

# An invisible hand moves a Nation!

By Bruce A. Love

I have become increasingly aware of excessively high prices on many items in our local grocery store. Moreover, produce quality has wilted and expiration dates on some products have approached the current date. From comments overheard in store aisles, I am not alone in making these observations.

The economic system in the United States is built upon the principle of free enterprise (a.k.a. capitalism). Capitalism is based on the belief that competition among businesses is good for society. In his book "The Wealth of Nations" published in 1776, Adam Smith asserts that economic systems are best regulated by the "invisible hand of competition." In other words, competition ensures that consumers receive the best products at the lowest prices because the less efficient businesses would be driven from the marketplace.

According to Smith, our local grocery store faces its demise unless it is able to offer higher quality merchandise at lower costs. This is the harsh reality of the free enterprise system. Evidence that the "invisible hand" is alive and well is apparent when we hear shoppers saying, "I can get this at Wal-Mart for about half the price charged here."

It is good to support local stores. Local stores hire local employees – our neighbors. But, a fair price for quality goods is a reasonable expectation to have of any businesses. The grocery store example can be a metaphor for domestic companies whose leadership has failed to maintain and manage efficient organizations. In those situations, consumers will buy foreign products if costs are lower. While we want to support our domestic businesses, and our "neighbors" throughout this great nation, it becomes difficult to justify domestic purchases when household budgets tighten and we are faced with better deals from foreign companies.

The presence of competition is such an important concept in our democracy that anti-trust laws have been enacted to preserve its role in society. In rare instances government allows monopolies to exist, but only if they are closely regulated. Utility companies, for instance, are regulated monopolies. We can understand why they are allowed to exist in this form. It is impractical, for example, for water lines from competing companies to be installed in a town economically.

In the case of cable television companies, we experience the abuses that result when monopolies are allowed to exist without regulatory controls. With questionable wisdom, Congress deregulated a monopolized cable industry in 1996. Since then, cable rates have increased more than twice as fast as inflation. Charter Communications (the only cable game in town) has increased their rates nationally by an average of 5% per year over the past several years. In true monopolistic form, cable companies have added insult to injury by not offering subscribers the choices they demand. When you think about all the channels available, how many do you actually watch? In a free enterprise system, the consumer should be allowed to pick, and pay for, the channels they want to see, not ones chosen for them. As citizens, we have the right to demand that our political representatives regulate these monopolies.

Last week, in response to constituent unrest, Senators convened to assess the mess that has resulted from deregulation. Senator John McCain proposed that cable companies should offer an a la carte cable-pricing model so that customers would not be charged for channels they did not view. He noted that in a free society, when he shops for bread, he is not forced to add broccoli and milk to his grocery cart. We should expect no less from our cable companies. In this way, the invisible hand of competition will be allowed to determine the programs we purchase.

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