

# The incredible edible egg

Pundits often point to the dramatic increase in the price of eggs as an example of the effects of inflation. Their example is misleading as the following data from the Bureau of Labor Statistics makes clear. Inflation is the percentage change in the overall price level and it was 6.5 percent in 2022. In 2022, the price of eggs didn't increase by 6.5 percent. Instead, the price of eggs increased by 59.9 percent – way more than the inflation rate. To illustrate the effects of inflation, these pundits should have pointed to the price increases in apples (which was 6.6 percent) or in frozen fish (which was 6.3 percent). Either of these price increases is roughly equivalent to the increase in the average price level. As a result, one could look at the change in the prices of apples (or frozen fish) to get a concrete idea of the typical price increases caused by inflation.

So if the dramatic price increase in the price of eggs doesn't illustrate the effects of inflation, what does it illustrate? It illustrates a much more compelling story: the story of just how wonderfully efficient the market economy is. In a market economy, each consumer decides what to purchase. Each firm decides what

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have plenty in stock.

It is amazing that grocery stores still have eggs on the shelf, given all the changes in this market. First, Avian flu killed millions of egg-laying chickens, which reduced the number of eggs our farmers could produce. Second, the price of chicken feed has increased, which also reduced the number of eggs farmers could profitably produce. Third, during the COVID-19 pandemic, people decided to do a lot more baking at home, so they wanted to buy more eggs.

Think about this. Consumers wanted to buy more eggs and firms wanted to sell fewer eggs, yet the stores didn't run out of eggs. How did we pull off this feat? We did it by letting prices fluctuate. Here is how it worked. Consumers reacted to the high

prices by purchasing fewer eggs. Some had oatmeal for breakfast rather than an omelet. Others used yogurt instead of eggs in their recipes. Farmers also reacted to the high prices. The high prices encouraged farmers to produce more eggs. High egg prices also encouraged households to raise their own chickens. I have already seen some of my acquaintances, eager to earn a few extra bucks, obtain chickens in order to sell eggs to their friends and family.

The price of eggs will come down. The Avian flu will stop killing so many hens, and feed prices will return to their normal levels. Once these events happen, farmers will expand egg production and resume producing at their typical levels. While we wait for the egg production to normalize, the almost 60 percent increase in the price of eggs allowed us to efficiently respond to the Avian flu and the other events that disrupted the market for eggs. The price increase encouraged production, discouraged consumption, and ensured that we can all find eggs in the grocery store when we want them.

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