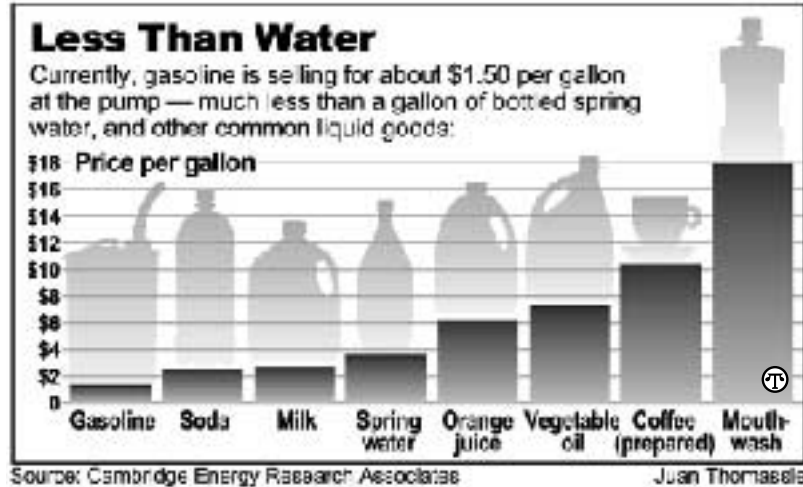


Understanding Our Economy

Today's Gasoline: A Bargain At The Pump



Compared to other processed liquids, gasoline is an inexpensive commodity.

(NAPSA)—Wouldn't it be great if cars and trucks ran on water or milk? Drivers wouldn't have to pull into a service station every time the fuel gauge neared "E." Instead, they could just take out a jug of milk, for example, and fill up the tank, with no worries about the rising cost of gasoline.

But wait, fueling vehicles with milk would actually cost more than using today's gasoline. Consider that a gallon of milk sells for about \$3. At that rate, filling up a 15-gallon tank would cost around \$45—and that's without the car wash. Although gasoline prices rose dramatically last summer, the nationwide average for a gallon of unleaded regular remains a relative bargain at around \$1.50.

If you look at the rate at which prices have risen over the last 20 years, the value of gasoline compares favorably to many other items we consume every day. According to the Bureau of Labor Statistics, gasoline prices rose only seven percent between the early 1980s and 1999. Over the same period, the price of carbonated drinks rose 17.9 percent; coffee, 55.5 percent; and apples, 111.2 percent. At the extreme end, college tuition has more than tripled in the last 20 years.

Inflation raises the cost of all consumer prices by various percentages year after year. In some years, prices for consumer

products rise a few pennies, other years more. In some years they decrease. Yet even with inflation steadily increasing costs, gasoline prices, adjusted for inflation, have stayed relatively flat, largely due to the new technologies developed and used by refiners.

The "good old days" were not necessarily as good as we remember, either. Some may recall with fondness when gasoline prices hovered around 30 cents per gallon in the 1960s. Now, to put that price in historical perspective: Average per capita income in 1960 was less than \$1,500, compared to about \$25,000 today. While average incomes have increased more than 16-fold in 40 years, gasoline prices have only increased five-fold. Therefore, gasoline expenditures, as a percentage of income, are much lower than they were in 1960. While we may fret each time we have to fill up, gasoline today is surprisingly more affordable than it was 40 years ago.

So the next time you pull up to the pump and reach for your wallet, try to consider how much deeper you'd have to go if you were filling up with coffee, soda or those little bottles of designer water. It would cost you a few more dollars...and your car would not run nearly as well.

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