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House of Representatives

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Opening Statement
Rep. Dennis J. Kucinich, Ranking Member
Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending
Hearing on: "How Federal Reserve Policies Add to Hard Times at the Pump"

May 25, 2011

Mr. Chairman, thank you for holding this hearing, which should help draw much-needed attention to the plight of American businesses and families as they struggle to deal with the effects of high oil prices. Congress cannot continue to allow American consumers to bare the brunt of our energy policies, which grant oil companies massive tax deductions in exchange for the privilege of reaping un-imaginable profit from the Earth.

Despite the worst economic crisis since the Great Depression, oil companies are charging record high gasoline prices and have continued to make the highest profits of any industry in the world. Low-income families across this country -- including in my district in Ohio -- are especially harmed by high gas prices because they have a crippling effect on the price of food. While gas prices have recently come down a little, they are still high for too many Ohioans and Americans who have seen their incomes stagnate and decline. I am very concerned that the burden gas prices place on American families and businesses could threaten the nascent economic recovery.

With gas prices sky-high, this hearing will play an important role in helping us understand the cause of oil price volatility. But by focusing on Fed policy today we risk missing the forest for the trees. The Fed has no control over the key drivers of high prices today.

Oil prices have soared recently in part because of the rising demand in developing countries such as Brazil, China and India. While consumption of oil in the U.S. may be slowing, global demand is at record levels, causing prices to soar. War and unrest in oil-producing Middle East countries has also driven up prices. The Fed has no control over these price-determinative factors.

The Fed also does not oversee the derivatives market for oil that has fueled gas price spikes: the Commodity Futures Trading Commission (CFTC) does. Speculators betting on the future price of oil have contributed to the spikes – encouraging oil producers to hoard their commodity in the hopes they'll be able to sell it later on at a higher future price. The Full Committee released a report on Monday finding that excessive speculation could be inflating gas prices by as much as 30%. Stopping the manipulation of the market for the energy on which we are painfully dependent will have a significant impact on lowering gas prices. We must ensure that the CFTC has the resources and authority to implement the Dodd-Frank reforms passed last year to curb rampant oil speculation.

Most fundamentally, volatility in oil and gas prices will continue to threaten American prosperity until we change our nation's energy policy. We must free ourselves from oil dependence which has enriched oil companies and left Americans struggling to pay for gas to go to work. The path to a sustainable energy future demands that we focus on energy efficient technologies and renewable energy resources for our energy supply.