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Written by **Bob Adelmann** on March 13, 2012

Gas Prices Up, Obama Poll Numbers Down

As gasoline prices approach (and in some places exceed) $4 a gallon nationally, the president appears to be taking much of the blame with two recent polls showing sharp declines in support for his handling of the issue. The latest Washington Post/ABC News poll now shows a record number of Americans giving the president "strongly" negative reviews on his handling of the economy. Nearly two-thirds of those polled say they disapprove of how he is handling gas prices compared to just 26 percent approving – his lowest rating by the poll. Specifically, 59 percent of those polled disapprove of his handling of the economy in general, a jump of 9 points in just one month and this despite the appearance of some signs of an improving economy. Most of the damage being done to Obama is among independents with 57 percent now disapproving, along with 66 percent of white non-college graduates disapproving as well.

The *New York Times/CBS* poll also showed the president losing 9 percentage points of approval during the past month, with 47 percent of those polled voicing their disapproval.

In a third poll by the *Christian Science Monitor* two-thirds of those polled say that the government should allow increased production from offshore wells and from shale deposits on federal lands as a way to increase supply to bring down prices. 54 percent favor drilling in the Arctic National Wildlife Refuge (ANWR) in Alaska, while 47 percent favor rolling back some environmental restrictions to help increase energy production. That poll also reflected expectations that the price of gas will exceed $4 a barrel nationally within the next three months and one-third of those polled are expecting $5 a gallon gas by summer.

The president's response has been, as it has been since his election, to push for alternative energy resources such as renewables and wind. His recent decision to stop the Keystone XL Pipeline project reflects his commitment to raising prices on oil in order to make alternatives more attractive. His comment on Saturday's weekly address that "We can't just drill our way to lower gas prices," reflects that ideology.

In North Dakota, however, that is precisely what is being done to increase oil production, with North Dakota on track to overtake California and Alaska in oil production within the next few months.

In fact, Republican presidential candidate Rick Santorum held up a an oil shale rock from North Dakota in a recent speech to make the point that drilling for oil makes the most sense to secure oil dependency. Newt Gingrich promised that such drilling would bring pump prices down to $2.50 a gallon if he were elected president, while candidate Mitt Romney pledged to “finally get our oil and our gas out of the ground” while at the same time proposing additional “alternative energy funding on basic research” just like the current president.

Candidate Ron Paul was much more specific in his plans by championing free-market forces, removing corporate subsidies, easing regulatory roadblocks along with offering tax credits “for the purchase and production of alternative fuel technologies.”

The one thing none of the polls or the candidates addressed was why gas prices are high and likely to head higher. Oil is priced in dollars, and dollars are getting cheaper as the Federal Reserve continues to buy government securities to keep interest rates low. This is the Keynesian approach to monetary policy: low rates will allegedly stimulate investment that will help the economy recover. All that that policy has done so far is to expand the amount of currency in circulation, and the price of oil reflects the resulting degradation of the dollar.

Louis Woodhill explained in *Forbes* that a barrel of oil, currently priced at about $107 a barrel for West Texas Intermediate (WTI), should actually be priced closer to $128 a barrel. Instead of pricing oil in dollars Woodhill priced it in ounces of gold and, when compared to the average of that price since the dollar was unhooked from gold in 1971, oil today is greatly undervalued. To bring oil back to that average, gasoline would have to increase between $.65 and $.75 a gallon, pushing it towards $5 a barrel. Woodhill wrote:

> Over the centuries, gold has been “the golden constant”. Eventually, all prices equilibrate with gold. That is why gold represents the best available standard in terms of which to define the value of a monetary unit.

The polls then appear to miss the point. There is little, in the short run at least, that any president can do to bring down oil (and thus gasoline) prices. Even if a new president were to approve the XL pipeline, the impact wouldn’t be felt for years. If ANWR were approved tomorrow, it would take many years for that field to be developed and start generating significant amounts of oil. Offshore drilling has a lead time of many months and often years to bring new production online. Remember that the Bakken Formation in Montana and North Dakota has taken years to develop and is just now gaining serious momentum.

The target for rising gasoline prices, contrary to what the polls seem to indicate, isn’t the presidency, but the Federal Reserve. As long as the central bank continues to expand the money supply the price of oil will inevitably continue to rise.