

Written by [Ralph R. Reiland](#) on February 28, 2012

## Hikes in Gas Price Eclipse Payroll Tax Cut

It's probably the dumbest tax to cut, given that Social Security ran \$100 billion in the hole over just the past two years and the official projection from the Social Security and Medicare boards of trustees shows an ever-rising level of red ink: "After 2014, cash deficits are expected to grow rapidly as the number of beneficiaries continues to grow at a substantially faster rate than the number of covered workers."

The White House said the two point cut in the payroll tax will put an extra \$80 a month in the take-home pay of people making \$50,000 a year, leaving out the part about the level of federal red ink subsequently rising by an extra \$93 billion over the next decade.



To the people who responded to President Obama's request and emailed their stories to the White House about how not getting the \$80 a month (or \$40 per month — \$1.33 a day — if you're making \$25,000) would impact their lives, Obama senior adviser David Plouffe, following the enactment of the extension, sent an email to each, saying "We still have a lot of work to do" and attaching a photograph of Obama.

The president said the payroll tax extension would especially help families who are struggling to fill their gas tanks: "It means \$40 extra in their paycheck, and that \$40 helps to pay the rent, the groceries, the rising cost of gas — which is on a lot of people's minds right now."

Well forget about this cut paying the landlord or the food bill.

Just the price increase at the pumps since Obama took office, up from \$1.85 per gallon in January 2009 to nearly \$4 today, costs an extra \$40 on every 20 gallon fill-up.

And as an indication of what might be next, gas prices hit \$5.89 for regular in Florida last week and \$6.34 in Alaska.

Add a shutdown of the Strait of Hormuz by Iran and we'll be back taking a bus to work, except the buses are being mothballed across the country because of money shortages.

State-run Iranian news agency Mehr said last week that "no country" could cope with the shock to oil prices if the strait is closed.

"If the strait was shut, we estimate a \$40 to \$50 per barrel rise," said Gary Hornby, energy market analyst at Inenco, one of the U.K.'s longest established energy consultancies.

That's nearly a 50 percent jump over the current price. Transferred to the pump, it's a gas price of \$6 to \$8 per gallon.

The U.S. Energy Information Administration says the average U.S. household purchases 1,100 gallons



Written by [\*\*Ralph R. Reiland\*\*](#) on February 28, 2012

of gasoline per year. That means the \$2 per gallon increase since Obama took office is costing the average family an extra \$2,200 a year.

At \$6 or \$8 per gallon, it's an increase, respectively, of \$4,400 or \$6,600 per household per year over the cost in January 2009.

And major cutbacks in usage aren't realistic, given that much of our driving is mandatory and there aren't any easy substitutes for gasoline. It's not like switching to tomato juice when a Florida freeze triples the price of orange juice.

Clearly, it's time for Obama to reverse himself on his drilling and pipeline delays and to drop his State of the Union proposal for a \$40 billion tax hike on America's oil and gas companies over the next decade.

A Chevy Volt that explodes three days after it's bumped isn't going to do the job.

**Ralph R. Reiland** is an associate professor of economics and the B. Kenneth Simon professor of free enterprise at Robert Morris University in Pittsburgh.



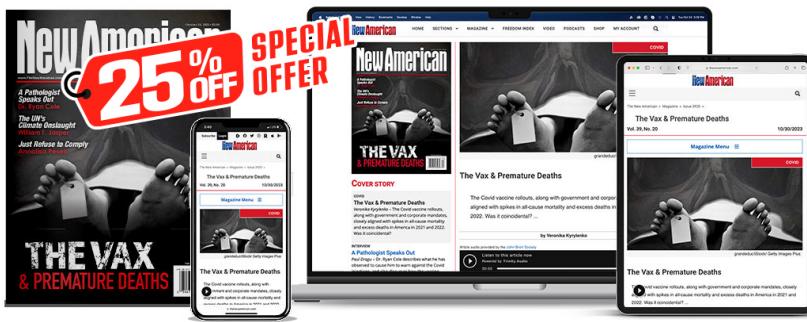
Written by [Ralph R. Reiland](#) on February 28, 2012

## Subscribe to the New American

Get exclusive digital access to the most informative, non-partisan truthful news source for patriotic Americans!

Discover a refreshing blend of time-honored values, principles and insightful perspectives within the pages of "The New American" magazine. Delve into a world where tradition is the foundation, and exploration knows no bounds.

From politics and finance to foreign affairs, environment, culture, and technology, we bring you an unparalleled array of topics that matter most.



### Subscribe

#### What's Included?

- 24 Issues Per Year
- Optional Print Edition
- Digital Edition Access
- Exclusive Subscriber Content
- Audio provided for all articles
- Unlimited access to past issues
- Coming Soon! Ad FREE
- 60-Day money back guarantee!
- Cancel anytime.