

JC Watts column
Stephens Media Group
05/06 – Big Oil

So I pulled my big, beautiful black SUV – a vehicle of which I'm very proud, and in which I feel very safe as I negotiate the crowded highways and byways of America – up to my local filling station the other day, and pumped about 25 gallons of precious petrol into the tank at around \$3.00 per gallon. I pondered what other things I could do with that \$75 as I inserted my VISA card in the pump's self-pay slot and quickly pulled it out, as instructed.

With \$75, Mrs. Watts and I could have a pretty nice evening out and have enough left over to have pizza delivered to the kids at home.

Or I could retire the badly-worn running shoes I'm still wearing with a new pair of Reeboks.

Or I could buy groceries for few days.

There are any number of things I could do with \$75.

Funny, but as I pumped the ever-more valuable commodity into the tank of my vehicle, I didn't think to curse Exxon-Mobile or Conoco-Phillips or even George Bush.

Call me naïve, but I don't see a conspiracy around every corner to squeeze every last dollar out of every last driver in America on the part of Big Oil or Big George. I just don't.

A popular argument and conventional wisdom holds that higher oil prices are big oil's fault. Now I have no stake in defending the oil companies from the charges of price gouging or other nefarious plots, I will point out that they have done a pathetic job of explaining to the majority of us Americans who are clueless as to how the price at the pump came to be where it is today.

Three words: Supply and demand. Demand is up everywhere – not just in the United States. Thanks to lack of new exploration and catastrophes like Katrina, supply is down. It's that simple.

The fact is, the real "Big Oil" – OPEC – has been enjoying this little mini-drama unfolding in the dear old US of A for the past 25 years. They could have predicted this. I'm sure they did.

Industry detractors are calling for a very tired and even more deleterious "solution" to higher prices in the form of another Windfall Profits Tax. I think I've mentioned this famous quote in a recent column, but it bears repeating. Those who don't learn from history are doomed to repeat it. A Windfall Profits tax is bad policy and bad for the economy. Don't take my word for it...go back 25 years or so ago to the last time we tried this folly. This policy proved to be a disincentive for oil to produce more, thus lowering supplies, raising costs, and increasing our already childlike dependence on imported oil. To be sure, Windfall Profits taxes Americans, and rewards foreign oil

But we can take a giant step toward less dependence on imports.

Almost 20 million acres of less independence awaits us in Alaska. But we need less than 10% of that land to start walking away from dependence on OPEC.

No one loves God's creation more than I. And about 10.4 billion barrels of some of God's creation lies under that small piece of Alaskan heaven. Believe it or not, with the technological

advances in exploration we've witnessed in the past 25 years, the oilies (big or small) drilling on the land, and the caribou who call it home could happily and peacefully co-exist, contrary to the claims of Ralph Nader, Michael Moore, and Nancy Pelosi.

Many in the media and on the street are raising the ugly specter of price gouging on the part of big oil. They claim big oil is a threat to the economy.

If you want to see a real threat to economic growth, look to the financial and mortgage industries. Fannie Mae and Freddie Mac has restated earnings by \$13 billion. Their chairman resigned amid scandal. They shelled out \$10 million last year alone in lobbying fees. They have \$1.5 trillion in debt that we taxpayers may one day be responsible for. And, they get \$15 billion per year in taxpayer subsidies to boot. And they have zero transparency. This, friends, as opposed to speculation about big oil, presents a genuine threat to taxpayers. This is no speculation. This is fact. But still, Congress stands idly by while this real threat goes forward unchecked.

I fear that Americans are looking at today's economy through the prism of increased gasoline prices, and not considering the 4.8% economic growth last quarter – the 18th straight quarter of growth. By the time you read this, the Dow may be at an all-time high. In the nineties, the media would have referred to this as the "Clinton Economy." For some reason, I don't hear chatter about the robust "Bush Economy."

Reminds me of Arsenio Hall's line about things that make you say "hmmm."

Disclosure: JC Watts is Chairman of FM Policy Focus, an association seeking reform of Government Sponsored Enterprises such as Fannie Mae and Freddie Mac.