

The Price of Gas

“Why doesn’t the government do something about the price of gas?”

Geez –are we a nation of whiners, or what? We’ve been enjoying the luxury of cheap energy for about 150 years now. Then the sugar bowl gets taken away, and all you hear is crying for Daddy to make it all better. Maybe instead we should consider growing up, and adjusting our lives to the new reality like responsible adults.

Besides, what can the government actually do about the price? I wrote several months ago about one inane proposal, suspending the Federal gas tax, that apparently Sen. McCain still supports. Great idea – let’s transfer 15 cents a gallon from the U.S. Treasury to the oil companies, so we can enjoy 3 cents a gallon lower prices. Sheer genius.

More effective would be permanently eliminating the Federal gas tax. The difference is that a permanent elimination would give the oil industry time to reallocate supply, and so most of the tax decrease – maybe 16 of the 18 cents – would translate into lower prices. The problem is that the gas tax is dedicated to highway construction and repair, so if we eliminate it, we either let our highways deteriorate, or we raise some other tax, or we once again try borrowing our way out of this mess. Not a good option.

Another proposal is to open up Alaska and our coasts to oil drilling. That would help some, but not for another 5 to 10 years. Because it would take a while to get that oil drilled, and pumped, and processed. It would in fact lower the price somewhat (below what it will be in 5 or so years from now, NOT below today’s price!), but at a cost of scenic beauty, wildlife habitat, and recreational areas. We can debate whether that’s too high a price or not; what we can’t debate is that only about one fourth of that oil would be sold in U.S. markets.

That’s right – about 3/4ths of the extra production would end up abroad, either shipped directly (e.g. Alaskan oil transported to China and Japan) or through lower imports (e.g. Florida oil replacing Saudi oil, which gets sold in Europe or India instead). Because that’s how markets work. So, are those beaches and habitat still worth sacrificing, if we only get 25% of the benefit?

Actually though, there is one thing government – our State government, not our Federal government – can do to lower gas prices. And that’s to eliminate the state mandated 9.18% retail markup. Did you realize that by state law, when gasoline station owners bought gasoline for \$2 a gallon a number of years ago, they were required to sell it for no less than \$2.18 a gallon? Did you realize that by the same state law, now that wholesale gasoline prices are about twice as high, gasoline station owners are REQUIRED BY LAW to double their minimum markup? Were you aware of the fact that anytime the oil companies raise their prices 11 cents, a Wisconsin gasoline station owner who doesn’t charge you and me a 12 cent higher price is breaking the law?

This is something that can, and should, be taken care of. But the rest is just window dressing – minor changes that won’t accomplish a fraction of what’s advertised. So maybe we should just forget about the gimmick proposals, forget about asking Uncle Sam to bail us out, forget about being a big bunch of babies.

Maybe we should just grow up, suck it up, and learn to live less energy dependent lives. You know, like adults.