



## The experts are on the street, but not in the market

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The permanence of higher fuel prices is slowly starting to have an effect on the car-buying public, according to a story in [today's NYT](#).

There is, however, in the article some debate as to whether it is the price of gas, the ageing of existing models, or whether it is competing ads that are causing the switch out of the SUV habit. At least, to some of those interviewed, the change in the price of gas has been enough to force the change in habit, which implies that they feel that the change in price is likely permanent.

On the other hand the same message does not appear to have got through to the Chairman of the Federal Reserve. In a [speech on Friday](#), he sees the national economy weathering the problem of surging oil prices. Further he went on to say that

Private inventories of crude oil in the United States have climbed to their highest level in three years, helping to damp the recent "price frenzy."

Well I suppose that we will find out the real use of the inventories over the course of the summer, but historically they have been held to meet the high levels of demand that come towards the end of the year. The size and rate of the build this year does appear to be faster than usual, so it will be interesting to see if any of it is used, short term, to drive a further price drop.

It is surprising, however, given the growing swell of evidence that supply is converging with demand, and that Peak Oil may well come at the end of this year, or at least within the next two, that Chairman Greenspan chooses to ignore the growing problem, but rather deals with the immediate very short term. His remarks certainly do not presage or recognize any likely increase or permanence to the current price levels.

Part of his job is, of course, to stop people panicking, but at a certain point in the development of a crisis, isn't the leadership supposed to drop perhaps a little hint that there may be a problem. (After all the public is starting to get the message).

But then, on the other hand, he is an economist.

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