

# THE MAGIC OF A PRICE RISE



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Nick Elliott begins his Tactical Notes No. 2, *What To Do and What Not To Do*, by announcing, with justice, that his is an important piece of writing on an important subject. I offer the following thoughts, by contrast, with no such confidence that you should let them interrupt your life unless you feel entirely inclined. If you do read on, you will not long be detained, nor will you be told anything that nobody has ever said before. I write about the humble price rise. The price rise is usually thought bad; I will now defend it.

The modest ruminations that follow were prompted by the fact that the Libertarian Alliance has just made what looks like a small but definite contribution to Britain's still scandalously high inflation rate by increasing the price of entry to its occasional Saturday conferences, from £1 to £5, which is no less than a 400 per cent price rise.

The most regular defence of such price increases is that for all their harmful inflationary consequences they do at least spread the bad news of how much the thing in question is costing, and thereby cause those buying it to economise. However, the last thing this particular price rise will cause, I suggest, is a mass of people all furiously economising on LA conferences.

## THE MORE PEOPLE BUY IT, THE MORE PEOPLE WILL BUY IT

As we all know, one does not attend a conference merely to listen to the speakers. One attends to meet other attendees. With these people one exchanges gossip. One boasts of one's recent triumphs and one tries to look interested as they boast of theirs. One does items of business with various different comrades which would each be too trifling to be worth a separate meeting but which, taken together, mean that the day has been well spent, despite all the speechifying.

The more people are present, the more likely it is that one will meet with people one wishes to meet, and the easier it will be to avoid those who do attend whom one wishes to avoid. Slumber, during the mere speeches, is less noticeable in a large audience.

In short, the bigger the audience to a conference, the greater the advantage to those who attend. A conference is one of those products which gains in value the more people are persuaded to buy it. Other examples of such products or services are: currencies, languages, wordprocessing software, telephones and fax machines, in fact anything that is a means of communication with all the others who are also using that same means, or which is a convention that is only worth bothering with if widely used. No doubt the economists have a technical term for such a thing.

## IRRATIONAL ALTRUISM VERSUS RATIONAL EGOISM

Even though we have so far only had one conference priced at £5 instead of £1, on "Foreign Policy and Freedom" on Saturday February 9th 1991, and even though this was hideously disrupted by the weather, I am already sure that this price increase will be more than justified in terms of an associated increase in productivity. (It is not, in other words, an inflationary price rise.)

For, look at the matter from our point of view, the point of view of the producer. At £1 per head, the conferences were hardly anything to us except trouble and cost. Fifty people, which was a figure seldom reached, didn't even pay for the venue. But now fifty people will really add up to something, given the minute economic scale — loss avoiding rather than profit seeking — on which the Libertarian Alliance is content to operate. A hundred people would be a windfall of considerable dimensions, almost enough to pay our annual accountant's fee. Two hundred, and we'd be able to think about actually paying some of the speakers, or at any rate about paying British Rail to deliver them to us.

Nothing times five is still nothing. The difference between £1 and £5 is not, for the punters, a huge one. For us it is the difference between famine and feast. The £1 per head price meant that we had no selling incentive beyond the altruistic urge to give those who did come a good time, and we all know what the libertarian line is on altruism. £5, and we suddenly become rationally egotistical conference pluggers.

## THE TICKETS WILL NOW SELL THEMSELVES

I have dared to use the word "magic" in my title, and this is quite proper. For consider. Our subscribers list includes some pretty intelligent people, and many of them will have worked some or all of this out for themselves. Therefore, the *illuminati* will rationally calculate, the £5 price will possibly coincide with an LA conference sales drive. "Ergo, the audience may be bigger, ergo, I too will attend." Merely pointing all of this out to the more slow-witted or preoccupied among you may itself be enough to achieve the increased numbers, without any strain on our part. At £5, in other words, the tickets are priced so that they now have a

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good chance of selling themselves. That's pretty close to magic, I'd say.

But why don't I give the magic some help, given that I can, and that I will benefit so much? In the event that you may still be able to act on the information, the next one (as I write this) will be on "Social Theory and Freedom", and kick off at 11 a.m. on Saturday 23rd March 1991, at the New Cavendish Club, London W1, nearest tube Marble Arch. Write to the LA address - see box on page one - for your ticket(s) enclosing a cheque for the appropriate amount made payable to The Libertarian Alliance.

When the numbers start to swell, think how much easier it will be to attract grand and significant speakers, and think how much more devotedly they will prepare their performances. I refer to a state of mind that is already affecting me, for I myself am one of the speakers at the next but one conference ("Libertarianism and Conservatism: Agreements and Disagreements", Saturday April 27th 1991, same time, same place, same procedure for getting tickets). I am to have a debate against conservative Philip Vander Elst. As I pondered this article, I realised that it made sense also for me to spend time preparing a better performance than I tend to be satisfied with. This afternoon I rang Philip Vander Elst up and asked him to post me a clutch of his writings, so that I can debate with him more persuasively and pertinently. Given that my fellow LA supremo Chris Tame, who worries more about the money side of the LA than I do, is likely to be hard selling the tickets for this event even if I don't, I had better read what Philip sends and prepare myself thoroughly for the task of destroying his absurd opinions with style and panache. A large throng is worth impressing, and might punish me with bad word-of-mouthing of me if I don't impress it. And besides, if I *don't* do well, in front of that vast sea of people, will Chris want me on the platform again, given that he is going to find it so much easier to get other speakers? I'm not saying that our conferences are going to be crowded out instantly, you understand, merely that this is now the way that things are heading, all thanks to one little price change, upwards.

Now I come to think of it, one of the best things that happened to the LA in the not so recent past was when we started pricing our *publications* properly. We now smile when we sell these whereas previously we tended only to wince. Perhaps we should put them up by another 50 per cent. Seriously, that might be a fine idea, given that, just like a conference, a publication counts for more if others besides you are paying attention to it.

### **YOU ONLY GET WHAT YOU PAY FOR**

To the put all of the above more generally, it is truly wonderful how much good it does to an arrangement to price it properly instead of improperly. And, a product is just as likely to be underpriced as overpriced. If people are, in effect, giving something away, they are all too likely just to slap it down in front of you on a take-it-or-leave-it, what-did-you-expect-at-this-price basis, rather than serve it up properly. Maybe there *are* free lunches to be had, but there is an automatic tendency for you to get only what you have paid for.

On the other hand, if the price of a service goes up to the point where it starts properly to reward those who supply it, a truly remarkable process of improvement automatically goes into action. Everything gets better, for all concerned.

If I have laid no emphasis here on the usually far less discreet and more obvious magic of a price *reduction*, this is only because that kind of magic is so much better understood. (Given what rival free marketeers charge for *their* conferences, LA conferences are still a fantastic bargain.) But notice this. Given that a price increase can often make things better, it must follow inexorably that there are circumstances where a price cut would only make matters worse. I once heard a group of ladies on the London Underground discussing the quality of the service they were enduring. They agreed about two things: that the train was far too crowded, and that the tickets ought to be cheaper. We can all see what they were getting at, but as a serious policy proposal this would be self-contradictory. And what of traffic jams, those giant queues in the road for the use of the next bit of road? Ought not the use of the next bit of road to have its price increased? Ponder the magic of that.

It is commonly said that the rotten thing about the market is that by obliging everyone to think so carefully about the price of everything, it causes us all to forget about the value of what we do. Wrong. By rewarding us so spectacularly when we get prices right and punishing us so severely when we get them wrong, the market causes us all to provide the maximum value for each other. For the better we all set our prices the better the quality of all of our lives.

### **THE PRICE OF POLITICS**

Okay so what follows from all this? *Dulce et decorum est*, often, to hike up the price. So what? Well, this. An amazing number of political ideas consist of asserting that the way to encourage this or that supposedly desirable thing is to provide it at *less* than the price that would be convenient to those directly providing it. What I argue here is that precisely *because* something is important, it may, for that very reason, be important to charge *more* for. In practice all that is required is for the government to *allow* such increases. The price of British health care, of British road use, of British television programmes, of British schooling, of just about everything in the economically groping USSR and its appendages, should all, I'd say, be allowed to go *up*.

It is worth mentioning, incidentally, that this entire piece of writing is a hearty endorsement for the Adam Smith Institute, which gets its results not so much by sweating and straining after lots of policy changes, but by suggesting policy changes which, once put in place, will from then on work their magic — that word again — automatically, with no further effort from the policy makers. The surreptitious price increase is a characteristic ASI technique, and it works for all the reasons I've been explaining.

Meanwhile those who favour the pricing of road use (a favourite ASI policy) because they hate cars (this was the thinking behind a recent publication put out by a Labour-inclined think tank which shocked the world by being in favour of road pricing also) should be warned. If I am right about the creative consequences of getting up to the proper price, then the age of road use pricing may turn out be nothing less than a new golden age of road transport. Which is a thought too important to deal with here, for this piece of writing has been a mere pebble tossed into the lake of your thoughts.

For more weighty notions, look elsewhere in the LA publications list. Order everything you fancy now, before the prices go up yet again.