

Government & Energy

The U.S. Experience

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August 2023

“[T]he growth of government has resulted not so much from doing more to accomplish traditional government functions; rather, it has resulted largely from the government’s taking on new functions, activities, and programs—some of them completely novel, others previously the responsibility of citizens.”

— Robert Higgs, *Crisis and Leviathan* (1987: x)

“If the guiding agency is less knowledgeable than the system it is trying to guide—and even worse, if its actions necessarily result in further undesired consequences in the working of that system—then what is going on is not planning at all but, rather, blind interference by some agents with the plans of others.”

— Don Lavoie, *National Economic Planning: What is Left?* (1985: 95)

OUTLINE

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**Pandemic Activism
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Summary and Conclusions (4,000 words)

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Summary Points

1. U.S. energy markets have evolved under private property rights, voluntary exchange, the rule of law, moderate (nonpunitive) taxation, and a culture of achievement. Savings and investment have enabled technological improvement and open-ended expansion. This classical-liberal, free-market framework however, has been hampered, even usurped, by government intervention and central planning.
2. Sporadic nineteenth-century intervention was elevated by competitive-harried Little Oil using politics against Standard Oil Company and other integrated firms. Manufactured-gas and electricity firms, meanwhile, lobbied for public-utility regulation, receiving franchise protection in return for cost-based rate regulation for their vertically integrated operation.
3. The five major historic episodes of federal energy planning have been World War I, the Great Depression-New Deal, World War II, the Korean War, and energy-crisis 1970s. Government activism drove ideological change, with World War I's central planning becoming a precedent for the New Deal—and both inspiring World War II federalization. Korean War planning was a carryover from World War II.
4. Coal and petroleum were the most federally planned, followed by natural gas. Synthetic fuels became part of this story beginning in War II.
5. The “planned chaos” of central government controls has included shortages, immobilized assets, forgone opportunity, higher costs, black markets, gaming, and civil unrest. Edicts also favored certain individuals and firms over the would-have-been winners of an unhampered market.
6. Nuclear power in the 1950s/1960s and ethanol in the 1980s became major energy sources from special government subsidies, a pattern that was repeated with industrial wind power and on-grid solar beginning in the 1970s. Batteries and electric vehicles (EVs) are being subsidized in the same way.
7. Electricity crises in the twenty-first century have reflected acts of government, not free market outcomes. A growing reliance on intermittent wind and solar power, at the expense of thermal generation, has been primarily responsible.
8. Today's “never ending energy crisis” concerns anthropogenic global warming (aka climate change), attributed primarily to greenhouse gas emissions associated with fossil-fuel combustion. The Green New Deal is at the center of the debate, with proposed mobilization on a New Deal or wartime scale.
9. The historical principle of one government intervention leading to another has been evident with all the major energy industries. The most notable pattern involves monetary expansion leading to price controls, leading to allocation controls, leading to “gapism”: new programs to increase supply (*productionism*) and reduce demand (*conservationism*).
10. Energy crises have not reflected market failure or neo-Malthusian scarcities. Government intervention has historically created barriers to desired industry performance. Market processes work against abnormalities; an “energy crisis” is a regulatory phenomenon, qualitatively different from an adjustment process in an unhampered market.

11. Theory and history point toward market reliance. Government should not debase the currency; interfere with prices; allocate supply; direct capital; ration usage; boss investments; research or commercialize technology; tax differentially; or otherwise regulate, subsidize, and requisition. Pollution and other “commons” challenges should be addressed first by market institutions and civil society. The energy industries should be free to compete, consolidate, and cooperate without the specter of antitrust law or other governmental impediments.
12. The predictable and unpredictable distortions of government intervention points toward unhampered market reliance in both normal and abnormal times.

Preface

This primer highlights the interaction of markets and government in the U.S. energy industries: coal, oil, natural gas, and electricity. The interplay of profit and power offers a bountiful case study in political economy. Why government intervention—and to what result? Why more intervention in the quest to address the problems created by prior regulation and/or special subsidies? The various social sciences, informed by physical science, come together in the analysis.

This book germinated from a grant by the Searle Foundation to the Institute for Energy Research. Kenny Stein of IER assisted in [*Crisis Legislating in Energy: Lessons for the Future*](#) (2021). Ever-escalating energy issues, and a need to fill in the backstory, resulted in this major expansion.

Three books were foundational to the present effort. The themes of Robert Higgs's *Crisis and Leviathan: Critical Episodes in the Growth of American Government* (1987) also apply to energy. More than 150 years of anti-oil sentiment and muckraking is documented in Roger and Diana Davids Olien's *Oil & Ideology: The Cultural Creation of the American Petroleum Industry* (2000). The concepts of energy density, reliability, and efficiency, crucial for today's debate, were first elucidated in W. S. Jevons, *The Coal Question: An Inquiry Concerning the Progress of the Nation, and the Probable Exhaustion of Our Coal Mines* (1865, 1866).

In addition to many contemporaries, I pay tribute to those who blazed the energy trail: M. A. Adelman, D. T. Armentano, Jerry Ellig, Indur Goklany, Richard Gordon, Peter Grossman, Douglas Houston, William Johnson, Alfred Kahn, Henrietta Larson, William Leffler, Edward Mason, Stephen McDonald, Walter Mead, Edward J. Mitchell, Joseph Pratt, Walter Primeaux, Colin Robinson, Glenn Schleede, Julian Simon, Vaclav Smil, Arlon Tussing, Richard H. K. Vietor, G. Campbell Watkins, George Wolbert Jr., Guillermo Yeatts, and Erich Zimmermann.

The insights offered by Milton Friedman (economics) and Ayn Rand (philosophy) during the 1970s energy crisis continue to illuminate current debates. The foundational economics of Ludwig von Mises, F. A. Hayek, and the Austrian school has been my touchstone to simplify and comprehend real-world complexity.

I have many individuals to thank. Exemplary research and editing for this volume came from Roger Donway. Randall Holcombe, Sanford Ikeda, and Robert Murphy offered comments on the political economy themes of my effort. The board of directors and staff of the Institute for Energy Research patiently supported my effort.

Energy scholarship is built upon deep research, the charitable exposition of competing views, realism, and clear reasoning from assumptions to conclusions. The choice of topics and investigation should reflect real-world importance, not political correctness. The current book is offered in this tradition for future scholarship.

- August 2023