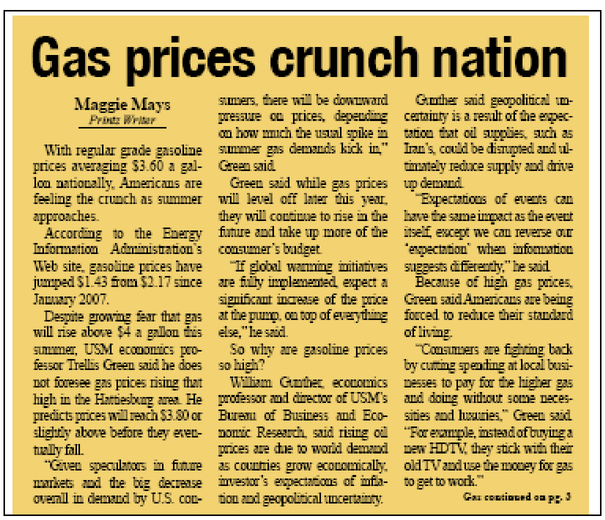
"What You Talking 'Bout, William?"

CoB Continues to Make Negative Impression on General Public

Some say that if you look at the various "Centers" in a Tier IV business school you'll find that school's worst faculty. According to sources, the CoB (a Tier IV business school) is not an exception to that "rule." The Bureau of Business and Economic Research is directed by William Gunther, the only non-AQ faculty in economics at USM. Gunther's assistant in the BBER is Edward Ranck, whose credentials are essentially a mystery to most CoB faculty. Inside the BBER is the Center for Economic Education, which is directed by Susan Doty, an *instructor* in economics who does not hold any real economics credentials and who is the wife of former CoB dean, Harold Doty. Then there is the CoB's Center for Financial Services, which is directed by associate professor of finance, John Clark. According to insiders, Clark is arguably the CoB's best example of the kind of "do-nothing" college professor that so many in the Hattiesburg area criticize. If you pass by the first floor CFS, you are likely to find a dark, empty room.

Just from the descriptions above, one can sense that the CoB's "Centers" provide more negative publicity for the CoB than anything else. If the 1-May-08 issue of USM's *The Student Printz* is any indication, that sense would be on the mark.

In a front-page news story (see below) by *TSP* reporter, Maggie Mays, about rising gas prices, Gunther and Ranck were paraded before the USM community, and sources say more harm than good was likely done as a result of such exposure.



Gas prices crunch nation

Maggie Mays
Printz Writer

With regular grade gasoline prices averaging $3.60 a gallon nationally, Americans are feeling the crunch as summer approaches.

According to the Energy Information Administration's Web site, gasoline prices have jumped $1.43 from $2.17 since January 2007.

Despite growing fear that gas will rise above $4 a gallon this summer, USM economics professor Trellis Green said he does not foresee gas prices rising that high in the Hattiesburg area. He predicts prices will reach $3.80 or slightly above before they eventually fall.

"Given speculators in future markets and the big decrease overall in demand by U.S. consumers, there will be downward pressure on prices, depending on how much the usual spike in summer gas demands kick in," Green said.

Green said while gas prices will level off later this year, they will continue to rise in the future and take up more of the consumer's budget.

"If global warming initiatives are fully implemented, expect a significant increase of the price at the pump, on top of everything else," he said.

So why are gasoline prices so high?

William Gunther, economics professor and director of USM's Bureau of Business and Economic Research, said rising oil prices are due to world demand as countries grow economically, investor's expectations of inflation and geopolitical uncertainty.

Gunther said geopolitical uncertainty is a result of the expectation that oil supplies, such as Iran's, could be disrupted and ultimately reduce supply and drive up demand.

"Expectations of events can have the same impact as the event itself, except we can reverse our 'expectation' when information suggests differently," he said.

Because of high gas prices, Green said Americans are being forced to reduce their standard of living.

"Consumers are fighting back by cutting spending at local businesses to pay for the higher gas and doing without some necessities and luxuries," Green said. "For example, instead of buying a new HDTV, they stick with their old TV and use the money for gas to get to work."

Gas continued on pg. 3

Mays' article begins by pointing out that gas prices rose by $1.43 between Jan-07 and May-08. By May-08 the average price of regular grade gasoline stood at $3.60/gallon nationally. Mays then asked Gunther: Why are gasoline prices so high? Gunther replied that gas price increases are due to (1) world demand as countries grow economically, (2) investor's expectations of inflation, and geopolitical uncertainty. Gunther's first point, that gas price increases "are due to world demand" seems to deserve further elaboration (i.e., what is it about world demand that has led to increasing gas prices?), however Gunther failed to provide that elaboration. Second, Gunther says that an investor's expectations of inflation is one of the factors leading to rising gas prices, but he fails to provide that investor's name for readers. Is it Bill Gates? Gene Carlisle? Readers are left to guess. Gunther does provide information about the third factor by stating that "geopolitical uncertainty is a result of the expectation that oil supplies, such as Iran's, could be disrupted and ultimately reduce supply and increase demand." Gunther's further elaboration on this third factor is, according to one source, a real humdinger:

"Expectations of events can have the same impact as the event itself, except we can reverse our 'expectation' when information suggests differently."

Expectations are reversible, events are not. People can reverse their "expectation" when information suggests differently. Getting back to the first point, the reversal of the "expectation" is the same as the reversal of the event. If the event is bad, a reversal of the expectation about the event reverses the effects of the bad event. Gunther says this can be done when information suggests differently. Can expectations be reversed before suggestions arrive from the information? If so, a preemptive reversal of the "expectation" would seem to be in order in this case.

Associate professor of economics, Trellis Green, is dragged into the Mays' article (and as some would say, unfortunately so). Green predicts that gas prices are about to fall, due to a decrease in the U.S. demand for oil. According to Green:

"Given speculators in future markets and the big decrease in overall demand by U.S. consumers, there will be downward pressure on [gas] prices, depending on how much the usual spike in summer gas demands kick in."

So, according to Green the *big* <u>decrease</u> in overall demand for gas in the U.S. will cause gas prices to fall, as long as the <u>increase</u> in demand for gas in the U.S. this summer is not too big. Confused? If we stick with Green's first point -- that U.S. demand is decreasing -- then we have somewhat of a contradiction with Gunther, who says demand for gas is increasing. Some of this disagreement might be straightened out by knowing who the investor is that Gunther spoke about, or by knowing whether consumers will reverse their "expectation" or not.

Green goes on to state that, because of higher gas prices, consumers are being forced to reduce their standard of living. However, he then states:

"Consumers are fighting back by cutting spending at local business to pay for the higher gas and doing without some necessities and luxuries. For example, instead of buying a new HDTV, they stick with their old TV and use the money for gas to get to work."

How is doing without some necessities and luxuries "fighting back?" Reading Green's statement above is like reading a hypothetical news report that states: "U.S. Special Forces in Afghanistan encountered attacks from remnants of the Taliban, and the U.S. units responded with a robust round of friendly fire." Perhaps Green's point would have been better if he left off the last part and stuck with only the first part. Green then concluded by pointing out that an increase in gas theft is occurring as some Americans attempt to protect their standard of living. Now this sounds more like "fighting back," although this type of response is not condoned by USMNEWS.net or any other reputable organization.

When queried about how Americans can reduce spending on gas, Gunther suggested that they can (1) walk, (2) car pool, (3) limit trips, (4) buy off-brand gas, and (5) drive more fuel-efficient vehicles. Gunther's assistant at the BBER, Edward Ranck, disagrees with Gunther's suggestions:

"Ed Ranck, economics professor and assistant director of the Bureau of Business and Economic Research, said most Americans do not have ways to measurably reduce their consumption of gas in the short run. 'Automobiles are a long-term investment,' he said. "Public transportation is not readily available. We are not accustomed to walking and we don't own bicycles. Therefore, gas price increases, for the most part, have to come "off the top".'"

It remains to be seen what Ranck's dissention will mean for him. By refuting each of Gunther's comments, Ranck makes Gunther come across as incompent, and possibly silly. Will Gunther refer to it at evaluation time in 2009 as a lack of collegiality? Or will Gunther "let it go" this one time? Perhaps Green attempted to intercede by helping close out Mays' news story. After the disagreement in the BBER, the remaining discussion with Mays was covered by Green.

"'Politicians who promise to fix the problem are misrepresenting the reality of the oil market for purely political gain,' Green said. 'Windfall profit taxes will only worsen the shortage and increase the price of gasoline further.' Gas prices can be decreased with long-term projects such as nuclear electric power, hydrogen and more fuel-efficient cars, and green alternative like solar and wind power. But, Green said, the only way any real changes can be made in the near future is if consumers cut their demand."

With Green's comments at the end of the article, we hear for the first time about a gas shortage. No one contacted by USMNEWS.net reported that there is any difficulty finding places to purchase gas in the Hattiesburg area. No one also reported any difficulty acquiring gas at any of these retail outlets that pepper the Hattiesburg area. So, we're not sure what Green is referring to here. Second, Green says a windfall profit tax will worsen the shortage and increase the price. Sources say that increasing price reduces a shortage, if one exists in the first place. What gives? Green concludes by indicating that the only way changes can be made (presumably to rising gas prices) is if consumers cut their demand. Isn't that what Green said (in the first part of the story) that consumers are now doing?

You may be reading this wondering: "What is going on over there at USM?" If so, you are probably not alone. One of the pieces of the institution's mission is to provide a public service. If this news article (shown below in its entirety) is any indication, the CoB (at least) can't seem to tell the difference between its head and its rear end.

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Maggie Mays

Issue date: 5/1/08 **Section:** News

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"Given speculators in future markets and the big decrease overall in demand by U.S. consumers, there will be downward pressure on prices, depending on how much the usual spike in summer gas demands kick in," Green said.

Green said while gas prices will level off later this year, they will continue to rise in the future and take up more of the consumer's budget.

"If global warming initiatives are fully implemented, expect a significant increase of the price at the pump, on top of everything else," he said.

So why are gasoline prices so high?

William Gunther, economics professor and director of USM's Bureau of Business and Economic Research, said rising oil prices are due to world demand as countries grow economically, investor's expectations of inflation and geopolitical uncertainty.

Gunther said geopolitical uncertainty is a result of the expectation that oil supplies, such as Iran's, could be disrupted and ultimately reduce supply and drive up demand.

"Expectations of events can have the same impact as the event itself, except we can reverse our 'expectation' when information suggests differently," he said.

Because of high gas prices, Green said Americans are being forced to reduce their standard of living.

"Consumers are fighting back by cutting spending at local businesses to pay for the higher gas and doing without some necessities and luxuries," Green said. "For example, instead of buying a new HDTV, they stick with their old TV and use the money for gas to get to work."

Green also noted that there is a visible increase in gas theft crimes as some Americans try to protect their standard of living.

Gunther said Americans can decrease the amount of money they spend on gasoline by walking when possible, car pooling, limiting trips, buying off-brand gasoline and driving more fuel-efficient vehicles.

Ed Ranck, economics professor and assistant director of the Bureau of Business and Economic Research, said most Americans do not have ways to measurably reduce their consumption of gasoline in the short run.

"Automobiles are a long-term investment," he said. "Public transportation is not readily available. We are not accustomed to walking and don't own bicycles. Therefore, gas price increases, for the most part, have to 'come off the top.'"

While many Americans are demanding the government intervene with gas prices, Green said there is nothing the government can do in the short term to really affect the gas market without causing more harm than good.

"Politicians who promise to fix the problem are misrepresenting the reality of the oil market for purely political gain," Green said. "Windfall profit taxes will only worsen the shortage and increase the price of gasoline further."

Gas prices can be decreased with long-term projects such as nuclear electric power, hydrogen and more fuel-efficient cars, and green alternative like solar and wind power.

But, Green said, the only way any real changes can be made in the near future is if consumers cut their demand.