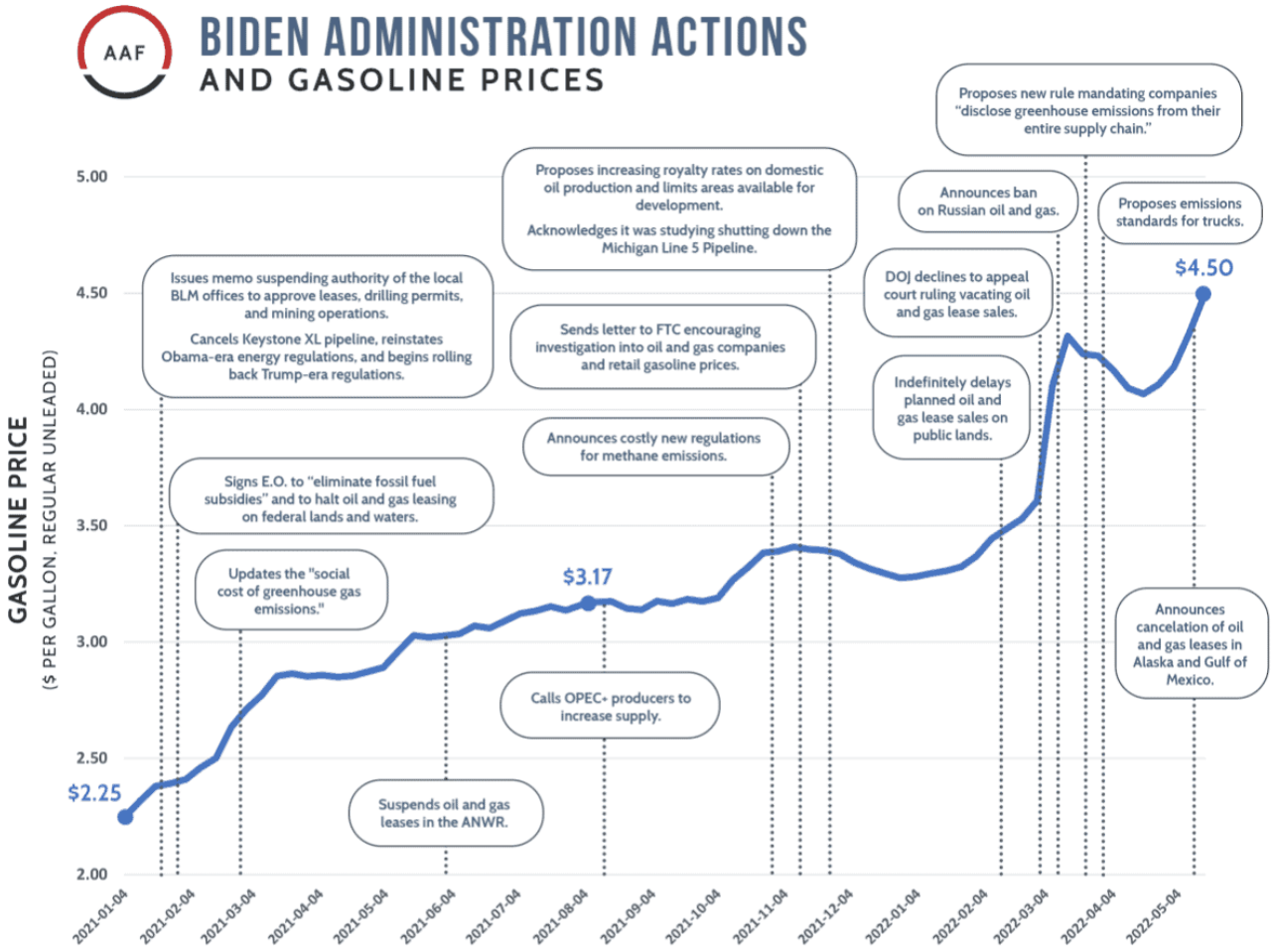
The Daily Dish

Gas Prices (Again)

DOUGLAS HOLTZ-EAKIN | MAY 25, 2022

The political heat generated by high and rising gasoline prices has been immense. For the Biden Administration, it has generated a series of desperate measures and panicky U-turns in its approach to energy policy (see chart below).



(View chart details here.)

It is worth understanding this dynamic a little better. After all, gasoline constitutes only 4.6 percent of the Consumer Price Index, and gasoline prices actually fell by 6.1 percent in April. Nevertheless, the political heat was unrelenting.

One part of the explanation is that even after the recent decline gasoline prices were 43.6 percent above a year earlier and resumed their climb in May. Even though this rise started at a pandemic-depressed level, gasoline prices have risen dramatically, reached very high levels, and show no sign of plateauing or declining. As a result, they represent a real future risk for households.

The bigger part of the explanation is that gasoline prices affect practically everyone. Fuel oil prices rose more (80.5 percent) from April 2021 to April 2022, but not everyone heats their homes using fuel oil. Similarly, airline fares rose 33.3 percent over the year, but not everyone gets on a plane. Gasoline prices are a big deal because they are a (relatively small) part of most people's budgets.

This second point also explains why inflation is such a potent issue. Unlike unemployment, inflation affects everyone, making it a much bigger electoral threat.