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The Oil-Addiction Fallacy

by William L. Anderson

Watch any talking head, and when the subject comes to energy, one can expect to hear the mantra, Americans are “addicted” to oil, and especially “foreign oil.” This is repeated as though the repetition is proof that the premise is true.

Thus, American taxpayers are currently being forced to contribute billions of dollars — and will be dunned many billions more in the future — for a number of measures that supposedly will “secure” the United States’s energy use and supplies in the coming years. What’s more, the debate about whether or not these energy programs are even necessary is considered passé. The major question on energy today, unfortunately, is this: How much will government central planning replace relatively free markets in determining America’s energy future?

If I may be bold with words, it seems to me that what we are witnessing is that the future production and supply of fuel in the United States is to be left not to a free market, but to something akin to Mussolini’s corporate state, which gave us the Italian version of “fascism.” While people today have been taught to think of fascism as related to goose-stepping men in military uniforms and dictators with moustaches, it actually represents a form of social organization in which government forces policies upon the business sector in which the state directs production in exchange for guaranteed monopolized markets.

Although I realize that “fascism” is one of those “shock” words that is easily misinterpreted or exaggerated, there is no better term to describe what I see as the energy future of the United States. To explain why I believe this interpretation so strongly, I have prepared a number of questions and answers regarding the production and use of fuel in the United States as a tool by which to point out why the current direction being pushed both by the Bush administration *and* by Congress not only is wrong, economically speaking, but is just plain destructive.

Oil addiction

Q: Is the United States “addicted” to oil, and especially foreign oil?

A: The term “addicted” obviously is pejorative. Addiction refers to the habitual use of something for which one does not receive a benefit, or at least a long-term benefit. For example, we think of addictions as pertaining to the use of drugs such as cocaine or heroin that might give the user a temporary “high” feeling but that in the long term are injurious to his health. In reference to the use of oil, the picture that the “anti-addiction” advocates want to put forth is that of people who enjoy short-term gains from using gasoline and other petroleum-based products, but whose use in the long run makes them dependent on exports from hostile or unstable countries, such as those in the Middle East.

John Fund has recently pointed out in the *Wall Street Journal*, that Bush has bought into the term in a big way:

Members of Congress who have recently visited with Mr. Bush in the Oval Office have found him both fixated and fascinated by alternative fuels. “He’s all into switchgrass,” Rep. Ellen Tauscher, a California Democrat, told the *San Francisco Chronicle*. She said Mr. Bush was “very engaged and wants to move forward” on bold plans to cure America’s “addiction to oil.”

But there is a problem in using the term “addiction” to refer to oil. The term “addiction” denotes a *moral* choice, as though it were *immoral* to use oil, but *moral* to use a fuel developed from a different source. While I will deal with the use of particular fuels that Bush apparently believes to be the “moral” ones, I will first deal with the issue of whether or not it is immoral to use petroleum.

Petroleum is petroleum, and whether it comes from under the ground within the borders of the United States or from elsewhere, it contains the same molecular structure and the same physical properties. There is no intrinsically moral difference between oil extracted from within the United States and oil extracted from another country. The only question that remains is about its use.

People use petroleum as the basis for fuel for their automobiles, heating their houses, powering vehicles used for work, and many other things. The assumption from the “oil is addictive” crowd is that these things are somehow immoral if they are done with the help of oil but *moral* if done by aid of another fuel.

Now, it is clear that many of the things on which we depend have an oil component, but the development of fossil fuels has also meant that the world as we know it now can sustain more human life, and for a longer time. (In the pre-capitalist, pre-fossil-fuel age, life expectancy was about 30 years. Environmentalists try to tell us those were the Golden Years.) In other words, fossil fuels — and especially oil — have been valuable products for civilization as we know it.

It is true that Americans (as well as nearly everyone else in the world) depend heavily on petroleum-based fuel. Yet people also depend on oxygen and we hear no one saying that we are

“addicted to oxygen” or “addicted to water” or “addicted to food.” Petroleum-based fossil fuels have enabled people to enjoy standards of living that were unthinkable in the past. The difference between depending on something and being “addicted” to it is vast.

Policies that Congress pushes toward oil and oil companies further advance the “oil is immoral” mantra. First, Congress has severely restricted the drilling for oil and currently is trying to permanently stop new drilling in Alaska. The Arctic National Wildlife Refuge (or ANWR) has vast reserves under its soil, and the area proposed for drilling is *not* a pristine habitat for wildlife but rather an arctic desert. (The pictures of wildlife that often accompany the news stories on the subject are taken in areas where drilling would never occur, something that the commentators do not mention.)

Second, the new Democratic Congress is attempting to levy stiff taxes on domestic oil (and natural gas), all in the name of trying to *force down* energy prices. (Earth to Congress; slapping punitive taxes on *anything* ultimately raises prices for those goods and services.) The obvious purpose is to discourage domestic production of petroleum, making oil-based fuels more expensive, which is ironic, since one reason that voters turned out the Republicans was that they blamed them for high gasoline prices.

Here is the supreme irony: First we are told that we should not be importing oil from Middle Eastern countries or places such as Venezuela, but then we find that the government is also trying to squash domestic production. Thus, it is not hard to conclude that the “buying oil from unstable countries” line is a red herring.

The reasons for such policies are obvious: Congress wants to end the era of fossil fuels altogether, or at least force consumers to use other fuels that Congress has deemed morally suitable for this country. That’s why Congress continues to push the “addiction” lie, as well as the fossil-fuels-create-global-warming viewpoint. However, we hear about other “choices” for “alternative fuels,” and especially ethanol, which I examine next.

Alternative fuels

Q: Don’t ethanol and other alternative and “renewable” fuels show more promise?

A: During the first government-created “energy crisis” of the 1970s, the U.S. government sank billions of taxpayer dollars into the “synfuels” industry. The Carter administration, which pushed the program, insisted that the United States could become “energy independent” by making fuel from coal, oil shale, tar sands, and, of course, corn.

At the time, the price for a barrel of conventional petroleum was substantially below the price for an equivalent “synthetic” fuel, and that differential increased during the 1980s and 1990s. The Reagan administration let the “synfuels” program die quietly, and while there was a short resurgence in the early days of the Gulf War toward “energy independence,” the benefits of relatively inexpensive petroleum were obvious.

The problems of ethanol are much greater than advocates wish to admit. First, and most important, it literally takes more than one gallon of fossil fuel to make a gallon of ethanol from corn. While political rhetoric can be used to rewrite the tax and spending laws that permit the government subsidy needed to make ethanol, it *cannot* rewrite the laws of science. Corn-based ethanol, which has driven corn prices to very high levels, is a naked subsidy to a relatively small group of persons who grow corn for a living.

Second, ethanol has serious transportation problems, as it cannot be moved by pipeline, which is by far the least expensive and most economical way to transport fuels for long distances. Instead, it must be transported by truck and rail, and that means that new tank cars must be constructed, and they have to be hauled by existing carriers, which are already limited by other factors, such as the availability of roads, rails, and train schedules. In other words, the amount of ethanol that would be needed to be a viable replacement for fossil-based fuels simply cannot be transported the way gasoline is transported because the alternative transportation capacity does not exist, and would not ever be likely to be on line. (Politicians and other alternative-energy advocates forget that transportation is part of the economic process, too. They cannot simply wish alternatives into being without looking at the costs involved.) John Fund of the *Wall Street Journal* writes,

As for corn-based ethanol, Jerry Taylor of the Cato Institute calls the current mania to subsidize it “the closest thing to a state religion America has.” Corn farmers have done a good job of disguising the fact that it still takes more than a gallon of fossil fuel — 29 percent more is the best estimate — to make a gallon of ethanol. In addition, various mandates requiring the use of ethanol significantly increased gasoline prices last summer and led to spot shortages because ethanol can’t be carried through pipelines and requires special blending plants. James Glassman, an economist with J.P. Morgan Chase, notes that expensive ethanol was a big factor in the sticker-shock consumers encountered at the pump this summer. “We’d probably have retail gasoline prices between \$2.30 and \$2.40 a gallon if not for ethanol,” he told the *Wall Street Journal* last June, when pump prices were topping \$3 a gallon.

Third, the corn-based alcohol fuel itself is not as desirable as gasoline or diesel fuel in terms of performance. (Yes, Indy cars run on alcohol, but the owners and drivers of those cars do not worry about things such as gas mileage.) Ethanol gets fewer miles per gallon than do gasoline and diesel fuel, and when one adds the fact that the creation of a gallon of corn-based ethanol requires more than a gallon of petroleum-based fuels to be burned, we have the perverse result in which the more ethanol we create and use, the more we use oil. And this is done in the name of “conservation”?

It is true that ethanol can be made from plants such as switchgrass and other “weeds,” but the fundamental issues do not change. Furthermore, because the current ethanol program really is

a subsidy to corn farmers, the idea that corn farmers and their political allies would permit other widespread ethanol programs just does not square with political reality.

Energy independence

Q: Won't "energy independence" make us more secure?

A: There is something reassuring about the concept of "energy independence," but the term is much more dishonest than one might think. First, and most important, the United States is part of a *world* economy, and it is *not* the case that because one product is produced within the borders of this country the United States is "independent" of what happens elsewhere in the world. Indeed, many people who call for "energy independence" have no problem in calling for U.S. troops to be sent around the world for military operations because they insist that global issues are our issues, too. (My comments are not an endorsement of such policies, but rather an attempt to point out that people who call for energy independence need to be consistent in their thinking.)

Second, one must remember that trade itself is by nature a *peaceful* activity, spurred on by mutual benefits to all parties involved. It is in Americans' interest to trade with all nations, including those in the Middle East. Before the Gulf War of 1991, the United States was trading peacefully with Iraq and other nations of the region. The turmoil in Iraq-U.S. relations was more the result of U.S. policies than anything hatched by the late Saddam Hussein, as cruel and dictatorial a person as he was. Furthermore, even if this country could theoretically produce all necessary fuel domestically, the cost to taxpayers and consumers would be extremely high and would greatly lower Americans' standard of living and increase the rate of poverty here.

Energy "independence" is a foolish term that has no bearing in reality. Such a regime of "independence" would require government to expand its powers of taxation and regulation far beyond where those powers operate today, and Americans would be made substantially poorer for the effort.

There *is* another way. The United States could return to being a peaceful trading partner with countries of the world, no matter what the ideology of their governments. In the long run, there would be no call for "energy independence," because trade obviously would be the better and wiser route to take.

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