

Prices July 31, 2006 Gasoline prices are soaring and the American people are angry. They want something done about it—now! \$100 rebate checks to American motorists won't cut it, nor will mandatory mileage requirements for new vehicles. Taxing oil profits will only force prices higher. But there are some very important things we can do immediately to help. First: We must reassess our foreign policy and announce some changes. One of the reasons we went into Iraq was to secure oil. Before the Iraq war oil was less than \$30 per barrel; today it is over \$70. The sooner we get out of Iraq and allow the Iraqis to solve their own problems the better. Since 2002 oil production in Iraq has dropped 50%. Pipeline sabotage and fires are routine; we have been unable to prevent them. Soaring gasoline prices are a giant unintended consequence of our invasion, pure and simple. Second: We must end our obsession for a military confrontation with Iran. Iran does not have a nuclear weapon, and according to our own CIA is nowhere near getting one. Yet the drumbeat grows louder for attacking certain sites in Iran, either by conventional or even nuclear means. An attack on Iran, coupled with our continued presence in Iraq, could hike gas prices to \$5 or \$6 per gallon here at home. By contrast, a sensible approach toward Iran could quickly lower oil prices by \$20 per barrel. Third: We must remember that prices of all things go up because of inflation. Inflation by definition is an increase in the money supply. The money supply is controlled by the Federal Reserve Bank, and responds to the deficits Congress creates. When deficits are excessive, as they are today, the Fed creates new dollars out of thin air to buy Treasury bills and keep interest rates artificially low. But when new money is created out of nothing, the money already in circulation loses value. Once this is recognized, prices rise-- some more rapidly than others. That's what we see today with the cost of energy. Exploding deficits, due to runaway entitlement spending and the cost of overseas engagements, create pressure for the Fed to inflate the money supply. This contributes greatly to the higher prices we're all paying at the pump. If we want to do something about gas prices, Congress should greatly reduce federal spending, balance the budget, and eliminate regulations that interfere with the market development of alternative fuels. All subsidies and special benefits to energy companies should be ended. And in the meantime let's eliminate federal gas taxes at the pump. Oil prices are at a level where consumers reduce consumption voluntarily. The market will work if we let it. But as great as the market economy is, it cannot overcome a foreign policy that is destined to disrupt oil supplies and threaten the world with an expanded and dangerous conflict in the Middle East.