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Gas Price Gouging - Call It Like It Is

By Robert Weiner and John Larmett
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Gasoline prices are poised to explode again. Oil companies are setting up the framework for higher prices because of fears of a Turkish invasion of Kurdish-controlled Northern Iraq and administration saber rattling about Iran. Crude oil, at \$29.59 a barrel when President Bush took office in January 2001, is now pushing toward \$100. Washington State's current gasoline cost of \$3.09 per gallon, double Seattle's 2001 price of \$1.52, is now second only to California in the 48 contiguous states.

Jay Leno joked on the "Tonight Show" October 17, "The Nobel Prize for Economics was awarded to three people - the CEOs of Exxon, Texaco, and Shell for figuring out how to quadruple the price of oil over a seven year period without an actual shortage."

He's right, there is no actual shortage. Even if something happened, Kurdish oil production is less than 1/4 of 1% of the world's oil, and all of Iraq generates under 3%. Iran's share of world production is falling, 5% last year compared to 8% in 1974. The oil industry uses the unrealized potential of small disruptions to implement huge price fluctuations. They are using the fear factor and war profiteering to repeat and increase what they had last year, the highest profits for any industry in American history.

Furthermore, home heating oil bills are up a third from a year ago, and double six years ago-a \$1700 annual household increase, seven times inflation. Home heating bills are the silent economic killer to families - the spotlight has been on car gas prices.

As former House Energy Committee Chair Joe Barton (R-TX) said, "No federal statute prohibits price gouging." Leading Democratic Presidential candidate Hillary Clinton is demanding a new Federal Trade Commission oil price investigation. Oil companies raised gas prices 24 cents a gallon in the 24 hours after Katrina. The FTC reported increases "not substantially attributable to increased costs." It was pure fear-mongering.

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Congress is enacting new laws specifically aimed at price gouging, sort of. In May, the House passed groundbreaking legislation making gouging by oil and gas companies a federal crime. The bill calls for jail time and fines of up to \$150 million a day for charging "unconscionably excessive prices" and taking "unfair advantage" of consumers during a presidentially declared emergency. The President has indefinitely continued drug trafficking and national security emergencies and could do the same on oil prices strangling consumers.

However, there is no "violation" if the price charged is "substantially attributable to local, regional, national, or international market conditions." The House is saying it is not gouging if the public will bear it. The oil companies could still charge whatever they want-a loophole big enough for a gas-guzzling Mack truck.

In the Senate, Sen. Maria Cantwell (D-WA) has introduced legislation which defines gouging as "charging an unconscionably excessive price" and adds a critical "prohibition on market manipulation", regardless of "emergency" timing. Cantwell has been pushing for its enactment for over two years and missed the 60 vote debate "cloture" by just three votes in 2005. With the new Democratic majority, Cantwell succeeded in including this provision in the Senate energy bill now before a House-Senate conference. Cantwell's ban on market manipulation regardless of "emergencies" could have enormous impact on stopping price spikes.

(An unintended consequence of the Bush saber rattling is even higher prices and more money to Iran, which defeats the purpose of sanctions to stop nuclear weapons.)

Congress needs to rise above special interest relationships, protect Americans from oil company gouging, and define the term so it means what it really is.

Robert Weiner worked six years as a communications director in the Clinton White House and sixteen years in the House of Representatives. John Larmett, senior policy analyst at Robert Weiner Associates, worked on energy-related issues as press secretary to Rep. Jim McDermott, D-Seattle.

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