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Price Gouging Laws: Should They Stay?

The rapid inflation of prices during natural disasters, popularly known as ‘price gouging’, can be argued for or against. Currently, most states in the U.S. have price gouging laws that restrict price increases to varying degrees in order to ensure fair prices for those within disasters zones that result from events such as hurricanes or tornadoes. Although most people support price gouging laws, economists argue for the removal of said laws due to the benefits this may have on disasters zones. Both sides believe their method to be superior and validate their arguments morally and economically. So what are these economic and moral arguments both sides use in order to persuade audiences? Do their arguments have similarities that could point towards a possible compromise between the two sides?

To begin, there is much moral support for price gouging laws. In an article by Lee called “Making the Case against ‘Price Gouging’ Laws: A Challenge and an Opportunity”, he introduces a common question regarding price gouging: what about the poor? (Lee 12) This is important to ask as there are some families that live in poverty and cannot afford highly inflated prices. Stagnating price fluctuations through price gouging laws also allows for those who need to purchase necessary resources to do so at a reasonable price. Some aspects of price gouging laws that should be noted are their use only during periods of emergency, their restriction to certain resources and the use of a price ceiling to freeze prices (Zwolinski 349). In this way, the laws limit themselves only to required resources such as water, food, and gasoline. Zwolinski

also includes a chart listing states and certain specifics of their price gouging laws (370). This chart reinforces the fact that many states only enact price ceilings for certain goods. Some states even allow a percentage price increase so suppliers transporting resources to disaster zones are able to make a small profit while still selling resources at a reasonable price.

Although proponents of price gouging laws have a valid argument, it only remains valid if price gouging was a rampant problem. Sandin states that price gouging, often though as a common occurrence is 'quite rare' (6). Human foresight and pre-disaster preparation is often not considered even though it limits the amount of people who may need to purchase supplies to survive. Many potential disaster zone victims are often warned beforehand and take measures to ensure they stock up on necessary supplies such as food and water. Because of this, some argue that price gouging laws are not necessary.

This also applies to the opposition or those who support price gouging and the removal of price gouging laws. There are certain conditions that invalidate the argument for price gouging or the removal of price gouging laws. For one, arguments for price gouging laws often do not consider the inability of some people to purchase goods at highly inflated prices, such as the destitute, which can result in negative consequences. The fact that not all price gouging laws are the same also works to invalidate proponents of price gouging. An argument may be made that any human factor can potentially invalidate either argument.

Although there are instances in which arguments for price gouging, or the elimination of price gouging laws, may be invalidated there are some notable points. For example, Lee states that price gougers are lowering costs by increasing availability while price ceilings do the opposite by limiting supply (Lee 9). This statement refers to the basic supply and demand graph where higher prices attract a greater number of suppliers which in turn increases the supply. This

in turn eventually lowering prices. In this way, supplies of necessary resources could be increased by way of economic supply and demand. There are also some large suppliers who willingly stagnate their prices in exchange for good publicity. For example, Walmart is well known for their post-disaster responses and their willingness to personally freeze prices on necessary supplies (Lee 5). Because of this, some view price gouging laws as redundant. While large companies can provide some relief to disaster victims, small suppliers are also very important. Due to its deterring effects on small scale providers, price gouging laws can be viewed as counter intuitive, as unlike larger suppliers they have no need for good publicity. As Lee states, getting rid of price gouging laws allows us to combine morality and economic markets to better help disaster victims (Lee 2). Yes, there are those who are willing to help solely based on their moral beliefs but those who are not should also be accounted for. Allowing prices to increase is one method of incentivizing an ample supply of resources in disaster zones.

As neither argument is perfect and they both have differences, disaster victims may benefit through a compromise between the two sides of the argument. Some states such as Kansas and Alabama are already headed towards this direction by allowing a small percent increase in prices (Zwolinski 370-371). This allows sellers to profit from shipping resources to disaster zones while still regulating prices so as to prevent extreme inflation. Although this seems to work the effectiveness of each argument is situational and there are things that must be taken into consideration when contemplating price gouging and its laws. For example, the fact that the conflict between these two sides stems from a difference in methods. Both attempt to achieve the same goal while arguing for the efficiency and morality of their proposed method. Something else to keep in mind is that morality must not be the sole reason for supporting an argument. As Lee states, "Disaster victims cannot depend on stranger's instinctive morality to

provide them with the amount and mix of the help they most need” (Lee 5). Often an incentive is needed, which tends to be monetary gain. While this is true, one must also consider the political undertones that underlies this argument when contemplating the pros and cons of price gouging laws and their potential removal.

Works Cited

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