Insight

Oil Price Dip Reflects Sluggish Economy

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As a policy matter, don't read much into the recent dip in oil and gasoline prices. Sure, dropping at the advent of the summer driving season bucks historic trends, but this is just one more episode of fluctuations in prices on the global market. To be sure, there's no one to thank for this trend, either.

Just as prices dropped during the recession in 2008, prices are dropping now. Europe's fiscal maladies are undercutting growth, Japan's economy is slow to recover, China's economy is seeing its weakest growth in over a decade, and the U.S. economy is failing to gain momentum. At the same time that global demand is weakening, OPEC is upping production to edge out competition from new fields in the Western Hemisphere. On top of this, diplomatic tensions with Iran are easing, diminishing nerves in the marketplace. The fundamentals haven't changed; we're just benefitting from the confluence of several global trends putting some bearish pressure on the oil markets.

The seemingly low oil prices are looking good right now to those on the campaign trail, but the celebration will be short-lived. The trend we're seeing now reflects a weak economic recovery at home and abroad. So while households and small businesses across the country will benefit from a temporary alleviation in pain at the pump, the economic policies that allow gas prices to dip are prolonging this sluggish recovery and doing some real damage to the country in the process.

There are serious policy proposals that could come out of this recent trend. Washington should consider this a wakeup call to implement permanent, pro-growth reforms that will send people back to work and get our economy rolling again.

This piece originally appeared on the National Journal Energy Expert Blog.