



The Myth of Election Year Price Manipulation

Posted by [Robert Rapier](#) on October 8, 2008 - 10:15am

Topic: [Policy/Politics](#)

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It seems that every election season, conspiracy theories arise that the oil companies are trying to bring down gasoline prices in order to influence elections. The thinking is that oil companies tend to favor Republicans (true) and that they bring prices down to help Republican candidates. When I hear this sort of talk, I try to explain to people that U.S. oil companies control so little of the world oil market that there isn't much they can do to influence prices. They simply don't have the stroke that people think they have.

But [a poll in 2006](#) showed that nearly half of Americans thought Bush had successfully manipulated prices down as the election approached:

Almost half of all Americans believe the November elections have more influence than market forces. For them, the plunge at the pump is about politics, not economics.

Retired farmer Jim Mohr of Lexington, Ill., rattled off a tankful of reasons why pump prices may be falling, including the end of the summer travel season and the fact that no major hurricanes have disrupted Gulf of Mexico output. "But I think the big important reason is Republicans want to get elected," Mohr, 66, said while filling up for \$2.17 a gallon. "They think getting the prices down is going to help get some more incumbents re-elected."

No doubt that incumbents like to see gas prices falling ahead of an election. But having any real power to influence price is a different matter. Since gas prices are once again falling as we head toward an election, I thought I would try to put this myth to rest. So, I decided to tabulate the price behavior of gasoline stretching back over the past three presidential elections. I chose to track the price from the beginning of summer driving season - Memorial Day - until the first part of November when the elections take place.

The results are shown below:

Year	Memorial Day	November 1	% Change	Comments
1996	\$1.32	\$1.27	-3.8	Presidential election (PE)
1997	\$1.26	\$1.22	-3.2	No elections (NE)
1998	\$1.11	\$1.05	-5.4	Congressional elections (CE)
1999	\$1.15	\$1.27	10.4	NE

2000	\$1.58	\$1.57	-0.6	PE
2001	\$1.74	\$1.25	-28.2	NE; 9/11
2002	\$1.43	\$1.49	4.2	CE
2003	\$1.53	\$1.58	3.3	NE
2004	\$2.09	\$2.08	-0.5	PE
2005	\$2.14	\$2.42	13.1	NE; Hurricane Katrina
2006	\$2.94	\$2.25	-23.5	CE; refining capacity recovers
2007	\$3.25	\$3.06	-5.9	NE; gas prices set records
2008	\$3.99	?	-?	PE; gas prices set records

Table 1. Comparison of Gasoline Prices Between Memorial Day and Elections **Source:** [Energy Information Administration](#)

Personally, I think one would be hard-pressed to find a pattern there. The biggest price drop happened in a non-election year, albeit it was an anomaly caused by 9/11. Of the thirteen years recorded, gasoline prices fell between Memorial Day and November during nine of the years. This is what I generally tell people: Prices fall for seasonal reasons, and do so even when there are no elections. The reason prices fall is that demand for gasoline falls after the summer. The price generally peaks in early summer, and following Labor Day in early September the price falls. (The details of why this generally occurs was explained in [The Transition to Winter Gasoline](#)).

Of the presidential election years, the price fell in 1996 when President Clinton was running for reelection, was essentially unchanged in 2000 and 2004 when President Bush ran against Al Gore and then John Kerry, and will almost certainly fall this year as oil prices pull back from their record highs.

In fact, if you take out the major anomalies on the graph - the slowdown caused by the 9/11 attacks, and the 2005 run-up of price in the wake of Hurricane Katrina, followed by easing in 2006 as refineries recovered, the truth is that gas prices usually don't change dramatically between May and November - election year or not.

So why does this myth persist? There are a couple of reasons I can think of, but I think they generally fall under the category of [confirmation bias](#). There really isn't a strong pattern of gas price behavior (other than a stair-step up year after year); people just notice it more in an election year. In addition, because prices rise and fall over the course of any year, you can always point to a price drop in an election year to support possible biases. But if you use objective analyses (e.g., start and stop the price check on the same date every year) the non-pattern becomes obvious. Had I allowed my dates to be variable, no doubt I could have shown prices falling during any election year. Or, I could have shown them rising.

As for the idea that the president has that much power, all he can really do is go with his hat in hand and beg the Saudis to pump more oil in an attempt to ease prices. OPEC has indeed had historical pricing power, but even that is eroding as spare capacity dwindles. But the idea that Bush can pull any strings and get Big Oil to manipulate gas prices demonstrates that people give him, and Big Oil for that matter, far too much credit. Besides, as Joanne Shore, an analyst at the EIA noted in the previously linked article *"What company in their right mind would step forward to kill their profit?"*

I won't go so far as to say that gas and oil prices can't be manipulated. OPEC as a group can

manipulate prices if they still have a couple million barrels of spare capacity. But U.S. oil companies do not have the power to manipulate prices to impact elections. I would further argue that for those who do think oil prices are presently being manipulated down, do you also believe that they were being manipulated upward as they rose to near \$150/bbl? After all, that manipulation argument can cut both ways.



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