



Albany Coddles the Oil Addicts

Posted by [Glenn](#) on May 22, 2006 - 8:59am in [The Oil Drum: Local](#)

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[Editor's Note by peakguy] Pataki signed the [gas tax cap into law yesterday](#) despite earlier concerns that oil companies might not pass on the savings to consumers.

[editor's note, by peakguy] Yankee and I both wrote parallel articles about this and posted them within 15 minutes of each other (hey great minds think alike!) I have combined them as best I could in this one post.

[editor's note, by Yankee] Since this post is on TOD:NYC, it obviously focuses on the proposal to cut state gas taxes in the NY legislature. But note also that similar proposals have cropped up in [North Carolina](#), [South Carolina](#), [Minnesota](#), [Massachusetts](#), [Delaware](#), and I'm sure we'll see some others soon.



The President has said that we are "addicted to oil". An addiction needs to be treated seriously, not actively enabled. But this is exactly what NY State's legislature wants to do. They are set to approve a 4-9 cent reduction in the gas tax in yet another attempt for politicians to look like they are doing something about increase gas prices.

Although I tend to think that a federal gas tax increase* would actually be a good thing, I can understand the political distaste for such a decision. However, I don't understand why they won't let the current status of the state tax just stand. Once the gas tax is lowered, it will be politically difficult to raise it later on, regardless of whether the wholesale prices of oil either raise or lower. That is, one day the politicians might wake up and understand [why a stiff gas tax may be the best thing for us](#), despite high wholesale prices. Or prices might (temporarily) lower, in which case they'll want to raise the tax again, but could face a public outcry.

From the [NY Times](#) today we also hear that nobody's promising that this will even trickle down to customers (drug users/abusers?) at the pump:

But should the measure win final approval, even the oil industry acknowledges that there is no guarantee that the savings will get passed on to consumers.

One reason is that gas taxes, for the most part, are levied when oil companies import fuel into the state and not directly at the pump. Though tax cuts at the wholesale level are passed down to retailers, small cuts would not necessarily show up in prices set by gas stations since variations of a few cents among stations are common.

"I'm not sure consumers would see it," said Rayola Dougher, the manager of energy market issues for the American Petroleum Institute, the oil industry trade group. "They might see something, but I'd be astonished if they saw 8 cents across the board."

Why is it that consumers wouldn't see much difference? Because the oil companies (drug dealers?) would take part of it at every step in the distribution chain.

Theoretically, a driver filling up a Toyota Camry could save 74 cents in state taxes and as much as \$1.76 over all in counties with the highest taxes, if they choose to opt in. But in reality, while a steep cut in gas taxes would almost surely be felt, modest cuts could be lost in the distribution chain from the oil companies to the gas stations, several oil industry officials said. And that could leave at least some of the tax relief in the hands of the big oil companies that have been reporting record profits.

So it's just another subsidy for the oil industry. And this leaves us no closer to dealing with the real issue, which is our addiction to oil coming from unstable places and contributing to global warming.

Rather than trying (ineffectually) to lower the price of smack on the street and instead giving more money to those dealing it, why not take that money and invest in conservation (drug treatment?) programs that might actually lower the level of inelastic demand out there.

Why not rebuild the state's rail network to more efficiently move around people and freight goods?

Why not invest in rideshare programs that are proven to reduce individual fuel costs?

Why not rezone many suburban "residential-only" areas to allow critical commercial enterprises like grocery and drug stores to be closer to people?

Why not offer more bus/light rail service to underserved yet dense areas?

The list could go on and on, but the point is that the way to deal with an addiction is not to lower the price of the addictive drug. You need to show the addict the pain they are causing to themselves (\$ budget, obesity, etc) and others around them (global warming, pollution, etc). Then you need to offer a positive alternative way of living and give them hope that there is an end in sight to the pain they are inflicting on themselves and others around them.

This proposal offers neither a frank description of the problem to the addict nor hope of building toward a positive alternative. It only coddles the addict and rewards the dealer.

*The word "increase" in this sentence was initially omitted. Thanks to Halfin for pointing this out.



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