LETTERS TO THE EDITOR

The first three letters are in response to "Unconventional Oil Production: Stuck in a Rock and a Hard Place," an article that appeared in the July 2010 issue of *The Regional Economist*. To read more letters, go to www.stlouisfed.org/publications/re/letters/index.cfm

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Aug. 6, 2010

Dear Editor:

This article seems correct in what it covers. But it is also incomplete and out-of-date because it fails to discuss recent successful development of oil shales in the Niobrara and Bakken formations using conventional drilling and fracturing techniques. Accounts of operations in these two new areas have been very promising, describing potential of significant oil production being developed over the next several years without the environmental problems that nag oil sands and the mining of oil shale. This is outstanding news for U.S. oil production. Perhaps a followup article would be in order for the benefit of your readers.

Henry Corder, investment adviser in New Orleans

Response from Authors of Article, Kristie Engemann and Michael Owyang:

Our goal was to give a broad overview of production from oil sands and oil shale and, specifically, the feasibility in an economic sense. We are aware of potentially new technology to develop unconventional oil, but due to publication lags, we relied on older studies for our sources.

If you would like to share more up-to-date information, please send it and perhaps we can post it.

Aug. 9, 2010

Dear Editor:

I am curious as to your source of information as Suncor, the Canadian company, has indicated that it is profitable when oil is above $41/bbl while this article indicates that the level is above $70/bbl. Can you clarify?

John Sturges, director of investments at Oppenheimer & Co. in New York

Response from Authors:

We wrote that existing Canadian oil sands operations could be economically feasible even with oil prices of less than $50 per barrel, while new operations would require at least $70 per barrel. We obtained this information from:

McColl, David. "The Eye of the Beholder: Oil Sands Calamity or Golden Opportunity?" Canadian Energy Research Institute, Oil Sands Briefing, February 2009.

Aug. 22, 2010

Dear Editor:

I read with great interest the article "Unconventional Oil Production" in July's *Regional Economist.* Concerning oil sands, you may be interested to know that over a year ago, my students and I developed a method of separating oil from oil sand that uses no water and only 25 percent of the energy of the conventional separation method. Even though you might think that this development would be of interest to the oil producers in Alberta, and even though I have written and e-mailed all of the "players" that I could identify (over 50), plus the Albertan government, my method has generated little or no interest at all by the oil sand operators. This is especially puzzling since merely investigating this waterless, low energy (shall we say "green"?) technique would address some of the most serious issues that the oil companies are facing in Alberta.

My patent application number is 20100096298, and I will be happy to share the lab results, machine description (the machine has only one moving part), scale-up calculations, and more. My e-mail is bdemayo223@yahoo.com.

Ben de Mayo, professor emeritus of physics, University of West Georgia, Carrollton, Ga.

The following was received after several articles appeared in St. Louis Fed publications on the topic of quantitative easing (QE).

July 27, 2010

Dear Editor:

I would like to express my thoughts on the past and current policies and philosophy of the Fed and the FOMC. I do think that the use of quantitative easing (now) is a questionable policy which probably acts to promote a "moral hazard" for our system. What Mr. Bernanke and the FOMC are (were) practicing (2008-2010) creates a confusing use of our monetary unit (the dollar). I would maintain that creating some $1.4 trillion via QE (2008-09) and then collecting interest on this sum is a clear moral hazard for most Americans ... and also a policy which promotes a mentality that is not philosophically sound. The message that this policy sends to the marketplace is that our market system cannot solve its problems. Furthermore, this policy sends a message to the American people that capitalism has failed and that select sectors must be favored to resolve the issues.

The fact that the excess revenue (billions) earned from this sum is transferred to the Treasury account does not really help. Revenue is earned by creating QE via policy action, and this gives the public (myself and others) the perception that the Fed is playing by special and somewhat unique accounting rules. I think that most Americans have viewed our central bank as independent from favor or special profits up until now.

The Fed, when acting as an umpire or coach, is acceptable to most Americans ... but when policies are used to FAVOR select persons, sectors, entities, then a moral hazard is evident. Has the QE policy allowed the marketplace to rebalance? This is doubtful, in my opinion. Do the Fed and FOMC policymakers think that favoritism is absolutely necessary given our current situation? If so, then this policy needs to be explained to the public so that the people will support this policy. Implementing policies via the media and then assuming that the public will support these policies is doubtful strategy. And we all know that CONFIDENCE is key to progress under our system.

Perception is important, and the soundness of our monetary unit ($1.00) is also important. I might add that a monetary unit ($1.00) which is not grounded in physical reality is much more difficult to maintain within a marketplace that has lost confidence. Fiat money can work if the people have confidence and if they view our central bank as independent (no favoritism). History, however, does suggest that imaginary monetary units ($1.00 and multiples thereof) can collapse quite quickly if the marketplace loses confidence. In the final analysis, money is a psychological concept. I hope my comments will be helpful to those who are representing us within the Fed and the FOMC.

Donald B. Swenson, philosopher in Marana, Ariz.

ASK AN ECONOMIST

Adrian Peralta-Alva has been an economist in the Research division of the Federal Reserve Bank of St. Louis since May 2008. His expertise is macro-economics. Recently, he has been studying whether it is a good idea to spend more on infrastructure as a way to boost the economy now that housing construction has slowed down so much. In his free time, he enjoys spending time with his family, traveling and playing outdoor sports. For more on his work, see http://research.stlouisfed.org/econ/peralta-alva/

Why have Americans gained so much weight during the past 50 years?

The average weight of an American adult female has increased by 14 pounds since the early 1960s, going from 140 to 154 pounds. The average weight of an adult male has increased by 16 pounds, from 166 to 182. Obesity rates have risen dramatically as well. What is behind this increase in weights? The quick answer is lower taxes, along with higher wages for women.

The consensus in the medical literature is that people gain weight when calories consumed are greater than calories expended. A switch to sedentary lifestyles in the U.S. is an important factor accounting for obesity levels. However, the switch to a sedentary lifestyle in the U.S. occurred before the mid-1960s. Further, estimates of the decline in calories expended in the U.S. suggest these changes are too small to account for recent increases in weights. It is well-established, nevertheless, that American adults consume more calories now than in the 1960s.

Hence, Americans have gained weight because they consume more calories than before. But why has this occurred? Nationally representative data of food consumption by U.S. individuals suggests that this increase in caloric intake can be attributed to a dramatic increase in calories consumed from food prepared away from home (restaurants, fast food, snacks, frozen pizza eaten at home, etc.), which more than compensated for a simultaneous decline in calories consumed from foods prepared at home from scratch.

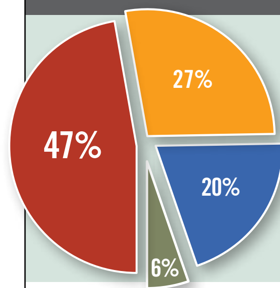
Economic theory can help us understand the changes in the food consumption patterns of American households. In fact, these changes roughly coincide with important declines in income taxes and with a substantial increase in the average wage of women relative to that of men. Both of these changes increase the opportunity cost of cooking at home from scratch. A higher opportunity cost of time can also help us understand some of the dramatic changes in time use patterns of American households during the last 50 years. Married females devote more than twice the number of hours to jobs outside the home while the total household time devoted to food preparation and cooking has gone down by a factor of two. Since high consumption of food prepared away from home may be here to stay, policies focused on informing individuals so they can make healthier choices when eating food prepared away from home may be useful in controlling the obesity epidemic. If consumers demand healthier food, then the establishments that produce it may respond by providing higher quality food, achieving a virtuous cycle as well.

Submit your question in a letter to the editor. (See Page 2.) One question will be answered by the appropriate economist in each issue.

FED FLASH POLL RESULTS

When a new issue of *The Regional Economist* is published, a new poll is posted on our web site. The poll question is always related to an article in that quarter's issue. Here are the results of the poll that went with the July issue. The question stemmed from the article "An Early Childhood Investment with a High Public Return."

SHOULD SOCIETY INVEST IN HIGH-QUALITY EARLY CHILDHOOD EDUCATION PROGRAMS FOR DISADVANTAGED CHILDREN?



- Yes, and use tax dollars because the investment will save taxpayers in the long run.
- Yes, but only if funding is provided by private sources.
- No. This is the family's responsibility.
- No. Society has higher priorities at this time.

583 RESPONSES AS OF 9/20/2010

THIS ISSUE'S POLL QUESTION:

What impact, if any, have the unusually low interest rates of the past couple of years had on you?

1. Great. I refinanced my mortgage, saving a bundle.
2. Good. I'm paying lower rates on some of my credit cards, and/or my home equity loan rate has fallen.
3. My finances haven't changed any.
4. What good are low interest rates if you can't get a loan?
5. Lousy. I live on the interest on my savings.

After reading "Low Interest Rates Have Benefits...and Costs" on pp. 6-7, go to www.stlouisfed.org/publications to vote. (This is not a scientific poll.)

MORE ECONOMIC INFORMATION THAT'S EASY TO ABSORB

If you like to get your economic information in relatively plain English (as we try to give you in *The Regional Economist*), you might want to check out *Liber8*, an economic information portal at http://liber8.stlouisfed.org/. The librarians at the St. Louis Fed designed this site with university and government document librarians, students and the general public in mind. The librarians recognized that economic information can, at times, be difficult for the noneconomist to find and understand. This site provides a single point of access to the economic information that the Federal Reserve System, other government agencies and data providers have to offer. The librarians specifically selected nontechnical sources that would be simpler to use and easier to understand.

One of the highlights of the site is an (almost) monthly newsletter, which tackles a current economic topic, usually in only a few paragraphs. (September's feature: "State Pension Plans in Peril: The Need for Reform.") These articles are usually written by assistants to our economists. The theme of each article carries over into much of the other information on the portal. (For example, while that September issue of the newsletter appears on the portal page, other articles, charts and economic indicators related to pension issues also are featured on the home page.)

Liber8 is a free service of the St. Louis Fed. No registration or password is required.