

Our Changing Economy

Price System Idea Being Undermined

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Money talks—but often stupidly. This has long been recognized but, in the past, it was often accepted without retort. Today, all over the world, there is a lot of talking back.



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How frustrated some rich people must feel. They have only to say the same stupid things that other people are always saying and they get derided; they have only to display the same bad taste that is common the world over and they are laughed at. People with little money just don't know their place, these days.

Money and a modicum of discretion can still buy most of the material comforts and many of the amenities of life: one's name on a hospital door or under a stained-glass window in church, an honorary degree, a batch of board-of-director memberships, an ambassadorial post to a small country and sometimes even elective office. But not everything.

The list of things money can't buy grows longer. Even for a million dollars, Harvard won't accept a boy with low scores on his College Board exams. Moreover, Harvard and Heaven aren't the only places from which some rich people are excluded.

Conspiring to Beat the Price System

It takes ingenuity to exclude the rich. It isn't enough to price Library of Congress concert tickets at 25 cents and require people to stand in line for hours to buy them. Some Washingtonians beat this system by sending their chauffeurs to stand in line. But, the "common man" has lots of ingenuity, and votes. From boyhood to old age, he devotes himself to this problem of beating the price system. As a result, price in a free market sense is less often the sole arbiter of who gets what.

Everything it seems has two or more prices, and sometimes can be had free. Employees, retirees, Government workers, veterans, AAA members and hundreds of other categories of people are entitled to discounts. Income tax laws allow scores of exemptions and deductions.

Everywhere one turns there are subsidies and grants and special options, rebates and preferential prices. Often they don't benefit solely the persons for whom they were intended. In Virginia, for example, tuition grants designed to finance the transfer of children from desegregated public to private segregated schools help toward the cost of sending my child and others to private desegregated schools. Ours has become a weird economy.

If we were willing to abandon all this and make free market pricing the sole arbiter, how much tidier our economy would be. Even franchises for liquor stores, taxi fleets, television stations and airplane routes could be auctioned without all the fuss of a long inquiry into who is most deserving, without public commissions sitting in judgment and without courts of appeal reviewing their decisions.

The price system works with marvelous efficiency when it is allowed to work freely, but it is harsh. Money alone talks. Consequently, free-market pricing is sometimes regarded as improper. At times, free-market prices are denigrated by calling them gray-market, or even black-market prices.

Many doctors and lawyers and merchants adjust their bills to take account of customers' ability to pay. Schools and churches are often given discounts, and teachers and clergymen, too. (I recall Professor Taussig of Harvard proudly protesting to his dentist that he wanted to pay the customary fee—"no special consideration, please").

Solution Is Not to Abandon Price System

Wherever the price mechanism is seriously impaired or abandoned, some other means of regulating demand must be found. Only when the complexities of these alternatives have been experienced do we appreciate the simplicity of the price system.

Almost every form of non-price regulation is a tedious business. Rationing requires a lot of paper work and policing. Queueing is wasteful. Think of the thousands of hours wasted last week in disposing of those tickets to the Library of Congress concerts: the line that began forming at 4:30 a. m. and stretched for blocks before the ticket office opened, and the hundreds of people who never got tickets after hours of waiting.

The dilemma is easy to understand. Many people want, and deserve, what they can't afford; they don't like being priced out of some markets because of inability to pay and, in many cases, it's wasteful of human resources to have them.

The solution, I think, is not to abandon the system of free-market pricing, but to make the price system acceptable. Otherwise, our economic system will become more complicated, more wasteful and messy.

One way to make the price system acceptable is to lessen by taxation the inequality of wealth and income, curb expense-account entertainment and eliminate the more invidious differences in living conditions by more low-cost housing and other public assistance.

This expense-account business is corrupting spenders and recipients and creating a privileged class resented by ordinary people. The commercial theater is becoming the property of the expense-account society, as Richard Coe has observed.

I don't think we can have both an efficient price system and the present degree of inequality in spending. One or the other will be tempered. If we go on tempering and tampering with the former as we have been doing in recent years, I think the aggregate output and enjoyment of goods and services will be diminished, or tend to be.