PRSE
Potsdam Research
Seminar in Economics

ABSTRACT:

SOUTH AFRICAN COMPETITION POLICY ON EXCESSIVE PRICING AND ITS RELATION TO PRICE GOUGING DURING THE COVID-19 DISASTER PERIOD

PROF. WILLEM BOSHOFF, PhD

STELLENBOSCH UNIVERSITY

16 June 2020 from 02.15-03.45 p.m.
Via Zoom

The declaration of a state of national disaster in South Africa, due to the Covid-19 pandemic, was followed by excessive-pricing regulations pertaining to certain consumer and medical products and services. The regulations and their application suggest an intertemporal benchmark to judge excessive pricing, deviating from previous practice. Intertemporal comparisons assume a structural shift during Covid-19 that changes competitive conditions, related to changes in consumer behaviour. Such comparisons must also account for demand and cost changes. While the Covid-19 regulations allow for cost-based price increases, demand-based increases are not explicitly accounted for, suggesting that the regulations are framed more generally as price-gouging regulations. The differences between price-gouging and excessive pricing benchmarks depends on the type of disaster-period demand shock. They are similar following a transitory demand spike, provided sufficient time is allowed for dynamic price behaviour, but differ markedly when demand is elevated for the duration of the disaster period. Applying simple cost-based comparisons in recently concluded cases against smaller retailers are consistent with excessive pricing, given the presence of a demand spike. To the extent that these involve persistently higher demand, cases against wholesalers and larger retailers will be more complicated, as such demand must be reflected in competitive prices.