

THE SECRET MONEY IN YOUR WALLET Si Frumkin

I am not an economist nor do I pretend to understand the intricacies of the financial market. I realize that economics is one of the few professions - weather forecasting is another one - where no one ever has to apologize for wrong predictions or costly errors. Still, there is one economic principle that is perfectly clear to me – when I spend less money on something, I have more money left over to spend on something else.

I hated it when gasoline had gone up to over \$4 a gallon and I was very much aware that I had to pay more than \$50 every time I filled up. Now that it has dropped to below \$2.00 I almost enjoy the memory of the expensive fill-up – \$20 buys a full tank. And just because it is cheaper I don't drive more than I did when it was expensive – I just keep the additional \$20-\$30 in my wallet. I am sure that you do as well.

So here is what puzzles me. Our financial troubles began when the price of a barrel of gas rose from the about \$60 to about \$150, and kept rising daily. Everything that used petroleum became more expensive. Gasoline cost more, so driving, flying, boating, transportation, delivery of everything to and from factories and stores, airline tickets, plastic products (most of plastic is derived from petroleum) also cost a lot more.

Soon after, there was the collapse of the real estate market; the bad mortgages that people had taken out and were now unable to pay, the greedy corporations that took advantage of stupid consumers who bought what they didn't need for money they didn't have and couldn't pay their credit card balances, and a lack of available money by consumers who had no money left over after filling up their tanks and lost the jobs they had with small businesses that couldn't pay or be paid for what they sold.

But it all started with the rising price of oil.

Now, the economists and our new president are trying to jump start our economy again by printing a lot of new money and injecting close to a trillion bucks into the financial system. The idea, as I understand it, is that this money will somehow find its way to the average American who will then go spend it at a

store that will use the money to buy stuff to sell, or a corporation to build wonderful new cars that the automobile people will create and sell at a profit to eager customers. The government will also print enough money to pay people to build roads, bridges, power lines and all kinds of other projects that will put to work those who are unemployed. As I said, I am not an economist and I can't explain how an insurance salesman, an electronic maven, a journalist or a bank teller could be used to build a bridge or a subway, but that's another story.

What really bothers me is this. Unlike classical economics it is clear and easy to understand: U. S. consumes 20 million barrels of oil daily. The price per barrel of oil, since early October 2008, has dropped from close to \$150 to about \$40 or less. So, using elementary math and no complex formulas, this means that the people of the United States – that is you and me; the government doesn't pay for the oil - saves more than \$2 billion every day. Given a year of 365 days, **we have about \$700 billion that stays in our pockets instead of being sent off to Saudi Arabia or other such friends.**

\$700 billion, hmmm? Where did we see this number recently? Oh yes, this is the partial stimulus that the government is trying to give away so that the economy should get well. Actually it may be more than \$700 billion – that was just what our Congress approved in October 2008. Congress is now back from its Christmas vacation and it and our President-Elect are busily trying to figure out how much and where to waste a few more billions – another \$200b, \$300b, \$500b?

So, there we are. There is an enormous incentive/stimulus/bailout that is already in our pockets and it grows every day as long as the oil is cheap. The funny part is that no one in Washington, Wall Street or any of the think tanks that tell the media what is what in economics appears to have noticed the money that we – you and I – are saving and are able to use it the way we decide to – buying stuff, starting businesses, building homes or even putting it into savings accounts where it can be borrowed by businesses.

So maybe we don't really need the stimulus and the incentive? And since this money is not being given by the government with instructions on how to spend it - it goes right into the individual's wallet - isn't this a cheaper and more efficient

way that might get us out of the trouble we are in? Or is the very idea of losing control over peoples' lives too radical for our Washington honchos and Obamian economists?

Whatever the answer, I believe that the \$700 billion you and I save by getting cheaper oil is too important to ignore it the way it is ignored now.

www.sifrumkin.com