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John Stossel:

By JOHN STOSSEL

In a fair cyber-world, you'd pay less

THE INTERNET has revolutionized the marketplace by, among other things, eliminating middlemen. Internet car-buying services let you shop for prices and options without leaving home. "For sale by owner" websites show you houses for sale. Uh oh. Can't have that, can we?

In a truly free market, businesses can't kill competition because they can't use force. Unfortunately, in our "mixed economy," they can get their friends in politics to use force to stifle competition.

Adam Smith saw it all the way back in 1776. In "The Wealth of Nations," he wrote, "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices." He advised that any legislation such a group proposed "ought always to be listened to with great precaution."

Detroit and its dealers wield enough influence in state capitals to make direct sales of cars on the Internet illegal everywhere but Alaska. Every year the automotive industry spends millions of dollars fighting government regulation, but when it can use government for its own ends, it does.

When I confronted David Hyatt, spokesman for the National Automobile Dealers' Association, about that, he said, "If the manufacturer sells directly over the Internet, it leaves the dealer in an unfair competitive situation."

"So what?" I asked. "The Internet put lots of middlemen out of business. Consumers like it. I don't want to buy from the dealership!"

Hyatt answered, "There is a very healthy system in place."

Healthy for his car dealers, anyway. Less healthy for consumers.

Similarly, now that more home sellers sell their homes themselves, real estate agents are using their political clout to try to protect their 6 percent commissions.

In 2001 and 2002, California's Department of Real Estate, run by (surprise) a real estate broker, sent warning letters to some "for sale by owner" websites, demanding that they comply with licensing laws for brokers. In 2004, a federal court held this demand unconstitutional.

Limited-service "discount" brokers also threaten brokers' 6 percent commissions. They offer services at lower rates, like a flat fee of \$250 to host a two-hour open house or \$499 to review the contract paperwork.

So traditional brokers have won "minimum service" laws in many states that force discount brokers to offer more services — and thereby force consumers to pay higher fees.

When I confronted David Lereah, chief economist for the National Association of Realtors, about that, he said, "Not everyone is providing the adequate amount of services to protect the consumer."

Excuse me, but if I want a Realtor to protect my interests, I'll hire one. I didn't hire them to protect me from concluding I don't need their services. If I think I'm better off selling my home with less help than they want to sell me, that should be my choice.

Part of being a free person is deciding for yourself what's in your interests. That doesn't mean you can't get expert help, but it does mean you get to decide when, how much, and from whom. If the Realtors think "for sale by owner" and discount brokerages are bad options, they should — as they do — make their case through advertising.

Ironically, the same industry asking government to keep home sales expensive has itself been a victim of government meddling. Real-estate agents share information through what are called "multiple listing services." It's one of their best services, and it costs money and effort to maintain. But the federal government is trying to force the brokers to let their competitors take advantage of their invention.

Why not let real-estate services compete on the open market? Traditional brokers provide a lot of knowledge and effort, and their multiple listing services reflect big investments; if you want the benefit of their energy and expertise, it's only fair that you should pay for it. But if you think you're better off with a cheaper alternative, that should be your choice, too. The government should stick to enforcing the contracts you willingly decide to make.

John Stossel is co-anchor of ABC News' "20/20" and the author of 'Give Me a Break.'

