

What's In Your Bag?

As a consumer, my experiences are exceedingly pleasant. I don't just receive endless great products for reasonable prices. I routinely receive gracious, flexible service with a smile. Small snapshot: When I buy baked goods or produce at Wegmans, the cashiers don't even bother to look in the brown paper sack. They simply ask me, "What's in your bag?" – and ring up whatever I declare.

How can profit-maximizing businesses treat me so well? The easy answer is "competition" – if any one business offered worse terms, I'd take my business elsewhere. That makes a lot of sense, but dodges the deeper question: Why is gracious, flexible service with a smile the market equilibrium in the first place?

The academically fashionable answer is probably just "trust." If consumers are generally honest, stores don't need to verify what they say. That answer, too, is sensible but superficial. I live in a wealthy area, so consumers have far less *motivation* to lie to save a few dollars. Perhaps more importantly, stores can – and almost certainly do – unofficially profile individual consumers to decide how to treat them. I look like a middle-aged, middle-class dad – and businesses treat me accordingly.

The obvious upshot is that my first-hand experiences are rather unrepresentative. Business gives me the royal treatment, but that's because I frequent upscale areas and project a suitable image. If you changed either of these conditions, I expect I'd see an uglier side of the market. If you changed both, it might get downright ugly. My beautiful Bubble is wonderful but encompasses only a tiny corner of the business world.

The deeper lesson, though, is that consumers' experiences vary for totally forgivable reasons! Being nice in a rich area is cheap; being nice in a poor area is expensive. The same goes for individuals: Being nice to mellow middle-aged people is a lot cheaper than being nice to surly teens. If you want to blame anyone for sub-excellent service, you should blame the consumers whose opportunistic behavior confirms negative stereotypes.

The final lesson, of course, is that using regulation to mandate royal treatment for everyone would have dire side effects. There'd be a cost spike throughout the economy; the less upscale the area and the consumers, the sharper the spike. And as usual, trying to mask cost increases with price controls would provide cheap, high-quality products for some – and shortages for everyone else. A world where business *willingly* provided excellent service to everyone would be a big improvement over the world of today. But a world where business was legally *required* to provide excellent service to everyone would be much worse.