

OCPA FaxLine Report

a public policy information service for members of the Oklahoma Council of Public Affairs, Inc.

Dear OCPA Member:

Wednesday, July 23, 2008

Last week I reminded readers of *FaxLine Report* why the suggestion of returning to a national speed limit of 55 miles per hour is a bad idea. This week another idea from the “tried it and it failed” collection is explored. (Policy makers apparently like recycling bad policy ideas and we citizens fall for it.)

Dennis Jacobe, Chief Economist for the Gallup organization, pointed out on May 28th some interesting trends emerging among Americans. Over the past year, the percentage of those surveyed blaming the oil companies for skyrocketing gas prices fell from 34% to 20%; the percentage pointing to oil refinery problems fell from 16% to 9%; and those attributing the increase in prices to problems in the Middle East and the Iraq war fell from 13% to 8%. Meanwhile, support for drilling in U.S. coastal and wilderness areas (now off limits) is 57%.

While that seems to be good news for the energy industry, an ominous new trend is occurring which could serve as a serious setback for all Americans. That trend? A surprising number of Americans favor imposing price controls, by a 53% to 45% margin. Do Americans who are old enough to remember really want to return to that whimpering economy of the 1970s?

Price controls are a nasty little virus which packs a big wallop. It infects policy makers when they get the notion that it is their job to meddle with the free market. In 1973, in response to inflationary pressures, President Nixon (with Congress' assistance) instituted general price controls. In a recent article entitled, “Supply, demand and gasoline prices,” David W. Kreutzer, Ph.D., and a senior policy analyst at The Heritage Foundation, says the decision was disastrous. “After the predictable shortages arose, price controls were eliminated on everything except petroleum products and natural gas. Not eliminating those price controls created the energy crisis of the 1970s and the memorable gas lines.” Note to policy makers: *price controls result in shortages.*

Plus, as is usual with bad public policies, there were once again many unintended consequences which further impacted citizens. For instance, the average vehicle of the time consumed between about 0.5 to 0.8 gallons of gasoline an hour while idling. It was estimated therefore that Americans wasted up to 150,000 barrels of oil per day idling their engines in the long lines at gas stations.

Tim McMahon of InflationData.com noted that “A better policy by the government would have been to encourage U.S. producers to flood the market with oil and take up the slack from the reduced supply from overseas but the fear was that we were ‘running out of oil.’” Three decades later, with technological innovations in drilling, there are more potential exploration areas than we ever dreamed possible.

When President Reagan eliminated price controls on petroleum in 1981 the shortages and gas lines disappeared. They say wisdom is learning from mistakes . . .

Until next time. . . Brett A. Magbee, Vice President for Operations

Oklahoma Council of Public Affairs, Inc., 1401 N. Lincoln Blvd., Oklahoma City, Oklahoma 73104

Tel: 405-602-1667 / Fax: 405-602-1238 / Website: www.ocpathink.org

OCPA is a research and educational organization promoting public policies consistent with the principles of individual liberty, free enterprise and limited government. Contributions to OCPA are tax-deductible to the fullest extent of the law. Nothing written in an OCPA FaxLine Report is to be construed as necessarily reflecting the views of the membership of the Oklahoma Council of Public Affairs, Inc., or as an attempt to aid or hinder the passage of any bill before the Oklahoma House or Senate, United States Congress, or any other government body.