



How the OPEC Cartel Undermines American Consumers and Business Operations

By: Kevin Mooney – May 6, 2013

If oil prices across the globe don't seem to square with what one would expect in a free market system, there's a reason for that. The OPEC cartel, according to a new published by Securing America's Future Energy (SAFE):

[H]as at times been effective in forcing up the price of oil and, thereby, allowing the export nations to obtain a significant premium captured by national oil companies on behalf of their sovereigns. At times this means a transfer of wealth from oil-consuming nations to oil-producing nations totaling hundreds of billions of dollars more than what the competitive-market price of oil would suggest.

From here, it only gets worse as OPEC's market manipulations have serious ramifications for American taxpayers, consumers, and businesses, authors Andrew Morriss and Roger Meiners conclude. Morriss is the D. Paul Jones Jr. & Charlene A. Jones Chairholder in Law and Professor of Business, University of Alabama, and Smith is the Cary M. Maguire Chair in Oil and Gas Management, Southern Methodist University. They joined with Frederick W. Smith, Chairman, President and Chief Executive Officer, FedEx Corporation, to discuss their findings at a forum hosted by the CATO Institute.

By appealing to the concerns of average Americans, the authors deftly drive their point home. Here is just one small part of the whole:

One way to see the impact of cartelization on individual Americans is to consider gasoline prices in the context of family budgets. When gasoline was about \$1.40 a gallon in 2002, the average family spent \$1,235 on gas and oil, which was about 3.036% of total family expenditures. By 2007, when gasoline averaged about \$2.80 a gallon, the average family spent \$2,384 on gasoline, which was about 4.803% of total household expenditures. The Consumer Price Index rose 15.25% from 2002-2007. If we increase gas and oil prices at the same rate as the overall CPI, then annual expenditures on gasoline in 2007 would have been \$1,423, which is \$960 per year less per household than was actually spent. In 2007, there were 120 million households, so a reasonable estimate of the cost of OPEC is that the cartel's efforts cost American consumers \$115 billion in that one year alone. ... The total cost to the U.S. economy of monopolistically-priced oil has been estimated to be more than \$500 billion for the year 2008.

The report can be viewed in its entirety [here](#).

