



Does Obama Bear Responsibility for the Increased Gasoline Price?

David Henderson | MARCH 10, 2012

Cato Institute scholars Peter van Doren and Jerry Taylor **write** that President Obama is not responsible for the spiraling price of gasoline. They correctly blame the price increase on the increase in the price of oil. They focus on the increased price of North Sea oil. But oil is sold in a world market and the increase in the price of North Sea oil would not be sustainable if other producers did not also raise their prices. The main reason for the increased price of gasoline is the increased price of oil in the *world* market.

So does Obama bear any responsibility for the increased price of oil in the world market? Yes. His saber rattling over Iran makes people nervous about war with Iran. A war with Iran would likely cut Iran's output. Because oil is so inelastically demanded, even a one million barrel per day (mbd) cut in output, in a 90 mbd market, would drive up the price by about 10%. Speculators, anticipating this, bid up the futures price. Arbitrage then causes the spot price to rise. See "**Oil Speculators: Bad or Good**" and "**Oil Prices**" by Robert Murphy.

So, yes, Obama does bear responsibility for the higher world price of gasoline.

Now, you could argue that he has been saber rattling over Iran only because Rick Santorum, Mitt Romney, and Newt Gingrich have been saber rattling. The only one not doing so is Ron Paul. But Obama still chose to saber rattle.