The Real Price Wars

LEONARD E. READ

(From *The Freeman*, March, 1968)

EVERYBODY favours freedom, but . . . ! Countless minds are filled with "buts" of every description and variety. So numerous are freedom's "shortcomings" that in most company it has not a leg to stand on. State interventionism, socialism, thus engulfs those who favour freedom, but . . . !

For instance, over and over again we hear: "I believe in freedom *but* in a free and unrestricted market we have price wars; the big fellows put prices below cost to run the little fellows out of business, after which monopoly prices may be charged."

Such so-called price wars are the minor competitive pricing flurries between bakers, filling station operators, and the like. Recently, consumers in the New York area enjoyed a "coffee war." But these bids for more business are non-violent and thus are not wars at all. They are nothing more than intensified, competitive pricing, offers to serve mass markets.

Actually, competitive pricing is a device for co-operating; as consumers, we look not only at quality but at *price* to determine with which supplier we shall co-operate in trade. How else are we to decide what bread to buy, with which baker we shall co-operate. Many men may co-operate to produce an item, but their customers are *co-operators* of the business, too.

True, some businesses fall by the wayside, as have some 1,600 different automobile manufacturers in the history of that industry in the United States. Intensive competitive pricing only steps up the rate of the drop-outs; it does not alter the final decision. It simply lets all producers know sooner than otherwise how they rate in the struggle to serve self and others. And this is the way it should be. The alternative would be for consumers to subsidize every incompetent person or group in every enterprise ventured. Unthinkable!

These so-called price wars and the monetary benefits they confer on consumers are not a social problem and do not merit special attention by the student of political economy. They are mere ripples in the mainstream of open competition.

VIOLENT METHODS OF PRICING MARK THE REAL WARS

There are, however, mighty, economy-wrecking price wars—real ones—that are rarely thought of as such and seldom diagnosed with accuracy. As a consequence, remedial efforts often tend to aggravate the conflicts and to make peaceful co-operation and trade more difficult. We should bear in mind that violence is the distinguishing feature of war. We can infer from this that *any pricing that rests on the use or the threat of force —violence—must be defined as a price war.*

What, then, are the real price wars? Rent control qualifies, for it rests on coercive pricing. So does the minimum wage law; if anyone doubts it, let him absolutely disobey and observe the consequences. The prices of wheat, cotton, peanuts, tobacco, and so on are fixed by force. Every form of price control forces either buyer or seller, or both, to deal at prices not mutually acceptable.

The strike is the perfect example of a real price war. Why? The strike is a method of pricing; strikes rest on violence or the threat thereof; thus *all strikes are price wars.*

The strike is the mark-up device used by trade unions, organizations of otherwise independent sellers of labour having among their purposes the coercive manipulation of market price to their own advantage. The striker is not content just to with-hold his own services from the market; he is determined that no one else shall enter the market he has closed. Any trading must be at his price or not at all: and he will deal violently with any buyer or seller of services who crosses his picket line. Governments often sanction, encourage, and uphold such violence —in effect, forcing taxpayers to subsidize (employ) the strikers.

UNWILLING EXCHANGE

Violence as a method of pricing is intimidation, not co-operation. Violence or its threat at best results in unwilling as distinguished from willing exchange. For varying periods the consequence is not exchange at all and often exchange between combatants is brought to a permanent standstill. Strikes are price wars; indeed *they are no less than civil wars.* The object in war is not to serve the opponent, but to injure him—to gain at his expense. The grave risk is that both sides may lose.

To observe which side comes out on top in warfare is not to be sure of a winner. The side on top may be as permanently fastened in that position as is the side being held down. Both sides lose in these unfree positions. Contrast this with the mutual gain derived from the peaceful voluntary exchange of goods and services.

The cure for wars—including price wars—is an intelligent interpretation of self-interest. How can I realise my creative potentialities except as I be free? And I cannot be free if I am holding you down. Or *vice versa*! My freedom depends on yours and yours on mine. This is so simple and self-evident that one wonders why it is ever questioned.

As to the price of labour—yours or mine—simply free the market by removing every trace of violence or the threats thereof. Let competition be open and unlimited. Maximise rather than minimize the prospects for mutual gain through co-operation. And do not be misled by the claim that trade unions or governments raise the wage level.

Let us confine the term "price wars" to those pricing activities resting on force, coercion, violence.