

Why New York's Hand Sanitizer Stunt Won't Work

As new cases of COVID-19 continue to be diagnosed in the U.S. and abroad, New York Governor Andrew Cuomo on Monday announced the state is prepared to introduce its own brand of hand sanitizer, free of charge, called NYS Clean hand sanitizer.

At the press conference unveiling the brand, Cuomo remarked, "This is a superior product to products now on the market" because it has 75 percent alcohol content, compared to 70 percent for commercial products such as Purell. Plus, the governor offered, it has a "very nice floral bouquet."

[The Hill reports:](#)

New York will distribute its product to government agencies, including schools, the Metropolitan Transportation Authority and prisons.

Cuomo said creating and distributing the product is cheaper for the state than purchasing competing brands.

New York State is making the move to challenge what it perceives to be inaction by companies such as Amazon, eBay, and even the manufacturers themselves in addressing [price gouging](#) in the sale of these products. [Price gouging](#) is the practice of raising the price of a good or service to an unreasonably high amount when that good or service is in very high demand. The logic goes that companies and resellers do this in order to make a larger profit on their sales during emergencies when consumers have little choice but to pay.

The announcement of New York State's own hand sanitizer prompts two questions relevant to the economics of emergencies such as ours:

1. Why does price gouging occur, and;
2. If it's such a good idea now, why doesn't New York State make and distribute hand sanitizer normally?

Prices

To tackle price gouging, we must first explore [prices](#).

Professor Steve Horwitz [calls](#) prices “information wrapped in an incentive.” By that, he means that prices are far from arbitrary numbers. Rather, they tell us many things about the goods or services to which they are attached, such as value and opportunity.

When we, as individuals, are presented with a choice of how to use our scarce resources, we consider our own understanding of the value and opportunity of that choice.

- *Is this the best value I can get for my dollar?*
- *What are the alternatives competing for my dollar?*
- *Can I get this good less expensively somewhere else (and will the time and gas spent on getting there make it worth it)?*
- *Can I do a better job producing this good for people (and make some money in the process)?*

Sometimes we don't ask ourselves these exact questions, but, in a market economy where prices are truthful reflections of the supply and demand of a given product, we automatically think in these terms.

Professor Horwitz [writes](#) more on the importance of market prices:

First, the price enables people to make informed decisions about whether the want they wish to satisfy is urgent enough to justify using scarce resources to do so. When the price of a good goes up, we have to consider carefully whether our desired use of the good is worth it or not. This feature of

market prices helps to ensure that goods get allocated to their most valued uses.

This brings us to price gouging.

Price Gouging

The best way to understand price gouging critically is to understand what happens when laws against it are enforced, such as during a natural disaster. Anti-gouging laws, designed to help consumers avoid exploitation, are effectively price ceilings on certain goods. When a price ceiling exists for gasoline, for example, the price is not allowed to respond to increased demand, making the price artificially low. In this situation, a low price for gasoline will make it easier for the first consumers at the gas station to “over-consume,” meaning pumping more gas than they actually need at the moment.

This over-consumption then lowers the available supply for the next gas customer, who might not be able to fill her tank for her actual needs. In emergency situations such as natural disasters, the fact that some have hoarded a given supply for a good such as gasoline can affect people’s actual lives.

If, however, the price of gas was allowed to rise as its demand increases, the person who might otherwise fill his car and three extra gas cans might only fill his car half-way because that is the actual amount he needs. That permits other consumers to make similar choices based on how expensive the gas is to them.

During the COVID-19 situation, New York State is worried that some consumers will be exploited because sellers of goods such as hand sanitizer might take advantage of the situation for their own gain. But we must remember that, as bits of information wrapped in incentives, the higher prices for hand

sanitizer are telling us many things, such as that many people want hand sanitizer and that we should save some for others, along with the fact that entrepreneurs could easily see an opportunity to bring more hand sanitizer into New York to give consumers an alternative. When competition emerges, those offering hand sanitizer at very high prices will either have to lower their prices to compete or be stuck holding a bunch more hand sanitizer than they could reasonably use.

Hand Sanitizer

Which brings us to New York State's new hand sanitizer enterprise. It's easy to say that the unveiling today was a ploy to get TV airtime, but look below the surface and ask yourself: If New York State can make a superior hand sanitizer product today, why don't they make it every day, and why not before?

The answer is, they can't.

New York State is equipped, at most, for small scale production of a consumer good such as hand sanitizer. They have few factories, no real marketing capabilities, and even less business acumen than their private-sector competitors.

So how are they able to produce it today and just give it away?

Simple: They are [using prison labor for as low as 16 cents per hour](#) in a state where the normal minimum wage is \$15 per hour.

Operating outside of the market system – i.e., in prison with actual captives as workers – New York is competitive, for a moment, with companies such as Purell. This business model, however, is unsustainable and will quickly crumble the moment that private producers ramp up supply to meet higher demand and offer to the public what is bound to be a superior product after all.

New York may be a hand sanitizer provider today, but it cannot survive in that business for long, a fact for which, despite a brief and possibly helpful increase in the supply of hand sanitizer, we should all be grateful.

The rules of economics do not change simply because a natural disaster, terrorist attack, or pandemic occurs. They exist above and throughout human events and can be used as tools to help people live healthy, convenient, and long lives, if only we don't stand in their way.

Oh, and please don't forget to wash your hands.

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