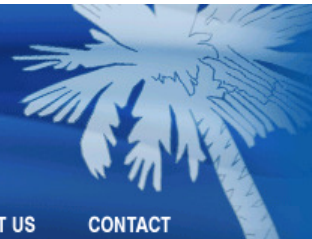




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The Downside of Ethanol as a Fuel Source

Kevin Dietrich
May 26, 2009

It's difficult to tell what was more troubling about the pro-ethanol opinion piece The Sun-Times ran recently: that there are groups such as Americans for Democratic Action still pushing this propaganda or that one of South Carolina's largest newspapers felt it was worthy of space in its pages.

While Americans for Democratic Action do trot out several time-honored canards, such as the use of ethanol as a gasoline supplement reduces the cost by 40 cents per gallon (that difference is the result of subsidies because a gallon of ethanol costs far more to produce than a gallon of conventional gasoline), it also employs a new tactic, saying we need to continue this subsidy sinkhole because it's "good for the economy."



Don Kusler, director of the Working Families Win project at Americans for Democratic Action, argues that we should continue throwing good money after bad because ethanol is a growing industry that's producing secure domestic jobs.

If the ethanol industry is growing, it's because it's received tens of billions of dollars in subsidies over the past 30 years. With that kind of government support, what industry wouldn't be producing "secure" domestic jobs?

How is this any different than the old Soviet model of sucking money from society's producers in order to find a job for everyone, even if there's no need? The only difference is that instead of giving individuals jobs pushing buttons on elevators, we've got them involved in boondoggles such as ethanol.

Either way, it's nothing more than wealth distribution: The government takes a chunk of money earned by taxpayers and, in this case, diverts it to businesses involved with corn ethanol production, which can then sell it at below-market cost because of the subsidy.

Here are some other realities the pro-ethanol crowd isn't eager to make known:

- ▶ For corn ethanol to completely displace gasoline consumption in this country, we would need to appropriate all U.S. cropland, turn it completely over to corn-ethanol production, and then find 20 percent more land for cultivation on top of that, according to The Cato Institute;
- ▶ Ethanol exhaust generates more than twice the ozone that gasoline exhaust does, according to the Clean Fuels Report comparison of fuel emissions; and
- ▶ The rush to produce more corn for fuel has had a global environmental impact as forests and other vegetation have been cleared to make way for cropland.

Something else ethanol enthusiasts won't tell you is that increased ethanol production has led to a significant increase in corn prices, and when corn prices spike, that can make everything from cereal to soft drinks more expensive since corn is used by itself or as a sweetener in so many products.

A recent Congressional Budget Office study found that increased ethanol production was responsible for 10-15 percent of last year's increased U.S. food costs, which hurts all Americans, but especially the poor. Ultimately, the problem with ethanol is that it not only ends up costing Americans more money, it breeds inefficiency. To dress this waste up as economic development is disingenuous.

The fact is, merely creating jobs does not produce wealth. The U.S. government could put unemployed people to work digging a ditch from Myrtle Beach to Los Angeles. After they finished, it could have them fill it in, then start all over again. Nothing would be accomplished, but we would have full employment.

All we're doing by subsidizing ethanol is impoverishing Americans as a whole by taking their tax dollars to benefit businesses involved in ethanol production.

It's not unlike what's currently going on in South Carolina, where we've devoted tens of millions in tax dollars to hydrogen research, even though it's unclear if the technology will be viable in terms of offsetting U.S. reliance of foreign oil or reducing carbon emissions. If the tens of billion of dollars that

have been directed toward ethanol and hydrogen over the years had instead remained with businesses and taxpayers, those private businesses and individuals would be much more effective at creating jobs.

In South Carolina, where the unemployment rate is more than 11 percent, that's a point worth considering.

And that money would have been used to give consumers something they really wanted, rather than something that's been rammed down their throats by the alternative energy industry and government for three decades.

As The Milken Institute Review noted in 2007, "if ethanol had economic merit, no government assistance would be needed. Investors would pour money into the ethanol business and profits would be made... If ethanol lacks economic merit, however, no amount of subsidy is likely to provide it."

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[Click Here to read the original Op-Ed in favor of continued ethanol support that Mr. Dietrich rebuts in this commentary](#)

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