

# Why (inefficient) businesses want to limit competition

June 14 2013, by Stephen King

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If there is a 'root and branch' review of competition laws after the next election, it should be led by a group of sexagenarians. That is, people aged at least sixty.

Why? Because they will remember how bad business was prior to our current competition laws and will know that our competition laws are all about protecting consumers, not protecting inefficient businesses.

Prior to the introduction of our first effective competition laws in 1974, Australian business was anti-competition and anti-consumer. For example, as Macquarie University's Vijaya Nagarajan notes in her forthcoming book on Australian competition law (ANUePress), in the 1950s:

"Cartels were a feature of Australian life, collusive practices were common and Australian industry was always highly concentrated".

Similarly:

**"business did not view restrictive practices as improper; the practices were frequently termed 'orderly marketing' ..."**.

**Why did these limits on competition exist and why did the law change to stop them?**

**Starting with the second question, the laws changed because**

**competition helps consumers and helps the economy to grow.**

**Competition protects consumers from high prices and low quality products. It protects consumers from businesses that could otherwise treat their customers with contempt because those customers would have no-where else to turn.**

**Competition helps create a vibrant and growing economy. Competition drives innovation. It creates incentives for businesses to offer better products at lower prices. Look for the most innovative parts of our economy and you will often find that they are also the most competitive.**

**Competition does not, however, help lazy or poorly managed businesses to increase their profits. Competition is the curse of every business person who wants an easy life.**

**Put simply, competition is the enemy of mediocre competitors. If there is strong competition then each business has to keep on its toes. It has to think about how to improve its offerings for consumers every day. It has to think about what consumers want and deliver that to consumers.**

**If consumers want lower price – deliver it!**

**If consumers want higher quality – deliver it!**

**If consumers want ethical product – deliver it!**

**Competition puts the consumers in charge. And if one business fails to serve consumers then a rival will. The rival will profit and the failed business will disappear.**

For [business](#), competition is short, nasty and brutish. No wonder mediocre businesses hate competition and want to limit it. These businesses find it mutually beneficial to prevent competition among incumbents and raise barriers to keep out new competitors.

That is why we need effective competition laws – to protect consumers and the economy from mediocre businesses that prefer collusion to innovation.

Any review of competition laws needs to keep a consumer focus. However, much of the recent debate on competition policy in Australia has forgotten the consumer. Rather the focus has been on competitors – or at least those firms who are finding the going too tough. These can be multinational companies like Ford, or small businesses like your local video store. These flailing (and failing) businesses are would like profit without competition. The profit may come from money paid by the taxpayers (eg the car industry), by getting cheap inputs at someone else's expense (eg the chemicals industry wanting a 'gas reservation' scheme) or by restricting the ability of more efficient firms to compete (eg limiting market share in groceries).

Each of these interventions reduces competition and harms [consumers](#). However, lobby-groups are pushing these and other anti-competitive proposals. If they can turn the proposals into law then they will make a significant monetary gain, at the expense of customers.

This year is the twentieth anniversary of the [Hilmer committee inquiry](#) into National Competition Policy. That review revolutionised our competition laws and kick-started the Australian economy. Instead of being a banana republic, Australia has enjoyed two decades of growth underpinned by competition and competitive

reform.

**It would be tragic if, in this twentieth anniversary year, a root and branch review of competition laws was captured by vested interests that want to limit [competition](#). It would push Australia once more down the banana republic path. Unfortunately, current political debate suggests that this risk is real.**

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