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## ***The Competition Solution*** ***The Bipartisan Secret behind American Prosperity***

**By Paul A. London**

### **Key Points**

1. The American economy performed brilliantly in the 1990s principally because new competitors had challenged the monopolies and oligopolies of the 1960s and 1970s. Competition produced better products sold at better prices. This helped consumers and forced industries to invest in more innovative and efficient ways of doing business.
2. The economy can do well in 2005 and beyond only if political leaders continue to support fierce domestic competition where it exists and encourage it in sectors where it is still weak. In particular, competition can improve two major sectors of our economy—health care and education—that are still largely monopolies handicapped by rising prices that inadequately serve low-income people.
3. By the 1990s, competition had broken down the old, unimaginative monopolies and oligopolies that dominated industries such as automobiles and steel, telecommunications, transportation, finance, and retailing. Established interests that had been able to set prices in the 1970s had lost that power by the 1990s. For example,
  - The Big Three auto companies and the United Auto Workers (UAW) had been forced to compete with Volkswagen and the Japanese automobile companies.
  - Big Steel and its union were facing new domestic “minimill” competitors as well as imports.
  - The truckers and the Teamsters could no longer set prices in cozy “rate bureau” proceedings.
  - The airlines, railroads and their unions were facing competitors like Southwest and Jet Blue.
  - AT&T and the Communications Workers had to battle MCI and dozens of other newcomers.
  - The once-dominant northeastern financial institutions such as the big New York banks, the New York Stock Exchange, and insurance companies by the 1990s had to compete with junk bond financing, Nasdaq, and bigger regional banks.
  - Locally powerful department stores, grocery, and similar chains had to face the rise of Wal-Mart and other new retailing challengers.
4. Surprisingly, a succession of American presidents, regulators, the courts and the Congress gave bipartisan political support to the new challengers in every one of these sectors of the economy. Although conventional wisdom holds that powerful “special interests” get their way in America, the established economic interests of the 1960s and 1970s lost time and time again.
5. Competition, not tax changes or Federal Reserve policy, killed inflation and led to soaring investment, productivity, employment, and economic growth in the 1990s: the economic newcomers all made money by better serving the less affluent.