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Consumerism

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When I was a candidate for Parliament in 1972, I sought a worthwhile cause to distinguish me from my opponents.

I knew that producers, when given an opportunity, combine to raise the prices and reduce the quality of their goods and services. Therefore, the consumer movement seemed to be a cause that was both worthy and potentially popular.

Off I trotted to a consumerists' meeting, where I expected to hear about tariffs and monopolies. Instead, I listened to an unlikely argument, supported by anecdote alone, that supermarket checkout errors in Port Hedland were biased against the purchaser.

The possibility that buyers with errors in their favour had not come forward was not entertained.

When I said that the road freight franchising arrangement, the waterfront unions and the State Shipping Service might have something to do with high prices in Hedland, I was solemnly assured that people were not really concerned about prices; it was quality they worried about.

Of course consumers are interested in quality, but they are also interested in price. If not, why survey supermarket checkouts? My search for a worthy political cause was getting nowhere.

That episode proved typical of experience with a consumer movement which does not have the aspirations of real-world consumers on its agenda.

That is a pity, because we need a force, political if not commercial, to countervail the tendency for producers to seek and secure the authority of the state to protect them from competition.

Producers don't like free markets. In open competition, they dare not rest---consumers have only so much money and producers who do not identify and satisfy consumers' wants see the money go to others.

Every producer, therefore, dreams of a world from which his potential competitors have been excluded. Dreams aside, however, producers can seldom avoid competition without help from government.

When producers combine to raise prices to allow super profits or super indolence, these super rewards motivate other producers to break the cartel. They can undercut the artificially high price, increase sales and capture a bigger share of the profits.

Thus, cartels are unstable without government intervention. In free markets, consumers reign and producers are treated equally, impersonally and mercilessly.

Inasmuch as free markets give consumers more of what they actually want than any alternative economic system, they are efficient. History is on their side too: consumer sovereignty in relatively free markets produced the unprecedented prosperity of the modern Western World.

Open competition ought to be the number one goal of the consumer movement, but instead of attacking the abuses of the market system, consumerists attack the system itself.

An organisation that worked for consumers could try to countervail producers' monopolies by forming buying cartels and taking legal, political or market action to prevent monopolistic practices.

If it really believed that supermarkets cheated or conspired to raise prices and reduce quality it could provide competition along the lines of, though better managed than, the ill-fated ACTU Bourkes Department Store.

A very few natural monopolies apart, all the most obvious cases of inadequate competition in Australia are unnatural and must be maintained by force. In each case the government or a trade union warns potential competitors off with the threat of legal punishment or an illegal thumping.

The ultimate sanction against flying another airline, driving another taxi, importing more textiles, exporting wheat, delivering mail, broadcasting unlicensed television, etc. is imprisonment (if only for non-payment of fines).

As well as direct prohibition, the government prevents competition in more subtle ways, such as tariffs, the registration of trade unions, and the preference given Australian tobacco leaf.

Trade unions have 'privatised' the use of force. Although the monopoly rights of registered unions are maintained largely by law, some unions are reputed to have used violence against non-union workers and most have used industrial action against employers who employ so-called scabs. This is a restrictive trade practice if ever there was one, but one that the law ignores.

Obviously these practices are costly. Someone should speak up for consumers.

Recognising the problem posed by the unbalanced producer pressure, 1970s politicians subsidised the consumer lobby. Had the consumerists restored political balance, the taxpayers' dollars might have been well spent.

But sadly, the politicians were careless or disingenuous. In the early 70s, leftist political agendas were pursued by means that Hawke's Labor Party would not condone. The politicians did not ensure that the subsidised associations would be run on democratic lines.

According to public affairs consultant Bob Browning, the Australian Consumers Association has only 206 voting members. The consumerists' peak council, AFCA, is run by a 7-man executive elected by less than 30 delegates. Most of these are from organisations representing less than 200 members, who are sometimes no more active than newsletter subscribers.

This want of accountability leaves the organisations free to pursue an agenda which has little to do with consumer sovereignty.

The ACA has just told the takeovers inquiry that "there is an overwhelming case that a public interest test should apply to mergers and acquisitions", in other words that it wants more government control over who people may sell their shares to.

It also wants the Trade Practices Commission to "reverse" its position of allowing mergers that promise efficiency gains, and concentrate instead on maintaining the number of competitors.

If the consumer movement gave a damn about consumers it would be in the van of the campaign to deregulate, privatise and cut protection.

It would fight the excessive political influence of the producer lobbies, and bring consumers cheaper imported clothes, shoes, cars, etc. It would want competition everywhere - capital markets, product markets, the labour market and services - not just in domestic manufacturing and retailing.

Consumer activists are often more anti-business than pro-consumer. Consumerism looks like a good idea gone wrong.

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