The history periods of panic buying

Psychology

A rational individual can be thought of as someone who looks after their own interests and well being (Felkins, 1995). Throughout history periods of panic buying have developed through fuel shortages or in preparation for natural disasters. Petrol shortages in 2005 were caused according to a spokesman from the UK Petroleum Industry Association, not from difficulties with fuel supply but from panic buying as people queued to fill their tanks due to the forthcoming National protests (Newsquest Media Group, 2005).

The recent floods to hit Britain also produced food and water shortages with the emergence of looting due to panic buying. Carrie Douch, (2007), as cited in Elliott, (2007) reported a case of " grown men pushing kids out of the way" in order to get bottles of water. This kind of behaviour occurs due to a breakdown of co-operation and the emergence of competition. This essay will discuss the extent to which people who form long queues to obtain goods or withdraw money following rumours of possible scarcity are behaving irrationally with emphasis upon co-operation and competition as explanations for the behaviour.

Pfeffer and Moore (1980) claimed that scarcity of resources increases conflict which results in a decline in the use of co-operation (Cited in Mckinley, et al. 1986). Grossman and Mendoza (2003) explained this as 'the struggle for survival. ' An extreme example of this comes from Brander and Taylor (1998) who reported the emergence of " violent internecine competition", with even " strong evidence of cannibalism" due to resource scarcity. Darwin would explain this kind of unsocial behaviour as 'survival of the fittest' meaning individual's act in terms of their own self interest (Cited in Sahtouris, 1999).

The emergence of conflict and competition with faced with a threat of scarcity cannot, therefore, be deemed to be irrational with the materialization of greed. Fricker, (1988) claimed Western cultures were profoundly greedier than their non-Western counterparts. If, therefore, we are challenged with the possibility of scarcity, gluttony will emerge and thus scarcity becomes a self fulfilling prophecy. This occurs due to social dilemmas where individual rationality develops into irrationality resulting in a worse outcome for everybody which may otherwise have been avoided.

The Prisoner's Dilemma paradigm simulates the social dilemmas faced in life and the decisions individual face in whether to cooperate or compete. This involves two individuals having the choice of either cooperating with their partner in crime and claiming innocence, or accusing their partner in crime. If both sides co-operate the outcome is favourable for both, however, if one or both decide to compete and exploit the other the outcome is less favourable.

For example if both prisoners should receive a 5 year sentence for their crime yet both co-operate they will each receive a 2 year sentencing due to a lack of evidence. If they both defect there is enough evidence for a sentence of 4 years each, however if one co-operates and another competes the competitor will receive no sentencing whereas the co-operator will receive the full 5 year sentencing. The rational action in this dilemma is to exploit the other participant yet if they acted irrationally and co-operated the reward for each would be greater (Felkins, 2006).

The voter's paradox in much the same way as the prisoners dilemma suggests that while it would be communally better if everyone contributes, the individual is always better of for not contributing. Fisheries for example highlight how although eventually a certain species will become extinct take, for example lobster, it is in the Fishermans best interest to fish for lobsters more readily as they will undoubtedly receive a greater price for their catch (Felkins, 1996, as cited in Felkins, 2006).

The nuts game by Edney (1979) highlighted how in situations where cooperation and patience can result in a greater outcome 65% of individuals will still compete and take as much as they can within the first 10 seconds. Therefore, when people form long queues in times of possible scarcity they are not acting irrationally as the are simply ensuring their own self interests and well being. Olson (1971) went as far to suggest " Rational, self-interested individuals will not act to achieve their common or group interests. Forming long queues, therefore, to ensure acquiring resources can be deemed to be an irrational behaviour, as there is a degree of co-operation, which can be seen from the Nigerian petrol queue. Initial fuel shortages in Nigeria led to a panic situation with behaviour such as fighting and damaging others cars in order to reach the petrol pumps being common. This rational decision to claim petrol for oneself, however, as the prisoner's dilemma suggests did not benefit anybody.

Therefore, petrol was wasted as motorists fought over the nozzle and those who received petrol could not drive away due to other motorists surrounding the petrol station. The comparison between individual and collective rationality then emerges with co-operation via queue forming becoming the

rational choice with the majority believing this to be most beneficial to them as individuals (Wiseman, 1979).

Individuals who attempted to compete, therefore, and exploit this cooperation via queue jumping were pushed out of the queue by those cooperating due to generalized reciprocity (Komorita et al. 1991). This cooperative behaviour can be explained via the tit for tat (TFT) strategy. If cooperation is shown in the form of queue forming other individuals will copy this cooperation suggesting in terms of outcomes this is the best strategy to adopt (Sabini, 1994).

For co-operation to emerge there has to be a certain level of trust and communication. In a social dilemma such as a possible scarcity of resources an n-person prisoner's dilemma will develop where if individuals act to maximise their own gain, everyone will suffer hence the original rational actions become irrational. Forming queues, therefore, rather than taking the supposed rational action of competing is rational in itself as an action is only irrational if there is another action which would result in a higher payoff overall.