

Opinion | Betsey Stevenson, Columnist

Populist Economics Is the Antidote to Corporate Avarice

Too many businesses make it so hard for consumers to find low prices that they often give up and pay a higher one.

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By **Betsey Stevenson**

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Checking for gouges. *Photographer: Erin Schaff/AFP*

Banning junk fees, restricting price gouging, imposing rent controls: Why all of a sudden are there so many populist economic policies and proposals?

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In a perfectly competitive market – the simple models taught in introductory economics – businesses compete on price, quality and service. They have to work hard to attract and retain customers, and shady practices are punished by the market.

But our economy is not perfectly competitive. Companies work to ensure they have some market power, and the US financial system (that is, the stock market) pressures them to find big profits quickly. One way to do that is to steal from customers.

Whether it's with the cable company, a streaming service or a health insurance company, too many consumers are left fighting to keep what's theirs. Some customers do pretty well in this system: They negotiate for discounts, insist on refunds and cancel trial subscriptions immediately. Others just don't have the time or energy to fight – and as a result, they end up paying more.

To be clear, this is not traditional price discrimination – charging higher prices to people with a higher willingness to pay. When companies can charge more to those willing to pay more for their product, and less to those who value their product less, they can make higher profits – and sometimes

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They can people's willingness to pay just to avoid a hassle, they may make higher profits, but they aren't selling further down their demand curve.

Similarly, when companies hide a fee, they are trying to get customers to make a mistake – in effect, to pay more than they would be willing to otherwise: If they had known the true price of the product, they would not have bought it.

These dubious business practices create bad economic outcomes, because trades should only occur when the value of the product to the buyer is higher than its price. It also leads to faulty decision-making and less competition in the marketplace.

Economists call these business practices rent-seeking – when companies extract value from consumers without providing additional value in return. I use a more vernacular term: I call it stealing. Either way, it's a far cry from the win-win dynamics of a truly competitive market, where both business and customer benefit.

The costs of this hassle-driven economy aren't limited to Americans' wallets. They are fraying the very fabric of society. When companies rely on making life more difficult for consumers as a path to profitability, they undermine confidence in the system and foster cynicism. And that has led Americans to become less trusting and more adversarial – not just in their interactions with businesses, but in their relationships with one another and with government.

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tape and simplifying interactions with citizens. For corporations, it means eliminating practices designed to wear down the consumer until they capitulate. Unfortunately, corporations are unlikely to do this voluntarily, which is why there needs to be government action.

Policies that rein in dubious business practices work. Three decades ago, mobile phone companies refused to let customers keep their phone numbers if they changed providers. Then Congress passed a law that banned the practice, requiring phone number portability, and now it is taken for granted.

Populist economic policies aren't just about being fair to consumers. They can also help foster a healthier, more trusting society and a more robust economy. In the end, reducing the bureaucratic burdens imposed by both the public and private sectors isn't a trade-off – it's an investment in a better future. By demanding more straightforward relationships with both government and businesses, the US can create an economy that is not only more efficient but also more just.

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