Fuel Wars Essay, Research Paper

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A response to the increasing gas prices

Over the past two years, it has been said that gas prices would begin to rise in 1999. Immediately, this news grasped the attention of the business sector and public. Both spent their time devising a plan, on how to keep the prices low, but the time has come for these plans to begin working. The fuel prices have increased dramatically and the economy is now starting to feel the effect.

Around the world, the increase of the price of crude oil has hit the public harmfully. May Canadian s heat their homes with oil, especially on the west coast, and the cost of oil has increased 50% or more with a three-month range. In America, president Clinton has begun spending countless millions of dollars, to aid the families, which who cannot afford to pay for those absurd oil prices. This cause crises causes problems to the families that need every cent they earn to continue on their daily living. The standard of living, per household drops and consumer spending decreases, in order to save enough money to pay for oil. If this continues on, it will very well cause the economy to fall into a contraction period.

In Canada the cost of fuel has hit record highs of $.69 a liter to $.71 to liter. As you can see those prices are ridiculous and all Canadian citizens agree with me, especially those people that devote their life to being on the road, truckers. Truckers are outraged with the prices of diesel it has increased 100% and most of them can afford to pay those prices. Some truckers who work for large companies also sometimes pay for fuel if the total price exceeds the amount the company is willing to pay. Other independent truckers are contemplating whether or not they should call it quits because its just to costly for them to work, and most the time the money they make just goes towards paying for fuel. In Ontario furious truckers across the GTA basically turn the highways into virtual parking lots during rush hour time. According to many articles, Americans should be more thankful, and should complain less. The reason for this is that their gas prices are not as high as Canada s and most of the public has the money to pay for the high prices.

Inflation? Take inflation into account, the prices of gasoline is less now than thirty year ago. According to Charles Krauthammer on May 6, 1996 of the Washington post. Increases in gas prices aren t as simple as supply and demand. He believes that there are short run and long run reasons for the increasing prices. He doesn t explain into further detail.

The gas prices effect on employment is that the prices for gas are too high for people to continue on their work, and consequently people will stop working, or businesses will layoff workers in order to still gain a profit. With relation to the CPI, the price for gas increase, but the demand still stays the same, therefore if a trucking company charges low shipping costs, to still gain a profit their charges will hike up, in order to still gain a profit. Consumer confidence reduces because the public doesn t have enough money to pay for the high prices, but the demand still stays the same. The government seems to solve the problem of gas prices, but it s not quite working, or it s taking too long. It seems Canada s being reluctant to spend money in order to help the Canadian public, and actually the government is contributing to the problem, gas prices at the pump are taxed 30%. If Canada reduces the tax, highly unlikely, it would reduce the price a bit. Down the road, gas prices will effect interest rates and stock prices, interest rates would go up, because any item that uses gas, in order to create something, such as a cement truck, the price of the final product the cement truck helped build, would increase and could later effect the interest rates. Stock prices would also increase because fuel prices increase and the demand for the prices stay the same and companies make more of a profit. In order to utilize factories to the fullest, everything must be flowing nicely, in order to reach potential output, but as we see here gas prices effect the production of companies because gas prices are higher, therefore companies would reduce the amount of production or continue on the same production rate, but just increase the price of the finished product.

It s a proven fact that OPEC (Organization of Petroleum Exporting Countries) is responsible for the insane prices of gas. The Organization was able to increase the prices of crude oil by limiting the amount of barrels of oil to 4.3 million per day; OPEC used the cartel technique in order to increase the price of gas.

As we see the increasing gas prices, we notice the reaction of the economy. If the continuation of high prices of fuel, the economy will surly fall, and that means a lower the standards of living for millions of citizens. Therefore, the fuel prices have increased dramatically, and the economy is now starting to feel the effect.