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CHAIRMAN JIM SAXTON

PRESS RELEASE

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OIL PRICE PLUNGE WILL BOOST ECONOMY

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WASHINGTON, D.C. – A sustained plunge in oil prices would increase real household income and lower production costs, boosting the economy in the remainder of 2006 and in 2007, Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Over the last six weeks crude oil prices have declined from $77 to under $65 per barrel, with many analysts predicting further declines. Gasoline prices have also fallen in recent weeks.

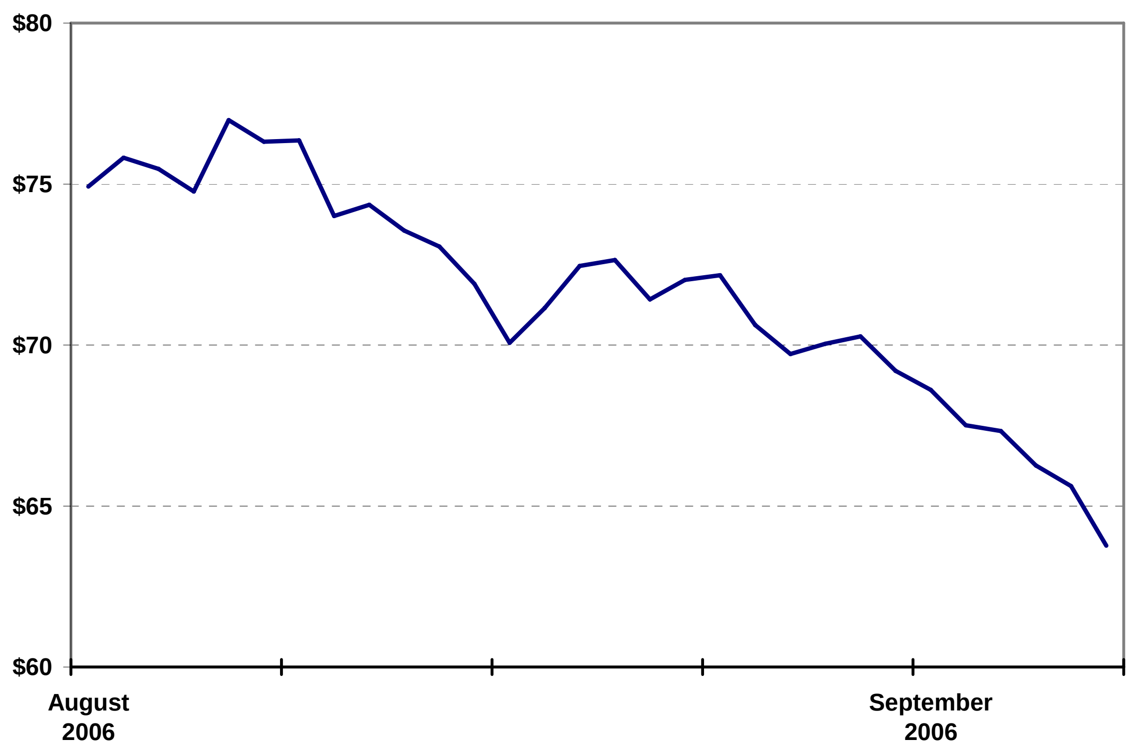
"Lower oil and gas prices are obviously good news for consumers and businesses," Saxton said. "Families will have more money available for other purposes, and many businesses will not be as burdened with such high costs for energy. If sustained, lower oil and gas prices could significantly bump up economic growth for the rest of the year.

"Part of the reason for such high oil prices has been the perception that Iran might cut off oil exports. However, as shown in a recent JEC study and hearing, Iran is heavily dependent on oil exports to finance its imports and government budget. An Iranian oil embargo would devastate the Iranian economy, and thus is not a viable policy option.

"Market forces are now working to lower oil prices. Unfortunately, a potential obstacle to lower oil prices is the Organization of Petroleum Exporting Countries (OPEC). Earlier this week, OPEC members seemed to be hinting that OPEC will act to restrict oil production if oil prices continue to drop.

"It will be recalled that the cost of oil production in the Persian Gulf is less than $10 per barrel, and that even OPEC's previous price band of $22-$28 facilitated outrageous exploitation of oil consumers. OPEC's restrictive practices, including underinvestment in production facilities and mismanagement of its huge oil reserves, have been a major factor behind high oil prices. Now that market forces are bringing down the price of oil, the OPEC cartel should refrain from attempting to restrict oil production to keep prices up," Saxton concluded.

Crude Oil Prices: West Texas Intermediate, Cushing
$/Barrel



For more information, please see the following JEC studies: *Iran's Oil and Gas Wealth*, and *OPEC's 902 Billion Barrel Oil Reserve*, available on our website at www.house.gov/jec