

Medical Mask Resellers Punished in Canada

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Abstract:

In times of pandemics or natural catastrophes, prices of commodities, such as water, food and medicines, tend to shoot up, in response to a surge in demand and depleting supplies. The government, in its misguided efforts to maintain “price affordability”, imposes price controls and anti-price-gouging legislation and bans the reselling of food and medical supplies. These interventions in the free market are the exact opposite of what the government should do, if it wants to ensure that enough commodities go to people who need them, that people do not hoard all available goods on grocery shelves, and most importantly, that suppliers have the incentive to produce more goods to meet current and future demand at market prices.

Keywords: medical masks, resellers, middleman, price-gouging, Covid-19, Corona virus, pandemic, shortage of goods, black markets, price controls, profiteering, free market, libertarian.

1. How Authorities React to Covid-19 and the Shortage of Goods

Recently in Vancouver, Canada¹, a family reselling medical masks were caught and slapped with a five-hundred-dollar fine for “operating without a business license”.² This was quickly followed by two undercover sting operations where two N95 mask resellers were caught and fined; treated as if they were thieves or drug traffickers, they had all their inventory seized by police.³ These crackdowns are the exact opposite of what governments should do, if they want to see an increased supply of medical masks to everyone who wants to buy them.

A local mayor, Brad West, has called the acts of the resellers to be “egregious, so irresponsible, so selfish and so motivated by greed at a time when these supplies are needed by the health professionals”.⁴ Unless these resellers acquired those masks in a dishonest fashion, this writer submits

that it is the actions of local authorities which are not only *egregious and irresponsible*, but dangerously misguided.

In saying those dramatic words, Mayor West implies a few things: First, that there it is a limited or finite supply of masks, that “there are only so many which can go around”. Second, that this constrained supply ought to be rationed to health workers first before anyone else; that customers who buy these masks have no legitimate health need for them (at least compared to health workers). Third, that the act of reselling those masks to make some money is morally wrong, akin to criminal behavior.⁵

2. Why the Mayor is Wrong

Point #1: Why Does the Mayor Presume That the Masks Are in Finite Supply?

As any economics major will tell you, supply is not fixed or static and responds to price signals – as well other factors – that occur within the market [13]. Since the Covid-19 outbreak, the government has barred retailers from raising the price of “essential goods” such as toilet and tissue paper, cleaning and medical supplies, wet wipes, etc., pursuant to “anti-price-gouging” laws [11]. Unfortunately, but predictably, what has happened since is a run on all these everyday goods, leading to empty grocery shelves.

During times of pandemics and natural catastrophes, what you see is wholesale panic-buying and hoarding of food, water and other supplies. Putting in place price controls and anti-price-gouging laws, with the noble goal of keeping prices “affordable”, means that customers will buy as much of an item as they can possibly can; this all but guarantees that the commodity will disappear from store shelves [9]. Price controls imposed by government lead to chronic shortages, as well as other costs which are not readily apparent [2]. Allowing prices to naturally rise is the best of way of allocating product to people who need them most and are willing to pay the new market price. Because of higher prices, consumers will conserve and buy only so much of the item that they actually need, leaving more of the grocery items on shelves for others to buy.

Point #2: Why Does the Mayor Presume Health Workers Ought to Get First Priority to Face Masks Over the Rest of Us?

Don’t you and I have a serious need for the masks, at least comparable to healthcare workers? The CDC now states that wearing masks helps reduce the risk of Covid-19 exposure [15]. Months before the CDC announcement, many people, especially in Asia, took to wearing masks as a way of reducing exposure and spreading the corona virus [8]. Now, there are even laws in place which require people to wear face masks when out in public [8].

The average person has as much of a right to face masks as any healthcare worker, in order to protect himself and his loved ones. The less persons he infects, the less burden is placed upon the healthcare system. But one might argue that healthcare worker is *more deserving* because of the special role he plays in saving lives during this pandemic. Let us assume that is correct. Does that mean we should also set aside special rations of food, water and medicine for healthcare workers, in case there is a shortage? What if there is a funding shortage in the healthcare system, should the government seize an additional percentage of our income to be diverted to hospitals and clinics? (The government might say, “Whatever plans you had for your money, it can’t be as important as saving lives.”) To ask these questions is to answer them.

If we are talking about who should be “deserving” of masks, what about truckers, transport workers, and freight operators, who are needed now to ensure vital goods and supplies get transported to market in a time-critical manner; don’t they serve the needs of the rest of the population? What about grocers, retailers and merchandisers, who ensure all of us get to buy goods needed to thrive and live

safely and comfortably? What about plumbers, electricians, auto mechanics, road workers? You get the idea.⁶ On these questions, the government does not get to make that call as to who should get certain commodities. We should let the market decide, and if people want to pay higher than previous prices, then so be it.

Obviously, the subjective value in face masks has shot up in the last several months, leading to a surge in demand; if we allowed the market to take its course, we would see a rise in prices [10]. This *would have been* a good thing. An increase in prices sends a signal to producers to divert more raw materials and factors of production into making more masks, because it is more profitable to do so [17]. It also encourages entrepreneurs in other fields and sectors to re-tool and begin manufacturing the scarce item. As we get existing producers ramping up production, and new producers entering the sector, supply rapidly increases; as demand gets satiated, prices eventually fall. These are the basic laws of economics.⁷

Unfortunately, because of government price controls and anti-price-gouging laws, the market has been hampered; retailers are not legally permitted to raise prices on scarce items, thereby restrained from sending critical price signals to all current and potential producers to make more of the scarce good.

Point #3: Why Does the Mayor Think It Is Morally Wrong to “Make a Buck” Reselling Masks?

These are customers who are voluntarily paying hard earned money – even at “marked up” prices – for items which they genuinely need and desire; according to the news report referenced above, customers were paying about \$40 for a box of masks [7]. Remember, these are free and voluntary transactions; for buyers, the masks are worth \$40 dollars (or more); for the seller, the masks are worth \$40 dollars (or less). These mutually beneficial transactions are a “win-win” for both sellers and buyers [10].

The mayor and the media might think that the resellers are exploiting the pandemic or taking advantage of the helplessness of others, that somehow their profits are undeserved or unearned. This could not be further from the truth. The reseller plays an important role in “the middleman phases of production”, helping to bring a needed product to consumer with efficiency and the least amount of cost [1, p.183].

Let us take a closer look at what the reseller actually does to bring a needed product to market. The reseller, through his resourcefulness and diligence, sources a producer and builds a commercial relationship; he obtains and inspects a sample of the desired product; if it passes muster, he negotiates a price with the producer. He places his order, forecasting that he will be able to fetch a certain price at market which will cover his costs, his time and labour, and other overheads. If he is wrong in his assumptions on price, demand or other variables, he will have to sell at a lower price, suffering a loss.

The reseller also takes certain risks that his merchandise might not arrive in a timely manner, or might be withheld by customs, or otherwise might not be delivered by a deceitful and unscrupulous producer. Once he takes possession of his merchandise, he must find a way to advertise his wares. He must find a place to store them, arrange a store front, and spend time selling the product himself or hiring sales people to sell for him. For all his time, effort and risk, the reseller earns his profit (provided his forecasts are correct). Yet, politicians and the media label these entrepreneurial acts as “profiteering” and “exploitative”, as if profits arise out of thin air through trickery and deceit. In reality, what the entrepreneur does is correct an “imbalance” in the economy, by bringing together mutually beneficial trades [1, pp.191-192]. At the end of the day, the buyer gets what he wants, and so does the seller. The beauty of the free market is that this happens voluntarily and without coercion. What could be better than that?

3. Going From Bad to Worse

To make matters worse, governments, in shutting down the productive activities of resellers, have cut off a channel of revenue for entrepreneurs. Many people are now out of work due the Covid-19 lockdown and unless they can come up with new sources of income, they must now rely on employment insurance, income supplements, interest-free loans and other forms of government welfare [4].

Because all of this puts an even greater strain on government coffers (i.e. our taxpayer money), the government, politicians and the media should be doing all they can to encourage people to become productive and self-sufficient. But these two recent, press-worthy clampdowns by local authorities yield just the opposite effect.

4. Government Interventions “To Do Good”

Many of us do not realize that without middlemen (e.g. resellers, distributors, retailers, wholesalers), needed goods would be in constant short supply, if they were available at all, and the money that would have to be spent to obtain them would dramatically rise [1]. Unfortunately, government interventions “to do good” have made our current supply woes worse.

We have seen this situation time and time again. Banning resellers and imposing price controls have driven the trade in scarce goods further underground. Just a few days ago, five million face masks ordered by a Toronto doctor and her friend were highjacked at an airport in Shanghai [5]. These masks are presumably bound for the black market where they can be sold for prices higher than the government-controlled “market price”. The people who get access to these goods will be those with the right connections and contacts.

It is no surprise that regimes which impose price controls set the stage for lucrative and thriving black market economies. In the former Soviet Union, infamous for imposing a top-down, planned economy on a massive scale, there were always two prices: the official retail price, as posted at government stores, and the “real price”, as evidenced in black markets [3]. Trading at black markets, though illegal and severely punishable, came to play a life-sustaining role during life in Soviet Russia; it was not unusual to see food stocked in a person’s fridge when grocery shelves went bare. There were no blue jeans that could be bought at government stores, but Russian youth still wore them, and paid up to the equivalent of a month’s salary, depending on the brand and style [3].

5. “Oh, It’ll Be Different This Time”

Governments the world over, for reasons of political expediency, choose to ignore the fundamental laws of economics, insisting that *their* style of command-and-control and central planning will be “different this time”. These governments try to fix previous economic disasters with one new decree after the other, gradually imposing more and more controls, until their regimes descend into full-blown socialism [16].

We have seen the results of these failed policies in places like Zimbabwe, N. Korea, Cuba and others. It is heart-breaking to see countries like Venezuela, once one of the wealthiest countries in Latin American with the world’s largest oil reserves [14], mired by a dysfunctional economy, hyper-inflation and high infant mortality rates. Because of its ruinous socialist policies, wealthy Venezuelans and investors have fled the country, and the remaining population now eke out a living at a subsistence level, facing daily shortages of food, medicine, electricity and other necessities. As the great libertarian scholar and economist Murray N. Rothbard stated, it is these socialist regimes where the daily grind of existence with little or no market activity impoverishes the people and deadens the spirit [10].

When will governments ever learn?

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Notes

1. This article, written in April 2020, contains references to date-specific events.
2. Just to be clear, these masks were not “hoarded” from local stores and resold. These masks were sourced in China and sold by a family at their nearby community park. The local mayor was so incensed that he has called for criminal charges to be laid [7].
3. Implausible as it may seem, the police say that the two resellers “voluntarily” relinquished their inventory into their custody! It appears the local police had nothing better to do than to search through online ads and arrest entrepreneurs for reselling face masks. Of all the outstanding cases out there for murder, rape and theft, this is where the police place its priority [18]. The arrest is based on new provincial orders issued pursuant to the *Emergency Program Act (BC)* banning the resale of food, medical supplies, personal protective equipment and cleaning supplies. The government website at <https://news.gov.bc.ca/releases/2020PSSG0020-000568> does not stipulate what types of food, medical supply or protective equipment are prohibited. Presumably, a person selling hotdogs or blueberries by the roadside could get caught and punished.
4. The family of resellers, undeterred by a \$500 fine, went out a second time to sell their masks to needy consumers, only to get caught and fined again. To which the local mayor said: “That's the part that is just jaw-droppingly shocking about this whole thing. It wasn't enough that they did it once and got caught. They actually went back again to the exact same spot to go and do it a second time.” [6] *Jaw-droppingly shocking* is one way of looking at it. The other is that the family considered the province's new orders to be draconian, unproductive, and infringes on a person's civil liberties to sell a product which consumers desire. It gave the family a chance to earn income and put food on the table when so many people have been laid off from work due to the widespread government lockdown of businesses and commercial enterprises.
5. The mayor was quoted as saying, “I am hoping and praying that the RCMP are able to lay criminal charges, because that's what is required here. Criminal accountability will do far more than a fine from a city can ever do” [7].
6. One could argue that anyone whose service is purchased by others serves a societal need and therefore should be able to access and purchase masks. Ones who do not serve any societal need are perhaps the homeless. But couldn't one make the argument that they are also deserving because of their vulnerability and unfortunate circumstances?
7. Socialists, Marxists and assorted “social democrats” don't believe in the laws of supply and demand, suspecting them to be highfalutin theory or “witchcraft”; at this point in time, science has no credible explanation for this mindset.