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FRIDAY, DECEMBER 25, 2009

Thomas Acquinas for market prices from the Mises Institute

An interesting piece on price (which supports supply and demand as being the drivers of price) from Mises.org.

As a grocer by birth (I just happen to teach finance ;)) I have often been puzzled at the idea of price "gouging" after disasters (big or small). A few summers ago we had a power outage. Hence people wanted ice and water. We arranged special deliveries (at an added cost) and sold them at the normal price (even though there were lines to buy them). So in this case supply was down, demand was up, but we sold at the same low price. Why? Because reputation matters. If we had raised prices, we would have angered customers who may not have come back. But the key thing is WE decided not to raise prices. It shows that market forces can keep prices in line.

On the other hand, if supply was so depressed (imagine after Katrina), why shouldn't prices rise? If prices had been allowed to rise, it may have prevented looting and sped the recovery.

The Philosopher-Theologian: St Thomas Aquinas - Murray N. Rothbard - Mises Institute

"Aquinas, in his great Summa, raised a question that had been discussed by Cicero. A merchant is carrying grain to a famine-stricken area. He knows that soon other merchants are following him with many more supplies of grain. Is the merchant obliged to tell the starving citizenry of the supplies coming soon and thereby suffer a lower price, or is it all right for him to keep silent and reap the rewards of a high price? To Cicero, the merchant was duty-bound to disclose his information and sell at a lower price. But St. Thomas argued differently. Since the arrival of the later merchants was a future event and therefore uncertain, Aquinas declared justice did not require him to tell his customers about the impending arrival of his competitors. He could sell his own grain at the prevailing market price for that area, even though it was extremely high."

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