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Is the Price Right? The Role of Economic Tradeoffs in Explaining Reactions to Price Surges

Public authorities often introduce price controls to address opposition to price surges, but this may cause inefficiencies and shortages. In a survey experiment with 7,612 Canadian and US respondents, we found that people generally disapprove of, and have strong moral reactions to unregulated price increases. However, acceptance is higher when potential economic tradeoffs between controlled and unregulated prices are salient, and if the incentives resulting from price surges enhance access to goods. Highlighting tradeoffs also reduces the polarization of moral reactions between supporters and opponents of unregulated pricing. Text analysis and a donation experiment further support our findings.

*joint work with Julio Elías and Mario Macis

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