QuickPoint! – Price Gouging

By Eric Fruits. Ph.D.

Last week, Oregon Attorney General Ellen Rosenblum's office reached a settlement with four hotels over price gouging during last year's wildfires. The hotels have to pay more than $100,000 to the state. In addition, they have to reimburse more than a hundred families for their hotel costs.

Laws against price gouging are about as old as the price system itself. But these laws miss the entire point of the price system—to allocate resources. There are many ways to allocate resources, but nearly all of them are inferior to the price system. These hotels weren't "gouging" they were working toward ensuring that their scarce resource—namely hotel rooms—were allocated to those who valued them most.

Without the higher prices how should the rooms have been allocated? First come, first served? Lottery? How are those methods any more fair than the price system? Short answer: They're not.

After thousands of years of prices and thousands of years of anti-price gouging laws, you'd think we'd have finally realized they simply don't work. Let's get rid of these silly laws and let our attorney general work on prosecuting real criminals.

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