



Written by [Ralph R. Reiland](#) on March 12, 2012

Pie-in-the-Sky Energy Planning

We ended that year with an average U.S. retail price of \$1.67 for all grades of gasoline on December 31, 2008.

In contrast, the price of a gallon of regular gasoline that summer was \$6.78 in Greece, \$8.24 in Italy, and \$9.39 in the Netherlands, according to Eurostat, the statistical office of the European Union.

Dr. Chu's proposal to hike gas prices in the United States to European levels was published in the *Wall Street Journal* on December 12, 2008. Six weeks later, on January 21, 2009, he was sworn into office as President Obama's Secretary of Energy.



The difference between the Dutch gasoline price of \$9.39 and the U.S. price of \$1.67 is \$7.72 per gallon. The U.S. Energy Information Administration reports that the average U.S. household purchases 1,100 gallons of gasoline per year. That means a \$7.72 price increase per gallon would cost the average American family an extra \$8,492 per year.

For the middle fifth of the U.S. population in terms of income, the \$8,492 price hike per year would cut their after-tax income by an average of 15 percent.

For the bottom fifth of U.S. households, the \$8,492 price hike per year would cut their annual income by 47 percent. Raising U.S. gasoline prices to European levels, said Chu, would encourage — or, more accurately, force — Americans to move to neighborhoods closer to work and dump their trucks and SUVs for Chinese bikes and scooter-like Smart Cars.

I can see why Obama chose Chu to run the Energy Department. Both are on the same page in seeing skyrocketing energy prices and central planning as the top ways to fix the U.S. economy.

"If somebody wants to build a coal-powered plant they can," said candidate Obama in a 2008 interview with the editorial board of the *San Francisco Chronicle*. "It's just that it will bankrupt them because they're going to be charged a huge sum for all that greenhouse gas that's being emitted."

Additionally, the rest of us, as alleged climate enemies, would also be pushed towards bankruptcy. "Under my plan of cap and trade, electricity rates would necessarily skyrocket," continued candidate Obama. "Coal-powered plants, you know, natural gas, you name it, whatever the industry was, they would have to retrofit their operations. That will cost money. They will pass that money on to consumers."

The next step would be the demonization of price-hiking industries as money-grubbing capitalists in need of even more mandates or a full government takeover.

I don't doubt that Dr. Chu is a smart guy. He's the co-winner of the 1997 Nobel Prize for Physics, for the "development of methods to cool and trap atoms with laser light."

Plus, according to his Energy Department biography, he knows a lot about everything from climate



Written by [Ralph R. Reiland](#) on March 12, 2012

change to nerve growth factor transport cadherin adhesion and sub-nanometer molecular imaging with optical microscopy.

That sounds impressive, but none of it qualifies Dr. Chu to be the nation's top venture capitalist, picking oil company losers and windmill winners.

The Chevy Volt, set in motion by coal-fired electricity (why wasn't it called the Chevy Bituminous?), looked like a great idea on paper but not so good when it started to explode three days after a collision.

Due to lack of demand, even with the \$7,500 per car federal tax rebate and another \$5,000 giveaway in California, General Motors recently announced that it is suspending Volt production for over a month, idling 1,300 workers.

The Obama administration's solution for the Volt being a dud is to hike the federal rebate to \$10,000, a move that will redistribute wealth in the opposite direction from what President Obama generally advocates. Last October, General Motors reported that the average income of Volt buyers was \$175,000.

There's another expensive dud in Elkhart, Indiana, with 100 tiny and unfinished Think cars currently lined up in Think City's plant with no completion date on the horizon, a clear example of a failed jobs program designed by politicians who didn't think enough.

Only two Think employees remain employed at the Think City plant, after untold millions of investment dollars and government incentives, tax breaks, and loan guarantees.

The cost to taxpayers at the federal and state levels of the Think boondoggle and the associated downfall of Ener1, a maker of batteries for plug-in vehicles, is confidential, according to Indiana's economic development office.

"What is known, however, is that both the Obama and Bush administrations poured millions of dollars into battery production in a quest to power thousands of Think City vehicles with lithium-ion batteries," reports the *Chicago Tribune*. "To date, Ener1, parent of the battery company, has spent \$55 million in federal funding, according to the Energy Department."

Friedrich Hayek succinctly explained the problem in his 1988 book *The Fatal Conceit*: "The curious task of economics is to demonstrate to men how little they really know about what they imagine they can design."

Ralph R. Reiland is an associate professor of economics and the B. Kenneth Simon professor of free enterprise at Robert Morris University in Pittsburgh.



Subscribe to the New American

Get exclusive digital access to the most informative,
non-partisan truthful news source for patriotic Americans!

Discover a refreshing blend of time-honored values, principles and insightful perspectives within the pages of "The New American" magazine. Delve into a world where tradition is the foundation, and exploration knows no bounds.

From politics and finance to foreign affairs, environment, culture, and technology, we bring you an unparalleled array of topics that matter most.



Subscribe

What's Included?

- 24 Issues Per Year
- Optional Print Edition
- Digital Edition Access
- Exclusive Subscriber Content
- Audio provided for all articles
- Unlimited access to past issues
- Coming Soon! Ad FREE
- 60-Day money back guarantee!
- Cancel anytime.