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Clean energy and the myth of free markets

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(Photo: AP file)

Joseph P. Tomain is dean emeritus and professor at the University of Cincinnati College of Law, where he teaches in the area of energy policy.

I love Bill Seitz. He is intelligent, forceful and committed. Indeed, we share a commitment to combating the opioid and heroin epidemic in Greater Cincinnati. He is also educable and it is in that spirit that I offer three lessons in energy policy based on his comments in the Dec. 27 article "Kasich breaks with GOP, keeps new energy standards (/story/news/politics/2016/12/27/kasich-breaks-gop-keeps-renewable-energy-standards/95347022/)."

Lesson 1. As Milton Friedman once said, “there are no free markets.” Markets are protected by the rule of law; they are protected by government. Instead of the misnamed “free markets,” competitive markets create wealth, encourage innovation, stimulate production and expand consumer choice. Unfortunately, the energy sector has not had competitive markets since 1900, although that is changing with clean energy. Two examples should suffice. Without the Atomic Energy Act of 1954 and the Price Anderson Act of 1957 there would be no commercial nuclear power industry. The industry only exists because of government backing. Electric and natural gas utilities and oil pipelines operate in specific geographic territories without competition because they have guaranteed government supported monopolies. These markets are neither free nor competitive.

(Photo: Provided)

Lesson 2. A similar argument is that renewable resources and energy efficiency should not receive government subsidies. The problem with this argument is that the fossil fuel industry has been subsidized since the beginning and the subsidies to those industries dwarf those available to solar, wind and energy efficiency. In addition to tax myriad breaks and direct financial supports, consider, for a moment, that Middle East oil arrives on our shores through sea lanes protected by the U.S. Navy. In other words, U.S. taxpayers make a direct wealth transfer to ExxonMobil shareholders because the Navy protects those shipping lanes. Fossil fuel subsidies go to the bottom line of companies and shareholders. Intermittent subsidies to solar, wind and energy efficiency, instead, go to the bottom lines of consumers through lower prices caused by more competitive energy markets; that competition is provided by clean energy firms.

Lesson 3. Seitz is quoted as saying that “we can only hope that President Trump and his amazing cabinet of free market capitalists will save us from the regulatory overreach of Al Gore-style policies that take unnecessary money out of ratepayers’ pockets."

Trump’s troika of Rex Tillerson (Department of State) Rick Perry (Energy) and Scott Pruitt (EPA) are not “free market capitalists.” See Lesson 1. Instead, this group prefers markets restricted to fossil fuels and not open to clean energy competitors. This troika is like naming physicists John Bardeen, Walter Brattain and William Shockley to run U.S. technology policy. Those three men invented the point-contact transistor in 1947. Our country can no more afford to go back 70 years to a transistor economy than it can afford to go back 70 years to an outdated fossil fuel economy.

Kasich’s veto of a bill intended to strip Ohio of clean energy standards is exactly correct. That veto simply means that Ohio now joins over 40 states with energy and efficiency standards. The U.S. is transitioning to a clean energy economy. That economy generates new products and creates new markets which combine to create more competition. More competition, in turn, stimulates a diversity of producers, allows consumers more choices, lowers energy prices, creates jobs and reduces risks to health and life caused by fossil fuel pollution. Kasich got this one right by rejecting a regressive energy policy in favor of a cleaner and more competitive energy future – the type of competitive energy future that so-called “free marketers” purport to extol.

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