

## On Proposition 6 (creating two Texas water funds)

(re: <http://www.twdb.state.tx.us/newsmedia/swift/faq.asp#02>)

Let's reflect on gasoline management if it was guided mainly by a public sector, like water is, instead of relying on a market system. Yes, a market system cannot be used for tap water because it's cheaper to have a single water utility rather than competition for a given service area, but the water scarcity problem can be remedied by applying some market sense.

Let's imagine that gasoline management (and pricing) is conducted by the political representatives of gas consumers:

Gasoline at the pump will be much cheaper, because price will exclude the value of crude oil. [Tap water rates mostly exclude the scarcity value of water, statewide, and therein lies the big problem distinguishing water shortage.] People are not going to vote for correcting this pricing failure because they can't see direct advantage in making anything more expensive, especially gas. To most voters and leaders the true advantages of fuller pricing are too murky to act upon.

The inability to use reasonable prices to motivate people to consume gas appropriately will mean that gas demand *always* exceeds supply, year after year, decade after decade unless government increases oil production. What was once a small price gap (crude value) some decades ago has grown large with population, but its absence is engrained now.

We will drive vehicles that are even larger, and we will drive them too far, because our actions align with the incentives we have created. Not only will these basic behaviors be excessive, but because it is cheap to travel, many people will choose to live in the wrong places too.

Interest in publicly sponsored conservation programs will grow because of deficient private conservation. A conservation crowd will emerge, asking us all to be respectful of gas and future generations, for sustainability's sake. They're a coalition of well meaning people, but their conservation message lacks self-appeal if it condenses to merely getting the prices right. Instead, they prefer to coax or regulate behavior. The only prices that appeal to them are complex creations that penalize especially bad consumers or subsidize conservation options.

Periodic shortfalls and regular lines at the too-cheap gas stations will generate talk about our (a) threatened lifestyles, (b) the "need" for gas and (c) the "losses" in economic development that will occur if we cannot secure reliable supplies for gas (crude).

Public intervention to raise supply will be suggested by those who might gain the most (car dealers, realtors, highway builders). Businesses at large will agree, although many might be short-sighted or too-quick to agree in light of their specific futures. All growth is good, right?, and therefore nongrowth is bad even in the face of depleting crude oil.

Politicians will express a willingness to help. Being associated with broadly supported programs enhances electability. It might even feel like leading, not following.

Publicly assisted programs to assist crude oil development will gain political traction (Prop. 6). Ordinary folks find it easy to buy into (a)-(c) above, and they will cast their votes accordingly. Low-interest loans for oil projects will seem sensible even though such loans further disconnect the users of gas from the real costs of gas, stimulating more overuse.

Local entities can fund the “needed” projects, but isn’t it better to do it at the state level? All borrowers repay their loans in full, right?

The Gasoline Development Agency was created within this thought system, so the Agency is unable to provide an independent perspective. Staff are not allowed to perform benefit-cost analyses of oil development projects, because the findings might be unpopular with Agency supporters.

Even the conservation crowd will be swayed into supporting oil's Prop. 6 if some funds can be earmarked for their conservation projects. The capture of these nice folks makes them part of the problem now.

Ron Griffin, October 2013