

The inaugural address we'll never hear

I don't know who'll win the 2008 presidential election. But I hope an inaugural address that looks back on 2006 will go something like this:

"My fellow Americans, petroleum prices are at record highs. So are oil company profits. Americans are fed up with the high cost of gasoline and are demanding that Washington do something. Let me tell you right now what my administration will do: Nothing. Nothing at all.

"Some of you think you've got a right to cheap gas. I've looked through the Constitution, but I can't find that anywhere. I think the Supreme Court would agree. Even the justices my party didn't appoint will tell you: There is no right in America to a product you want at a price you like.

"It's true that more products, including gasoline, are available in America at higher quality and lower price than anywhere else in the world. That's a great thing; it's why so many people want to come here. But that's only because of freedoms like the freedom to buy and sell at honest terms. A gallon of gas belongs to somebody else until you buy it. What will Washington do about that? Nothing. Nothing at all.

"Some of you think that corporations are bad, oil corporations are worse, and oil corporations that make profits are the worst of all. Sure, the oil business has its shady side. Most of the oil in the world is owned by governments, many of which are nondemocratic and/or corrupt. As long as that's true, the oil industry will never be like cars or computers.

"But markets don't have to be perfect, they just have to be better than anything else. High profits on gasoline, or on any commodity, are a social good. They stimulate investment. They're a signal to entrepreneurs: Money to be made here! After all, raw petroleum doesn't just jump out of the ground, turn itself into fuel and jump into your gas tank. It gets there through the coordinated actions of millions of people, using information provided by the price system. Corporate profits are a part of that; they help make personal transportation a reality. What should Washington do to disrupt the price system? Nothing. Nothing at all.

"Maybe you don't buy this line of argu-



OPINION

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ment. Maybe you think high profits are just wrong in principle. In that case, let's look at how high oil profits actually are.

"In the fall of 2005, Exxon had a record quarter: 10.3 billion dollars, up almost 25 percent from the same time the year before. But net sales were much larger than that; Exxon's profit margin was 11 percent. Pretty good, but hardly extortionist: Intel and Apple both do better. In fact, that same year, Yahoo's profit margin was almost four times Exxon's. What should Wash-

ington do about those morally barren robbers of information at Yahoo? Nothing. Nothing at all.

"Of course, doing nothing about profits or prices doesn't mean we don't have work to do. For far too long, we have subsidized oil and other fossil fuels. This will stop with my administration. We also subsidize ethanol, wind and solar. That's not right. The right amount of subsidy for any type of energy is nothing. Nothing at all.

"But no matter what we do with subsidies, gasoline prices are sure to go even higher. That will be a great thing for America. That's because higher gasoline prices are the only way that you, the American people, are going to stop using so darn much of the stuff.

"Two hundred years ago, oil in the ground was worthless. Two hundred years from now, it will be worthless again. It'll be too costly to extract, too smelly compared to the alternatives, and just plain uneconomical. It's inevitable. The only question is how we'll get there.

"We can get there the easy way, with imperfect but working markets, a level playing field for energy, and yes, higher prices for gas. Or we can be seduced into the false hope of passing laws against crimes we can't define, of political posturing and wishful thinking. If we follow that path, our energy future is a future of nothing. Nothing at all. Thank you and good afternoon."

Boy, I'd love to hear a message like that. But right now, it's just a pipe dream. It's really nothing. Nothing at all.

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