

HOLLIS N. WHITE, III

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Raise Taxes on Gasoline

We need higher gas prices because the current prices are simply too low, the low gas prices place a burden on others and encourage excess demand. Creating higher gas prices by increasing taxes on gasoline would provide at least four benefits to our country. The tax would 1) reduce our dependence on foreign oil, 2) reduce greenhouse gas emissions 3) reduce traffic congestion and 4) reduce traffic related fatalities.

The economic framework used for this tax proposal is welfare economics. The first theorem of welfare economics analytically confirms Adam Smith's "invisible hand" hypothesis. Just as we have the hidden giant in hydraulics, the dismal science of economics has the invisible hand. The invisible hand is the competitive markets providing for the efficient allocation of resources. The theorem supports a case for government non-intervention in ideal conditions: that is, let the markets do the work and the outcome will be desirable. However, these ideal conditions known as Perfect Competition do not exist in the real world. What often happens is that individuals other than those directly involved in the transaction are bearing some of the cost of that transaction, thus the efficiency of an allocation of resources is no longer gained. There is a simple way to restore the welfare theorem. We must charge individuals for the external costs that they impose upon others.

Levying higher taxes under non-ideal conditions is the most effective way to remedy market failure. Increasing gasoline taxes can be used to ensure an efficient use of a resource without heavy government intervention, the taxes generate revenue so the government can lower burdensome and restrictive income taxes.

We currently have market failure because of the availability of cheap gasoline whose true cost is borne in part by others. I am going to describe the benefits we can gain as a nation from higher gasoline taxes. These benefits are 1) reducing our dependence on foreign oil, 2) reducing greenhouse gas emissions 3) reducing traffic congestion and 4) reducing traffic related fatalities.

Benefit1) Reduce Dependence on Foreign Oil

The consumption of foreign oil that we are using is increasing on a percentage basis. T. Boone Pickens recently proclaimed "We're paying \$700 billion a year for foreign oil. It's breaking us as a nation, and I want to elevate that question to the presidential debate, to make it the No. 1 issue of the campaign this year," Pickens goes on to say "Nixon said in 1970 that we were importing 20% of our oil and that by 1980 it would be 0%. That didn't happen, "It went to 42% in 1991 with the Gulf War. It's just under 70% now. Where do you think we're going to be in 10 years when our economy is busted and we're importing 80% of our oil?"

Clearly we are becoming more dependent on foreign oil for our energy needs. Our nation's reliance on foreign oil results in the United States in having to prop up puppet governments and defend oil fields far from American soil. While the merits of the Iraq war can be left to politicians and historians our dependence on the oil produced is undisputable. According to the US Energy Information Administration (EIA), "Iraq holds more than 112 billion barrels of oil - the world's second largest proven reserves. Iraq also contains 110 trillion cubic feet of natural gas, and is a focal point for regional and international security issues."

Our oil consumption generates foreign trade deficits that fill oil producing foreign nation's coffers with cash that they can spend to oppose policy of the US government. Our country's demand for oil provides revenue for budgets that aids the countries of Russia and Venezuela. Russia can invade Georgia with impunity based on Europe's dependence on Russian oil and gas and Georgia's pipeline, while Hugo "CITGO"

Chavez' Venezuela seeks to develop nuclear power for his nation and use his financial aid influence its South American neighbors to take anti-American stances.

By reducing are dependence on oil we can reduce defense spending on the oil supply chain and our foreign aid can be directed toward improving the world rather than mitigating the influence of oil producing nation. We are also increasing dependence on foreign oil we are also increasing our overall consumption oil and as we consume the oil the resultant chemical reaction is altering the environment of our planet.

2) Reduce Greenhouse Emissions

It is the current scientific consensus that Greenhouse gas emissions is causing the world to warm. While we may all hold different views on Al Gore's Inconvenient Truth, We are better off to adhere to Pascal's wager. Pascal's bet being that it is better to believe in God during this lifetime even if one feels that the probability of his existence is small than to chance spending an eternity in hell. Thus it is better to believe in global warming and avoid the probability of earth as an environmental hell, insulated by the output from Carbon Dioxide emissions.

The science says Carbon Dioxide emissions from one gallon of gasoline are 19.4 pounds. According to the EPA, Transportation sources accounted for approximately 29 percent of total U.S. Green House Gas emissions in 2006. Transportation is the fastest-growing source of U.S. Green House Gas emissions, accounting for 47 percent of the net increase in total U.S. emissions since 1990. Transportation is also the largest end-use source of Carbon Dioxide, which is the most prevalent greenhouse gas. These estimates of transportation Green House Gases do not include emissions from additional lifecycle processes, such as the extraction and refining of fuel and the manufacture of vehicles, which are also a significant source of domestic and international Green House Gas emissions.

The Government mandate on Automakers to reduce car pollution in the 70's resulted in much cleaner air for us today. Government action today in the form of higher gasoline taxes may result in the probability of a cooler earth in the future. The Green house gases continue to accumulate as we idle in our cars waiting for the traffic lights to change and traffic to pass.

3) Reduce Traffic Congestion

Today's heavy road congestion results in hours commuters spend in traffic. Americans spend more than one hundred hours commuting to work each year, according to American Community Survey (ACS) data released by the U.S. Census Bureau. This commute time exceeds the two weeks of vacation time (eighty hours) frequently taken by workers over the course of a year. For the nation as a whole, the average daily commute to work lasted about twenty four point three minutes in 2003. Commute times are shorter in Hopkinsville, but as one travels to work on North Drive on a school morning, one can observe many cars being occupied by one student driving to school, this gives one pause to wonder, how can gas prices be too high if no one is car pooling or uses the school bus transportation that is provided for free?

In Europe the ability to hop on a train and traverse the continent from England to Italy or France to Russia is an opportunity not available here outside of the Northeastern corridor of the United States. The Midwest downtown communities were abandoned as the cars, interstates and cheap gasoline took away the necessity of train travel. However, as we all piled into our cars the amount of time to get anywhere expanded. We can race to Nashville at eighty miles an hour but to get where you are going once in Nashville requires another 30 minutes of driving.

The time it takes to travel anywhere has increased with road congestion. The reduction of traffic congestion will improve our lives and out of our cars. The convenience of motor vehicle travel is not without its risks, risks that can result in death.

4) Reduce Traffic Related Fatalities

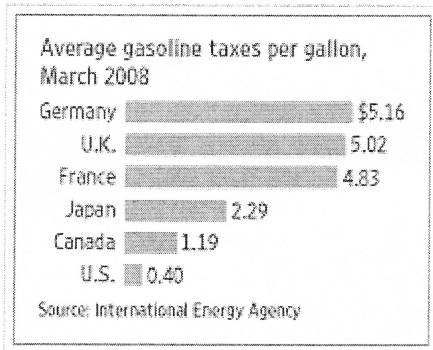
Traffic related fatalities, injuries and insurance premiums are all external costs that are not included in the price of a gallon of gasoline. According to the National Highway Transportation Safety Administration, in 2005, motor vehicle traffic crashes were the leading cause of death for every age 3 through 6 and 8 through 34. Because of the young lives consumed, motor vehicle traffic crashes ranked third overall in terms of the years of life lost, that being the number of remaining years that the person is expected to live had they not died, a cause of mortality behind only cancer and diseases of the heart.

The past summer's spike in gasoline prices has had some beneficial results, public transit use nationally was at a 50-year high, total mileage dropped 2.1 percent in the first four months of this year across the country. That mileage reduction - along with people driving smaller cars, and more slowly, to save gas - could mean that 12,000 fewer people will die in traffic accidents this year, according to a study by professors Michael Morrissey at the University of Alabama at Birmingham and David C. Grabowski at Harvard Medical School. The air pollution has been reduced enough, according to economics professor J. Paul Leigh at the University of California, Davis, to prevent 2,200 respiratory-related deaths over the past year. Less eating out and more walking and biking could mean a 10 percent reduction in obesity, according to Charles Courtemanche, an assistant economics professor at the University of North Carolina at Greensboro.

Reducing the amount of miles we drive in our cars increases our life expectancy and general health.

Conclusion:

Currently the amount of US Taxes on a gallon of gasoline is low compared with other countries:



The dramatic increases in the price of gasoline over the summer produced desirable results as individuals began altering their driving habits and lowering overall gasoline consumption. The benefits created were reducing green house gases, stimulating research into alternative energy sources, and providing health benefits. However all the money generated by the price increases went into foreign coffers and also reduced our own domestic spending. Raising the tax on gasoline while simultaneously lowering the income tax would have profound and positive effects on our American way of life. It would 1) reduce our dependence on foreign oil, 2) reduce greenhouse emissions 3) reduce traffic congestion and 4) reduce traffic related fatalities. The increase in gasoline tax would shift the burden where it belongs and encourage the efficient allocations of resources. Adam Smith's hidden hand can once again prevail.