

Radioactive corporate welfare

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If Obama wants a new way forward with energy, he can start by stopping handouts to the nuclear industry

By Jerry Taylor

A

good default proposition regarding the government's role in the economy would state that the government should not loan money to an enterprise if the enterprise in question cannot find one single market actor anywhere in the universe to loan said enterprise a single red cent. It might suggest — I don't know — that the investment is rather ... dubious.

Unfortunately, a chief complaint by the political right over the federal loan guarantee to the nuclear industry — frequently, the political crowd that is busy decrying “Bailout Nation” — is that the loan guarantees are not fat enough.

Plenty of arguments have been offered to justify these loan guarantees. Most of them are flimsy on their face. For instance, we're often told that we “need” new power plants. But with electricity demand declining over the past couple of years, it is unclear when that need might arise.

Regardless, when the market “needs” more electricity, that need will be manifested in price signals that will carry with them profit opportunities. Profit-hungry investors will be willing and able to meet that need without the help of government. Of course, if market conditions don't radically change, those needs will be met with gas-fired power plants, but hey, if that bothers you, take it up with someone else.

Others argue that we need the jobs that will be produced by new nuclear power plants. Well, building big new reactors will certainly employ a lot of (largely unionized) construction workers. But that's one reason why building a nuclear power plant is not very economic compared to building gas-fired generators.

Another argument one hears to justify federal loan guarantees is that they are necessary to counter-balance the excessive regulatory costs associated with new plant construction. Now, put aside the fact that the Nuclear Energy Institute — the trade association of the nuclear power industry — has often expressed near-total satisfaction with the current federal regulatory regime. If the regulatory regime is truly “bad” and, accordingly, is imposing steep and unnecessary costs on the industry, then the correct remedy is to improve said regulatory regime, not to subsidize the industry.

The counter-complaint that positive regulatory reforms are impossible is difficult to swallow. After all, if there is sufficient political will to bestow tens of billions of dollars worth of tax money on this industry, then surely there is enough political will to reform the bad and

unnecessarily costly regulations allegedly bedeviling the object of those very same legislative affections.

I will confess to being skeptical about the argument that high construction costs are largely the fault of regulators. Building a light water breeder reactor is a technologically challenging and costly undertaking whether regulators are on the scene or not. Moreover, it is not obvious to me that the regulations that are in place are a priori objectionable from a libertarian perspective.

In the course of announcing these loan guarantees, President Obama said this week that “The fact is, changing the ways we produce and use energy requires us to think anew. It requires us to act anew.” Well, there’s nothing new about throwing subsidies at nuclear power. Economist Douglas Koplow calculates that federal nuclear subsidies have totaled \$178-billion from 1947-1999. The promise of a nuclear economy with rates too cheap to meter has been made for over half a century. What would be new would be a policy of “just saying no” to industries with their hands out in Washington.

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