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Chicago Daily Observer

Dangerous Times as Government Grows

By Mary Laney

August 8, 2008

These are dangerous times we're living in. Dangerous times for Americans who want to keep their inalienable rights to life, liberty and the pursuit of happiness.

Government is growing at an alarming rate and paying itself hefty salaries.

In Grover Norquist's book, *Leave Us Alone*, he writes:

"In 2004, the average wage-and-benefit package for a private-sector worker was \$51,876. The average federal worker earned \$100,178 in wages and benefits. (For wages alone, private sector workers earned \$42,635 and federal employees took home \$66,589.) Total wages and benefits see federal workers taking in almost twice as much each year." Besides the wage disparities, government leaders are telling us, the private citizens, what we can do, when we can do it, and what we have to give up.

If we sell our homes, we now have to pay our local government a sales tax on the sale. If we own a car, besides a license and insurance, we have to pay our city for a sticker. If we go to a movie, a theatre, a sports event, a restaurant, a hotel, or take an airplane, we have to pay taxes to the government. There are growing taxes and fees on our phones, cell phones, gasoline, heating fuel, electricity, water, cable television, and everything we need to buy.

We've been told we can't have a gun in our home to protect ourselves, can't put fences in our yards above a certain height, have to pay a fee to construct a fence, have to pay thousands to get a permit to build swimming pools in our yards, and have to pay growing property taxes to pay for the now exorbitant salaries for school administrators. (If you don't think their salaries are high, a friend recently told me that his wife, a teacher for fourteen years, was made an assistant superintendent her last year and retired with the equivalent of a \$2 million annuity). And your tax dollars are paying for it.

Now the government is talking about cashing in on private industry profits.

We're hearing a lot of politicians talk about raising taxes on windfall profits and spreading the money around to those who need it. Their talk might sound good to a lot of people, until people begin to look at what such a move means to their investments and pensions. It would mean they'd get a lot less than they thought they would – with the money going from their pensions to people who the government decides need it more. To me, that is socialism. Marxism. I prefer living in a democracy, a republic that is a government by the people, for the people and of the people. I prefer living in a nation where people have the freedom to work, earn a living, and leave something to their children.

If government wants to get into the business of taxing windfall profits, why doesn't it look at the Teachers Union, the largest in the nation? That Union has money to give untold thousands of dollars to political candidates and funding to a political party. Why doesn't the government ask the Teachers Union to instead put that money into the schools it says need more money? Elected officials complain that some schools have more money than others. That's because schools are funded with the property taxes paid by the residents in their areas. Where there are higher property taxes, there are better schools. It's not a good plan, but it's the way the government leaders have set it up. Our property taxes are also paying the teachers' salaries and the superintendents, assistant superintendents, deputy superintendents and support staffs.

Government has been growing at an alarming rate, both nationally, state wide, countywide and citywide.

We're now working for and paying the government rather than the government working for us. It's time for Americans to wake up and demand their rights—a full accounting of all government jobs, contracts and expenditures. It's our right.

These are dangerous times we're living in.

The Daily Texan

Windfall profit taxes fall short

(8/7/08)

By: Mike Wilson

It seemed as though Sen. Barack Obama was (thankfully) against shortsighted policy prescriptions when he opposed a gas tax holiday supported by Sens. Hillary Clinton and John McCain earlier in the summer. But, unfortunately, he's not. He recently announced a plan to give consumers \$1,000 checks funded by a windfall profits tax on oil barrels traded at more than \$80 dollars by U.S. oil companies.

In a gesture blatantly aimed to buy new voters, Obama has reneged on his earlier stance against this foolish policy and conspired to hurt the hard-working Americans he purports to help. Though many economists have warned against the long-term ill effects that punitive taxes would have on new exploration and development, consumers have raged against the confluence of high oil prices and the high incomes of top oil executives. They want justice, but only partially deserve it.

The proportion of pay (awarded before corporate taxes) that goes to executives is miniscule compared to the profits that go to shareholders and the taxes that already go to the government. If people are concerned with the executives' millions of dollars in salaries and bonuses, they should support higher income taxes on the wealthiest bracket, not higher corporate taxes on specific businesses. These higher corporate taxes only hurt the ability of our domestic companies to compete with international companies and countries, push them into tax havens and hurt stockholders.

And who are the stockholders? Sure, wealthy individuals are a large majority, but so are pension plans and mutual funds - specifically the Teachers Retirement System of Texas, our state's largest teacher pension program. With home equity values decreasing and Social Security seemingly on the brink of failure, workers may have to rely more and more on their pensions, which are managed by organizations like the TRS.

The TRS's largest domestic equity holding is - you guessed it - Exxon Mobil, with more than \$1.5 billion in stock and their ninth-largest holding is Chevron with more than \$500 million. The Texas Employee Retirement System, for public employees across the state, likewise has Exxon as its largest domestic equity asset and Chevron as its ninth.

Though some question the wisdom of long-term investment with companies that operate in commodity markets, many pension and mutual fund managers have done so because of the economic downturn in the U.S. since 2001. Because energy markets have consistently been the highest earners in domestic equity markets, many pension managers have sought to put money there to keep employees' pensions healthy.

The S&P energy index is the only portion of the S&P that has a positive monthly and yearly basis. Materials has a slight yearly performance at .19 percent, but that's nothing

compared to energy's 8.12 percent growth. Other states, especially California, have similar pension investments in oil companies.

Obama, state workers and presumably private workers with pensions should realize what they are really doing when they punish oil companies. There's a lot at stake beyond those \$1,000 checks.

Second, if they were taxed an additional 25 percent, don't we know they would just pass that added tax cost on to us consumers in higher prices, and perhaps scale back the volume of their supplies?

Everybody hates the idea of "price gouging." What is it? Many non-oil companies earn more than 10 percent for their stockholders from the goods and services they provide. Oil companies, even at high volume, generally make less than 10 percent on sales. Should we punish the oil companies (and their stockholders) for supplying us more gas, while not imposing higher taxes on other companies that are earning more? Or tax them more, too?

One bill recently before Congress self-righteously sought to prohibit "unconscionably excessive prices." Who would be against that? But what prices are "unconscionably excessive"? Who would decide?

It would be so much better for us to encourage more domestic oil and gasoline production, more U.S. refining, more alternative fuels and more rapid development of new types of engines, etc. -- not by offering subsidies or tax breaks, but by letting the natural economic law of supply and demand work in our free enterprise system.

General Motors, for example, is being challenged by Toyota for U.S. and world car dominance. Both have some fuel-saving hybrid engines that run on a combination of gasoline and electric batteries. Instead of taxing or subsidizing, shouldn't we cheer on the company that first comes out with the most hybrid engines at competitive market prices, so it would surge ahead of its competitors in free markets? And wouldn't that motivate the competitors?

There are no quick solutions. We should have started long ago to encourage progressive car companies to adapt available technology, systems and fuels to provide -- soon -- a new generation of engines and cars, supplying our increasing demand.

We'd like to see government get out of the way and for the people, through our market demand, to provide the incentives for car companies -- and others -- to supply what is best and most economical and efficient to meet our needs.

Wilson is a Plan II and English senior.

Washington Post
Pivoting to Populism (8/7/08)
By Ruth Marcus

ELKHART, Ind. -- Barack Obama is cranking up the populist rhetoric.

He'll sock oil companies with a windfall profits tax to give American families a \$1,000 "energy rebate," he tells voters at a town hall meeting in Youngstown, Ohio, on Tuesday.

Meanwhile, Obama says, John McCain would lavish "\$4 billion more in tax breaks to the biggest oil companies in America -- including \$1.2 billion to Exxon Mobil . . . a company that, last quarter, made the same amount of money in 30 seconds that a typical Ohio worker makes in a year."

This turn to populism is not an extreme political makeover. Rather, it's a distinct tonal shift as the Democratic presidential candidate finishes a trip through three swing states -- Michigan, Ohio and Indiana -- where blue-collar voters aren't necessarily on board. Listen to Obama, and you hear the distant strains of Al Gore 2000: "the people versus the powerful."

The traditional transition from primary to general election campaigning involves stepping gingerly, preferably unobtrusively, toward the center. Obama swiftly executed that pivot, from backing the warrantless wiretapping compromise to speaking supportively of a Supreme Court ruling expanding gun rights to criticizing another ruling that invalidated the death penalty for child rape.

But much as John McCain needs to cultivate his party's still-skeptical base, Obama needs to tend to the anxieties of blue-collar Democratic voters in states such as Ohio who voted overwhelmingly for Hillary Clinton in the primary. More broadly, he needs to speak to the cascading economic worries felt by voters of both parties, or no party at all.

Later that day, on board his campaign plane en route to a town hall meeting here, I ask Obama about this louder populist backbeat. Does a message that might resonate with Hillary Clinton Democrats risk alienating Republicans or independent voters?

"I don't think people are disturbed by that argument," he says, as long as they "feel like you are mindful [that] the market is still the best way to allocate resources productively, that some of the excesses of the '60s and '70s may have hampered economic growth, that we don't want to return to marginal tax rates of 60 or 70 percent."

But, I point out, there wasn't a lot of that sort of free-market talk in Obama's Ohio remarks.

"The people are hurting right now," Obama replies, adding that his energy plan emphasizes job creation through private enterprise. "We've become so accustomed to thinking that there's two ways of looking at the economy. Either you don't give a hoot

about what's happening in the daily lives of people, so you don't talk about it . . . or conversely, you are, you know, out there raging against the machine."

Obama argues that his brand of populism is not aimed as much at frustration with big business as with disappointment with dysfunctional government. "When you hear me talk about people versus the powerful, my populism is built most powerfully around the sense that government is nonresponsive to these folks," he says. "They're probably less angry at Wall Street for making money and angrier at Washington for not just setting up some basic rules of the road."

Are oil companies, I ask, more morally culpable than other industries that would not be subject to Obama's proposed tax?

"Not in the view of most economists," Obama replies. "I'm well aware of the argument [about] singling out oil companies rather than soda pop manufacturers."

Yes, but what does Obama himself believe? "I think oil companies are amoral. They want to make as much money as they can for their shareholders, which is what corporations do," he says. "The difference is the nature of the kind of outsized profits they make that may have no relationship to their investments or their production. The fact, for example, [that] the shortage of refinery capacity could actually increase their profits so the less they invest the more they make indicates that you are not dealing with someone making widgets out there."

Obama circled back to our conversation when a questioner at yesterday's town hall meeting asked why he singled out oil companies. This time his answer ventured beyond refinery capacity and widgets.

"So the question is, does it make more sense for the oil companies to pay for it or does it make more sense for the struggling waitress who is barely getting by to pay for it?" he said. "And the answer is, I'm going to fight for the waitress, not because I hate the oil companies but because I think it's more fair."

Also, waitresses vote.

Christian Science Monitor

Congress's unsound fury over Big Oil

By Justin Danhof

August 7, 2008

With this summer's high gas prices, Americans are trading in their traditional vacations for "staycations" – vacations much closer to home.

But compared with other things Americans might do, driving is still a bargain. Consider, for example, the costs of going to a movie:

To take a family of four to a movie at an AMC Theatre, it will cost anywhere from \$55.75 to \$71.50, depending on whether the family shares movie snacks or not, and this does not even include gasoline.

For that same \$71.50, the family could purchase enough gas for their car (of decent gas mileage) to drive from Disneyland to Las Vegas and back again. And for the price of tickets and extra-large refreshments, they could drive from Disneyland to the Grand Canyon and back again.

Where are the calls for federal investigation into price gouging at concession stands? For years, populist politicians have dragged oil industry executives to Capitol Hill and accused them of price manipulation. Every time gas prices increase, liberal lawmakers direct the Federal Trade Commission to investigate oil industry price gouging. To their chagrin, the FTC has never found oil industry price manipulation.

What evidence does congress use to back their price gouging claims? Try none. In 2005, Sen. Maria Cantwell (D) of Washington responded to a question on whether she believed oil companies were price gouging, "[a]bsolutely," she said. "I just don't have the document to prove it."

And this past May, in a speech on the House floor, Rep. Debbie Wasserman Schultz (D) of Florida targeted oil company executives when she said, "I can't say that there's evidence that you are manipulating the price, but I believe that you probably are." Shouldn't we demand more from our politicians than unfounded accusations?

These congressional hearings are often followed by attempts to impose so-called windfall profits taxes on oil companies. The process is reminiscent of the medieval practice of trial by ordeal, in which the accused are subjected to a painful – possibly fatal procedure – with the expectation that the truly innocent will be saved.

So far, the oil companies have survived. The most recent attempt to impose such a tax on "unreasonable" profits failed in June.

And just what do congressional advocates of a windfall profits tax consider unreasonable?

In the first quarter of 2008, Big Oil had a profit margin of 7.4 percent. Over that same period, the pharmaceutical and medicine industry earned a 25.9 percent profit, the chemical industry earned 15.7 percent and the electronic equipment industry earned 12.1 percent.

What about those movie theater refreshments? Four large popcorns and four large sodas cost \$31.50. The total raw ingredient cost is approximately \$7.56. That equals a 76 percent gross margin. Where is the political outrage over that figure?

Still believe it is the oil companies gouging us? Speaker Nancy Pelosi seems to. Ms. Pelosi has called oil company profits "obscene," and recently supported yet another measure to investigate alleged oil industry price gouging.

Let's take a look at where each dollar spent at the pump goes. In the first quarter of 2008, the majority – 70 cents – was spent to purchase crude oil, 17 cents was spent on refining and retailing, and 13 cents on paying taxes.

American oil companies cannot change the largest factor influencing gasoline prices – the cost of crude oil.

In The New York Times, columnist Edmund L. Andrews asked satirically last year "if the oil industry is so powerful, why did it let gasoline prices fall through the floor throughout the 1980s and part of the 1990s? For that matter why did it let gasoline prices fall sharply after they spiked in 2005 and 2006?"

Pelosi never decried this "obscene" lack of profits and shareholder abuse. Instead, she seeks to punish an industry that makes a modest profit margin on a high demand good.

Christian Science Monitor

Keep Up the Pressure (8/6/08)

By the Editors

To drill or not to drill? According to recent polls, two thirds of Americans think Congress should lift restrictions that prevent energy companies from exploring the outer continental shelf for oil and natural gas. President Bush, John McCain, most Republicans, and some Democrats support lifting the ban. Barack Obama, Nancy Pelosi, and Harry Reid find themselves on the wrong side of the drilling question, and it has thrown their party into disarray.

All three Democrats are tangled on the same tripwire: Their friends in the environmental movement want to stop oil exploration. Unlike most politicians, who face public outcry when gas gets pricey, environmental groups are willing to argue that gas *should* be more expensive in order to make alternative sources of energy seem cost-efficient by comparison. It's not just that they oppose new drilling; they also support a windfall-profits tax on the oil companies, new restrictions on current oil production, and the elimination of tax provisions that allow energy companies to write off the cost of expanding refinery capacity.

By making gas cheaper, increased domestic oil production would prolong what environmentalists see as America's harmful dependence on fossil fuels. These groups would oppose offshore drilling even if it had no direct impact on the environment.

Obama echoed this thinking in June, when a reporter asked him if high gas prices could help wean the U.S. from its dependence on oil. Obama answered that they could, even though he "would have preferred a gradual adjustment." That same month, he said that McCain's drilling proposal "would only worsen our addiction to oil and put off needed investments in clean, renewable energy."

That was then. In July, Rasmussen released a poll showing that 67 percent of Americans support lifting the ban on offshore drilling, and now Obama appears to have reversed his position. If "a careful, well-thought-out drilling strategy" were attached to "the kind of comprehensive energy policy that can bring down gas prices," he said in an interview with the *Palm Beach Post*, he wouldn't "want to be so rigid that we can't get something done."

Obama's reversal coincides with the news that Nancy Pelosi has given at-risk Democrats permission to publicly support offshore drilling, freeing them to take the popular position while she blocks any efforts to lift the ban. Pelosi refused to allow any votes on drilling before adjourning the House for a five-week August vacation. A number of House Republicans stayed in Washington to hold protest sessions, arguing that Congress shouldn't be taking a vacation at a time when high gas prices have caused many Americans to cancel theirs.

In the Senate, Harry Reid (“Oil makes us sick, . . . It’s ruining our world. We’ve got to stop using fossil fuels”) also blocked energy legislation for fear that Republicans would offer drilling amendments and force Democratic senators (such as Barack Obama) to commit to positions. While their counterparts in the House are keeping the issue alive in Washington, Republican senators headed home to spend all five weeks talking about energy.

In both houses of Congress, the Democratic leadership has offered gimmicky solutions to distract the public from the drilling issue. First, Democrats argued that the oil companies had already leased millions of acres of public land that they weren’t using to produce any oil. That effort foundered when the oil companies pointed out that they weren’t producing oil on this land because they hadn’t found any when they explored it.

Then, Democrats pointed the finger at commodity traders, accusing them of driving up the price oil through “excessive speculation.” This effort didn’t gain any traction, either. Traders don’t conspire to drive up prices; they try to anticipate movements in supply and demand — so of course, as U.S. demand has slowed (and as an increasing number of U.S. policymakers have argued for increasing supply), the price of oil futures contracts has fallen.

The latest half-baked idea comes from a “gang of ten” senators — five Republicans, five Democrats — who have offered a compromise that would lift the ban on offshore drilling in exchange for \$20 billion in new federal spending on alternative sources of energy. The list — ag-friendly guys like Saxby Chambliss and Kent Conrad, corn-staters like Ben Nelson and John Thune — smells of ethanol. The compromise bill includes \$2.5 billion for biofuel research and billions more in incentives for automakers to make cars with ethanol-burning engines. There might be a smart way for Washington to subsidize research into alternative energy, but this isn’t it.

There is a simpler solution. The congressional ban on drilling has to be renewed each year, and the current ban expires in September, so congressional Republicans and President Bush should fight to stop the ban’s renewal. The Democrats are backpedaling like mad. Their presidential candidate doesn’t have a coherent position and has resorted to Carter-esque lectures on energy conservation. Meanwhile, the speaker of the House is telling vulnerable members of her caucus to support lifting the ban.

The Democrats find themselves on the wrong side of the most important issue to Americans right now. Now is not the time for a compromise. It’s time to keep applying pressure.

Investor's Business Daily
More Taxes Will Mean Less Oil
(8/6/08)

Energy Policy: Democrats say there should be a limit to the profits oil companies can make. Should there also be a limit on the taxes government can take? Just who's the profiteer here?

In an admission that increased supply means lower prices, Barack Obama, in yet another flip-flop, has proposed releasing 70 million barrels of oil, about a week's worth of imports, from the Strategic Petroleum Reserve.

Last month he told reporters in St. Louis just the opposite: "I have said, and in fact supported, a congressional resolution that said we should suspend putting more oil into the strategic oil reserve," he said then. "The strategic oil reserve, I think, has to be reserved for a genuine emergency," he continued, saying a terrorist attack was an example of such an emergency.

The GOP campaign to "drill here, drill now" has resonated with the American public tired of paying \$4 a gallon because of high gas taxes and congressionally restricted supply. Obama's poll numbers have dropped significantly during this effort, something team Obama obviously considers a "genuine emergency."

But as he supports releasing oil from the SPR to increase supply, he proposes a revival of the failed windfall profits tax that in its earlier incarnation decreased domestic supply and increased foreign imports. The man who pokes fun at John McCain's economic knowledge ignores the simple economic truth that when you tax something you get less of it.

Speaking in support of Obama's proposal to revive the windfall profits tax, Illinois' senior senator, Dick Durbin, recently declared that, "The oil companies need to know that there is a limit on how much profit they can take in this economy." Why is there no limit to the increased taxes Obama and the Democrats want to take in this economy?

Obama once called the McCain-supported plan for a gas-tax suspension a "stunt." Now he wants to take a "reasonable amount" of oil company profits and rebate, a la George McGovern, \$1,000 to families and \$500 to individuals as a part of a second stimulus package to offset high gas prices, a big part of which is federal, state, and local taxes on both oil producers and consumers.

Obama does not define what a "reasonable amount" is. Nor does he define at what point profit, which is an indicator of success and not greed, becomes a windfall. Exxon made a dime on a dollar in 2007. The oil and gas industry as a whole made 8.3% compared with 8.9% of all U.S. manufacturing. Meanwhile, the federal government operated at a huge loss.

Electronics company LG saw its profits grow by 505% in 2007. Abbott Laboratories saw its profits soar 110% Google had a profit margin of 25.3%, more than double Exxon's. GE's profit was 10.7%, about the same as Exxon's, but do its subsidiary media outlets such as NBC and MSNBC report that?

In the first half of this year, Exxon Mobil's after-tax income rose 15% to \$22.6 billion. The operative word is "after-tax," for what advocates of a windfall-profits tax to redistribute income ignore is that Exxon Mobil also paid a record \$61.7 billion in taxes. The feds already are taking more than a "reasonable amount."

Oil exploration is a risky business. Vast sums are expended in the search for black gold, with dry holes too often the result. America was built by such risk-taking, motivated in part by the hope of great reward. Without such incentives, few chances are taken.

All this talk about allowing offshore drilling as part of some grand compromise on energy is a con game. Democrats know there will be no incentive to drill for oil if the profits from any success will be confiscated by a government that takes none of the risk. Then they'll criticize the oil companies for sitting on oil
Once upon a time, young America was advised to go west. Today, we should be telling our risk-takers to drill deep.

Washington Post
Crude Campaigning (8/6/08)
By Ruth Marcus

You could write the formula with mathematical precision. The higher the price of oil and the lower the number of days until the election, the shriller the rhetoric, the grander the promises and the dumber the policy.

Exhibit A, campaign 2008, is John McCain. Just a few months ago, McCain had an energy policy that, while hardly perfect, was in the ballpark of reasonable. He had broken with his party on climate change and understood the importance of weaning America from its carbon habit. He proposed a palette of solutions: nuclear power, clean coal, plug-in hybrids, biofuels. You could argue that McCain's plan overemphasized nuclear energy or spent too little on renewable energy, but it was hardly Bush-Cheney revisited.

Then came McCain's reversal on new offshore drilling. This wasn't, in itself, the problem. The moratorium on drilling in the Outer Continental Shelf has been in place for almost three decades. It is more a matter of theology than logic to believe that the combination of improved technology and increased prices does not justify reconsidering the environmental balance.

But with the unthinking zeal of the newly converted, McCain has morphed into a believer in the magical power of drilling. "We have to drill here and drill now," he has taken to crying on the campaign trail, as if he could get more sweet crude gushing by, say, November. On Monday, McCain, whose 2008 Senate attendance record is rather spotty, demanded that Congress "come back into town" to pass an energy bill. "Let's get this energy crisis solved," he proclaimed, as if a few weeks might make a difference.

Then there is the matter of misrepresentation. For all the focus on Britney Spears and Paris Hilton, the real problem with McCain's "celebrity" ad was that it falsely accused Obama of wanting to "raise taxes on electricity." As FactCheck.org noted, the McCain campaign based this claim on a single interview in which Obama rejected the notion of taxing wind energy, saying that instead "what we ought to tax is dirty energy." This is, FactCheck concluded, "a feeble peg on which to hang" the claim that Obama wants to raise your electricity bill. In fact, the cap-and-trade program that both candidates support is, in effect, just such a tax.

Monday's cute campaign trick was to celebrate Barack Obama's 47th birthday by distributing tire pressure gauges labeled "Obama Energy Plan," mocking the Democrat's suggestion that drivers improve gas mileage by properly inflating their tires. This trivial-sounding move could save millions of barrels of oil annually. The Bush Energy Department urges drivers to do it.

This brings us to Exhibit B, which is, you may have guessed, Obama. He got the good-policy merit badge for resisting peer pressure (McCain plus Hillary Clinton) for a gas tax

holiday. He would spend \$150 billion over 10 years, far more than McCain would, to promote alternative sources of energy. So far, so good.

But the Obama campaign has taken a decided turn toward the less responsible in the past week. I'm not talking about his evolution on drilling. However poll-driven, this is eminently sensible: He's not itching for more but willing to consider it in certain areas as part of a broader, bipartisan compromise.

The same can't be said for his deja-vu-all-over-again proposal to release oil from the Strategic Petroleum Reserve (see Al Gore 2000, John Kerry 2004), or for his \$1,000-per-family "energy rebate," a whopping \$65 billion cost to be paid for with a windfall profits tax. Just a month ago, Obama was saying that there was no need to tap the reserve and that such a move should be saved for a "genuine emergency." Oil was more than \$140 a barrel then. It's less than \$120 a barrel now. What's changed, except for the better? Still, as gimmicks go, tapping the reserve is a more effective one than a gas tax holiday.

As for a windfall profits tax, if you want to produce more energy, it hardly makes sense to give oil companies less incentive to make investments. Nor does it make sense to tax companies because market conditions boost their profits -- any more than homeowners and shareholders should be penalized for selling during a boom.

Obama, too, has descended to misleading. He accuses McCain of wanting to give \$4 billion in tax breaks to oil companies -- without mentioning that this is no special oil-only deal, just part of McCain's proposal for an overall reduction in the corporate tax rate, something Obama has said he'd consider. Does that put him in the pocket of Big Oil, too?

And another question: If this is the state of the discussion in August, what will October bring?

USAToday

**Our view on energy policy: Obama joins McCain in offshore drilling reversal
(8/5/08)**

At a time when most of Congress has been playing cynical election-year games with the nation's energy policy, it was refreshing — if politically convenient — to hear Barack Obama drop his staunch opposition to offshore drilling, with a useful precondition..

"I'm will to consider it if it's necessary to actually pass a comprehensive plan," the Democratic presidential candidate said Monday in Michigan, buffing his credentials as the bridge-building deal maker he has claimed to be. Republican rival John McCain's campaign immediately leveled charges of flip-flopping, but that's a bit rich, given that McCain himself changed his position on offshore drilling only this June.

Both candidates can obviously read polls that suggest hard-pressed Americans support offshore drilling in currently restricted areas by a margin of more than 2-to-1. But whatever the motivation, at least both now recognize that increasing domestic oil production is a useful piece of the larger energy puzzle, even if grossly inadequate by itself.

That's more than can be said for House Speaker Nancy Pelosi, D-Calif., who rushed the House out the door for its five-week recess rather than allow vote on offshore drilling, grandiosely telling Politico, "I'm trying to save the planet."

To be sure, offshore drilling is no panacea. Its Republican proponents disingenuously oversell it as a way to slash consumer prices immediately. It won't. It'll take years to see significant production from new offshore areas. But that's not the point. The goal is to develop more U.S. supplies that are immune to the whims of oil-exporting nations, many of them hostile to U.S. interests. By most estimates, at least 18 billion barrels of oil and 76 trillion cubic feet of natural gas could be recovered from areas now off-limits — not huge amounts in a world market but helpful.

Unfortunately, in his energy speech in Lansing, Obama undercut his grudging acceptance of offshore drilling by calling for a windfall profits tax on oil companies to finance \$1,000 energy rebates for families. That plays well on the stump, but it would only reduce the companies' resources for expanded drilling and exploration.

Likewise, Obama called for 1 million new plug-in hybrid cars to be on the road six years from now, all of them getting 150 miles per gallon. That's a worthy goal. But there are some 234 million cars and light trucks on the road. Where does Obama suppose the fuel will come from for the 233 million that wouldn't be able to plug in, not to mention the electricity to charge the other 1 million? It's just not enough.

We've said before, and still believe, that neither candidate has put forth a credible, comprehensive energy strategy, but together they at least come close. Obama would do well to be as open as McCain is to nuclear power, especially if he wants to expand the population of plug-in cars. McCain should get behind a plan to require utilities to produce

25% of their electricity with renewable fuels such as wind, solar or geothermal by 2025. Both candidates should drop their opposition to drilling in the Alaska wildlife refuge.

The congressional gamesmanship on energy policy suggests this election year will be a bust when it comes to real answers. Too bad. The best chance to conquer a big, persistent problem is to elect a president with a mandate to fix it. But that requires a candidate with a credible plan, which so far is missing

The Detroit News

Obama's energy plan is fueled by populism

(8/5/08)

The latest additions to Sen. Barack Obama's energy plan, outlined during an appearance in Lansing Monday, may win the Democratic presidential candidate some votes from disgruntled consumers in November, but they'll do nothing to answer the nation's long-term needs.

The Illinois senator called for releasing the nation's strategic oil reserve to provide temporary relief from high gasoline prices, and also promised to lift the profits from Big Oil to give Americans a \$1,000 energy rebate check.

As political pandering goes, Obama's proposals rank right up there with Sen. John McCain's call for a temporary suspension of the federal gasoline tax. They also equal McCain's gas tax holiday both for their worthlessness as a permanent policy solution and their potential for causing more harm than good.

The 707 million barrels of oil in the strategic reserve are there to protect the country from disruptions in its oil supply. It's essential for the United States to have such an insurance policy, considering that it gets much of its imported oil from some of the worlds' most volatile places.

The stockpile was last tapped after Hurricane Katrina cut off oil supplies from the Gulf of Mexico. President Bush, under pressure from Congress, stopped filling the reserves earlier this year in hopes of easing fuel prices.

Draining the reserve would drop consumer fuel costs for the short run, as would any sudden increase in supply. But then what? Once the reserves are gone, prices would go back up, and perhaps even higher because the reserves ultimately would have to be replaced.

Oddly, although Obama's proposal shows he recognizes the impact of supply on prices, he remains hesitant about lifting the congressional ban on off-shore drilling. Credit Obama for moving slightly away from the hard-line no drilling position of the Democratic congressional leadership by saying he'd consider "limited" coastal drilling if it were packaged with big increases in government subsidies for alternative energy development.

But at the same time, he proposed taking away any incentive oil companies would have to expand drilling and increase supplies by pushing a windfall tax on Big Oil's profits to fund the \$1,000 rebate checks.

Perhaps the senator is hoping the checks will make Americans forget, as he apparently has, about what happened when Presidents Nixon, Ford and Carter played the price and profit limiting game the 1970s.

As the pay-off for oil exploration dwindled, so did oil supplies, driving up fuel prices and creating long lines at the pump. There's no reason to think Obama would be any more successful in executing this dubious redistribution strategy.

His plan also would give the state-owned oil companies in places like Saudi Arabia and Venezuela a huge advantage over domestic companies, since they'd be beyond the reach of Obama's profits grab.

Gasoline prices have been falling in recent weeks as demand has decreased and hopes have risen that the United States may be prepared to allow expanded drilling.

Taking steps to keep demand in check while assuring a steady supply of oil is a much better energy policy than populist promises.

Des Moines Register

**Talk of oil drilling misses point: Develop alternatives
(8/5/08)**

During a recent congressional hearing on the profits of oil companies, a lawmaker told an oil executive that Congress wasn't popular with Americans.

Then he added: "Your approval rating is lower than ours, and that means you're down low."

News that Exxon Mobil Corp. reported \$11.7 billion in second-quarter profits won't boost Big Oil's standing with Americans at a time they're paying dearly at the gas pump. The company broke its own record for the highest quarterly earnings in U.S. corporate history.

Industry profits and high gas prices have everyone talking about energy. There are calls to rein in tax breaks for oil companies or impose a windfall-profits tax to curb how much money companies can make. Some people continue to push for drilling in restricted areas such as the Arctic National Wildlife Refuge or off the coasts of California and Florida.

What's troubling is much of the focus remains on fossil fuels. Finding more places to drill. Continuing down the current unsustainable path.

The main goals in a 21-century United States should be addressing climate change and replacing fossil fuels.

Electricity can be generated from wind, solar, nuclear and geothermal sources, rather than coal or natural gas. Cars can run on hydrogen or electricity. While internal-combustion engines remain in use, biofuels can be burned.

The future of this country - and our standing in the world - relies on our willingness to develop the know-how and infrastructure to produce alternative energies.

Last week, Congress broke for its month-long August recess without passing an energy bill. The main point of contention was expanding where oil companies can drill in America. Such drilling wouldn't lead to immediate or significant reductions in the cost of gasoline. It's a sideshow argument in the main debate of how to fuel the U.S. economy with cleaner, renewable sources of energy.

Yet some lawmakers were so upset they returned to Washington Monday to push a vote on drilling.

They should have given up a vacation day to demand action on tax credits for wind power and biodiesel - which were also abandoned when Congress left last week. Why aren't lawmakers outraged about the failure to extend incentives for cleaner energy?

Doing something about that might help Congress' approval ratings.

Investor's Business Daily
Phony "Emergency"
(8/4/08)

Stimulus: Barack Obama's newly unveiled "Emergency Economic Plan" is quite a document, sounding more like the rantings of an extremist fringe candidate than a serious contender for the presidency.

The six-page package is a doozy, replete with populist ideas that will wreck the economy and leave us poorer. The only real emergency we should worry about is the debacle that would follow its passage.

It's shocking that a mainstream candidate, with so many supposedly well-regarded economists advising him, would produce such a shoddy, poorly thought-out plan.

Take his proposal to send every family a check for \$1,000. Don't worry, he assures us, we won't have to pay for it. "Windfall profits from Big Oil" will pick up the tab -- in this case.

Sen. Obama seems to be trying to take advantage of reports that Exxon Mobil reported record second-quarter income -- indeed, the highest quarterly profit for any corporation ever.

But the reality is that as Obama and his equally unknowing friends push windfall taxes, Exxon Mobil has already given the U.S. a massive windfall. As economist Mark Perry has noted, Exxon Mobil will pay more taxes this year to the U.S. Treasury than the bottom 50% of all taxpayers -- combined.

In the first half, Exxon Mobil's after-tax income rose 15% to \$22.6 billion. A lot of money, to be sure, until you consider that Exxon Mobil paid \$61.7 billion in taxes -- also a record.

People shouldn't fall for such cheap, recycled class-warfare argument. Yet many will. Sadly, it will saddle big energy companies with higher taxes and crimp their exploration and drilling budgets. That means less oil on the market and higher prices.

We know this because it has been tried before. Jimmy Carter's windfall profits tax led to a 6% drop in domestic oil output and as much as a 15% surge in oil imports, according to the Congressional Research Service. Now, Obama wants to play it again.

The rest of Obama's plan is just as nonsensical. It would spend \$50 billion on various kinds of stimulus, including \$25 billion to help erase state government budget deficits. In other words, he'll reward profligate states and punish thrifty ones. This is "stimulus" only if you think stimulus is saving government jobs.

Another \$25 billion would go towards "replenishing" the Highway Trust Fund to rebuild the nation's roads and bridges. The problem with this idea is that we're already paying for it, with a 18.3- cents-a-gallon tax on gasoline and even more on diesel.

Unfortunately, under the last transportation bill, Congress chose to spend more than it had coming in -- the result of runaway pork-barrel politics, not need.

As the Transportation Department's inspector general wrote in a scathing 2007 report, "Many earmarked projects considered by the agencies as low priority are being funded over higher-priority, non-earmarked projects."

The real problem is not that we pay too little in taxes, or that "Big Oil" is enjoying "windfall profits." It's a big-spending, big-taxing Congress that "emergency" plans such as Obama's will only embolden. This lame plan will hurt the economy, not stimulate it.

Wall Street Journal
What Is a 'Windfall' Profit?
(8/4/08)

The "windfall profits" tax is back, with Barack Obama stumping again to apply it to a handful of big oil companies. Which raises a few questions: What is a "windfall" profit anyway? How does it differ from your everyday, run of the mill profit? Is it some absolute number, a matter of return on equity or sales -- or does it merely depend on who earns it?

Enquiring entrepreneurs want to know. Unfortunately, Mr. Obama's "emergency" plan, announced on Friday, doesn't offer any clarity. To pay for "stimulus" checks of \$1,000 for families and \$500 for individuals, the Senator says government would take "a reasonable share" of oil company profits.

Mr. Obama didn't bother to define "reasonable," and neither did Dick Durbin, the second-ranking Senate Democrat, when he recently declared that "The oil companies need to know that there is a limit on how much profit they can take in this economy." Really? This extraordinary redefinition of free-market success could use some parsing.

Take Exxon Mobil, which on Thursday reported the highest quarterly profit ever and is the main target of any "windfall" tax surcharge. Yet if its profits are at record highs, its tax bills are already at record highs too. Between 2003 and 2007, Exxon paid \$64.7 billion in U.S. taxes, exceeding its after-tax U.S. earnings by more than \$19 billion. That sounds like a government windfall to us, but perhaps we're missing some Obama-Durbin business subtlety.

Maybe they have in mind profit margins as a percentage of sales. Yet by that standard Exxon's profits don't seem so large. Exxon's profit margin stood at 10% for 2007, which is hardly out of line with the oil and gas industry average of 8.3%, or the 8.9% for U.S. manufacturing (excluding the sputtering auto makers).

If that's what constitutes windfall profits, most of corporate America would qualify. Take aerospace or machinery -- both 8.2% in 2007. Chemicals had an average margin of 12.7%. Computers: 13.7%. Electronics and appliances: 14.5%. Pharmaceuticals (18.4%) and beverages and tobacco (19.1%) round out the Census Bureau's industry rankings. The latter two double the returns of Big Oil, though of course government has already become a tacit shareholder in Big Tobacco through the various legal settlements that guarantee a revenue stream for years to come.

In a tax bill on oil earlier this summer, no fewer than 51 Senators voted to impose a 25% windfall tax on a U.S.-based oil company whose profits grew by more than 10% in a single year and wasn't investing enough in "renewable" energy. This suggests that a windfall is defined by profits growing too fast. No one knows where that 10% came from, besides political convenience. But if 10% is the new standard, the tech industry is

going to have to rethink its growth arc. So will LG, the electronics company, which saw its profits grow by 505% in 2007. Abbott Laboratories hit 110%.

If Senator Obama is as exercised about "outrageous" profits as he says he is, he might also have to turn on a few liberal darlings. Oh, say, Berkshire Hathaway. Warren Buffett's outfit pulled in \$11 billion last year, up 29% from 2006. Its profit margin -- if that's the relevant figure -- was 11.47%, which beats out the American oil majors.

Or consider Google, which earned a mere \$4.2 billion but at a whopping 25.3% margin. Google earns far more from each of its sales dollars than does Exxon, but why doesn't Mr. Obama consider its advertising-search windfall worthy of special taxation?

The fun part about this game is anyone can play. Jim Johnson, formerly of Fannie Mae and formerly a political fixer for Mr. Obama, reaped a windfall before Fannie's multibillion-dollar accounting scandal. Bill Clinton took down as much as \$15 million working as a rainmaker for billionaire financier Ron Burkle's Yucaipa Companies. This may be the very definition of "windfall."

General Electric profits by investing in the alternative energy technology that Mr. Obama says Congress should subsidize even more heavily than it already does. GE's profit margin in 2007 was 10.3%, about the same as profiteering Exxon's. Private-equity shops like Khosla Ventures and Kleiner Perkins, which recently hired Al Gore, also invest in alternative energy start-ups, though they keep their margins to themselves. We can safely assume their profits are lofty, much like those of George Soros's investment funds.

The point isn't that these folks (other than Mr. Clinton) have something to apologize for, or that these firms are somehow more "deserving" of windfall tax extortion than Big Oil. The point is that what constitutes an abnormal profit is entirely arbitrary. It is in the eye of the political beholder, who is usually looking to soak some unpopular business. In other words, a windfall is nothing more than a profit earned by a business that some politician dislikes. And a tax on that profit is merely a form of politically motivated expropriation.

It's what politicians do in Venezuela, not in a free country.

Unionleader.com

Hitting rock: Dems oblivious on oil

(7/13/08)

MAYBE THE quickest way to lower oil and gas prices would be this: Immediately enroll every Democratic member of Congress in an entry-level economics class.

The lack of even a basic grasp of economic concepts has led Democrats to oppose sensible policies that would begin to lower oil and gas prices. Instead, they push hair-brained ideas that make no sense.

Senate candidate Jeanne Shaheen howls incessantly about speculators. She claims that speculators trading on electronic exchanges and overseas are driving up the price of oil and if only we cracked down on them the price would fall.

But here is what Walter Lukken, chairman of the Commodity Futures Trading Commission, said about that idea last week: "We haven't evidence that speculators are broadly driving these prices."

To the extent that futures trading is increasing prices, the major culprits are not unregulated traders, as Shaheen keeps saying. The real problem is that with demand continuing to outstrip supply, traders see no end to rising prices. The value of a barrel of oil today stays high because traders believe it will be more valuable in the future.

Any step Congress takes to produce a large increase in future supply -- opening the outer continental shelf to drilling, for example -- will reduce current prices. If there will be a lot more oil 10 years from now, a barrel of oil today loses some of its investment value, and its price falls.

As Harvard economics professor Martin Feldstein wrote in *The Wall Street Journal* on July 1, "Increasing the expected future supply of oil would also reduce today's price. That fall in the current price would induce an immediate rise in oil consumption that would be matched by an increase in supply from the OPEC producers and others with some current excess capacity or available inventories."

This is pretty basic stuff. And yet Democrats are oblivious. They adamantly oppose more domestic drilling, claiming that it won't affect prices for decades. Clearly, they have yet to grasp the basic concepts of supply and demand.

Then there is Rep. Carol Shea-Porter's pet policy: forcing oil companies to drill on land they already lease. Economists and oil industry experts have roundly criticized this proposal as completely useless. It would force oil companies to drill speculatively or where there is no or little oil -- or into oil wells that are already tapped! Meanwhile, she refuses to let them access America's largest untapped oil reserves.

The solution offered by Sen. Barack Obama and other Democrats: Impose a windfall profits tax on oil companies. But of course, that will do nothing to increase the supply of oil or reduce demand.

Because the party that controls Congress has no idea how the economy works, it looks like we are going to be stuck with high oil and gas prices for a long, long time.

Human Events

Let the Energy Buffalo Run Free

By Ted Nugent

(7/11/2008)

We've got plenty of energy in America. What we don't have are statesmen willing to let the free market here capture it, process it and sell it.

Instead of wisely utilizing our abundant energy, America has been strangled by various federal government bureaucracies, untold reams of burdensome government regulations and counterproductive policies, corrupt environmental special interest groups, and professional politicians who will bend whichever way the prevailing political winds blow.

These are the reasons America hasn't built a new oil refinery or new nuclear reactor in thirty or so years. Instead, as billionaire oilman T. Boone Pickens accurately stated the other day, we are transferring hundreds of billions of our national treasury to other nations. Even to our enemies. Truly bizarre.

Call me crazy, but I thought the goal of America was to be independent. It's time to call a spade a spade. We are energy slaves to lesser countries. They own us. And unless we resurrect that unstoppable, mighty spirit of rugged independent individualism of our forefathers and throw off the energy shackles, these nations can permanently cripple, if not kill, our economy. The situation is that grave.

I'm not concerned whatsoever that America doesn't have vast reserves of ingenuity, entrepreneurship, and intellectual capital that could make us energy independent. My concern is that we have become so reliant and dependent on Fedzilla (aka the US government) to solve all of our problems that we will once again rely on the bureaucratic blob in DC to solve this problem, too. That could be a career ending injury.

Fedzilla isn't the solution, it's the problem. Continuing to feed Fedzilla and expecting it to become lean, responsive and efficient is the definition of lunacy. As Milton Friedman "If you put the federal government in charge of the Sahara Desert, in 5 years there'd be a shortage of sand." If there are any statesmen left in DC, I challenge them to stand before their fellow professional politicians in the US Capitol and state that Fedzilla -- not the energy companies, not energy speculators and not our energy slave masters -- is America's number one energy problem.

Of course we should drill for oil in the Arctic National Wildlife Refuge. Had we done what we should have done ten years ago to assure America's independence, we would have been drilling in ANWR long ago. Had Senators Obama and McCain put America's independence first, they would have brought up legislation to drill in ANWR instead of voting to make America more energy dependent. What's with these guys?

The same goes for off shore drilling. Environmental special interests have locked up over 80% of energy rich off shore areas from American energy companies. As George Will illuminated in his brilliant June 5, 2008 op-ed "The Gas Prices We Deserve," it is

estimated the energy in these areas contains over 80 billion barrels of oil and over 400 trillion cubic feet of natural gas. Wonderful. What will Fedzilla think of next to strangle energy independence?

Governor Schwarzenegger recently stated California would not permit off shore drilling. Once again, a politician who would rather see America an energy slave than a thriving, energy independent powerhouse. He's so Hollywood.

America gets 20% of our electricity from 104 nuclear power plants. Europe generates 80% of its electricity from nuclear power. Nuclear power is the cleanest, most efficient, safest energy source we could harness. Senator McCain has proposed building 40 more nuclear power plants. I say we build three times that many and sell the excess energy! Senator Obama is not so sure about nuclear power. What, Senator Obama, are you not so sure about? I'm sure about you.

Instead of supporting nuclear power, what Senator Obama is sure about is slapping a punitive windfall profits tax on the oil companies. Anyone with an ounce of business acumen will tell you that taxing a business more will not lead to more innovation, more expansion, more hiring, or more productivity.

As radio freeman Neil Boortz recently pointed out, the windfall profits tax proposed by Senator Obama will hurt you -- the individual investor -- because ordinary Americans own 98.5% of energy companies through mutual funds and individual stocks. We are suffering from terminal shoot self in foot disease.

Texas oilman T. Boone Pickens is sinking billions into harnessing the wind to generate power. Currently America receives about 5% of our energy through wind. While Mr. Pickens is free to spend his money on wind energy, at best America will generate 20% of our energy through wind power. My money says nuclear power is the way to go. The answer to our energy woes is not blowing in the wind.

Call me a radical, call me crazy, but I crave freedom, liberty and independence. There were 56 guys who obviously felt the same way because they signed their names to a bold, extreme independence document some 232 years ago and pledged their lives and fortunes for freedom. Those are my kind of radicals. Call me extreme, but call me often.

Today, as in right here, right now, right this moment, some enterprising energy executive, energy engineer, or entrepreneur, must pick up the phone and call or e-mail a few of his patriotic buddies and convene an Energy War Council next week to solve this self inflicted fiasco. No Fedzilla bureaucrats allowed, as they will only retard the progress of such a group.

Let's get it on America, and turn to face the howling storm like the American Bison. It is time for a defiant American beast once again. I smell a stampede and like it.

Arkansas Democrat-Gazette (Little Rock)

Liberals as reactionaries

(6/29/08)

That contemporary liberalism has become more reactionary than progressive is a claim frequently made by conservatives.

They point out that liberals have spent far more energy in the past two or so decades defending alleged liberal triumphs of the past-Social Security, racial preferences, Roe vs. Wade-than proposing new ideas.

At least some evidence of the truth of such claims can be found in the person of Barack Obama. Despite his talk of change, he has failed to deviate from oldline liberal orthodoxy on a single issue of importance. There is nothing in his world view that wouldn't have been familiar to and approved of by mainstream liberals circa 1968. That he is actually more the candidate of the past than the future, even in comparison to 71-year-old John McCain, can be grasped by his inflexible dogmatism regarding perhaps our two most pressing campaign issues, the war in Iraq and energy costs.

With respect to Iraq, no remotely objective observer denies that "the surge" has succeeded beyond the wildest dreams of those who conceived it. Iraq is in every possible area of assessment a dramatically better place than it was before the surge began, to the point where it is now finally possible to talk about victory there.

That Obama opposed the war from the beginning has been established; that he criticized the idea of the surge and advocated rapid withdrawal instead is beyond dispute. What is remarkable is that he shows no willingness to admit that he was wrong or to even acknowledge that any progress has been achieved because of it. Perhaps fearful of alienating his radical-left base among the college kids and their egghead professors, he remains incongruously wedded to the same "we've already lost" narrative that so many other Democrats embraced before the 2006 congressional elections.

In spectacular disregard of the victories won by Gen. David Petraeus and his troops, Obama continues to demand withdrawal on the verge of victory regardless of the consequences. At the least, one would think that a candidate whose mantra is "change" would be willing to change his policies to fit such obviously changed circumstances, but no.

On energy policy, Obama's approach is perhaps even more baffling, and apparently even more resistant to modification. He instantly dismissed McCain's proposals for reducing our dependence upon foreign oil by extracting more oil here at home and building more nuclear power plants as "failed policies of the past" while offering only the usual stock solutions from the liberal catalogue-solar power, windmills, mass transit-as alternatives.

It is unclear how Obama defines words like "failed" and "past," since it has generally been public policy in recent decades to discourage oil exploration and drilling in the

places McCain now proposes to explore and drill, and no new nuclear power plants have been built in 30 years. A reasonable observer might conclude that whatever policies have failed in such a manner as to put us in our present energy predicament, they aren't any that McCain is proposing or that have been in place since Obama was in high school.

On at least one point, his call for a windfall profits tax on the oil companies, Obama has embraced a position so demagogic and potentially counterproductive as to defy belief.

The problem, in the end, may lie not so much with Obama's personal inflexibility as with the broader leftism that he so loyally subscribes to. Liberals simply can't comprehend that the Bush administration might have done something right, regarding the war in Iraq no less, while their quasi-religious environmental orthodoxy won't allow for even the possibility of safely drilling for oil in coastal areas and the Arctic National Wildlife Refuge. An influential school of thought within leftist circles, associated with the linguist George Lakoff, has been arguing for some time now that there is nothing wrong with liberal policies, only that liberalism needs to find a better vocabulary and a more effective spokesman through which to express them. Consider Obama, then, to be a test of Lakoff.

There is certainly nothing else that is new here, and no change of any kind regarding anything. To the contrary, it is possible that neither of America's two major political parties has ever nominated a candidate with such retrograde views as the junior senator from Illinois. But he presents it all so nicely.

Washington Post

The Wrong Way to Kick An Oil Habit

(6-25-08)

High oil prices, like a walk under the summer moon, can drive normally rational people to do foolish things they later regret. For Barack Obama, it is a fling with a windfall profits tax on American oil companies -- one of the most thoroughly discredited economic policies of the past few decades. A 2006 Congressional Research Service report found that Jimmy Carter's version of the tax generated less than one-fourth of expected government revenue while depressing domestic oil output between 1.2 percent and 8 percent and increasing dependence on imported oil between 3 percent and 13 percent.

It is typical of a tired economic liberalism to look at the global energy crisis and see American companies as the problem -- even if punishing them leads to greater dependence on foreign oil. But it is also naive to believe this dependence will be addressed by the normal working of energy markets.

Those markets are producing what one economist calls the "greatest wealth transfer the world has ever known." In a single year, the revenue of oil- and natural gas-producing Persian Gulf states have nearly doubled -- giving nations in the region hundreds of billions of surplus dollars to play with. Recent Saudi promises to increase oil production may help ease prices. It is also the profitable accommodation of an addiction.

How much money are we talking about? Because the Gulf monarchies are extravagantly secretive, the estimates vary. The Saudi Arabian Monetary Agency declares official reserves exceeding \$300 billion, but the real number is probably much larger. And this does not include the wealth of individual royals. Brad Setser, my colleague at the Council on Foreign Relations, estimates that Middle Eastern sovereign wealth funds have perhaps \$1.5 trillion set aside for a rainy day.

And what do these countries do with this money? Mainly they buy bonds through Swiss and English financial intermediaries. But they are also trying to defuse world outrage at this massive wealth transfer through some high-profile charity work. Saudi Arabia recently pledged \$500 million for the World Food Program. Late last year, members of the Arab League promised about \$700 million to the cash-starved Palestinian Authority.

In both cases, there is less to this generosity than meets the eye.

Oil-producing countries in the Middle East are large importers of food and declining producers (as water in the desert becomes too valuable for use on grain). So Saudi Arabia, the United Arab Emirates and others have begun using petrodollars to buy and rent farmland in other countries -- nations such as Egypt, Pakistan, Cambodia and the Philippines -- to ensure their own "food security." This may eventually lead to political instability in food-producing countries, as citizens ask: "Why are we sending staples to the Saudis while we have our own food shortages and inflation?" And by abandoning

their production and locking up arable land in other countries for their own use, oil producers will only make global food markets tighter, accelerating the rise in food costs.

On help for the Palestinians, the pledges of Arab countries have always come easier than actual donations. As of May, many Arab League members had yet to honor their promises to Prime Minister Mahmoud Abbas. The Saudis have performed better than most. But their \$170 million-a-year commitment needs to be put in perspective. London's Sunday Times reported that the late Saudi King Fahd, in preparation for a 2002 summer vacation, spent about \$200 million to renovate his Mar Mar Palace in Marbella, Spain -- a mansion built as a replica of the White House.

And by far the most consistent form of Saudi "generosity" since the 1970s has been the promotion of Wahhabism -- a minority form of Islam that tends toward extremism and anti-Semitism -- through the global distribution of madrassas, mosques and missionaries. According to one knowledgeable estimate, this effort has cost at least \$75 billion.

It should not surprise us that oil producers pursue their interests, excesses and ideologies with our money. But the massive transfer of wealth to some of the world's least responsible nations should disturb us. And confronting this problem -- with rapid increases in auto fuel efficiency and the urgent encouragement of alternatives to oil -- will involve a cost and commitment more general and more serious than a misguided windfall profits tax.

Richmond Times Dispatch (Virginia)

Oil Absurdity

(6/24/08)

Drama doesn't produce many playwrights from the theater of the absurd anymore. Why should it? The world has the Senate instead.

The other day Republicans turned back a ridiculous measure that would have, among other things, slapped a 25-percent windfall profits tax on any "unreasonable" earnings made by the five big oil companies and made energy price gouging a federal crime.

Study after study by the Federal Trade Commission has shown that price gouging is a myth. Nobody can define a windfall profit, either. Those are nonsense terms made up by demagogues to describe things they don't like and don't understand. The recent steep rise in gasoline prices is driven by three principal factors: (a) soaring worldwide demand, (b) flat supply levels (constricted in part by government policies such as a refusal to allow new drilling), and (c) a weak dollar.

Democrats pushed the windfall-profits measure just days after they failed to push through the Climate Security Act - which would have jacked up the cost of gasoline and electricity to the tune of nearly \$9,000 per family per year by 2030.

High gasoline prices encourage conservation even more quickly and effectively than government mandates. But Democrats and liberal Republicans don't like that, because only political edicts make it possible to squeeze campaign contributions from targeted industries. Senators who are looking for real extortionists should stop interrogating oil executives - and take a look in the mirror.

Chattanooga Times Free Press (Tennessee)

All sorts of manipulation ...

(6/23/08)

We are not for government subsidization of anything -- anything! But unfortunately, the government is deeply involved in such a tangled web of subsidies, incentives, tax breaks, tax penalties and other price-cost manipulation that we will never escape it.

But all of it costs us money, and often increases problems instead of solving them.

These things sometimes are well intended, to do "good." But many of them are designed to favor certain constituencies and penalize others, often to buy votes, victimizing us all.

We currently are having an "energy crisis" that is most evident in the high price of oil -- \$135 or more for a 42-gallon barrel -- and more than \$4 a gallon for gasoline.

There are all sorts of "remedies" proposed, but many of them are not practical.

For example, instead of encouraging development of American sources of oil and alternative fuels and energy systems, Congress has banned U.S. oil production in a part of Alaska and off our shores -- while threatening to impose a 25 percent "windfall profits tax" on "the big oil companies" that provide plentifully the fuel we now have.

First, who are "the big oil companies"? They are the firms that supply most of our oil -- and represent literally millions of ordinary Americans who own stock in them and depend on them for income.

Daily Oklahoman

EDITORIAL: Unenergetic: Democrats' oil proposal makes little sense

WE don't know whether to laugh or cry about the latest congressional effort to punish Big Oil.

Last week, Senate Democrats unveiled their "Consumer First Energy Act of 2008," which itself warrants a Federal Trade Commission investigation for false advertising. There's no energy in the proposal, and consumers would be first all right -- first to pay for the taxes Democrats want to levy on the big oil companies.

The first of those is a 25 percent windfall profits tax imposed on company earnings above whatever Democrats decide is reasonable. They call it a tax on "excess profits," an absurd notion in a free-market economic system.

Democrats also would roll back \$17 billion in tax breaks the industry received in 2004 and 2005, try to rein in excessive speculation on the oil futures markets, make price gouging a federal crime and declare illegal OPEC's efforts to control world oil prices.

A windfall profits tax was tried in the 1980s and is widely credited with damaging the domestic industry and making America more dependent on foreign oil. It's a bad idea. What company will invest more in exploration, development and production knowing its "excess profits" will be subject to a tax surcharge? Those that do will pass along the cost to consumers.

By that logic, Democrats should press for a windfall profits tax on other successful American businesses, those with earnings ratios larger than Big Oil's -- the beverage industry, pharmaceuticals, Google. How about taxing the excess profits of trial lawyers who cash in on mega class-action lawsuits?

The assault on Big Oil is an attack on millions of Americans. Oil and gas employs more than 1.6 million people in this country. Its earnings are reflected in the mutual funds, pension funds and individual retirement accounts of Americans who own them. Laugh or cry? Do both, it's an election year!

The Post-Tribune (Merrillville, IN)

'WINDFALL' TAX ON OIL WOULD HURT PEOPLE

(6/1/08)

Hillary Clinton and Barack Obama want to raise the price of oil, as well as most everything else, and lower the value of the pension and mutual funds that union members and retirees depend on.

Of course, they don't describe their plan that way. Instead, they call for a **windfall** profits tax on the oil companies.

But it's the same thing.

Taxing a "windfall" sounds appealing, but stock prices are based on expected profits. Throw a new tax on profits, and retirement portfolios of regular people take a hit.

"Hillary will impose a windfall profits tax on oil companies and use the money to temporarily suspend the 18.4 cent per gallon federal gas tax and the 24.4 cent per gallon diesel tax during the upcoming peak summer driving months," says her Web site.

"They sure can afford it," she told an audience in Indianapolis.

Whom does she think "they" are?

Obama says: "It isn't right that oil companies are making record profits at a time when ordinary Americans are going into debt. ... That's why we'll put a windfall profits tax on oil companies..."

Taxing "windfalls" is politically rewarding, but in the final analysis, only people pay taxes. When a corporation is taxed, the burden falls on workers (through smaller raises), consumers (through higher prices) and shareholders (through lower stock prices).

Do Clinton and Obama really want to tax these innocent people just to spite oil executives for high profits?

Anyway, what is a "windfall"? Any answer is arbitrary. Obama says it's the profit made off oil that's priced above \$80 a barrel. Why not \$70? Or \$90? Did he pull that number out of a hat?

At least he's honest enough to call his tax a windfall profits "penalty." But why do the companies deserve to be penalized? Have they behaved badly?

It's not their fault that demand for oil skyrocketed because of booming economies in China and India, and that tensions in the Middle East pushed prices up. It's not their fault government regulation keeps them from drilling in promising locations like Alaska and offshore, and harasses them when they want to build new refineries or expand old ones.

It's not their fault the dollar has deteriorated dramatically.

Being in the oil business is profitable, but not as profitable as you may think. Last year, average earnings in the industry (net income divided by sales) were 8.3 percent. They are lower this year. Other industries have done better. Beverage and tobacco firms had returns of over 19 percent.

Yes, oil company profits have surged as the price of oil rose, but bigger profits are good for America. The vast majority of the money goes not to the pockets of oil executives, but to exploration for new oil. If you take the money away, who is hurt?

We don't have to speculate because we have experience to draw on. "We tried this windfall profits scheme in 1980," The Wall Street Journal writes. "It backfired. The Congressional Research Service found in a 1990 analysis that the tax reduced domestic oil production by 3 (percent) to 6 (percent) ..."

Repeating that would not be a good thing for the harried working families Clinton and Obama claim to champion.

Spiking prices and profits encourage investors to take risks to find more oil, develop oil substitutes and increase efficiency. We don't need a "national energy policy" because we already have one. It's called the free market. When oil prices rose a few years ago, old fields with hard-to-reach oil in Oklahoma were suddenly worth operating.

Economics 101: incentives matter. Now that the price of oil has reached a new high, oil companies and other entrepreneurs have more incentive to find new sources of energy.

Only that -- letting the profit-motive work -- will bring the price of oil down.

Interfering with markets may be good for politicians, but it's bad for everyone else.

John Stossel is co-anchor of ABC News' "20/20"

Daily Press - Victorville (California)

OPINION: This 'n that (5/30/08)

Steve Williams, Daily Press, Victorville, Calif

May 30--The U.S. Commerce Department predicted that the Gross National Product for the first quarter of the year would grow by 0.6 percent, but it didn't; it grew by 0.9 percent.

Why is that noteworthy? Because the department underestimated the strength of the American economic system, and because it also belies the assumption by a whole raft of economists that we're either on the verge of a recession, or more commonly, that we're already in one. Recessions are defined as beginning when, for two straight quarters, the economy shows negative growth.

Predictions now, in the wake of the first quarter's figures, are that the economy will grow by 0.4 percent in the current quarter, which ends in June, and then will grow by 2.2 percent in the third quarter, which ends in September.

George Bush entered office just as a recession was getting under way, but his tax cuts pulled the economy back into the black. Now, Congress and the two Democrats seeking their party's nomination, Barack Obama and Hillary Clinton, say they'll push Congress to "phase out" those tax cuts -- which actually would mean tax hikes, and which would pretty much automatically guarantee a recession.

Are they, economically speaking, crazy? Of course. The wonder is that so many Americans don't view them as being so.

But raising taxes isn't the only thing threatening the economy, in fact, it's not even the most serious. That spot is filled by a Senate bill titled America's Climate Security Act. It sets strict limits on emissions of greenhouse gases, mainly carbon dioxide, from combustion of coal, oil and natural gas. A Heritage Foundation report says that the fossil fuels targeted constitute "the most expensive environmental undertaking in history." They produce 85 percent of the energy powering the economy, and restricting that energy would raise prices for electricity, natural gas and home heating oil, and would drive the typical consumer's total annual energy bill higher and higher --\$938.63 more in 2030 than 2012.

Meanwhile, gas prices in the Victor Valley -- and across America -- went up again this week, and of course Congress is fulminating about Big Oil and its evil ways. But consider this little kernel of truth emerging from the Senate Judiciary Committee's grilling of oil executives in mid-May: 15 percent of the cost of gasoline at the pump goes for taxes, while only 4 percent represents oil company profits. In California, of course, the 15 percent is higher, since California taxes gasoline consumers at higher rates than any other state.

Naturally, Congress is mulling a "**windfall profits tax**" on oil companies because of

those "obscene" profits. But are they obscene? Not exactly. The average profit of American oil companies last year was 8.3 percent. But American cigarette and beverage companies' average profit margins were 19.1 percent, pharmaceutical companies' 18.4 percent, and American manufacturers' 8.9 percent.

No, the real culprit here is Congress and various other state and local governmental bodies. Congress, as we've often noted, keeps American oil companies from further exploration and development of potential oil sources, taxes those same companies at exorbitant rates (which cuts into their research and development budgets, which cuts into their ability to develop new sources and more efficiently exploit old sources) and in addition bars development of other, cleaner, sources by over-regulating their licensing, construction and use.

We suppose the day will come -- eventually -- when the American people finally begin to realize the harm that's been done them by a Congress too wrapped up in the blame game to come to grips with reality. By then, of course, our options will be even more limited than they are today.

Las Vegas Review-Journal (Nevada)

(5/27/08)

Congress and the oil companies

There are precedents, though they're weird.

In some ancient cultures, we're told it was customary to choose one or more citizens of the city and treat them as royalty for the period of one year. Freedom from labor, the best food and drink, a free hand with the temple prostitutes, whatever.

Then - on some particularly propitious day, usually tied to the annual cycle of crop fertility - the otherwise "lucky" individual would be doped up and have his head cut off, his blood being ceremonially drained into the ground as a sacrifice to the gods of crop fertility, or whoever else was held to be in need of some urgent supplication.

The notion that such rituals may have survived into modern times provided disturbing metaphors for Shirley Jackson's play "The Lottery," and later for films including "The Wicker Man."

We may think we're well past such rituals of debasement, but consider how hard it would be, today, for a Harvard-educated lawyer more comfortable at lawn parties featuring brie and chablis to get elected president of the United States without publicly donning a silly hat to attend a baseball game and a stock car race, subsequently pretending delight as he or she chomps down on a kielbasa sandwich in Chicago and a "Philly sub" in South Philadelphia.

Other modern rituals of debasement include the political grilling by the opposition party of candidates for the federal bench and at least one other modern example, surely one of the most weirdly ritualized, on display in Washington again last week.

As Americans snarled at news that gasoline and other fossil fuel prices will make their summer vacations far more expensive (if they can afford them at all), a bunch of U.S. senators who probably couldn't run a major U.S. corporation for a single day - many of whom have never shown a profit running so much as a shoe shine stand - demanded that America's oil company executives be trooped in like defendants at one of Josef Stalin's show trials for "hearings" in Washington, where the lawmakers in turn snarled, lambasted and berated these heads of free-market private firms, demanding to know the dollar amounts of their salaries, and how on earth they can justify their firms' profits.

"Where is the corporate conscience?" howled Sen. Dick Durbin, D-Ill.

Do oil companies set aside a higher percentage of their incomes as profits and dividends than other corporations whose stocks compete for investment capital on the same markets? No.

Does the implied threat of government action make any legal or constitutional sense? No.

There are no laws limiting private corporate executives' salaries (though these same senators seize and spend almost half those salaries through their tax policies) nor limiting private corporate profits either by dollar amount or by income percentage. Nor are any such laws likely to be enacted, anytime soon.

Does any of this make any economic sense?

No. If every one of the top 10 executives of every major oil company in the world worked for free for the next year, the price of gasoline at the pump would not drop by a single penny. If oil companies substantially reduced their profits and thus their stock dividends, investment would fall, making it harder for them to afford exploration for and development of the new deposits necessary to keep supplies flowing. Supplies would drop; prices would go up.

On the other hand, if the senators were to halve the federal excise tax on gasoline, they could drop prices at the pump by more than a dime, overnight, all by themselves.

For that matter, oil price hikes haven't been nearly as onerous, nominally, in Europe, because the value of the euro is not being devalued by government policies there as fast as the dollar is being cheapened here. American gasoline prices are actually down over the past 70 years, if measured in a constant dollar.

Yes, the senators might get carried away and enact a "windfall profits tax" on "excessive" oil profits. But not only would that further drive up prices at the pump, it could also drive investment capital away from domestic oil producers - thus encouraging more imports and further damaging our balance of payments.

Alternatively, the senators could demand that "Big Oil" be broken up into smaller, competing firms - except that they already did that, in 1911, creating at least 35 separate companies including Atlantic (now ARCO), Chesebrough Manufacturing, Conoco, Continental, Marathon, Mobil, Pennzoil, Sohio, etc.

The oil executives, while hanging their heads and docilely going along with the ritual for the most part, did respond to direct questions including, "Is there anything you can do to lower gasoline prices?"

But when they timidly asserted it might help if they were allowed to drill proven reserves offshore or on Alaska's north slope, the senators made it clear they "weren't having any of that" nonsense.

What? Introduce simple economics, the laws of supply and demand, into a ritual that's all about generating video footage of the senators waving, howling and dramatically "doing something" about their constituents' ire against how little gasoline their shrunken dollars will now buy?

The nerve!

It's a very odd ritual, perhaps serving some of the same function as corrupt Roman senators in their day distracting the populace with bloody games in the Colosseum. By next year, will we see the senators call in and berate for their shameless salaries and obscene profits America's bakers? Her orange growers?

Who'll be the next in line?

The Denver Post

Blame senators, not oil execs (5/23/08)

David Harsanyi

Have you seen the television spots produced by oil companies? If so, you might be under the impression they were in the business of selling sunflowers and good vibes rather than energy.

In general, oil executives have done a horrid job of defending their industry, opening themselves up to fact-deprived populist attacks that ignore the complexities of the energy mess.

This week's sham of a Senate Judiciary Committee hearing saw Big Oil executives from ExxonMobil, Chevron and three other companies take the stand. With quivering voices, they explained basic economic principles to Senate demagogues who, incidentally, bear far more responsibility for high prices than the execs themselves.

The lead demagogue, Vermont Sen. Patrick Leahy, leveled numerous preposterous charges. He claimed that there was a "disconnect" between supply and demand and the gasoline prices that consumers are wrestling with at the pump.

Leahy, one hopes, knows that oil companies have little to do with the price of oil per barrel. He knows full well that they can't control OPEC production or Hugo Chavez or the dramatic increase in oil demand by China, India and other developing nations. So in this case, the only "disconnect" is between facts and Sen. Leahy.

Most of the senators moaned about "profits" - a topic that has nothing to do with the fundamental problems we face. And though \$40 billion in profit sounds massive to us, in the context of the entire fossil fuel industry, it's far less magnificent.

Pennsylvania Sen. Arlen Specter asked "why profits have gone up so high when the consumer is suffering so much." Good question. Perhaps Specter can also ask why government seizes more in profit per gallon of gas than the wicked oil companies. Then, he might want to discuss why Congress continues to obstruct the search for more energy and the import of smart energy.

Start with ethanol (the good kind): The massive farm bill - supported by every senator on the Judiciary Committee - continues the policy of applying high tariffs on Brazilian sugar-based ethanol to protect American companies. Instead of opening this market, Congress is continuing mandates and subsidies for corn-based ethanol (the bad kind). That's a price consumers pay whether they want to or not.

Talk about nuclear energy: The cleanest viable large-scale energy source available to us already provides around 20 percent of our electricity. Congress has done little to promote more use. Leahy's state of Vermont enjoys this clean and relatively cheap energy. Why

not the rest of us?

Talk about exploration: Any mention of drilling in the tundra of Alaska incites apoplectic reactions. Yet a sliver of land in Alaska's 19.6 million-acre Arctic National Wildlife Refuge could yield 10 billion barrels of oil. It wouldn't dramatically affect prices in the short term, but the long-term benefits are clear and numerous.

Talk about refineries: Can we get a new one? Please? It's been 35 years.

So what has Congress come up with instead? It creates unrealistic expectations about renewable energies (and some have great futures) and advocates for punitive "windfall profit" taxes to diverge more money from private industry to centralized government.

How any of this helps consumers or alleviates foreign energy reliance is a mystery.

"Stop ripping off the American people. Ride your bike to work, everybody," yelled a protester from the far-left group Code Pink at oil executives. (She, undoubtedly, had just pedaled her 10-speed to Washington from Fantasia.)

Riding bikes out of necessity - as folks in Third World countries do - is exactly what we can look forward to if energy policy continues to appease the Code Pink crowd rather than help the American people.

Reach columnist David Harsanyi at 303-954-1255 or dharsanyi@denverpost.com

South Bend Tribune (Indiana)

Threefold strategy needed to solve America's energy problem (5/23/08)

THOMAS A. GRESIK

Energy prices have increased significantly in the last year: crude oil is up 84 percent, gasoline 25 percent, diesel fuel 45 percent and natural gas 39 percent. These large price increases are due to three factors: insufficient energy conservation by Americans, tremendous economic growth in Asia and ineffective national policies. While the second factor is outside our control, it cannot be ignored if America is to develop effective energy policy.

Since 2003, the U.S. economy has grown at 3 percent per year while our consumption of crude oil has increased by 0.8 percent per year. This means Americans have made some progress in conserving energy. Yet over the same time period, oil consumption in the emerging economies of the world grew by 9 percent. China's consumption alone grew by 40 percent. Once Chinese per capita oil consumption reaches the current U.S. level, China alone will require 84 million barrels of oil each day. With daily worldwide oil production at 85 million barrels, conservation will do little to stave off higher energy prices. Instead we must develop new sources of energy and do so in a way that balances the goals of affordable energy, energy security, and environmental protection.

In the last few weeks, the energy policies of the presidential candidates and of some members of Congress have been at center stage. But instead of providing the necessary leadership to implement effective policies, they have presented us with counterproductive policies that will make most of us worse off. The worst idea is a windfall profits tax. This was tried in 1980 and, according to the Congressional Research Service, it reduced the domestic supply of oil by 3 percent and increased imports. A windfall profits tax is a backward-looking policy that will result in higher prices and will reduce the incentives for investment in new sources of energy. America cannot afford to adopt this policy from Hugo Chavez's playbook.

Other recent proposals that are counterproductive involve suspending additions to or releasing oil from the Strategic Petroleum Reserve and suspending the federal excise tax on gasoline of 18 cents per gallon. Planned additions to the reserve account for at most an economically inconsequential 0.1 percent of monthly consumption. They add less than one penny to the price of gasoline. Releasing oil from the reserve can lower gasoline prices by 15 to 20 cents per gallon but only for a few days, and at the cost of reduced energy security. Suspending the tax would lower gasoline prices by less than 18 cents and it would result in fewer funds for road and bridge repairs. Many drivers would end up paying a lot more in car repairs from driving on bad roads.

It may be helpful to remember that what ended the energy crisis of the 1970s and early '80s was the development of the massive North Sea reserves by Norway and the United Kingdom. Today, with large increases in demand expected for the foreseeable future, increasing the supply of energy is again the solution. Only an increase in supply can counteract the effects of increased demand on prices. This requires a threefold strategy:

First, we need to rescind laws that forbid developing known sources of energy. By not allowing drilling in Arctic National Wildlife Refuge, for example, we are losing 900,000 barrels of oil per day. By prohibiting drilling off our east and west coasts, we fail to take advantage of 75 billion barrels of oil and 360 trillion cubic feet of natural gas. Instead, we are building expensive and unpopular liquified natural gas terminals to import natural gas from Africa and the Middle East, resulting in higher prices, less energy security and a larger carbon footprint. By granting access to America's large known reserves of natural gas alone, we could take advantage of our second most abundant energy source, avoid increasing our reliance on foreign sources, and get one-third the carbon footprint of coal.

Second, we need federal laws that limit the ability of local communities to block necessary investment in infrastructure. In an RBC Capital Markets survey conducted last June, 80 percent of respondents expressed concern about energy sufficiency but 84 percent said they did not want a refinery built in their town. As a result, no new gasoline refinery has been built in 30 years.

Third, the federal government needs to maintain broad support for research that aims to use our most abundant energy source, coal, in a way that produces zero emissions.

Rather than promoting feel-good policies that experience tells us will exacerbate our energy problems, wouldn't it be better if our national leaders promoted policies that actually have a chance of working?

Thomas A. Gresik is a professor in the Department of Economics and Econometrics at the University of Notre Dame.

The Washington Times

Losing the energy race (5/21/08)

By H. Sterling Burnett, SPECIAL TO THE WASHINGTON TIMES

Shock and awe - we are living it! We stand, mouth agape, staring at the pump - at \$4 gallons and fast-emptying pocketbooks. Even worse, with crude oil already costing more than \$120 a barrel, many predict this wave has yet to crest.

And while we wait for the price to peak, spending shrinks and the economic outlook worsens. Our energy policies have failed us, and now, we pay the price - literally.

In response, politicians call for windfall profits taxes and temporary gas tax holidays. Once again, we're forced to stomach politically motivated, short-term non-answers instead of long-term solutions. Here's a thought: Rather than vilify the oil industry for our sticker shock, let's take a hard look at the actions of our federal government.

For years, we've approached domestic drilling in a politically correct manner, placing caribou on a pedestal while ignoring American consumers and national security. Politicians chose to outsource and import, instead of expand and drill. As a result, we fill the coffers of foreign nations instead of boosting American gross domestic product.

In a recent press conference, President Bush suggested drilling in Alaska's Arctic National Wildlife Refuge. He might be on to something. Despite the hysterical claims of environmental lobbyists, oil and the environment can mix. Caribou and other wildlife have expanded and flourished in and around Prudhoe Bay, apparently unaffected by the relatively primitive oil and gas development in the area.

And technology in the oil industry has improved mightily in the years since the Arctic Slope was first tapped. Indeed, two leading environmental groups, the Audubon Society and the Nature Conservancy, have allowed oil and gas production on several of their most important and unique nature preserves.

Unfortunately, the United States Congress has also banned energy exploration in 85 percent of our coastal waters. As a result, while Cuba, in partnership with China, drills closer to the U.S. coastline than we do, the United States goes hat-in-hand to Saudi Arabia, Venezuela, Canada, Nigeria, Mexico and even Iran. Our lawmakers' decision to block domestic access harms both the public and the environment.

Since 1991, oil tankers have spilled 3 times more oil than offshore platforms. Furthermore, when tankers leak, they tend to do so near shore, resulting in more severe environmental damage. Thus, because platforms are less prone to spills than are tankers, producing more oil off America's coast could be environmentally beneficial.

It is estimated that beneath America's coast lies enough oil to fuel 60 million cars in the United States for 60 years - and enough natural gas to heat 60 million homes for 160

years.

Our nation - and the world - will need significant amounts of oil and natural gas well into the future. The U.S. Energy Information Administration says the United States alone will need 19 percent more energy in 2030. Globally, that number jumps to 55 percent.

While renewables and alternatives are a part of tomorrow's energy mix, they cannot represent the entire answer. In the year 2030, those "fuels of the future" will only comprise 9 percent of consumer demand. More than 60 percent of demand will continue to be fulfilled by oil and natural gas. We must take those numbers to heart and remove barriers to domestic drilling.

In China, more than a billion people are beginning to taste unparalleled economic success. Each year, increasing numbers of Chinese citizens demand cars, air conditioning, televisions, refrigerators, personal computers and other electronics. Each of these benefits of progress will require more, not less, energy.

And the same story echoes around the globe as economies liberalize and material progress becomes more widespread - and the race for energy gets fiercer.

While political pundits speculate that America will stay ahead of the curve, thousands of unemployed American workers tell a different story- we are already falling behind the eight ball and political roadblocks to domestic energy development are partly to blame.

Here's a shocking fact: The world's largest private oil producer, Exxon, ranks just 16th in the world. Government-controlled oil fields in Saudi Arabia, Iran, Iraq, Venezuela, Russia, Mexico and Libya contain more fuel than America's largest oil producer owns. Yet, if allowed access to U.S. oil reserves in Alaska and off the coast, American oil companies could increase our reserves about fivefold - taking the United States from 11th place to fourth among countries with proven reserves.

The United States is losing the energy race not because we are being beaten but because we don't allow domestic companies to compete. For our nation's security, for our consumers' well-being, and for our workers' continued economic progress, it's time for Congress to let American companies get in the game. Let the drilling begin.

H. Sterling Burnett is a senior fellow with the National Center for Policy Analysis, a nonpartisan, nonprofit research institute in Dallas.

Chattanooga Times Free Press (Tennessee)
(5/19/08)

More bad news on energy bill

The energy legislation that Democrats in the U.S. Senate are proposing is very bad for several reasons. It would impose new taxes. It would apply shortage-creating price controls. And it also would punish oil and natural gas companies for seeking additional domestic supplies of those crucial energy sources.

The crux of the faulty plan is to hit any oil company that Democrats consider to have "unreasonable" profits with a 25 percent "**windfall profits" tax**. But the companies could avoid the tax if they pump any profits that Democrats deem excessive into such things as the development of alternative energy, including wind and solar.

The trouble is, those technologies are extremely costly. We simply cannot produce wind power or solar energy in a cost-effective manner.

And yet, under the Democrats' plan, any "unreasonable" profits that are put into boosting domestic supplies of oil and natural gas would not escape the punitive 25 percent windfall tax. So what would the companies likely do? They would spend money on pricey energy alternatives and divert it away from further development of domestic oil supplies that could help break the stranglehold that foreign oil-producing nations have on us.

"Anytime you put in a tax (on oil and gas exploration), you create an incentive to avoid it," Robert Hansen, senior associate dean at Dartmouth College's Tuck School of Business, told The Associated Press.

The time to be thinking about that is before, not after, any such counterproductive tax is imposed.