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Research on the Fair Trade Act Against Hoarding and Price Gouging for Market  
Speculation

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Abstract

In practice, the Taiwan Fair Trade Commission (TFTC) normally will initiate a special investigation on price and business practice with regards to “hoarding” and “price gouging” practices in a situation of natural disaster, such as typhoon, earthquake, pandemic disease (i.e. SARS), and in situation of some unexpected severe damage cause natural disaster. Such an anti-price gouging investigation and decision serves as a legal mechanism for price control, and has significant effects on stabilizing market price at a substantial level. However, it is argued that the TFTC’s role in interfering the market price, the amounts of supply and demand, and relevant commend and control is questionable, in particular in whether this control is conflict to the basic principle of the TFTC’s mission in promotion of effective competition, market-oriented regulatory mechanism, and least intervention principle.

This paper provides economic analysis of such a price control mechanism in an emergency situation, with a focus on anti-price gouging laws and mechanism. Comparative studies of the USA, Japan and Korea laws are provided as supplement materials. It argues that Taiwan government should establish a specific regulatory

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Date submitted: December 14, 2009

Date accepted: September 27, 2010

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mechanism in order to deal with economic control issues in a natural disaster. Three main suggestions are provided as followed:

1. passing a specific law for economic control in an natural disaster or emergency situation, in order to improve regulatory efficiency;
2. Establishing a specific material and resource control authority to investigate and define illegal practice of price-gouging, subject to the doctrine of legal reservation.
3. Triggering the economic control mechanism at times subject to the doctrine of proportionate.

Keywords: Hoarding, Price Gouging, A Specific Law for Economic Control, Effective Competition, Price Mechanism.