

Do We Need to Go to War for Oil?

15 May 2015 – ME Auditorium 1300

With Dr. David Henderson

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Abstract:

Many people fear that a hostile foreign oil producer will be able to damage Americans and, for that reason, think that the U.S. government should ensure U.S. access to oil. But a foreign government cannot cause Americans to line up for gasoline. Only price controls imposed by U.S. governments can do that, which is what they did in the 1970s. A hostile foreign oil producer cannot inflict more than a small amount of harm on Americans by refusing to sell oil to Americans, unless this oil producer is willing to cut its own output. If a hostile foreign oil producer maintains output but cuts exports to the United States, it initiates a game of musical chairs in which the number of chairs equals the number of players. Different buyers will be linked with different sellers, with a cost to Americans of only about \$1 per person per year. The only way a foreign oil producer can harm Americans is by cutting output, but that producer will then harm itself and will also harm all oil users, not just U.S. consumers. This harm is likely to be well under 0.5 percent of U.S. GDP. Ironically, war for oil could well drive the price of oil higher, not lower, thus costing Americans twice: as taxpayers and as oil users.

Abridged Biography:

David Henderson is an Associate Professor of Economics at the Naval Postgraduate School in Monterey, California, a Research Fellow with the Hoover Institution at Stanford University, and a Senior Fellow with the Fraser Institute in Vancouver, Canada. He was previously a senior economist with President Reagan's Council of Economic Advisers. David is the editor of *The Concise Encyclopedia of Economics*, the only reader-friendly encyclopedia of economics. His book, *The Joy of Freedom: An Economist's Odyssey* has been translated into Chinese. His book *Making Great Decisions in Business and Life* has been translated into Korean. As well as writing for academic publications, David has written about 200 articles for such popular publications as the *Wall Street Journal*, *New York Times*, *Barron's*, *Fortune*, *Los Angeles Times*, *Chicago Tribune*, *Public Interest*, *National Review*, *Red Herring*, and *Reason*. He has testified before the House Ways and Means Committee, the Senate Armed Services Committee, and the Senate Committee on Labor and Human Resources. He has also appeared on C-SPAN, CNN, the *Jim Lehrer Newshour*, the *John Stossel* show, the *O'Reilly Factor*, and MSNBC, NPR, CBC, and the BBC.



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