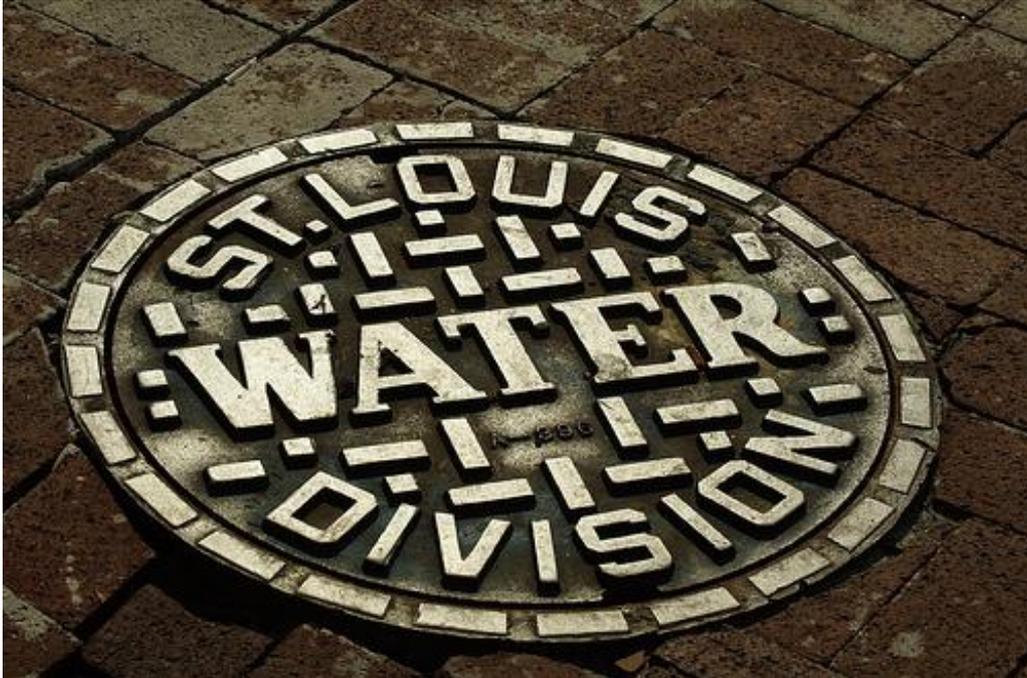




# Let Market Guide Us To Prosperity In '14

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Here are five market-oriented resolutions for a more prosperous 2014:

1. Privatize the United States Postal Service (USPS). The United States should follow the lead of other Western nations, including Finland, Sweden, the Netherlands and Britain, in deregulating and privatizing mail service. It is a form of economic insanity, which can only be explained by the power of the postal union and its political friends, to require daily delivery of mountains of mostly junk mail to U.S. households. The USPS should have to compete with FedEx, UPS and other private concerns in the delivery of first-class mail.

2. Follow suit with other public services. Look for other ways to benefit consumers and taxpayers by deregulating or privatizing other public services, with airports, roads and public utilities at the top of the list. There is a reason vacation travel is much cheaper and more convenient within European and Mediterranean countries than it is in North America and the Caribbean. Europe has widespread airport privatization and greater reliance on market forces to allocate scarce resources. As travel writer Rick Steves says on his website, "Ryanair routinely flies from London to any one of dozens of European cities for less than \$20" (through its most heavily discounted fares paid weeks or months

in advance).

3. Do not buy the "living wage" rhetoric. Recognize the folly of calls to increase the minimum wage — now \$7.25 nationally — to \$10 or more at a time of sky-high youth and minority unemployment. Why would a fast-food restaurant — or any other business — want to hire someone for \$10 an hour who adds, say, only \$6 an hour in additional profit, before counting the cost of his or her wages? To do so would be to accept a \$4-an-hour loss. Raising the minimum wage thus has the perverse effect of causing unemployment. It artificially reduces the demand for labor and makes the first rung on the job ladder higher than it ought to be for young and unskilled workers.

4. Break the health insurance oligopoly. The next stage in the seemingly never-ending debate about health care, now entering its sixth year, might be between full-scale nationalization — as one way of rescuing the Affordable Care Act from going into a full-scale "death spiral" in 2014 — and the creation of a much more market-oriented system than the status quo ante. The starting point for a market-oriented approach should be in freeing — and, indeed, forcing — insurers to compete across state lines on both price and range of product offerings, without a great assortment of government dictates or mandates at either the state or federal level.

That would give individual consumers the right to buy low-cost, low-price health insurance — from a far larger universe of sellers. And it would cause big insurers to lose the monopolistic or oligopolistic positions they have built up over the years through assiduous lobbying at statehouses around the country. Their cozy arrangements with state regulatory offices have resulted in mandates to cover everything from hair pieces and contraceptives to acupuncture and marriage counseling. Opening the insurance market to open-ended interstate commerce will cause all producers — both insurers and health care providers — to reduce costs and look for more and better ways to satisfy the health care customer.

5. Choose growth over class warfare. Be prepared for the proponents of big government to try to turn every debate — whether it is about health care, privatization, the minimum wage, entitlement reform, curbing the power and privileges of public sector unions or any other issue — into another rant on what President Obama has called "the defining issue of our time": namely, income inequality. However, the president and others greatly exaggerate income disparities between different quintiles in the distribution of income by ignoring the effects of high taxes on high earners and, for lower earners, the effects of income tax rebates, food stamps and other welfare. One study finds that income inequality actually declined between 1993 and 2007, after adjusting for taxes and transfer payments.

But the real takeaway here is what the poor and the middle class really need to achieve a better life for themselves and their children. That is faster growth, not more income redistribution. It is the opportunity for self-improvement, not the fallback of welfare dependency.

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## About the Author



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*A former foreign correspondent who spent four years in the Middle East and served as Business Week's London bureau chief during Margaret Thatcher's first two terms as Britain's prime minister, Andrew is a regular contributor to leading national publications, including the American Spectator, the Weekly Standard, and the Wall Street Journal.*

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