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No Need for Energy Subsidies **by Sheldon Richman**

For a guy who claims to believe in limited government, President Bush is awfully good at dangling subsidies and threatening coercion when he wants to encourage or discourage something. That's the lesson to take from his State of the Union Address.

Look at what he said about energy: "For too long our nation has been dependent on foreign oil.... It's in our vital interest to diversify America's energy supply — the way forward is through technology. We must continue changing the way America generates electric power, by even greater use of clean coal technology, solar and wind energy, and clean, safe nuclear power. We need to press on with battery research for plug-in and hybrid vehicles, and expand the use of clean diesel vehicles and biodiesel fuel. We must continue investing in new methods of producing ethanol — using everything from wood chips to grasses, to agricultural wastes."

If he were the CEO of an energy company that might sound appropriate. But he represents himself as a believer in free enterprise and *limited* government. So what gives? Could an out-and-out statist have any problem with that? It has "government activism" written all over it.

"I ask Congress," he continued, "to join me in pursuing a great goal. Let us build on the work we've done and reduce gasoline usage in the United States by 20 percent in the next 10 years.... To reach this goal, we must increase the supply of alternative fuels, by setting a mandatory fuels standard to require 35 billion gallons of renewable and alternative fuels in 2017 — and that is nearly five times the current target. At the same time, we need to reform and modernize fuel economy standards for cars the way we did for light trucks — and conserve up to 8.5 billion more gallons of gasoline by 2017."

I submit that how much gasoline we use is no business of the government. Nor should it be picking the next source of energy for the marketplace. Government simply does not have the knowledge required to make that determination. Only the market process and price system can generate the information and lead people to make the best choices. Bush sounds like a run-of-the-mill believer in omnipotent and omniscient government.

And regarding ethanol, we should heed Jerry Taylor, the Cato Institute's resource expert: "According to the president, ethanol is the magical elixir that will solve virtually every economic, environmental, and foreign policy problem on the horizon. In reality, ethanol is enormously expensive and wasteful. If all the corn produced in America last year were dedicated to ethanol production (and only 14.3 percent of it was so dedicated), U.S. gasoline consumption would drop by only 12 percent. For corn ethanol to completely displace gasoline consumption in this country, we would need to appropriate all cropland in the United States, turn it completely over to corn-ethanol production, and then find 20 percent more land on top of that for cultivation. If ethanol has commercial merit, it will not need government subsidies. If it doesn't, no amount of subsidies will help."

Bush tries to scare the American people with his talk about dependence on the Middle East for oil. But only about 16 percent of imported oil comes from the Persian Gulf. Of the top five foreign sources, only one, Saudi Arabia (number 3), is in the Middle East. The others, in order, are Canada, Mexico, Venezuela, and Nigeria.

If Bush were serious about what he says, he would remove all American forces from the Middle East and let the market adjust to any real risk in the region. U.S. foreign policy has functioned as a subsidy to the oil industry and to consumers for many years. That subsidy can be ended simply by converting the American empire back into a republic with a noninterventionist foreign policy — and letting the market work. There is no need for new subsidies to government-picked alternative fuels.

Beware of presidents who preach free markets and practice statism.

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