

The stupidity of dogmatic thinking

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Some dogmas of economy always ran undisputed. In particular, economists are fond of

- The refusal of *monopoly* (which the private sector likes very much, instead...)
- The love for *competition*
- The adoption of *price* as "the absolute reference" (everything in economy spins around it, as once the sun around the earth ...)
- The insistence – always and anyway, even for the public sector – for *profit*-based management, or similar concepts
- The respect – eventually no longer by academicians, but still solidly by practitioners (with politicians in the forefront) – for the pseudo-measure of well-being, too far from perfection, called *GDP* (*Gross Domestic Product*).

Theory states that

- A *monopoly* (originally, and mostly, public) earns a higher price for its products or services than it would in case of full *competition*
- Fostering competition (with every player pursuing *profit* and therefore, implicitly, efficiency) allows to reduce *prices*, widen the customer base and bring well-being and *GDP* growth in the end.

At first sight, it sounds right. What a pity, then, that many an implementation brought severe damages, greater than expected.

Let's take the example of Italian telecommunications. Damages, for everybody, came from

- Privatizing a public *monopoly* without liberalizing, with the short-sighted logic of decreasing the public debt (which needs more / more focused efforts to be effectively reduced) and, above all, believing only in the *profit*-oriented motivations of private hands to attain efficiency
- Opening (lately and badly) to *competition*, without thinking that no natural monopoly (like the last mile of the TLC network) can be put under control by means of an access *price* to be paid by other players (this difficulty remains valid even if the monopoly starts being at stake with the emergence of wireless technology). On one hand, too many and too strong are the forces which form alliances against any monopoly control (were it not sad, some economic theory would be "wonderful" when it states: "the regulatory bodies may end-up being governed by whom they should oversee..."). On the other hand, the "right" price for network access cannot be found despite the efforts (at least, because too many are the economic theories – all different from one another – which want to indicate how this price should be determined)
- Emphasizing – as economic policy accomplishments – the *price* reduction for consumers and the economic growth in the telecom sector and nearby ones (*GDP*), without considering the downsides for the overall system, namely the complexities and extra-costs of competition which nobody considers (...and *GDP* accounts as positive). What do consumers earn from a crowd of telecom operators, from so numerous as obscure tariffs, from so many as, mostly, useless services (to the point of paying people for calling you at home to try to sell services you don't need), from the advertising over-communication (which is anyway included in the final price)? It is true that prices eventually soften, but they do it slowly while confusion builds-up...

The example of the UK railways is similar. Their new arrangement distinguished itself negatively, with great failures even in terms of safety.

Maybe, the infrastructure deregulation model should be reviewed...

Putting into discussion, with hindsight, the above indicated dogmas (*monopoly, competition, price, profit, GDP*), we could have started a largely different course, without damages and with larger benefits.

An "engineering" approach – there's nothing harmful in trying to arrange things better than economists and politicians do – would have

- Kept the public *monopoly*, without privatizing and/or liberalizing (the best destiny for a natural monopoly, like the last mile of the telecom network, is to be managed at best as such, or ...to be given to users. "To everybody his twisted pair": somebody put forward this idea in 1996, but he doesn't seem to have been listened to...)
- Treated telecommunications not as a service, but as an *infrastructure* to offer to the economic system at *zero price* (concept which, differently from dogmas, is almost missing in economy) with management focused on costs and bound by a service / investment agreement. It's not a crazy idea: somewhere else motorways are free and in Italy, basic (and also non basic) healthcare is practically free
- Limited the task of the regulatory authority to the definition of the service agreement, the investment levels and the cost targets (were they still held by a public hand, Italian motorways – Autostrade – would not have transferred non-investments into profits)
- Not only reduced, but zeroed the price of the basic infrastructural services (without activating on these basic services a useless competition, to be left open only on "nice to have's"), with even better effects for the rest of the economy
- Given-up some "fake" GDP, with fewer advertisements and, above all, greater general efficiency.

All the above did not happen because politicians do prefer a complex system to "manage" (i.e. to speak about and to put their hands on), rather than simple and effective choices, which do not need any political intervention. But this is just a side-cause.

Please, raise his hand the economist who proposed anything similar at the proper time ...

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To take the doubt away from the reader that here it's just hindsight, I remind that at the end of the '80ies – when I knew banking better than telecommunications – I put forward two proposals which might immediately reach targets which today, eighteen years later, can be just foreseen. I proposed

- *In 1989, to merge Telecom with Comit (Banca Commerciale Italiana), Credit (Unicredito) and Banco di Roma (I forgot the Post Office, since I was thinking of a paperless world already), to make Telecom provide a low-cost payment network and to focus the banking competences on credit and investments*
- *In 1990, to integrate all the Italian Savings Banks in operational terms, by means of the network of their Central Category Institute (ICCRI), in order to provide even the smallest ones with the products of their major sister banks (competing in content and price), thus making their category much more competitive and efficient.*

Acting as proposed, Italy would quickly reach a banking system setting with efficient payments and with two big players of "European" size already...

Also today I have ideas to put forward (ICT, city traffic, ...), but dogmas keep raging unperturbed. Is there anybody willing to accept that ...trams are one of the greatest obstacles to traffic improvement?