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Monopoly is the enemy of growth

From Mr Daniel J Aronoff.

Sir, I would like to make two comments on Tim Harford's very insightful argument "Monopoly is a bureaucrat's friend but a democrat's foe" (August 13).

The Harberger triangle is a static concept representing the lost consumer surplus resultant from the monopolist's overcharging for its product. It is generally thought to be of small magnitude, as Mr Harford reports. But the eponymous Professor Arnold Harberger argued in his presidential address to the American Economics Association that competition – operating within a stable legal and monetary framework – was the primal source of innovation, which drives productivity and economic growth. It follows that monopoly is the enemy of growth.

I disagree with Mr Harford that "as human freedoms go, the freedom to take your custom elsewhere is not a grand or noble one". To the contrary, it is what makes our freedom worthwhile. That our fellows must offer things to please us in order to earn a living, or to induce us to work with them, is the lever that gives us a voice in our circumstances. The capitalist system, organised around what Adam Smith called our "natural liberty", has the fortunate consequence of maximising societal wealth as well. The most powerful argument against monopoly – in both the private and public sectors – is that it infringes upon our freedom and our wealth.

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