Err, yes, this is how capitalism works [1]

Written by Tim Worstall [2] | Thursday 31 October 2013



I find myself distinctly confused to read this in the <u>newspaper</u> [3]:

He claimed the Big Six only offered competitive prices to customers once they called to say they were switching to another supplier. He warned that the companies responsible go ?unchallenged? by Ofgem, the energy regulator. ?A significant number of the Big Six are charging the maximum price they feel they can get away with to the customers that they feel will not switch under any circumstances and then maintaining the illusion of competitive pricing with tariffs targeted towards a very small number of relatively well-engaged customers,? Mr Fitzpatrick told MPs.

I'm not confused by what is being said, of course not. I'm just wondering why anyone thought it worthwhile to put into a newspaper. Seems to fail the dog bites man test to me.

For yes, of course, any and every suppiler will charge their customers the maximum they think they can get away with. It's rather the lifeblood of this production thing, trying to gain as much as possible for one's production.

It's also true that the ability of any one supplier to gouge their customers in this manner is limited by the fact that the gougee has an option to switch to another supplier of whatever it is. This is the competition part brought in by having a market structure.

Which leads us to the point that surely everyone has got by now. That it is the freedom of markets that limits and curbs the ability of the capitalist to rook the consumer. Which also leads us to our corollary that markets are a much more important point than is the capitalism or capitalist thing. Imagine that we had a socialist economy, producers were owned by cooperatives or the State. We'd still want, indeed need, those markets to curb the power of the producer to rook the consumer.

As, actually, we found out when the State did own the electricity and water companies and did have us all over a barrel on pricing and we had no market competition to moderate their demands upon us.

blog comments powered by Disgus [5]

Source URL: http://www.adamsmith.org/blog/energy-environment/err-yes-this-is-how-capitalism-works

Links:

- [1] http://www.adamsmith.org/blog/energy-environment/err-yes-this-is-how-capitalism-works
- [2] http://www.adamsmith.org/taxonomy/term/5778
- [3] http://www.telegraph.co.uk/finance/newsbysector/energy/10413463/Energy-giants-charge-as-much-as-they-can-get-away-with.html
- [4] http://disqus.com/?ref_noscript
- [5] http://disqus.com