**Master of Liberal Arts 60643**
**Economic Controversies**
Homework Assignment #9 (2018)
DUE: April 17

INSTRUCTIONS: Oil prices have been extremely volatile over the past decade. Oil companies have claimed this was due to fluctuations in demand and supply shocks from events like Katrina. Meanwhile, some economists, though not completely discounting those factors, believe the most important factor has been speculation. In December of 2000, President Clinton signed into law the *Commodity Futures Modernization Act*, allowing speculation in a market that had previously been dominated by actual end users of oil.

If those economists are right, one might see a correlation between gas prices and stock market activity since oil futures just became another financial asset for them to trade. Let's see! Do a Harvey Test to see if Gas Prices are positively correlated with the S&P 500. But, in doing so, see if there was a difference between the percentage that worked from 1991 to 2000 versus 2001 through 2012. Please report, along with the regular Harvey Test stuff, those two percentages and comment on whether you believe this supports the contention that speculation has been playing a role in driving gas prices since Clinton signed that bill into law.

| | **Gas Prices** | **S&P** |
|---|---|---|
| 1991 | 1.10 | 362 |
| 1992 | 1.09 | 400 |
| 1993 | 1.067 | 438 |
| 1994 | 1.071 | 446 |
| 1995 | 1.10 | 526 |
| 1996 | 1.192 | 647 |
| 1997 | 1.190 | 846 |
| 1998 | 1.02 | 1052 |
| 1999 | 1.12 | 1276 |
| 2000 | 1.46 | 1389 |
| 2001 | 1.39 | 1154 |
| 2002 | 1.31 | 962 |
| 2003 | 1.51 | 927 |
| 2004 | 1.81 | 1092 |
| 2005 | 2.24 | 1161 |
| 2006 | 2.53 | 1265 |
| 2007 | 2.77 | 1427 |
| 2008 | 3.22 | 1174 |
| 2009 | 2.24 | 907 |
| 2010 | 2.65 | 1104 |
| 2011 | 3.42 | 1220 |
| 2012 | 3.44 | 1327 |

*Gas Prices* is the average price of one gallon of regular gas in the US (economagic.com).
*S&P* is the S&P 500 average (economagic.com).