



THE WASTE MAKERS

By --- Dr. Walter Block

(Dr. Block is senior economist at the Vancouver-based Fraser Institute.)

People have long suspected that a basic business practice is to purposely manufacture products which are inferior. Businessmen, it is assumed, do not want to turn out high quality, long lasting products. Instead, they manufacture shoddy products with "built-in" or "planned" obsolescence. When these products wear out, they must be replaced, thus manufacturers stay in business and prosper. This idea, always with us even if somewhat below the surface, received an unneeded, but widely publicized shot in the arm several years ago (1960) with the publication of Vance Packard's book, Waste Makers.

The theory of "built-in" obsolescence is fallacious. And, with the advent of the ecology movement, and the neo-Malthusian Zero Population Growth adherents, it is more important than ever to lay the fallacy to rest. According to the over-populationists, we have or are soon going to have too many people in relation to the earth's resources. In the view of the environmentalists, we are (that is, the free market system is) presently wasting the resources we have. In the view of still others, built-in obsolescence is a tragic, totally unnecessary component of this waste. Taken together, these groups pose an intellectual, moral, and even physical threat to a healthy and sane economy.

It is important to begin this critique by noting a truism: Either it costs more to build a product in the "proper" way, so that it does not wear out "before its time," or it does not. Either a product is shoddy because the manufacturer

instructs the workers to turn out inferior merchandise, or because it is cheaper to make it that way.

A true example of built-in obsolescence is the case where no cost saving is gained by making an inferior product. It is as if a time bomb were placed in an otherwise sound piece of merchandise. The consumer does not know it, but the object is scheduled to "self-destruct." This practice clearly is wasteful. In economic parlance, society is foregoing higher quality goods which have no alternative costs.

Such behaviour, however, will not take place in a private enterprise market economy because it is not survival oriented. Businessmen who engage in planned obsolescence of this sort will decrease their profits, increase their losses, and eventually go bankrupt. Some customers will surely stop buying from a firm which sells inferior quality merchandise at standard prices, and patronize other firms which sell standard quality merchandise at the same standard prices. The firm in question will lose customers, without any compensation in the form of lower costs, and the other firms will gain the customers lost by the waste making company.

But the fear which many consumers have is not that one businessman will manufacture products with built-in obsolescence, but that all manufacturers will. In that case, it is supposed, the consumer would be trapped.

To those who consent, no injustice is done

What would the consequences be if all the manufacturers in an industry agreed, via a cartel arrangement, to turn out low-quality products in order to increase replacement sales? It seems clear that every manufacturer who was a party to the agreement would be powerfully tempted to raise the quality of the goods he was making - in other words, to cheat on the agreement. If all the others turned out products of the same poor quality (as they agreed to do) and if he made products which were only slightly better, he would gain customers and increase his profits. Given the profit motive (which was the incentive for the cartel) the members would not likely honor the agreement.

Planned Obsolescence will not take place in a private enterprise market economy because it is not survival oriented.

Secondly, there will be great temptations for businessmen outside the cartel agreement to enter the industry. By turning out products even slightly better than those turned out by the cartel manufacturers, they will attract customers and profits.

Paradoxically, the forces tending to break up the cartel would become stronger as the cartel became more successful. For the stronger the cartel, the greater the decrease in the quality of the product. The lower the quality, the easier it would become to attract competitors' customers. Even a slight increase in quality would accomplish this.

Advertising also hastens the process of breaking up cartels which try to restrict quality. In fact, advertising tends to prevent their formation in the first place. Advertising builds up brand names with attached good will. The brand name stands for a certain level of quality. If a firm allows the quality of its product to deteriorate, it loses the good will it has spent millions attaining.

Independent rating agencies like Consumers Union also tend to prevent cartels from forming, and to break them up if they do occur. By keeping strict tabs on the quality of merchandise, such rating

agencies keep the public apprised of even slight deteriorations of quality.

Finally, even if all members maintain the agreement, and no outsiders step in, the restriction on quality is still more likely to fail than to succeed. For it is impossible for all manufacturers to restrict quality to exactly the same degree. The ones who restrict quality the least will inevitably gain better reputations, more customers, and increased profits. The market will continue to be a testing ground, weeding out companies which produce inferior goods. Failing the test means bankruptcy; passing the test means survival.

It seems clear then, that in a free market, cartels cannot be maintained. But they can be maintained, and built-in obsolescence with them, if the government steps in. For example, when the government sets up guild-like restrictions on entry into an industry, cartels are encouraged because competition is discouraged. Thus the interests of those already in the field are protected. Whatever agreements they may have made with one another can be maintained. If they have agreed, as a matter of policy, to restrict the quality of production, that policy has a chance to succeed. The effects of government participation can be seen in many fields. Consider medicine. The U.S. government, at the behest of the American Medical Association, has succeeded in banning the use of acupuncture. Acupuncture practitioners threatened the positions of licensed doctors, and the AMA, which functions as a cartel, exerted great pressure against them. This was, of course, in line with its general policy of keeping doctors' salaries high regardless of the quality of service. In the same way, psychologists and psychiatrists, with the help of the government, harass practitioners who are in competition with them. They are seeking to ban all those (encounter group leaders, etc.), whom they themselves have not licensed to practice.

The government has also at times prevented the operation of the internal forces which tend to break up cartels. The railroad cartel is a case in point. Member companies of the railroad cartel agreed to cut back on the quality of service in order to force prices up. But, as could be

predicted, with higher prices there were fewer passengers. Each railroad began to try to attract the customers of the other railroads by cutting back on the stated price. This would of course have destroyed the cartel. As it happened, the price cutting took the form of price rebates. But instead of allowing this practice to continue, and thus ruin the waste-making cartel, the government prohibited railroad rebates. And the railroad industry has not recovered yet.

A third way in which the government contributes to the problem of built-in obsolescence is by propping up companies which, because of the low quality of the goods they produce, cannot survive the competition of the market. Many of the subsidies that the government makes available to businessmen serve only to support businesses which are failing because they have been unable to serve their customers.

Let us now consider the second alternative, the case where it costs more money to increase the quality of the product. Here the analysis is just the opposite. This kind of planned obsolescence occurs on the unhampered market every day, but it is by no means wasteful or senseless! It is part and parcel of the choice of quality offered to consumers.

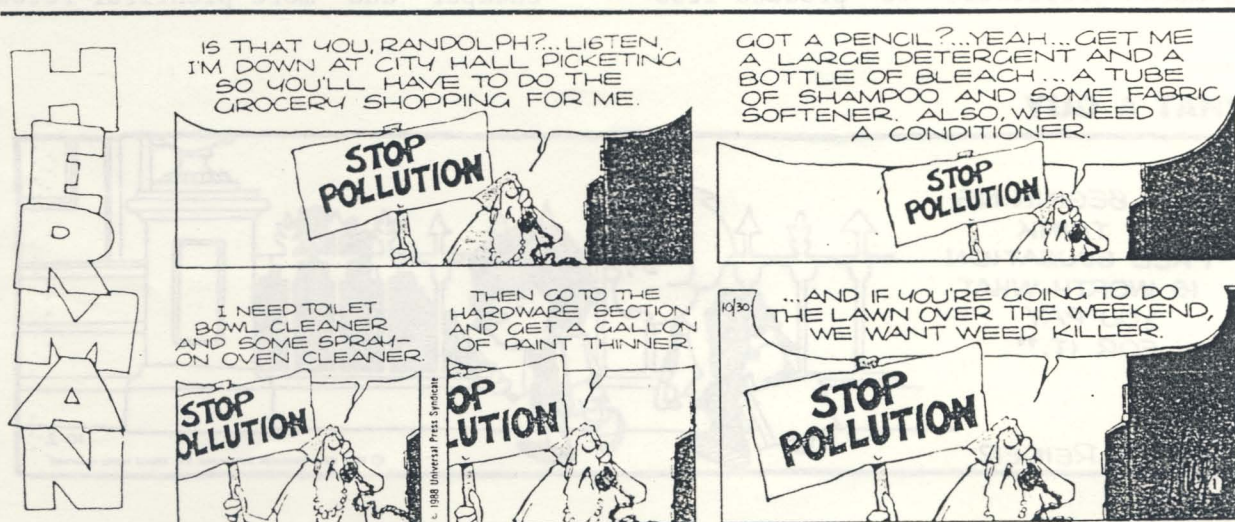
Consider the following hypothetical table of the cost of automobile tires and the life expectancy of each tire.

Brand	Cost	Average Longevity
Tire A	\$10	1 year
Tire B	\$50	2 years
Tire C	\$150	5 years

When purchasing tires, the consumer is given a choice between higher quality, and higher-priced tires, or lower quality, and lower priced tires. Of course the \$10 tire is not expected to last as long as the \$150 tire! It was made in such a way that it will wear out sooner. This might be termed "built-in" obsolescence. But where is the waste? There is none. The manufacturers of cheap tires are not taking advantage of a helpless consumer market. They are not trapping people into buying low quality goods. They are manufacturing what people want. If some manufacturers of low quality tires were convinced by the ecologists that their products were "wasteful," and stopped producing them, the price of the low quality tires still available would simply rise because the demand would continue to exist while the supply decreased. This would in turn set up irresistible pressures for manufacturers to get back into (or enter for the first time) the low quality field, as profits there began to rise. In this way the market would tend to bring about consumer satisfaction.

The lowly paper plate can serve to further illustrate the point that built-in obsolescence is not wasteful when low quality products are cheaper to make than high quality products. Who would ever think of blaming paper plate manufacturers for built-in obsolescence? Yet there is the same quality price combination of choices in plates as in the tires. One can buy, at increasing prices, paper plates, plastic plates of varying quality, ceramic and clay baked plates, on and up through plates of the finest quality china.

It is indeed strange that people blame built-in obsolescence for breakdowns in their cars, and not for the rapid



deterioration of their paper napkins. But in both cases there is higher quality merchandise available, at higher prices. The choice is the consumer's. There is no more sense in complaining that low quality cars break down than there is in complaining that paper cups do not last very long. Less expensive products are not made to last as long as more expensive products! That is why they cost less. Clearly, built-in obsolescence which reflects consumer choice is not wasteful.

But isn't low quality in and of itself wasteful because it uses up our resources? Even if built-in obsolescence is not a problem in paper plates, aren't paper plates themselves wasteful because they use up wood?

One problem with this way of looking at the matter is that it assumes that lower quality products use up more resources than higher quality products. To be sure, the lower the quality of the product, the more likely it is that replacement and repair will be necessary. But, on the other hand, higher quality products use up more resources at the outset! The issue is really one between a high initial outlay and small subsequent outlays for a high quality product, verses a low initial outlay and greater subsequent outlays (repairs, replacements) for low quality products.

In a free market, the consumers decide between these alternatives. Products are made which are least wasteful in the view of the consumers. If consumers decide that, given rapid changes in fashion, it is wasteful to buy clothing that lasts for five years or more, manufacturers will find it more profitable to produce less

durable, less expensive clothing made out of paper. Similarly, if consumers wanted cars that would last longer, producers would offer such cars. If consumers wanted these with all the present frills and comforts they would offer them at a higher price. If consumers preferred, manufacturers would offer them at the same price as the lower quality cars, but without the extras.

Isn't low quality in and of itself wasteful because it uses up our resources?

Furthermore, in a free market, "using up" resources does not pose a serious threat. As scarcities develop, powerful forces automatically come into play to correct them. For example, if wood were to fall into short supply, its price would be forced up. As a consequence, consumers would buy fewer products made of wood. Producers would tend to substitute other materials for wood wherever possible. Cabinets, furniture, boats, etc., would be made of other, less expensive materials. New, possibly synthetic, materials would be developed. Greater care would be taken to recycle the suddenly more valuable "used" wood. Old newsprint, for example, would be chemically treated and re-used with greater efforts. The increased price of wood would provide incentives for entrepreneurs to plant more seedlings and take care of forests more intensively. In short, given a dearth of one or even several resources, a free economy automatically adjusts. As long as its adjustment mechanism, the price system, is not interfered with, other cheaper and more plentiful resources will

WHAT A GUY



be substituted, and those in short supply will be better preserved.

But what would happen, it may be asked, if not just one or several, but all resources were in short supply? What would happen if we depleted all our resources at the same time? This is the stuff from which science fiction is made, so we will have to indulge in a bit of science fiction ourselves to deal with it. But we will stop short of assuming that everything magically vanishes from the face of the earth. In that eventuality, we would have nothing helpful to suggest.

In order to make sense of the view, we will not assume that all resources suddenly disappear, or that the earth suddenly shrinks and shrivels away, but that economic resources get used up and turn into ashes, waste, and dust. For example, we will assume not that coal disappears entirely, but that it gets used up and replaced by ashes, dust pollutants, and chemical derivatives of the burning process. We will also assume that all other resources get "used up" in the same sense, that is, that they become useless to us.

To deal with this horror, two things must be borne in mind. First, there is good reason to believe that new sources of energy will be discovered or invented as present sources are depleted. There are no reasons to assume that this will not be the case. The human race has passed from the stone age, to the bronze age, to the iron age. When coal sources were depleted, oil was used. After oil, there

will be other sources of energy, possibly nuclear. To ignore this technological phenomenon would be to hopelessly distort the issue.

In the second place, we must realize that the direct and indirect source of all energy is the sun. It is the source of every type of energy presently used, and it will be the source of whatever types of energy our technology may produce in the future. But the sun itself will not last

What would happen if all resources were in short supply?

forever. When it goes, humanity goes, unless we are technologically advanced enough to either reenergize the sun or relocate on another planet with a younger sun. Whether we will have a technology competent to accomplish this when the time comes, depends on choices we are making now. If we exploit the resources of the earth, use them, find replacements for them, learn from such exploitation, our technology will continue to develop. If we do not, and are motivated by fear, and have no faith in our ability to meet challenges, we will hoard the resources we have at present, and we will not grow any further. We will be waiting, ostrich-like, for the sun to go out and the world to end, having foregone the advanced technology that only increased population and exploitation of the resources the earth makes possible.

On The Fastrack



It is no part of the State's duty to facilitate the spiritual redemption by impoverishing them in this life. --- John Grigg

AUTO-CRATIC INSURANCE

By --- Barry Fitzgerald

(Mr. Fitzgerald is President of Freedom Party's Welland Thorold Constituency Association.)

Why has auto insurance become a political issue? Has the free market failed us so miserably that government intervention is required?

The short answer is that government regulation of the insurance industry has long since taken insurance out of the free market. The problems we now see are a direct result of government interference.

Socialist elements have always tended to prefer social programs over economic fairness. Note that they are primarily concerned about insurance rates and profits, but the plight of the injured accident victims is very seldom mentioned. They do not dispute that the present legal system can take many years to resolve a claim. Yet this is a major cost factor because of legal fees and often causes great hardship for the victim.

I have heard many people talk about "fair" insurance rates, but what they usually mean are "unrealistically low" rates. The objective definition of a fair premium is one that is directly proportional to the probability that one will have an accident and the cost of the claim.

Insurance companies have always compiled statistics and set up actuarial tables that are used to classify drivers in order to set rates. While this system does not consider the driver as an individual, but as a member of a classification group, it would seem impractical to break down the classification in any other method that would allow for a more "fair" rate.

The Liberal government is still committed to eliminating the so called "discriminatory" classifications. The end result will be that the number of people in a rate group will increase greatly. This will cause most people to pay a less "fair" rate as most will be paying either too much or too little, to the benefit of the worst drivers.

Ontario is entering into a partial NO FAULT scheme. This is bad news for most future accident victims as benefits are limited by a low ceiling figure for lost income and a "meat chart" approach to bodily injury. It has many of the same features of Workers Compensation Plan, so it would not be a surprise, if someday the auto accident victims organized and marched on Queens Park demanding justice in a similar manner to the Injured Workers Groups.

Ontario's largest auto insurance company, The Co-operators predicts no fault insurance will cause a 10% to 15% saving but they also point out that premiums are already 30% too low due to government controls on premium increases. This makes it clear that insurance rates will not decrease, but increase up to 20%.

Socialists are more concerned about insurance rates than the plight of the injured accident victim.

The Co-operators also reported that they paid out 131.9% of premiums for third party liability in 1988, and that they actually gained .9% on collision and 9.1% on comprehensive policies. Investment income covered some of the loss. The rest of this deficit had to be made up from somewhere. Some other possible sources are lower rates on R.R.S.P.s or higher rates on other types of insurance.

It is not fair to subsidize drivers from retirement savings or non drivers seeking homeowner or other types of insurance.

If you want to be fully insured after no fault comes into effect you will have to go out and buy additional accident insurance.

The beneficiaries of all this government intervention are not the responsible drivers nor the innocent (i.e.

not at fault) accident victims. They are the losers who would be best served by a real free market insurance industry operating under the tort system with a simplified and streamlined court system to resolve claims that cannot be negotiated out of court.

There are over 150 insurance companies in the Ontario market. With that kind of competition, in a free market, the consumer should be very well served. Unfortunately, it only takes one government to prevent this from happening.

THE OBSOLETE DEBATE

By --- Dr. William E. Goodman

(Dr. Goodman is a member of the Freedom Party and an otorhinolaryngologist in Toronto. This article originally appeared in the Sept 16, 1989 issue of Family Practice.)

The recent legal, political, and media upheavals about abortion prompt me to ask: Does abortion matter any more? Recent scientific advances, specifically in pharmacology (Dr. Emile-Etienne Baulieu's anti-implantation drug, RU-486), and biotechnology, (IVF, surrogate motherhood, genetic engineering), have made the arguments by both sides virtually obsolete. One might as well argue about how many angels can dance on the head of a pin.

I have great sympathy for the pro-lifers. Once it is legal to kill, where does it stop? Is inconvenience a sufficient reason for terminating an incipient life? And will state-sanctioned euthanasia come next, eliminating the "inconvenience" of supporting the old and disabled?

I also have great sympathy for the pro-choicers. How can anyone with a grain of compassion condemn a rape or incest victim, a careless 14-year-old girl, or a married woman with more children than she can handle? Is such compulsion fair to the woman and the unwanted child?

The idea that one can define legal (or at least moral) permissibility of abortion on the basis of whether a fetus is a human being requires re-examination, too. There is no doubt that a fetus is a living thing. When I was a medical student at McGill University many years ago, we did experiments in frog parthenogenesis which

proved that every frog egg was, by itself, a potential frog, even without the benefit of sperm. We produced a frog which had a mother but no father.

It is no longer possible to classify abortion views as purely black and white.

Recent experiments using other life forms have shown that it is possible to initiate cloning in somatic (i.e. not sex) cells, thereby producing an organism that has neither mother nor father. In the near future this technique may become technically possible in humans as well.

One must, therefore, pose some difficult questions: if abortion is murder, is it murder to ejaculate outside of the vagina since it condemns hundreds of millions of living "potential" human beings to a fruitless death?

Is contraception murder? Am I equally guilty every time I pick my nose or scratch my backside, thus killing a few living skin cells which might, with today's technology, be potentially clonable human beings?

Obviously, it is no longer possible to classify abortion views as purely black and white. The best we can do is to strive to reach a consensus on the range of permissible shades of grey.

THE JOKES ON US!

A humourous look at the words which shape politics.

Budget Cut: Formerly, a decrease in government spending. Now, a decrease in the rate of increase in government spending.

Bureaucracy: A perpetual inertia machine.

Common Good, the: The good of those who use the expression, "the common good."

Considerate: Thoughtful of others and of what they can do for you.

Defenseless: In the position of the American taxpayer, who the Pentagon and its allies have over a pork barrel.

Doubt: The philosophical device Descartes so cleverly used to prove everything he previously believed.

Draft: An ill wind from which many a young man has caught his death.

Foreign Aid: Handouts across the sea.

Good Citizen: An obedient slave.

Impeachment: In the U.S., the presentation, by the House of Pots, of formal charges of blackness against a

kettle on the Federal stove. This is a Constitutional prerequisite for the removal of the kettle from its burner.

Marijuana: A substance which can cause deterioration of mental functioning and a tendency toward paranoia in chronic non-users.

Objectivist: A person of unborrowed vision, who never places any consideration above his own perception of reality, who never does violence to his own rational judgement, and who, as a result, agrees completely with Ayn Rand about everything.

Opinion Molder: One who sculpts using stupidity as a medium.

Parapsychology: Science qua seance.

Public Opinion: The prevailing idiocies, delusions, and impossible dreams of the people, collectively.

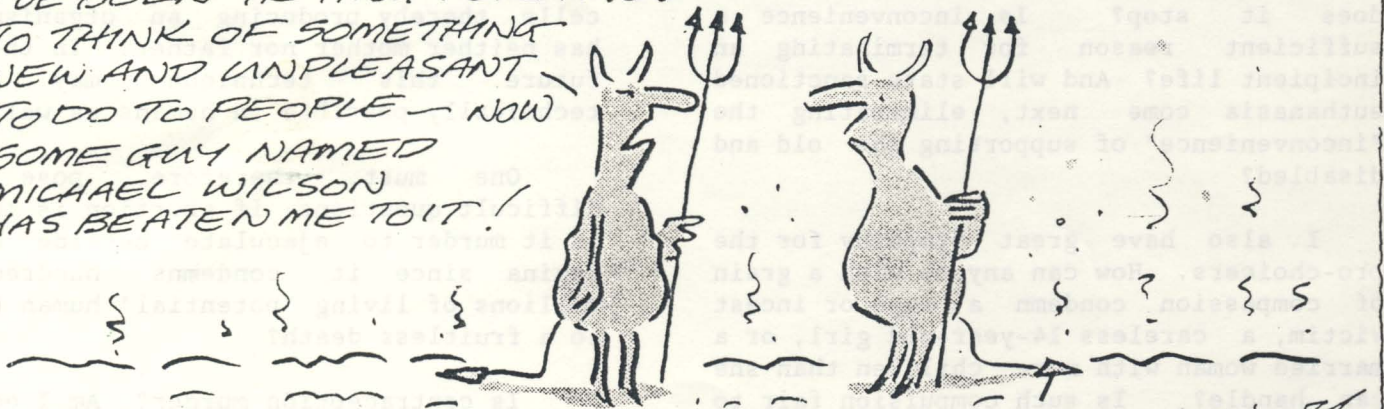
Stalinism: Rugged collectivism; dog-eat-dog socialism.

Utopia: The best of all impossible worlds. A product of myopia.

(Exerpts from: Lucifer's Lexicon Published by: Loompanics Unlimited, P.O. Box 1197, Port Townsend, WA 98368)

HUTCH

I'VE BEEN TRYING FOR AGES
TO THINK OF SOMETHING
NEW AND UNPLEASANT
TO DO TO PEOPLE - NOW
SOME GUY NAMED
MICHAEL WILSON
HAS BEATEN ME TO IT!



Political chaos is connected with the decay of language ... one can probably bring about some improvement by starting at the verbal end. --- George Orwell

Consent: No. 10, Sep - Nov 1989 is published by the Freedom Party of Ontario, a fully-registered Ontario political party. Contributions are tax-creditable. **Subscription Rate:** \$25 for six issues. **Managing Editor:** Robert Vaughan. **Consent** welcomes unsolicited manuscripts, submissions, and comments. **Mailing Address:** P.O. Box 2214, Stn. 'A', London, Ontario, N6A 4E3. **Phone:** (519) 433-8612. **Freedom Party of Ontario Statement of Principle:** Freedom Party is founded on the principle that: Every individual, in the peaceful pursuit of personal fulfillment, has an absolute right to his or her own life, liberty, and property. **Platform:** Freedom Party believes that the purpose of government is to protect the individual's freedom of choice, not to restrict it.