

How to Feel Profoundly Grateful about the Market

Written by Bryan Caplan.

In the real world, prices often seem far above marginal cost. Yesterday, for example, I bought a pair of tweezers for \$14.99. But it's hard to see how the marginal cost – metal, electricity, transportation, miscellaneous – could even reach \$1.00. That's a markup well in excess of 1000%. If you're steeped in the perfectly competitive model, where price always equals marginal cost, it's easy to feel "ripped off" whenever you make a purchase.

When I feel like a price is a rip-off, I ask myself, "How much would it have cost me to make this all by myself?" The obvious rebuttal is to point to all the fixed costs of production. While the marginal pair of tweezers costs pennies to produce, the first pair plausibly costs millions. Factoring in fixed costs, tweezer producers are probably roughly breaking even. So how is that a "rip-off"?

But on reflection, this greatly understates what a fantastic deal we consumers get. To see why, I often invoke my Consumer Gratitude Heuristic. Here's how it works: when I bought my tweezers, I asked myself, "How much would it have cost me to make these tweezers all by myself?" On reflection, the answer is... more than my lifetime wealth! I'd have to spend years learning the basics of mining and metallurgy to acquire minimal competence. And after a lifetime of training, I still probably wouldn't have the skill to make a single tweezer as good as the one I bought at Wegmans. \$14.99 versus more time than I have on Earth: that's what I call a bargain.

Nor is this an exceptional case. When I apply my Consumer Gratitude Heuristic, the modal answer is: a lifetime of single-minded toil would fail to yield a product comparable to what I buy at the store. One day on the lake might yield some fish as good as Wegmans. With years of effort, I might be able to grow some vegetables or bake some bread as good as Wegmans. But most of the items I buy are simply beyond the limits of my potential skill.

Taking your wonderful life for granted is the path of least resistance. It comes naturally. But it's a terrible mistake. I have so much to be grateful for – and so does everyone else lucky enough to live in an industrialized, commercial society. My Consumer Gratitude Heuristic helps us see – and live – this great truth.

Originally published at EconLib.org.