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UA WALTON COLLEGE ECONOMICS PROFESSOR
EDUCATES POLICYMAKERS ON GASOLINE INDUSTRY

FAYETTEVILLE, Ark. – Everyone is affected by gasoline prices. To help educate the
policymakers of the U.S. Congress on the dynamics of the gasoline industry and its pricing,
Assistant Professor of Economics Cary Deck, Sam M. Walton College of Business, University of
Arkansas, recently traveled to Washington, D.C.

       Deck and Bart Wilson, associate professor of economics at George Mason University, held
an interactive course for approximately 80 congressional staff in the Rayburn Office Building.
The course gave an overview of the industry and addressed various policies and their impact on
the industry. The course was coordinated through the Capitol Hill Campus of the Mercatus
Center at George Mason University.

       “It’s hard not to keep track of gasoline prices because the cost per gallon is displayed on
large signs outside most gas stations,” said Deck. “Gasoline prices affect everything from the
price of produce to airline tickets. Trying to figure out what causes the rise and fall of gasoline
prices is complicated because the gasoline industry is so intricate.”

       Specifically Deck and Wilson addressed issues of zone pricing - the industry term for
wholesale prices based upon the geographic location of the retail outlet; divorcement - the legal
prohibition of a refiner operating a retail outlet, and the phenomenon of “rockets and feathers” -
the tendency of prices to rise faster than they fall.
“To better understand the industry and the impact of legislation, the staffers actually participated in an experiment, using computers to make strategic decisions in response to their rivals,” added Deck. “They played the role of either a wholesaler or a retailer and made pricing decisions. Past experience has demonstrated the considerable power of active learning. We are hopeful that having gone through our course these staffers will be better able to assist members of Congress in making informed decisions.”

Wilson is a faculty member at the Interdisciplinary Center for Economic Science (ICES), a research center and laboratory specializing in experimental economics at George Mason University. One member of the ICES faculty, Vernon Smith, shared the 2002 Nobel Prize in Economics with Daniel Kahneman for developing the methodology of experimental economics.

Both Deck and Wilson specialize in experimental economics, in which the laboratory method is used to test the validity of various economic theories and test bed new market mechanisms. Using cash-motivated subjects, their economic experiments create real-world incentives to help better understand why markets and other exchange systems work the way they do.

The Capitol Hill Campus brings educational courses to Capitol Hill and seeks to educate people about how economic principles can play a role in improving peoples’ lives. By gaining a better understanding of economic principles, policymakers can be better judges of the choices they make on behalf of the public.

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