

# Rising energy, food prices spark global protests

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Oil prices hit their highest level in over two years this month, cutting into workers' incomes, compounding the effects of high unemployment, and fueling protests around the world.

West Texas intermediate crude oil reached \$112 Friday, up 32 percent from a year ago. Average prices at the pump hit \$3.84 in the United States, up 30 cents from a month ago, and over one dollar from April 2010, according to the American Automobile Association. Gas prices on the West Coast of the United States are even higher, averaging over four dollars per gallon.

Food prices edged down slightly from their February high last month, but remained higher than any other month on record, according to the world food price index published by the World Bank. Prices were up by 36 percent compared with a year ago.

Prices of some foods have eclipsed even the peaks they reached earlier in the year. Coffee prices hit their highest level in 34 years. Inventories of the crop were at their lowest level in 50 years, according to the International Coffee Organization.

Rising prices have fueled social unrest throughout the world. Hundreds of truck drivers staged a protest Thursday in Shanghai, China's largest transportation hub, in response to the rising cost of fuel. The drivers set up a roadblock in front of one of the city's ports, which police quickly dispersed, arresting at least eight people.

China has been among the countries worst affected by global inflation. The Chinese inflation rate hit 5.4 percent last month, while food and fuel prices have grown at more than double that rate. The Chinese government raised the official price of fuel, which is kept low by government subsidies, for the second time

this year on April 7.

In a country where the average family spends 33 percent of its income on food, the rise in inflation has had a substantial impact on the real incomes of the population. The Chinese government has responded to growing unrest with threats of repression, amid concerns that growing inflation could trigger a national protest movement.

China imposed price controls on consumer items earlier this month, and Premier Wen Jiabao said he would consider allowing the country's currency to appreciate in order to combat inflation. Several days later, on April 17, China announced that it had raised its required bank reserve ratio in an effort to tighten credit and reign in rising prices.

Rising food costs also contributed to popular protests in Philippines, Kenya, and other countries. In Uganda, thousands of supporters of opposition leader Kizza Besigye walked to work this week in protest of high fuel prices, prompting arrests and confrontations with police.

Rising food prices have driven more than 44 million people into poverty worldwide since June 2010, according to figures published by the World Bank earlier this year. The impact has been particularly severe on the poorest countries, where most people spend half of more of their yearly income on food.

Rising fuel costs have also strained the finances of the governments of developing countries, who spent \$250 billion in fuel subsidies last year, up from \$60 billion eight years ago.

The run-up in prices has eaten into corporate earnings, prompting companies to pass on costs to consumers. United Airlines said its fuel costs grew by 35 percent in the first quarter of this year, compared to the year before, forcing it to increase fares and cut back

routes. Growing fuel costs contributed to a \$213 million loss recorded by the airline for the quarter.

American Airlines also announced it plans to close routes after posting a \$436 million loss for the first quarter this week.

US president Barack Obama announced Thursday that his government had formed a task force to investigate speculation in oil and gas prices. The new organization, called the “Oil and Gas Price Fraud Working Group” will be a part of the Justice Department and include representatives from the Securities and Exchange Commission, Federal Trade Commission, Treasury, and Department of Energy.

While energy experts were quick to point out that the move is not likely to yield serious results, it does point to growing social discontent over the rise in energy prices.

The continued rise in gas prices, which some experts warned could reach \$5 per gallon or more this year, has created even more unfavorable conditions for US consumers, who are already reeling from falling wages, high unemployment, and a continued housing slump.

US gas prices are just 27 cents from their record high of \$4.11, reached in summer 2008, and look likely to eclipse that figure as the peak summer driving season nears.

“As gasoline prices move higher, the burden on American households will rise further and demand growth is likely to stall if not turn negative,” Harry Tchilinguirian, commodity strategist at BNP Paribas, told the *Financial Times*.

Such a fall in spending, taken together with the tens of billions in government austerity measures slated for the new year, holds the potential to turn the US back to recession, wiping out millions of jobs on top of those already lost.

The latest upturn in food and energy prices has coincided with a drastic rise in the price of gold, which breached a record \$1,500 per ounce this week. The flight of investors to gold, as well as to other commodities, was at least partly a response to the continuing instability of sovereign debt, especially the threat by Standard and Poor’s that it would downgrade the debt rating of the United States unless the federal government took quicker action to cut social service spending.



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