A powerful idea is spreading through America. It is a call to this generation to take action and decide the course of history by declaring and fighting for …

American Energy Independence

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Is there anyone who still cannot see the connection between the flow of oil money into the Middle East and the flow of terrorism out of the Middle East?

The idea of energy independence was first conceived in response to the 1973 Arab oil embargo. The embargo abruptly cut-off U.S. oil imports from the Middle East causing severe fuel shortages and gas rationing. Oil prices tripled, the price of gasoline quadrupled and a new American vulnerability was exposed — America's dependence on imported oil as a primary source of energy proved to be a weakness that could be exploited to influence or subvert U.S. foreign policy; threatening to disrupt the economy and eventually impoverish the USA by transferring billions of dollars to foreign national treasuries in exchange for oil.

The idea of energy independence was not a myth then, nor is it a myth today. Energy independence is a fact of America's past and a vision of America's future. An achievable goal requiring sustained political will. The USA has more than enough natural resources, ingenuity and technology to achieve energy independence… again.

Yes, again.

Prior to 1950 the U.S. had absolute energy independence. In 1950 the USA was producing over 50 percent of the world's oil, enough for all of its own needs with plenty left over for exports. But the post World War II U.S. economic boom eventually created demand for more oil than U.S. wells could produce.

Between 1950 and 1973 (the year of the embargo) U.S. oil imports had grown from near zero to about 32 percent of U.S. oil consumption. By 1994, the U.S. was importing more oil than it produced. In 2010, oil imports will provide about 60 percent of all oil consumed in the USA.

Energy independence does not require zero imports, but it does require zero dependence on imports that could directly or indirectly place the U.S. in a position of economic, political or military vulnerability.

Energy independence can be thought of as either absolute or strategic.

Absolute energy independence means a country produces all of its own energy, which was true for the U.S. prior to 1950.

Strategic energy independence means a country allows imported energy, but only if the imported energy does not create vulnerability. Strategic energy independence allows oil imports, but does not allow the imports to create economic, political or military vulnerability.

In order to understand the difference between absolute and strategic independence, it is important to recognize that importing a commodity does not create dependence. Dependence only occurs when the imported commodity creates vulnerability for the importing nation. In order for a commodity to create vulnerability, the commodity must be of strategic value regarding its potential to injure the importing country economically or militarily, if the exporting country deliberately cuts off supply.

Strategic energy independence can be achieved through an alliance of nations that share mutual interests. Economic and military interdependence between nations can produce a powerful global force for good, but only if the members of the alliance share basic cultural values and a commitment to protect the freedoms of their people.

There is nothing inherently wrong with energy interdependence in regard to importing oil. But anyone who values freedom must ask: where is the oil money going? What is the oil money being used for? Is there a connection between the flow of oil money into the Middle East and the flow of terrorism out of the Middle East?

America does not need to regain absolute energy independence; there is no need to end oil imports from Canada. But the USA does need to regain strategic energy independence… again.

America did achieve strategic energy independence in 1982. In spite of some failures, the energy independence policies enacted by Presidents Nixon, Ford and Carter eventually succeeded, culminating less than ten years after the oil embargo. A fact often overlooked, misunderstood, denied, or maligned.

Clearly, there is a story to be told.

Energy independence skeptics will often claim that every U.S. President since Richard Nixon has called for energy independence yet nothing has become of it, just populist demagoguery, they say, citing skewed statistics that show oil imports steadily increasing, unabated, since 1973. Journalists, academics and politicians will recite the half-true information, spreading it throughout the general population, perhaps with calculated intent or more likely because they themselves have accepted the disinformation as fact—similar to how smart people can unwittingly become ensnared in an investment Ponzi scheme because they trusted the person or source who told them about it.

It is true that U.S. oil imports in 2010 are about double what they were in 1973. But the increase in oil imports between 1973 and 2010 cannot be accurately illustrated as a continuous upward curve on a chart or graph.

After the embargo was lifted in March 1974, U.S. oil imports did continue to increase until 1979 when imports were then 56% greater than 1973 levels. But in 1980, the upward trend in U.S. oil imports reversed and began a dramatic decline.

On June 21, 1981, the Sunday edition of the New York Times printed an article titled; How the Oil Glut is Changing Business[1] the headline read: "Oil glut! ... Suddenly, oil is so plentiful that prices are falling by amounts that impress even big-time corporate decision makers …"

The combined efforts of three U.S Presidents created energy policies that had doubled vehicle fuel efficiency, increased oil production in Alaska, shifted electricity generation from petroleum fuel oil to non-petroleum fuels and provided incentives for homes and buildings to use alternative heating and increased insulation. By 1980, these policies were dramatically reducing total U.S. oil consumption.

A steep decline in U.S. oil imports began in 1980 and continued through 1985. In 1983 U.S. oil imports fell below 1973 levels, cutting oil imports by 58% from the high of 1979. New Alaska oil production helped offset falling oil production from U.S. wells in the lower 48 states, but the difference was not enough to account for such a huge decrease in imports. The only explanation that can be supported by real numbers is the enormous volume of oil consumption that was displaced by the combination of alternative fuels, increased fuel efficiency and conservation.

The 1973 oil embargo had exposed the harsh reality that America was dangerously dependent on imported oil. The energy independence policies of Presidents Nixon, Ford and Carter had demonstrated that America can achieve strategic energy independence through political will and legislative action.

It took nearly ten years for U.S. energy independence policies to take effect and reverse the trend of growing oil dependence, but the results were worth the effort. For a brief period between 1982 and 1985 U.S. oil imports averaged less than 30% of total U.S. oil consumption.[2]

Developing alternative energy sources (primarily coal, nuclear and natural gas to replace petroleum fuel oil used for heating and electricity generation) and keeping oil imports below 30% of total oil consumption had broken the Organization of Petroleum Exporting Countries (OPEC), and ultimately exposed OPEC's vulnerability: dependence on oil money.

The USA enjoyed strategic energy independence between 1982 and 1985.

But then, in 1986 U.S. oil imports began to increase again. Why?

By July 1986 the price of oil had fallen below $9 per barrel. Ronald Reagan was then President of the United States. President Reagan had abandoned the energy independence policies of his predecessors in favor of a free market policy, where private industry would provide all of America's energy needs without government interference.

In 1986, gasoline was plentiful and relatively inexpensive. Middle East oil prices were low. Without a national energy independence policy, the temptation to return to old habits was just too great. Like a recovering alcoholic taking a drink after a long rehab, the American economy began falling back into dependence.

If the energy independence policies of Nixon, Ford and Carter can be thought of as analogous to a relay race in the Olympic Games, where each President hands the baton off to the next, sharing a common goal of winning the race, then President Reagan did not just drop the baton, he threw it away and canceled the race.

President Reagan was elected in 1980 and assumed office January 1981, in time to reap the rewards of energy independence which were already beginning to dramatically reduce U.S. oil consumption. Reagan had the opportunity to finish the race and fulfill the vision of strategic energy independence for all generations of Americans, but instead, he abandoned his predecessors' energy independence policy and encouraged a return to oil imports.[3]

President Reagan did continue to give voice to the vision of energy independence, not by way of a national energy policy, but an independence that would result from unleashing the productive capability of the free market, thus leading Americans to believe that the free market would supply all of America's energy needs. And perhaps that would have happened if the Reagan administration had adopted the proposed price floor guarantees for American energy companies investing in the development of America's abundant oil shale resources.[4]

By 1982, investors already could see that the price of oil on the world market would soon fall below a level were shale oil would be economically competitive without some form of government support. President Reagan had argued in favor of price floor guarantees in the form of offering long-term purchase agreements with the U.S. military for synthetic fuels made from U.S. shale oil, but Reagan's advisors convinced him to abandon the nascent U.S. synthetic fuels industry as a demonstration of his faith in a global free market. After learning that Reagan would not support the industry, Exxon abandoned its billion dollar oil shale investment in Colorado.

The U.S. Synthetic Fuels Corporation was created by Congress in 1980 for the purpose of helping to fund private synthetic fuels investment in America. The Synthetic Fuels Corporation Act authorized up to 80 billion dollars, a figure often cited as the actual cost to U.S. tax payers. However, before it was abolished in 1986, the U.S. Synthetic Fuels Corporation had cost the U.S. taxpayers less than what the U.S. military spent every month in 2009 for the Iraq war.

Reagan had justified his decision to end government support for synthetic fuels based on a projected cost of $60 per barrel for synthetic crude oil made from oil shale, and gasoline costing $2 per gallon based on the $60 per barrel projected cost. America's investment in strategic energy independence was thrown away because it would eventually force American drivers to pay as much as $2 per gallon for gasoline—unthinkable, or so it seemed at that time.

Ronald Reagan's vision of a global free market, inspired by economist Milton Friedman, created an unwritten federal energy policy limiting the government's involvement in U.S. energy production and distribution, including price floor guarantees. The “limitation” assumes that America's energy will be provided by private corporations and individuals, acting in their own financial self-interest. If the U.S. government, acting in America's self-interest, becomes involved in energy production and distribution, either directly or in partnership with private industry, or by way of price floor guarantees, the act is considered to be socialism, unless it is a military action.

Reagan's global free trade policy had set the stage for increased oil imports. Without a national energy independence policy defining oil as a strategic commodity and energy independence as a strategic policy, the USA was heading back into the same dependence that previous administrations worked so hard to overcome. Reagan's advisors refused to acknowledge the strategic value of oil, and the vulnerability created by dependence on any strategic commodity that is controlled by a foreign government hostile to American values and economic interests.

Reagan's economic advisors had advocated the idea that importing oil would be no different than importing shoes and socks and refrigerators. Supporters of the idea would defend the policy with rhetorical questions like, “Should America want to be refrigerator independent?” as though any reasonable person would see that a refrigerator embargo would be no different than an oil embargo. Of course, the American people did not fall for that nonsense, it had escaped their attention, because the price of gasoline had already gone back to acceptable levels and the people had returned to their normal lives, trusting their government to do what is right.

Contrary to the popular belief that Ronald Reagan boldly deregulated oil prices and thereby increased production of oil in the U.S., President Reagan—after assuming office in January 1981—merely accelerated, by executive order, the phased decontrol of oil prices that had been in progress since June of 1979, a gradual decontrol initiated by President Carter over eighteen months before Reagan became President. The executive order signed by President Reagan ended price controls abruptly, eight months before full decontrol would have automatically taken effect by law, as set forth in the Energy Policy and Conservation Act of 1975.

Decontrol of oil and fuel prices failed to stimulate a significant increase in domestic oil production, contrary to some opinions often heard today. However, decontrol did allow increased imports of gasoline and other fuels, which caused the price of gasoline to suddenly fall. It was the increased gasoline imports that led people to believe that Reagan's energy policy was working. The immediate relief at the pump was what people remembered.

President Nixon had initiated price controls in 1971, before the oil embargo, for the purpose of containing surging inflation; a technique that was both effective and necessary during World War II, but was almost certainly an act of political desperation in 1971. The Energy Policy and Conservation Act of 1975, signed into law by President Ford, extended Nixon's oil price controls to 1979, authorizing the President of the United States to end price controls in 1979 if the President determined that ending controls at that time was in the best interest of the country, but if the President chose not to exercise the option, the 1975 Act specified that government control over the price of oil would automatically cease at the end of September 1981.

In a nationally televised address on April 5, 1979, President Carter announced a phased decontrol of oil prices that would begin June 1, 1979 and continue at a uniform rate of reduction over 28 months, at which time decontrol would be completed, in compliance with the September 1981 deadline required by the 1975 Energy Policy and Conservation Act. Carter faced opposition by Unions and Congressional Democrats, but he did it anyway. In 1980 Congress enacted the Crude Oil Windfall Profit Tax Act to compensate for the decontrol of oil prices. On April 2, 1980, Carter signed the Windfall Profit Tax into law.

During the 1980 presidential campaign Reagan had promised to repeal the Windfall Profit Tax, but he allowed the tax to continue through both terms of his presidency, until 1988 when, on August 23, he signed the Omnibus Trade and Competitiveness Act of 1988 which finally repealed the tax.

The USA is the world's largest consumer of oil; the dramatic reduction in U.S. oil consumption resulting from the energy independence policies in effect following the Arab oil embargo and prior to Reagan's presidency had caused a surplus of oil on the world market, which ultimately forced the global price of oil down.

It would be accurate to say that every U.S. President after Jimmy Carter has called for energy independence, but nothing has come of it, because commitments to the global economy—global free trade policies—beginning with the Reagan administration have discouraged the USA from “acting in its own self-interest” as a nation.

The USA is the only country in the world that imposes that limitation on itself. It is a self-defeating limitation reminiscent, metaphorically, of how the British Army fought the American Continental Army during the American Revolution, where the British soldiers stood in the open, on principle, wearing bright red uniforms while the colonial soldiers shot at them from behind trees. The American colonies won their independence because they acted, as a nation, in their own self-interest, willing to do whatever it took to accomplish their goal — Independence.

Imagine that the year is 1775 and Thomas Jefferson is pondering the issue of America's independence from Great Britain. What might he have been thinking?

On November 29, 1775 Thomas Jefferson wrote to John Randolph; "there is not in the British empire a man who more cordially loves a union with Great Britain than I do. But, by the God that made me, I will cease to exist before I yield to a connection on such terms as the British Parliament proposes; and in this, I think I speak the sentiments of America."[5]

On December 1, 1775 American Continental Army General Charles Lee wrote to British General Burgoyne: "You ask me, in your letter, if it is independence at which the Americans aim? I answer no; the idea never entered a single American's head until a most intolerable oppression forced it upon them..."[6]

Now imagine that Great Britain's King George III has just received a signed copy of the United States Declaration of Independence. What are his first thoughts? How dare they? Or, perhaps, a strategy of propaganda to convince the rebels that independence is a myth, with grave warnings of the "dangerous delusions" of independence.

Forward to recent history — a relevant comparison: in October 1973 OPEC oil-producing countries, led by Libya and Saudi Arabia, cut off oil supplies to the United States causing massive fuel shortages and unprecedented fuel prices. The purpose of the embargo was to force political concessions from the United States. Before the embargo, Americans had never thought of energy independence.

The Arab oil embargo was the beginning of America's submission to a foreign tax in the form of commodity price fixing and resource supply manipulation on a global scale. This intolerable oppression, forced upon Americans by a foreign power, created what has become America's quest for energy independence.

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[1] Robert D Hershey Jr. "How the oil glut is changing business". The New York Times (June 21, 1981, Sunday, Late City Final Edition, Section 3, Page 1, Column 2)

[2] Jay Hakes "A Declaration of Energy Independence," chapter 2 - A Forgotten Victory Gives Hope: How America solved its last energy crisis and cut oil imports in half.

[3] Jay Hakes "A Declaration of Energy Independence," chapter 3 - Lapsing Back into Oil Addiction: Retreating from Battle under Presidents Reagan, Bush, Clinton and Bush.

[4] Some Setbacks for Synfuels, By Edward E. Scharff; Robert T. Grieves; Gary Lee, Time Magazine - Monday, Sep. 14, 1981

[5] The Declaration of Independence: Its History; by John H. Hazelton, Dodd, Mead & Co., 1906

[6] ibid.