

Speaking Out:

Living by profit

by Bill Becker

In his recent letter, ██████ asserts that we should “free the insurance market from the 1,900-plus government mandates so they can tailor policies to the needs of people and you will see reform” [“What does all this have to do with health care?,” Letters, January 8, 2010].

In fact, ██████ seems to have misread the history of deregulation since President Reagan made it the dominant force in

America’s political economy — so dominant that even Democrats had to jump on the bandwagon if they wanted to be re-elected. The deregulation frenzy led directly to the savings-and-loan scandals of the 1980s, the Enron cesspool early this decade, and the recent economic meltdown caused by unregulated greed in the financial market. (It is preposterous on its face to suggest that these events were caused by too much regulation left intact.)

That said, perhaps the best rejoinder to ██████’s remarkable proposal comes from the father of capitalism himself, Adam Smith. Speaking of the economic power-brokers of his own time, “those who live by profit,” Smith was unequivocal.

Their interest, he writes, “is always in some respects different from, and even opposite to, that of the public. To widen the market and to narrow the competition, is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public; but to narrow the competition must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens. The proposal of any

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new law or regulation of commerce which comes from this order ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.”

Smith prefaced the above remark with the observation that

profit “is naturally low in rich, and high in poor countries, and it is always highest in the countries which are going fastest to ruin” (*Wealth of Nations*, Book I, Chapter XI, The Rent of Land. Bantam Classic, 2003; Page 335).

Thus has Smith's wisdom proved prescient, as the pathological drive for profit is indeed reducing America to ruin.

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