E Pluribus Unum for the Good of Whom?

Monopolies are not typically good for consumers. When few close substitutes exist for a good, monopolistic providers have increased pricing control and can raise prices on consumers. As long as there is freedom of entry and exit in the market, monopolistic pricing power is constrained by the fear that high profits will induce new competition into the market. When monopolies exist via government edict or sanction, they don’t have to fear new competitors, and therefore, can really stick it to consumers.

Not all goods are produced by the private sector. Governments produce things like police and fire protection, roads, and parks while charging people taxes to provide these services. People have different preferences for these public goods and have different tastes regarding taxation. If all public good provision is done by a monopolistic government, people won’t have a choice to buy the types of goods they want at tax rates they want to pay.

One of the reasons the US economy has done so well in the past is that we have allowed people to have choices regarding their preferred bundle of public goods. State and local governments are forced to compete with each other to attract residents and businesses. This competition (the Tiebout Effect – voting with your feet) ensures that governments cannot just stick it to their citizens by offering poor quality public goods at high tax rates. Of course, this process only works if you allow people and businesses to move from one jurisdiction to another.

I almost fell out of my seat when I read an Op-Ed piece in the Wall Street Journal today regarding a [lawsuit against Boeing.](http://online.wsj.com/article/SB10001424052748704570704576275351993875640.html?mod=WSJ_Opinion_AboveLEFTTop) The National Labor Relations Board is going to entertain a complaint by labor groups in Washington that complains that Boeing is building a new plant in South Carolina (a right to work state) to avoid having to hire unionized mechanics in Washington. If this board can tell a business that it can’t pick which state it builds a new factory in, you will see capital flight out of the US like never before. Capital is mobile. Even if cities and states can’t compete for factories and businesses, I assure you that other countries still can.

This development is but one more cog in a much longer chain that has worked to limit states’ ability to compete with each other. Obamacare imposed a one-size-fits-all health care mandate on the whole country. From low flush toilets and incandescent light bulbs to college loan providers and opposition to charter schools, the government and organized labor have been moving to take away people’s choices. Even Reagan imposed a one-size-fits-all policy for state drinking ages.

The more public goods are provided at the federal level, the less ability consumers will have to vote with their feet (absent leaving the country). Since there is no freedom of entry when competing with the federal government (it is defined as treason and punishable by death), we are left with the hope that government power will be dispersed as widely as possible to state and local governments to ensure competition for the benefit of consumers and taxpayers.

Unfortunately, that is not what is currently happening. The federal government continues to consolidate power and limit choice. The principle reason that the government wants to restrict choice is the same as any private sector monopoly. They want to be able to produce subpar goods and services while charging high tax rates. These high taxes get turned into higher wages for unionized government employees.

Americans would wig out if they were told that they could only buy one type of car just so car makers could make crappy cars and sell them at higher prices. Why shouldn’t they complain if they are forced to buy one set of public goods just so the federal government can produce poor services at high tax rates? We need to devolve power back to state and local governments. We need a pro-choice revolution.