Prices and Ethics

1. What is the correct price for a good or service? Here’s a working example: Suppose you go to a yard sale and see a dish for sale for $1. You like the dish, so you pay $1 for it and take it home. Later you happen to be on eBay.com, and you notice that dishes exactly like the one you bought are selling for $20. Question: Was the price you paid for the dish a fair price?

2. Variant follow-up question: Suppose that you had been on eBay.com before going to the yard sale, and you knew that dishes just like that one were selling for $20. Would it be fair of you then to agree to the seller’s asking price of $1 for the dish at the yard sale?

3. Connecting the ethics of pricing to our previous topic of egoism, altruism, and predation: If we ask each what the proper price for something is, do the answers look like this?

* Egoism: The proper price is the price voluntarily agreed to by buyer and seller.
* Altruism: Proper pricing is when the better-off party is willing to sacrifice profit for the benefit of the worse-off party.
* Predation: The right price is whatever the stronger party can get, even if it means taking advantage of the worse-off party.

4. Can you suggest better descriptions of how egoism, altruism, and predation would describe a “fair price”?

5. In your judgment, how many of the following should be involved in determining prices? (a) The correct price is what the seller is willing to accept. (b) The correct price is what the buyer is willing to pay. (c) The correct price is what is listed in a market. (d) The correct price is what the government says.

6. The issue of rent control adds politics to the issue of pricing, for it asks us whether governments should fix prices below the free-market price. The two political positions most directly at issue are:

* Classical Liberalism: People should be treated as self-responsible adults who are able to trade freely for the goods and services they need and want.
* Paternalism: Like a father (*pater*) or mother (*mater*), the government should use its power to set prices at a level the poorer can afford.

Does this seem an accurate characterization of the difference between the two parties? The classical liberals believe people should be equal in freedom and self-responsibility, while the paternalists believe people should be equal in wealth and bargaining power?