Zimbabwe, Venezuela, Sri Lanka – three poster countries for price controls

Venezuela has been brought low by printing lots of money, by price controls and nationalisation. A potentially rich country with the world's largest oil reserves, Venezuela has seen its income per head fall from $12,000 in 2011 to just $1877 last year after a decade of price controls and nationalisation.

Zimbabwe, once a relatively prosperous agricultural state with plenty of food has seen its income per head fall to $1362 a head and lived through food shortages. Compulsory land transfers and price controls have not been kind to the economy.

Sri Lanka has been less extreme but has seen its income per head fall to $3698 last year and experienced food and other shortages as controls have been used. As a Professor at Colombo University wrote of their price control "it has never sorted out our supply shortages, but is has eliminated the quality goods from the market, and it has created a black market for good quality products, and it has not helped in any way eliminate poverty"

Food riots, protests against government, high inflation and damaging price controls have created misery in each of these potentially successful countries. Price controls have taken too many goods off the shelves, have bankrupted businesses that could otherwise have supplied more, have driven foreign companies out and put off more investment in capacity to supply. They have bred black markets, fostered smuggling subsidised and price controlled goods out of the country to sell at better prices elsewhere and prevented imports.

Why do so many people think they would work? Why will they not study what happens when they are used widely in inflation ridden economies?