

# To Students, From Students

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**SPECIAL POINTS OF INTEREST:**

- Become an Eco-friendly student
- Ideas to loose weight and feel great
- Ride the energy roller coaster
- Don't forget to do your weekly word search

**INSIDE THIS ISSUE:**

Energy Roller Coster	2
Refinery and Drilling	2
Ma' and Pa' take a hit	3
Sick of All That Extra Weight	3
Eco-Friendly Student of the Month	3
Econ 101 Revisited	4

**GASOLINE UPS AND DOWNS**

We can all agree that many people in today's society, particularly those in the United States, have been confused and overwhelmed about the drastic price changes of gasoline. Throughout the past couple of years, the United States has seen the price of gasoline fluctuate from a relatively moderate price to a record breaking high. Recently, gasoline prices have dropped dramatically, bringing the New Year's national gas average to \$1.86 a gallon, according to Catherine Tymkiw's (an author for CNN Money) article titled 'Gas prices start February higher' (February 2009). Contrastingly, a stunning \$4.11 was the national average in the summer months of 2008, according to the same source.

The unpredictability of gasoline has caused many people

to drastically alter their lifestyles in fear of a rapid rise in price at any given time. In reference to the situation in April



How much does it cost you to fill up?

2004, the National Center for Policy Analysis (NCPA) *Daily Digest* (2004) wrote an article titled 'Gasoline is one dollar cheaper than it was in 1920'. That doesn't sound right, does it? Is the price of gasoline today really that high, or has

society become immune to the fact that gasoline has not inflated at the pace of other common goods and disposable income throughout U.S. history?

In some way, everyone is affected by the price of gasoline. As college students, we are more likely to enjoy extra luxuries when gas prices are low. Luxuries like spending big at McDonalds to show your lover how much they mean to you. However, until the price of gasoline reaches equilibrium with the rest of society, it will be on a continuous and unpredictable incline. In the 1940s and 1950s the price of gasoline was low in terms of dollars and cents in comparison to today's price. When considering the much more rapidly rising disposable income, the price of gasoline is not that high.

**I N F L A T I O N   A N Y O N E ?**

Inflation is defined as a rise in the general level of prices for goods and services. The book *Economics* by McConnell and Brue states, "When inflation occurs, each dollar of income will buy fewer goods and services than before." I guess you are going to have to pick up an extra shift at Burger King to buy your roommate a

new bag of Oreo Cookies. Everything is subject to inflation, including gasoline. Looking through the history of gasoline, it has not risen consistently with the price of other goods or with disposable income. "By June of this year, disposable income had risen by an average of \$1,627 per person over last year's figures, while the

average person's real expenditures on gasoline increased by about \$490" says the Department of Commerce. From this information, the general public's income is clearly staying ahead of the rising gas prices. It is not until one factors in the rise of everything else that the problem becomes visible.

## WHAT'S NEXT ON THE ENERGY ROLLER COASTER?

### ARTICLE SUMMARY

**L**inda Rafield, a senior oil analyst and editor at Platts, provides information about how oil markets could be expected to fluctuate in the coming year. Using forecasts from the International Energy Agency (IEA) and U.S. Energy Information Administration (EIA), she analyzes the volatility of oil markets. If forecasts come true, we could see for "the first time in three decades that world consumption would decline in two consecutive years" (Rafield, 2009, p. 2).

The United States is not driving world economic growth as much as it has in the past, but still America is responsible for about twenty-two percent of global oil demand and just over seven percent of global GDP growth. The weakening economies in places like the United States, Europe, and Japan, have driven the price of gasoline down to the lowest average in five years. With the economic downturn at the end of 2008, oil prices have a good start for staying lower for the

coming year. Also, oil companies have increased inventories that will help the price of gas to stay lower than it was last summer. The volatile changes in 2008 could not have been predicted, and current forecasts cannot guarantee what will happen. From the best studies that can be done though, the forecasts for 2009 show a strong hope that there will be more stabilization in the market and nothing like the high prices we experienced in the summer of 2008.

### WHAT'S NEXT ON THE ENERGY ROLLER COASTER?



## REFINERY AND DRILLING

**"Both industries have an affect on the price you pay at the pump."**

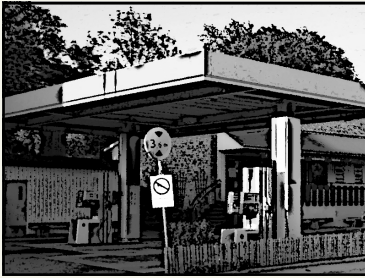
**T**he next time you watch the news you will most likely hear something about energy or gasoline prices. Often, news stations mention the increase or decrease of oil on the stock market. The oil price they are usually referring to is a combination of refinery companies and drilling companies. Both industries have an affect on the price you pay at the pump.

When refinery companies have a good day on the stock market, it causes the average price of oil to go down. The opposite is true for drilling companies. When drilling companies grow on the market, oil prices parallel that growth and also go up. This inverse relationship of refinery and drilling companies is one of the many factors that cause the price you pay to

always be changing. As consumers of gasoline, you should hope that refineries are stronger than drillers, and then gas prices are more likely to stay low. The next time you need to fill up your tank, think about putting some investments in a refinery company and little by little, you can help keep the price of gasoline low.



**MA' AND PA' TAKE A HIT**



**Ancient Gas Stations are Going Out of Business**

The Y2K bug has finally hit the gas pumps! Only this time it isn't about how high the years get, its

about how high the prices get. Many of the older gas stations run by your very own Ma' and Pa' are struggling to keep up with changing prices. Many older machines' top out price is \$3.99. This means that when gas prices rise over \$4 the machines can't process it and the customers gets their gas for \$3.99. That is a great deal for the buyer, but not so much the seller. Ma' and Pa' gas stations everywhere are having to shut their doors, even if they have been open for

up to half a century. For the first time in history, sellers are wanting to lower prices just as much as buyers. With gas prices rising and then dropping, but on an ever increasing slope, soon all but a few old gas stations will be left. Too bad this Y2K isn't a hoax. Sorry Ma' and Pa', looks like technology has ruined yet another great life.



**SICK OF ALL THAT EXTRA WEIGHT**

Are you feeling the weight gained from a winter of sitting in your car? What about the hole now burned in your wallet because of all the money you have been spending at the pump? With prices ever changing around us, it is hard to know what the future will hold. Do we need to all get hybrid cars or oil the chains on our bike to get it working

again? Maybe Jared from Subway won't be the only one dropping their weight drastically as prices are rising. There was an ancient invention created 6000 years ago. . . it is called your feet. People can use their "feet" to get from one place to another without paying money to buy gas. Doctors have also told us that this is healthier. It is better for your

heart and lungs. This is no joke. The pioneers walked all the way from Nauvoo, Illinois to Salt Lake City, Utah. Now we can barely walk up the stairs. This summer try walking to places you need to go. Take a friend so you have time to talk and get to know them. The world is looking much slimmer already.

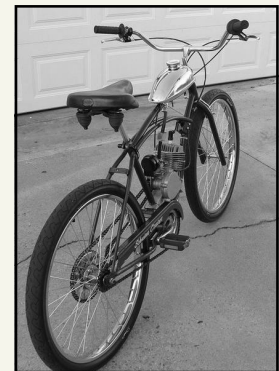
**"There was an ancient invention created 6000 years ago. . ."**

**ECO-FRIENDLY STUDENT OF THE MONTH**

This month's Eco-Friendly Student of the Month award goes to Ben Wilson. Ben Wilson has recently added a motor to his bicycle. His bicycle gets him places almost as fast as a car, but gets 155 miles to the gallon. This means that he can go 5 times farther on a tank of gas using his bicycle compared to when he drives his car. Not only did

this save him money, but it also puts less pollutant into the air. He is much like our last Eco-Friendly Student of the Month, Johnny Walker, because he avoids using a car as much as possible. Unlike Mr. Walker, however, Ben hasn't gone to extremes. He is simply adapting his way of life to save at the pump and to keep the world in which we live looking

beautiful. If Mr. Wilson could say one thing to our audience, it would be, "Why not kill two birds with one stone? Gas prices are so high that anyone and everyone could cut back on driving as much as possible. Plus it is a better thing for our environment. Sounds like a win-win situation to me."



**Ben's beautiful bicycle**

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**If you want to know, we'll tell you.**



Puzzle of the week: Find the themes of this week's newsletter and enter the weekly drawing.

## E C O N 1 0 1 R E V I S I T E D

**W**e have learned about the laws of supply and demand in our econ classes and how this principle can affect the economy. Lately gas prices have been on everyone's thoughts. Here is a quick look at how the classroom applies to real life. Fuel is a commodity which means people view it as the same product no matter who produces it. The first thing to understand about gas is that it is considered an inelastic good. This means that the demand changes very little, but if the supply goes down by even the slightest amount, the price will go up signifi-

cantly, or vice versa so that equilibrium is once again achieved. There is currently no viable substitute for gas, so this inelasticity is felt drastically at the pump. Lars Perner PhD, an assistant professor at Marshall School of Business noted, "a very large increase in price is needed to reduce quantity demanded a small amount". If people do not decrease the amount of fuel they consume, than they will begin to exceed their budgets. Rather than buying less fuel, students find themselves spending less in different areas.



**The intersection of supply and demand determines the price of gas.**