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Eliminating Price Gouging Laws

Thesis: Price gouging laws should be eliminated or at least modified as doing so is morally justified and promotes a better method of increasing the supply of essential resources within disaster zones.

Price gouging is often debated following the occurrence of a natural disaster. This is likely because price gouging laws are most often seen in affect in disaster zones that are created by storms such as tornados and hurricanes. Although this may be the case, price gouging laws have been enacted during other disasters. For example, they were used following the 9/11 terrorist attacks. These laws were created to prevent profiteers from taking advantage of disaster victims who are trying to make a profit by creating a temporary price ceiling in order to stagnate prices and prevent price inflation during a disaster. Though most people view price gouging laws in a positive light, economists argue that they are counter intuitive, and argue for an elimination or modification as a better way to provide for disaster victims in a moral, economic, and efficient way.

It should also be noted that some price gouging laws have already been modified in some states such as Alabama. The state allows for a certain percentage of price increases so as to compensate suppliers for taking the effort and time to supply disaster victims. This helps to incentivize small suppliers to send their resources to disaster zones, which increases the amount

of resources sent to disaster zones. Some states even limit the laws to certain products such as food, water, and plywood. There are even a few states that do not have price gouging laws.

Their method of modifying or eliminating price gouging laws can be morally and economically justified. For one, it promotes a better method of providing resources to those who need them as inflated prices can be used to measure the amount of supplies needed within an area as those that are scarce will be greatly inflated. This also causes an influx of supplies into disaster zones which will eventually help to reduce prices back to pre-disaster levels. It also helps to limit hoarding and better allocate supplies as high prices serve as a deterrent to hoarders. If the price of resources remains the same before and after a disaster, then there is nothing preventing people from stocking up on as much food and water as they can. This perpetuates a cycle of stockpiling as other victims will feel as if they must amass supplies in order to guarantee their own wellbeing. If prices were set higher, people tend to purchase only what they need, allowing others to obtain much needed resources. A better supply method goes on to better provide resources and care to disaster victims.

Finding a solution regarding price gouging is important in that the lives of those caught in disaster zones are greatly affected by these laws. Because the debate is on-going, further studies and research into this matter could help form new methods of providing relief as well as change price gouging laws for the better. Although changes in price gouging laws can help to increase resources in disaster zones, there are other aspects that need to be changed, such as government relief response, that can greatly increase efficiency with which we aid disaster victims.

Annotated Bibliography

Fleck, Robert K. "Can Prohibitions on 'Price Gouging' Reduce Deadweight Losses?"

International Review of Law and Economics, vol. 37, 2014, pp. 100–107. *ScienceDirect*, doi: 10.1016/j.irl.2013.05.001. Accessed 11 Feb. 2018.

In the scholarly journal article "Can prohibitions on 'price gouging' reduce deadweight losses?", Robert K. Fleck, a part of the John E. Walker Department of Economics at Clemson University, states that although many economists claim price gouging is a positive for the economy, price gouging laws can reduce general losses during disaster situations. He builds his claim by first splitting his argument into seven sections, which includes the introduction and conclusion. In Fleck's introduction, he begins by introducing an argument supporting price gouging that states price gouging laws create harmful shortages. Following this is his claim that it creates a surplus as well as his promise to support his argument utilizing the basic supply and demand model commonly used by those who support price gouging. Throughout sections two through six, scattered citations throughout each paragraph support Fleck's claims. Some sections, such as section two, also contain subsections which help to organize supporting mathematical equations related to supply and demand. He also commentates on said equations by using prolific footnotes. In his conclusion, Fleck makes sure to emphasize the fact that simple supply and demand graphs cannot be applied to real world situations as they do not account for human forethought in times of emergency. He restates his claim as well as summarize his argument to neatly close out his article. Fleck also includes appendixes to further go into detail on his equations, in addition to his footnotes, to clarify and solidify his argument. And as with all scholarly articles, this paper ends with a large list of references. Fleck's purpose is to provide some economic backing to price gouging laws, rather than the common moral argument most

supporters of price gouging laws utilize, to persuade those who read this article to reconsider the economics behind price gouging laws. He establishes a formal tone for scholars and professionals with a background in economics through his use of language as it is more difficult to read than unscholarly texts. This work is significant because it provides evidence supporting price gouging laws other than the fact that it is morally correct. Rather than relying on morality, there is now an economic argument that learned economists might be more willing to accept.

Lamont, Julian and Christi Favor. "Price gouging in Disaster Zones: An Ethical Framework."

Social Alternatives, vol. 28, no. 1, 2009, pp.49-54. *Academic Search Complete*,

<http://proxy.lib.odu.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=a9h&AN=43690915&site=ehost-live&scope=site>. Accessed Mar 18. 2018.

In the scholarly journal article, "Price Gouging in Disaster Zones: An Ethical Framework", Julian Lamont, a lecturer in philosophy at the University of Queensland, and Christi Favor, a lecturer in applied ethics at the Queensland University of Technology, both propose a framework for analyzing the morality and economic aspect of price gouging. They support the validity of their frame work by first explaining the context for the writing of this paper within the first section of the article, which is the bushfires and flooding that occurred in Australia during the writing of this article. This is then followed by the dictionary and legal definition of price gouging. The first section then ends with a statement regarding the goal of this paper. In the next section labeled 'Examples of Price Gouging', Lamont and Favor list some examples of price gouging such as during Hurricane Fran as well as during September 11. The next section is labeled 'Limitations of the Analysis' and acknowledges the limitations that apply to analyzing price gouging as not all points of the argument can be factored in when doing so.

For example, the fact that the framework for analysis does not discuss human motivation and is confined to the pricing of essential resources. They also mention the connotation that the terms ‘price gouging’ or ‘profiteering’ have and choose to use neutral phrases such as ‘price inflation’. This is followed by the section labeled ‘Price Gouging: Three Ethical Questions’ which proposes three questions that should be asked when analyzing price gouging. This section is further separated into different sub-sections that help to organize aspects of each question. Finally, the conclusion summarizes the previous sections as well as restate the purpose for writing the article. Lamont and Favor’s purpose is to provide a base for those who wish to analyze economic and ethical aspects of price gouging and its laws in order to facilitate analysis for readers who are interested in contemplating price gouging. They establish a formal tone for scholars and professionals with a background in ethics through their word choice as well as liberal use of sources. This work is significant because it is a neutral article that does not argue for or against price gouging. Rather, it provides ground work for analyzing price gouging laws and situations.

Lee, Dwight R. "Making the Case against ‘Price Gouging’ Laws: A Challenge and an

Opportunity." *Independent Review*, vol. 19, no. 4, 2015, pp. 583-598. *Academic Search Complete*,

proxy.lib.odu.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=a9h
&AN=101634798&site=ehost-live&scope=site. Accessed 28 Jan. 2018.

In the scholarly journal article “Making the Case Against ‘Price Gouging’ Laws: A Challenge and an Opportunity,” Dwight R. Lee, a scholar at William J. O’Neil Center for Global Markets and Freedom, claims that while human generosity can be depended upon on a small scale, human morality is not a reliable method to provide aid to disaster zones and should not be

depended upon through price gouging laws. To open his article, Lee makes use of a quote by F.A. Hayek that expresses the inability of small scale mechanisms to efficiently work on a larger scale. The use of this quote anoints his article with sophistication and a formality that expresses the learned nature of the author. Lee then begins his paper by introducing the topic, price gouging, and his personal views on said topic as well as his dislike for the term price gouging, which he puts into quotations marks to lessen the negative connotation they usually carry. He then ends his introduction by listing the arguments he intends to delve into within each of six sections of the article. In the section labeled "It's Not All about Me", Lee begins the first of his arguments with quotes from Adam Smith. By doing this, he supports his opinions with the words of another, well respected historical figure and economist with which he interjects his own. Lee also does the same in the section labeled "Who Are Our Neighbors?" by beginning the section with another quote but from an existing Harvard political philosopher named Michael Sandel. This helps to give his opinions some backing, especially when it is echoed by another respected scholar. The purpose of Lee's article is to persuade fellow colleagues, especially those within the Center for Global Markets and Freedoms, as well as other scholars about the counterproductivity of price gouging laws and the potential harm said laws have on disaster victims. He establishes a formal tone tailored for scholars and professionals, through his use of language and quotes from mostly obscure figures such as Adam Smith and Michael Sandel. This work is significant because it presents the opposition as well as his reason for opposing price gouging laws while giving reasonable examples throughout each of six sections. The article also helps to stress the importance of markets and how they can be utilized to provide for those in disaster zones. Lee's long list of references also provides some useful resources for further research.

Neilson, Henry. "Price Gouging versus Price Reduction in Retail Gasoline Markets during Hurricane Rita." *Economics Letters*, vol. 105, no. 1, 2009, pp. 11–13. *ScienceDirect*, doi: 10.1216/j.econlet.2009.01.015. Accessed 18 Feb. 2018.

In the scholarly journal article "Price Gouging Versus Price Reduction in retail Gasoline Markets During Hurricane Rita" Henry Neilson, a researcher at the Rice University in Houston, Texas, hopes to confirm Rotemberg's statement that price gouging did not occur in Bryan/College station during Hurricane Rita but rather, prices dropped regardless of gasoline supply. He supports this claim by separating his paper into four sections: introduction, data, results, and conclusion. This helps to organize his argument as well as guide the reader through his research process from his collected and unorganized data to his conclusion from said data. Each section is also riddled with in text citations from sources in his reference list that complement the material in his paper. In the introduction, Neilson tells readers about his motives for conducting small scale research regarding price gouging in Bryan and College Station during Hurricane Rita. This works to provide readers with thought process when developing this experiment. The next section, titled "data", outlines the parameters of his data collection such as the dates they were collected as well as the number of gas stations and the weather experienced by Bryan and College station during Hurricane Rita. Two tables are also displayed at the end of section 2. In the third section, Neilson explains goes on to explain the results of his data collection and what it could indicate. This helps readers to follow him through his thought process when analyzing the collected data. Finally, the fourth concluding section summarizes Neilson's findings as well as include his confirmation of Rotemberg's fair pricing model, which is one of his sources and the reason for his research regarding price gouging. Neilson's purpose in this text is to present collected data in order to persuade readers of the fact that price gouging

did not happen in Bryan and College Station during Hurricane Rita. He establishes a formal tone for fellow scholars and professionals, possibly near Bryan and College Station, interested in viewing Neilson's research through his vocabulary as well as use of sources throughout his paper. This work is significant because it provides a specific situation in which price gouging after a natural disaster does not occur as well as collected data that can be used to support the deregulation of price within disaster zones.

Rotemberg, Julio J. "Behavioral aspects of price setting, and their policy implications." *NBER Working Paper*, no. 13754, 2008. *ProQuest*, doi: 10.3386/w13754. Accessed Mar 3, 2018.

In the scholarly journal article, "Behavioral Aspects of Price Setting, and Their Policy Implications," Julio J. Rotemberg, a graduate from the school of business at Harvard University, analyzes consumer response to product prices, including the response to price gouging during natural disasters. He supports this claim by separating the paper into five sections, 6 if introduction and conclusion are counted as well. Each section is also separated into several subsections in order to organize the 43-page long paper. To start, section 1 explains common negative reactions to prices, which are labeled in subsections discussing price knowledge, overpaying, regret, and anger. Section 2 goes on to explain outliers from section 1 such as services modeled similar to that of an all you can eat buffet in that consumers pay a fixed price that is separate from what is consumed. Section 3 attempts to explain supplier preference for high-low pricing over EDLP (everyday low pricing). Section 4 analyzes the role of consumer reaction (to prices) in government price policies such as anti-price gouging laws. This section also provides examples of price gouging during natural disasters such as the West Palm Days Inn

who charged over double the original price for housing guests or a Honda dealer who sold generators at highly inflated prices. It also goes on to briefly explain the reporting process for potential price gougers. Finally, section 5 contains the conclusion in which Rotemberg summarizes the paper as well as propose his own observations. All sections also contain copious amounts of quotes from multiple sources listed in the reference section of the article.

Rotemberg's purpose is to analyze consumer response to posted prices in different situations in order to explain to readers how it can affect support for monetary policies and laws such as price gouging laws. He establishes a formal tone for scholars and professionals with an education in business through his word choice, paper format, and paper length. This work is significant because as it provides an analysis regarding the reasons behind the establishment of price gouging laws. This paper can be used to support price gouging laws or as base for forming observations on price gouging. Section 4 is especially useful as it can be used to explain the existence of price gouging laws.

Sandin, Per and Misse Wester. "The Moral Black Hole." *Ethical Theory & Moral Practice*, vol. 12, no. 3, 2009, pp. 291-301. *Academic Search Complete*, doi:10.1007/s10677-009-9152-z. Accessed 4 Feb. 2018.

In the scholarly journal article, "The Moral Black Hole", Per Sandin and Misse Wester, members of the Department of Philosophy and History of Technology, Royal Institute of Technology, argue that morally questionable activities such as post-disaster price gouging within areas without conflict is minimal to nonexistent and should not be the basis for the creation of price gouging laws. They support this throughout six sections including the introduction and conclusion. Within the introduction, the argument begins by first defining different types of

crises and when they occur. It also mentions the type of crisis, societal crises, focused on within the paper which helps to define the topic of argument. The following sections two through five are riddled with quotations and paraphrases from varying types of people and organizations such as FEMA, Aristotle, and Sorell. This helps to provide a wide range of evidence to support the authors' assertions. Said quotations are also utilized to provide counter arguments that they subsequently overturn within their paper. Instances of societal crisis situations such as Hurricane Elena, Katrina and Katrine are also provided to support their argument. For example, they compare looting throughout affected cities within each hurricane to support the idea that it does not occur in zones without conflict. The last section, the conclusion, begins with a rhetorical question that questions the purpose of this paper. This helps to draw their previous sections to a close and allows the authors to state the intention of their article, which is to warn against using morality as an argument when addressing disaster situations within conflict disaster zones. Sandin and Wester's purpose for writing this paper is to provide a counter argument against the supposed moral black hole of price gouging to dispel moral arguments against price gouging. This article written by Sandin and Wester is intended for scholars, students or professionals with a background in philosophy as many references used throughout the paper are obscure figures to those without formal teaching within philosophy. This work is significant because it refutes the commonly used moral argument often presented to support price gouging laws. Many arguments for price gouging laws utilize morality to sway people to support their view points but the evidence within "The Moral Black Hole" can be used to counter the morality of price gouging laws.

Snyder, Jeremy. "What's the Matter with Price Gouging?" *Business Ethics Quarterly*, vol. 19, no. 2, 2009, pp. 275–293. *Business Source Complete*,
<http://proxy.lib.odu.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=37353308&site=ehost-live&scope=site>. Accessed 25 Feb. 2018.

In the scholarly journal article "What's the Matter with Price Gouging?", Jeremy Snyder, an associate professor from Simon Fraser University, argues that price gouging should be allowed due to the benefit of increased prices after crises, such as hurricanes, while providing common moral arguments used against price gouging. He supports this claim by splitting the article into seven sections: Introduction, Price Gouging in the Law, In Defense of Price Increases, Price Gouging and Respect for Others, Avoiding price Gouging in Practice, Objections, and Conclusion. The title of these sections clearly state what each article is about and helps to organize the article as well as avoid confusion when reading it. Within the introduction, Snyder begins by providing a hypothetical situation in which a gas station charging low prices during a crisis sells out of gas. He argues that although this action seems to many to be morally correct, the resulting lack of gas does more harm than good. He then proceeds to outline the rest of his paper in greater detail than in the abstract, providing readers with a general sense of his argument. Throughout sections two through six, Snyder utilized in-text citations when either summarizing or paraphrasing from a source while quotes are formatted like a separate paragraph. Many readers have never seen quotations summarized this way, but it adds clarity to the article by separating another source's words from Snyder's. Finally, the conclusion wraps up the article by providing three conclusions that are supported by the article as simple statements that summarize what the author argues for. Snyder's purpose is to discuss the common perceptions of price gouging in order to discuss with his intended readers about the moral arguments commonly

used to argue against price gouging as well as to explain the benefits of price increase after natural disasters. He intends for this article to be read by fellow scholars and professionals with a background in business ethics such as Robert Leider, Matt Zwolinski, and Justin Weinberg, all of which helped with the development of this paper, by establishing a formal tone for scholars and professionals through his language usage and word choice. This work is significant because it complements another source article on the same topic by Matt Zwolinski, which allows for a comparison of to be made between two people with similar opinions. An in-depth search unearths a back and forth commentary on price gouging between these two colleagues, which provides a thorough discussion on the benefits of allowing prices to rise following crises such as hurricanes and tornadoes.

Zwolinski, Matt. "The ethics of price gouging." *Business Ethics Quarterly*, vol.18, no.3, 2008, pp. 347-378. *Google Scholar*,
http://facpub.stjohns.edu/~flanagap/3305/readings/Zwolinski_Price_Gouging.pdf.
 Accessed 20 Jan. 2018.

In the scholarly journal article "The Ethics of Price Gouging," Matt Zwolinski, University of San Diego, argues for profiteering, more commonly known as price gouging, as a method to provide aid to those who need it rather than the immoral action that most view it as. He states that popular arguments against price gouging are incorrect and goes on to refute three popular views on profiteering which includes the fact that price gouging laws look morally justified, the act of price gouging seems inappropriate behavior, and that those who participate in price gouging are morally corrupt. Zwonlinski divides his articles into six sections which includes the Introduction, The Concept of Price Gouging, The Moral Status of Laws Against

Price Gouging, The Moral Status of Price Gouging Itself, Price Gouging and Moral Character, and a Conclusion as well as some subsections that contain subpoints which help to organize his arguments. Zwolinski also makes sure to layout the basis of his argument by mentioning that he will focus solely on the main aspect of price gouging, which simplifies to the act of raising prices during crisis situations. Each section then basically starts with Zwolinski stating a common argument against price gouging and how he will overturn said popular view on price gouging. He then goes into detail on various points of his argument. Zwolinski also brings up many instances of price gouging such as Hurricane Fran that hit North Carolina and Hurricane Charley that hit Florida to support his argument. Each section also utilizes quotes from various sources listed in the reference section as well as a convenient graph that displays antigouging laws within states. The graph also contains specifics such as allowable price increase as well as the maximum penalty for each state. The conclusion should also be noted as it summarizes and clarifies his argument against three popular claims against price gouging. The purpose of the text is to refute popular philosophical perception on price gouging and its supposed immorality while changing the perspective of the reader regarding profiteering. Because of the length of the paper as well as the language used, Zwolinski most likely wrote this article to be viewed by fellow colleagues, scholars and professors with a background in business ethics rather than the public. Although this paper does not support price gouging laws in the least, it does the opposite, it is significant as it presents the perspective of those who do and their reason for it.