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\$4 gasoline? It's news to Bush

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President Bush answers questions from reporters during a news conference at the White House. J. Scott Applewhite / Associated Press

When asked about the possibility of the price going that high, president says, 'That's interesting, I hadn't heard that.' He also says a tax hike on oil companies would drive the price up further.

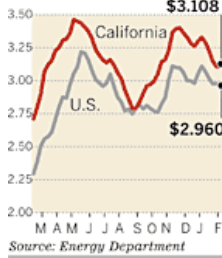
By Maura Reynolds, Michelle Quinn and Ronald D. White, Los Angeles Times Staff Writers
February 29, 2008

WASHINGTON -- The prospect of sharply higher fuel prices, including \$4-a-gallon gasoline, may not have made it into Oval Office briefing books, perhaps explaining why President Bush was surprised Thursday when a reporter mentioned what energy analysts are saying could happen soon in many parts of the country.

"Wait, what did you just say? You're predicting \$4-a-gallon gasoline?" Bush responded to a reporter who said some analysts expect prices to soon climb that high. "That's interesting. I hadn't heard that. . . . I know it's high now."

At the pump

Average price per gallon for self-serve regular gasoline in the U.S. and California, weekly data



GRAPHIC

The price of oil set another record Thursday, jumping \$2.95 to close at \$102.59 a barrel in New York futures trading.

But even before the recent surge in oil prices, analysts were predicting that the average price of a gallon of gasoline could reach \$3.75 nationwide in the near term and top \$4 in states such as California and Hawaii.

Bush's acknowledged unfamiliarity with the recent cost of gasoline produced some fumes at the pump.

At a Shell service station in the Bay Area city of San Mateo, the price of a gallon of regular had already reached \$4.29, well above the state average of \$3.42, as measured by the AAA auto club.

"Bush is out of touch with a lot of things we are facing today," said 33-year-old Marisa Cajbon, who was filling her Toyota Sequoia SUV with the expensive fuel. "I have to buy gas. I need to work. I have two kids. I think it's unfortunate. I think it's a crime."

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Average U.S. price per gallon for self-serve regular gasoline, all formulations. Weekly data.



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Not surprisingly in a presidential election year, Bush's remark provoked comparisons to his father, George H. W. Bush, who took a serious political hit in 1992 after appearing to be out of touch with Americans' everyday lives.

The current occupant of the White House isn't seeking reelection, but Democratic presidential hopeful Sen. Barack Obama immediately seized on the gasoline issue, accusing the younger Bush of failing to understand the hardships ordinary Americans are facing as prices rise and the economy falters.

"When I hear George Bush say that he doesn't think we're in a recession, when somebody tells him that, you know, gasoline prices might reach \$4 a gallon and he says, 'That's interesting. I didn't know that'. . . . That's a sign we have a Washington that is out of touch," the senator from Illinois said to cheers and laughter from a crowd of about 2,000 at a campaign stop in Beaumont, Texas.

Obama's rival for the nomination, Sen. Hillary Rodham Clinton of New York, expressed concern about fuel costs during a visit with two families in Pomeroy, Ohio. "We need to give more authority to the government to go after these oil companies to ask the hard questions," she said.

During a White House news conference, Bush tried to put the best spin on months of bleak economic news. "I don't think we're headed to a recession, but no question we're in a slowdown," Bush said.

In his second day of congressional testimony, Federal Reserve Chairman Ben S. Bernanke repeated his warning that the U.S. economy faces a triple threat of declining growth, recurring credit crunches and rising inflation. But in contrast to his assessment Wednesday, the central bank chief shared a note of optimism on the nation's odds of dodging the worst of the problems.

Bernanke told the Senate Banking Committee that he didn't see much danger of so-called stagflation, the combination of falling growth and rising prices that ravaged the economy three decades ago.

"I don't think we're anywhere near the situation that prevailed in the 1970s," Bernanke said.

However, he acknowledged that higher food and fuel prices were creating "inflationary stress" that could make it tougher for the Federal Reserve to keep the economy out of recession by cutting interest rates.

Bernanke's testimony came as the Commerce Department reported that the gross domestic product, the broadest gauge of the nation's output of goods and services, grew at a weak 0.63% rate in the fourth quarter of last year. Economists had hoped that the GDP number, which the government had estimated at 0.6%, would be revised substantially upward.

Bush said he understood that uncertainty about the economy was hard on American consumers. But he said the answer was for Congress to make the tax cuts he pushed through in his first term permanent. Many lawmakers have balked, arguing that those reductions have led to a dangerously large federal budget deficit.

"If you're out there wondering . . . what your life is going to be like and you're looking at \$4 a gallon, that's uncertain," Bush said. "And when you couple with the idea that taxes may be going up in a couple of years, that's double uncertainty."

The average U.S. pump price was \$3.16 a gallon Thursday, according to AAA, but higher in many regional markets.

Roy Persinco, who filled up his Ford 250 pickup truck for \$3.25 a gallon at a Santa Monica Shell station Thursday, said he spent \$125 a week on gas.

"I can't believe that an ex-oilman could be so unaware and ignorant of what is going on around him in the real world, but I'm sure his old buddies in the oil industry can tell him they're doing just fine," Persinco said.

Another motorist, Grant Reese of West Los Angeles, volunteered to help the president keep in touch during his remaining days in office, lest he be caught off guard by the Washington press corps again.



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"I'd be happy to send him all my credit card receipts for gasoline from now on," Reese said, watching the pump top \$40 as he filled the tank of his Nissan Altima at a Sam's Club station in Long Beach.

Energy analysts have offered motorists little solace, saying that the rules of supply and demand for gasoline and other fuels are apparently being overridden, and commodity prices are continuing their run.

The Energy Department's most recent weekly petroleum report said gasoline inventories were more than 8% above their five-year average. Gasoline demand is about 1% shy of its level of a year ago.

Tom Kloza, chief oil analyst for the Oil Price Information Service in New Jersey, said the situation was likely to get worse. He expects retail gasoline prices to hit record highs between \$3.50 and \$3.75 a gallon nationally and that \$4 gasoline in California won't be considered a rogue price.

"I can't see [the average] hitting \$4, but then I also couldn't see oil hitting \$103 a barrel," he said.

Reynolds reported from Washington, Quinn from San Mateo, Calif., and White from Los Angeles. Times staff writers Peter G. Gosselin in Washington, Mark Z. Barabak in Beaumont, Texas, and Scott Wilson in Los Angeles contributed to this report.



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