



## Saving Consumers from Lower Prices

by Richard W. Rahn

### PROTECTIONIST POLICIES DO MORE HARM THAN GOOD

Why does the Obama administration claim it wants you to pay less for your airline ticket, but more for the shrimp you buy? One reason the economy keeps stumbling along is that businessmen, consumers and taxpayers are having a hard time planning because of endlessly inconsistent and often lawless policy directives from the Obama White House. On the same day last week, the administration announced that it was seeking to block the proposed American Airlines-US Airways merger, allegedly to protect consumers against higher prices — and that it might impose higher duties (taxes) on shrimp from foreign competitors to protect U.S. shrimpers, meaning that all who eat shrimp will have to pay more.

The Justice Department, under the leadership of ethically and intellectually challenged Eric H. Holder Jr., came up with a study that concluded that airline ticket prices would be higher and service worse if American Airlines and US Airways merged. The conclusion was immediately challenged by affected parties (the companies and the unions) and many transportation economists. I do not know, as a frequent flier, whether I will be better off or worse off with the proposed

merger. I do know, however, that the folks at the Justice Department also do not know, but trying to block the merger massages their egos and their lust for power.

For the Justice Department to know that the merger will cause higher prices, it would have to know what the affected airlines will do if they do not merge, how competitors will respond, and how many new entrants will or will not come into the market. In fact, Justice knows none of this. American Airlines is now in bankruptcy. If it is not allowed to merge, it could go out of business, meaning less, not more, competition. The airline industry is one of the most competitive, and the costs of entry are modest (you have to raise enough money to buy or lease at least one plane). Over the past 30 years, dozens of airlines have come and gone. Personally, I prefer to fly on airlines that are profitable because they have more money to spend on service, newer planes and safety. The fact that the Justice Department chooses to waste money on this totally unjustified antitrust action merely shows it still has far too large a budget, despite sequestration. Hint to members of Congress who are looking for places to cut spending: Try the Justice Department.

A century ago, antitrust — the belief that government should break up business monopolies and oligopolies — was all the fashion. But in recent decades, antitrust went out of fashion because it became apparent that those in the government could neither define a market (which they tended to see in very narrow terms) or forecast technological changes, thereby killing or severely damaging many of the companies the Justice Department targeted. Kodak had the overwhelming share of the film industry, but in less than a decade into the digital camera revolution, Kodak went from king of the hill to bankruptcy.

When I took my first course in antitrust economics, the concern at the time was that GM would monopolize the automobile market, that IBM would monopolize the computer market, and that U.S. Steel would monopolize the steel industry. The antitrust whizzes at Justice missed

the possibility that Japanese, South Korean and many other automobile producers would grab a major share of both the U.S. and global markets, and that GM would end up in bankruptcy with a government bailout. After decades of trying to break up IBM, even the folks at Justice finally realized that because of the rapidity of technological change, no computer company was likely to remain on top for very long. Many millions of taxpayer dollars were wasted because too many in government had a static view of the world. Finally, U.S. Steel has been losing money and market share for years.

As for the shrimp, when people are forced to pay more for any item because of import taxes or other trade restrictions, it makes them poorer, because they have less money to spend on other things, including things made in America by Americans. Many Americans eat shrimp, but very few Americans catch shrimp, so the Obama administration would prefer that most consumers have their real incomes reduced by higher shrimp prices in order to benefit a relatively few producers. If you want to buy American shrimp and pay more, it should be your choice. It is not in the public interest, though, to insist that everyone pay more for shrimp because it is from Thailand or Ecuador.

The president keeps decrying the shrinkage of middle-class incomes, yet he appears willfully blind to the fact that it is the actions of thousands in government departments under his control that day by day hammer middle-class Americans.

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