

Powering the Oil Price Roller Coaster

As the summer driving season arrives, so does the increased demand for oil. Most Hoosiers have come to expect the eventual gas price fluctuations. More troubling are the larger and less predictable changes that affect what we pay at the pump for sustained periods of time.

WTRG Economics, an analysis and data services provider for energy producers and consumers, notes that the ultimate price of oil is highly subject to the basic rules of supply and demand. Not so basic are the global factors that cause supply and demand for oil to change. The impact of these factors – war, price controls and political unrest – has been consistent over time, but the way industry and consumers respond has evolved.

OPEC (Organization of Petroleum Exporting Countries) began asserting its influence over oil prices in the early 1970s with the member countries (nearly all from the Middle East) aggressively controlling the output of their vast oil supplies. OPEC's power was realized on an international scale when Syria and Egypt attacked Israel in 1973. Several exporting nations from the Arab world refused to sell oil to the United States and other western nations that supported Israel. This created a 7% decrease in worldwide production and a 400% increase in prices within six months.

Other events that caused major oil price spikes included the Iranian revolution and the Iran/Iraq war. These events vastly



decreased production, resulting in a doubling of the per barrel price between 1978 and 1981. The lasting effect of such conflicts is evidenced by the fact that today Iran has achieved only two-thirds of its pre-revolution production. The United States' own attempt to control oil prices caused domestic producers to receive "less than world market price" during this same time.

OPEC's grip on world production has been loosened in recent years by an inability to form consensus among member nations. Consistently high prices led to increased non-OPEC exploration and other measures, including more energy efficient products, throughout the 1980s.

Resource: WTRG Economics at www.wtrg.com

Union Numbers Down, Influence Still Powerful

It's no secret that unions have been losing members in recent years. According to the Bureau of Labor Statistics, 12% of all wage and salary workers were union members in 2006 compared to 12.5% in 2005 and 20.1% in 1983, the first year for which comparable data is available.

Union membership in Indiana follows much the same trend with the 24.9% of Hoosier workers belonging to unions in 1983 falling to just 12% in 2006.

One reason being given for the declines is the struggling domestic automotive industry, long the backbone of the labor movement. Others suggest the long-term nature of the decrease in membership is more a result of the federal government providing many of the protections that helped lead to the formation of the unions. The Occupational Safety and Health Administration, for instance, operates to ensure safe work environments.

Despite the reduction in numbers, unions and their leaders maintain political clout. They are currently trying to use that influence to pass through Congress legislation that would allow union organizers to replace secret ballots with "card checks" for employees to sign to indicate their preference to join a union. This would simply take away individual freedom and the right to vote without being intimidated or coerced.

Trial Program Offers Saving Incentives

Can the desire that leads to participation in high-risk games of chance also prompt people to save money? This is the question researchers from Harvard and the Filene Research Institute are seeking to answer with help from Columbus-based Centra Credit Union.

Researchers, led by Peter Tufano, Ph.D. of Harvard, developed a "prize-based savings" program that provides chance incentives for savers. Centra Credit Union is the first in the nation to run the program as researchers study the effects.

Centra's "Super Savings" program works the same as a traditional savings account but incorporates the opportunity for lucrative prizes. On the table are 10 monthly prizes (with a top value of \$1,000), a quarterly prize that doubles the winner's account balance up to \$1,000 and an annual grand prize worth \$5,000. Participating account holders' chances of winning improve with every \$25 increase in the average balance of their account.

"Feedback (on Super Savings) has been very positive," comments Nan Morrow, vice president of corporate development for Centra. "The average balances have grown from just over \$100 when we started to around \$360 now."

The Centra program, made available to the credit union's full membership in January of this year, is experiencing rapid growth. More than 1,200 participants have already signed on.

Centra's program validates the researchers' theory, which was somewhat based on the success of other countries in utilizing prize-based savings to help increase national savings rates.

Resource: Nan Morrow, Centra Credit Union, at (800) 232-3642, ext. 0245

Taking Taxi Talk to a New Level

Imagine entering a cab in a city not familiar to you and getting briefed on local economic developments as you travel to your destination. This is exactly what's happening in Albany, New York where the local chamber of commerce launched a program to have cab drivers inform riders about high-tech companies in the area.

Indiana has had its own share of economic development success to talk about in the past few years. Would an initiative to utilize cab drivers in sharing this information work here as well?

Bob Schultz, director of communications for the Indianapolis Convention and Visitors Association (ICVA), reports the organization has some efforts underway to provide cab drivers with information about specific events, but not general development in the city

or state. ICVA's "Cab Fest" program involves speaking with cab drivers while they wait to pick up passengers at the airport. ICVA personnel pass out visitor information, food, beverages, hats and posters to stimulate interest in specific happenings.

The organization also has a comprehensive collection of visitor information it makes available to taxi companies and other visitor-related businesses.

What about that taxi passenger who just might be a decision-maker for his or her company's next business move or expansion? The ICVA indicated it was intrigued by the idea and might implement such a program in the future.

Resource: Bob Schultz, Indianapolis Convention and Visitors Association, at (317) 639-4772

Keeping the Money in the Community

Factory closings, investment losses and global economic forces at work can be challenging for local communities and the small businesses that comprise them. Keeping local money in the community is critical and one group's proposal is gaining momentum.

Headed by Notre Dame sociologist Jackie Smith, the Michiana Community Currency Project advocates the printing of special currency that could only be earned and spent within the South Bend area. Such currency would serve as an alternative to the U.S. dollar and would be accepted at local businesses that sign up for the program.

"The real idea behind local currency is to make sure local values are included. What happens with national and international markets is often a discounting of local needs," Smith suggests. "This (local currency) encourages people to think about where goods and services come from. It's not about money as much as people and what they are producing."

The concept is not unique. More than 80 similar community currency programs have been started throughout the U.S. to date and Ithaca, New York has been home to a successful local currency system since 1991.

Using community currency is legally acceptable to the federal government as long as it is not made to resemble U.S. dollars and businesses pay taxes on the notes they collect.

Representatives from the Michiana Community Currency Project are currently holding public meetings and doing other outreach efforts to educate the public on various aspects of the system.

Resource: Jackie Smith, Michiana Community Currency Project, at (574) 631-2640 or www.michianacurrency.org

Maintenance Important for High School Seniors

Runners and weight lifters refer to it as hitting the wall – a metaphor describing the point at which an individual experiences a real or imagined inability to continue his or her task. It has long been known to high school students by another name – senioritis – and coming down with a bad case of it can be more devastating than ever before.

An article on postsecondary admissions in the March/April *BizVoice*® highlighted the key factors in gaining acceptance to various colleges and universities.

Students tempted to let their academics slide by dropping classes or getting poor grades after being accepted to their school of choice are no longer safe. The University of Washington revoked the acceptance letters of 23 students in the fall of 2006 and schools in Indiana are willing to do the same.



"Continued rigor in the senior year (of high school) is important to college success," states Pamela Horne, dean of admissions at Purdue University. "The 12th grade is not a reward for the previous 11. Consistent preparation is very important."

So important, that Horne lists it as one of the top factors considered for students who are on the bubble of being admitted.

Horne says the number of acceptances revoked at Purdue is "in the 10's and not the 100's." She strongly disagrees with any notion that suggests "slacking off" is permissible for high school seniors.

Resource: Pamela Horne, Purdue University, at (765) 494-1776

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