially available. The telecommunications industry suffers the most significant intrusions from Texas governments despite provisions of the Public Utilities Code that prohibit municipalities from providing telephone service. Additionally, some Texas communities are currently providing internet service and fiber optic cable leasing, while the City of Dallas owns and operates a classical radio station.

Governments also intrude in utilities. Approximately \$3 billion dollars are generated annually in Texas by municipally-owned electric utilities that compete with private companies. Texas governments spend more than \$3.5 billion annually in the water and wastewater business, and over \$600 million on solid waste (garbage) disposal, despite the availability of these services in the private sector.

Texas governments compete with private companies in other businesses, such as emergency medical services, natural gas, parking lots and golf courses. Additionally, governments are involved in airports, seaports, and toll-roads. They are involved in providing public transit, corrections facilities and convention services. Even though many services are available commercially by contract, Texas governments provide for their own support services, such as building maintenance, custodial care, vehicle fleet management, information technology, food services, school bus transport, street maintenance, park maintenance and print shops.

The businesses operated by Texas governments now command a sizeable segment of the commercial market. It is conservatively estimated that all Texas governments receive more than \$11 billion in revenue from consumer markets and spend \$8 billion annually on support services for which there are well-developed commercial markets. Thus, government competition in Texas accounts for nearly \$20 billion dollars, the equivalent of three percent of the Texas gross

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state product.

Public policy in Texas should favor private production. When governments duplicate what is provided in the private sector, government pre-empts competition, stifles entrepreneurial opportunity, destroys economic growth, and raises the price of doing business.

Taxpayers pay extra when government gets involved in business. This happens because taxpayers subsidize the tax-exempt government “businesses” without any market incentives for economic efficiency. Worse, because these activities are not being performed in the private sector by a taxed enterprise, the general tax burden is unnecessarily increased for all taxpayers.

Personal income is depressed by government involvement in private enterprise. Private production generally leads to more favorable economic outcomes, including higher incomes for low-income households. The higher income that results from less government involvement principally results from economic efficiency. Government operations lack incentives of the commercial market to spend and invest wisely – plus comparatively expensive employee compensation plans drive up government costs.

Texas can improve the economic vitality of all citizens by minimizing government competition with the private sector, by:

- ✓ Forbidding new entry by governments into competitive markets
- ✓ Requiring frequent, periodic reviews of government activity to assess the potential for exiting competitive markets
- ✓ Removing favored-tax-exempt and regulation-exempt status for government-owned commercial enterprises
- ✓ Implementing a process for converting government services and support services to competitive processes through “petitions of interest” from private companies.

About the Author

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The entire study is available online at www.TexasPolicy.com.