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New Ways of Finding Buyers of Commercial Products as Civilizations Change

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The marketplace is where the buyers and sellers of commercial products come together to exchange products for money. The price represents the sum of money required to purchase a unit of the product agreed upon by the two parties. That is the free market. However, this paper will focus on the process by which buyers and sellers are brought together. It will show how that process has changed as humanity has progressed from one civilization to another.

The scheme of civilizations used in this discussion is that presented in my book, *Five Epochs of Civilization*. There is first a period preceding civilized societies that we call “prehistoric.” Then comes the first civilization, in which government organizes settled communities and keeps the peace internally. The second civilization, dominated by world religion, provides a moral basis for society. The third civilization, dominated by commerce and secular education, produces the type of literate society that one would associate with Victorian England. The fourth civilization is the age of entertainment (or pop culture) that reached its fruition in the 20th Century. The fifth civilization, now in its infancy, is whatever culture computers will develop.

These five civilizations each have a dominant communication technology that was invented at the beginning of its epoch. Civilization I is based on ideographic (non-alphabetic) writing. Civilization II, in the Western world, is based on alphabetic writing. Civilization III is based on printed texts. Civilization IV is based on electric or electronic communication (movies, radio, television). Civilization V features computer-based communication via the Internet.

If one had to assign dates to these historical epochs, they might be:

- Civilization I: 3000 B.C. to 550 B.C.
- Civilization II: 550 B.C. to 1450 A.D.
- Civilization III: 1450 A.D. to 1920 A.D.
Civilization IV: 1920 A.D. to 1990 A.D.

Civilization V: 1990 A.D. to present.

Keep in mind that these dates are approximate. There is significant overlapping and variation by geographical regions. For instance, Americans may be moving from an age of mass entertainment into a computer-based culture, but in parts of the Islamic world, the culture may be closer to that described by Civilization II. However, our purpose here is not to discuss civilizations but markets. We want to see how the process of buying and selling commercial products has changed over the years. In particular, we want to see how buyers have been assembled and matched with sellers in the market place.

The merchant is someone who sells commercial products in order to make money. This person is motivated to bring the goods to market. He may be a long-distance traveler bringing myrrh from Yemen by ship to Pharaonic Egypt or a peddler bringing manufactured goods from Philadelphia by horseback to small towns in Ohio. If a profit can be made, the merchant will find a way to deliver the goods. It is the buyer who is the problem. This person needs to be made to want to buy products that he may have never known existed. How can such persons be found? Techniques of locating buyers and making a sales pitch to them have changed over the years.

Commercial institutions blossomed in the third epoch of world history. During the Renaissance, business began to employ sophisticated techniques of financing large-scale enterprise, and invented insurance pools to spread risk, mechanisms of international banking and credit, and double-entry bookkeeping to measure profits. Later in this epoch, newspaper advertising became a powerful tool to reach customers.

Before that, the arrangements for buying and selling products were less formal. We can briefly sketch commercial practices in the earlier periods.

**Prehistoric Times**

Let us assume that organized markets did not exist in this period of human history. When humanity foraged, hunted, or fished for its food, the food was distributed to members of a family or clan. Social units were economically self-sufficient. They had neither the surplus nor desire to trade products to outsiders in exchange for other goods.
Now, of course, trading with primitive tribes did take place. In the 17th Century, European merchants sailed to West Africa to exchange manufactured goods such as guns for captives from other tribes. The prospective slaves were then brought to the Americas to be sold as plantation workers to owners of land. In North America, fur traders established outposts in the Indian territories to exchange alcohol, trinkets, and other manufactured goods for animal pelts. Beaver pelts, obtained in this way, were shipped to Europe to make the beaver hats that were fashionable in the late 18th and 19th centuries.

Civilization I

In the age of kingdoms and political empires, itinerant merchants visited royal courts bringing precious commodities for sale. Emperors, kings, and other powerful persons or families were the buyers of those products. Their prestige and ability to command the service of others was enhanced by the display of gold, silver, precious jewels and other wealth.

Considering that the institution of government was based on force, some political rulers tried to acquire the goods by robbing the merchants instead of paying for them in a consensual exchange. As a result, their kingdoms became impoverished when the traders stopped bringing goods from other places. King Urukagina of Lagash, a wise ruler in Mesopotamia (2378-2371 B.C.), issued an edict that merchants visiting his kingdom not be molested.

The Roman economy was originally agrarian. With the rise of its great armies, however, the looting of conquered cities and enslavement of their populations became a path to wealth. The Greek city of Tarentum, with a population of 30,000, was conquered in 209 B.C. and all its people were enslaved. Each army was accompanied by wholesale merchants who bought the booty taken by soldiers. Enslaved persons were the most valuable booty; their price varied considerably by occupational skill or, in the case of female slaves, physical beauty. Educated slaves often helped manage the Roman estates.

Yet, there were also places in the cities and towns where goods were freely exchanged. One would assume that people living in the area knew about these markets mainly by word of mouth.
Civilization II

Civic life continued in much the same way as before when religious and political authorities jointly ruled society. Although poverty was a virtue to Christian saints, the princes of the church - cardinals and bishops - enjoyed material splendor. Merchants could peddle their wares to this institution that, although spiritual, owned much property. Islamic society was even friendlier to commerce because the Prophet Mohammed had himself been a merchant. Arab merchants distinguished themselves in bringing exotic products to the west from such distant places as China.

A new feature of Civilization II was that the culture of Christianity created special occasions to worship saints and special places to visit in pilgrimages. Religious fairs were held next to the churches and cathedrals on holidays. The relics of Christian saints would be displayed at feasts drawing large crowds. Local merchants brought goods produced in the community for exchange.

So markets were created for various kinds of products and towns sprang up around these markets, or at river crossings, or near the residence of bishops. Artisans in the towns, who had freed themselves from feudal obligations, crafted various products. Soon guilds were organized to promote the artisans' interests and to sell their produce to broader markets. Trading networks were established among cities along seacoasts.

When Pope Urban II launched the First Crusade in 1095 A.D., he may not have realized that this worldly venture would ultimately bring an end to the second civilization. The huge material requirements of such an undertaking brought forth a growth of industry and finance. There was a need for manufactured goods to equip armies and for sailing vessels to transport the Crusaders to the Holy Land. Western Europeans became exposed to cultures of which they may have previously been dimly aware. Trade routes to the Orient were reopened. European nobility coveted the silk and spices that could be obtained by trade.

When King Richard the “Lion-Hearted” of England was kidnapped by a Bavarian prince on his way home from Jerusalem, a large sum of ransom money had to be raised. King John squeezed the lesser nobility who, in turn, forced him to sign the Magna Carta. The Knights Templar and Knights Hospitaler, organized to aid Christian pilgrims, were pan-European military organizations with extensive financial contacts and property holdings. They became moneylenders to kings. Commercial centers on the Mediterranean and Adriatic, such as Venice and Genoa, grew rich from
the business of ferrying troops to the Holy Land. The stage was set for the Renaissance and the discovery of a new continent in the Americas.

**Civilization III**

The Italian Renaissance created the particular mix of institutions that has characterized western society in the past 500 years. The corporation, which sold shares of stock, was developed from trading ventures organized for the purpose of importing goods from distant places by sea. Originally wealthy individuals and families had provided the capital for such ventures but this arrangement evolved into silent partnerships in which investors received a share of the profits proportionate to their investment. In the 14th Century, the city of Genoa allowed these shares to be transferred to others, creating joint-stock companies.

This period also saw the beginning of the modern banking system. The City of Florence became a center for producing dyed woolen cloth after the monastic Order of Humble Brethren relocated there from Tyre, bringing with them secrets of oriental cloth preparation. The Florentine cloth gained a reputation for high quality. The wool was imported from northern Europe. Its transportation and financing involved risk. Florentine bankers, who handled the Papal funds, worked out a system for purchasing wool from England with monies collected there for the Roman church. They became experts in handling credit, setting prices to reflect the degree of risk, and building businesses based primarily on trust.

A wealthy class of merchants, bankers, and manufacturers arose in the major cities of northern Italy. In Florence, the Medici family, rich from commerce and banking, became the city’s political rulers. Such families were active patrons of the arts. Their offspring were tutored by humanist scholars who had rediscovered and studied ancient Greek or Roman texts. This was the start of the western tradition of scholarship underlying our system of higher education. The nexus between possession of wealth and the acquisition of culture or learning was established during this period. To have a high social position depended on achievement in both areas.

During the third civilization, commerce became the principal driving force in society. Europeans explored all parts of the world and subjugated many non-western peoples. The history of the Americans began with Spanish, Portuguese, English, Dutch, and French colonization. The colonized areas provided raw materials from the mother country and received manufactured products in return. Europeans learned to enjoy
rum, tea, tobacco, and coffee, obtained from their colonies in the tropics or other places. So new products were brought to market.

The Industrial Revolution of the late 18th century transformed commercial relationships in the western world. Instead of importing cotton cloth from India or Egypt, the British could produce it more cheaply in their own mills using raw cotton from plantations in the southern American states. Industrialization also took place in other industries, creating new wealth in the urban centers. Steam-driven locomotives or steamboats operating in lakes or rivers or on the high seas made it easier to transport goods from their point of production to the customers. A class of factory workers emerged. They, along with professional and office workers, constituted a new class of buyers for commercial products. These people lived mostly in cities.

Three institutions stood at the base of this culture. First there was commerce, including manufacturing and finance. Second, there was popular education. Third, there was a new print-based culture. Secular education and the literacy it produced became essential to the conduct of business.

Western education had been originally in religious hands. The Protestant Reformation encouraged Christians to read the Bible in their own language so that they would be exposed to Christ’s original teaching. Both Protestants and Catholic established their own schools for religious indoctrination. Later, education came under the jurisdiction of the state. There were secular studies in literature, history, science, and other subjects. Students learned to appreciate the great writers of their culture, as well as biographies of political leaders and others who had made prominent contributions to their nation’s history. Through universal education, the masses of people became literate. A market was created for books, magazines, and newspapers.

In recent years, education has become an adjunct to the career system feeding people into positions within commercial organizations. There is a belief that such preparation is needed for people to function effectively in jobs requiring highly developed cognitive skills. Even if a liberal arts education does not train for particular occupations, it teaches young people to exercise their critical thinking skills. The schools’ grading system is useful to employers in deciding which graduates to hire. To upgrade standards, many professions require a certain number of years of accredited study before newcomers can take the required certification tests. This practice drives up the cost of career preparation and restricts admission to an occupational field.
If businesses are the seller of commercial products, they are also the buyer of labor to keep their organizations running and put products on the market. Increasingly, they find this labor in colleges and universities where the graduates are certified with respect to grade performance and area of study. Even more important, education has been useful to business in creating the literacy skills that brought customers to their products. It created newspaper readers.

**Invention of the Department Store**

This takes us to the next part of the story where businesses learned to attract customers by advertising in newspapers. The prerequisite for successful newspaper advertisements was a large number of people with money to spend who knew how to read. Another prerequisite was large retail establishments with money to spend on newspaper advertisements that could deliver the products to customers.

In the early 19th century, people in Europe and America purchased goods from traveling peddlers, in open markets, or in shops. Buyers and sellers of products negotiated and haggled over price. The markets were located in “general stores” that sold a variety of products or in specialized shops that sold hardware, drapery, clothing, and other products. The retailers sometimes sent people to the streets with handbills advertising the merchandise in stock.

In 1852, a French merchant named Aristide Boucicault opened the world’s first department store, *Au Bon Marche*, in Paris. Unlike stores where customers haggled with store clerks to obtain a better price, this store had a fixed price for every item. The retailer limited himself to a profit margin of 20% yet allowed customers who were dissatisfied with their purchase to return the merchandise for full credit. Parisian women took to the new system. Visitors to the 1867 World Exhibition in Paris were exposed to it and took the concept back with them to their own countries. Soon there were department stores everywhere, largely replacing the specialty shops.

Merchants no longer made their money by charging high prices. The trick was now to increase profits through the volume of merchandise sold. Department stores such as *Au Bon Marche* created attractive window displays to lure people into the store. They offered promotional “sales” with temporarily reduced prices. They advertised their products in mass-circulation newspapers. People reading those newspapers for the sake of news content would, of course, notice the retailers’ advertisements on the same page. The newspaper publishers derived revenue both from paid subscriptions and, increasingly, from commercial advertising.
This arrangement became a fixture of the third and succeeding civilizations. The commercial market was wedded to such communications media as newspapers, radio, and television. People drawn to the medium through an interest in news or entertainment content were involuntarily exposed to commercial messages. The subsidy derived from advertising would, in turn, help finance production of the content and keep its delivery price low.

The sellers of consumer products paid the proprietor of the medium — e.g., the publisher of a printed newspaper — a sum of money to fill a certain space with their messages according to a schedule of advertising rates. Readers who had no prior interest in those messages would see them nonetheless. If the features and prices seemed attractive, a certain percentage of readers would buy the advertised products. The increased sales volume of those products would make it worthwhile for businesses to spend money on advertising.

Civilization IV

In the Fourth Civilization, Commercial Advertising Comes with Low-cost Entertainment. The scheme of placing commercial advertisements within news presentations was perfected in the era of print media. In the 20th century, it was transferred to electronic media starting with radio.

Radio broadcasting began in 1920 when a ham radio operator in Pittsburgh named Frank Conrad began sending baseball scores and recorded music to his fellow operators. A local music store provided free music recordings to Conrad in exchange for being mentioned in the broadcasts. When a Pittsburgh department store ran a newspaper ad offering to sell radio receivers, a vice president of Westinghouse saw a business opportunity in manufacturing this product.

Westinghouse set up the world’s first commercial radio station with call letters KDKA to stimulate demand for its receivers. KDKA’s first broadcast on November 2, 1920 reported the returns for that year’s presidential election. Radio Corporation of America (RCA), another company formed to market radio receivers, organized the first radio network, National Broadcasting Company (NBC), in 1926. These pioneering entrepreneurs of the radio industry first thought they could make their money by manufacturing and selling radio equipment. They came to realize that greater profit lay in selling air time during the broadcasts.
Instead of selling column inches of space in a newspaper, the broadcasters sold commercial messages measured in broadcast time that was inserted in the programming. The arrangement was basically the same as before. People tuned into the radio broadcasts to enjoy music, or learn baseball scores; but they were also obliged to listen to the commercial messages that periodically interrupted the programming. It was understood that the price of free radio entertainment was to endure those commercial messages for a part of the time.

When television came along, commercial advertising was transferred to the new medium. Otherwise, the arrangement was much the same as for radio. People watched the television programs for personal enjoyment. Unwanted commercial messages abruptly intruded on the spectacle at certain times. While some have tried to escape the commercials by going to the bathroom or excluding them through TiVo, a system of selected programming that could eliminate commercials, many television viewers have just become inured to commercials as the price of free entertainment.

It is believed that the first television commercial appeared on July 1, 1941, when the Bulova watch company paid $4 for a ten-second spot on New York station WNBT before a baseball game between the Brooklyn Dodgers and the Philadelphia Phillies. At first, companies “sponsored” television shows and received advertising time on their programs. Later, the television networks sold blocks of time to commercial advertisers on various programs. Today, a 30-second ad aired during half-time for the Superbowl may cost several million dollars.

Thirty years ago, when the three television networks dominated American viewing time, network television commercials were the ultimate selling tool. Instead of presenting hard information about products, the advertisers created an impression that their product fit into an attractive life style. The idea was to create an attractive brand name so that when consumers needed a certain product, they would think of the brand and pick up its product and put this in the shopping cart when walking through a store.

The manufacturers, who were proprietors of the branded products, had outlets to sell their products: the automobile companies, in auto dealerships; food companies, in grocery stores and supermarkets; clothing manufacturers, in clothing stores or in stores such as Target or Wal-Mart. Potential customers, who remembered the brand names, would know where to go to find these different products.
Selling on the Internet

The era of radio and television broadcasting represents what I call the fourth civilization. Now, however, we are moving into a fifth civilization brought on by computer technology. This technology is different from electronic broadcasts because the Internet allows two-way communication between the receiver and sender of messages. Individuals navigate the "world wide web" - the Internet - looking for sites of personal interest. Anyone can create a web site at a relatively low cost. Only the web-creation software and an Internet connection are required. Therefore, tens of millions of web sites are available around the world, all immediately accessible by typing the name of the site into a browser.

How does this mode of communication affect the advertising model? One notes, first, that the volume of traffic to a typical site is relatively small when compared with the number of viewers for radio or television broadcasts. It is not worth a product seller's time to craft an expensive advertisement when, say, only 200 or 300 people a day look at the site. The percentage of persons who buy products from watching ads is small. A large number of viewers would be needed to generate responses that advertisers would consider worthwhile.

Although an independent author may not get much benefit from selling on the Internet, an organization such as Amazon.com, which sells books on the Internet, is successful because it handles tens of thousands of different titles. People know where to look if interested in buying any of those titles. Yet, even that enterprise took several years to become profitable. At BookExpo 2000, I heard the company's founder, Jeff Bezos, joke that his business ought to be renamed Amazon.org — org being the suffix used for nonprofit organizations—even if Wall Street loved the company for its promise.

The economic giant of the Internet is a company incorporated in 1998: Google. Its initial public offering of stock was in 2004. Google operates the world's leading search engine. Such a mechanism allows it to sell advertisements targeted precisely to the viewer's area of interest. Advertising on websites narrows the scope of interest so that, unlike television commercials, the advertiser is not paying to reach totally uninterested viewers.

In 2000, Google began selling text-based ads associated with keywords after it had attracted a certain base of followers. This model of advertising was pioneered by Goto.com in February 1998. Then prospective advertisers bid what they would pay...
for each click on a link to their website. Bids were ranging up to one dollar per click. Interestingly, a firm called Open Text had offered a similar service two years earlier but users of search engines objected to the Internet’s commercialization. By the time that Google became dominant, those concerns were forgotten. Google had found a way to monetize the traffic.

Where Do We Go From Here?

A common theme runs through the communication industry in the last three civilizations. The content or programming attracts an audience. Once the audience is assembled, sellers of commercial products find it worthwhile to advertise in a space provided alongside the featured message. The viewers (or listeners) may not want to see (or hear) the commercial; it is thrust upon them involuntarily as the price of free or low-cost programming. The arrangement is therefore deceptive from the viewer’s (or listener’s) point of view. Yet, commercial advertising presented in this way drives the sale of most products today.

Google has merely taken the model of commercial advertising that was developed in the newspaper and broadcasting industries and applied it to the Internet. True, efficiencies have been achieved. Internet advertisers are reaching a more narrowly targeted audience and are not paying for communicating with others. Yet, as civilizations change, I have found that there is a fundamental altering of institutions inherited from the past. In this case, new ways may be found to bring buyers to the sale of a product besides inserting unwanted commercial messages inside unrelated programming.

Right now, changes are affecting institutions formed in the third civilization. In particular, commercial newspapers are being challenged financially. Newspapers derive 80% of their revenues from advertising and only 20% from paid subscriptions. Because Craigslist.com and other such sites provide free classified ads, several large-city newspapers in the United States are experiencing loss of revenue from their paid ads and are filing for bankruptcy. With respect to subscriptions, these newspapers are also facing competition from alternative media on the Internet where the communication is provided for free.

The Pew Research Center’s Project for Excellence in Journalism estimates in its 2010 State of the News Media that the U.S. newspaper industry has lost $1.6 billion in annual reporting and editing capacity since 2000, or 30% of capacity. In 2009, advertising revenue fell 26% for U.S. newspapers, including online, bringing the
total loss over the past three years to 43%. The electronic media, too, have lost revenue, though to a lesser extent.

Commercial newspapers have tried to fight back by creating their own on-line versions. That begs the larger question: how to monetize the traffic? We know that the ability to generate traffic on the Internet has value; but where’s the money? In Minneapolis, the dominant print newspaper, the Star Tribune, has an on-line edition, Startribune.com. Its content is currently given away free. The paper’s new publisher has asked whether, perhaps, Startribune.com should start charging visitors who use the site.

The other electronic newspapers or blogs in the Twin Cities have different business models. MinnPost.com, headed by a former Star Tribune publisher, seeks funding from foundations as a civic enterprise. Others, especially those operated by a single person, are subsidized by their proprietor. Yet, most people have an interest in receiving money in return for their work. There is always the option of allowing Google to place ads on much trafficked sites. Yet, Google ads do not pay the site proprietors well. The proprietor might be better off having his or her own merchandise to sell.

A new model of merchandising will come along soon to take advantage of Internet traffic. It seems to me that the next logical step may be to have ads on these sites where the advertiser gets paid only when someone buys the product rather than when someone looks at an ad for it. That would require that the Internet site - perhaps an electronic newspaper - take orders and payment for products and then refer them to the seller for fulfillment. It may be that the Internet site offers products at a heavy discount over that which local stores sell. The stores, happy to have new customers, would honor the sales despite lower profit margins. The Internet site would monetize its traffic.

Alternatively, the Internet sites might advertise specialized items that are not sold locally. Having recently flown with United Airlines, I was intrigued by its “Sky Mall” publication placed in a pouch next to the airline magazine. In looking through this publication I found that, for $99.95 I could purchase “the world’s smallest camcorder” which I could carry around in my pocket to record conversations with unsuspecting persons. For $49.99 I could buy “handwriting recognition software” to convert my handwritten notes into printed text. If I paid $159.99 and presented a sample of my bodily tissue, a DNA analysis would be done of my ancestors on my
father's or mother's side and I would receive a certificate with the results. To the best of my knowledge, no store in town will sell me that product.

The ultimate step, however, is to decouple solicitations to buy commercial products from news or entertainment programming. Both sides of the operation should pay their own freight. If a person wants entertainment programming, he should pay for it as a stand-alone product and not be harassed by the intrusion of commercial messages. Again, if a person wants a commercial product, he should go to a site that offers the best product information. There need be no mixing of two kinds of communication.

Computers have an amazing capability to steer information to people to suit their individual desires and needs. With respect to merchandising products, the future may lie in the hands of sites such as Amazon.com which help people make buying decisions for a broad range of products. The key to a site's success is to make it so adaptable, useful and familiar that people will automatically go there first when they want to buy something. The site, like Wal-Mart, must have a reputation for low-priced products. The service must be reliable and safe. The fulfillment must be quick and convenient. The customers should be able to navigate the site easily to find what they want.

Product manufacturers can also use web sites for repair services. They can post their product manuals in a user-friendly form. Microchips embedded in the product itself can aid in the information-gathering process that decides how to fix something. Perhaps, the information gathered this way can be read by an instrument plugged into a computer so that the problem is identified by visiting the manufacturer's website. The weak point would be the consumer's knowledge of the system. Standardization is the key. The information should be presented in a standard format allowing users to use it effectively with minimal learning requirements. If a website had repair information for many different manufacturers and products, people would know where to go for help in a large number of situations requiring product repairs.

Changes in the Free-Market Economy

Although changes in communication technology have undermined the traditional pattern of advertising and selling commercial products, there has also been steady erosion in the relationship between buyers and sellers of those products as gimmicks have been introduced into the merchandizing process. That relationship began to break down when commerce entered the entertainment age.
One such gimmick was the "gift stamp" concept that was popular 50 years ago. Customers were given such stamps as S&H or Gold Bond at the checkout counter when they purchased groceries or other consumer items. The idea was that they would collect these stamps in books and then trade in the books for prizes when the pages were full. Shopping became a kind of game for bored housewives. From the merchants' point of view, the name of the game was to get the customer to shop at a store that offered these stamps and perhaps purchase something just to fill up the books. In other words, consumers were given an incentive to buy products that they did not really want to "win" the game - i.e., fill up the gift-stamp books and get valuable prizes.

Today, we have other gimmicks. People can still clip coupons for discounted products in newspaper ads. They can check the ads or the stores themselves for periodic sales and shop around for bargains, whether at stores or at yard sales.

With so many working women today, however, women who shop for their families may not be able to play this kind of time-consuming game. There is a new game for time-starved shoppers: low prices for people who buy in bulk. We have, for instance, Sam's Club and Costco, which require members to pay annual fees and sell consumer products in large quantities. In purchasing a 6-months' supply of coffee in a single visit, the shopper can save both time and money when considered on a per-unit basis. Of course, that person may buy more of the product than is actually needed.

Most people who buy appliances or consumer electronics are actively solicited to purchase an "extended warranty" at the same time. The consumer is paying to offset the risk that the product will require repair after the regular warranty runs out. Who knows how likely that is to happen? Certainly not the consumer. The extended warranty is a gamble that its cost will be lower than the likely cost of repairs. As in any gambling situation, however, the house usually wins. These extended warranties are profitable for the retailer, helping to subsidize the cost of the product itself.

This leads us to the important subject of insurance. Insurance is a pool of money that has someone paying someone else's bills. (What an incentive for the lucky buyer!) If you are a safe driver who never has accidents, your auto-insurance policy will pay the repair bills of people who have accidents. The idea is that you, the purchaser of the insurance policy, could be the person requiring repairs because of an unknown "risk." There is a probability that any of us, no matter how careful, could have an accident in unlucky circumstances.
However, we as consumers have little information about the level of risk. We are simply throwing money at a proposed solution as if in a game of chance. The insurance company has a better idea whether the premiums accurately reflect the probability that money will have to be paid. Again, the “house” usually wins.

World history has a way of reversing itself after an institution has lasted for a certain time. Our free-market economy became fully developed in the third epoch of history. We are passing through the fourth epoch and entering a fifth. Fundamental changes are in store for capitalism as we know it.

Does this mean that America will become socialist? Not in the sense that poor people stage a revolution. The insurance-led subversion of the free market, now mandated in the health-care field, will bring that about. When the government requires insurance companies to cover people with preexisting conditions, it is not “insurance” covering risk but a financial scheme certain to transfer wealth from one known person to another on a basis other than income.

One can argue whether this is good or bad. My point is that we are in a period of change as we pass from one civilization to another. Expect free-market relationships and incentives to deteriorate further. Expect commercial advertising to assume new forms. Expect our society to change in fundamental ways.

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