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## **Bush Speaks Nonsense on Energy** **by Sheldon Richman**

Despite the bravado in his State of the Union address, President Bush actually admitted that his efforts in the Middle East are destined to fail. Here's what he said: "America is addicted to oil, which is often imported from unstable parts of the world." He then unveiled billions of dollars in new subsidies to find an alternative to oil.

What's going on here? Haven't we been told repeatedly that Bush's policy in the Middle East is going to bring freedom, democracy, and stability to the long-suffering oil states of the region? Why the subtle confession that the policy will fail?

Could the victory of Hamas in the Palestinian elections have convinced Bush that his democratic crusade may not achieve his stated goals? Whatever the reason, his remarks about oil betrayed a glimmer of realism. In this administration, that is big news.

The rest of what he had to say about oil, though, is shot through with nonsense. No one's addicted to oil. Addiction implies passivity and helplessness; it doesn't even apply to drugs. It certainly has nothing to do with oil. We use oil because under current circumstances, it makes sense to use oil. It's efficient and still cheaper than the alternatives. Maybe, as the *Wall Street Journal* suggests, Bush's remarks about oil are poll-driven, but it is rather premature to declare the dawn of the post-oil era. Much of the earth has not been explored, much less tapped. And there are huge quantities of shale oil and tar sands in Canada and the United States, quantities that rival Saudi Arabia's crude-oil reserves. There's lots of oil outside the Middle East. So what's the president talking about? (Incidentally, only 11 percent of oil used by Americans comes from the Persian Gulf.)

Not that all is well with energy. More than most industries, energy has been shaped substantially by government intervention. It is a politicized industry. Companies have grown large thanks to an array of pro-corporate policies. For half a century the U.S. government has meddled in the Middle East largely to keep the oil companies' investments secure. This has worked to the detriment of would-be competitors that might have come up with alternatives in a

laissez-faire environment. The fact is, we have no idea what the energy industry would have looked like had the government kept hands off and let free competition determine the outcome.

Clearly, Bush is nowhere near learning this lesson. His speech included promises to use taxpayer money to find the next source of energy. He seems to think it will come from switch grass and wood chips. But how the heck can he know? There's no trick in giving a few big well-connected corporations billions of dollars and having them come up with a new form of energy. The trick is finding energy forms that make economic sense, with benefits outweighing costs. Subsidies distort people's perception, guaranteeing that what they do will *not* make economic sense. Did we learn nothing from the synthetic-fuels boondoggles of the Jimmy Carter years?

Advocates of big government (Bush included) always think that subsidies are an efficient way to achieve an economic objective. The truth is the opposite. The only way to know whether a solution is economically sensible is to have all the costs borne openly by producers and consumers; as the economists say, all externalities should be internalized. Forcing the taxpayers to bear the costs will create an illusion that will mislead everyone, wasting resources and leaving us worse off.

To have a rational energy industry there is only one choice: a free, unsubsidized market. In other words, the best energy policy is *no* energy policy.

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