

U.S. running out of good fiscal management

Since the 1920s, the United States has always been running out of something — oil, coal, natural gas, wood — but hasn't. This continual fear and corresponding reaction is part of the reason for the nation's economic fluctuation.

William Vogely, chairman of the Department of Minerals Economics at Pennsylvania State University, says that alternatives are available to prevent extremes between primitive conservation and wanton exploitation of natural resources and technology, both of which are harmful.

Addressing government, university and industry representatives during the Michigan Natural Resources Outlook Conference at Michigan State University recently, Vogely said that wavering attitudinal and economic changes throughout history have had undesirable results on the long-term management of resources.

The nation has progressed from the "virgin planet earth" of the early 1800s, where land was "there for the taking," Vogely said, to the "environmental age" of the 1960s and '70s, where vast areas of land were set aside for single use, not to be touched by man.

The fear about exhaustion of coal in the late 1800s, the conservation of land for national forests in the early 1900s; concern about oil and the advent of the automobile; and fear of mismanagement of resources, and the dust bowl filled the period in between. Legislative acts were proposed to regulate oil, gas and other resources, and each new political administration had a different effect on their management, mostly bad, Vogely said.

The most recent example of extreme reaction to resource depletion occurred during the Carter Administration and the "so-called oil crisis."

"It was unparalleled: The sequestering of the chief of our nation at Camp David, being ministered to by select experts, and the emergence of the Moral Equivalent of War. And that's just about what it was, a meow," Vogely said.

What Carter took four years to achieve in his emphasis of the energy crisis — massive synthetic fuels research programs, subsidization of solar energy and alcohol-fuel programs, etc. — President Reagan dismantled in three months. Vogely called this another pendulum move in the seeming continual swing in resource management.

President Reagan's approach to natural resources includes:

- Removing regulatory constraints. He is against government control of land, resources and forest management.

- Reopening public domain to multiple use.

- Exploiting the resources of the sea. Metal resources can be obtained from the deep sea, and oil and gas from the near sea.

- And finally, developing natural resources in response to marketing stimuli.

If these types of social and economic forces are to be imposed on the use of resources, Vogely says, trade-offs must be made.

"You cannot interfere with one place in the market without having implications on another," he says. "The resource war and resulting current prices are prime examples."

Protection, regulation, and legislation against imports are not panaceas for faltering industries, Vogely warns, but instead promote stagnation. Subsidization only leads to more subsidization, he adds, explaining that innovation in new industries would be of far greater value.

Vogely suggests that if Michigan's business climate is to improve, attitudes will have to change.

"You have a couple of alternatives," Vogely said, citing Chrysler Corporation as an example. "Michigan has lost its comparative economic advantage primarily because it has failed to identify new technology and has failed to adjust to economic changes," he explained.

Those alternatives are continued subsidization going the route of Great Britain, or acceptance of the fact that the industry is going bankrupt and allow it to happen.

"You've got to identify and implement the economic advantage you have

rather than simply maintain the status quo," Vogely said. "The adjustment is bad, but not adjusting is worse!"

He said that Japan discovered its comparative economic advantage when it learned it could reduce its shipping costs by a factor of almost 100 percent by use of mega-ton ships.

"They are also quick to take advantage of new technology," Vogely related. "Japan is essentially a great big dock. They ship raw materials in one end and ship it out the other. And, government works with industry in Japan, not against it with tax and regulation strangulation, as is much the case throughout the U.S."

Vogely hints that unless Michigan can come up with some major technological developments that take advantage of resources that Japan does not have, the auto industry is apt to be lost or relocated to Florida or the West Coast — away from Detroit.

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