The Carter-esque Energy Bill

Contributed by George Landrith
Tuesday, 31 July 2007

Washington, D.C. -- The Frontiers of Freedom Institute released the following statement by its president, George C. Landrith, regarding the pending energy legislation in the Congress:

“The energy bill as currently constituted is a hodge-podge of legislative failures that unfortunately will only make our current energy woes worse. Whether it is so-called price gouging legislation, increased mandates for ethanol, higher fuel efficiency requirements, or windfall profits tax, none of it will make energy cheaper or more plentiful and none of it will improve our nation’s energy security. The truth is there is far too many failed policies drawn straight from the Carter-era. Those policies resulted in historically high gasoline prices, long gasoline lines and shortages, and record unemployment. It is a mystery why this Congress thinks that repeating those glaring mistakes is a good idea.
For Immediate Release

Washington, D.C. -- The Frontiers of Freedom Institute released the following statement by its president, George C. Landrith, regarding the pending energy legislation in the Congress:

“The energy bill as currently constituted is a hodge-podge of legislative failures that unfortunately will only make our current energy woes worse. Whether it is so-called price gouging legislation, increased mandates for ethanol, higher fuel efficiency requirements, or windfall profits tax, none of it will make energy cheaper or more plentiful and none of it will improve our nation’s energy security. The truth is there is far too many failed policies drawn straight from the Carter-era. Those policies resulted in historically high gasoline prices, long gasoline lines and shortages, and record unemployment. It is a mystery why this Congress thinks that repeating those glaring mistakes is a good idea.

“Do Speaker Nancy Pelosi (D-Calif.) and Senator Harry Reid (D-Nev.) really have nostalgic feelings for long gasoline lines, rationing, skyrocketing prices and shortages? The current version of the energy bill seeks to force retailers to lower gasoline prices by imposing strong penalties for ill-defined “price gouging.” On a practical level, price gouging is virtually impossible because to avoid so-called price gougers, customers need only drive a short distance (sometimes across the street) to the next gas station. Competition makes price gouging virtually impossible.

“Yet, the legislation doesn’t define price gouging so we are let to assume price gouging occurs if we think it costs too much. If that is the standard, the theaters all across America price gouge for popcorn and soft drinks. Imposing implicit price controls on gasoline through price gouging legislation will have the same effect as explicit price controls -- shortages and long gas lines. Instead of readily available gasoline at about $3 per gallon, there will be no gasoline at any price. That is a huge step backward and that’s an infinitely higher price than Americans are paying now and one that few Americans will stand for.

“Rather than trying to mandate price controls, Congress should outlaw government gouging. After all, government takes many times more from every gallon of gas -- which they did nothing to earn -- than retailers or producers make in profit. Big government is gouging America -- which is precisely why Congress is now posturing and posing and pointing elsewhere for solutions and casting about for a scapegoat.

“The ethanol mandates are equally counterproductive. First, at current prices, ethanol costs about a dollar more per gallon than gasoline. To make matters worse, a gallon of gasoline and a gallon of ethanol are not equal. A car will go about 33% farther on a gallon of gas than it will on a gallon of ethanol. So ethanol costs more and carries you fewer miles. Additionally, only a very small percentage of cars on the road today can burn a gasoline mixture that contains more than 10% ethanol. And engines that burn primarily ethanol won’t last as long as traditional gasoline or diesel engines because ethanol is corrosive and rough on engines.

“Second, the ethanol mandate will not lower gasoline prices or increase supply. In fact, it will make gasoline more expensive and it has also made food supplies that use corn more expensive because as more corn is used for ethanol, there is less available for food products and livestock feed. As a result, beef, poultry, sweeteners, and tortillas are all

dramatically jumping in price. So now, thanks to Congress, Americans will pay more at the gasoline pump and more at the grocery store. As if that is not enough, Americans will also pay more in taxes so that Congress can provide all the subsidies required to make their ethanol pricing scheme work. That makes ethanol a triple threat -- to your wallet.

“Third, it simply makes no sense for Congress to pretend that ethanol can fix today’s energy shortages. University of Minnesota researchers note that if we used every last ear of corn in the U.S. to make ethanol, the best we could hope for is to replace about 12% of the gasoline we currently use. However, that is a best case scenario estimate. The truth is once you take into account the energy required to grow the corn; produce the required fertilizers, herbicides and pesticides; convert the corn into ethanol; and transport the ethanol which can’t be moved in the traditional petroleum pipelines due to its corrosive nature -- ethanol would only reduce our need for gasoline by about 2 percent. And that is still assuming that we divert every last kernel of corn in the U.S. into ethanol production. And it is not realistic to use all of our corn for ethanol because corn has many other important uses. So why is Congress mandating a “solution” that simply cannot solve the problem, but will cause many other problems -- like higher food prices and higher taxes and higher gasoline prices at the pump?

“The public needs to take note of current energy prices and if Congress passes this irresponsible and counterproductive energy-bill, the public needs to hold Speaker Pelosi and Senator Reid responsible when in a year or two, gasoline prices are higher still and other consumer prices are also on the rise. They need to be held accountable for ramming down our throat an energy bill that has been tried before and failed. It is simply irresponsible to keep trying the same thing over and over and hoping in vain that it will somehow produce different results this time. It is time for Congress to stop the political shenanigans and discuss real solutions that increase both energy production and refining capacity. Anything less is just a diversion.”

For more information or to schedule an interview, please call the Institute at 703-246-0110.

# # #

George Landrith is the President of the Frontiers of Freedom Institute – a public policy think tank devoted to promoting a strong national defense, free markets, individual liberty, and constitutionally limited government. Mr. Landrith is a graduate of the University of Virginia School of Law, where he was Business Editor of the Virginia Journal of Law and Politics. As an adjunct professor at the George Mason School of Law, Mr. Landrith has taught constitutional law, appellate advocacy, and legal writing. Mr. Landrith appears frequently on television and radio news programs. He has been quoted in many of the nation’s leading newspapers. In 2004, Mr. Landrith published a book entitled, On Politics and Policy: Views on Freedom from an American Conservative.