The Daily Dish

Junk Science

DOUGLAS HOLTZ-EAKIN | NOVEMBER 22, 2022

Sometimes a news story simply takes my breath away. I was perusing the *Financial Times* on a slow, pre-Thanksgiving Monday afternoon when this gem – "Biden's antitrust adviser warns of 'profusion of junk fees' in US economy" – popped up. It caught my eye mostly because Eakinomics recently survived a White House event on "junk fees." Let's dig in a little.

It begin with this whopper: "In an interview with the Financial Times, Tim Wu, the Biden administration's adviser on competition policy, said there was a 'sense there has been a profusion of junk fees across the economy, things that confuse people, coercive fees, deceptive practices.'" That's right, he has a *sense*. Not data; a *sense*. Not facts; a *sense*. Not documented complaints; a *sense*. Not anything that anybody should take as evidence; a *sense*. This is Bidenomics at its empty finest.

This quickly segues to: "He added that this was a 'perfect area for a whole government?.?.?.?approach' to surprise charges that unexpectedly inflate prices." By all means, imply that the inflation problem stems from a profusion of junk fees. This continues the administration's ludicrous finger-pointing on the inflation front and its deliberate conflation of specific prices with general inflation. Judged purely on its public statements on inflation, the Biden Administration could not collectively pass Economics 101.

Now let's get to the meat of the article. The idea is to put junk fees on the agenda of the administration's competition council: "Among the council's tasks is understanding how junk fees manifest across different industries and cutting these hidden costs."

The argument features two key pieces of gibberish. First, there is no definition of "junk" versus "non-junk" fees, making this entire enterprise specious, arbitrary, unmoored from economics, and pure politics. Second, there is a continued slipperiness to the relationship between "fees" and "prices." Are these fees in addition to base prices, as Wu seems to suggest when invoking airlines? If so, it must be the case that firms don't have the ability to raise their base prices and must resort to hidden-junk, non-Wusian fees. But that means there isn't any market power and the competition council should just butt out. Or, the fees are the prices, in which case a junk fee is simply a price that the competition council does not like.

Junk fees are the administration's junk science.

The article closes with: "'The overall idea is to try to clean up pricing in the United States,' said Wu." Spoken like a true central planner. Identifying "correct" prices from D.C. is the antithesis of good competition policy, which should instead ensure vigorous competition so that prices are as close to costs as possible.