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Common Error No. 95 [1]

Written by **Dr Madsen Pirie** [2] | Saturday 19 April 2008

95. "The economy offers too much choice. It wastes resources and confuses people."

Some commentators say that there are too many varieties of items such as lipstick, colours of toilet paper, and types of milk on offer. They suggest that this leaves shoppers not knowing which to choose, and that it represents a waste of resources.

But these resources are not wasted if people want them. To some people they may seem wasteful, but not to the consumers. Some people prefer full fat milk. Others choose semi-skimmed or 2 pecent fat. Still more opt for goat's or sheep's milk, and some for soy milk. People have their reasons for making these choices. In many cases they express a taste preference by their purchase. Others might consider health or nutritional factors. The supermarket shelves offering their variety of milk might confuse some, but they are simply responding to customer preferences. The same is true with other products

Markets respond to demand. They supply the goods people want in the forms and varieties that are sought. Those who are good at this have resources directed their way. Those who are bad at it find themselves struggling. Henry Ford famously offered his Model-T in "any colour you like, so long as it's black." He lost market share to rivals who offered the different colours buyers wanted.

In a planned economy one could commit the production of shoes to purple sandals of size ten. In the absence of any other footwear, people would buy them and one could point to the lack of waste in not producing different styles, colours and sizes. But the consumers would not have gained the products that satisfied their preferences.

Those who call product differentiation wasteful are those who would have the economy produce the priorities they thought appropriate and sufficient, rather than the ones which emerged from free choices by the population. Choice is the hallmark of free societies.

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