

## Price Gouging, Plain and Simple

nov 4 2010

***'Price Gouging': A pejorative term referring to a situation in which a seller prices goods or commodities much higher than is considered reasonable or fair – Wikipedia.*** The online encyclopaedia goes on to note that in some US jurisdictions, in some circumstances, it's a crime.

As retiring NSW MP Phil Koperberg recently observed, speaking to both the Blue Mountains Gazette and the ABC's Stateline, electricity prices are rising three times faster than CPI. "We're being had", he said. Well said, sir. At the moment the banks are also widely detested but it's happening everywhere in Australia. While politicians manoeuvre for the moral high ground with suggestions for controls over this or that, nothing changes. It's doubtful if they really want to do much because that would mean taking responsibility, a commodity they've been offloading for decades. Heaven forbid, we're not arguing for re-regulation of interest rates, you know, says shadow treasurer Joe Hockey. Well, what *are* you arguing for then?

Treasurer Wayne Swan yesterday spoke about a "raft of reforms" he's working on to arrest price signaling and other collusive banking practices. Mr Swan, the UK learned what financial de-regulation means for banking practice twenty-five years ago. Perhaps one day the penny will drop here. Memo Wayne and Julia: it's not about price signaling. It's about price gouging, plain and simple, and they all do it. Banks, miners, utilities, supermarket chains are all notching up what has come to be fashionably termed "super profits", often at our direct expense. In the case of mining, it's less direct; global commodity prices rise and fall but any suggestion that resources are owned by the nation, with a fair return perhaps due, quickly transforms businessmen into self-publicists and lobbyists.

Profit is good, we're told. Well, agreed. We got that in high school economics. It pays for everything we all take for granted. But there's a world of difference between honest profit and profiteering; high school economics also taught us that, left to itself, the market's ultimate tendency is to do away with itself. In most commercial situations, with the obvious exception of essential public services (as Mr Koperberg correctly states), profit and corrective market balances such as competition are fine - *when the market operates naturally*. But even when there is choice, it can be structured so that it's just too confusing. In the case of privatized monopolies, like Margaret Thatcher's utility sell-offs in the UK and now the unseemly rush to get rid of state owned assets in NSW and Queensland (bled dry through chronic under investment by lazy governments, despite years of warnings) the obvious occurs. Prices rise and customers are treated with indifference at best, discourtesy at worst. AGL could not write a pleasant reminder letter if it tried. Optus charges a fee to send out its bills. Energy utilities recorded a 42% profit increase over 12 months (from \$800 million to \$1.2 billion). Let's not even talk about bank profits.

What is needed now is not a 'raft of reforms' but political commitment with real spine, to enact regulation eradicating corporate price gouging in Australia. Deregulation and privatization, much as we may prefer its alleged efficiencies to the heavy hand of government, hasn't delivered the loving customer care so glowingly depicted in the TV commercials. Neither is there any intention that it should.

Sadly though, governments have forgotten how to govern and we've forgotten what citizenship entitles us to – and requires of us. In a culture where complaint is considered an unfortunate social problem, across the board price gouging will continue. In Europe, Canada and the USA complaint is valued, heard and usually acted upon. That's why a North American colleague who spends half a year in Australia on business complains that gouging here is the worst in the world. Meanwhile, we lie back and think of the suburbs. Because in Australia the worst thing you can be seen to be is a complainer.