FINAL WORD ➜ **BY A. BARTON HINKLE**

A Pandemic of Economic Illiteracy

Biden Targets High Shipping Costs as Pandemic Ravages Global Supply Chains," the *Washington Post* reported this summer. The article noted that the increase in shipping charges had roots in several factors. The White House, however, focused on one: "Biden's aides acknowledge that the pandemic is responsible for much of the disruption," the *Post* reported. "But they say the lack of competition enabled cargo carriers and railroads to exploit the pandemic by driving prices to historic highs."

Shipping is far from the only realm in which charges of pandemic price-gouging have appeared. A quick Google search yields an abundance of studies, news articles, complaints, and reports. Yet, while complaints that private enterprise is exploiting a global crisis to price-gouge have been a steady drumbeat since COVID-19 first landed on U.S. shores, similar charges have been made for decades. The first state to enact a price-gouging law was New York in 1979. Today, according to the National Conference of State Legislatures, 39 states, Guam, Puerto Rico, the U.S. Virgin Islands, and the District of Columbia prohibit price-gouging during disasters.

When the COVID-19 pandemic hit, so did an epidemic of government attempts to rein in higher prices. (See "How California's Price-Gouging Order Can Cause More Deaths," Summer 2020.) In D.C., Sen. Elizabeth Warren (D–Mass.) introduced a bill to stop pandemic price-gouging. In Minnesota, lawmakers in the House passed a similar measure. Around the country, governors invoked anti-gouging legislation already on the books. In New York, just for good measure, the legislature passed additional price-gouging legislation to stop "virus profiteers."

The problem with such measures is well-known: lawmakers can't repeal the law of supply and demand. High prices incentivize suppliers to send goods and services where they are needed most. At the same time, high prices disincentivize hoarding, which helps ensure that scarce supplies are more evenly distributed. (It's a fair bet, for instance, that some Americans are still whittling down the stockpiles they amassed during the Great Toilet Paper Rush of 2020. Trying to prevent "greed" by sellers only facilitates greedy behavior by buyers.) Depressing prices by fiat counteracts those worthwhile aims.

You might say economic illiteracy is a form of contagion itself, with strains of varying transmissibility and lethality.

In *Narrative Economics: How Stories Go Viral & Drive Major Economic Events* (Princeton, 2019), Yale economist Robert Shiller writes about the pathogen known as "technological unemployment": the idea that advances in labor-saving machinery will lead to mass unemployment. The term "technological unemployment" itself first appeared in 1917, he notes, but the virus broke out in the larger body politic in the 1930s. Typical of the concern was the assertion by economist Stuart Chase, inventor of the term "New Deal," that "the better able we are to produce, the worse we shall be off.... This is the economy of the madhouse." So virulent was this notion, Shiller reports, that when dial telephones were installed in the U.S. Senate, "Senator Carter Glass introduced a resolution to have them torn out and replaced with the older phones" so that switchboard operators' jobs could be saved. The resolution passed.

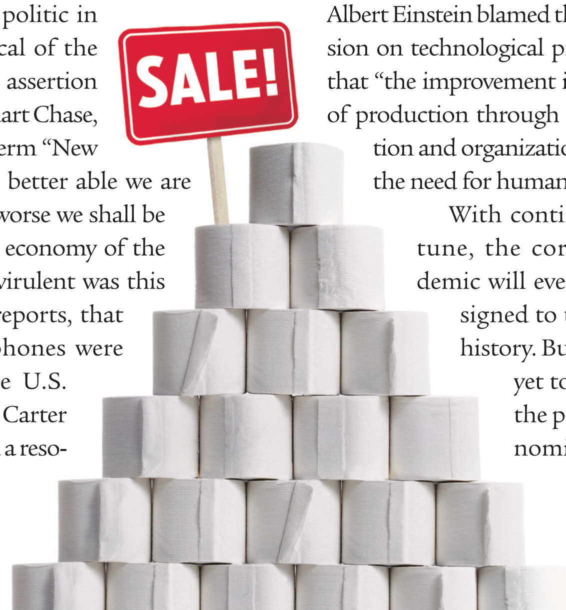
The techno-unemployment pathogen occasionally goes dormant, only to break out again. Today, it feeds on fear of artificial intelligence (AI): Calum Chace, author of *Surviving AI* (Three Cs, 2015) and *The Economic Singularity* (Three Cs, 2016), has argued that "unemployability is going to arrive well before we get to artificial general intelligence [AGI].... Machines will be able to do most of the things that humans do for money cheaper, better, and faster well before we get to AGI." Chace concedes that past advances in automation didn't cause widespread long-term unemployment, but he contends that expecting this trend to continue with the advent of AI is "just rubbish."

Fear of technological improvement is not a healthy strain of economic thought, but there are far deadlier ones. The intellectual virus known as communism killed tens of millions of people in the 20th century and inflicted untold suffering on hundreds of millions more. Yet, while it has largely been eradicated, isolated pockets remain.

Even worse, it has the potential to spread. According to a poll conducted by YouGov for the Victims of Communism Memorial Foundation, 36% of millennials approve of communism. While many of the afflicted are likely to recover from this malady with time, others might not be so lucky.

After all, no one—not even the most supremely intelligent among us—is immune to economic fallacy. Shiller notes that even Albert Einstein blamed the Great Depression on technological progress, arguing that "the improvement in the apparatus of production through technical invention and organization has decreased the need for human labor."

With continued good fortune, the coronavirus pandemic will eventually be consigned to the ash heap of history. But humanity has yet to find a cure for the pandemic of economic illiteracy. R



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