Inflation and price fixing

Niaz Murshed discusses how existing legislation may be enforced by the government to ease our inflation woes

WHILE watching the news on a cable TV channel recently, I came to know about a few arrests made by the authorities for price fixing. The questions that automatically came to mind were: How may these arrested persons be brought to justice? What legislation in Bangladesh deals with price syndicates?

Price fixing

Price fixing entails collusive behaviour among competitors. If the reader is not familiar with it, all he has to do is wonder why all the fruit vendors ask for exactly the same price when he goes to market to buy a kilo of apples. The same practice adopted on a larger scale, and in an organised manner, often leads to price levels much higher than desired by the market.

This article looks at the relationship between price fixing and inflation. In particular, it sheds light on the legislation relevant to the issue.

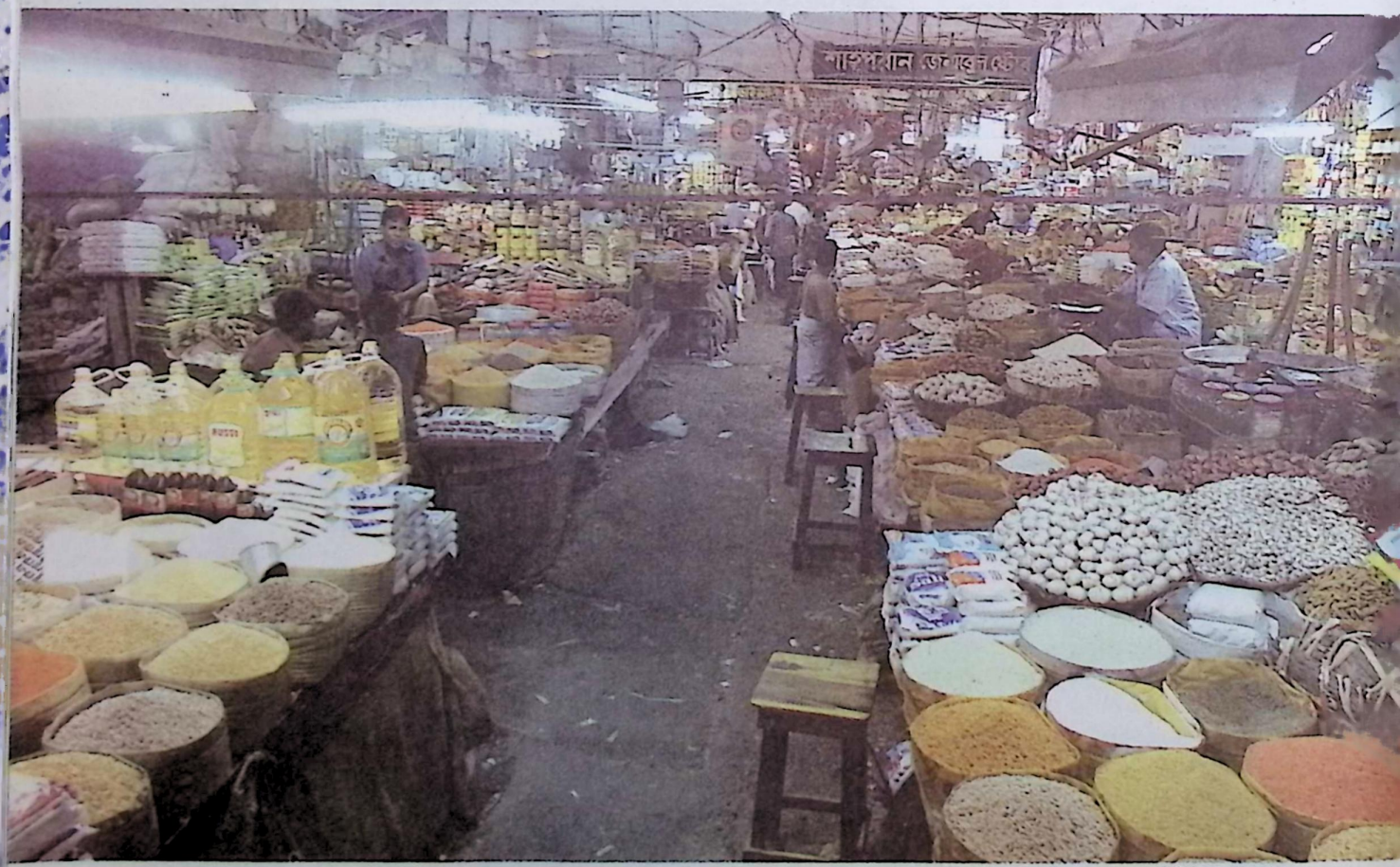
What exactly is this legislation?

Strictly speaking, there is no such thing as "price fixing legislation." It only works within the broader framework of a competition policy. It is competition that the law protects. The way it works is as follows: if you make a collusive agreement regarding price, then no further proof is required that you have affected competition in a way that is detrimental to the well-being of the consumers.

The law refers to it as a "deeming" provision. Under such clauses price fixing is prohibited per se, that is, no matter what.

The obsolete law

Although there is much debate in the media regarding the issue of price syndicates, existing



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