



Keeping Michele Bachmann Honest on Gas Prices

Posted by [Robert Rapier](#) on August 22, 2011 - 11:10am

Topic: [Policy/Politics](#)

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Like many of you, I am often unhappy with our political leaders. One thing that annoys me the most is that many will say or do just about anything to get elected. By now, you have surely heard the news that Republican presidential hopeful Michele Bachmann has promised a return to \$2/gallon gasoline if she is elected president:

[GOP candidate Michele Bachmann: I'll bring back \\$2 gas](#)

NEW YORK (CNMoney) -- President Michele Bachmann has a promise: \$2 gas.

"Under President Bachmann you will see gasoline come down below \$2 a gallon again," Bachmann told a crowd Tuesday in South Carolina. "That will happen."

"The day that the president became president gasoline was \$1.79 a gallon," Bachmann said. "Look what it is today."

My immediate reaction to that was to wonder whether she is really that naive, or simply making dishonest campaign promises that she knows she can't keep. Perhaps she truly believes deep down that she could achieve this. In that case, she has to be one of the most naive presidential candidates to come along in quite some time. (And for the record, I think cheap gasoline is a terrible idea in any case. We should not encourage consumption of depleting resources. I laid out my reasoning and a fair plan for raising gas taxes in [How Much Are You Willing to Pay to be Nuke-Free?](#)).

Let's first take a look at the basic claim. I have seen many people repeat her claim that gasoline was \$1.79 a gallon when Obama took office, but I haven't seen anyone fact check that. So I went to [the EIA statistics](#), and found that the week before Obama took office (his inauguration was on Tuesday, January 20, 2009), overall retail gasoline averaged \$1.90 a gallon. The week of his inauguration retail gasoline averaged \$1.89 a gallon. So, there was some slight context possibly needed to qualify the \$1.79 a gallon remark (probably somewhere gasoline averaged that price) but the general claim is basically correct: Prices were much lower when Obama took office, and now the price of gasoline is \$3.66 a gallon.

Just for fun -- and before we examine the claim in more detail -- I decided to check and see what gas prices were when Bush took office. When he first took office on January 20, 2001, gasoline prices averaged \$1.51 a gallon. At the beginning of his second term in 2005, gasoline prices averaged \$1.90. When Bush left office, gasoline prices averaged \$1.90. However, as we know gasoline prices were hardly stable in between. During Bush's second term -- in the summer of

2008 -- gasoline ran up to over \$4.00 a gallon. The price remained at that level for almost two months before a recession brought the economy crashing down -- and gasoline prices along with it.

But most families don't fill up for the entire year on a specific day, so a snapshot of prices on inauguration day isn't really that meaningful. Let's consider [average annual gas prices](#) over the past few years. Beginning in 2002, each subsequent year of Bush's administration saw higher average annual gas prices than the previous year. For six years in a row -- from 2003 through 2008 -- gas prices rose. Prices crossed the \$2.00/gallon mark in 2004 and ultimately rose to an annual average of \$3.30 a gallon in 2008, Bush's last full year in office. And the only reason gasoline prices weren't higher than \$3.30 a gallon was due to the recession-induced price collapse in the price of oil in the second half of 2008.

So, to put it in context, Bachmann proposes to achieve not only something that Obama has failed to do, but something that Bush failed to do for most of his second term until a biting recession brought gas prices crashing down. It's also something political leaders around the world failed to do, so it was not limited to policies in the U.S. But maybe that's how she plans to do it: Send the economy into a deep depression. That would likely mean a return to sub-\$2 gasoline.

The honest truth, though, is that the places in the world where gasoline is under \$2/gallon tend to be oil-exporting countries that subsidize the price of gasoline for consumers. Given that the U.S. imports more oil than any other country, subsidizing consumers is out of the question. Further, the fact that we do import so much oil means that Bachmann would either have to put a stop to that while keeping domestic prices low, or would have to somehow cause world oil prices to fall to under \$50/bbl (which usually translates to sub-\$2/gallon gasoline).

But given the context of [her later clarifying statements](#), it is clear that Bachmann believes that we can achieve \$2/gallon by simply producing more:

“What Barack Obama has done is lock up America’s eneregy reserves. We’re the No. 1 energy-resource-rich nation in the world. We have more oil in three Western states in the form of shale oil than all the oil in Saudi Arabia. That doesn’t include the Bakken oil field in North Dakota or the eastern Gulf region or the Atlantic or the Pacific or Anwar or the Arctic region,” she said.

“We also have a brand-new natural gas find in Pennsylvania with over a trillion cubic feet of natural gas. We also have 25 percent of all the coal in the world. We just aren’t accessing or utilizing our energy. Energy could be one of the most stable, accessible forms of resources for business in the United States. ...And we would create millions of high-paying jobs instantly,” she said.

There are many problems with those statements. First, [shale oil has been right around the corner](#) for over 100 years. It isn't going to be unlocked by \$2/gallon gasoline when it wasn't unlocked by \$4/gallon gasoline. In fact, the reason the resource is still there, undeveloped, is that the economics are poor -- mainly due to high energy requirements. This is the classic [receding horizons problem](#) (I did not coin that phrase, by the way, but I do believe it was first coined on TOD).

Second, the Bakken oil field has significantly increased production while Obama has been in office. In Bush's last month in office, monthly oil production in North Dakota (where most of the Bakken production is taking place) [was 6.3 million barrels](#). The most recent cumulative monthly production was 11.2 million barrels. Shall we credit Obama? Well, I certainly don't, but neither do

I blame him for current gas prices. But if Bachmann wants to cite statistics based on when Obama took office, certainly actual oil production should be an important one.

And for that matter, not only has North Dakota production almost doubled since Obama has been in office, but oil production for the country as a whole has risen. In Bush's last month in office, total monthly oil production in the U.S. [was 157 million barrels](#). Today, monthly production is 174 million barrels -- the highest level in 8 years. Maybe we should start calling Obama an "oil man."

What about Bachmann's comment on natural gas? Again, let's look at the data. Over the two terms of the Bush Administration, [natural gas production](#) rose from 1.6 trillion cubic feet per month to 1.7 trillion cubic feet per month. In Obama's, second year in office, monthly production reached 1.8 trillion cubic feet -- something never achieved under Bush. In 2011 production has reached an all-time record of over 1.9 trillion cubic feet.

So what are we to make of this? I think very few people are going to credit President Obama for the increases in oil and gas production. In fact, those production increases are a function of high oil prices and of the development of shale gas technology -- not any sort of presidential mandate. Presidents simply don't control oil prices. Oil prices are set on the global market, and the best a president can do is to push for policies that ensure that demand doesn't outpace supply. But due to the global nature of the oil market, they are limited in the impact they can make. If Bachmann thinks she is going to increase supplies by flooding the market with shale oil, then she is exceptionally naive. If she is just making hollow campaign promises, then she is another dishonest politician. Neither trait is one I want in a president.



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