

## FINANCIAL TIMES

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# Public services need competition

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*From Mr Daniel J. Aronoff.*

Sir, Jeffrey Sachs argues that more, not less government spending is the cure for US economic ills, and higher taxes are the way to pay for it (“Death by strangling: the demise of state spending”, December 16). Prof Sachs appears to suffer from a math block of sorts.

His claim that an increase in tax collection of about 4 per cent of gross domestic product is sufficient to cover the increased cost of his recommended programmes leaves out the inconvenient fact that, according to the Congressional Budget Office, federal outlays are already on a path to rise by more than 20 per cent of GDP above current levels by 2050. Prof Sachs’s increase would come on top of that. It is the unsustainability of that fiscal path that has caused US debt to be downgraded.

His proposal to fix education by spending more is contradicted by numerous studies worldwide that fail to establish any link between educational outcomes and spending in developed countries and the US experience over recent decades of rising spending and declining results.

His claim that “high tax-and-spend” European countries “tax heavily and spend efficiently”, even if true, is irrelevant for the US, where government demonstrably spends inefficiently.

In any event, the inescapable mathematical fact is that the US cannot afford to spend more on public goods. Its best option – and the one most in keeping with its entrepreneurial culture and history – is to inject competition into the provision of education and healthcare and unleash market processes to deliver improved results at less cost.

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