

Letter: Believe It or Not, What We Need Now Are Higher Gas Prices

JAMES F. CASEY

Dear Editors:

With gasoline prices hovering around three dollars a gallon, the American public is concerned—but they are missing the point. We do not need lower gas prices or to worry about the impending end of oil. In fact, running out of oil is not a problem.

The real problem, as Joe Stiglitz was kind enough to point out in his recent *Economists' Voice* article, is the pollution that comes from burning fossil fuels—mainly CO₂. And this means that what we need is to increase gas taxes.

Current high prices represent procurement costs and risks. In order to internalize the externalities associated with burning gasoline, the price of gas should be much higher

than it currently is. In the end, higher gas prices will benefit not only the environment but also the U.S. economy. The argument for higher gas prices is not new. The Nobel Prize winning economist Gary Becker and many others have made the argument in the past decade that what we really need are some steep increases in gas taxes. Higher prices will reduce the amount of driving people do and if people drive less there will be less pollution in the form of reduced CO₂, NO_x, SO₂, and O₃ emissions.

CO₂ is the primary greenhouse gas responsible for climate change. Recent estimates from the impacts associated with increasing concentrations of CO₂ in the atmosphere are around \$50/tC (Tol 2005). NO_x is the primary pollutant in the formation of smog and

SO₂ is the precursor pollutant for acid precipitation. The last pollutant O₃—low level ozone—forms when NO_x from automobiles interacts with sunlight and not only exacerbates asthma and other bronchial ailments but also increases the incidence of these breathing disorders. To argue that the high price of gasoline will hurt the U.S. economy is to ignore the true costs associated with “cheap” fuel.

Global climate change and the health of our children are at stake. Now is the time to act and we need to raise gas taxes in order to protect our children and the planet they will inherit.

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REFERENCES AND FURTHER READING

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