

Government Creates Monopolies?

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8/28/2009

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Conventional wisdom has often cast government as a monopoly buster, not a monopoly creator. But in practice, as libertarian philosopher Ayn Rand once perhaps overstated, “Every coercive monopoly was created by government intervention into the economy: by special privileges, such as franchises or subsidies, which closed the entry of competitors into a given field, by legislative action.”

Case in point is recent action taken by the Hillsborough County Public Transportation Commission requiring passenger-carrying electric carts to cease operation given that they do not have permits for their shuttle service. The Commission ruled that the small carts, which derive their funding from on-cart advertisements and tips, are in fact for-hire transportation. That “for-hire” description legally places them under stricter government regulation.

The carts had been operating to a great extent free of the government’s regulatory arm until August 12 when the Commission made its ruling. Because they relied on ads and non-compulsory tips, they were initially not put under stricter regulation like taxi cabs and limousine services were – enabling them to operate under the radar and at the lesser expense that comes from freedom from tougher government regulation.

That difference in government scrutiny noticeably ticked off the cab companies. They considered the light, open-air carts both unsafe and a form of unfair competition.

The St. Petersburg Times quoted Lou Minardi, Yellow Cab owner, expressing his frustration with the newly-found competition. “The only big thing I have is the unfairness of how they operate,” said Minardi. “If an Americab is sitting first out at the Marriott and all of a sudden one of these cars whips in front of him to take that fare, it isn’t right.”

But the locals have seemed to enjoy the convenience of the smaller, cheaper forms of shuttling across town – especially for shorter trips that cabbies may not like making. The Times noted that one local business owner touted the convenience of the carts. “It’s free, you can put six people in them, and the service is better,” said Andrew Bonnemort, owner of Café du Frain.

Adding to the cart owners’ frustration over now being deemed illegal is that permits for new cabs apparently are scarce. John Dingfelder, a transportation commissioner who voted against the Commission’s ruling, is quoted by the Times noting that the ruling “means they have to have permits as a taxi cab.” “And guess what?” he added. “There are no permits available.”

One electric cart company president, Chris Ireland, went so far as to tell the Tampa Tribune that the situation represented “collusion between the taxi cab industry and some members of the transportation commission.” And then there is the Commission’s chairman, Hillsborough County Commissioner Kevin White, who admitted that he believed “the cabdrivers want [the electric

carts] eliminated, not regulated.” Despite this, White voted for the ruling.

All of this puts the County government in the dubious position of favoring certain types of passenger shuttle businesses over others. And the losers in this dilemma are not just the cart operators. Local commuters are poised to suffer under this system – a system that, intentionally or not, has created a government-sponsored monopoly. The cabbies, granted these elusive licenses by the County, are now free from competition from the electric carts – competition that was clearly beneficial to commuters looking for more convenience and cheaper prices.

In a freer market in which both cabs and carts faced less government control and no legal barriers to entrance, the natural competition between them would lead to more commuter-friendly and efficient service. Commuters would be free to choose which shuttle service better suited their transportation and financial needs. But this is not the case under the current system where government has essentially, as Rand noted, “closed the entry of competitors into a given field.”

While maybe not “every” coercive monopoly was created by government intervention, this recent cart example has demonstrated that, at least in some cases, politicians can essentially create such monopolies despite the conventional wisdom that they are the champions of the frustrated consumer seeking an end to oppressive monopolies. Sometimes, conventional wisdom about government is just a myth perpetuated by the politicians who run it.