# Outside View: How many do we need?

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WASHINGTON, July 20 (UPI) -- How many supermarkets, fast food restaurants and hotels do we need in America, and where should they be located? Neither you, nor I, nor anyone else knows, but the private enterprise market system sorts it out and gives us approximately what we need, where we need it.

For each type of business, there is an optimum number of competitors given the size of the market and the economies of scale. A local fast-food outlet may require a few thousand or, perhaps, only a few hundred potential customers, whereas an automobile manufacturer needs tens of millions.

We get in trouble when the government attempts to outguess the market. The government tells us that we need more farmers than the market tells us we need. The result is tens of billions of dollars in farm subsidies each year to big farmers -- "to protect the family farm." These programs have been going on for more than 70 years, yet each year we have fewer family farms and way too much food produced.

The government tells us we can only have one company that delivers "first class" mail. The result is the U.S. Post Office, a government-owned corporation, which manages to lose billions of dollars each year despite its "first class mail" monopoly.

The government tells us we can only have one passenger rail company. The result is a government monopoly rail company, Amtrak, which is on the verge of bankruptcy. Only those with a real Washington mindset -- that is to say, bureaucratic socialism -- believe that we would not have enough food, mail delivery or rail passenger travel if the government did not dictate how many producers there should be.

If I want to send information to my sister who lives 1000 miles from me, I can send it by Fed Ex, UPS, etc. or by the Post Office. I can also send it by voice, fax, or e-mail through one of my phone companies, either by wire or wireless, or over my cable system. I do not lack alternative technologies or competing companies for my personal business.

The government does not know, nor should it tell me, which technology I should use or how many competitors there should be. The problem is that there are people in the government who think they know but, in reality, they don't know that they don't know.

As a result, the telecommunications business is very highly regulated. The regulators tell us how many wireless companies we must have in every area, and which companies can provide which technologies and which services to which customers.

They tell companies that have spent billions to install networks that they must carry their competitors' services and the prices they may charge to do so. The regulators make artificial distinctions between "local" and "long distance" services where, in fact, with the new technologies, the distance a message travels has become irrelevant because the cost per additional mile is almost infinitesimal.

The result is that the telecom industry is in a deep depression despite rapidly growing markets and revenues. Already, 13 of the top telecom companies are bankrupt, and another 24 of the top 29 telecom companies face insolvency.

At the same time, consumers are facing steep increases in their telephone bills and a lack of full high-speed access. If you look at your phone bill you will see much of it consists of federal, state, and local taxes, plus government mandated fees and charges.

The telecoms also have to pay excessive fees and property and income taxes to various levels of government.

In sum, government is destroying the carriers and their suppliers which, in turn, is responsible for much of the decline in the stock market. When an entire high-growth industry crashes, you can bet the dirty little hand of government is involved.

What the government should do to clean up the mess it has made is to deregulate -- specifically, it should get out of the way of the new technologies, which allow high-speed Internet access and greater information flow and will solve the "last mile problem."

Companies who have spent their own money to build networks should be able to determine at what prices they sell access to their networks. The current system has privatized the losses and socialized the profits. The artificial spectrum scarcity should be cleaned up by giving finality to spectrum auctions, and provide more spectrum for sale.

The government should allow horizontal and vertical mergers in the industry. The market will figure out what the proper structure should be. There is no danger of a telecommunications monopoly, given all of the competing technologies.

Government almost always has antitrust policy wrong, because it defines markets too narrowly and never sees emerging technologies and creative new managements in potential competitors.

When I took my first class in antitrust economics, we were taught that the government was worried that IBM, General Motors and U.S. Steel would become monopolies.

People who worry about a new telephone monopoly forget that AT&T was only broken up after its quasi-monopoly position was already crumbling as a result of the creative legal actions by new up-starts like MCI, as well as those who were developing new technologies.

Our elected representatives are always telling us that they want to help the poor and therefore it is necessary to subsidize the Post Office so poor people living in very remote locations can communicate with the rest of us.

This Washington logic causes us to highly regulate and tax the fastest and lowest cost communications services in order to subsidize the slowest and highest cost service. Let's pretend it is 2002 and not act like it is 1790. We can privatize the Post Office, cut farm subsidies, and use the savings to give poor people in remote locations free Internet access and cut our telephone taxes. Then we will all be better off.

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