

# The private vs public mix of an economy is a clash between philosophical ideology and empirical observation

Within the last week on the Opinion page of the New York Times, conservative Opinion Columnist David Brooks, and liberal Opinion Columnist and economist Paul Krugman came down on the same side of the fence. Each, starting from his comfort zone, ended up arguing for a mixed economy that included elements of the market and the welfare state.

While many are concerned about the future of the US, Brooks starts his column (<https://tinyurl.com/y8xs94c4>) out by declaring that he is optimistic in spite of the current chaos. He sees the present as a point of transition away from old ideas that are no longer adequate.

While many “feel adrift, gloomy and politically homeless,” Brooks argues that human ingenuity rises to the occasion. Some “people figure it out. New ideas emerge. Old ideas are put together in new ways.” Brooks then talks about Jerry Taylor, a former libertarian from the Cato Institute who left it to establish the Niskanen Center because he “began to lose faith in the libertarian ideology.”

“The first cracks were over the issue of global warming,” Brooks writes. “Libertarianism is a philosophy that emphasizes limited government, free markets and individual rights. There is nothing in that creed that should bias a person one way or another over whether global warming is a serious problem or not. That’s a scientific question, not a philosophical one.

“Yet Taylor found that many libertarians, fired by ideological zeal, had slid into the position of minimizing climate change because they didn’t like some of the big government remedies that were being proposed to address it. Once he saw this tendency on climate change, he saw it everywhere and on all sides: People with single all-explaining ideologies have a tendency to let their philosophic blinders distort how they view empirical reality.”

Taylor and others at Niskanen came to the conclusion that “There are a lot of different goods in society: liberty, social justice, equity, community, virtue, prosperity. It’s crazy, Taylor argued, to prioritize one of those goods in nearly every single policy context.”

In the face of “conservatives who believe in a small government and a free market against liberals who believe in a bigger government” Niskanen thinkers “made a simple and empirically verifiable observation. The nations that have the freest markets also generally have the most generous welfare states. The two are not in opposition. In the real world they go together.”

Krugman begins his column (<https://tinyurl.com/ybt4eap4>) reflecting on recent interviews in which he was asked about the future of capitalism. He says, “I haven’t seen even an implausible proposal for a decentralized system that doesn’t rely on price incentives and self-interest—i.e., a market economy with private property, which most people would consider capitalism.” He then argues that “that the choice is still between markets and some kind of public ownership, maybe with some decentralization of control.”

For Krugman “there’s still a pretty good case for a mixed economy—and public ownership/control could be a significant, although not majority, component of that mix. My back of the envelope says that given what we know about economic performance, you could imagine running a fairly efficient economy that is only 2/3 capitalist, 1/3 publicly owned—i.e., sort-of-kind-of socialist.”

Krugman notes that “even now, with all the privatization etc. that has taken place, government at various levels employs about 15 percent of the work force—roughly half in education, another big chunk in health care, and then a combination of public services and administration.

“Looking at private sector employment, we find that another 15 percent of the work force is employed in education, health, and social assistance. Now, a large part of that employment is paid for by public money – think Medicare dollars spent at private hospitals. Much of the rest is paid for by private insurers, which exist in their current role only thanks to large tax subsidies and regulation.

“And there’s no reason to think the private sector does these things better than the public. Private insurers don’t obviously provide a service that couldn’t be provided, probably more cheaply, by national health insurance. Private hospitals aren’t obviously either better or more efficient than public. For-profit education is actually a disaster area.”

He then goes on to say that while there are “private activities that could plausibly be public.... other areas like retail trade or manufacturing don’t seem suitable for public ownership.” With 1/3 of the economy reflecting public employment, “it wouldn’t...live up to the old slogan about government controlling the economy’s ‘commanding heights.’ This would be more like government running the boiler in the basement.”

Unlike Brooks’ optimism over the future, Krugman ends on a pessimistic note, “I see zero chance of any of this happening in my working lifetime.”

So why did we take the time to review the arguments of these two columnists? Because, we are here to talk about the looming failure of the recently adopted 2018 Farm Bill. And here we agree with Brooks and the folks at Niskanen, with a slight modification, “There is nothing in that [libertarian] creed that should bias a person one way or another over whether [agriculture’s low price-elasticity of both supply and demand] is a serious problem or not. That’s a scientific question, not a philosophical one.”

Since at least 1996, farm bills have been written by those driven by a libertarian ideology who are intent on ignoring the millennia of evidence that agriculture responds more slowly to market signals than other sectors like retail and manufacturing.

While we do not need the public ownership of agriculture, given its economic characteristics, farmers do need the government to provide a highway with guard rails—a floor price on one side and an environmental land reserve on the other—to keep it from running off the road. What we have now is not a highway, but rather a high wire with no guard rails, not even a functional safety net.

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*Dr. Harwood D. Schaffer: Adjunct Research Assistant Professor, Sociology Department, University of Tennessee and Director, Agricultural Policy Analysis Center. Dr. Daryll E. Ray: Emeritus Professor, Institute of Agriculture, University of Tennessee and Retired Director, Agricultural Policy Analysis Center.*

*Email: [hdschaffer@utk.edu](mailto:hdschaffer@utk.edu) and [dray@utk.edu](mailto:dray@utk.edu); <http://www.agpolicy.org>.*

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