Published on SavannahNow.com (http://savannahnow.com)

Free Enterprise: The dark side of daylight saving

By Savannah Morning News
Created 2008-03-14 23:30

Groggy toddlers, tired workers, a whole nation on a one-hour jet lag: Daylight saving time has often been described as a jolt to the internal clocks that may result in lower productivity on the day after the time change. Add to that the specter of sleep-deprived stock traders.

According to a quirky study in one of the world's foremost scientific journals in economics, the American Economic Review, the daylight saving effect is up to five times stronger than the well-known negative weekend effect on stock returns. Published in 2000, the paper concludes that the "daylight savings effect implies a one-day loss of $31 billion on the NYSE, AMEX, and NASDAQ."

Another scientific article in 2005 found supporting evidence for such an impact with regard to Irish stock market returns. So, just in case one gets tired of blaming stock market tumbles such as the sharp drop in the Dow Jones Industrial on Monday (before Tuesday's record rally) on the mortgage crisis, daylight saving is another straw man to beat upon.

Of course, proponents of the bi-annual time change may counter that there are many positive characteristics related to daylight, ahem, saving(s).

The Web site of the U.S. Department of the Interior traces the history of daylight saving time and states confidently, "One of the biggest reasons we change our clocks to DST is that it saves energy." As the argument goes, it is evenings when people spend the most time at home. Having more daylight during that time period reduces the need for lighting because it makes darkness "arrive" an hour later.

Other justifications refer to the greater likelihood of people enjoying outdoor activities when it gets dark later (less energy used at home) and that driving home in daylight reduces accidents. The case for DST appears so strong that Congress, in 2005, voted for a surge.

Beginning last year, the U.S. observes four more weeks of DST. Energy savings per day were expected to approach 100,000 barrels of oil.

There is only one problem with this sunny "Goldilocks" scenario - it may well be wrong. Last month, a paper by two economists from the University of California, Santa Barbara challenged the conventional wisdom.

Matthew Kotchen and Laura Grant used more than 7 million observations from Indiana, where a state law "required all counties to begin practicing DST in 2006." Since some Indiana counties had observed DST previously, this presented the researchers with a "control group" to evaluate the effects of the policy change on the "treatment group." That is called a natural experiment, and it permitted the authors to conclude that "DST increases residential electricity demand."

Indiana households, according to the study, are estimated to spend $8.6 million more on electricity per year because of the new mandate. Added pollution costs could be up to $5.3 million per year.

If those numbers sound like peanuts, one may also want to take into account a "back of the envelope" calculation that was recently conducted by William F. Shughart II, a distinguished professor of economics at the University of Mississippi. Using the average hourly wage of Americans and assuming a time cost of 10 minutes per person twice a year to reset clocks, he arrived at an estimated cost of $1.7 billion. Such magnitudes, if not sleep deprivation, may make one's eyes glaze over.

Michael Reksulak teaches economics and public finance in Georgia Southern University's College of Business Administration. He may be reached by e-mail at mreksula@ georgiasouthern.edu [1].

Source URL:
http://savannahnow.com//node/463205