

The economic reply

Smile

Kissinger watches over all

By MIKE PERRIN

Good old Hank Kissinger is at it again. But don't blame him; he's just another government employee.

Kissinger and the government are proposing a program of "relief" for America's consumers, hard-pressed by the so-called energy crisis. The problem is that prices are too high, right? So what we need is some government action, right? Well, now the government has acted. They are proposing a minimum price for imported oil. That's right — a *minimum*. Even if the Arabs wished to lower the price below this minimum, the U.S. government would not buy it for less. Or let you buy it for less.

That's government for you. Their problem, as pointed out again and again in this column, is that they can do nothing to solve problems, so they must try to spread the misery of problems around as much as possible.

How does this minimum price work? Well, the price of oil will be set at \$7 or \$9 per barrel minimum. The current price is about \$11. In 1973, it was \$3. So the minimum is two and one half or three times higher than the old price.

And what is the dark and tortured reasoning in this proposal to "help" Americans? Well, the explanation goes, alternate energy sources cost about \$7 to \$9 per barrel, measured in comparable units to petroleum.

This alternate energy is economically feasible, then, whenever the price of oil is \$7 to \$9 per barrel or higher. Or in other words, oil is cheaper to use if it is below \$7 to \$9 per barrel. The idea the government has is to make alternative energy sources used, not to make them cheaper. This, they reason, lessens our "dependence" on imported oil. After all, there is always the danger that they might try to raise the price of oil again, right?

Well, the fact is that oil prices are about to come down anyway, because some nations, like Venezuela, hurt more than others, like Saudi Arabia, from decreased petroleum sales — they have more population and have ongoing programs to fund.

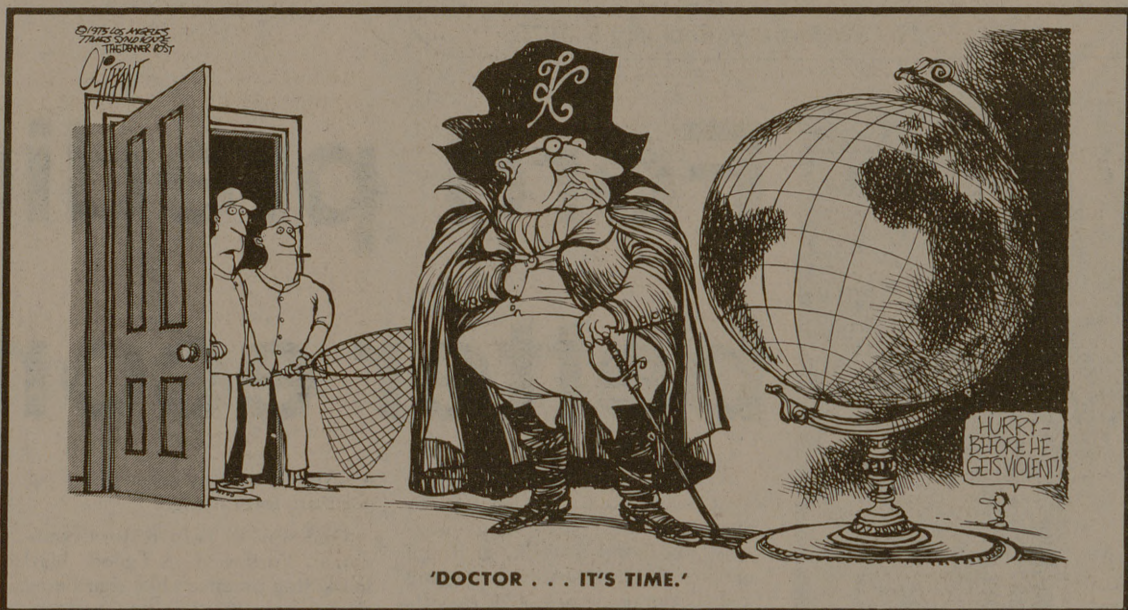
But the muddled political mind ignores these facts of life and of economics — people are best off when their incomes are at a maximum; plus the government cannot increase incomes, they can only decrease incomes. Income decreases anytime prices or taxes go up.

Government can increase taxes and therefore raise prices, but they cannot lower prices at all. They could leave off all the taxes they put on in the first place and the base price of a good would still be the same amount. If government tries to legislate the prices so that they decline, the amount available of the product declines or disappears. Remember the 1970 wage and price controls which resulted in so many shortages? Shortages mean a decline in income because less is available to buy.

So governments cannot cut prices. The Arab governments levied taxes on oil a year ago. Their prices went up because of the tax. If those governments had not existed, then the prices could not have been raised by taxes.

The United States, of course, saw this taxation by the Arabs as being anti-American, and therefore responded by increasing the taxes on oil. (In case you think that this is the same thing as raising Americans' prices, you are right.)

Well, after putting the increased tax on the Arab oil, the government was pretty well satisfied. "That'll show 'em!" (Who? The Arabs don't pay any more for their gasoline.) More leisure time meant more time to listen to lobbyists, and soon, lobbyists came. Lobbying for American



so that at the end of the year we have contributed more to the world than prosperity and "independence", they proposed making oil expensive enough so that their clients, who were "into funky energy" could be assured of sales and even government grants to help them turn a buck. ("Funky energy" includes solar and wind power; these are supposed to be non-polluting, therefore "funky".)

Thus, Kissinger disguises price-fixing for alternate energy sources in a price floor for oil and calls it independence. The freedom to pay unnecessarily high prices for the energy we use. So what if we spend \$30 billion a year for imported oil? So what? That's about 3 percent of the Gross National Product. Last year, we sold about \$40 billion worth of machine tools overseas. Is this economic piracy? Or is it just good business?

Other people worry about the balance of payments "problem." This problem is non-existent, but is very useful for politicians to rant and rave about. The balance of payments "problem" is hardly worth wasting breath on. For example, Texas last year collected a great deal of money from a lot of states like New Mexico, Arizona, and Nebraska for petroleum products. Yet no one is worried about that balance of payments "problem". Texans in turn, paid a great deal of money to Michigan for automobiles; how about that balance of payments "problem"? Bryan residents paid a lot of money to Beaumont-Port Arthur for refined gasoline. How about that problem? The balance of payments is a number. Politics turned it into a problem.

What if Saudi Arabia and all the rest of those oil states were state Number 51 over here? There would be no fuss. The whole point is this — a surplus in the balance of payments means that a country sells more than it buys from others. A deficit means that it buys more than it sells. You have a personal balance of payments problem with the grocery store and the gas station and the telephone company. In every case, you buy more than you sell to those entities. Is this seen as a problem to be coped with by growing and processing your own food, refining your own gasoline, and stringing a wire and tin can to all your friends' houses so that your balance of payments "problem" is cured?

Of course you don't. It would be a waste of your time, unless you simply had nothing better to do than hoe weeds, slop pigs, drill oil, and string wire. You have a more important contribution to make. You don't see this as a problem because you receive value for your dollars. You don't worry that over the long run, the phone company might save up all the dollars you give them to use

them against you in the marketplace. This is paranoia. When it involves billions of dollars and millions of people, it is no longer paranoia, but politics.

All that deficit means is that the outside world gave us more things of value last year than we gave them. So we had to make up the difference in money, which is only a claim against future services.

So instead of wasting our time rigging things so that we can waste more of our time developing alternate energy sources, we should be doing the things we do best — heavy tool manufacturing and food growing and selling those products we have taken from it. In other

words, we would then have a surplus.

But there is no room in all this for government. Government knows this, so they must divert our attention away from the things we need to do onto the things which will give the bureaucrats and politicians an excuse for collecting their paychecks.

Mr. Kissinger should grow up. Instead of taking Nobel peace prizes for phony peaces and proposing programs to hurt American consumers by freezing prices at a higher level than they have to be, he should do something useful. Like fingering his navel. At least then, he'd keep out of trouble.

The Aggie forum

Building Use Fees

Increases due to Directors' irresponsiveness

By CURT MARSH
VP for Finance
Student Government

A&M has historically been considered an institution where a not so wealthy school boy could go to get a college degree. Not only was A&M inexpensive but it provided an education that was well respected in many areas. Now the fees have gone up in all areas. Most dramatic was the Building Use Fee which increased from \$2 to \$6 per semester hour effective this semester.

"Why did this happen?" students ask. He is told that it is to pay for bond on the new Ag buildings to be built across the tracks. What bothers most of us is that we may never even see these buildings in use until well after we graduate. One may rationalize that we have been getting a free ride so far since most of the buildings on campus have been paid for. The collection plate is now passed by us to subsidize future students' classroom facilities. Yet this explanation doesn't satisfy me, nor are most other students satisfied by it.

The answer to the increase in the Building Use Fee goes beyond the new buildings across the tracks. It even goes beyond "the Wall". The answer lies in the logic that has become so pervasive in higher education. The logic is that the bigger you are, the better you are. Not because the student you turn out is necessarily any better. Which may or may not be true. But because it is considered self evident that a university of 30 or 40 thousand is better than a university of 10 or 15 thousand. It is interesting to note that the private universities that are considered among best in education have enrollments of around 7 to 8 thousand or less. State supported institutions on the other hand, pur-

sue their quest for greatness by increasing enrollment. It is not unrelated that this is also how they get more money from the state. By growth analysis, A&M is obviously the best university in the nation since its enrollment increase has not only been the highest anywhere, but it has been in the top three for the last several years.

To continue to grow we must keep building, and to keep building we must have more money. A&M's primary source of revenue for buildings is the Available University Fund which is one-third of the interest earned from the Permanent University Fund. It can be spent directly or it can be pledged to pay for Permanent University Fund bonds. As of July 19, 1974, our Board of Directors had issued bonds pledging future Permanent Univer-

sity Fund revenues up to the legal limit. The bond issued at that time was for \$6,000,000. Any subsequent bonds must be termed Revenue Bonds which are paid for from some other source of income.

At the Board Meeting of Sept. 10, 1974, a Revenue Bond for \$25,000,000 was approved, "to provide funds for the improvement of existing facilities, and the construction and equipment of buildings, structures and facilities on the campus of Texas A&M University." This bond is to be paid for by the \$4 per hour increase in Building Use Fee.

The problem that concerns most student leaders is that students have virtually no control over the action of the Board. The Board is under no compulsion to listen to the students. It seems at times that students are only good as a source of revenue,

not as the object of the institution.

The state itself does not even have any control on the amount of bonds issued by institutions of higher education. The Texas Students Assoc. requested information from all colleges and universities in Texas asking for information on their amount of indebtedness. The grand total was well over \$500,000,000. Texas A&M alone has at least \$98,000,000 in debt outstanding.

Legislation is now being written to start placing restraints on increases in Building Use Fees. One such piece of legislation is to amend Section 56.16 of the Texas Education Code. This would in effect set a limit of \$6 per semester hour that can be charged students for Build-

ing Use Fees. Unfortunately, couldn't help us now with our present situation.

Several steps must be taken beyond this one piece of legislation if a long range solution for the students' problem is to be solved.

- There must be at least one student appointed to the Board of Directors. This is the central decision-making body that affects students. A student on the Board could communicate and represent the desires of the student body.
- A limitation placed on the amount of indebtedness of an agency of state can commit itself to. This would limit an institution's over-building. The post World War II baby boom generation is past enrollment can not continue to increase as it has in the recent past.
- A limit on enrollment. Currently, we let nearly everybody in and then if they can't find a place to live, they must go somewhere else. Housing facilities in this area are only real limit on enrollment — our classroom capacity.

It is my opinion that we must raise the standards of admission to bring down enrollment increases. I have asked administrators many times why we can't do this and the answer I am given is that it would be discriminatory. HEW would get upset because we would be dropping substandard students at the "right" to a good education. (Most of these students are considered minorities.)

The disturbing factor in the whole issue is that as our enrollment skyrockets, new buildings are built and classes get bigger and more impersonal. The qualitative things that make A&M different are lost in the shuffle. The new lounge in the MSC is symptomatic of this. To a lot of people it is very attractive. Unfortunately, it just isn't A&M as we know it. Within only a few years will be considered a part of A&M. Five years from now the majority student will probably not even think twice about the "wall", the "Golden Arches" or the MSC lounge. They will have long since been assimilated into what he conceives A&M to be.

What can be done about our present increase in Building Use Fees? Well, actually nothing — except maybe bitch a whole lot. What can be done for the future? Responsive action must be taken by both the Legislature and the Government to create our own Board's responsiveness to the students.

Slouch

Jim Earle



"Just think of it as small personal sacrifice that you're making while our campus is being beautified!"

The Battalion

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