Price Gouging

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**Introduction**

Price gouging is a specific economic term which is used when a seller spikes the price level of different goods, services, and commodities to a much higher level than the reasonable price. It is worthy to indicate that it is one complex phenomenon because it involves different moral and legal considerations. It is vital to examine whether it is fair for the seller to increase the price level or not, as it has the potential to cause some form of exploitation for the consumers. The practical idea of price gouging is characterized as ethically incorrect practice (Zwolinski, 2008). Exploration of the legal foundations of this concept is also essential to make better inferences about its implications. The focus is to critically analyze the approach of price gouging to examine whether it is one criminal activity or it is established as the free market prospect working efficiently.

**Discussion**

It is critical to figure out whether it is legally permissible for the retailers to charge a price for the specific products higher than the normal price range or not. Undoubtedly, this particular phenomenon exists and mostly observed during the times of any disaster or crisis. The approach of price gouging can also be defined as the extensive increase in price due to the temporary rise in the product demand instead of the domain of supplier’s cost (Carney, 2017). The practice of price gouging is most applying in case of common household products such as food items, water, and medications, etc. (Bolton, Warlop, & Alba, 2003). It is mostly observed that sellers abnormally increase the prices of common products during the times of natural calamities and incidents.

The implications of price gouging are complex because it involves controversial aspects. Some economic experts believe that the practice of price gouging is one suitable idea to increase effective economic activity. Identification of the legal prospects of price gouging reveals that it is against the law practice but laws vary throughout the country. It is observed that general business laws strictly exclude the option of price gouging during the approach of natural disasters or any other form of market disruption (Harvie, Lightfoot, Lilley, & Weir, 2013). The main foundation of these laws is that it is unethical for the sellers to take advantage of the adverse situation for the sake of profit maximization. The concept of earning abnormal profit due to the misery of buyers is not justifiable on legal and ethical grounds. Critical consideration of the opposite approach in the form of the natural response of the market is also essential to examine the actual application of price gouging.

The conflicting implication of price gouging can be observed through the specific example of the disaster of the hurricane strikes. Due to this incident, many commodity products observed in the forms of an increase in demand or an extreme decrease in supply level. This specific phenomenon can be a reason of abnormal rise in prices of the products. The approach of price hikes is questioned by policymakers but on the other hand, it is defined as the natural market response. Presence of laws against price gouging is a practical step to ensure the protection of consumers’ rights effectively and efficiently (Brewer, 2006). Proper consideration of the circumstances is essential to define the approach of price gouging as criminal activity. Extensive increase in price level during a declared emergency established as the illegal action in case of many states.

**Conclusion**

To conclude the discussion about the legal prospect of price gouging, it is critical to indicate that earning an abnormal profit during the time of disasters is prohibited. The role of federal and local governments is critical to ensure the availability of necessary products and create market balance by protecting the basic rights of buyers and sellers. The standard of the normal average price should be strictly applied to avoid the negative implications of price gouging.

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