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Meeting The Challenge of a World Energy Shortage

by Howard M. Metzenbaum*

THERE IS NO question that the continued well-being of our economy and our nation demands that we reduce our dependence on foreign oil. Most Americans can still vividly remember the days of waiting in long lines for gasoline during the 1973 Arab oil boycott. At that time, the United States was importing thirty-five percent of the oil used, a figure so worrisome that President Nixon immediately called for a *Project Independence*. Needless to say, the goals of that program have not been met, instead, the situation has become even worse as the demand for oil continues to increase. Today we are dependent on foreign countries for fully one-half of all our oil needs. Despite this worsened situation, public opinion polls have shown that fifty percent of the American people do not realize that the United States is importing half of its oil supplies.

Importing such high quantities of foreign oil has had tremendous implications on the American economy. In recent months we have seen the American dollar devalued in relation to other currencies, largely because importing foreign oil supplies has eroded our traditionally strong balance of payments. In 1971, the United States spent \$3.7 billion for imported oil. In 1976, the figure was nearly ten times that at \$36 billion and reached more than \$45 billion in 1977. At the present rate that would lead to a balance of payments deficit by 1985 of \$550 billion. This enormous sum, if left unchecked, would not only erode the United States as a world marketing power, but would also undermine the economies of many other nations that are dependent on the American economy. Today the United States, with only six percent of the world's population, consumes more than one-third of the world's energy. Whatever steps the United States finally takes to solve its energy problems will inevitably have major implications for other nations around the world.

President Carter correctly stated the sense of urgency with which we must address the nation's energy problems. Unfortunately, the

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President's energy package—still pending in the Congress—did not go far enough to really solve the problem. It was clear from the beginning that the proposed National Energy Plan would not even meet its limited goals. As a General Accounting Office study commented, "We believe it is somewhat incongruous to ask Congress to establish a set of national energy goals, and then propose a national energy plan that is not expected to achieve them . . . [W]e believe the plan should be redesigned to provide a reasonable opportunity of achieving the stated goals." Other independent studies have reached the same conclusions. A Congressional Budget Office study stated that the Administration's projected savings under its energy plan was "over optimistic." A senior economist at *Resources for the Future* said the chance for limiting foreign oil imports to seven million barrels per day under the Administration's plan are "about nil."

In introducing its energy package last year, the Administration acknowledged that it would fall far short of achieving real national energy independence. According to Administration spokesmen, even if the plan were fully implemented—and full implementation is highly unlikely following preliminary action in the Congress—total energy demand in the United States would still increase by a whopping twenty-five percent between 1976 and 1985, a figure only four percent less than if no energy plan is enacted at all.

In my opinion, the fundamental problem in the Administration's energy program is its singular reliance on price as a means of stimulating production of domestic reserves and as a way of inducing conservation. The Administration's approach is simple: high energy prices, they believe, will force consumers to cut back on their energy usage. Based on that premise, the Administration developed a package of new energy taxes which would cost consumers more than \$90 billion in new energy taxes by 1985, an amount that would more than offset any effort to stimulate our sluggish economy with tax cuts. (Both President Carter and former President Ford have stated that at least \$12 billion in tax cuts are needed to stimulate the economy, but these new taxes have just the opposite effect.) Under the Administration's plan, American consumers will soon be paying tremendously higher prices for their home heating oil, their natural gas, their electricity and all other commodities that are made with those energy supplies.

I have strongly criticized this approach, because it places an unfair burden on those Americans who can least afford new energy costs—the poor, the elderly, those on fixed incomes, and millions of middle-class families who are already stretching their budgets to make ends meet.

They will not be able to take advantage of "incentive" programs to buy new high-efficiency energy appliances, cars and homes. I have also opposed this approach because I think it is based on the wrong premise. Higher energy prices will not necessarily lead to greater energy conservation. In 1973, oil prices quadrupled in the United States immediately following the Arab oil boycott, yet today Americans are using more oil and gasoline than ever before.

Mandatory energy conservation offers a much more direct, measurable alternative to solving our energy problems. It has been estimated that more than one-third of all energy used in the United States is wasted because of poor energy habits. I believe it makes more sense to identify where that energy is being wasted and then move to eliminate that waste. Substantial energy savings could be achieved by enforcing the fifty-five mile per hour speed limit, by adequately insulating our homes and public buildings, by meeting minimum efficiency standards for industrial motors, by installing devices to prevent heat from escaping through the chimney flues, and by implementing numerous other energy-saving programs. Unfortunately, the Administration has not seen fit to back these proposals. Instead, it continues to rely on its plan to raise consumer prices.

Obviously, there are no simple answers to the nation's energy problem. We all recognize that we Americans must stop our energy wasting ways. We must change our lifestyles to use energy more efficiently. We must use those energy resources that are available within our own country, especially plentiful coal supplies (which can be developed without damaging our environment if proper controls are used). We must also develop new sources of energy, including the so-called "exotic" supplies in the sun, the wind and the tides.

All of those efforts will have a major impact on the American lifestyle. But those changes need not be harmful. Americans have already shown a remarkable flexibility in meeting the energy crisis; new technologies are being developed and installed at an astounding pace. We are now moving in the right direction. But we have many more steps to take before the United States—and the world as a whole—fully meets the challenges imposed by an era of short energy supplies.

