

Regulations vs. Regulators: the Cry for More Fuel

By Dr. PHIL GRAMM
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It has always been fashionable to prophesy doom. Most such prophecies are based on the assumption of the existence of physical constraints which are beyond man's control. The assumption of a fixed quantity of arable land gave rise to the Malthusian subsistence thesis that only war, pestilence or moral restraint could prevent the reduction of all mankind to a subsistence level of poverty. Malthus of course was neglecting technological change. The dire prediction never materialized because technological progress has outpaced population growth.

Historically, we have seen this phenomenon before in the area of energy use. In fact our present crisis is the second major energy crisis in American history. The first occurred in the late nineteenth century when whale oil, the major source of lighting, was becoming more scarce. So serious was the problem that a meeting of major whaling nations was held to try and solve this crisis, but no agreement to avert the impending calamity was reached. All seemed lost to the "planners for future needs" until a simple process was developed to convert crude oil into a light source, i. e., a technological change ended the crisis. There is no end to such stories.

Much of the media outpour-

ing on the so called energy crisis follows the logic expressed in the population and whale oil crises. Since there is just so much oil, coal, natural gas and other energy sources, sooner or later we are going to run out. We must begin to ration these resources so as to conserve energy in our time and move the day of reckoning further into the future. This logic would have left us with whale oil reserves with no economic value. There is no reason to believe that we face a long term energy crisis. If technology were suddenly frozen such projections might be realized in several hundred years or less, depending on which experts of the week one believes. But technology is not frozen, it is instead progressing at a rate unprecedented in history. The Petroleum Age will pass as did the Stone Age. The real danger is that we may foolishly restrict the exploitation of current energy sources and allow them to become obsolete. Only if we eliminate the market incentives for innovation and investment could we face a long term energy crisis.

Though there is no long-term energy crisis there is a short-term problem. One who knows any economics is aware that shortages cannot exist in free markets. The mere existence of shortages is a key to understanding the energy crisis. Shortages result from market disruptions, and the only sec-

tor of society which possesses the power to disrupt a large market is the government. Government intervention in the energy market has occurred in numerous areas. Perhaps the most disruptive has been government price ceilings on natural gas at the well head. By setting the price of natural gas artificially low, the government has stifled the incentive of producers to increase supply while the artificially low price has stimulated demand. Further, since profits are low at these artificially low ceiling prices, investment and exploration have fallen off sharply.

Environmental legislation and court action have had a significant impact on the supply and demand for energy. Injunctions against atomic and conventional power plants have prevented the supply of electricity from keeping up with the demand. The injunction against the Alaskan pipeline impeded the growth of oil supplies. Pollution control devices on automobiles have increased fuel consumption and thereby increased the demand for gasoline. Mass conversions from high sulphur to low sulphur fuels in order to comply with EPA regulations to abate pollution has caused a change in the composition of energy demand from plentiful, cheap sources of energy to scarce, expensive ones.

The energy crisis has made it clear that pollution abatement has

a definite cost to society. The preservation of the migration patterns of wildlife in Alaska, no matter how noble an aim, will cause higher fuel bills and potential shortages. Only by understanding the costs involved in various forms of pollution abatement can we choose how much environmental protection is optimal. It seems clear that special interests groups on both sides of the environmental issue, have advocated ecological solutions that would have far reaching consequences for future generations without inquiring into the costs involved for society in such areas as economic growth and the quality of life.

Combine government stupidity, environmental overreaction, the politics of the middle East and rapidly expanding world demand and you have produced an energy shortage. However, it is easy to say what caused the shortage, but

to find solutions that meet the dual requirements of common sense and optimal allocation is more difficult. I have three suggestions:

(1) Eliminate all price ceilings and government controls. This action, as economic analysis has shown us, would greatly stimulate supply and insure allocation of energy to the highest priority users.

(2) Inform society of the cost of environmental and ecological programs and then allow free choice. If people want the end products of such programs they will have to pay the cost in higher energy prices, and with adequate information, society will be able to decide which programs are worth the cost and which are not.

(3) Institute peak-load pricing for electricity in shortage areas. Brown-outs and black-outs occur because in peak use periods overloads occur. By charging more

for power in peak periods, non-essential use would occur in non-peak load periods when power is cheaper. Under the current system there is no incentive to spread out power use. Peak load pricing could minimize overloads in the current system and allow time for supply sources to catch up to peak load demand.

In a free market, when the price of a good starts to rise, three simultaneous forces are produced. First, people start to use the good more judiciously, second, producers and consumers who use the product begin to search for cheaper substitutes, and third, producers of the product attempt to expand output by using and developing technology to meet the demand. It is this process which has always forestalled doom.

We will run out of energy only if we allow the government to prevent the free market from work-

ing. Herein lies the real danger of the energy crisis. Not only do government regulations and controls create short-term shortages, they impede solutions to long-term shortages. If we let the clumsy hand of government regulate and control the supply of energy, we may rupture the innovation process and face doom.

When regulation does not solve a problem, the regulator thinks to end regulation. He has no more knowledge of free markets stamped to give him power. In such cases, our problem is not an energy crisis but a leadership crisis.

Dr. Gramm is a special advisor on environment and taxation to the Ministry of Natural Resources, Canadian Government, consultant on health economics to the Dept. of Health Education and Welfare.

Listen Up—

U.S. Needs Coup d'Etat Resurrection

Editor:

In many of the developing countries of the world, students interested in military science go abroad for advanced training in modern military procedures and political theory, i.e., Sandhurst in England. There have been a few of these students who later were rulers in their own countries. The time has come for a two way exchange with our own military students studying in Africa and South America to learn first hand how military rule can guide a floundering country.

The United States is definitely floundering having reached an abyss in the lack of confidence in our present government that has catered to subterfuge and corruption. If a developing country was

experiencing similar difficulties, there would likely be a military coup d'etat to cleanse the political system. Coups are swift and decisive in cauterizing the infection, since an honorable resignation is beyond all hope and impeachment proceedings are laborious.

There are at present several good examples of military governments in both South America and Africa worth studying. The military science department should award scholarships to promising cadets for a semester abroad to study for credit in Coup d'etat 308 and the military's role in the political organization, and so by next April they could return to help resurrect us from our malady. We do have much to learn from our Third World

neighbors.

Gregory Sullivan

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Editor:

Most students are dissatisfied with the bicycle regulations at TAMU. Some of these complaints are valid, but a letter to the Battalion will probably not get these regulations changed.

The policy concerning the operation of bicycles came about after over two years of planning. Articles appeared in the Battalion about the formation of bicycle regulations. Announcements were also made about meetings of the Traffic Panel requesting student input.

Unfortunately, few students felt that planning for bicycles on our campus would affect them.

Now, those people who were concerned the least are yelling the loudest.

The Campus Planning Committee has been reviewing the bicycle situation on our campus this year and has asked for input from the student body. Except for the suggestions received from the AG Wheelmen, the students have again been apathetic about formation of bicycle regulations.

Any ideas about the operation of bicycles on the TAMU campus are welcome by the Campus Planning Committee. These suggestions should be made by this Friday by calling the Student Government office, 845-3051.

Barry Brooks, Chairman
Campus Planning Committee

Batt Commentary

Blanket Grades

As noted two weeks ago in Batt Commentary, The Battalion endorsed the proposal of sending mid-term reports to freshmen because this enables them to get a quick understanding of the University grading procedure.

The determination of who grade reports are sent to has been a topic of major concern, but a more important controversy centers on the validity of the reports because of faculty issuance of blanket grades. Blanket grading is definitely unfair for any report sent to students.

A Student Government survey indicated that as much as 20 per cent of the faculty issue blanket grades to students, meaning a total disregard for the system and psychological impressions left if the grades are bad. (The Battalion mistakenly reported that 75 per cent of the faculty did this in its Oct. 25 issue.) A check by the Registrar's office indicates that only 7.8 per cent of the faculty did this for the current semester.

The validity of these polls is also subject to question because the interpretations of blanket grade meanings vary. To some, a blanket grade means everyone in the class received the same grade. Faculty members may issue 'A's and 'B's alternately on the grade sheet turned in for computer processing. The methods for issuing blanket grades, then, have innumerable possibilities, as these examples illustrate.

The fact that there are different ways of hurting a student's ego is grounds enough to demand that the Academic Council should put a stop to blanket grading. The existing situation shows that stringent enforcement of grading procedures needs to be carried out. In all instances this would effect both a true understanding of the University's grading system and provide whatever mental boost is justly deserved by new students. Under the current distribution system, upperclass students would benefit as well by correct grading.

All academic department heads are voting members of the Academic Council, as well as Student Government President Randy Ross. If you don't like the existing system of issuing grades and distributing mid-term reports to all students, we urge you to contact Ross or your department head.

The system must be changed to accommodate adult privileges recently attained by most students and to be fair to all in its use.



I WAS TAKING THE TAPES OVER TO JUDGE SIRICA...



...WHEN I WAS JUMPED BY A PARTISAN MUGGER!



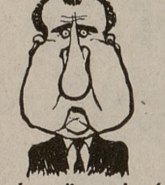
BUT I HAVE A CERTAIN QUALITY... I REMAINED COOL!



I RESCUED ALL BUT TWO OF THE TAPES...



...AND DASHED TO SIRICA'S OFFICE!



Why doesn't anybody ever believe me....?

The Battalion

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