

Why gas prices are so high in america



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Name Professor's name Course Date Why gas prices are so high in America
 What is the unresolved issue? The high crude oil prices resulted in the high price of gas worldwide. The price rise has affected every nation of the world economy. In America the price of gas has risen steeply over the past years. The hiked gas price in America have reached \$4 gallon as of March 2011. The rising fuel cost has compelled people to drive less. The rise in the prices of gas has resulted in a change in the American life style. (Keen and Overberg) The price rise resulted in a trade deficit in the country as it rose to 15 percent in January 2011. (U. S. trade deficit rose 15% in January on higher
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oil prices) Texas the second largest state in US experienced a steady rise in the gas prices. The latest data available shows that in the year 2011 the oil price in the state of Texas showed a slow but decreasing trend, where the retail gasoline price has changed from \$3. 727 per gallon on the 23rd of May 2011 to \$3. 589 per gallon on 6th June 2011. But considering the same month last year that is in 2010, the gas price has increased by 0. 976 dollar per gallon. Houston the largest city of Texas has also experienced an escalation in the price of gas by 1. 023 per gallon in 2011 from that of the previous year. (Retail Gasoline Historical prices) What are the concerns? One of the main reasons for a high rise in the price is the increase in demand for oil in countries like China and India. As reported by the International Energy Agency in 2010 the demand for oil in China witnessed a dramatic rise, which jumped by a 28 percent in January as compared to January 2009. (China's oil demand increase ' astonishing', says IEA) The demand for the crude oil in the country had been rising since the past decade accruing to the high rate of economic growth. The growing demand in oil had pushed up the prices for the crude oil and the lighter oils price premiums in the United States.

(China's growing demand for oil and its impact on US petroleum markets)

Other reasons includes the increased gasoline taxes, civil turbulence in Venezuela and conflict in the Middle East countries, Nigeria facing political instability, and the numbers of refineries being less in United States of America. Political opposition to offshore drilling is another factor that is pulling up the cost of gas. Another reason that is responsible for the high price of the gas can be the high usage of the gas while driving. The chief economist of American Petroleum Institute is of the opinion that the oil prices have risen for the basic reason of supply and demand. He is of the opinion

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that the oil prices have grown, as the supply of the same is limited while the demand of it has risen due to the escalated demand from the countries like China and India. What can be done? The rising price of gas is an issue that needs to be addressed properly. The change in the American lifestyle can adversely affect the economy. The price rise has resulted in less driving of the car, which instead has affected the demand of the car in the economy. The gas price has resulted in a shift of the demand towards the more fuel-efficient cars. It has been also reported that the Americans have cut down on their vacation travel and that a smaller section of the society has taken to the public transport. The price rise has definitely put the Americans in financial hardships. The price has also had an effect on the stock market where the potential consumers are spending less. References 1. "China's oil demand increase 'astonishing', says IEA", BBC News, 2010, June 9, 2011: <http://news.bbc.co.uk/2/hi/business/8563985.stm> 2. "China's growing demand for oil and its impact on US petroleum markets", 2006, Congress of the United State Congressional Budget, June 9, 2011: <http://www.cbo.gov/ftpdocs/71xx/doc7128/04-07-ChinaOil.pdf> 3. Keen, Judy and Paul Overberg, 2008, "Gas prices rattle Americans", USA Today, June 9, 2011 : http://www.usatoday.com/money/industries/energy/2008-05-08-gasprices_N.htm 4. U. S. trade deficit rose 15 % in January on higher oil prices, The New York times, 2011, June 9, 2011: <http://www.nytimes.com/2011/03/11/business/economy/11econ.html?scp=1&sq=high%20Oil%20price%20USA&st=cse> 5. Retail Gasoline Historical prices, from: http://www.eia.gov/oil_gas/petroleum/data_publications/wrgp/mogas_history.html 6.