

## IT'S TIME TO MERGE THE DEPARTMENTS OF ENERGY AND INTERIOR

The announced departure of Interior Secretary William Clark presents the Reagan Administration with an opportunity to fulfill one of its long-standing goals: abolition of the Department of Energy (DOE). Promised by Ronald Reagan during his 1980 political campaign, efforts to dissolve DOE were abandoned when they met stiff political opposition from Congress. Clark's departure, however, offers the White House the chance to merge DOE with the Department of the Interior to create a Department of Natural Resources. This would eliminate many of the objections to a complete dismantling of Energy.

With oil glutting the market and with OPEC in retreat, there is less need for a separate Department of Energy. It has been free market policies rather than bureaucratic schemes which have produced today's favorable energy situation, yet DOE still has supporters who insist: 1) markets could not manage a possible oil supply disruption, and therefore a DOE is needed to intervene in the markets, 2) DOE is needed to "steer" development of new energy technologies, and 3) DOE is needed to operate the nation's nuclear weapons program. These arguments are all seriously flawed.

Although DOE was not created until 1977, and thus did not exist during the 1973 oil embargo, the price and allocation rules its supporters cite as a rationale for the agency's continued existence did exist. Rather than help alleviate the crisis, they are now widely credited with worsening the effects of the embargo and prolonging them.

By keeping the price of U.S.-produced crude oil artificially low, the price controls created a multi-billion dollar subsidy to foreign producers while discouraging domestic exploration. This increased U.S. dependence on imported oil supplies. The allocation rules severely reduced the flexibility of the domestic petroleum market, creating spot shortages which led to the irritating gasoline lines of 1973 and 1979. And, by keeping U.S. energy prices artificially low, the rules discouraged energy conservation, and thereby prolonged U.S. dependence on oil imports. Not until the DOE-style rules were removed did domestic exploration increase and prices decline. In fact, gasoline prices have

dropped by nearly 30 percent since the controls were lifted in 1981, while gasoline lines are a fading memory.

As for spurring the development of new energy technologies, DOE's track record is uniformly dismal. It has done little to boost synthetic fuels, solar energy, or conservation, or to improve such existing technologies as tertiary oil recovery. In such cases as synthetic fuels, DOE programs and grants directed private firms to pursue costly research in unproductive areas.

DOE is not essential to the continuation of the U.S. nuclear weapons program. These weapons were produced for more than three decades before DOE was created, and will continue to be produced without an Energy Department.

The only argument against abolishing DOE with some merit is that a number of powerful Members of Congress have a vested interest in its existence. This may make total abolition of the department politically impossible. More likely to garner support on Capitol Hill would be a merger of the natural resources programs of the Department of Energy with the Department of the Interior.

The DOE programs for oil, natural gas, and energy conservation, along with responsibility for the Strategic Petroleum Reserve, would shift to Interior, which could be renamed the Department of Natural Resources. The weapons programs, along with such basic science programs as high energy physics research, could be combined with the space program in a new National Science and Technology Administration. This agency would have authority over the national laboratories, and could even absorb the National Institutes of Health. Responsibility for international energy programs would be shifted to the Department of State.

One major advantage of this move is that it retains jurisdiction for energy programs with the current committees responsible for their oversight. This would eliminate one of the major roadblocks encountered in 1981. These changes would also allow agencies with particular expertise to have overall authority for programs within their competence, thus eliminating the inefficiency of current split responsibilities. At the same time, it allows the continuation of activities viewed as substantive, such as the maintenance of a Strategic Petroleum Reserve, while eliminating the regulatory programs widely acknowledged as counter-productive.

Most of all, however, the reorganization of functions would inject into America's energy policy an element of rationality which has been missing for more than a decade.

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For further reading:

Mandate for Leadership (Washington, D.C.: The Heritage Foundation, 1981), pp. 213-244.  
Mandate for Leadership II (Washington, D.C.: The Heritage Foundation, 1984), pp. 63-79.  
"Dissolve the Energy Department?" The Washington Post, January 5, 1984, editorial page.