the extra gasoline will show up somewhere in the business, and result in a downward pressure on prices. But it probably won't show up in his area.

Thus, time is forever pressuring the supplier. Not only is gasoline costly to store, but the equipment to produce and move it is expensive to keep idle. In some supply-demand situations he may have to throw original cost estimates to the wind and consider primarily the cost of *not* selling promptly.

Disposing of Gasoline through Regular Channels: Now let us suppose our marketer elects to take the second way out of his gasoline surplus – that is, to dispose of it through regular trade channels.

Apart from marketing gimmicks – special promotions, flying flags, prizes, and giveaways – there is only one way to do this, and that is to cut the price.

Unhappily, however, one of the most notable things about gasoline is that demand is relatively constant.

The gasoline market is not like the market for television sets, stereo recordings, fresh strawberries, or trips to Europe, where a 50 per cent price cut can bring in large numbers of new, additional customers – or induce existing customers to increase their buying substantially.

This is not to say that motorists don't read price signs. Some are highly price-conscious, look for cut-rate stations, and will converge on depressed price areas.

But in doing this, they do not increase their total purchases. They merely switch them from one station, or area, to another. They do not appreciably drive any farther, nor burn any more gasoline. Even the most drastic price wars do not increase *total* mileage in the affected areas.

This is called short-term "inelastic demand" – demand that does not stretch and expand with lower prices.

It is quite different with gasoline's long-term demand, over years and decades. If the product weren't so reasonably priced and conveniently available, people wouldn't take so many trips nor even buy so many cars – as the European experience with extremely high-taxed, and so extremely high-priced gasoline has shown.

But it is a fact, unhappily, that a marketer's customers won't immediately increase their driving even when the price of gasoline is cut sharply. So if the marketer cuts his price, the only added sales he can make are sales to his competitors' customers.

And his competitors know this as well as he.

They can match his price – and more than likely will do so if they suspect that his lowered tank-wagon price is merely an effort to shrug off an overload of gasoline at their expense. In fact, some of them may have made the same miscalculation of demand and have the same surplus problem.

So by trying the price route out of his current inventory trouble, our marketer may, in effect, do a Samson and pull down the whole area price structure around his own ears.

Finding a Fast Outlet: For our manager and his company, there is a third and final choice of how to dispose of the excess gasoline caused by weather. It is to find an outside, nonregular market and there to sell the gasoline for whatever it will bring.

The most notable of such outlets is sale on the open market – to brokers, "independent marketers," or other large buyers. Often such sales are in hundreds of thousands of gallons and sometimes they are made on sealed bids.

To turn to such a third selling choice, our supplier must take a deep breath and remind himself of the disadvantages of the two other courses.

As was mentioned earlier, such sales are often at low prices. But they are somewhat offset by comparatively low costs (due to quantity, credit, and other economies).

Sales under distress conditions are usually at prices lower than normal bulk sale prices. The basic reasons for such often-profitless sales have been implied above. The supplier presumably has more gasoline on his hands than he wants to try pushing into regular channels, or storing. He has been "caught long." And as a result he is, in his own interest and after careful calculation, acting to avoid what might possibly be a very great loss under one of the other two alternatives.

III. Loss Today; Profit (?) Tomorrow

In some circumstances, for good and sufficient though temporary reasons, a refiner may be willing to produce and sell gasoline at prices well below the most optimistic estimate of last-barrel cost.

The start of this dismal story may be when he finds he must lower his price to a certain level in order to hold his own against competition, and his accountants tell him that, at that price, "no matter *how* we figure it," there will be a loss on every barrel of output.

His natural first thought would be to curtail production or even to shut down.

But neither will save him much money. His fixed costs will keep on.