**Economics 120---Due: end of class or first thing tomorrow.**

1. Read the article titled: “Eyes Off the Price” by Dan Ariely
2. Briefly respond to the article. Do you agree with the author or disagree. Support your choice with 2-3 arguments. (Print and submit to Mr. Gopee)

Eyes Off the Price

By DAN ARIELY

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Durham, N.C.

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Tamara Shopsin

As I stand at the gas station filling my tank, the meter tallies how much it’s going to cost me. At this station, a gallon is $4.26, and as the meter passes the $20 mark, then the $30, I realize that I am paying too much attention to the price of gasoline. I bet you are too.

Looking back at my family’s expenses over the past few years, I see big increases in our health care costs and in how much we pay for food. The rise in what we spend on gas is not nearly as extreme as our increases in categories like electricity and telephone. So why does the amount we spend on gasoline feel so enormous? I think it is because of the way we buy gas.

For the several minutes that I stand at the pump, all I do is stare at the growing total on the meter — there is nothing else to do. And I have time to remember how much it cost a year ago, two years ago and even six years ago.

Yet I have no such memory about the prices of items in any other category. I have no idea how much milk was six years ago, how much bread was three years ago or how much yogurt was a week ago. But I suspect that if I stood next to the yogurt case in the supermarket for five minutes every week with nothing to do but stare at the price, I would also know how much it has gone up — and I might become outraged when yogurt passed the $2 mark.

Another odd thing about the way we buy gasoline is that we usually buy multiple units. I just bought 13 gallons for a little more than $55. The sticker shock isn’t as intense when I see the price per gallon as it is when I’m faced with the total cost. Fifty-five dollars! I remember when I filled my tank for $20 and $25 and $30! Maybe if we bought 13 loaves of bread at a time or 15 gallons of milk we might become just as sensitive to how much we spend on those items.

While we concentrate our anger on gas prices, we are ignoring increases in electricity, food and health insurance — expenses that might actually have a greater effect on our budgets.

I’ve read news reports about people who drive 20 miles from California to Mexico just to buy cheaper gas, and about people who trade in the gas-guzzling S.U.V.’s that they bought only a year ago for more fuel-efficient cars. Of course, buying cheaper gas and driving cars that use less of it is desirable. But I wonder if the person driving to Mexico considers the cost of the entire trip, including his time and wear and tear on the car. And I wonder if the person who takes a $20,000 loss on his S.U.V. ends up paying more for the trade than he can possibly save at the pump.

Perhaps it would be better if gas station attendants filled the tank for us, as they used to, so we did not stand at the pump watching the rising price of our gasoline. Maybe it would help if gas pumps came with bigger hoses so that filling up would go faster and we’d spend less time watching the meter. Or maybe we should just learn to examine all our purchases and expenses more holistically so that we see where rising costs make the biggest difference.