Press Release

High Gas Prices and Low Tax Policy

PAULINA ENCK | APRIL 4, 2022

The strong global recovery from the COVID-19 pandemic, and more recently Russian aggression in Ukraine, has fueled a rapid rise in crude oil prices. In a new insight, Director of Fiscal Policy Gordon Gray explains a past ineffectual policy being resurrected to combat these rising prices – the windfall profits tax – and why it would not accomplish the stated aims of U.S. policymakers.

Key points:

- Oil prices are set in the global marketplace, in which the United States is but one actor.
- Nevertheless, U.S. policymakers often propose performative policies – particularly taxes – to create the appearance of influencing the energy prices consumers face.
- The U.S. experience with windfall profit taxes demonstrates the futility, and ultimate harm, of such tax policies that create poor incentives, reduce energy supply, and fail to achieve policymakers' stated aims.

Read the analysis