Ferdie J. Doering

MAY 19 1977

Cartels Stifle Private Business

FREE markets are disappearing from the earth. Political entities now buy and sell most of the world's commodities.

The trend is being accelerated as the United States joins in the movement toward total politicizing of trade. This was evident in agreement a few weeks ago for the United States and Canada to create a cartel to break wheat-price cycles.

It became increasingly obvious in statements made in connection with the economic summit meeting in London May 7-8.

For many years, Washington officials concerned with imports and exports have argued that trade should be handled "government-to-government," rather than by private companies. Most of the world's people do not have free enterprise.

International cartels have been described as "orderly marketing," because they reduce or eliminate competition, regulate supplies and limit prices. They also affect profits.

Progress and prosperity in the United States have been accomplished through open competition for markets. Elimination of the right to compete stifles invention, deters discovery, tends toward inefficiency, increases costs, raises prices, discourages enterprise and restricts standards of living.

In an open, competitive market, whenever prices get too high, someone will find a way to supply demand at lower cost and consumers benefit. Whenever prices are set for political reasons—either nationally or internationally—there may be no incentive for business to do better in production or in pricing.

Nations have sought to regulate competition politically by import-export restrictions or quotas, by "dumping" and by tariffs, subsidies or treaties.

The current trend seems to be toward a world trade compact which would coordinate reserves of trade items by regulating distribution and setting price ceilings or floors.

Food commodities and petroleum are prime targets for cartels, but television sets, shoes and foreign-made cars also are items on the agenda for U.S. government trade control.

A recent example of how international trade may be regulated for political reasons was President Carter's refusal to impose quotas on sugar imports, as growers requested.

Instead, he agreed to begin subsidy payments of up to two cents a pound to U.S. growers if market prices fall below 13.5 cents, the calculated cost of production. Each penny a pound would cost U.S. taxpayers $125 million but would provide the administration with political clout in dealing with sugar-exporting countries, including Cuba.

The objective of cartels is to "stabilize" prices and regulate supplies, not to assure improved prices or profitable market levels. Government-to-government negotiations of trade takes the element of competition away from private enterprise by vesting decision-making in political officials.

How long can private business survive without competition?