Price Gouging

Words: 947

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Price gouging occurs when a group is in crisis, and an entity offers to sell a necessary good, such as water or food, to the group, with a profit margin much higher than usual business. This is exploitation, which is morally wrong. Not all believe all exploitation is morally wrong, but other arguments in favour of price gouging also fail. This paper will use the case of Amazon and Flint. Flint's pipes were contaminated with lead recently. In this example, Amazon sells bottled water to the people of Flint, who have no other source of clean drinking water. However, they sell this water for $25, as opposed to the normal $5. It is morally wrong for Amazon to overcharge to the people of Flint, because the people of Flint are being exploited.

It is nearly trivial to argue that Amazon is exploiting Flint. Exploitation will be defined as a transaction in which:

1. One party is vulnerable
2. Disproportionate benefit is received
3. Even if it is mutually beneficial

To apply this to Amazon and Flint:

1. Flint is vulnerable
2. Amazon receives much larger than normal profit margins
3. But, Flint receives the needed water

Therefore, Amazon is exploiting Flint. This is malicious and is harming people, so seems clearly morally wrong.

I believe exploitation is, by definition, wrong. However, my view is not shared by all. A common opposition to this conclusion is the case of a restaurant serving rich guests. These guests order a glass of champagne, and the restaurant (seeing their wealth), decides to charge a $100 premium for this glass. This is an analogous situation to Amazon and Flint, in the raising of the price of an item far beyond its normal margin. However, in this instance, the reaction of many is to say that the restaurant is not at fault, and it is morally neutral to charge more to the wealthy revelers. They may argue that the wealthy can afford this increase and (I believe) they may also be motivated by a general bias against the rich. However, this case does not count as exploitation, and thus has is irrelevant to Amazon and Flint. The wealthy guests are not vulnerable in the same way. The champagne is not a desperate need as the water is to the people of Flint. Secondly, their money affords them power the people of Flint do not have. It expands their options, making it much easier for them to avoid crisis or needs. If they were in the same position as Flint, a sufficiently rich person could simply go out of town, or ship new water in. This creates other options, so they are not nearly as restricted as one with less wealth. Without the lack of options, they are not vulnerable to crisis, or the actions of others. Thus, they are not exploited. Whether the restaurant should be allowed to charge more for the champagne is a separate question.

However, not all are convinced that exploitation is the end of the argument. Some argue for other reasons that it is not morally wrong to gouge prices. These are important arguments and should be confronted. I will argue against the argument for efficient allocation, and against Zwonlinsky's "puzzle".

Efficient allocation reminds us that price is related to demand. When someone values a product more, they will pay more for it. When companies price goods far above the normal price, they ensure that only the most desperate will be willing to pay for it, allocating the water to those most thirsty, and not, for example, to those who want to make lemonade. This is true. The problem is that the amount one is willing to pay for the same amount of value varies drastically between people in proportion to personal affluence. A person who has almost nothing may value a bottle of water at $5, yet still value it more than a wealthy person who would pay the $25 if they kind of wanted a drink as they passed by. This discrepancy directly contradicts efficient allocation.

Zwolinsky approaches the argument for the morality of price gouging completely differently. Companies who engage in this exploitative practice, he states, do benefit the population. Meanwhile, many people do nothing to advance the welfare of the people in crisis. The people who do not help are not blamed, Zwolinsky argues, so why should we blame the companies who help, even if only partially? Objecting to this was the argument of the "Duty of Beneficence", which proposed a duty for those in a position to help, but not those who were removed from the crisis. I would like to raise a different objection: that moral wrongs and rights do not cancel out. Companies do provide aid, and that is a morally upstanding act. However, at the same time, they harm those they serve. Amazon has no greater cost to itself to provide water to Flint. The roads are not damaged by lead, so it faces no more transportation costs. Despite this, they still charge more. This extra cost harms the people who buy the water at the raised price. They sacrifice opportunities the money could have provided, including investments that could help resolve the crisis. This harm is not cancelled by the good they do by providing the water, especially as it is avoidable and up to the discretion of the company.

Price gouging is clearly exploitation, and the objections that exploitation is not morally wrong are flawed. Even if it not exploitation, the arguments that price gouging itself is not morally wrong do not stand. It harms the community who some argue it is trying to serve, while providing little benefit.