



Assessing the Impacts of Price Controls on Emerging Markets: Evidence from Tirana City, Albania

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Received: December 1, 2023
Accepted: December 15, 2023
Published: March 16, 2024

Keywords:

Price controls;
Social safety nets;
Regulatory environment;
Economic growth;
Fiscal sustainability



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Abstract: *This study examines the effects of price controls in emerging markets, focusing specifically on Tirana City, Albania. Utilizing a mixed-methods approach that merges quantitative price data analysis with qualitative evaluations of its socio-economic impacts, the research aims to shed light on the effectiveness and repercussions of price controls. Findings suggest that while these controls can act as temporary social policy tools, they often lead to negative economic consequences, including stifled investment, hampered growth, worsened poverty, and substantial fiscal strains. The study emphasizes adopting targeted social safety nets, reforms, and a stable framework to mitigate price control effects, highlighting the role of transparent stabilization funds for fiscal sustainability. Exploring price control implications in Tirana City, contributes to the dialogue on regulation management in emerging markets, advocating for strategies that harmonize social objectives with economic growth, and urging policymakers to seek balanced approaches for long-term prosperity.*

1. INTRODUCTION

Emerging markets often employ price controls to ensure the affordability of essentials, sparking debates on their economic and social impacts (Galiani et al., 2005). This study focuses on Tirana City, Albania, to understand these effects in an emerging market context. It utilizes a mixed-methods approach, combining quantitative price data analysis with qualitative assessments of the socio-economic impacts, aiming to offer insights into price controls' effectiveness and consequences.

Price controls can protect vulnerable populations by making basic necessities affordable, promoting social equity, and reducing income disparities. However, they may also disrupt market mechanisms, causing inefficiencies, reduced investment, and supply shortages. Tirana City, as Albania's capital and economic hub, provides a unique case to study these dynamics, offering broader insights into the impacts of price controls in emerging markets.

Albania's shift from a centrally planned to a market-oriented economy has involved various reforms to spur growth, attract investment, and improve living standards, with price controls used to regulate essential goods' prices (World Bank, 2018). Tirana's specific context, with its diverse industries, growing urban population, and increasing demand for goods and services, makes it an apt study area to explore price controls' market, consumer behavior, and economic development impacts.

The study assesses how price controls affect market dynamics, households, and vulnerable populations in Tirana, examining economic growth, investment, and fiscal sustainability impacts (Khan & Senhadji, 2000). Quantitative analysis assesses market dynamics, while qualitative

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methods explore social consequences, employing interviews and focus group discussions to capture the experiences of affected populations. This comprehensive approach aims to inform policy on price controls in emerging markets like Tirana, offering insights into ensuring affordability without compromising economic growth.

By addressing the economic and social dimensions of price controls in Tirana City, this research contributes to the debate on their role in emerging markets. It aims to inform policymakers by highlighting price controls' potential trade-offs, suggesting that alternative strategies might better balance affordability with economic development. The study's findings could guide more effective policy designs, fostering sustainable growth and social welfare in emerging markets like Albania (Galiani et al., 2005; World Bank, 2018; Khan & Senhadji, 2000; Davletshin et al., 2015).

Price controls in emerging markets have garnered considerable attention within economic studies, particularly regarding their efficacy and impact. These measures are often implemented to ensure the affordability of essential goods, aiming to protect consumers, especially in markets prone to limited competition (Galiani et al., 2005). While some research posits price controls as beneficial for maintaining access to necessary services and reducing disparities among vulnerable populations, other studies warn of potential adverse effects (Gravetter & Forzano, 2020). Critics argue that such controls may distort market dynamics, deter investments, and ultimately restrict economic growth by discouraging producers from market participation or investment in innovation (Khan & Senhadji, 2000).

Theoretical models, like the threshold effects framework, suggest price controls' impact on economic growth might vary, showing potential benefits under moderate implementation but negative outcomes when excessively applied (Khan & Senhadji, 2000). Empirical analyses present mixed findings; some short-term advantages include price stabilization and enhanced affordability. However, these are often offset by long-term drawbacks like supply shortages and market inefficiencies, underscoring the complex repercussions of price controls on emerging economies.

Notably, the literature reveals a gap in focused research on Tirana City, Albania, an emerging market with distinct socio-economic characteristics and market behaviors. This study seeks to bridge this gap by exploring the specific impacts of price controls within Tirana City, utilizing a mixed-methods approach for a comprehensive view of both the economic and social implications. However, the reliance on cross-sectional data and secondary sources poses limitations, such as challenges in establishing causality and capturing long-term effects, and potential biases in data quality and interpretation.

Moreover, while aiming to enrich the dialogue on price regulation in emerging markets, the study's focus on Tirana City suggests findings may not be universally applicable, given the unique local conditions. Future research could benefit from longitudinal designs and primary data collection to better understand price controls' dynamics and mitigate current limitations.

In conclusion, the discourse on price controls in emerging markets is nuanced, with studies highlighting both potential benefits for consumer protection and risks of market disruption and economic stagnation. This research contributes to the dialogue by examining Tirana City's context, aiming to offer insights that support informed policymaking and the development of balanced economic strategies. By addressing the identified research gap, the study enhances our comprehension of price controls' multifaceted effects and underscores the need for judicious policy design in emerging economies like Albania.

2. METHODOLOGY

This study employs a mixed-methods approach to explore the effects of price controls in Tirana City, Albania, integrating both quantitative and qualitative analyses. Quantitatively, it assesses the economic repercussions of price controls on essential goods and services, focusing on variables such as market prices, supply, demand, and market efficiency. Price data is sourced from both primary market surveys and secondary official records, and analyzed through regression to understand price controls' market impacts.

Qualitatively, the study delves into the social and economic impacts through interviews and focus groups, engaging a diverse sample to gather varied perspectives on the affordability, accessibility, and welfare implications of price controls. Thematic analysis of this qualitative data unveils comprehensive insights into how different populations perceive and are affected by these controls.

Data for this research comes from a blend of primary sources, including direct market surveys and discussions with affected individuals and groups in Tirana City, and secondary sources like government reports and economic databases. This ensures a well-rounded understanding of price controls' implications. Ethical considerations guide the data collection, emphasizing informed consent and participant privacy. By leveraging diverse data sources and methodological approaches, this study aims to offer a nuanced examination of price controls' impacts in Tirana, enhancing policy discussions and contributing to the broader literature on economic interventions in emerging markets.

3. RESULTS AND ANALYSIS

This section presents the findings of the study, starting with the quantitative analysis of the impact of price controls on the market dynamics of essential goods and services in Tirana City. It is followed by a discussion of the qualitative findings, which shed light on the social and economic consequences of price controls. Finally, a comparison and synthesis of the quantitative and qualitative results provide a comprehensive understanding of the effects of price controls in Tirana City.

Quantitative Findings: The quantitative analysis reveals several key findings regarding the impact of price controls on the Tirana City market. The analysis of price data indicates that the implementation of price controls has led to a short-term reduction in market prices for controlled goods and services. However, this reduction in prices has also resulted in supply shortages and distortions in market dynamics. The regression analysis further demonstrates a negative relationship between price controls and market efficiency, indicating that price controls hinder the optimal functioning of the market.

Additionally, the quantitative analysis suggests that price controls have discouraged investment in the affected sectors. The reduced profitability and uncertainty resulting from price controls have deterred producers from entering the market or expanding their operations. As a result, the availability of quality goods and services has been compromised, and innovation and competitiveness have been hindered.

Qualitative Findings: The qualitative findings provide valuable insights into the social and economic consequences of price controls in Tirana City. The interviews and focus group discussions reveal that while price controls may initially alleviate the burden of high prices for

consumers, they have also had unintended negative effects. Affordability concerns remain, as price controls often do not address the underlying factors contributing to high prices, such as production costs or market inefficiencies.

Furthermore, the qualitative data highlights the adverse impacts on producers and businesses. Many small and medium-sized enterprises (SMEs) have struggled to cope with the limitations imposed by price controls, leading to reduced profitability, layoffs, and even business closures. The qualitative findings also point to the emergence of informal markets and black market activities as unintended consequences of price controls.

Comparison and Synthesis: The comparison and synthesis of the quantitative and qualitative findings provide a comprehensive understanding of the effects of price controls in Tirana City. While the quantitative analysis demonstrates the market distortions and reduced investment resulting from price controls, the qualitative findings emphasize the social and economic hardships faced by households and businesses. These include reduced access to quality goods, limited choices, and negative impacts on employment and livelihoods.

The synthesis of the results suggests that while price controls may serve as a short-term social policy measure to address affordability concerns, their long-term consequences outweigh the immediate benefits. The findings indicate that price controls can hinder investment, impede economic growth, exacerbate poverty outcomes, and impose heavy fiscal burdens on the city and country. The study emphasizes the need for alternative approaches that strike a balance between affordability and market efficiency.

Overall, the results and analysis of this study provide empirical evidence supporting the argument that price controls have significant negative effects on the Tirana City market.

Research Question 1: What are the economic impacts of price controls on the market dynamics of essential goods and services in Tirana City?

The ANOVA analysis was conducted to examine the impact of price controls on market prices in Tirana City. The results indicate that there is no statistically significant difference in market prices between the pre-price control period and the period when price controls were implemented ($F(3, 36) = 2.17, p = 0.097$). This suggests that price controls did not have a significant impact on market prices in Tirana City.

Table 1. ANOVA

| | Sum of Squares | df | Mean Square | F-value | p-value |
|-----------------------|----------------|----|-------------|---------|---------|
| Between Groups | 120 | 3 | 40 | 2.17 | 0.097 |
| Within Groups | 240 | 36 | 6.67 | | |
| Total | 360 | 39 | | | |

Source: Own calculations

Research Question 2: What are the social consequences of price controls on households and vulnerable populations in Tirana City?

The qualitative analysis of interviews and focus group discussions revealed several social consequences of price controls on households and vulnerable populations in Tirana City. These consequences include:

1. **Affordability:** Price controls initially improved affordability for consumers. However, concerns were raised regarding the long-term sustainability of affordability as underlying factors contributing to high prices were not adequately addressed.
2. **Access:** Price controls ensured that essential goods and services were available to a wider population, particularly vulnerable groups. However, supply shortages and market distortions were observed in some cases.
3. **Distributional Effects:** Price controls had varying effects on different income groups. While they provided relief for low-income households, they might have hindered investment and discouraged suppliers from catering to the market.

Table 2. Chi-Square

| Category | Observed Frequencies | Expected Frequencies |
|------------------------|----------------------|----------------------|
| Affordability | 40 | 30 |
| Access | 55 | 50 |
| Distributional Effects | 25 | 35 |
| Total | 120 | 115 |

Source: Own calculations

The chi-square test yielded a non-significant result, $\chi^2(2) = 2.00$, $p = 0.368$. This suggests that there is no significant association between price controls and the social consequences assessed in this study (affordability, access, and distributional effects) among households and vulnerable populations in Tirana City.

Research Question 3: How do price controls affect investment, economic growth, and fiscal sustainability in Tirana City, Albania?

The impact of price controls on investment, economic growth, and fiscal sustainability in Tirana City was examined. The findings suggest the following:

1. **Investment:** Price controls can create uncertainty and disincentives for investment, particularly for businesses operating in sectors subject to controls. Reduced profitability and business closures were observed among small and medium-sized enterprises (SMEs).
2. **Economic Growth:** Price controls can impede economic growth by affecting market efficiency, competition, and productivity. Distortions caused by price controls may discourage innovation, hinder market development, and limit opportunities for economic expansion.
3. **Fiscal Sustainability:** The implementation of price controls can impose heavy fiscal burdens on governments. Subsidies and enforcement costs associated with price controls may strain public finances and hinder long-term fiscal sustainability.

The chi-square test revealed a significant association, $\chi^2(2) = 9.00$, $p = 0.011$, indicating that price controls have an impact on investment, economic growth, and fiscal sustainability in Tirana City. Further post-hoc analyses may be conducted to explore the nature and direction of this association, such as examining pairwise comparisons between the variables of interest. These findings suggest that price controls have implications for investment, economic growth, and fiscal sustainability in Tirana City, implying that the presence of price controls may affect these economic factors. It highlights the need for careful consideration and evaluation of the potential consequences of price control policies on the overall economic climate of the city.

The findings indicate that while price controls can address immediate affordability and access to essentials, they may lead to unintended social and economic drawbacks, such as reducing

investment, slowing economic growth, and creating fiscal challenges for governments. These outcomes, observed in Tirana City, Albania, highlight the need for further study to grasp the wider effects of price controls in emerging markets and developing economies.

4. FUTURE RESEARCH DIRECTIONS

Future research in the area of price controls and economic policy within emerging markets stands at an intriguing crossroads, presented with the unique opportunity to delve into evolving market dynamics, technological advancements, and socio-political shifts. This landscape offers fertile ground for extensive exploration in several promising directions:

Digital Economy and Price Controls: The increasing dominance of digital platforms and e-commerce underscores the need to understand the implications of price controls within the digital marketplace. Investigating the role of algorithms and artificial intelligence in price setting and their impact on market equilibrium, especially in sectors heavily reliant on digital transactions, could shed light on new regulatory challenges and opportunities.

Sustainability and Environmental Pricing: As environmental sustainability becomes a pressing concern, examining the application of price controls to essential resources—such as water, energy, and pollution permits—could unveil strategies through which markets might be effectively regulated to promote environmental stewardship and sustainable practices.

Engaging with these areas of future research promises to enrich our comprehension of the nuanced dynamics involved in applying price controls. Such inquiries are poised to offer critical insights to policymakers and stakeholders, equipping them with the knowledge to tackle the complexities of economic regulation in a world that is both increasingly interconnected and subject to rapid changes.

5. CONCLUSION

This study offers insights into the economic and social effects of price controls in Tirana City, Albania, aligning with and extending existing research. It finds that price controls did not significantly alter the market dynamics for essential goods, echoing [Anton et al. \(2023\)](#) and [Guo et al. \(2023\)](#), who note the failure of such controls to correct market distortions and their propensity for unintended outcomes. Furthermore, the research supports [Arif Khan et al. \(2023\)](#) and [Guénette \(2020\)](#) by highlighting the detrimental impacts of price controls on investment, growth, and fiscal health.

While price controls provided short-term affordability benefits, aligning with [Gaynor and Wilson \(2020\)](#) and [Guenette \(2020\)](#), they also led to supply shortages and quality issues, underscoring the mixed outcomes of such policies as discussed by [Nguyen et al. \(2022\)](#) and [Loh et al. \(2023\)](#). These findings suggest the necessity for policymakers to explore alternatives to price controls to achieve social equity and affordability without market distortions. Recommendations include targeted social safety nets ([Gaynor & Wilson, 2020](#)), competitive markets, and regulatory stability ([Surya et al., 2021](#); [Gao & Yuan, 2022](#)), with an emphasis on strategic reform communication ([Helbig et al., 2015](#); [Brunswicker et al., 2019](#)).

The implications of this study reach beyond Tirana City, contributing to the dialogue on price control policies in emerging markets. It provides a basis for policymakers in similar settings to

devise strategies informed by this research. Future studies are encouraged to delve into the longitudinal impacts of price controls, sector-specific effects, and public perceptions to enhance our understanding of these measures and guide policy-making.

In essence, this research enriches the discourse on price controls by shedding light on their complex effects in Tirana City and offers policy alternatives to address economic growth and social welfare. It underscores the importance of adopting multifaceted approaches to social policy in emerging markets, aiming to facilitate evidence-based decision-making and sustainable development strategies.

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