Consumer protection

Business, Management

Topic: Consumer Protection Price fixing Price fixing involves an arrangement that could be on paper, oral orbased on behavior that is seen among players in a market that increases, decreases, or stabilizes prices as well as economical terms. In general, the antitrust laws necessitates that every company come up with prices and other terms independently without any agreements with competing companies. When the consumer make decisions on the products and services the wish to purchase, they have the expectation that the price has been set freely based on the supply and demand, and not through agreements between the competitors. When various competitors reach an agreement to limit the competition between them, the outcome is often an increase in prices. For that reason, price fixing is a huge concern of the Federal Trade Commission.

An outright agreement between competitors to settle at particular prices is in most cases illegal regardless of whether the prices are fixed at a minimum, maximum or in a particular range. Illegal fixing of prices takes place when two or more competitors create an agreement that raises, lowers or stabilizes the price of any product or service without any form of reasonable explanation. Schemes to fix prices are in most cases developed confidentially and may be difficult to expose, but the agreements can be unearthed from circumstantial evidence. For instance, if directly connected competitors have an array mysterious identical contract terms or behaviors in regard to prices along with other factors, illegal pricing may definitely be the reason (Ftc. gov, 2014). When the competitors are also invited to coordinate the prices of goods and services, concerns are raised. This also happens when a particular competitor makes a public announcement that it

is willing to put an end to a price war when there was prior announcement from a different competitor to do the same with the terms being so particular to the point that the competitors may consider it as an invite to set prices jointly (Ftc. gov, 2014).

However, not all the likenesses in prices or adjustments in prices that take place simultaneously are associated with price fixing as in contrast, they are often the outcome of normal market conditions. For instance, the price of commodities like wheat is the same since the products are virtually the same and the prices charged by the farmers increase or decrease at the same time without the farmers necessarily agreeing among themselves. It the supply of the wheat declines as a result of a drought, the prices associated with all the affected farmers will increase. Increased demand by the consumers may also result in uniformity in regard to increased prices for a particular commodity whose supply is limited.

Price fixing is not only associated with prices, as it concerns other terms that may have an effect on the prices to the consumers like shipping costs, warranties, discounts as well as financial rates. The Federal Trade commission scrutinizes the actions of the competitors when they are involved in discussions that touch on the prevailing and future prices, promotions, and the identity of customers as well as research and development plans among others.

Reference

Ftc. gov,. (2014). Price Fixing | Federal Trade Commission. Retrieved 24 November 2014, from

http://www. ftc.

gov/tips-advice/competition-guidance/guide-antitrust-laws/dealings-competitors/price-fixing