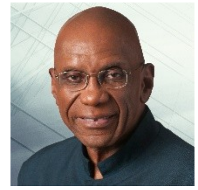

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The Price of Chicken Feet

In his column in the Barbados *Weekend Nation* newspaper of April 21, humorist Eric Lewis tells of his experience in a supermarket in Bridgetown: “Anyhow, an old lady was there talking to herself ’bout cooking some soup, so she took up a pack of steppers [chicken feet]. She then remarked that the price per pound of a whole chicken and the price of chicken feet was practically the same thing. So she asked the youngster [packing the shelf] why the chicken price and the price of the steppers per pound was almost the same.

“The fella, who probably heard the question before, told her: “Chicken feet is chicken, them ain't fish, them come from de chicken.”

“The old girl replied, with clear irritation in her voice: “I know de feet is chicken, but them is de feet. These supposed to be poor people food, so them shouldn't be selling so dear.”

Herein lies an important lesson in the economics of pricing. The price of any item, large or small, depends on a wide array of factors and circumstances; prominent among them is the purchasing power of the buyer. When the old lady referred to chicken feet as “poor people's food”, she was harking back to the days of my youth, when chicken feet, chicken livers, pig trotters, pig ears, cow tongue and similar items were the only meats poor people could afford. Since these parts would otherwise be worthless, butchers sold them for a pittance.

The reality today is quite different. Standards of living have improved across the board, and chicken feet are no longer “poor people's food”. Instead they have become a delicacy enjoyed by many, including myself, pickled with breadfruit and steamed pudding as a Saturday lunch alternative to pudding and souse.

Supermarkets stock their shelves with items they expect their customers will buy. The young assistant would have been replacing items which had previously been bought at the advertised selling price; the customer, not the item, has changed over the years, and because of that, the price has changed too.

The factors that determine the price of any product or service are many: apart from the purchasing power of the customer, they include the quality and appeal of the item, the effectiveness with which it is distributed and marketed, and the costs of materials, electricity and services; also affecting the price are the costs of financing and transporting the item, the technologies used in all these processes, and the time horizons of buyers, producers, sellers and financiers.

If all of this seems impossibly complicated, that is the reality. In practice, most pricing is a process of testing and adjustment on the part of sellers, starting from an offer price the seller believes will attract their targetted customers. Then they adjust upwards or downwards where necessary, depending on whether their expectations are realized, disappointed or exceeded.

In view of this complexity, countries large and small are well advised to be more circumspect in their attempts to influence price inflation. In tranquil times the price level is like a placid lake; competition among firms creates disturbances like the wake of boats crisscrossing the lake. They quickly subside, and calm returns to the surface. However, in the face of a howling storm, such as the current turmoil in international prices, it becomes very difficult to say when calm waters will return. There is not a great deal that economic policy makers can do about that.

My Economic Letters may be found under "Commentary" at DeLisleWorrell.com