

Are 'Grinch Bots' Stealing Christmas?

When I was a young boy, if I whined over the trivial, my grandmother would say with patience and firmness, "*Let's not make a federal case over this.*"

You're probably not concerned over the price of Fingerlings toys, but Senate Minority Leader Charles Schumer is; and he is making a federal case over it.

Schumer believes that your Christmas is being ruined by shopping bots. Schumer is referring to third-party resellers who use computer programs to buy-up, with the intention to resell, what they expect to be popular Christmas toys.

Referring to reports that the popular Fingerlings toys have appeared for sale for as much as \$1,000, [Schumer said](#), "Grinch bots cannot be allowed to steal Christmas, or dollars, from the wallets of New Yorkers. Middle class folks save up – a little here, a little there – working to afford the hottest gifts of the season for their kids but ever-changing technology and its challenges are making that very difficult. It's time we help restore an even playing field by blocking the bots."

Once again, Senator Schumer [reveals his ignorance of economics](#). To be fair to Senator Schumer, economic literacy is [uncommon among politicians](#).

It is doubtful that any Fingerlings are selling for \$1,000. As I write this, Fingerlings are readily available on eBay [for about \\$32](#). Has the market for Fingerlings crashed since Senator Schumer got on the case? Hardly.

In 2011, a shopping bot [set the price](#) of the slow-selling book [The Making of a Fly](#) at \$23 million. A few days later, the

price was \$106. Look at many items for sale at Amazon; notice how often third-party sellers set prices they will never receive.

Although there are new copies of my book [*The Inner-Work of Leadership*](#) available from Amazon for \$19.95, today my book page at Amazon shows third-party sellers asking up to \$65.67 for my book. Demand for my seven-year-old book has not spiked. The outlier prices are set by fallible computer programs. Items rarely (if ever) are sold at extreme outlier prices.

The online shopping world is intensely competitive. Online retailers rely on computer programs to monitor competition; prices on a given item often change from day to day.

For third-party sellers, selling at Amazon and other sites, the competition is even more intense; prices will often adjust multiple times during the day. All these price adjustments happen automatically, without human monitoring.

But let's grant Senator Schumer his due. Suppose Fingerlings were trading hands at \$1,000. Would that justify wasting

taxpayer money making a federal case over it?

Those who buy toys, before demand is known, are speculating on future consumer demand that may or may not materialize.

When speculators bought up part of the supply of Fingerlings, they didn't know what demand would be for that toy. Consumer demand for entertainment such as books, movies, or toys is notoriously hard to forecast. If you doubt that, just notice the number of flops that Hollywood produces. A speculator trying to corner the market for theater seats for the highly anticipated movie [Justice League](#) would've found out that anticipation doesn't always translate into real demand.

Every day on the Chicago Board of Trade and other commodities exchanges, [speculators buy and sell commodity futures](#) for agricultural products such as wheat. You might remember that commodities trading for orange juice was immortalized in the Eddie Murphy/Dan Aykroyd comedy *Trading Places*.

Speculators, such as the fictitious Randolph and Mortimer Duke in *Trading Places*, are often reviled. What few people understand is the role that speculators play in stabilizing prices. If it wasn't for speculators, the supermarket price of a loaf of bread would occasionally swing wildly.

Suppose speculation was banned. Now suppose there was a drought in wheat producing states. With a smaller wheat harvest, the price of wheat would spike, and so would the price of your loaf of bread.

Thankfully, speculation is legal. Expecting a higher price, due to drought, speculators buy contracts for future deliveries of wheat. Their actions bid up the price of the new wheat crop, before its harvest. Then if the drought arrives and the supply of wheat drops, the speculator will sell those futures contracts. In the process, the sales of futures smooth out price fluctuations by transferring supply to a period of relatively lower supply.

Speculators would earn a profit for a job well done by ameliorating the impact of the drought on consumers.

We should be glad that Senator Schumer's complaints about Fingerlings speculators is only wasting taxpayer money. Schumer could do far worse damage were he to make a federal case over speculation on commodities. Then his meddling would make him the Grinch who stole your bread.