Lower Oil Prices: A Reason to Give Thanks

By GENE EPSTEIN
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I give thanks this Thanksgiving for the upward revision to third-quarter growth in real gross domestic product, reported Tuesday. It was not just that the revised estimate came to an annual rate of 3.9% from an initially reported 3.5%. The mix of components in that 3.9% was more favorable, enhancing the chance that growth in subsequent quarters will be about as strong.

My own misgiving about the initially reported 3.5% had been that it was boosted disproportionately by strength in two components unlikely to be sustained in subsequent quarters -- net exports and government. So while I had been right about overall growth ("Count on Growth of 3.5%," Economic Beat, Sept. 22), I was right for the wrong reasons, because these were not the components that I thought would be the key drivers.

But thankfully, there has been a downward revision to the change in both net exports and government in the newly released figures. And all three components on which sustainable growth largely depends were revised up: consumer spending, residential investment, and business investment.

I also give thanks for an oil price that fell below $70 a barrel Friday, mainly because it bodes well for general prosperity, especially for low- and middle-income households -- and yes, because it vindicates my forecast early this year ("Here Comes $75 Oil," March 31).

Amy Jaffe, executive director of energy and sustainability at the University of California, Davis, is thankful for lower oil prices' "Robin Hood effect." She says it is redistributing income to people of limited means from "Saudi princes and oil
billionaires" -- and, we might add, from billionaires like Vladimir Putin. While Jaffe notes that cheaper oil is hardly welcome news to many folks in oil-producing states, selling oil for $70 does not spell hard times. "It will be more like going from swimming in champagne to just drinking it," she says.

Citigroup's global head of commodity research, Edward Morse, says a $70 price is unlikely to slow U.S. oil production very much. As he declares in a recent report: "Many current assessments of U.S. shale costs could be wildly underestimating the robustness of U.S. oil production growth."

George Mason University economics professor Donald Boudreaux gives thanks for "social media that exposes to wide audiences the behind-the-scenes politics of social engineers such as Jonathan Gruber."

If you haven't seen the video that went viral, you owe it to yourself to catch the YouTube of MIT economist and Obamacare architect Jonathan Gruber candidly admitting that the selling of the Affordable Care Act grossly violated truth-in-labeling standards. "Lack of transparency is a huge political advantage," observes Gruber, "And basically, call it the stupidity of the American voter or whatever, but basically that was really, really critical for the thing to pass."

While the Leonard Davis Institute, under whose auspices Gruber made these remarks, tried to pull the video, others made sure that it became available for public consumption, for which we should give thanks.

High Frequency Economics' chief economist, Carl Weinberg, is thankful that he is "not the governor of the Bank of England or the president of ECB or -- heaven forbid -- the governor of the Bank of Japan." Weinberg bids us all "best wishes for a happier Thanksgiving than these guys are going to have."