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Energy Non-Economics

By Richard W. Rahn

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What do you think would happen if the 1,000-plus page energy bill before the Senate did not pass? Would your lights go out? Would you be unable to buy fuel for your car?

If the energy bill that passed the House on Dec. 6 is now passed in the Senate, American taxpayers will be burdened with \$21 billion in new taxes and have less freedom to drive the cars that they want.

You may be thinking, why would members of Congress want to increase my taxes and reduce my freedom? For all too many, being in government is a power trip, and being able to micromanage the lives of others gives them a kick — the proposed energy bill being Exhibit I.

In free-market economies, the price system negates the need for big brothers and mothers in government to manage our lives. When shopping for a car, people make tradeoffs. Bigger cars provide more carrying capacity for people and their belongings, and are generally safer, but they use more gasoline. As gasoline prices go up, increasing numbers of people buy smaller, more fuel efficient vehicles — Economics 101 — without Congress telling them to do so. Yet, the new energy bill states that cars and trucks must average 35 miles a gallon by 2020, regardless of individual need. My own bet is that with the advances in technology spurred by high gasoline prices, electric cars will be the norm by 2020, and so the regulation will be moot. But if I am wrong with my tech forecast, the congressional mandates will cause more unnecessary highway deaths, more inconvenience to American families, and will force manufacturers to produce vehicles that might be uneconomic for some companies.

The energy bill also mandates that electric utilities produce 15 percent of their power from "renewable sources,"

which makes no economic sense in many parts of the country. If nuclear energy can be produced for a third of the cost of a renewable, why should all consumers be saddled with higher prices to do things less efficiently? Again, the free-market price system tells producers what fuels they should use far more effectively than lordly senators and representatives ever can.

As you may have noticed, thousands of companies around the world are trying to figure out how to bring more energy to us at lower prices. They are doing this because the present high energy prices signal that great profits are to be made by those who succeed — as some surely will.

But Congress, by giving tens of billions of dollars of subsidies to political favorites, such as corn farmers to make uneconomic ethanol, and engaging in mindless regulation, is distorting those price signals and actually slowing energy innovation. Also, the ethanol scam, by diverting crop land, is a major factor in the rise in food prices.

By proposing \$21 billion more in taxes to pay for the subsidies and misallocating scarce resources, Congress will make all Americans poorer, less safe and less free. A new study indicates the legislation will cause a net loss of 4.9 million jobs and by 2030 diminish the average American household's annual purchasing power by about \$1,700 from baseline levels.

One truly foolish and arrogant provision of the bill would mandate a phaseout of the standard incandescent electric light bulb. But the private sector has already invented high-brightness LEDs and other new lighting technologies that use a small fraction of electricity and last far longer than the traditional bulb. As the price of these new technologies drop, individual consumers will quickly switch over — as they are already doing — without the nannies in Congress telling

them to do so. (LEDs have become standard for stop lights and are used on the White House Christmas tree this year).

Members of Congress want to be able to claim credit for something the private sector is already doing, because the price system gives entrepreneurs the appropriate signals to speed up innovation.

For the first 150 years of the American Republic, members of Congress would come to Washington for a several weeks to tend to the appropriate functions of government, which are few. But, sadly, they now hang around Washington all year, getting into mischief and acting like a bunch of socialist bureaucrats in a never-ending quest to manage our lives.

The beauty of the free-market price system is that it provides the private sector with all the information it needs to fulfill the wants, needs and desires of the people — including energy — far more quickly and efficiently than any government can.

The biggest gift Congress could give the American people is to forget about the energy bill and take a longer Christmas vacation.

Richard W. Rahn is the chairman of the Institute for Global Economic Growth.

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