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Suppose a Democrat Were in the White House **by Sheldon Richman**

It certainly is a good thing that we have a pro-capitalist Republican president in office. I can just imagine what a socialist-leaning Democrat would have done after the terrorist attacks on September 11.

For example, I can just bet that a Democratic president would have pushed for government terrorism insurance. It would probably be called something like the Terrorism Risk Insurance Act. This president would call such a measure absolutely critical because in the wake of 9/11 enterprises were having to suspend building projects for lack of insurance.

It would be just like a Democrat to have the government jump in, claiming it was necessary to get the economy “moving.” Since Democrats have no conception of how entrepreneurial markets respond to people’s needs, they can imagine no other solution than a big bureaucrat program.

I can almost picture the Democratic president’s proposal. First, his legislation would force commercial building insurers to provide coverage for the damage done by foreign-sponsored terrorism. Insurance companies did this until they were frightened out of that market by the 9/11 attacks, which caused \$40 billion in losses. Some have returned, but, unsurprisingly, they charge a lot. Nevertheless, the Democrat’s first resort would be to threaten violence against companies that didn’t offer coverage. Democrats love to threaten violence against people and businesses. They call it fines and penalties.

But that wouldn’t be all. This president would also propose to have the taxpayers pay a good part of the losses in the event of another terrorist attack. He (or she) would probably have the taxpayers pay a portion of the damages up to \$10 billion, but 90 percent of the damages above that amount, up to \$100 billion. Democrats like to appear to be pulling money out of a magic hat. But of course it has to come from the taxpayers. Who else is there?

We can be thankful that we have a Republican president who would never think to expose the taxpayers to such a liability. His commitment to individual rights, the free market, and

personal responsibility simply would not let him embrace the kind of ideas that thrill the hearts of Democrats, such as government terrorism insurance.

A Democratic president would not realize that the concerns about vanishing insurance were exaggerated, as reports in the *Wall Street Journal* and elsewhere have made clear. Sure, coverage is more expensive than it was before 9/11. That's a response to new conditions. But it is not so expensive as to cause major projects to be permanently scrapped. And lenders are not requiring terrorism insurance in all cases.

What we are seeing is what we should have expected: market participants are coping by applying ingenuity to new problems. That's what people do if the burdens of government aren't too great.

What a Democratic president couldn't be counted on to understand is that market prices, including insurance premiums, communicate vital information, and when government intervenes those signals inevitably become garbled and misleading. No good can come of that. Market participants need good information.

Nor would a Democrat understand that the best way to "help" the insurance industry is to deregulate it. It's already the most regulated industry in America.

The last point we couldn't expect a Democratic president to realize is that the best way to lower terrorism-insurance costs is to cut the chances of terrorism. And the best way to do that is to stop meddling in other people's affairs in the Middle East. The only thing that could make people over there want to knock down our buildings is revenge. For the past 50 years the U.S. government has been acquiring enemies in the Middle East by backing brutal monarchs and presidents, overthrowing ones it doesn't like, and supporting Israel's violence against the Palestinians. In the last 10 years it has stationed troops near Islamic sites in Saudi Arabia and enforced an embargo of needed goods against the Iraqis. Those policies were not calculated to keep the chances of terrorism low.

So terrorism will be with us for a while. At least there's no Democrat in the White House to respond by disrupting the private market economy.

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