Kamala Harris Is Promising Price Controls. Didn’t We Learn Our Lesson 50 Years Ago?

26 MIN · YOUTUBE · HTTPS://WWW.YOUTUBE.COM/WATCH?V=EGZKALRKWHA
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SUMMARY

The discussion critiques the concept of price controls, particularly in relation to food prices, arguing that such measures are ineffective and can lead to economic harm. The speaker emphasizes that prices serve as vital information in the market, and attempts to artificially regulate them can disrupt supply and demand, leading to shortages and inefficiencies.

- *Price controls are presented as a populist but flawed solution to rising costs, particularly in food.*
- *The speaker argues that competition is essential for a healthy economy and that government intervention often stifles this.*
- *Historical examples, such as the 1970s gas crisis, illustrate the negative consequences of price controls.*
- *Prices reflect supply and demand dynamics; government-imposed limits can lead to shortages and increased wait times for consumers.*
- *The Federal Reserve's monetary policy, rather than corporate greed, is identified as a primary driver of inflation.*
- *The speaker warns that the promise of price controls is a form of central planning that can lead to economic collapse, as seen in countries like Venezuela.*
- *The current political climate is criticized for making unrealistic promises without addressing the underlying economic principles.*
- *The discussion concludes with a call for awareness and responsibility in economic policymaking to avoid future crises.*

I will take out a pen and write things on a piece of paper and Magic will happen and there will be more of the thing hey there friends fans and foes of dad Saves America John paa here and this Friday I can't help but dive in to this question of price controls I know Camala Harris has talked about all kinds of things she wants to do and give out to Americans last night but I can't get

past the fact honestly that we as a society haven't gotten past this horrible idea when I am elected president I will make it a top priority to bring down costs and increase Economic Security for all Americans as president I will take on the high costs that matter most to most Americans like the cost of food look I know most businesses are creating jobs contributing to our

economy and playing by the rules but some are not and that's just not right some are playing by the rules and some are not what rules are these exactly there's some assumption here that there's some hidden rule book of fairness but we won't Define what those rules are I don't know what rules she's saying are being broken in our food supply at the level of pricing but I don't think she does either I think this is just rhetoric and we need to take

action when that is the case I will work to pass the first ever Federal ban on PR price gauging on food little slip up there from the teleprompter price gauging it's price gouging but it's it's a stupid idea regardless of how you pronounce it my plan will include new penalties for opportunistic companies that exploit crises and break the rules we will help the food industry

become more competitive I'm I'm really curious how you're going to simultaneously dictate all the prices in the food system the foundation of all of human life but also make them more competitive I'm not sure where your special agriculture Wizardry is going to come in here to make food Industries more competitive but I'm sure that's also um equally elusive let's say as elusive as policy positions Beyond this speech have been running up to this moment because I believe competition is

the lifeblood of our economy she's right about that she is right about that that's about it more competition means lower prices for you and your families that's right now is the time to chart a new way forward forward forward we go always forward let's chart a new way forward not a lot new going on in this way forward not a lot

new at all in fact as I said this is quite old every American family is confronted with a real and pressing problem of higher prices yes and I have decided that the time has come to take strong and effective action to deal with that problem effective immediately therefore I am ordering a freeze on prices this freeze will hold price at levels no higher than those charged during the first 8 days of June it will cover all

prices paid by consumers I am not a crook there's something in our politics that gives rise to rank idiocy to policies that cannot work on the basis of econ 101 here's the thing about what prices actually are and this happens to be something I've spent a bunch of time thinking about because I'm an econ nerd and that is that prices are actually information that's what prices are yes

any individual price is what one person or one company is trying to make on the product they sell but they don't actually have as much power to determine that price as people think consider this PlayStation currently version five when PlayStation 6 comes out at some point in the next couple years they will charge let's say say 500 bucks in today's dollars for this new version of the PlayStation it will get hyped for months in advance we will approach the

Christmas season and you will struggle to find a PlayStation on the Shelf why is that that's because the demand for the PlayStation is higher than that price allows to keep on the Shelf if you want to buy a PlayStation 6 when it comes out what you're going to have to do is go on eBay or one of these other secondary markets and pay double that that is the price that's the actual price that's the market price and that's

actually an example of a kind of price control that's being imposed by the company on themselves even though they know that it's not really going to work and they're not going to be able to fill the shelves and keep them full for all of their customers some of that might be on purpose to you know create this illusion of demand that ASP Supply when in reality they probably could have supplied enough to meet the demand whatever the case may be it's a perfect

example that most of us if you're a nerd have experienced where the price that's been set doesn't allow what's economists say the market to clear so you see the real price is quite a bit higher the price that people are willing to pay we have seen this time and time again throughout history when the government legally says you shall not under force of law pay any more than x arbitrary price that we have set from Washington

on the basis of political nonsense and gobbley all hell breaks loose in the 1970s we had lines around the block to fill your gas tank my parents were old enough to experience this firsthand I was born in 77 so you know this was already starting to ease before my birth but why did that happen there were embargos there the OPEC was restricting the supply of oil but primarily in the US there were lines around the block not

in other places and the reason is that when Supply went down and the price began to creep up price controls said you're not allowed to do that you're not allowed to charge more than x politically set random price and so the information system about supply and demand was short circuited and there wasn't enough to go around just like the PlayStation at Christmas time at launch and so you get lines you actually still are paying the price you're paying the

price with your time instead of your dime so that's the other thing about the reality of prices you will pay the price you might pay it in pain because you can't get the thing you need when you need it most you might pay it in hunger or in the case of medicines you might pay it in Death if you can't get the thing you need because of price controls but price controls will do that they can't stop the laws of supply and demand

which is in fancy way of saying the reality that people want and need things and the things they want and need at any given time are scarce those are just just the economic facts of reality and we have become a kind of post reality society when it comes to our politics that's the only way I can really understand the moment we're in where here we are at one of our two parties national conventions and their nominee

has not posted any public policies that she is advocating for aside from mouthing off about price controls a couple other things that are important to understand about this particular problem so yes Nixon did exactly this thing during the early inflation of the 1970s didn't work prices kept going up the 1970s was called stagflation for a reason High inflation and high unemployment that was stagflation we actually experienced that again in the aftermath of covid but going after the

food supply of all the things to attack with price controls is like ignorance stacked upon ignorance and I get it it's populist it's the thing that hits people's pocketbooks so it sounds great to the economically uneducated but that just means you're exploiting people and um there was a great clip from the all-in podcast that talked a little bit about just how weird and stupid and ignorant this kind of targeting of the food industry in particular is agriculture and Food Markets have insanely competitive Dynamics because there are commodity markets there are tons of competitors there is no Monopoly in making food there is no Monopoly in making cpg products there is no Monopoly in retail there is no Monopoly in grocery stores it is a small margin highly competitive highly fragmented free market and the free market Works in that everyone is always competing with each other creating new productivity improvements and as a result over time

prices come down except when the government intervenes and gets involved so as he was saying the food industry while not a perfect free market is highly competitive there's a lot of suppliers there's a lot of buyers there also actually beaten and bended by the ups and downs of commodity prices several years back my wife Lisa and I produced a documentary called at the fork which you can actually see on YouTube and it's available kind of everywhere on Amazon and the like where

we traveled the country seeing the way animal-based food production was handled I've spent more times in a slaughterhouse than I I care to I've seen the way our food system works literally firsthand and these are very very hard businesses to stay alive in even with all the subsidies in fact American populism in some ways was born in agriculture as a result of the booms and busts of the weather and the fact

that crop failures would not just destroy particular farms and Farmers but would take out entire communities because what would happen is all the farms in the local area would take out loans from the local bank plant their seeds buy their feeds water grow care for their livestock and if you had a bad year if it's the time of the depression and there's a dust bowl not only do you all go broke when the crop yields fail

but the banks all go bust and everything goes into a deflationary spiral so out of that came a lot of economic populism a man named William Jennings Bryant a populist Progressive politician was advocating for inflationary monetary policy to essentially bail out Farmers that were stuck in debt from the booms and busts of agriculture agriculture is a hard business price controls will only make it that much harder and it's just one more way that distant top- down

planners think they know better than the decentralized information system of people engaged in free exchange That's All That the free enterprise system is people engaged in free exchange so we've tried this plenty of times in this country it has caused massive pain and problems in this country shortages gas lines and the like we see it crop up every time there is an acute crisis so for example during covid and this has gone off on Twitter a couple times

president Trump himself or president Trump's administration at the very least instituted a price gouging executive order because that's what politicians do oh prices are spiking for a thing that suddenly a bunch of people need right now I know what I'll do I will take out a pen and write things on a piece of paper and mag IC will happen and there will be more of the thing or less of the demand because I wrote something down on

a piece of paper because I signed a piece of paper and fluted it off into the 3 million people that work in the executive branch to stumble around and bump into each other for the next 48 months but this happens it happens on both sides it happens all the time it's always bad it never works but sometimes it never works in ways that are really atrocious and um well we just have to look South of the Border to see just how

bad it can get yet in his weekly program president madur announced reforms to the fair prices law the changes include two new kinds of price controls one covers the whole economy and refers to a maximum price for sale to the public the other gives special protection for food and medicines the President also announced new penalties for those traders who break the fair prices law and engage in price calculation increased fines will be applied directly to the company's

gross income in some cases they could face prison sentences ah yes the traitors that charge more than the dictator thinks they should charge off to prison for you people can say that talking about these policies like price controls and calling them communism is a hyperal but they are the road to Communism they are a form of central planning of the entire Society not just the economy the society you're not allowed to do the things you need to do

to to survive under penalty of imprisonment that is what these things are what happens if by some unlikely turn of events Cala Harris is elected president and actually does any of this the likelihood of which I think is probably pretty low this is all just pandering she's not probably going to do any of it so they make a lot of promises then they go into the back room and say well we're not really going to do that

because I did actually take economics I I heard somebody that took economics and they explained it to me over coffee and uh so I know I'm not really going to do that but I'm going to say say that that's what we're going to do how do you think it worked out for Venezuela Venezuela of course a country where prices double every few weeks and a monthly salary isn't enough to buy meat for one family meal that's why the

government has knocked those five zeros off the refurbished boulevar in a desperate attempt to control hyperinflation again the only thing these people have is their pen oh it's prices have gotten too high I know what I'm going to do I'm just going to take a sharpie marker and give me give me that dollar you got I'll just no I'll knock a couple zeros off it boom problem solved now you can afford to live this is what

they got words and more words but words don't pay the bills words don't feed your family and maduro's words didn't produce anything but absolute misery and collapse we know that the GDP the gross domestic product which is the measure of everything a country produces in a year went down went down since 2015 um by about 70 to to 80% so let let that number sink in like the the economy collapsed by 7070 to 80

80% and this is the pain that gets inflicted by these people and their pens they can say things they can sign their name to things but they create nothing and if you've got enough political power if you're Maduro or you're one of the peronists that came into once wealthy Argentina and burned the country to the ground in the name of Wing populism Argentina by the way was arguably on a path to being as rich or richer than the

United States at the turn of last century and now it is a basket case where things got so bad they actually elected an self-admitted aarco capitalist that names his dogs after free market economists that's how bad it gets when you adopt economic populism in the name of just pandering to people that don't know any better that's what happens that's the path we would be on if a couple other things weren't going on on first why is this going on since

corporate greed never really makes sense as an explanation why are prices so high at the grocery store let's imagine for a minute that it was corporate greed you know as Elizabeth Warren loves to say all this talk of greed from Elizabeth Warren is really rich considering that she was pulling down like a $400,000 salary for teaching like one class at Harvard spare me your talk of greed shall we but the fact is if greed is the

source of the problem why did companies get greedier during the Biden Harris Administration and why were companies less greedy during the Trump Administration that's the implication of this claim that it's corporate greed that drove prices up is it corporate greed when prices go down was a corporate greed when gas prices fell during the pandemic or when they fell in the prior 5 years did OPEC get less greedy did Exxon get less greedy or is that explanation basically equivalent

to blaming airplane crashes on gravity which is what it is that's what it is oh why did the plane fall the air because of gravity it's like well yes it is because of gravity except gravity is always there so that's actually not the explanation is it the actual reason why prices are up is pretty straightforward if you know anything about the institutions of our economy our price level is determined by the Federal Reserve period that's what it's

determined by it's not actually determined by the treasury it's not directly determined by government spending that's also false it's determined by the FED how do I know that well aside from economic theory and all of human history it's impossible to ignore because in case you haven't noticed inflation actually has come down as a year-over-year growth inflation year-over-year is now almost back to where it was before the pandemic and yet deficit spending is super crazy out of

control so deficits don't cause inflation money printing does here is the fed's balance sheet so when the Federal Reserve creates money it could just literally print dollars and mail them to you that you know economists call this helicopter money after Ben banki talking about dropping money from helicopters but that's not actually typically what they do what they do is they go out into the market financial markets and they buy assets mostly treasuries and they mostly buy

treasuries from existing holders of treasuries not the treasury itself they buy it from Banks and and private individual rules that have treasury bills and as you can see starting in March 2020 the balance sheet of the FED went to Crazy Town it was already in Crazy Town post financial crisis in 2008 so you can kind of see if you go back a little further the fed's balance sheet by today's standards was below a trillion dollar bailouts for the

financial crisis shot that up to 2 and half trillion and then quantitative easing in 2013 kept it going took all the way up to $4.5 trillion now we didn't see a big inflation at that time for complex reasons but one of which is the way the FED actually pays Banks interest on the reserves that they print it's called sterilizing the money but needless to say that's not what happened in 2020 the FED went from a balance

sheet that had been going down at $4.2 trillion in the matter of a couple months it went up by almost $3 trillion it it almost doubled and then in the subsequent Year from May 2020 all the way up to May 2021 it was almost at 8 trillion and it peaked wouldn't you know it around April 2022 at almost 9 trillion that happens to correspond with the rise of inflation and then the FED has since been pulling back reducing its

balance sheet tightening monetary policy which has led to higher interest rates and so it is starting to come back down but notice something the fed's balance sheet is still at the heightened level of where it was in the immediate aftermath of early covid in 2020 that's why your grocery bill is elevated that's why it has stopped growing in price really quickly month over month year over year but it's still hurts it hasn't come down this is why it isn't anything

that agencies can do so president Trump said I'm going to tell all the agencies to try to fight for lower prices that's nonsense that's not true that's not a thing this is the thing this is where overall prices are determined by the Fed so here's the other problem and this is the problem that touches on all the other free stuff that both Cala Harris and to a lesser extent Donald Trump is promising you and by free stuff I mean

not making any changes to any of our entitlements like Social Security and Medicare or expanding this or that tax credit which is just cutting checks to people like the child tax credit or forgiving student loans or paying off your mortgage or help helping you with your initial Mortgage Assistance all this extra new stuff on top of the stuff that's already being spent there's no money for that there's no money every single nickel of every new dollar that is Promised must be borrowed

that is a fact anyone claiming otherwise is a liar and the thing that's so crazy about the moment we're in right now as we sit here in August of 2024 is that we're several years into what is called a boom or at least a recovery economy relatively low unemployment reasonable economic growth by modern standards which is to say not great but essentially we're not in a recession and yet last year and this year we are running some of the biggest deficits as

a share of our economy that we've seen in peace time and it's only getting worse here is the federal deficit take a look at the trend on that sucker this is each year how much money is spent and borrowed and it is a nasty looking picture my least favorite modern Economist who's actually an economist as opposed to say Karl Marx who's just basically a satanic Theologian he had an idea and his idea about how the government should operate with booms and

busts goes something like this in bad times the government should borrow money to cushion the blow and maintain demand and in Good Times the government should run a surplus and build up reserves for the bad times that is what John manard Kane's full picture actually was now most of ke's ideas aren't that great and the ones that are good aren't unique to him but you're not even being a good Keynesian when you run this level of debts and deficits in the so-called Good Times what's going to happen when we run into a recession when we have another financial crisis we don't have a lot of room for where to go from here so Venezuela destroys itself and announces crack pot policies that should have died 150 years ago but are popular to the trained ear I'm going to lower prices because I'm a magical dictator and it wrecks their society we have what has been called an exorbitant privilege an

expensive privilege and that is that we are the richest country on Earth we have the biggest military we have arguably the most productive capacity we have brilliant people we have a large land mass we have energy and agriculture we have kind of everything we need and I'm for free trade so I'm not saying we should be aaric here but as a country in terms of Assets in terms of capabilities we've got a lot and as Adam Smith said

there's a lot of Ruin in a nation so our current situation appears to be that our political class operates more or less like spoiled brat trust fund kids who've inherited their parents' money have no idea how to be productive or useful and are blowing it on blow and boats that's what's going on and actually they do do this for themselves they do do the blow in the boats for themselves but in in addition to that their other form of

blow their other drug that they're addicted to is promising you things they know they can't really do and the most likely outcome of these is that the country will start to get poorer per capita you can't just spend down and eat all the seed corn and run down the trust fund both literal and figurative and be better off you eventually run out of other people's money you eventually load up the productive engines of our economy which is to say the people and our

capacity to produce things you eventually outstrip it to such an extent that our knees buckle and start to bend and that is what we get with this exorbitant privilege we are having our backs loaded up with promises that are taking from our back pocket to put into our front and unless we wake up to that we're just going to get run off a cliff it is our fault to the extent that we and I know like we is kind of this

nonsense word right who's we we we that's really what this is all ultimately about that's the sort of collectivist togetherness wee off we go into the future wee we we we that's what we're told we can do it we can make it happen we can build an entire new kind of Economics on the basis of that's the childishness that we are dealing with now in our politics and I hope we can wake up from it because if

we don't it's going to be very painful for us and our kids so with that let me me know what you think in the comments below as you know if you're a returning viewer I jump in there and mix it up with you so I'm looking forward to your comments and your criticisms and all the rest have a great weekend I can paint you a picture of how that would work and how it's worked in the past where we've tried to

artificially hold prices down competition doesn't come in people don't like if beef is too high people don't move the chicken the competitors don't come in under where the beef prices are nothing works when you try to artificially control prices it's just a supply and demand issue the flawed idea so so did you have a question here