Way Low Gasoline

The Way Low gasoline station was on the evacuation route of an oncoming hurricane that was scheduled to hit the Florida coast in about 24 hours. Over the previous 30-day period Way Low had been charging an average price of $2.00 a gallon. The current price was still $2.00 a gallon and there was now a long line of cars stretching down the block. Some of the drivers were only topping off their tanks. Many could have driven further out of the endangered area before refilling.

The Way Low manager estimates that at the current price he would run out of gas within the next five hours. He expects the flow of cars exiting the hurricane area to continue for at least the next 24 hours.

The $2.00 a gallon price is based upon a $50 wholesale price for a barrel of oil. That is the effective price he paid for the current gasoline in the station’s underground tanks. Because of the impending hurricane, the wholesale price for a barrel of oil had increased to $60. At that price he would normally charge $2.40 for a gallon of gasoline. If he raised the price to $2.40, he estimates he could stretch out his existing supply for about 10 hours.

The station manager has been on the phone trying to locate a wholesaler who will deliver gasoline to the endangered area. He finally found a wholesaler in a nearby state who might make the delivery. Unfortunately, the wholesaler claims that it is difficult to find drivers willing to make the trip without a bonus payment and that he is reluctant to place his fleet of trucks in harms way; he wants an effective delivered price equivalent to $65 for a barrel of oil. At this wholesale price Way Low could earn a reasonable profit on the delivered gasoline if it charges $2.60 per gallon. The station manager figures there is more than enough demand to sell all of the existing gasoline and the delivered gasoline at this price for the next 24 hours. If fact, he estimates that his profit maximizing price is probably $5 a gallon.

Way Low also sells ice. It is unlikely that it can resupply the existing ice it has on hand. People who intend to stay are now stocking up on ice for various reasons. Some are purchasing it to keep medicines and infant formula chilled. Others are purchasing it to protect the store of food in their freezers. The station manager would like to raise the price for a bag of ice from $2 to $10.

Questions

1. Is the price of $5 a gallon for gasoline unconscionable under Florida law? What is the maximum legal price?
2. Is the price of $10 a bag for ice unconscionable under Florida law? What is the maximum legal price?
3. If you were the judge and there were no statutory restrictions on price gouging, at what price would you find Way Lows actions unconscionable?

4. Does the introduction of a judicial determination of unconscionable price enhance or reduce efficiency?