

The Gas Price Story of Hurricane Sandy

Written by Jeffrey Tucker for Laissez Faire Today.

For those schooled in economics, the gasoline shortage during Hurricane Sandy last November was no surprise. Demand for gas goes up. Supply lines are disrupted. It's the old supply-and-demand thing. The price goes up. Higher prices attract new supplies from unconventional paths. Prices respond and fall back again. The market handles it just fine.

All is well except for one thing: There were anti-gouging laws on the books. These laws restrict the upward path of prices. Plus, most people anticipated exactly what happened. By executive order, governments at all levels impose even more restrictive controls. These controls prevented prices from being licitly raised at the onset of the crisis.

Most of us got our news during this time from conventional outlets. We lived on scraps of information. Most reporters, as you probably know, are not schooled in economics. They don't know what to look for. They see a gas line and don't know what to make of it. The whole problem just mystifies them. They don't get how cause and effect work in the economic realm. That's why those of us on the outset had to make due with such scattered reporting.

What about the people on the ground? There was one trader in New Jersey schooled in economics who knew exactly what to look for. He understands cause and effect. He knew that shortages were coming. And he knew the market wouldn't give a flying flip about the government's orders not to raise prices.

His name is Peter Earle. He did real-time reporting during the entire episode.
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