

[Let's talk about cartels](#) [1]

Written by [Tim Worstall](#) [2] | Wednesday 31 July 2013

We generally think that cartels are a bad idea: they're one of those conspiracies against the public that happen when businessmen meet together for pleasure and the like. There have been though those who insist that cartels are just absolutely great. They ensure decent profits for investors and unions can also claim a share of those profits in the form of "good jobs at good wages". Monopolies are just an extreme form of that cartel idea of course, where the cartel is within one firm. And the people who think that those cartels are a great idea really do scan the ideological spectrum. It's implicit in Fascist economics, such as there is an economics of fascism. It's what Roosevelt tried to do with the National Recovery Act (no, I am not trying to state that Roosevelt was a fascist, only that in his approval of cartels he had a similar policy to one followed by Mussolini *et al*) and it's implicit in all those calls for nationalised industry in Dear Old Blighty, where we can go back to the unions extracting some percentage of the monopoly profits for the labour force.

But we're just seeing a cartel breaking up, right before our very eyes. The potash cartel that is, a vital ingredient of fertilisers [worldwide](#) [3]:

OAQ Uralkali, the world's largest potash producer, upended the \$20 billion-a-year industry by ending limits on production that underpinned prices and halting cooperation with Belarus that controlled supplies from the former Soviet Union. The decision sent shares of potash producers plunging as much as 27 percent from Israel to Germany to Canada and the U.S. as investors speculated a flood of supplies will lead to prices will sink for potash, a soil nutrient that strengthens plant roots. Uralkali, part-owned by billionaire Suleiman Kerimov, said it exited the venture after Belarus undermined the sales agreements.

The shares of all of the producers plummeted. Clearly, the market was entirely sure that the cartel propped up profits. And the price looks set to fall substantially of the product itself:

"We see the potash price may fall below \$300 a ton after the change in our trading policy," Uralkali Chief Executive Officer Vladislav Baumgartner said. That's at least 25 percent below the current contract price for China and the lowest since January 2010.

The global market is around 34 million tonnes. Assume that \$100 price drop talked about there: that's \$3.4 billion that's going to be transferred from the pockets of the producers to the pockets of the consumers. Now what was it Adam said, ah, yes, the sole purpose of all production is consumption and the interests of the producer must only be attended to so far as they are vital to the consumer, or something along those lines, wasn't it?

The breakdown of just one single cartel makes consumers \$3.4 billion better off it seems. Which is really why we don't like cartels and monopolies, even if they do end up providing "good jobs at good wages".

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