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Must Our Senators Embarrass Us So? **by Sheldon Richman**

An open letter to the American people:

Like you, I was embarrassed by those senators holding the hearing on oil-company prices and profits the other day. Hard to believe that adults could act so childishly before television cameras.

Let's face it: those senators made such fools of themselves for one reason only — to impress you and me. Of course, we saw through their stunt.

Pete Domenici, the Republican senator from New Mexico, told the oil executives, "Americans have been experiencing painful prices at the pump — whether you think so or not, they think so. The oil companies owe the American people an explanation."

Indeed, we did see oil and gas prices rise, although they were already falling as the senators engaged in their tomfoolery. But you and I understand why they went up. World demand for oil has grown, and then hurricanes hit a key refining area. So when Domenici says the American people are owed an explanation, he is insulting your intelligence. He pretends that you don't know that the explanation is available in any economics book. It's called supply and demand.

Byron L. Dorgan, the North Dakota Democratic senator, chimed in, "None of us knows much about pricing. But we see the pain of the consumers, and we see the gains of the companies." Now there was a refreshing confession of ignorance. That's rare in the U.S. Senate. He may not know how the price system works, but you and I do. We understand that when supply falls and demand increases, a process kicks in that encourages new production and reduced consumption. The pain is therefore temporary — if the market process is protected from meddling politicians who admit they know nothing about economics.

Want to hear something funny? When ExxonMobil chairman Lee Raymond explained the price system to the senators, Domenici said, "I don't think my constituents are going to understand your answer." See? The politicians think you're dummies. I suggest that Domenici speak for himself, and perhaps Byron Dorgan. The rest of us have heard of supply and demand.

Here's another laugher. House Speaker Dennis Hastert said he had a "very frank discussion" in which he told Raymond he should invest the company's profits in expanded production. Wow! I'll bet Raymond never thought of that! What would businessmen do without these guys? (Psst: the companies have been investing billions in new production.)

I'm curious: altogether how many gallons of gasoline have Hastert, Domenici, and Dorgan produced?

Apparently, the Bush administration didn't want to be left out of the silliness. Spokesman Scott McClellan contributed this gem: "Energy prices have been too high and energy companies have realized significant increases in profits. It's important that the private sector be good corporate citizens and invest in the energy infrastructure and support those who are in need." Thank goodness we have such wise people running the country. But is expanding production really a matter of good citizenship? I thought it was a way to make more money for the company owners, who might be you and me, since we could own stock through our 401(k)s. And what's this about supporting those in need? Isn't producing energy, which is increasingly cheaper in real terms, support enough?

The senators kept pointing out that ExxonMobil made nearly \$10 billion in the last quarter. But that was on \$100 billion in sales. In other words, the return during an extraordinarily profitable period amounted to less than 10 cents on the dollar. For years, the oil companies' profits were below the industrial average. You can look it up.

So here is my message to you, my fellow Americans. We can spare ourselves such foolishness in the future. How? Write your senators and representatives today and tell them you support the free market because it is the only way to have cheap, plentiful energy. And tell them you want no windfall-profits tax or regulations because they will only hurt *us*. Yes, take away any oil-company subsidies, but leave the producers alone.

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