

Subsidizing Failure Again . . . And Again, and Again, and Again

by Scott McPherson

Following the September 11 terrorist attacks the airline industry stepped up to the public trough to the tune of a \$15 billion bailout—because of a radical *drop* in demand. Then Amtrak stepped up to the public trough—\$3.2 billion in emergency financing and \$35 billion in loan guarantees—following an *increase* in demand. Americans have become so accustomed to paying out for corporate welfare that one must wonder if they pay attention anymore.

This latest proposal for a spending splurge is the work of South Carolina Senator Ernest Hollings. According to an October 11 Associated Press report, “Amtrak has experienced an increase in riders since the terror strikes”—which is apparently why lawmakers were queuing up to push a ten-year subsidization program that would “put Amtrak at the center of high-speed rail development nationwide,” the report continued.

The problem seems to be the 1997 “Amtrak Reform and Accountability Act,” which requires that the service be able to function without yearly aid by this year. So let us ponder this for a moment. Rail service isn’t popular enough in the United States for

Amtrak to exist without its hand constantly in the public cookie jar. Then a tragic event like that of September 11 reawakens a call for that older, slower, but now-believed-safer means of long-distance travel. And as a result of this influx of funds—from consumers, this time—Amtrak needs . . . more subsidies?

That dubious logic is embraced by members of both political parties. Alaska Republican Representative Don Young has proposed his own \$71 billion ten-year program to breathe new life into this revitalized industry.

They’re Not Kidding

Only in Washington, D.C., can someone keep a straight face while reporting that a switch in market demand from air travel to rail travel requires not just government assistance for the struggling airline industry but for the now-favored passenger rail trade as well! Actually, it isn’t too surprising when one considers that the politicians and bureaucrats manipulating this nation’s economy believe that a person who breaks a window deserves praise for helping the glass business.

The ostensible reasoning behind this latest government handout is that with the recent

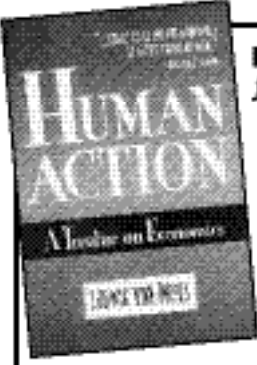
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surge in demand for rail service, Amtrak is evidently incapable of meeting the need with comparable supply; systems upgrades would take too long, and adequate rolling stock is not in place to transport passengers and cargo to their respective destinations. But is not one of the greatest feats of the free market its uncanny ability to quickly and efficiently direct resources where they are most needed?

Nothing better demonstrates Americans' lack of understanding of capitalism—and their total abandonment of the kind of independent thought that built this country—than this persistent belief that successful and dynamic businesses are built not on profits,

wise investments, and individual initiative, but on weak-kneed, whining political pull and the corporate dole. Nothing could better illustrate the businessman-turned-helpless-panhandler than Amtrak president George Warrington declaring that calls for his company to attain self-sufficiency—in the wake of rising demand, no less—are “impractical and irrational.”

Ironically, if one follows this logic, the business empires of Commodore Vanderbilt, John D. Rockefeller, and Bill Gates, built *without* government assistance, are “impractical and irrational”—while Amtrak gets a pass on Economics 101, courtesy of the U.S. taxpayer. □



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