

# THE FREEMAN

IDEAS ON LIBERTY

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## Perspective

# Hands Off “Windfall” Profits

**Y**ou don't have to like the oil companies to reject the windfall-profits tax. All you have to know is that if you tax something, you'll get less of it. No one can seriously dispute this piece of common sense. That leaves the strong suspicion that the motive for the tax is punitive: those companies are making too much money, so let's take some of it away.

That's cutting off one's nose to spite one's face—bad idea, not to mention that it would require the threat of physical force to accomplish it. No self-proclaimed peace advocate should endorse policies that are backed by aggressive force.

Does anyone really think that politicians and bureaucrats would spend the money better? You don't need detailed knowledge of the workings of government to see that the answer is no. Tax champions will promise to put the money into biofuels or infrastructure, but we know where it will really go: to boondoggles. Governments simply are not equipped to provide goods and services rationally—that is, cost-effectively and according to consumer demand—the way private markets are.

The size of an industry's profits is no business of the government, and no one has the right to gasoline at a particular price. All the government should be doing with respect to oil is ceasing to interfere with private property and the market process. We, the billions of participants in the marketplace, will take care of the rest.

To be sure, the oil companies have not distinguished themselves as champions of laissez faire. Oil executives have long been familiar with the halls of power, and the industry has enjoyed market-distorting privileges as well as suffered government-imposed burdens. For example, since World War II, the industry worked closely with the U.S. government and Arab and Iranian autocracies to gain and maintain access to Middle East oil. The substantial cost of securing the oil reserves has been shifted to the American taxpayers and subject populations through a costly interventionist U.S. foreign policy. American policymakers saw oil as a vital civilian and military resource, and the oil companies were the experts in turning crude into usable products. It was a

match made in Washington. State-level cartelization policies also worked to the benefit of the companies. As a result, the price of gasoline most likely has not reflected the full cost of production, although those costs were recovered in a less-visible nonmarket form, through the tax system.

Major business leaders, including oil executives, long ago discovered the advantages of cooperating with big government. Drawing on the work of historians such as Gabriel Kolko, Murray Rothbard wrote, “[V]arious big-business groups [such as the National Civic Federation] had become, as early as the turn of the twentieth century, ‘corporatists’ or ‘corporate liberals,’ anxious to replace quasi-laissez-faire capitalism by a cartelized corporatist system, directed or even planned by Big Government in intimate partnership with Big Business, and creating Big Unions to participate as junior partners in this new ‘mixed’ economy. The push for the new corporate state was generated by an alliance between corporatist big-business groups and technocratic intellectuals, eager to help run and to apologize for the new system, which promised them a far plusher niche than did a freely competitive economy.”

Business leaders, including Walter C. Teagle, president of Standard Oil of New Jersey, actively supported the New Deal. Teagle helped run the National Recovery Administration, which cartelized industry, including the oil industry, until the Supreme Court struck it down as unconstitutional.

This regrettable history, however, can’t rationalize irrational policies. The route to laissez faire won’t be through a windfall-profits tax and other interventions that would only bolster big government. It is one thing to demand an end to all government subsidies, but quite another to embrace the pernicious principle that the government may declare a level of profits “excessive” and then confiscate them. Better to keep the money out of the politicians’ hands and work to make the private sector truly private. Neither profits nor losses should be socialized.

★ ★ ★

Gas prices and oil profits are up, and the politicians are having a field day. What’s going on? Michael Heberling has the lowdown.

Why do so many people want to resort to government—that is, force—as a first resort and never give peaceful voluntary solutions a thought? Roy Cordato documents this sad state of affairs.

Net neutrality is a popular rationalization for regulating the Internet. It’s another bad idea from the social engineers, Adam Summers says.

Imagine if baseball’s rule-makers tried to prescribe rules for every aspect of the game, leaving no discretion for managers or players. Now imagine those rule-makers overseeing the capital markets. That nightmare scenario is real, Donald Grunewald reports.

America is not supposed to have an aristocracy, but tell that to government employees who enjoy an array of special privileges that the czar might have envied. Steven Greenhut catalogues some of the benefits of “public service.”

The government’s airport screeners can’t direct passengers to disrobe. But now, thanks to high-tech scanners, they don’t have to. Becky Akers has the ominous details.

Thomas Jefferson said that the proper attitude of free people toward government is “jealousy” not “confidence.” If so, should they tolerate a government that insists it has the right to engage in torture? James Bovard examines this timely question.

Advocates of the freedom philosophy believe that the initiation of physical force is wrong. But does that require them to remain silent about causes beyond politics? Charles Johnson opts for a “thicker” libertarianism.

Here’s what our columnists’ toils have yielded this issue: Lawrence Reed expounds on the overriding importance of character. Thomas Szasz explains why we can have self-ownership or coercive psychiatry, but not both. Stephen Davies identifies the common element in financial crises. John Stossel ponders the arrogance of regulators. David Henderson shows that opposition to the “war on drugs” does not mean the denial of freedom of association. And Ivan Pongracic, Jr., dissecting the argument that inflation is the only way to solve the housing mess, responds, “It Just Ain’t So!”

Books on economic history, economic freedom, Britain’s Glorious Revolution, and the nanny state occupy our reviewers.

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