

- The Foundry - <http://blog.heritage.org> -

Obama's Top Six Gas Price Myths Busted

Posted By [Rory Cooper](#) On April 27, 2011 @ 1:30 pm In [Energy and Environment](#) | [4 Comments](#)

117
tweets

retweet

The same Washington press corps that hammered President George W. Bush relentlessly when prices were still well under \$3 a gallon—well before the \$4 a gallon peak, which lasted [only six weeks in 2008](#)^[1]—have given President Obama a pass thus far on the recklessness of his energy policy.

In fact, in the first two years of his presidency, as gas prices [steadily rose to over \\$3](#)^[1] a gallon, the press corps [never asked the President](#)^[2] about gas prices in any of his press briefings. Even when he called a press briefing specifically on gas prices last month, he [was asked only one question on the subject](#)^[3], which was historic in itself, being the first question on gas prices of his presidency.

[According to the Media Research Center](#)^[4], in the past year, just 1 percent of stories related to oil prices or the Gulf oil spill on the network evening news even mentioned the President's energy policy.

President Obama has been more than happy to feed the media alternative narratives. But the myths created in the White House don't stand up to scrutiny.

Myth #1: Speculators Are to Blame

Ah, speculators. Nobody worries about pesky market investors when gas prices are rising from \$2 to \$3, but when prices hit \$4 they are the only people to blame. But the economics of supply and demand don't back up the argument.

Heritage energy expert Nick Loris [explains](#)^[5]: "Speculators could marginally increase the price of gasoline if it led to oil inventories building up while sellers waited for higher prices—but even then it would be only in the short run, because businesses have to unload these inventories." And those inventory build-ups do not appear to be happening.

The Cato Institute's [Jerry Taylor and Peter Van Doren explain](#)^[6]: "While crude inventories in the U.S. are increasing, they always increase at this time of year, and this year's increase is well within the normal range. More important, gasoline inventories are decreasing and decreasing much more rapidly than normal. Hence, there's no evidence that speculators are reducing the supply of crude or gasoline through increased storage."

Craig Pirrong, a finance professor at the University of Houston who specializes in commodity prices, [told Fox News](#)^[7]: "This is a transparently political fishing expedition that insinuates that fraud or manipulation is distorting oil prices without providing even the flimsiest factual basis for such a suspicion."

Busted.

Myth #2: Price Gouging Is to Blame

Price gouging certainly sounds menacing. Who wouldn't be against someone "gouging"? But it's not the reality of markets. As Reuters White House correspondent Steve Holland recently [tweeted](#)^[8]: "Presidents typically stage fraud probes when gas prices spike. Fraud is almost never found."

Heritage expert Diane Katz [explains](#)^[9]: "In the case of oil and gasoline, higher prices induce producers to increase supply—precisely what's needed to alleviate shortages. But, with the threat of fines and jail time if they charge 'too much,' producers will be reluctant to respond to the higher market prices. Consequently, the shortages persist or worsen."

This type of government price control, via heated presidential rhetoric, usually makes the situation worse, not better—as we saw in the Carter Administration, when artificially low prices caused shortages and gas lines. Yes, consumers need to be protected, but price gouging is not the cause of the high gas prices, and the President knows it.

Busted.

Myth #3: The Solution Is Alternative Energy

This is President Obama's favorite line. We simply need to "invest" more in alternative energy. Notice, though, that he never says this action will lower gas prices. Because it won't. Oil fuels, among other things, our transportation needs, while solar and wind are electricity-generating energy sources. An affordable electric-only car simply does not exist on the market today.

While the President may want to spend billions of dollars subsidizing the costly solar and wind industry, it will not even slightly impact high gas prices. Having an idealistic vision of our energy future is not a short-term solution to the economic pain Americans are feeling.

Several weeks ago, [President Obama mocked a man for having 10 kids](#) ^[10] and told him he needed to buy a (non-existent in the U.S. market) hybrid van. Since that revealing misstep, Obama has backtracked, acknowledging that most Americans cannot afford a new \$40,000 vehicle.

Busted.

Myth #4: The President Wants Lower Gas Prices

If we are to take President Obama and Energy Secretary Steven Chu at their word, they desire higher gas prices in order to wean Americans off of oil. In September 2008, [Chu told The Wall Street Journal](#) ^[11]: "Somehow we have to figure out how to boost the price of gasoline to the levels in Europe," which are currently nearly double the price in America. Two months later, the President chose him to be his Energy Secretary.

In June 2008, [President Obama was asked](#) ^[12] by CNBC's John Harwood if high oil prices "could help us." Then-candidate Obama responded: "I think that I would have preferred a gradual adjustment." In other words, prices need to get higher, but not so fast that it causes political problems.

Busted.

Myth #5: More Biofuels Will Solve the Problem

The President has called for increased biofuel production. As Loris again [points out](#) ^[13]: "The most popular subsidized biofuel, ethanol, produces less energy per unit volume than does gasoline, contributes to [food price increases](#) ^[14], costs taxpayers billions of dollars, and [has dubious environmental effects](#) ^[15]." In fact, a few large oil rigs in the Gulf would replace all of the energy produced by biofuels. The President also fails to mention the 54-cent tariff imposed on cheaper and more environmentally friendly Brazilian ethanol.

Busted.

Myth #6: There Is Nothing President Obama Can Do About Gas Prices

On April 6, President Obama told an audience, "I'm just going to be honest with you. There's not much we can do next week or two weeks from now." There is actually plenty President Obama can do immediately.

He can start issuing drilling permits in the Gulf. Obama's Department of Interior went nearly a year without issuing a new permit, to the point that a federal judge held them in contempt of court. Obama's Energy Information Agency projects that these permitting delays are costing us 240,000 fewer barrels of oil a day, along with the billions of dollars in government revenue in royalties. A Louisiana State University study found that at least [19,000 jobs across the nation](#) ^[16] were destroyed just by the Obama drilling "permitorium."

He can stop the EPA from imposing [costly new regulations on refiners](#) ^[17]. He can [reverse the political EPA decision](#) ^[18] to stop Shell from tapping into 27 billion barrels of oil in the Arctic Ocean. Simply put, he can send a strong signal to the markets and oil cartels that the U.S. oil industry is back open for business.

As Congressman Dan Boren (D-OK) [recently said](#) ^[19]: "President Obama is completely uninformed about the oil and gas industry. The industry is not made up of just major companies. ... For every CEO of a major company, there are literally thousands of blue collar jobs that are affected by his

administration's energy policy. It is a policy that is very inadequate and has left so many on the gulf coast unemployed. Americans are tired of empty rhetoric on both sides and want a real plan. If the President doesn't want to stand up and be a leader, then his silence would be appreciated from people who are trying to find solutions."

Busted.

Article printed from The Foundry: <http://blog.heritage.org>

URL to article: <http://blog.heritage.org/2011/04/27/obamas-top-six-gas-price-myths-busted/>

URLs in this post:

[1] only six weeks in 2008: http://www.eia.doe.gov/oil_gas/petroleum/data_publications/wrgp/mogas_history.html

[2] never asked the President: <http://blog.heritage.org/2010/07/16/did-you-feel-the-earthquake-mr-president-and-10-questions-he-wasnt-asked/>

[3] was asked only one question on the subject: <http://www.marketwatch.com/story/transcript-of-obamas-press-conference-2011-03-11?pagenumber=2>

[4] According to the Media Research Center: <http://www.newsbusters.org/blogs/julia-seymour/2011/04/20/oil-spill-rising-gas-prices-linked-obama-drilling-ban-just-1-evening->

[5] explains: <http://blog.heritage.org/2011/04/22/obama%E2%80%99s-blame-of-speculators-forming-of-gas-task-force-misguided/>

[6] Jerry Taylor and Peter Van Doren explain: <http://www.forbes.com/2011/04/19/oil-futures-prices.html>

[7] told Fox News: <http://www.foxnews.com/politics/2011/04/22/obama-form-task-force-tackle-rising-gas-prices/>

[8] tweeted: <http://twitter.com/#!/steveholland1>

[9] explains: <http://blog.heritage.org/2011/03/11/fueling-misunderstanding-about-the-oil-market/>

[10] President Obama mocked a man for having 10 kids: <http://blog.heritage.org/2011/04/07/president-obama-blames-you-for-high-gas-prices/>

[11] Chu told *The Wall Street Journal*: <http://online.wsj.com/article/SB122904040307499791.html>

[12] President Obama was asked: <http://www.nationalreview.com/campaign-spot/9477/obama-gas-prices-i-would-have-preferred-gradual-adjustment>

[13] points out: <http://blog.heritage.org/2011/03/30/obama-on-energy-new-speech-same-old-gimmicks/>

[14] food price increases: <http://www.cbo.gov/ftpdocs/100xx/doc10057/04-08-Ethanol.pdf>

[15] has dubious environmental effects: <http://www.bakerinstitute.org/publications/EF-pub-BioFuelsWhitePaper-010510.pdf>

[16] 19,000 jobs across the nation: <http://blog.heritage.org/2011/03/25/morning-bell-obamas-anti-drilling-agenda-costs-jobs-across-america/>

[17] costly new regulations on refiners: <http://blog.heritage.org/?p=49366>

[18] reverse the political EPA decision: <http://blog.heritage.org/2011/04/25/epa-blocks-oil-drilling-in-alaska/>

[19] recently said: http://www.boren.house.gov/list/press/ok02_boren/2011_04_26_obama_energy_tax_provisions.html

Copyright © 2011 The Heritage Foundation. All rights reserved.