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Willingness rather than ability to pay sets prices

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In her self-avowedly “Luddite” assessment of the ongoing integration of technology and banking, Rana Foroohar (“ Banks jump on the fintech bandwagon”, September 17) neglects to mention a central force for better consumer outcomes — competition.

She quotes a professor asking “what’s to stop Amazon from selling you a loan at the maximum price they know you are able to pay?” The prospect of a more attractive offer by a competitor will. Indeed, it is well-known in economics that firms price according to willingness to pay, not ability to pay.

Ms. Foroohar wonders about the possibly riskier products that fintech groups might offer consumers if they know they hold idle savings of \$9,000. Given that 40 per cent of Americans couldn’t come up with \$400 in an emergency, a more auspicious impact of fintech will be access to cheaper and more useful banking services.

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