

UDC 1

DOI: 10.34670/AR.2020.73.54.005

Ethical problems of setting different food prices

Ol'ga O. Smirnova

PhD in Economics,
Independent researcher,
119019, 3/5 Vozdvizhenka str., Moscow, Russian Federation;
e-mail: oos39@mail.ru

Abstract

Goal. The aim of the work is to identify the ethical problems of setting different food prices. **Methodology.** The methodology of the work includes the application of methods of analysis in relation to the theory of ethics to the price behavior of the dominant firm in the food market. **Results.** When determining the ethics of price discrimination of food, it is necessary to study the following assumptions: first, about the need to regulate such behavior of producers, regardless of whether the producers are aware of its danger or not; secondly, the need to assess not only direct, but also indirect damage from this type of price behavior; thirdly, the problem of assessing whether price discrimination is possible for social groups that are in a more privileged position in relation to others due to various reasons – higher incomes, greater access to various resources, proximity to power, if this does not make their position significantly less stable. **Conclusion.** Price discrimination against large firms in the food markets is not in itself unethical or contrary to business ethics standards; it is made so by additional conditions, which primarily include the assessment of direct and indirect damage from such actions. The most problematic area, however, is determining whether a higher price for wealthier consumers or a lower price for less affluent consumers is unethical. To assess the ethics of price discrimination, it is necessary to rethink the category of consumer damage and the mechanism of its establishment philosophically and methodically, as well as the assessment of responsibility for its infliction.

For citation

Smirnova O.O. (2020) Ethical problems of setting various food prices. *Kontekst i refleksiya: filosofiya o mire i cheloveke* [Context and Reflection: Philosophy of the World and Human Being], 9 (5B), pp. 246-252. DOI: 10.34670/AR.2020.73.54.005

Keywords

Food crisis, price discrimination, theory of ethics, food market, ethics of market behavior of the firm.

Introduction

The availability of food is the most important category for the social development of society. Its problem can manifest itself at different levels of the socio-economic system: the availability of food can be limited at the level of the state or individual social groups. In the first case, a number of modern studies show that dependence on food imports determines not only social, but also political stability [Sneyd, Legwegoh, Fraser, 2013]. At the same time, dependence on food supplies determines the possibility of price discrimination by global food suppliers, which can negatively affect the social structure of the national economy and, as shown by the example of the food crises of 2008 and 2010, can lead to an increase in hunger and malnutrition [Tadasse, 2016].

At the level of social groups, different food prices can be set in order to support lower-income citizens [Vitell, Festervand, 1987]. This paper examines how ethical such behavior of dominant food suppliers is, how ethical is the system of the world food market that allows restricting access to food, as well as the limits of the ethical price behavior of firms and the actions of their regulatory bodies that allow setting different prices for different consumers.

Main part

In this paper, we apply the results of previous research in the field of the theory of industrial markets in terms of assessing the impact of price discrimination on public welfare, the economic mechanism and the assessment of the social consequences of the world food crises of 2008 and 2010.

The method of this work is the application of the provisions of the theory of ethics to the analysis of the price position of food producers, the study of the conditions for the permissibility of setting different food prices within both individual countries and individual social groups.

According to the most general definition, price discrimination is the price behavior of a firm that has the market power to set different prices for identical goods and services. In economic theory, it is considered proven that price discrimination leads to an increase in the market power of producers, the redistribution of the surplus of consumers in favor of producers [Smirnova, Russian Practice..., 2016]. Price discrimination is possible when the following conditions are simultaneously met: it is possible to establish price elasticity for each of the buyers, conditions are created that do not allow buyers to resell the goods, and the seller has market power [Smirnova, Agapova, Elagina, 2016]. It should also be taken into account that, according to economic theory, in conditions of competition, prices tend to unify, that is, price differentiation is a sign of the presence of market power.

Price discrimination is the most obvious case of economic "unfairness", especially when some consumers are forced to pay more than others for the same type of product, and such price behavior causes public disapproval. So, for example, when implementing the DVD of the largest online store Amazon.com it was found that this seller sets different prices to different consumers, and this price discrimination caused a protest from the public [Elegido, 2011].

From the standpoint of the theory of ethics, price discrimination can be defined as unacceptable for a number of reasons. First of all, such conditions should include the lack of transparency in setting prices. In addition, the argument that the seller can cover the cost of selling the product at lower prices by raising prices for other consumers is unfair. In addition, equal conditions for all would be violated [Elegido, 2011]. However, the condemnation of price discrimination is not acceptable for all conditions of price differentiation. A number of economic studies have proved that price discrimination is always a negative phenomenon for the economy. Consumers from time to time welcome the establishment of

various prices, for example, dynamic pricing for airline tickets or coupon sales of goods or services, seasonal sales.

Price discrimination is a common business practice, unfair from the point of view of the theory of ethics, but the public opinion in relation to it differs. In addition, opinions differ in relation to price discrimination of various types of goods. For example, the establishment of differentiated prices for medicines is a widely condemned practice, and similar measures in relation to transport services, such as the establishment of discounts for pensioners and children, are not condemned, in addition, the abolition of such benefits leads to protests. Therefore, when studying the category of price discrimination from the point of view of the theory of ethics, it is necessary to take into account the type and purpose of the product, the prices of which are differentiated.

In the field of ethics, discrimination studies also mention aspects related to the harm of various social groups of the population, including in terms of setting prices for various goods or services, for example, proven cases of setting higher prices for fresh fish in the New York grocery market to non-Asian buyers, as well as higher prices for fast food in areas with a compact population of African Americans in the United States [Smirnova, Agapova, Elagina, 2016]. In these cases, it is obvious that price discrimination is unethical. However, it is not true to assume that price discrimination is generally unethical. The unethical nature of this practice is undeniable only if any of the social groups of the population are discriminated against based on any of their characteristics, such as, for example, belonging to a particular denomination, gender, age, race, ethnic group, and so on. Therefore, when studying the problem of the ethics of price discrimination, it is necessary to investigate the purpose of applying this type of business behavior. However, this approach also has limitations.

So, often, when a company implements a pricing policy that infringes on someone's interests, its goal is not precisely the social result obtained – as, for example, participants in the global food market did not set a goal for a sudden increase in hunger and malnutrition in 33 countries of the world, which led to an increase in mortality for this reason due to an unjustified, abrupt increase in food [Sneyd, Legwegoh, Fraser, 2013]. The purpose of the food producers engaged in such behavior was to increase profits from trade operations, that is, the companies pursued legitimate and ethically neutral interests – making a profit, while the tools used for this purpose were often not pursued by antitrust regulation, and therefore were absolutely legitimate from the point of view of international law and the law of those countries whose interests were infringed. Thus, when it comes to price discrimination in food markets, the study of the goals of companies does not lead to conclusions about the ethics of this behavior, if no negative impact on the social environment and food availability was predicted.

Meanwhile, many studies have shown that if the disadvantaged group of consumers is at an economic and social disadvantage and is additionally affected by price discrimination on the main item of expenditure – food, the situation significantly worsens in comparison with other groups [Elegido, 2011]. Under these conditions, three assumptions arise: first, about the need to regulate such behavior of producers, regardless of whether producers are aware of its full danger, second, about the need to assess not only direct, but also indirect damage from this type of price behavior, and third, about the problem of assessing whether price discrimination is possible for social groups that are in a more privileged position in relation to others due to various reasons – higher incomes, greater access to various resources, proximity to power, if this does not make their position significantly less stable.

In relation to the latter assumption, it should be noted that in the scientific literature of the last 30 years, this case has been described in detail on the example of various commodity markets and shows a positive economic effect, but does such economic behavior correspond to the principles of ethics?

According to the researchers, prices in the aspect of the category of ethics should be considered in accordance with such a category as a fair price [Marcoux, 2006]. However, from the point of view of this price, it is not unethical to infringe on the interests of the rich by setting higher prices for them, since the rule of equal exchange remains. Therefore, the category "fair price" cannot be used to analyze the situation of price differentiation, since its study pursues fundamentally different methodological features of the ethics of economic behavior of firms, and when determining it, conditions are applied that exclude price discrimination.

This assumption is also not completely objective, since the analysis of the situation of establishing price discrimination for wealthy consumers proposed in economic sources indicates that the transition of the surplus consumer to the producer occurs precisely when different prices are set. In these cases, a number of authors suggest the following approach to determining the ethics of price discrimination of such a group of consumers: they may choose to pay a higher price if they know that food is supplied at lower prices for more disadvantaged groups of consumers, and agree to such practices or the conditions of price discrimination will be agreed in advance, for example, an increase in the price of wine when it becomes known about the quality of the crop, an increase or decrease in prices during the time from the receipt of the current crop to the new one. At the same time, it is not ethical to use the reinforcement of the buyer's need for price discrimination, even if all price information is transparent.

Conclusion

Price discrimination against large firms in the food markets is not in itself unethical or contrary to business ethics standards; it is made so by additional conditions, which primarily include the assessment of direct and indirect damage from such actions. The most problematic area, however, is determining whether a higher price for wealthier consumers or a lower price for less affluent consumers is unethical.

Thus, to assess the ethics of price discrimination, it is necessary to philosophically and methodically rethink the category of consumer damage and the mechanism of its establishment, as well as the assessment of responsibility for its infliction.

References

1. Brown D.J., King J.B. (1982) Small business ethics: influences and perceptions. *Journal of small business management*, 20 (1), pp. 11-18.
2. Carson T.L. (2003) Self-interest and business ethics: some lessons of the recent corporate scandals. *Journal of business ethics*, 43 (4), pp. 389-394.
3. Donskova S.V., Elagina A.S. (2002) Teoreticheskie voprosy tsenoobrazovaniya [Theoretical issues of pricing]. *Khranenie i pererabotka sel'khozsyrya* [Storage and processing of agricultural raw materials], 9, pp. 35-38.
4. Elagina A.S. (2016) Pravovaya model' gosudarstvennogo regulirovaniya tsen na prodovol'stvie [The legal model of the state regulation of food prices]. *Voprosy rossiiskogo i mezhdunarodnogo prava* [Matters of Russian and International Law], 7, pp. 152-164.
5. Elagina A.S. (2016) Pravovoe regulirovanie tsen na prodovol'stvie [Legal regulation of food prices]. *Krymskii nauchnyi vestnik* [Crimean Scientific Bulletin], 6 (12), pp. 190-204.
6. Elagina A.S. (2016) Tsenoobrazovanie na aviatsionnye bilety: protivorechiya delovogo oborota i pravil konkurentsii [Air ticket pricing: contradictions between business turnover and competition rules]. V sbornike: NOVOE V NAUKE I OBRAZOVANII. sbornik trudov ezhegodnoi mezhdunarodnoi nauchno-prakticheskoi konferentsii. OChU VO «Mezhdunarodnyi evreiskii institut ekonomiki, finansov i prava» [In the collection: NEW IN SCIENCE AND EDUCATION. proceedings of the annual international scientific and practical conference. International Jewish Institute of Economics, Finance and Law] pp. 36-42.
7. Elagina A.S., Abramov A.Sh. (2018) Osnovy metodiki opredeleniya dopustimogo urovnya volatil'nost' tsen na prodovol'stvie: na primere izmeneniya tsen na krupu grechnevuyu yadritsu v 2010-2011 godakh [Basics of the methodology for determining the permissible level of food price volatility: on the example of changes in prices for buckwheat in 2010-2011]. *Ekonomika: vchera, segodnya, zavtra* [Economics: Yesterday, Today and Tomorrow], 8 (7B), pp. 166-172.

8. Elegido J.M. (2011) The ethics of price discrimination. *Business ethics quarterly*, 21 (04), pp. 633-660.
9. Friedman M. (2007) The social responsibility of business is to increase its profits. In: Zimmerli W.C., Richter K., Holzinger M. (eds) *Corporate ethics and corporate governance*. Springer-Verlag Berlin Heidelberg, pp. 173-178.
10. Fritzsche D.J., Becker H. (1982) Business ethics of future marketing managers. *Journal of marketing education*, 4 (2), pp. 2-7.
11. Gaski J.F. (1999) Does marketing ethics really have anything to say? A critical inventory of the literature. *Journal of business ethics*, 18 (3), pp. 315-334.
12. Joyner B.E., Payne D. (2002) Evolution and implementation: a study of values, business ethics and corporate social responsibility. *Journal of business ethics*, 41 (4), pp. 297-311.
13. Kagan M.S. (1997) *Filosofskaya teoriya tsennosti* [Philosophical theory of value]. Saint Petersburg: Petropolis Publ.
14. Kehoe W.J. (1985) Ethics, price fixing, and the management of price strategy. In: Laczniak G.R., Murphy P.E. (eds) *Marketing ethics: guidelines for managers*. Lexington: Lexington books, pp. 71-83.
15. Lee L.M. (2012) Public health ethics theory: review and path to convergence. *The journal of law, medicine and ethics*, 40 (1), pp. 85-98.
16. Marcoux A.M. (2006) Much ado about price discrimination. *Journal of markets and morality*, 9 (1), pp. 18-41.
17. Preble J.F., Reichel A. (1988) Attitudes towards business ethics of future managers in the US and Israel. *Journal of business ethics*, 7 (12), pp. 941-949.
18. Puffer S.M., McCarthy D.J. (1995) Finding the common ground in Russian and American business ethics. *California management review*, 37 (2), pp. 29-46.
19. Smirnova O.O. (2015) *Primenenie instrumentov tsenovoi diskriminatsii: protivorechiya promyshlennoi i antimonopol'noi politiki* [Instruments of price discrimination: the contradictions of industrial and competition policies]. *Vestnik Moskovskogo instituta lingvistiki* [Bulletin of the Moscow Institute of Linguistics], 9 (9), pp. 106-109.
20. Smirnova O.O. (2016) *Metody otsenki prostranstvennoi tsenovoi diskriminatsii* [Methods for evaluation of spatial price discrimination]. *Regional'naya ekonomika. Yug Rossii* [Regional Economy. South of Russia], 1 (11), pp. 68-72.
21. Smirnova O.O. (2016) *Rossiiskaya praktika antimonopol'nogo regulirovaniya tsenovoi diskriminatsii* [Russian antitrust practice of price discrimination controlling]. *Ekonomicheskie i gumanitarnye nauki* [Economics and humanities], 2 (289), pp. 71-76.
22. Smirnova O.O., Agapova E.V., Elagina A.S. (2016) *Opreделение pokazatelei tsenovoi diskriminatsii, osnovannoi na otsenke povedeniya potrebiteli* [Definition of indicators of price discrimination based on the assessment of consumers' behavior]. *Ekonomika: vchera, segodnya, zavtra* [Economics: Yesterday, Today and Tomorrow], 1, pp. 22-33.
23. Sneyd L.Q., Legwegoh A., Fraser E.D.G. (2013) Food riots: media perspectives on the causes of food protest in Africa. *Food security*, 5 (4), pp. 485-497.
24. Tadasse G. (2016) Drivers and triggers of international food price spikes and volatility. In: *Food price volatility and its implications for food security and policy*. Springer International Publishing, pp. 59-82.
25. Treviño L.K., Nieuwenboer N.A., Kreiner G.E., Bishop D.G. (2014) Legitimizing the legitimate: a grounded theory study of legitimacy work among Ethics and Compliance Officers. *Organizational behavior and human decision processes*, 123 (2), pp. 186-205.
26. Tsalikis J., Fritzsche D.J. (1989) Business ethics: a literature review with a focus on marketing ethics. *Journal of business ethics*, 8 (9), pp. 695-743.
27. Vitell S.J., Festervand T.A. (1987) Business ethics: conflicts, practices and beliefs of industrial executives. *Journal of business ethics*, 6 (2), pp. 111-122.
28. Von Braun J., Tadesse G. (2012) Food security, commodity price volatility, and the poor. In: Aoki M., Roland G., Kuran T. (eds) *Institutions and comparative economic development*. Palgrave Macmillan UK, pp. 298-312.
29. Woolley A. (2013) The problem of disagreement in legal ethics theory. *The Canadian journal of law and jurisprudence*, 26 (01), pp. 181-217.
30. Zwolinski M. The ethics of price gouging. *Business ethics quarterly*, 18 (03), pp. 347-378.

Этические проблемы установления различных цен на продовольствие

Смирнова Ольга Олеговна

Кандидат экономических наук,

Независимый исследователь,

119019, Российская Федерация, Москва, ул. Воздвиженка, 3/5;

e-mail: oos39@mail.ru

Аннотация

Цель. Целью работы является выявление этических проблем установления различных цен на продовольствие. Методология. Методология работы включает в себя применение методов анализа в отношении теории этики к ценовому поведению доминирующей фирмы на рынке продовольствия. Результаты. При определении этичности ценовой дискриминации продовольствия необходимо изучение следующих предположений: во-первых, о необходимости регулирования такого поведения производителей вне зависимости от того, осознают или нет производители всю его опасность; во-вторых, о необходимости оценки не только прямого, но и косвенного ущерба от такого вида ценового поведения; в-третьих, о проблеме оценки того, возможна ли ценовая дискриминация социальных групп, находящихся в более привилегированном по отношению к другим положении вследствие различных причин – более высоких доходов, большего доступа к различным ресурсам, близости к власти, если это не делает их положение существенно менее стабильным. Заключение. Ценовая дискриминация крупных фирм на рынках продовольствия не является сама по себе неэтичной практикой или противоречащей стандартам этики ведения бизнеса; таковой ее делают дополнительные условия, в которые в первую очередь входит оценка прямого и косвенного ущерба от таких действий. При этом наиболее проблемной областью является установление того, является ли более высокая цена для более состоятельных или более низкая цена для менее обеспеченных потребителей неэтичной. Для оценки этичности ценовой дискриминации необходимо философско-методическое переосмысление категории ущерба потребителя и механизма его установления, а также оценки ответственности за его нанесение.

Для цитирования в научных исследованиях

Смирнова О.О. Этические проблемы установления различных цен на продовольствие // Контекст и рефлексия: философия о мире и человеке. 2020. Том 9. № 5В. С. 246-252. DOI: 10.34670/AR.2020.73.54.005

Ключевые слова

Продовольственный кризис, ценовая дискриминация, теория этики, рынок продовольствия, этичность рыночного поведения фирмы.

Библиография

1. Brown D.J., King J.B. Small business ethics: influences and perceptions // *Journal of small business management* (pre-1986). 1982. Vol. 20. No. 1. P. 11-18.
2. Carson T.L. Self-interest and business ethics: some lessons of the recent corporate scandals // *Journal of business ethics*. 2003. Vol. 43. No. 4. P. 389-394.
3. Elegido J.M. The ethics of price discrimination // *Business ethics quarterly*. 2011. Vol. 21. No. 04. P. 633-660.
4. Friedman M. The social responsibility of business is to increase its profits // Zimmerli W.C., Richter K., Holzinger M. (eds.) *Corporate ethics and corporate governance*. Springer-Verlag Berlin Heidelberg, 2007. P. 173-178.
5. Fritzsche D.J., Becker H. Business ethics of future marketing managers // *Journal of marketing education*. 1982. Vol. 4. No. 2. P. 2-7.
6. Gaski J.F. Does marketing ethics really have anything to say? A critical inventory of the literature // *Journal of business ethics*. 1999. Vol. 18. No. 3. P. 315-334.
7. Joyner B.E., Payne D. Evolution and implementation: a study of values, business ethics and corporate social responsibility // *Journal of business ethics*. 2002. Vol. 41. No. 4. P. 297-311.
8. Kehoe W.J. Ethics, price fixing, and the management of price strategy // Lacznia G.R., Murphy P.E. (eds.) *Marketing ethics: guidelines for managers*. Lexington: Lexington books, 1985. P. 71-83.

9. Lee L.M. Public health ethics theory: review and path to convergence // *The journal of law, medicine and ethics*. 2012. Vol. 40. No. 1. P. 85-98.
10. Marcoux A.M. Much ado about price discrimination // *Journal of markets and morality*. 2006. Vol. 9. No. 1. P. 18-41.
11. Preble J.F., Reichel A. Attitudes towards business ethics of future managers in the US and Israel // *Journal of business ethics*. 1988. Vol. 7. No. 12. P. 941-949.
12. Puffer S.M., McCarthy D.J. Finding the common ground in Russian and American business ethics // *California management review*. 1995. Vol. 37. No. 2. P. 29-46.
13. Sneyd L.Q., Legwegoh A., Fraser E.D.G. Food riots: media perspectives on the causes of food protest in Africa // *Food security*. 2013. Vol. 5. No. 4. P. 485-497.
14. Tadasse G. Drivers and triggers of international food price spikes and volatility // *Food price volatility and its implications for food security and policy*. Springer International Publishing, 2016. P. 59-82.
15. Treviño L.K., Nieuwenboer N.A., Kreiner G.E., Bishop D.G. Legitimizing the legitimate: a grounded theory study of legitimacy work among Ethics and Compliance Officers // *Organizational behavior and human decision processes*. 2014. Vol. 123. No. 2. P. 186-205.
16. Tsalikis J., Fritzsche D.J. Business ethics: a literature review with a focus on marketing ethics // *Journal of business ethics*. 1989. Vol. 8. No. 9. P. 695-743.
17. Vitell S.J., Festervand T.A. Business ethics: conflicts, practices and beliefs of industrial executives // *Journal of business ethics*. 1987. Vol. 6. No. 2. P. 111-122.
18. Von Braun J., Tadesse G. Food security, commodity price volatility, and the poor // Aoki M., Roland G., Kuran T. (eds.) *Institutions and comparative economic development*. Palgrave Macmillan UK, 2012. P. 298-312.
19. Woolley A. The problem of disagreement in legal ethics theory // *The Canadian journal of law and jurisprudence*. 2013. Vol. 26. No. 01. P. 181-217.
20. Zwolinski M. The ethics of price gouging // *Business ethics quarterly*. 2008. Vol. 18. No. 03. P. 347-378.
21. Донскова С.В., Елагина А.С. Теоретические вопросы ценообразования // *Хранение и переработка сельхозсырья*. 2002. № 9. С. 35-38.
22. Елагина А.С. Правовая модель государственного регулирования цен на продовольствие // *Вопросы российского и международного права*. 2016. № 7. С. 152-164.
23. Елагина А.С. Правовое регулирование цен на продовольствие // *Крымский научный вестник*. 2016. № 6 (12). С. 190-204.
24. Елагина А.С. Ценообразование на авиационные билеты: противоречия делового оборота и правил конкуренции // В сборнике: *НОВОЕ В НАУКЕ И ОБРАЗОВАНИИ*. сборник трудов ежегодной международной научно-практической конференции. ОЧУ ВО «Международный еврейский институт экономики, финансов и права». 2016. С. 36-42.
25. Елагина А.С., Абрамов А.Ш. Основы методики определения допустимого уровня волатильность цен на продовольствие: на примере изменения цен на крупу гречневую ядрицу в 2010-2011 годах // *Экономика: вчера, сегодня, завтра*. 2018. Том 8. № 7В. С. 166-172
26. Каган М.С. *Философская теория ценности*. СПб.: Петрополис, 1997. 205 с.
27. Смирнова О.О. Методы оценки пространственной ценовой дискриминации // *Региональная экономика. Юг России*. 2016. № 1 (11). С. 68-72.
28. Смирнова О.О. Применение инструментов ценовой дискриминации: противоречия промышленной и антимонопольной политики // *Вестник Московского института лингвистики*. 2015. № 9 (9). С. 106-109.
29. Смирнова О.О. Российская практика антимонопольного регулирования ценовой дискриминации // *Экономические и гуманитарные науки*. 2016. № 2 (289). С. 71-76.
30. Смирнова О.О., Агапова Е.В., Елагина А.С. Определение показателей ценовой дискриминации, основанной на оценке поведения потребителей // *Экономика: вчера, сегодня, завтра*. 2016. № 1. С. 22-33.