



# ***Rodney's Take***

March 19, 2024

## **Fighting for the Power**

In 2005, the Chicago Skyway leased its 7.8-mile shortcut from Chicago to Indiana to a private entity. At the time, the toll was \$2.00. The new owner immediately raised the price and has raised it several more times since. Today, it costs \$7.20 to drive a two-axle vehicle on the Chicago Skyway and at peak times, it costs \$59.20 to drive a seven-axle vehicle on the Skyway. That's pricing power.

You don't have to take the Skyway, but the alternative route is subject to traffic snarls and takes much longer. Because it is essentially the only alternative, the Skyway has a near monopoly and pricing power.

Coming out of the Great Financial Crisis, housing was in the dumps and consumers were in bad shape. People with money had pricing power, as retailers, builders, and vendors of all kinds fought for customers. The economy healed, and then we were walloped by the pandemic. The Fed printed \$5 trillion, while the federal government handed out another \$2 trillion to citizens and even more to businesses, which we spent with abandon. But there wasn't much to buy, so inflation shot higher.

The pricing power lay with consumers, and then it was an even match until the late 2010s. Now, sellers have the power. From French fries to pickup trucks, sellers have the ability to raise prices, because we will pay it. But it can't last. If you flood the market with expensive products, as electric vehicle makers found out, buyers will fade. If your product is no longer in demand, as

commercial buildings found out, buyers will fade. And when the general economy turns down, consumers will stop buying. It may not happen tomorrow and maybe not even this year. But pricing power always swings. Be ready with cash when it does. You'll be the customer they all want.

Rodney

*Note: This article was amended on March 18, 2024, to correct misstated toll information in the first paragraph.*

Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com)