

Re: Fischer–Tropsch News Item

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- *From:* Fred J. McCall <fjmccall@xxxxxxxxxx>
 - *Date:* Sun, 01 Feb 2009 20:52:31 –0700
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Quadibloc <jsavard@xxxxxxxxxx> wrote:

:On Feb 1, 4:49 pm, Fred J. McCall <fjmcc...@xxxxxxxxxx> wrote:
:> Quadibloc <jsav...@xxxxxxxxxx> wrote:
:
:> :It isn't economically viable *for private enterprise*.
:
:> Then it's not economically viable for government, either. No magic
:> here.
:
:> :The problem isn't that such a plant would not produce real value. The
:> :problem is that a private individual, unlike the government, has no
:> :way to *charge* others for the value that it would produce.
:
:> Absolute rubbish!
:
:While you are correct that I just took arbitrary numbers to illustrate
:my point – and the real numbers would be required to make an actual
:decision – you *are* mistaken about this.
:

Not so much, no.

:
:The basic situation is this:
:
:At present, the United States economy is suffering because the price
:of oil is high.
:

Wrong. At present, the United States economy is suffering because the
credit markets worldwide have locked up.

:
:The Fischer–Tropsch process can produce fuel at a cost below current
:OPEC prices.
:

Cite? You have shown no such thing.

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:But *not* at a cost below the *marginal cost of
:production* of many of the suppliers within OPEC.

:
:A Fischer–Tropsch plant would require a considerable capital
:investment. (Since the process is a well–known one, and had been
:previously put into practise, I would have thought that \$2 billion was
:actually on the high side as a guesstimate, but this is not germane.)

:
It's certainly germane when you start talking about the government
"recovering its investment". You might want to look at the cost of a
single new conventional coal–fired power plant, a technology that is
certainly better understood than large scale synfuel production.

:
:If, however, the only option the builder of such a plant has to
:*recover his costs* is selling the fuel it produces on the free
:market... well, then OPEC undercuts him, so he loses his shirt.

:
:But the price of oil goes down to \$10 a barrel or something like this.
:So *someone* is benefiting. If there were a way to get the people
:deriving the benefit from the construction of the plant to pay for it,
:then the plant could be built and the benefit derived. That's what
:makes it viable for government, and not viable for private enterprise.

:
Fuel is not a 'public good'. The folks deriving the benefit are those
involved in the use of the fuels and the things they're used to
produce. This is reflected in fuel prices. So the benefit of said
fuel is (or ought to be) fully recovered in the price of the fuel.

:
:It's like building a bridge or a new road where putting a toll booth
:on the bridge or road would tie up traffic so much that the bridge or
:road wouldn't be worth building. Private enterprise can't derive money
:from a road it builds except by putting a toll booth on it. The
:government can pay for it out of gasoline taxes – and therefore it
:doesn't have to charge *directly* for the benefit the road provides.

:
No, it's not at all like that.

:
:Lower gasoline prices are a common benefit, ...

:
No, they are not. They are a benefit to those using gasoline. The
price of gasoline reflects the benefit of gasoline. Gasoline is not a
public good. Trying to claim that it is is intellectually dishonest

at best.

:

:... not one that can be

:directly charged for – so something that lowers the price of gasoline

:*without* making you the only one who can profitably provide it that

:cheaply has to be paid for the way we pay for national defense or

:lighthouses or libraries. This isn't magic; it's basic economics.

:

Yes, it is basic economics, and you have misrepresented what basic economics says to the point where I'm willing to say you are either grossly misinformed or deliberately lying.

What you are proposing is that the government take over the oil companies, right? If not, just who gets the benefit of these billions of dollars in 'gifts' from the government?

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"False words are not only evil in themselves, but they infect the soul with evil."

— Socrates

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