Clichés of Socialism NUMBER 18

"Customers ought to be protected by price controls."

THERE ARE STILL great areas of confusion and ignorance relating to something with which we are all familiar—the price of goods.

It is in this area of pricing, wherein the customer comes face to face with the market place, that myths and legends abound. It is in this area where those who do not understand economic laws create a whole series of fictions on which many people act, and act to their own detriment.

It is axiomatic that what people do not understand they fear. Most people do not seem to understand the pricing processes and hence they fear them, and end by hating businessmen and having a widespread distrust of the market place in general.

All of which ought to go toward exploding another maxim, namely, that "what you don't know won't hurt you." As a matter of fact, it is usually the things we don't know which kill us. Man's greatest enemy is ignorance.

There is no excuse for any of us in this day and age misunderstanding or being in ignorance of the matter of pricing. So, as a sort of primer review, here are some things to keep in mind about prices.

1. Prices are never set by costs of production, nor by manufacturers, merchants, or bankers. Prices are set by customers.

2. Customers set prices in the market by demonstrating, through their choices in the purchase of goods or services, what they are willing to buy. The customer will buy only those items he would rather have than what he has to exchange for them. Any item, regardless of the price *tag*, which the customer does *not* want more than the money he has for trading, he will not buy.

3. There are millions of items on the market place which, regardless of the lowness of the price *tag*, customers will not buy. There are also millions of items on the market place which, regardless of the high price *tag*, customers will buy.

4. Many merchants believe that they set prices. They do not. They merely write out a figure on a *tag* and indicate they would be willing to part with their goods or services for that figure. Whether they are able to do so or not depends entirely upon the customer who decides he will or will not pay the *tagged* price for the goods as offered. When the customer agrees to purchase (either at the *tagged* price or some other price), *he* sets the price. The holder of the purse strings controls prices. This has always been true. Economic rules do not change with the passing of time.

It is frequently argued, when prices rise, that the way to keep prices from climbing too high is to have the government pass a law compelling merchants to price goods below a certain level. Such a law, if passed, *does not control prices*. What happens here is that the government will make it impossible for customers to get the goods or services they want at the price the customer will pay. Why is this? Isn't it true that the government is only trying to protect the customer from the gouging merchant?

The answer is that irrespective of the motive of the men in government, a price ceiling maintained by law works against the best interests of the customer. When prices are prevented by force from going up, manufacturers and merchants will stop dealing in such goods and services. This will redound against the customer, who will now no longer be able to get what he wants at any price—unless, of course, a black market opens, which frequently happens. In other words, men conspire to evade the price ceiling by dealing *sub rosa*, and probably at fantastically high prices.

Much confusion in the area of pricing could be avoided if Americans could be taught universally that all prices are set by the customer and by no one else. The customer, in his search for the best bargain he can obtain, is totally disinterested in the costs of production, in the problems of merchant, manufacturer, or distributor.

The customer is concerned only with his own problems. And that is why he sets the prices. For he purchases only what he wishes at the time and place he chooses. In any country where a free market operates, the customer is truly king.

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