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For the Modification of Anti-Price Gouging Laws

Often following a natural disaster, newspapers discuss price gouging laws and instances of price gouging in disaster zones. These reports of price gouging have sparked debates between those who support anti-price gouging laws and those who believe that a modification or elimination of existing laws would be beneficial. This opinion is not a popular one as the majority of people believe they benefit from lower prices that result from price ceilings created by these laws. Although most people would say that price gouging laws are beneficial, there are people who support their elimination or at least modification as doing so is situationally justified and promotes a better method of increasing the supply of essential resources within disaster zones while maintaining a level of equality between supplier and consumer.

To begin, while many perceive price gouging as widespread, it is relatively infrequent. Fischer, a member of the Department of Philosophy at the Royal Instituted of Technology, states, "For instance, price gouging—which, like looting, is often thought to be a common phenomenon in post-disaster situations—is quite rare (qtd. In. Sandin 296). Because of this there are many who deem price gouging laws as redundant. While it does help to prevent the instances of extreme price gouging that do occur, the number of cases relative to disaster zones do not necessarily require laws that place hard price ceilings on resources.

Regardless of the frequency of price gouging cases, allowing price increases during a natural disaster may work to benefit victims. This is especially supported by the simple supply and demand model. This model shows two curved lines that meet at an equilibrium point with the demand curve sloping down and the supply curve sloping up. Often times it is used to show general trends of supply and demand for a specific product. It can also be utilized to show the effects of price ceilings, which are often created by anti-price gouging laws, on the supply and demand of certain products within disaster zones.

As the supply and demand curve can depict the effects of price ceilings it may be used to economically support their removal or modification. As Snyder, an associate professor from Simon Fraser University, claims, high prices draw in suppliers resulting in an increased supply of goods to meet demands which help to push prices down to pre-disaster levels (278). This also works in the reverse in that lower prices result in decreased supply of goods as there is no incentive to supply hard to reach disaster zones with resources. In this way, a low initial price is harmful. As a result, neither suppliers nor consumers will benefit as suppliers do not profit from increased prices while consumers are deprived of much needed resources. There are, however, exceptions especially when factors such as human preparedness are accounted for. As a part of the John E. Walker Department of Economics at Clemson University, Fleck suggests that, price gouging laws cause people to prepare and anticipate needed resources before disasters because of a predictable shortage. This results in an increase in consumption (100). While this may be true, there still exists limits to how prepared disaster victims may be. Supplies only last so long and it may take longer than anticipated for disaster zones to recover from the destruction brought on by natural disasters. This will eventually increase the utility value of necessary products all the while decreasing the availability of supply especially if prices were to be stagnated as there is nothing to limit how much of a product people buy.

Allowing for prices to initially increase can also benefit disaster victims in that it allows for suppliers to profit. Although this does not benefit consumers in the short term, it incentivizes suppliers to send more resources to disaster areas, rather than unaffected areas, which will benefit in the long term. As Lee, a scholar at William J. O'Neil Center for Global Markets and Freedom, states "If such generosity could be depended on, there would be no need for victims to buy any more after a disaster than they normally do…" (Lee 587). Although charity can bring in some relief to disaster victims, it is an insufficient motive for providing resources due to its reliance on individual human morality. This is not to say that there are no generous people out there. In one instance, Neilson, a researcher at the Rice University in Houston, Texas, did an observation on gas prices during Hurricane Rita in Bryan/College station shows "not only was there no evidence of retail price gouging, but that there was actually evidence supporting the opposite. Gas owners were surprisingly altruistic during that time of crisis" (13). While there are instances of generosity, it is an unreliable method of providing for disaster victims as there is no incentive and only consumers benefit. Allowing suppliers to increase prices, even by a small percent, is reliable in that it helps to incentivize suppliers to bring in resources. The profits gained from increased prices will most likely be allocated to paying for transportation of supplies as well as the purchase of more necessary resources. In this way both parties benefit in that suppliers profit and consumers get what they need.

The supply and demand model also strengthen and stream-lines supply chains. Not only that but, Rotemberg, a graduate from the school of business at Harvard University claims, "In a competitive market, prices below the market clearing level lead to an inefficient allocation of scarce goods among consumers who value them differently and yield an insufficient incentive to bring more goods to the market" (26). This is due to the possible profits suppliers can make when there are consumers who place high value on resources and are willing to pay higher prices due to scarcity. If suppliers profit from their first shipment of supplies to disaster zones, they'll be encouraged to send another shipment rather than just selling everything and leaving right after. This helps to create steady resource streams if suppliers know they can profit from sending goods to disaster zones. This does not, however, mean that there are no existing resource streams developed for natural disasters but rather, that these streams may be improved when supply and demand and the incentivizing power of monetary profit are taken into consideration.

Suppliers should also not have to absorb the losses that come with lower prices. Zwolinski, a professor of philosophy at University of San Diego, argues that it is unfair to assume it's the seller's responsibility to absorb losses resulting from also being caught in the disaster zone, so customers may benefit (350). While some charitable suppliers are willing to provide customers with resources at lower prices, even at a personal loss, many are deterred from sending supplies to disaster zones for a loss in revenue rather than a profit. Companies such as Walmart are willing to cheaply supply resources due to the incentive of good press, but a few large companies cannot supply an even larger disaster zone and often cannot reach rural areas affected by a natural disaster. This makes smaller suppliers integral to the supply of resources in disaster zones as they can reach places that large companies cannot or are not willing to go.

With price inflation comes a genuine concern with allowing unreasonable price increase by suppliers, but this can be combatted by the presence of multiple suppliers competing to sell their products. Lee states that prices increase because of increased demand that are harder and cost more to supply and are brought down by price gougers who are bringing in more resources. On the other hand, price ceilings reduce available resources, thereby increasing costs (Lee 591). If a supplier sells their goods at too high of a price, consumers will purchase from a cheaper supplier, pushing other suppliers to lower their prices under the threat of not being able to breakeven let alone profit. While this is often the case, there are instances, that involve human factors, in which higher initial prices do not result in lower future prices such as a localized monopoly of a product.

Proponents of anti-price gouging laws also claim that price gouging is morally impermissible. Although this may be the case in some instances, it can be argued that moral impermissibility may only be judged on a case by case basis. Often times "…most simply see 'price gougers' as different than us-not member of the same moral tribe as ourselves – who are not playing by the rules that we believe separate good people (us) from bad people (them) (Lee 589). This is unreasonable as most situations are not clear cut and price increases may be justified. For example, the use of money earned from inflated prices in order to pay for transportation expenses as well as the purchase of more supplies.

The current prices gouging laws are also unclear and arguably unfair. Lamont, a lecturer in philosophy at the University of Queensland, quotes the US Federal Trade Commission (FTC) which states, "given the uncertainty about what constitutes an unconscionable, excessive, or exorbitant price, and the paucity of decisions on the issue, statutes based on any of these terms are likely to be difficult to enforce" (qtd. In Lamont 49). Unlike a set percentage of number words such as 'excessive' and 'exorbitant' are open to interpretation and vary from person to person. Many see this as unfair because while a supplier may see a small price increase as justified, the consumer may have a different view on what is an excessive increase in price. It would not be fair for the supplier to be arrested because a consumer had a differing opinion on what is considered an excessive price increase. This is also the case with the term 'price gouging' which itself is an emotionally connotative term. Those who argue against anti-price gouging laws prefer terms such as 'price inflation' or 'price increase' due to their neutrality.

As total removal of price gouging laws is rather abrupt, another option would be the modification of existing ones. In fact, there are already states that have modified laws that are restricted to certain essential items such as food, water, and generators as well as to allow for a small percentage price increase. For example, Alabama's price gouging laws extend to all goods but allow a 25% price increase while in Kansas, laws only cover disaster goods but also allow for a 25% increase (Zwolinski 370). Laws such as these allow necessary items in increase in price while still limiting cases of extreme price gouging. Small price increases work to limit hording and promote better distribution of supplies as consumers will buy less if the prices are high in anticipation of a future drop in prices.

To conclude, the idea of removing price gouging laws is often viewed in an unfavorable light. While this may be the prevailing opinion, there is evidence to support the modification of anti-price gouging laws. For one, it is not as widespread as many believe it to be and regardless of frequency of occurrence their modification is economically supported by the basic supply and demand curve. Allowing prices to increase within disaster zones also allows suppliers to profit which in turn increases the supply of resources. This then strengthens supply chains as well as help to eventually return inflated prices to pre-disaster levels due to competition between suppliers. The act of inflating prices can also not be morally condemned as there are some instances in which an increase in price is justified such as increased prices to pay for transportation of goods. It is also unfair to expect suppliers to lower their prices and absorb losses or to expect them to follow laws that use ambiguous terminology such as 'excessive' and 'exorbitant' to describe price gouging prices. A valid solution would be to allow a certain percentage increase on necessary items as well as a restriction on which products these laws may apply to. This would allow for suppliers to recoup a small profit as well as keep extreme price gouging at bay. Of course, each law must also be tailored to the needs of each state as different regions are affected by different natural disasters.

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