

Viewpoints

Paying the high price for gasoline?

Top of Utah Voices



Michael Vaughan

■
Commentary

Michael Vaughan is Weber State University's provost. He accepts e-mail from readers at MVAUGHAN@Weber.edu

concluded that gasoline prices aren't all that high.

Whether you agree with this assessment probably depends upon a number of factors. One factor may be your perspective on conservation. High gas prices may ultimately force consumers to use less gas. This fact reflects the potential for

market forces to bring about efficient outcomes. More and more people are agreeing that conservation would be a desirable outcome.

Yet, as with many economic truths, the burden of promoting economic efficiency isn't shared equally. Those with higher incomes will be less troubled by high gas prices than those whose income has lagged behind rising prices.

While working on this article a couple of weeks ago, I watched Tiger Woods win the U.S. Open. It was a great tournament, perhaps the best ever. Tiger received \$1.35 million for his victory.

household income was \$3,187. Today, average household incomes are approximately \$60,000, so average family incomes have increased 19 fold. This increase is sufficient to allow consumers to stay slightly ahead of gas price increases.

The Cato Institute, a conservative think tank, recently did a similar analysis. It concluded that after adjusting gasoline prices for inflation and changes in disposable per capita income, gasoline today would have to cost \$5.17 per gallon to have the same impact as a gas price of 29 cents over 50 years ago. The Cato Institute



"YOU AIN'T SEEN NOTHIN' YET..."

Sixty years ago, another great golfer, Ben Hogan, won the U.S. Open. Hogan received a whopping \$2,000 for the tournament victory. Tiger's check was 675 times larger than Hogan's.

Professional athletes have seen their incomes rise rapidly in recent years. The same is true for rap stars,

talk show hosts and movie producers. My curiosity regarding high incomes led me to the Forbes list of the rich and famous. Interestingly, the person at the top of that list is a writer — J.K. Rowling, the author of the Harry Potter novels. Last year she earned \$300 million.

At the other end of the

spectrum, over half a million people work for less than \$6 an hour. Another half million earn only slightly more. If these workers use three gallons of gas to get to and from work, as many workers do, it means that more than 25 percent of their working hours are devoted to earning just enough money to get to and from work.

Whether their income is high or low, if those paying over \$4 a gallon knew that doing so was part of a strategy which would ultimately lead to conservation and new energy sources, they might take comfort in knowing that their burden would produce a desirable outcome. Unfortunately, history does not provide much cause for optimism.

Since the mid-1970s, the country has seen gasoline prices spike several times. None of these spikes produced a lasting reduction in the country's dependence on fossil fuels. Unless the current round of high gas prices produces a national discussion of energy policy, there is little reason to expect a different outcome.

Yesterday, I filled up my car and it cost almost \$60. Most people reading this won't have any sympathy for me. If you drive a Chevy Suburban, a Ford F350 or any number of other vehicles with large gas tanks, you probably spend at least \$100 when you fill up.

Still, I couldn't help but recall different times. Shortly after I graduated from high school, I bought a used Datsun 240Z. It was a beautiful car with great acceleration. Nonetheless, I could fill the tank with a five-dollar bill and drive away with change.

The fact that I can no longer fill the tank with a \$50 bill prompted me to consider how the increase in gas prices compared with increases in wages.

In 1948, the average price of gasoline was 26 cents a gallon. Presently, the American Automobile Association reports that the average price of mid-grade gasoline in Utah is \$4.27; the average price of premium is \$4.46. This means that gas prices have increased 16 to 17 fold over the past 60 years.

In 1948, the average