

The 'Price-Gouging Is Bad' Fallacy

Every time a hurricane comes in there is a surge of worry about so-called price gouging—raising prices sharply in response to a supply or demand shock. Hurricane Ian has been no different.

"I want to add one more warning...to the oil and gas industry executives. Do not — let me repeat, do not — use this as an excuse to raise gasoline prices or gouge the American people," President Biden [said](#) on Wednesday. "This small temporary storm impact on oil production provides no excuse, no excuse for price increases at the pump. None."

"If the gas companies try to use this storm to raise prices at the pump," he continued, "I will ask officials to look into whether price gouging is going on." "America is watching," he added. "The industry should do the right thing."

According to Biden, the "right thing" for the oil and gas industry is to keep prices right where they are. But if access to gasoline for those who need it most is the goal, keeping the price fixed during a supply disruption will only make matters worse

"[Anti-price-gouging] laws keep prices low during natural disasters but lead to bare shelves, closed stores, and empty gas stations," [explains](#) economics professor Lili Carneglia. "This happens because the low mandated prices push consumers to purchase more water, gas, flashlights, and so on. Yet at the same time, sellers aren't financially motivated to expend any additional effort to supply more of these necessities. Why would they spend their time or money bringing in additional goods during a disaster only to sell them for the same price they'd get under normal circumstances? This imbalance between the interest of buyers and sellers causes shortages, leaving many without anything at all."

[Laws against price gouging](#)—and the [disdainful attitude](#) toward "price-gougers" that pervades our culture—are born from the fallacy that keeping prices low makes goods more accessible for those who need them. In many cases, this simply isn't true. It's not a question of having a high price or a low price. It's a question of having a high price or an empty shelf.

And if someone's truly in need, you can bet they'll prefer the high price over the empty shelf any day of the week.