

Why Franchisors Hate Fair Markets

Prompt: According to classical economic theory, when markets are *fair*—when there is competition among both buyers and sellers—they yield an economically optimal result. Explain the meaning behind the following organizational theory observation: **the last thing that corporations in the fast food industry want is a truly fair market.**

Based on the definition provided of a fair market, the notion that the last thing that corporations in the fast food industry want is a truly fair market essentially means that fast food corporations are in direct opposition to fair or equal competition between buyers and sellers. This can be seen in *Fast Food Nation* when Schlosser describes the ways in which fast food companies attempt to get an upper-hand on the buyers of their franchises. Essentially, the current system is set up such that the franchising fast food corporations are more capable of maximizing their profit and thus are able to obtain a more economically optimal result than those who purchase their branches, or moreover that an unfair market exists. This is due to the fact that franchisors are positioned such that they gain from selling more franchises than by actually having the franchises be successful. Attempts at government regulation of this system have been seen by the propositions making franchisors adhere to the U.S. Uniform Commercial Code that would effectively limit encroachment of other franchises and thus protect franchisees from losing business to others of the same corporation while the corporation is able to unfairly profit from both franchises. Although this legislation would simply include fast food chains in laws that already govern many other aspects of the economy, the International Franchise Association (IFA) claims this would interfere with “free enterprise contract negotiations.” This claim by the IFA is a direct embodiment of the fact that the current relationship between sellers of fast food franchises and their buyers is an unfair market that does not follow legislation as it applies to other markets and the fast food industry is ardently fighting to keep it this way.