
Outlawing Price Gouging

Video Length: 4:17

Lesson Description:

Are businesses that raise prices in an emergency evil? Do they take advantage of desperate people? Or, does the common understanding of price gouging miss a crucial point? Examine the concept of price gouging and learn how it can help ensure the availability of essential goods. Through insights from Nobel Prize-winning economist Milton Friedman, this video challenges viewers to rethink the morality and economics behind price controls during emergencies.

Objectives:

Students will be able to:

- Identify the key arguments presented in the video for and against price gouging during emergencies.
- Explain how price gouging can influence the availability of essential goods during a crisis.
- Evaluate the ethical implications of price gouging and propose a well-supported position on whether it should be allowed during emergencies.

Concepts & Key Terms:

Economics: The study of how people, businesses, and governments make choices about the allocation of resources.

Price Gouging: The practice of raising prices on essential goods or services to an unfair level, typically during emergencies.

Supply and Demand: An economic model that determines the price of a product based on the availability of the product (supply) and the desire for it (demand).

Preview Activity:

Use Think, Pair, Share to have students answer and discuss one or more of these preview questions: 1) What do you think happens to prices of essential goods, such as water and fuel, during a natural disaster? 2) Why might some people believe it's unfair to raise prices on necessary items during an emergency? 3) Can you think of a situation where raising prices might actually help people get what they need?

OR

Distribute copies of the K-W-L worksheet to the class. Have students fill in the K and W sections. After showing the video, have students complete the L section and answer the questions at the bottom of the worksheet.

Viewing Guide:

We recommend that teachers show the video twice: first to allow students to view the video and focus on the issues presented, and second to allow them time to complete the viewing guide. After they complete the viewing guide, allow students a few minutes to work in pairs to share and verify answers.

Answers to Viewing Guide

1. hurricane
2. Milton
3. confiscated
4. supplies

Outlawing Price Gouging

Viewing Guide

Name _____

Date _____

Class _____ Per _____

Teacher _____

Directions: As you watch the video, fill in the blanks with the correct words.

1. Gouging becomes an issue every _____ season, because after storms, some merchants raise prices.
2. The gougers are heroes, said _____ Friedman, because they take risks to bring in goods people desperately need.
3. But Mississippi police wouldn't let John sell them. They called it price gouging. Instead, they _____ his generators, and locked John up in this jail.
4. Sellers are able to earn more profit and buyers are capable of getting the _____ they desperately need.

Now, please take a few moments to reflect on the video and answer these questions.

Why would suppliers bring products to an area where there has been an emergency? _____

What could happen if the government set strict price controls during an emergency?

Based on the video, what is your position on price gouging during natural disasters?

Why? _____

Discussion and Analysis

1. What is price gouging?
2. How does price gouging affect people during an emergency?
3. How does the relationship between supply and demand work? Does it change during emergencies? If so, how?
4. Why might some items be worth more to people during emergencies? What role does scarcity play?
5. Why does "perceived value" change based on circumstances? For instance, would you be willing to pay more for an umbrella in the pouring rain or on a sunny day? Why?
6. How might price gouging encourage suppliers to bring essential goods to disaster areas?
7. What additional costs do suppliers encounter during an emergency situation? For example, John Shepperson and his generators in the video – besides the cost of the generators themselves, what other costs did he have?
8. What are some arguments against price gouging?
9. What are some examples of price gouging mentioned in the video, and what were the results?
10. Why does Milton Friedman declare that price gougers are doing something good?
11. What could happen if the government sets strict price controls during an emergency?
12. What are the ethical concerns related to price gouging discussed in the video?
13. How might laws against price gouging affect the behavior of businesses during a disaster?
14. How can understanding the economic principles of supply and demand help you form an opinion on price gouging and price control laws?
15. Do you think the argument against price controls is convincing? Why/Why not?
16. Do you think price gouging is ethical or unethical? Explain.
17. In an emergency, would you rather have fewer supplies for the regular price that people fight over, or more supplies at a higher, "gouged" price? Why? Which benefits victims of a disaster more?
18. After watching the video, would you vote in favor of anti-gouging laws in the event of an emergency or against? Explain.

Discuss These Lines from the Video:

During a state of emergency, you cannot substantially raise prices, whether it's a hotel room, fuel, or commodities such as water and generators.

The gougers deserve a medal. The gougers are heroes, said Milton Friedman, because they take risks to bring in good that people desperately need.

John offered to sell his generators for twice what he paid for them.

Actually, the price gougers are the moral ones.

If you just look at the economics, the most people are helped if you keep the government out of it.

They're taking advantage of us.

Instead, they confiscated his generators and locked John up in this jail.

This awful thing that you'd think of, but it really is kind of just another name for supply and demand.

Quotes for Discussion:

The appeal of price controls is easy to divine. Even though they fail to protect many consumers and hurt others, controls hold out the promise of protecting groups of consumers who are particularly hard-pressed to meet price increases.

– Hugh Rockoff

Value is not determined by those who set the price. Value is determined by those who choose to pay it

– Simon Sinek

Price is what you pay. Value is what you get.

– Warren Buffett

Wage and price controls, far from being a cure for inflation, only make inflation worse.

– Milton Friedman

In the aftermath of a natural disaster, there often aren't enough vital resources to go around. Disasters destroy existing supplies of goods like drinkable water and electric power, and increase demand for substitutes. As a result, no matter what we do, some people's needs are going to go unmet. Disasters cause scarcity; and scarcity means that resources have to be rationed. Whether we do that by price increases, or waiting in line, or through a random lottery, some people's needs are going to be unmet.

– Matt Zwolinski

"Price gouging"—allocation by market price—provides powerful incentives to conserve, and powerful incentives for people to find ways to supply more bottled water. Are those not desirable outcomes? Price rationing may or may not be good for the poor, but, then, any rationing scheme is bad for someone. Unless we want to argue that the poor have a greater moral claim than others—a position that I

would criticize sharply—the widely assumed but poorly reasoned premise that “price gouging,” that is, rationing by price, is morally deficient is a popular fallacy.

– Ben Zycher

Activities:

1. Before showing the video, conduct a classroom poll that asks students whether they support or oppose anti-price gouging laws. After showing and discussing the video, take the poll again to see if any students have changed their mind. Then, lead a discussion on why students voted the way they did.
2. Have students complete the K-W-L chart in class or for homework.
3. Have students complete the political cartoon activity in class or for homework.
4. Have students complete the PMI chart in class or for homework.
5. Have students complete the Cloze Activity in class or for homework.
6. Have students complete and submit the Exit Ticket as they leave class.
7. Here are two other Stossel in the Classroom videos about price gouging to help students who need more information or clarity:

https://stosselintheclassroom.org/is_price_gouging_bad/

<https://stosselintheclassroom.org/price-gouging/> (Includes more information on the John Shepperson case.)
8. Divide the class into two groups. Have one group argue in favor of price gouging during emergencies, using points from the video, while the other group argues against it. To encourage critical thinking, you might want to have students argue against their own point of view. After the debate, hold a class discussion to evaluate the strengths and weaknesses of each side's arguments.
9. Have students, working individually or in pairs, research a historical event where supply and demand played a crucial role during a crisis (e.g., the 1970s oil crisis). Have them present their findings to the class, explaining how supply and demand impacted prices and availability of goods.
10. Students will write an essay of no more than 500 words in which they discuss whether price gouging during emergencies is ethical. They should use evidence from the video as well as outside sources to support their position.
11. In small groups, students will role-play a scenario in which they play the roles of a merchant, consumer, or government official during a natural disaster. Each group must navigate a situation where prices are rising and decide how to handle it. Be sure to assign several consumers to each group to see how they decide who gets the products there is a shortage of. After, have them present their decisions and reasoning to the class.

12. Individually, students will choose a recent natural disaster and analyze how price changes affected the local economy. They will write a short report explaining how the principles of supply and demand applied to the situation.
13. Students will create a simple graph that shows how supply and demand affect prices, particularly during emergencies. They should also create a graph that shows how supply, demand, and price are impacted when anti-gouging laws are in effect. They will then explain their graphs to a partner, highlighting how price gouging fits into the economic model.
14. In small groups, students will research a country that has implemented strict price controls (such as Venezuela), and present a case study on the economic and social effects of these controls. They should compare these effects to the ideas presented in the video.
15. Students will write a persuasive letter to an elected official, explaining why they support or oppose price gouging laws. They should use arguments from the video as well as their own reasoning to make their case.
16. Students will find a news article about price gouging during a recent disaster and analyze how the article portrays the issue. Is it fair and balanced or can they detect bias? Have them summarize the article and include their determination of the author's objectivity.
17. Hold a mock trial where one student acts as John Shepperson (the generator seller), another as the prosecutor, and others as the jury. The class will decide whether John was justified in his actions.
18. Students will compare price gouging to another controversial economic practice, such as monopolies or rent control. They will write a short paper explaining the similarities and differences, using examples from the video.

Stossel in the Classroom Essay and Video Contest

19. Teachers will guide students through the process of entering this year's Stossel in the Classroom essay and video contest. First, students will visit the Stossel in the Classroom webpage to review the current year's essay prompts and rules. **Be sure students understand that they must comply with the rules.** Writing an essay that's too short or too long will lead to disqualification!

Then, in class, teachers will facilitate brainstorming sessions where students can discuss and explore ideas related to the prompts. After selecting their topics, students will individually research and write their essays, incorporating critical thinking and evidence-based arguments as discussed in class.

Teachers can provide feedback during the drafting process and offer a peer-review session to refine the essays. Finally, students will submit their completed essays to the contest, giving them an opportunity to engage with real-world issues and possibly win prizes.

Name _____

Date _____

Class _____ Period _____

Teacher _____

Outlawing Price Gouging PMI Chart

- P = Plus:** What might be some positive effects of price gouging in natural disaster situations?
- M = Minus:** What might be some negative effects of price gouging in natural disaster situations?
- I = Interesting:** What is interesting about price gouging in natural disaster situations?

+ Pluses +	- Minuses -	I

What could happen to supplies in a disaster area if the government limits what can be charged for products? _____

What do you think is the best approach to handle pricing in natural disasters? Why? _____

Name _____
Class _____ Period _____

Date _____
Teacher _____

Outlawing Price Gouging K-W-L Chart

Directions: Complete the **K** and **W** sections prior to watching the video. After you have seen the video, complete the **L** section and answer the questions below the K-W-L chart.

K	W	L
What I know about price gouging and anti-price-gouging laws...	What I want to know about price gouging and anti-price-gouging laws...	What I've learned about price gouging and anti-price-gouging laws...

How might price gouging encourage suppliers to bring essential goods to disaster areas? _____

Do you think the argument against price controls is convincing? Why/why not? _____

Name

Admit One

Should suppliers be able to set their own prices on the essential goods they bring to disaster zones? Why/why not?

Admit One

EXIT TICKET

Name

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EXIT TICKET

Name _____

Date _____

Class _____ Period _____

Teacher _____

Outlawing Price Gouging

Political Cartoon Activity

Directions: Use the political cartoon to answer the questions below.



How does the cartoon illustrate price gouging? _____

Which example is not a natural disaster? Why do you think the cartoonist included it? _____

Why might some items be worth more to people during emergencies, and how does this idea of relative value relate to the arguments in the video about price gouging? _____

What risks and additional expenses for suppliers are shown in the cartoon and how does that impact price? _____

Name _____

Date _____

Class _____ Per _____

Teacher _____

Outlawing Price Gouging

Cloze Activity

Directions: Read the entire passage first. Then fill in the blanks with words from the box.

rationing	scarcity	suffering	negative
emergency	rationed	resources	unpopular
desperate	demand	perfect	needs
	abundance	crazy	

Andrew Sorkin has a piece in the *New York Times* on hurricane price gouging. The piece mentions some of my work on the topic. It's a fair and accurate summary, but the tone of the piece is basically "look at the _____ stuff these economists believe!"

I understand the _____ reaction that most people have to price gouging, and to the academics who defend it. The _____ caused by natural disasters is immense. Sometimes those of us who write about price gouging can seem insensitive to that. Still, as _____ and unattractive as it may be, I think the pro-gouging position is the correct one.

Price Gouging Doesn't Cause Scarcity, Disasters Do.

After a natural disaster, there often aren't enough vital _____ to go around. Disasters destroy existing supplies of goods like drinkable water and electric power, and increase demand for substitutes. No matter what we do, some people's needs are going to go unmet. In extreme cases, the results of this _____ can be tragic. But it would be a mistake to blame unmet needs on price gouging. Disasters cause scarcity; and scarcity means that resources have to be _____. Whether we do that by price increases, or waiting in line, or through a random lottery, some people's _____ are going to go unmet.

The Real Question is: Which Method of Rationing is Least Bad?

What most people call "price gouging" is really just one way of _____ scarce resources. When too many people want something, and there's not enough to go around, one way to bring supply and _____ into balance is

to allow prices to increase—rationing according to willingness-to-pay. That’s not the only way of rationing scarce resources, but it does have two advantages. First, it dissuades people who don’t really need the resource from consuming it (call that the demand problem). Second, it encourages people who have an _____ of the resource to bring it to market in order to earn the exceptionally high profit (call that the supply problem). No one is saying that price gouging is a _____ method of rationing. I wouldn’t use it to ration goods among friends or neighbors. But in the large and anonymous setting of the marketplace, where knowledge of who needs what is limited, rationing according to willingness-to-pay is arguably less bad than any of the alternatives.

In short, those of us who defend price gouging want the same thing that most of us do: we want scarce resources in times of _____ to go to those who need them most. Rationing according to willingness-to-pay does, at least in some contexts, a better job of achieving this goal than any alternative.

Not raising prices and simply allowing those who show up first to buy whatever they wish might seem like a more moral alternative. At least, no one’s going to charge you with “gouging.” But that’s no help to whatever _____ people might show up too late.

Name _____

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Class _____ Per _____

Teacher _____

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