

## QUESTION OF THE WEEK

Is the current increase in gas price a function of market forces and therefore unaffected by U.S. energy policies or any actions proposed by the president and Congress, or could a different U.S. energy policy help bring down the price of gas?

### OIL: LET'S FIX THE SYSTEM BEFORE IT BREAKS

By Rana Odeh

At today's gas prices average \$4 per gallon in the greater Dayton area, it currently costs me \$50 to make one round-trip from Dayton to a suburb of Columbus. Less than a year ago, the same trip only cost me \$35. If Americans continue to live the same lifestyle that is completely dependent upon oil, my weekly trip will cost me \$70 or more. People are finally feeling the burden of oil prices. If the environmental issues that are the result of our overconsumption of oil did not get most people standing up and fighting for clean energy, the hole in their pocket will.

For decades, the U.S. has invaded other countries for oil at the cost of human life, but we all know oil is a limited commodity and our days of automobile transportation as we know it will eventually come to an end. Some politicians argue our oil consumption has no effect on the environment; others complain it is too expensive to invest in clean energy right now, but that is because their visions are as short-term as their positions in the government. If we look at what oil has cost us and the environment – all the financially burdensome oil wars, and the cost of human life, oil spills and refinery explosions – we can realize that oil has never come to the U.S. at the relatively low cost we pay at the pump, but our taxes have helped to create the illusion of inexpensive energy.

Although automobile transportation is one of the main uses of oil, electricity consumption is fueled by oil-based, electric power plants. If we invested in alternative sources of energy like wind or solar power, it would greatly reduce the demand for oil and the prices would at least temporarily drop. That technology is already accessible, and until we create alternative sources of energy for automobiles, or a simple solution like a new public transportation system, we can at least rely on wind and solar energy for our electricity.

Sooner or later, the price of oil will become high enough to burden too many Americans, and eventually surpass the "high" price that it would cost to provide clean energy. If your heater is acting up and you know it would cost you \$200 to fix, would you put it off until it breaks and then costs you \$2,000 to replace? That's exactly the decision our government has made. The U.S. government knew the environmental and financial impact of oil consumption in the '70s and could have made some advancement that would have greatly reduced our environmental footprint at a relatively low cost. Instead, one administration after another has decided to put the research and development off until our form of energy "breaks," and needs to be replaced at a much higher cost.

Nicholas Stern's 2006 "Stern Review on the Economics of Climate Change" stated that 97.4 percent of U.S. climatologists believed human

activity was a significant factor in changing the mean temperature of the world. The report also concluded that, while the stabilization of CO2 emissions would equal only one percent of global gross domestic product (GDP) by the year 2050 if proper actions were taken, the failure to act immediately would result in costs and risks associated with global warming of at least five percent (or as high as 20 percent) of global GDP.

While it clearly makes more sense to act now, the U.S. was bought by oil and car companies decades ago, and has since been under their reign. That kind of corruption is bound to hap-

pen in a country where everything has become privatized and it is extremely expensive to run for political positions. It's a gangster, "I help you, you help me," kind of system. When I think of American innovation, I think of creative technological advancements that surpass those of other nations. But, in the 1920s, America took one of the most backward steps in history when General Motors dismantled America's railroad system. In the Industrial Reorganization Act, San Francisco's Mayor Alioto testified that GM "has carried on a deliberate, concerted action with the oil companies and tire companies... for the purpose of destroying a vital form of competition; namely, electric rapid transit." That has proven to be very counterproductive and costly to the entire U.S. population, as well as environmentally damaging on a global scale considering the U.S. is the number one contributor to greenhouse gas emissions.

Some people are in denial and blame the current unrest in the Middle East and Japan; some blame the financial crisis and commodity speculation, but these are short-term phenomena. The real issue is a lifestyle that is dependent on automobile transportation, highways, and imported oil. A short-term solution would be to invest in more fuel-efficient automobile technology (hybrid cars, electric cars). A long-term solution would be rebuilding America's railroads and developing technology that would allow for the U.S. and our transportation system to be independent, before our system breaks.

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### OIL AND COTTON AND WHEAT, OH MY!

by Mark Luedtke

What do oil, cotton and wheat have in common? They've all nearly doubled in price in the last year. Worse, all commodities have dramatically increased in price recently. Gold and silver have skyrocketed. Stocks have dramatically increased in price. Groceries are more expensive, but that's harder to see because manufacturers hide price increases by reducing the size of many products. We're not just suffering from high gas prices. We're suffering from rapid, general price inflation.

This is a direct result of monetary inflation by the Federal Reserve (the Fed). Not many people know what the Fed does. It's the government's most secret organization - more secret even than the CIA. It was created nearly a century ago as a tool for bankers and politicians to invisibly steal money from the people. It does this by counterfeiting money and giving it to the biggest banks and to the government. It invisibly transfers wealth from Main Street to Wall Street and Washington. It does its job so well that Congress has provided zero oversight since it was created.

Imagine if you could counterfeit a perfect hundred-dollar bill, impossible to detect. You could print up money and buy whatever you wanted. You could give money to your family and friends and make them rich, too. But, as you and your cronies spent your counterfeit money, there would be more dollars chasing the same amount of goods in the economy. The prices of goods and

ample, economist Mark Brandly calculates that if the Fed had merely debased the dollar at the same rate the European Central Bank debased the euro over the last decade, gas prices would be \$1.09 cheaper today. Economist Kevin Meaders fears current monetary inflation may push gas over \$7, yet Bernanke wants to counterfeit more.

Whenever the Fed injects a bunch of "funny money" into the economy, commodity prices, including oil, rise. Presidents always blame speculators. Nixon and Bush did it. Obama is doing it. Like all big lies, this one relies on a grain of truth. Investors understand that because the Fed is printing funny money, prices will be higher in the future. They buy commodities - basic products people will always need - to protect their wealth from being stolen. That drives up commodity prices and makes those investors convenient scapegoats for the demagogues who are really stealing our wealth.

The structure of the oil market makes it a prime safe haven for protecting wealth from inflation. The growth in world demand for oil is outstripping the growth in supply. U.S. policy exacerbates this problem because government unconstitutionally forbids Americans from extracting much of the fossil fuels in the country. Obstructionists claim we can't drill our way out of this problem because it takes time to drill. That's a straw man argument. If the U.S. government freed Americans to drill anywhere today, investors would sell off oil because of expectations the price would fall in the future. As a result, the price of oil and gas would fall overnight. OPEC nations would increase output for the same reason, driving the price down further. As U.S. production ramped up, the price would fall even further.

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services would rise. You and your cronies would be richer, but everybody else would be poorer. Everybody would agree that you were stealing from the American people, but if you did it slowly enough, few would notice.

Now let's imagine you put a Federal Reserve sign on the front of your counterfeiting operation. Your operation would still defraud the people. But, let's further suppose you made a deal with Congress to buy government debt with your counterfeit money. That's a politician's dream. So, in return they would declare your operation legal and order all Americans to accept your counterfeit money as legal tender. It would be the perfect scam.

This isn't a thought experiment. It's a summary of the Fed's creation. Ben Bernanke is the current Fed chief. He's counterfeited an unprecedented amount of money (trillions of dollars) and that money is leaking into the economy and driving up prices. But Bernanke rejects terms like counterfeiting, inflating, debasing and defrauding. Instead, he invented the catchy term, "quantitative easing," to fool people into thinking he's doing something other than stealing from us.

The Fed has trapped us in an inflationary depression and the American people have yet to realize how much they've stolen from us. For ex-

ample, economist Mark Brandly calculates that if the Fed had merely debased the dollar at the same rate the European Central Bank debased the euro over the last decade, gas prices would be \$1.09 cheaper today. Economist Kevin Meaders fears current monetary inflation may push gas over \$7, yet Bernanke wants to counterfeit more.

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To my friends on the left who think government should steal more money from us to invest in alternative energy, I'd remind them the last thing politicians and bureaucrats want is to actually develop alternative energy and lose all the money they get by pretending to support it. The best thing we can do to develop more efficient, cleaner energy is get the government out of our energy sector and out of our entire economy. The American people can invest their own money in the energy projects that will produce profits in the future far more effectively than the corrupt central planners in Washington.

But first and foremost, we should end the Fed before its counterfeiting scam produces hyper-inflation.

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