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Opinion: U.S. should tax oil instead of letting OPEC do it

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"A tax is a financial charge or other levy imposed "... by a state or a functional equivalent of a state." — Wikipedia

Meeting in Algeria a few weeks back, emissaries from the Organization of Petroleum Exporting states agreed to further constrict the world's oil supply, which is down more than 4 million barrels a day from levels at the beginning of 2008. While the effect may not be immediate, the artificially lower supply will in due course express itself in higher prices. Such price-fixing is illegal under U.S. law, which is why oil companies are not actual members of OPEC.

The difference between what the free-market price of oil would be in the absence of such collusion can rightly be regarded as a tax on consumers by OPEC.

OPEC can diddle prices with impunity because America, like mighty Prometheus, lies bound by the power of oil companies and their political allies, including the fervently anti-tax right wing. But this nearsighted view of taxes prevents us from taking more aggressive measures to protect Americans from the cartel. It also fails to understand that government tax policy is not just a means of raising revenue, but is also the most effective way to send vital fiscal policy price signals to consumers and businesses.

The irony, of course, is that our failure to set a consumption-limiting tax on oil has in no way freed Americans from paying a windfall tax on oil consumption. It has merely surrendered the revenue-raising power of such a tax to OPEC. Higher taxes on consumption of oil or gasoline would help establish a floor. That would ensure that the price of gasoline never falls so low that consumers can revert to the wasteful energy habits of the past, which put all of us at risk. As it does in most of the developed world, such an oil consumption tax would use energy prices explicitly to protect America's national interest, rather than exclusively for maximizing producer profits.

While America strives to be a leading example of democratic ideals at work, all of our diplomatic and strategic efforts to promote democracy are compromised by the world's dependence on politically unstable or autocratic oil producers. How better could we show the world the power of democracy than by leading the way out of oil dependence?

While no fervently anti-tax politician would ever admit it, their knee-jerk opposition to carbon or oil consumption taxes is harming American taxpayers. Who currently gains when Americans pay upward of $5 a gallon for gasoline, as we did last summer? The claim that oil and gasoline taxes would come from the pockets of consumers rather than the sellers is to naively believe that the energy companies and OPEC producers voluntarily charge less than the market will bear.

So the question facing us today isn't whether or not we should tax oil, but rather who gets to collect the tax, and for what purposes should it be spent. Instead of fearing the impact of higher oil taxes, we should be methodically reinvesting such funds in job-creating technologies that reduce our oil dependence and build our domestic renewable energy infrastructure and production capacity. Substantial oil and gasoline taxes would give Americans the price signals they need to start allocating oil more wisely in America's public interest, and steady the volatile fossil fuel price seesaw that keeps alternative energy investments off balance and the oil cartel in control.

When it comes to taxes on oil or gasoline, it's time we realized it's tax or be taxed.

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