



Why has the price of gas gone up?

Posted by [Super G](#) on April 22, 2006 - 9:42am

Topic: [Economics/Finance](#)

Tags: [crude oil](#), [futures](#), [gas prices](#), [grandstanding](#) [[list all tags](#)]

There is a [pretty good piece on MSNBC](#) that explains how gas prices are set. It is written in a "FAQ" format and does quite a good job of breaking this down for the layperson. I think some of the material may have actually crept into a report on Friday's NBC Nightly News ([link to netcast—not sure if it works](#)).

Ultimately, the price of gas prices is set by the price of crude oil on the futures market, which (I believe) is out of the hands of [grandstanding politicians](#). If this much gets through to the public, I'd say we've made progress. The problem however, is that, in the eyes of the public, we've just replace one mystery (gas prices), with another (crude oil prices).

The fact is that the futures markets is opaque. Sure, financial news services come up with narratives about why the futures do what they do, but they never really cite any evidence for them. Does anyone, even the wise readers of the The Oil Drum, really know the true reasons why crude oil prices are high? Is it because the supply of crude oil is diminishing? Anxiety over Iran and Nigeria? Mere speculation by investors? Chances are that it's all of these things. Investors do things for all kinds of reasons, and they certainly don't act as a monolithic block.

http://www.theoil Drum.com/tag/gas_prices (this link will take you to all of our stories on gas prices which go in to a lot greater depth than this post...)

Update [2006-4-22 13:3:39 by Super G]: As pointed out in the comments, the switchover from MTBE to ethanol [as well as the annual transition from winter blend to summer blend] is also contributing to higher prices in the short-term.



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