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## Gas Pump Dispenses Painful Economics Lesson

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Special to the Tribune

After last year's hurricane season, I wrote a column for my campus newspaper criticizing the use of federal funds, through FEMA, going to storm victims. You don't tend to get very nice feedback on those types of columns.

Even so, at the risk of offending more readers, during this hurricane season I'm going to attempt to articulate yet another unpopular viewpoint: defending the right of local gas stations to practice what has become commonly known as price-gouging.

In the interest of full but probably unnecessary disclosure, my only connection to "Big Oil" is that my dad used to work as a maintenance man for Texaco.

First off, I know that gouging is probably nearly as unpopular as the hurricanes themselves.

Trust me, I feel your pain over recent gas prices. Every time I fill my car up, I almost want to cry as I watch more than half a day's pay go by in mere seconds. And I drive a Ford Focus; I can only imagine how bad it is for those unfortunate souls who choose to drive larger gas-guzzlers.

So don't get me wrong; I'm not actually saying that price-gouging is necessarily moral. What I'm saying is that if a local gas station wants to raise prices, particularly if it's under the pressure of rising wholesale prices for gas, it has the right to do so.

Take a look at the economics of price-gouging.

Raising the price of gasoline ensures that those who are willing to pay more for it will get it, instead of wasting it on those who may not need it. Someone who desperately needs the gas will be willing to pay more for it. Someone who doesn't have an urgent need for it will be more likely to wait until the price goes back down. This aids those who need the gas the most by ensuring that the supply won't go to those who don't really need it.

For prices to decrease via the market, demand will need to decrease and/or supply increase. Ironically, one way of lowering demand would be to raise prices even further, encouraging the public to conserve more fuel.

This doesn't sound very appealing, but the results of price controls are less appealing. As Americans learned in the 1970s, price controls lead to long lines and production shortages. Everyone and his sister ends up buying gas at the lower price, and the economic incentive for producers to increase supply dwindles. The demand outpaces the supply.

Irving S. Olds, once chairman of U.S. Steel, has said: "Throughout 40 centuries of human experience, price controls at their best have always been a miserable failure. At their worst, they have led to famine and bloodshed to defeat and to disaster."

Aside from the economics, my belief in private property is the fundamental reason to defend the right to "price-gouge." Because a person's property belongs to him, he has the right to give it up at a price he desires. If no one agrees with that price, he won't be able to sell it.

You've probably seen the occasional house for sale that always seems to stay on the market because the price is so unbelievably high that no one is willing to buy it. In such a situation, the seller will be forced to sell the house for a lower price in order to get rid of it. Gas stations, like homeowners and every other seller in a free market economy like ours, fall under the same market forces.

Critics may insist that raising gas prices so high during a time of disaster may be morally wrong. I wouldn't argue with that. But that doesn't mean we have to use government to stop it. At some point we have to show respect for property owners who may not conform to our thinking about what's a reasonable price for their property.

Adam Fowler graduated with a degree in political science from the University of South Florida.

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