

A WAR ON ENERGY—AGAIN?

by Doug Bandow

As if the federal government was not busy enough, President George W. Bush has proposed moving America towards energy independence. To quote Yogi Berra, it's déjà vu all over again.

President Richard Nixon, by imposing oil price controls, was more responsible than anyone else for creating an energy crisis. But in 1973 he proclaimed: "In the year 1980, the United States will not be dependent on any other country for the energy we need to provide our jobs, to heat our homes, and to keep our transportation moving." He also supported federal subsidies to produce "an unconventionally powered, virtually pollution-free automobile within five years."¹

President Gerald Ford served less than a term and left little policy imprint, but he affirmed the goal of energy independence—by 1985 rather than by 1980. President Jimmy Carter declared that achieving energy independence was the "moral equivalent of war."² He said the U.S. would "never again use more foreign oil than we did in 1977."³ Toward that end, President Carter proposed new subsidies, created new agencies, promulgated new regulations, and imposed new taxes.

President Ronald Reagan freed the energy markets of many restrictions. President George H.W. Bush offered a national energy strategy for "reducing our dependence on foreign oil." Both he and President Bill Clinton pushed subsidies for more fuel efficient (such as electric) cars; the latter advocated a hefty BTU tax on oil.

Early in his presidency, George W. Bush made the usual call for energy independence, backed by support for subsidies for a hydrogen car. In his 2006 State of the Union speech he proposed an energy independence plan that seemed like it was taken straight from Carter's playbook.

"America is addicted to oil," President Bush proclaimed.⁵ He proposed "a 22 percent increase in clean-energy

research," citing clean coal-fired plants, new solar and wind power technology, safer nuclear power, ethanol fuel, and, of course, electric and hydrogen cars. His objective is "to replace more than 75 percent of our oil imports from the Middle East by 2025" and "move beyond a petroleum-based economy and make our dependence on Middle Eastern oil a thing of the past."⁶

The administration played the terrorism card. Explained Energy Secretary Samuel Bodman: The President's goal "is an improvement in our national security that would come from a more readily available supply of domestic motor fuel." He added: "It's not a matter of anything other than trying to improve the security of our country by broadening the availability, the domestic availability of motor fuels and, therefore, lessening the reliance on foreign producers."⁷

Despite the generous claims of national security made on its behalf, the President's energy program looks decidedly unserious. Even White House aides reluctantly acknowledged that oil is an internationally traded commodity, so the U.S. cannot effectively target imports from just one region.⁸

Moreover, subsidies would go to industries largely irrelevant to oil imports. Complains Gal Luft of the Institute for the Analysis of Global Security, "The President's initiative ties an oil saving target to a basket of energy solutions for homes and businesses, which have nothing to do with our energy problem."⁹ Whatever the virtues of, say, wind power, reducing reliance on oil from the Mideast is not one.

The President's program mostly means handing out more money to companies already on the federal dole. For instance, there's \$148 million for solar power and \$44 million for wind power, both of which remain minor energy sources despite having benefited from

Washington's largesse for years. And there's \$335 million for research on coal—a multi-billion-dollar industry with its own incentive to develop “clean” technologies.

Sprinkling a few dollars on selected companies, laboratories, and universities appears to yield more political than economic benefits. The amount of money is small; a pittance compared to a federal budget of \$2.8 trillion. Positive, permanent results of past government-funded energy research are hard to find.

The Bush administration claims credit for having already spent \$10 billion on alternative fuels research. Last year's Energy Act lavished more money on all of the usual energy interests—\$2 billion in tax breaks for gas and oil, plus subsidies for ethanol, nuclear, and more. Before that were many other energy programs.

To what end? Certainly not energy independence. If the U.S. faces a dire security threat from importing petroleum from an unstable region teeming with enemies of America, then Washington presumably should take a far stronger hand in redesigning the energy economy.

In short, if the Bush administration really wanted to send a message about energy independence, it would need to propose the equivalent of a new Manhattan Project or Apollo program.

Others have made this point. Former New York City Mayor Ed Koch last year called for an effort to develop fusion power akin to that used to develop the atomic bomb.¹⁰ Rep. Roscoe Bartlett (R-Md.) responded to the President's recent speech by calling for “a national energy conservation program with the commitment, breadth and intensity of the Apollo moon mission and the Manhattan Project.”¹¹ Air Force Lt. Col. John M. Amidon offered a detailed program that he called a “Manhattan Project for energy.”¹²

The Manhattan Project was more than just a lot of money, around \$20 billion in today's dollars. At its peak the atomic bomb program utilized more than 30 research sites across the nation and employed 130,000 people, as many as worked in the auto industry. One location, Oak Ridge, became Tennessee's fifth-largest city.

The Apollo program was no less a government-run show. The federal government devoted roughly \$135 billion in today's dollars, and over eight years, to reach the moon. Count all of NASA's costs during that period and you're over \$220 billion.

And still, such an energy program likely would not yield cost-effective results. Government subsidies based on politics are never as cost-effective as private investments

based on economics. But at least a big government initiative would be as serious as the political rhetoric routinely advanced by politicians.

Ultimately, the best federal energy policy is: hands off the marketplace. Rising prices will be the primary motivation for the U.S. to move away from its heavy reliance on oil or adapt in other ways.

¹ Quoted in Ronald Bailey, “Presidential Energy,” *The Wall Street Journal* online, February 2, 2006, www.wsj.com.

² Quoted in Bailey.

³ Quoted in Matthew L. Wald and Edmund L. Andrews, “Call to Cut Foreign Oil Is a Refrain 35 Years Old,” *New York Times*, February 1, 2006, p. A18.

⁴ Quoted in Bailey.

⁵ George W. Bush, “Transcript of the State of the Union Speech,” *Washington Post*, February 1, 2006, p. A15.

⁶ Bush, “Transcript,” p. A15.

⁷ Quoted in “Press Briefing on the President's Advanced Energy Initiative,” The White House, February 1, 2006, www.whitehouse.gov.

⁸ Kevin G. Hall, “Administration Backs Off Bush's Vow to Reduce Mideast Oil Imports,” *Knight Ridder Newspapers*, February 1, 2006, www.realcities.com.

⁹ Quoted in Mark Clayton, “Bush's Plan to Wean US Off Imported Oil: Ambitious Enough?,” *Christian Science Monitor*, February 2, 2006, www.csmonitor.com.

¹⁰ Ed Koch, “Needed: A Manhattan Project for Oil,” *World Tribune*, August 23, 2006, www.worldtribune.com.

¹¹ Roscoe G. Bartlett, “The Next Conservative Energy Policy,” *Cybercast News Service*, February 8, 2006, www.cnsnews.com.

¹² John M. Amidon, “A ‘Manhattan Project’ for Energy,” *Joint Forces Quarterly*, Number 39 (October 2005), pp. 68-77.

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