## Секция «Юриспруденция»

### Libertarian View on Governmental Regulation of Prices in the USA

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State regulation of prices for certain goods consistently remains to be one of the most actual issues of scientific discourse in the United States of America and the Russian Federation.

This type of state regulation is often viewed as a kind of magic pill for the establishment of greater social equality and for prevention of business entities monopoly power manifestations. In this article I want to critically analyze the expediency of governmental intervention into the process of pricing in the U.S. and show the inadequacy of theories of price discrimination.

The price system brings together all available information in the economy about what each person wants, what value a particular product represents for him and how to produce most efficiently. According to David Boaz the most direct means by which government distorts price signals are the regulation of prices, including the price of labor - wage rates [1]. It should be noted that the state is attempting to set minimum prices, but most often limits the maximum ones. However, the consequences of regulation of the maximum and minimum rates of prices are the same for any goods, whether they are consumer goods, investment goods, land, labor payments or the "price"of money, expressed in other products.

When determining the top price for the goods which is lower than the equilibrium market price (and this price must be installed as such in order to be "effective that is, the one that influences the level of prices in the market), a withdrawal of many manufacturers from the market is possible, who are not satisfied with the level of profitability, and are able to invest their money in other areas, where government regulation of prices is not exercised. In this context, the demand will exceed the supply, and buyers will try to buy a product that can be referred to the range of deficient goods. This, in turn, according to Murray Rothbard leads to the situation when some consumers will have to do without this product at all, others - to address the market which revived in the form of "black"or illegal market, paying a premium for the jeopardy of punishment [3]. The main visible result of the establishment of price ‘ceilings’ is an endless queue for the item that is not in enough quantity for those who are in the tail of the queue. Indispensable features of the market, where the limited ceiling prices were se up are trading "under the counter bribes to sellers, and advantages for ‘regular’ customers.

Notable examples of U.S. law regulating the maximum prices are the laws regulating rents and usury laws.

Assar Lindbeck, said: "Out of the currently known methods for the destruction of city, in many cases rent control takes the second place after the bombing."Indeed, keeping rents below the market not only leads to a shortage of rented accommodation, but also leads to an increase in demand. If homeowners can not lease the apartment to tenants who offer the maximum price they will seek other ways to select the tenants: take bribes, so-called ’key money’, pay attention to race, sexual preferences, and other non-price factors.

Usury laws not only reduce the amount of savings, but also create an artificial shortage of credit resources. In this regard, lenders, instead of issuing a loan to the most capable and effective applicants have to "distribute"loans to clients based on artificial, rather than economic criteria. Ironic is the fact that usury laws are passed for the sake of risky borrowers who pay high interest rates on loans, but the reality is that they are completely cut off from credit resources.

Concerning the establishment of minimum prices, the most suitable examples in the U.S. are establishment of minimum wages and the maintenance of prices on agricultural products.

The minimum wage in the United States is set at the federal level (Fair Labor Standards Act) [4], and the states. However, just as the price ‘ceiling’ creates a shortage of goods, the minimum price level creates a surplus. Workers whose labor productivity for the employer is valued less than the statutory minimum wage, lose hope to get a job at all, which inevitably leads to high rate unemployment.

Maintaining the prices of agricultural products is another example of inefficient public policy that leads to overproduction of goods and inflates prices, resulting in American farmers continuation to cultivate only the best lands and do not tend to move their work forces to more productive areas of production.

Interesting enough is the fact that government even without setting minimum or maximum prices has the ability to control pricing through antimonopoly means. Thus, Article 2 of the Clayton Act declares price discrimination in respect of goods of one kind and quality unlawful, if it substantially reduces competition or creates monopoly [5]. However, experience shows that this law through the threat of its use or actual use can make it nearly impossible for honest price competition. D. Armentano’s analysis of the the U.S. Supreme Court decisions under Art. 2 of the Clayton Act evidently induces that the law actually protects not the competition itself but the competitors, so price regulation leads to a completely opposite results than those meant to be achieved by lawmakers [2].

Thus, state regulation of prices appears to be an ineffective tool, because it either creates a shortage of goods for which the maximum price below the market price is set, or makes it impossible for sellers to realize the surplus production when establishing minimum prices. All in all, the regulation of prices in general leads to a distortion of the market structure and of productive resources distribution.

## Литература

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