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Tourism Barometer

Dick Pope Sr. Institute for Tourism Studies



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Tourism Barometer

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Few areas depend, as Florida does, on the expenditures of tourists for economic growth and vitality. To the extent that the number of visitors to Florida can be accurately predicted, the state's visitor industry should, among other things, be able to more effectively gauge seasonal and long-term employment needs, program advertising and promotional expenditures, establish policies for the purchasing of supplies, plan capital outlays for new facilities and expansion, manage inventories, and project tax revenues from tourism activities. In short, timely and reliable tourist projections should allow the state's visitor industry to more effectively and profitably serve those who visit Florida.

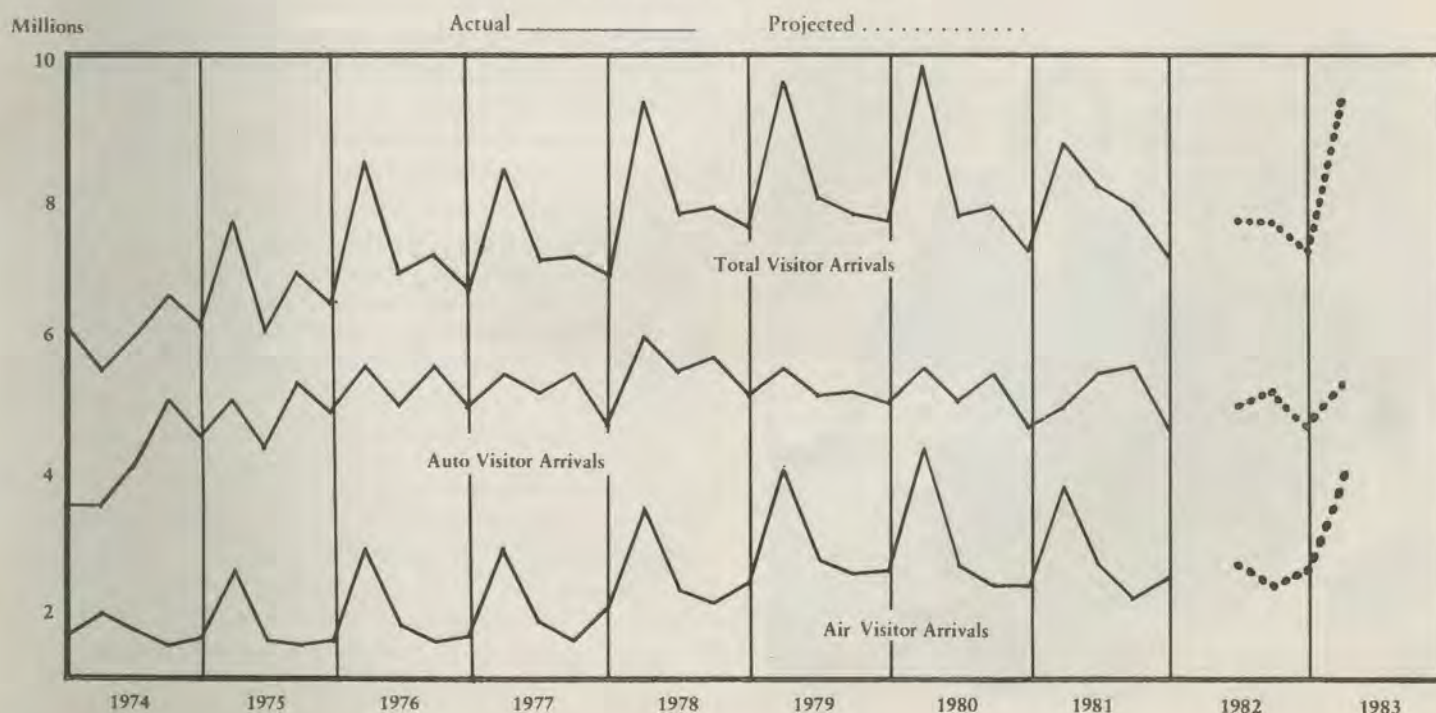
The forecasts of out-of-state visitor arrivals presented in this inaugural issue of the TOURISM BAROMETER are the result of well over a year of research and development of computer-based models and forecasting techniques by faculty researchers at the University of Central Florida. The TOURISM BAROMETER will be published on a quarterly basis. Each issue will contain updated tourism forecasts based on latest state-of-the-art forecasting models. In addition, as the scope of the Dick Pope Institute's

research expands, new insights about Florida tourism will be presented.

It is important to keep in mind that forecasting is as much an art as it is a science. For this reason, the four-quarter-ahead forecasts that will be presented in each issue of the TOURISM BAROMETER will have first been reviewed by a panel of visitor industry executives. This type of judgemental review is recognized today as an important step in the forecasting process because of the host of unpredictable events that can throw computer-based forecasts awry.

The University of Central Florida welcomes this opportunity to serve the state's leading industry. And it wishes to express its appreciation to the Orlando *Sentinel Star* and the Florida Division of Tourism for underwriting the forecasting research of the Dick Pope Sr. Institute for Tourism Studies. In addition, the University wishes to express its gratitude to the Orlando Chapter of the Florida Public Relations Association and leaders of the state's visitor industry for the important role they have played in establishing the Dick Pope Institute.

Out-of-State Visitor Arrivals



FLORIDA TOURISM FORECASTS
OUT-OF-STATE VISITOR ARRIVALS - QUARTERLY
 1982-II through 1983-I
 (Millions)

		% Change from 1982-II		% Change from 1982-III		% Change from 1982-IV		% Change from 1983-I
		1981-II		1981-III		1981-IV		1982-I
AUTO	4.970	-8.4%	5.200	-6.0%	4.662	+1.1%	5.314	+8.4%(est.)
AIR	2.665	0.0%	2.396	+6.5%	2.574	+3.1%	4.013	+6.8%(est.)
TOTAL	7.635	-5.6%	7.596	-2.4%	7.236	+2.4%	9.237	+7.7%(est.)

NOTE: Estimates include visitor arrivals from within the U.S. and Canada.

Commentary

The four-quarter-ahead forecasts above, as well as the graph on page 1, suggest that Florida visitor arrivals for the remainder of 1982 will be off on the order of 2.1 percent. Arrivals are not expected to increase over corresponding quarters in 1981 until the fourth quarter — and the anticipated surge in arrivals due to the opening of EPCOT should initially be felt in the first quarter of 1983. Some visitor industry executives feel that the forecasted 5.6 percent decrease in second quarter arrivals may be too pessimistic — and cite encouraging advance bookings and the possibility of a strong April. At the same time, most acknowledge that advance booking information is not as helpful as it once was, because vacation planning — decisions to travel as well as decisions to cancel vacation travel plans — are not being made two months or more in advance, as they once were. One leading lodging chain, for example, has discovered that many of its guests are planning vacation travel no more than two weeks in advance. One other important factor that must be kept in mind when considering second quarter visitors is that white-collar unemployment is at record levels throughout the nation.

Of particular interest is the relative strength of projected visitor arrivals by air beginning in the third quarter. Some might find this

projected trend too optimistic — anticipating that deep discounting by major Florida-bound air carriers has to end, sooner rather than later. The projected increases in air arrivals, however, are based in large part on several leading indicators that point toward a stronger economy, lower unemployment, and increases in productivity and real income starting in the second half of 1982.

Overall, however, the third quarter at this time can be expected to be off by 2-3 percent compared to 1981-III. In fact, the third quarter could be off by even more — depending on the impact of the World's Fair in Knoxville. At the same time, however, summer month visitor arrivals could be better than projected if rumored "children free" promotions by some airlines and theme parks materialize.

The first quarter of 1983 is anticipated to be strong — approaching the peaks reached in the winters of 1979 and 1980. Much depends, of course, on a stronger economy — as well as public awareness and response to the opening of EPCOT.

Note: The four-quarter-ahead forecasts presented above are based on several sophisticated computer-based mathematical "models" — which take into consideration historical patterns of visitor arrivals, as well as a variety of economic indicators. Readers who are interested in a full description of the forecasting methodology used to produce the projections discussed here should contact the Dick Pope Institute for a copy of the "Tourism Barometer Methodology."



The research and development of the forecasting models upon which the four-quarter-ahead projections presented in the TOURISM BAROMETER are based, represents the work of several talented faculty members in the College of Business Administration at the University of Central Florida. Much of the early research was conducted by Dr. Richard Fritz, who also serves as editor of The Business Barometer of Central Florida. His work has been continued and expanded by Dr. Charles Brandon and Dr. James Xander. These three professionals have worked together on a variety of other forecasting projects — and, in fact, have attracted considerable national attention for work they have done in advancing the state-of-the-art in forecasting methods. The Dick Pope Institute is delighted to have their inputs in developing the tourism forecasts that appear in this as well as future issues of the TOURISM BAROMETER.

(Left to Right)

Dr. James Xander, Dr. Charles Brandon, Dr. Richard Fritz.

The Long-Term Forecast: 1982 — 1986

It is generally agreed that beyond a couple of years, computer-based forecasts of the future are normally circumspect. Yet, there is a need to forecast well into the future. One way of assessing the long-term future uses an approach called the Delphi Technique — a technique the Dick Pope Institute has used to produce the following estimates of the annual percentage rate of growth in the total number of "visitor-days" spent by tourists vacationing in Florida over the 1982-1986 time period.

1982	+ 0.8%
1983	+ 8.1%
1984	+ 6.2%
1985	+ 5.7%
1986	+ 5.3%

These long-range forecasts of the future of Florida tourism represent the combined judgements of 35 members of a panel of executives from throughout the state's visitor industry.

Obviously, the growth of Florida tourism over the next five years depends, in part, on factors that are extremely difficult, if not impossible, to predict: the national economy, the value of the dollar in overseas markets, weather, political situations throughout the world . . . and even air fares.

Most visitor industry leaders admit to being optimists by nature . . . and offer many reasons for expecting annual growth rates exceeding 5 percent over the 1983-1986 period. The key cause for optimism is EPCOT . . . but there are other factors that

support at least cautious optimism, including the expectation of an improving national economy in the long-term, steady increases in the Sunbelt population, a resurgence of air charters, increasing popularity of tour packages with minimum lengths of stay, an expansion of the family market as the post-WWII baby boom children move into their "full nest" years, and more meetings and convention trade for Florida.

Many of those who are more cautious about the future of Florida tourism fear that a decade-and-a-half of significant inflation robbed Americans of discretionary income — and that, even under the best of circumstances, increases in real incomes will be modest — with slow growth in store for Florida tourism. Others have reservations about significant growth because of competition from in-home entertainment and the possibility that the novelty of theme park attractions is wearing off.

EPCOT, of course, is a key. There is much optimism about the shot-in-the-arm it can give to Florida tourism . . . not so much in terms of bringing more bodies into the state but rather in terms of extending the length-of-stay, both by domestic vacationers and foreign visitors.

Nevertheless, the bottom line may be, as one expert puts it, that the base is so large — some 35 million visitors to Florida annually — to think in terms of growth beyond 5 percent per year is stretching the imagination slightly.

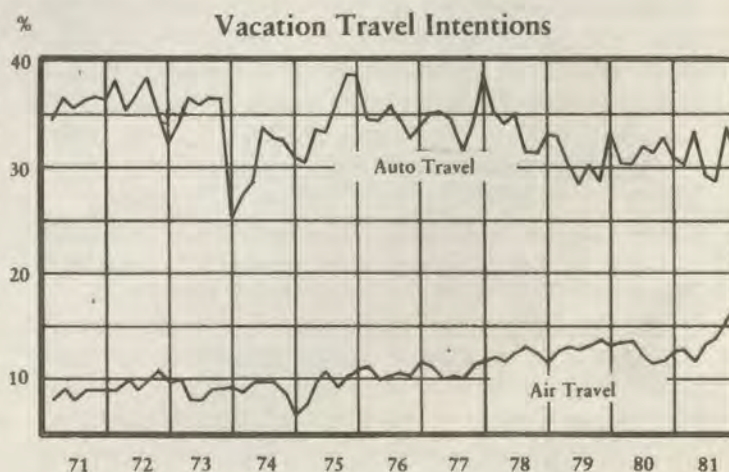
Vacation Travel Intentions: A "Leading" Indicator

One of the things that can make forecasting very difficult is that it must rely almost entirely on interpreting and projecting what has happened in the past. Very little is known in advance, of course, about the future.

One thing about the future of tourism that can be ascertained beforehand, however, is the tentative vacation plans of consumers. The Conference Board, an independent economic research agency, for several years has asked a national sample of consumers on a bi-monthly basis about their six-month vacation intentions. Although travel intentions information must be used with care and good judgement, research conducted by the Dick Pope Institute and other tourism research organizations indicates that travel intention data can sometimes be very useful in predicting shifts in tourism growth rates.

The accompanying graph plots travel intentions data collected by The Conference Board since 1971. Of particular interest at this time is the steady rise since the middle of 1981 in the percentage of consumers who have indicated that they plan on taking a vacation trip by air sometime during the following six months. This rise corresponds also with a steady rise in the percentage of consumers who express an intention to take out-of-state vacations.

As noted on page 2, many vacationers apparently are making travel plans no more than 2-3 weeks in advance — and, thus, travel intentions information must be evaluated with great care. Nonetheless, the trends in the Conference Board travel intentions data lend some support to the four-quarter-ahead forecasts on page 2.



DICK POPE SR. — "Father of Florida Tourism"

by MARGARET MARY SCHARF

The only university research institute in the country devoted solely to the study of tourism and related topics is named to honor a man as unique as the institute itself. Dick Pope Sr., known as the "Father of Florida Tourism" and founder of Cypress Gardens, is also known for his flamboyance, innovative spirit and brash publicity schemes. His story parallels the story of Florida tourism itself.

Like so many Floridians, Dick Pope Sr. is a transplanted midwesterner. Richard Pope was born in Des Moines, Iowa in 1900. His parents, J. Walker and Lily Pope, moved the family to Central Florida in 1911. His father became the manager for the Lake Wales Land Company, and young Dick helped out in the office. The youngster's innate sales abilities became apparent at age 12, when he sold his first house. After attending Stetson University, he went into the real estate business full-time with his father. It proved to be a successful venture for him until the time of the real estate "bust" of 1926. That same year, Dick Pope married Julie Downing.

Dick Pope converted his success as a salesman and promoter, his theatrical ability and his love of water sports into a job with the fledgling Johnson Seahorse Outboard Motor Company. He simply packed his family into his car and headed for Chicago, stopping from time to time to send telegrams to Johnson, letting them know that their publicity problems would be over when he arrived. This began a relationship with the Johnson Company which still exists. During the three years that followed, his success as a publicist enabled him to open his own offices in Chicago and New York and to represent such companies as Jantzen Swimwear and Gulf Oil.

During the Depression, Dick Pope decided to return to Florida with his family. He read a magazine article about a South Carolina man who had profitably opened his plantation and gardens to the public. So in 1931, in Winter Haven, Dick Pope set out to transform a swamp into Florida's first tourism attraction. The W.P.A., the city, the chamber of commerce and the canal commission were persuaded to participate in the "public gardens" project, but these groups later withdrew their support and received their money back. So the project only had the support of the Pope family and citrus pioneer John Snively.

The success of the Cypress Gardens venture is largely due to the innovative ideas of Dick Pope and the artful direction of Julie Pope. In order to drain the swamp, it was necessary to dig several canals, which filled with water and ran throughout the gardens. Dick Pope used these to his best advantage by landscaping the canal banks in 1938 and installing the quiet electric boat rides which are still extremely popular. Julie's green thumb and Dick's interest in photography guided the landscaping design of the Gardens. Each area was carefully laid out for balance, composition and color values. The result was a reputation as a "Photographer's Paradise."

Once opened, the Gardens proved to be the ultimate publicity challenge for Pope, and he achieved phenomenal success. Utilizing a formula he calls "OPM12" (Our Photographic Materials times Other People's Money), he succeeded in placing pictures of the Gardens in most major publications and began sending out films for use in newsreels. Many of these included the water skiing



stunts for which the Gardens eventually became famous. Pope himself was the first to perform many of these stunts, including jumping off a ramp on water skis. His interest in water sports carried over to his children and their friends, and it was their casual performances in the Gardens that led to the famous ski show. When Pope left for the service at the start of World War II, he left the Gardens operation to Julie Pope. Her resourcefulness prompted her to start a water ski show using the children to entertain visiting servicemen. The show became a permanent part of the attraction.

After the war, Pope continued his media blitz and set out to conquer television, resulting in greater publicity for Cypress Gardens. A number of television shows have originated from Cypress Gardens. It is still the site of the largest syndicated show in the world, a religious television show entitled "Day of Discovery." Dick Pope also undertook an active role in the promotion of Florida tourism, both in his regular promotion efforts for Cypress Gardens, and in a number of civic activities, speeches and appearances. In 1965, he became President of Florida's Fair Authority and utilized his flair for publicity in making the Florida Pavillion a leading attraction at the New York World's Fair.

At 81, Dick Pope Sr. is still active as Chairman of the Board of Cypress Gardens. Always aware of the potential for growth and innovation, he has directed his efforts toward the development of new sections of the Gardens. He continues to take trips in search of new and unusual plants for the Gardens, and to enthusiastically promote Florida tourism and the Gardens. The naming of the Dick Pope Sr. Institute for Tourism Studies is one of the latest in a continuing list of honors bestowed on the "Father of Florida Tourism."

The Energy Crisis Is Over!

Prior to the Fall of 1973, those who are interested in explanations and forecasts of the number of visitors to a major destination area like Florida paid little, if any, attention to the price and availability of gasoline. It has been impossible since that time, of course, to ignore gasoline prices and availability. The Organization of Petroleum Exporting Countries (OPEC) was founded in 1960, but it was 1973 before it began operating as a united cartel to raise the price of crude oil. During the past eight years, the retail price of gasoline has quadrupled — and

at a couple of points, there have been serious shortages of gasoline that clearly have had very adverse effects on tourism.

The downturn in oil prices in 1981 has raised some important questions about gasoline prices and availability in the future. Some refuse to become too optimistic about stable oil prices or supplies in the long-run, noting — as the Wall Street Journal did in a recent editorial — that the major oil exporting countries are hardly bastions of stability and, therefore, the possibilities for supply cutoffs are numerous.

What can be expected in the way of gasoline prices and supplies in the 1980s depends on an understanding of all the important factors that influenced prices and supplies in the 1970s. An interesting perspective is provided by William Tucker in an article titled, "The Energy Crisis Is Over!" — in which he claims that the OPEC cartel has more or less been broken. The Tucker article appeared in the November 1981 issue of Harper's and is condensed here with the author's permission. It is clearly important reading for those in Florida's visitor industry.

On January 28, 1981, after less than a week in office, President Reagan announced that he was bringing an immediate end to the price controls that had governed American oil for almost ten years, speeding up a process already set in motion by President Carter. With that simple act, the energy crisis of the 1970s ended. Apart from a few economists, probably no more than a handful of people have yet realized that the current collapse of world oil prices is the direct result of the American people's decision finally to face reality. We have already swallowed the bitter medicine, and the cure is working.

Let us take a look at what has happened since President Reagan decided last January to accelerate President Carter's 1979 decision to remove oil price controls by fall 1981, and thus to end, with one stroke, the long-drawn-out attempt to protect consumers from reality.

For a few weeks, oil prices did rise, just as consumer groups predicted.

But then strange things started to happen. As late as December 1980, the Department of Energy had been predicting that world oil supplies would remain tight "indefinitely," and that world oil prices might soon be moving up.

But by March the major oil companies suddenly found themselves with growing inventories on their hands. By May, refineries had a 20 percent oversupply of oil products, and started to cut prices.

By the end of May, heating-oil prices were down throughout

the country by four or five cents. The national average of gasoline prices across the country fell to its lowest level in two years. Sporadic price wars broke out in various areas.

Before very long, these events started to have repercussions on the world market. By early summer, every major OPEC nation found itself with growing stockpiles.

OPEC's attempts at an emergency August meeting to reach agreement on a price, and regain "control" of the market, were a failure. Not only were the members unable to compromise on a unified price of \$34-\$36 a barrel, but their subsequent actions showed that the OPEC countries themselves are now at the mercy of the market. Two days after the meeting fell apart, Nigeria voluntarily lowered its oil price from \$40 to \$36 per barrel. It was the largest price reduction an OPEC nation has ever imposed on itself. There is no indication that prices have hit bottom yet. The golden age of OPEC is over.

How did this sudden reversal occur? There are many reasons, but the crucial one — both for its timing and its effects — is the Reagan administration's decision last January to end price control.

The beginning of the oil crisis of the 1970s can be traced to 1968 and the first stirrings of the environmental movement. At the time, though few people remember it, the country was operating under the Oil Import Quota System set up by President Eisenhower in 1959. The policy limited the country's imports to no more than 12 percent of its total consumption. However,

imports actually hovered around 19 percent throughout the 1960s.

The original rationale for the quota system was national security. It was argued that if we became too dependent on foreign sources for such an important commodity as oil, we might become vulnerable to cutoffs in time of war or national emergency. The effect of the program, on the other hand, was to give some protection to the small domestic oil companies. These are not the oil giants like Exxon, Gulf, Texaco, and the rest of the Seven Sisters. They are the hundreds and hundreds of entrepreneurs who live off small and medium-sized oil holdings — and produce about 60 percent of our own oil. A great deal of the confusion that existed in the early 1970s arose from the failure to distinguish between these small companies and the giants.

The import quotas protected the small companies from the dirt-cheap competition in the Middle East.

The trouble began when environmental groups decided that newly discovered low-sulfur oils in North Africa and Indonesia were just what was needed to clean up air pollution. Before Lyndon Johnson left office, environmental groups in California and New York had wrung concessions out of Interior Secretary Stewart Udall (who administered the quota system) to allow more cheap, low-sulfur crudes to be imported from Libya and Southeast Asia as a substitute for coal in utility boilers. A number of incentives were introduced, and imports began to rise.

Then an odd thing happened. Consumer groups, suddenly aware of all the cheap oil being pumped around the world, began to argue that scrapping the import quotas would produce a consumer bonanza we well.

After the Santa Barbara oil spill of 1969 created new concerns about offshore drilling, the environmentalists' urgings to lift the import quotas became much louder.

Soon the case for importing more oil was common currency in consumer and environmental circles.

Unnoticed, however, was that the real turning point in America's energy situation had already passed. In 1970, our domestic oil production peaked at 9.6 million barrels a day, after a century of steady increases. We had run out of "easy oil." Older wells were playing out, and all the new oil lay in environmentally troublesome areas — offshore, in Alaska, and in deeper, unexplored regions of the earth's crust. Americans faced a difficult choice. Either we had to accept a steep rise in American oil prices, to pay for the higher costs of drilling and encourage wiser use, or we had to open our doors to more imported oil.

For a long while the Nixon administration resisted making a decision. Nixon was still impressed with the national-security argument, and leery of making the country dependent on foreign imports.

Unfortunately, the courage of this position was obviated by a decision in August 1971 to impose an across-the-board temporary wage and price freeze. The controls had an enormous impact on the oil market. Prices should have been climbing rapidly. Production from old wells was leveling off and the development of new sources was proving expensive. A clear signal was needed to tell consumers that the time had come to start conserving.

Instead, the price controls seriously distorted the situation. The artificially low price of domestic oil discouraged expensive new exploration. But it also allowed consumers to go on guzzling oil as if nothing had happened. Nobody noticed that domestic oil was

harder to find.

And so, in order to make up for this growing gap between domestic supply and demand, we turned to the solution that was to become the characteristic pattern of the entire decade. We imported more oil. The holes that the environmental movement had already punched in the import-quota program made it easy. Without even noticing it, we were at the mercy of world events.

As President Nixon's 1971 price freeze remained in place, the American economy became increasingly characterized by a series of surpluses and shortages. With prices held at rigid, artificial levels, the gaps between supply and demand became unavoidable. By 1973, steel, concrete, aluminum, and dozens of other basic

Throughout the 1970s, our energy policy was to prop up world oil prices by creating a domestic shortage and then making up for it by buying in the world market. Without our support, OPEC would have been defunct by 1977.

commodities were becoming unobtainable on the market. But by the middle of 1973 the price controls had been phased out, and these shortages quickly solved themselves.

Oil, however, was an exception. So much pressure had already built up behind the price of oil that Congress became afraid to let the market go where it would. It was obvious that the days of twenty-five cents a gallon for gasoline were over. Yet Congress shunned the cure for America's falling domestic production. Oil became the only exception to the general abandonment of price controls; protection was extended through 1975.

Meanwhile, barely noticed events in the Middle East were beginning to indicate that "cheap foreign oil" wasn't going to remain cheap for very long. In 1969, a colonels' revolt in Libya overthrew the pro-Western monarchy. The new military regime, under Colonel Muammar Quaddafi, soon realized it was supplying both Europe and America with low-sulfur oil that could hardly be matched anywhere else in the world. In 1970, the new government imposed a twenty-cent price increase on its concessionaires.

The oil companies accepted the price increase; they had no choice.

Soon a moribund debating society, the Organization of Petroleum Exporting Countries, founded in 1960 at the instigation of Venezuelan oil minister Juan Pablo Perez Alfonso, was meeting in earnest in Vienna. By September 1973, OPEC members were presenting a solid front to the oil companies and negotiating for an across-the-board price increase of fifty-three cents to match Libya's efforts. The oil companies protested and said it was impossible. In truth, though, they weren't sure. When the negotiations finally broke down, Sheikh Yamani, the Saudi Arabian OPEC minister, said that the producing nations might just go ahead and do it anyway.

Yet all the while American consumers remained oblivious. On the day Sheikh Yamani and the OPEC ministers broke off negotiations with American oil firms in October 1973, no American newspaper carried the story.

What happened next, of course, is history. The Arabs realized their growing market leverage and exercised it in the oil boycott

during the 1973-74 Arab-Israeli War. The result of this deliberate supply interruption was the first of the "gas shortages."

But the boycott was over by March, and gas lines ended well before that. Far more important was that the producing nations — to their surprise — found they had a stranglehold on the Western oil market. They quickly raised prices to seven times their 1970 levels, setting in motion what was later called "the greatest and swiftest transfer of wealth in history." Over the next year, some \$112 billion flowed out of consumers' pockets and into the coffers of the oil-producing nations.

What should we have done? Obviously, we should have increased domestic production and cut consumption. The formula for this was not really very difficult. Domestic oil price controls were already artificially discouraging production and stimulating consumption. Getting rid of them would have been the easiest step of all. Congress, however, had its own ideas.

The battleground became the 1975 Energy Policy and Conservation Act (a political euphemism if ever there was one). At first, Congress seemed willing to go along with President Ford's assessment: foreign dependence was a problem, and price controls were only making things worse. But then a suburban rebellion began in the House of Representatives. Democratic legislators eventually succeeded in getting through a decision to extend price controls all the way through 1979 and possibly beyond. Not only that, the Energy Research and Development Administration was instructed to *lower* the price of domestic oil in February 1976 in order to punish the oil companies. It was Congress's election-year present to the nation for 1976.

It worked well. Large Democratic majorities were returned to Congress at the end of the year, with a new Democratic president to lead them. Consumers were already celebrating by surging back to big cars, and guzzling gas again as if the boycott had never happened. Everything seemed fine. Yet the oil price controls remained a time bomb ticking away in the American economy. It finally exploded in 1979, and perhaps helped to carry away the Democratic administration with it.

Few people seem to realize that OPEC's monopoly of the market lasted only about three years. Like any monopoly, it quickly attracted new competition into the field. From 1974 to 1977, the relatively few oil-producing countries probably could have charged any price they wanted to Western customers. The new high price of oil sent geologists scurrying out all over the world looking for new reserves. In addition, the old patterns of ever increasing consumption were quickly reversed. The market forces had caught up and supply and demand were back in balance, promoting the wise and efficient use of resources everywhere.

Gasoline consumption also resumed its pre-embargo climb, surpassing the 1973 record in 1977, and breaking it again in 1978. We were headed for even higher consumption in 1979, until events in Iran put a stop to it. Domestic producers, on the other hand, could not begin to hope to make back their money from drilling new oil. Once again there was a shortage of domestic oil. And yet there was no time between 1976 and 1979 that motorists couldn't get gas. How did we do it? The answer is the same. We made up for our self-inflicted domestic shortages by importing still more oil.

It is commonly assumed that the events in Iran and the second "gas shortages" in 1979 finally curbed the nation's appetite for

foreign oil. That is not quite correct. Redoubled international oil prices and the resulting rise in the cost of gasoline certainly reminded people of the realities of the world oil situation. But the effect would probably have been temporary once again, had not the second gas shortage finally convinced President Carter that domestic price controls were a self-defeating policy and should be abandoned. Carter bravely announced in late 1979 that he would phase out price controls by the fall of 1981. The payoff came almost immediately. Within one year, U.S. oil imports fell by 25 percent, back to their 1975 level.

Oil drilling increased as never before (although oil is still getting harder to find), and consumers finally began demonstrating hitherto unsuspected capabilities for conserving energy. President Reagan's January decision, which accelerated Carter's schedule by nine months, only completed the process. Drilling for new oil has increased by 50 percent in the last six months. Consumption has dropped another 20 percent. Domestic oil production is holding steady, and consumers — finally deprived of the "protection" of Congress — seem permanently set on a conservation course.

The unanticipated — though predictable — result of this new realism has been that energy prices are now falling on the world market. Throughout the 1970s, our energy policy was to prop up world oil prices by creating a domestic shortage and then making up for it by buying in the world market. Without our support, OPEC would have been defunct by 1977. Now it is falling apart anyway. Americans are buying 2.2 million barrels a day less than we were before President Carter launched the repeal of the price controls in 1979. This is the exact amount of the current world glut. Left to the mercies of supply and demand, OPEC is finding it can do nothing more than set its prices where the market tells it to.

Are we really out of the woods? Perhaps not entirely. We still import just over 30 percent of our oil, which is about where we were in 1973 just before the embargo. What we could do now is to put a modest tax on imported oil — perhaps two dollars a barrel — in order to pay the costs of building a strategic petroleum reserve; this would be a fair measure of the risks we

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incur by importing some of our oil.

Is the energy crisis over, then? Not quite. Unfortunately, we still have a forty-year-old hangover to deal with — the chaotic state of resources, created by government intervention in the natural-gas industry.

The havoc is almost too complicated to delineate. Price controls were originally imposed in 1938 because of a supposed "monopoly." Actually, there was no monopoly at all. Consumers had a choice of several other fuels, and gas drilling is one of the most decentralized industries in the country. One out of every two hundred Americans owns interest in a natural-gas well.

The results have been utterly perverse. The natural-gas industry became a kind of national utility company. No one was ever encouraged to go out and find more. Yet all indications now are that there are staggering amounts of natural gas — perhaps as much as 200 years' supply at current prices — in different kinds

of formations in the earth.

The situation finally reached a crisis with the "natural-gas shortages," of the winter of 1977. These "shortages," again, were nothing but the result of price controls. The law had never extended federal control over pricing within the producing states themselves.

The hopelessness of government efforts to anticipate market prices can be seen in the 1978 Natural Gas Policy Act. The Carter administration finally decided on a phased program ending in complete decontrol in 1985. Congress, in its wisdom, decided to anticipate the future by allowing natural gas prices to rise to the 1978 level of oil prices — equivalent to \$15 a barrel — by 1985. Then they could go where they would. Yet in less than a year that price was already hopelessly out of date. Taking inflation into account, natural gas consumers are once again paying 1960s prices for energy.

There are already fears that when 1985 arrives Congress will find decontrolling the price of natural gas intolerable. Yet there is hardly a choice. In fact, removing price controls right now — as the Reagan administration is beginning to propose — would be even easier. Decontrol would unquestionably mean higher natural-gas prices, but this would quickly be neutralized by a further drop in the price of oil and the introduction of new technologies. People are never going to conserve, or use solar energy in home heating, as long as they are paying fifteen-year-old prices for natural gas.

But without the foreign oil needed to make up for the natural-gas shortage, OPEC would be about as important to the American economy as a Turkish bazaar.

The energy crisis, then, is half won. We have ended OPEC's dominance of the market within a few short months by swallowing what turned out to be a relatively mild pill and accepting a market price for our own oil. All we have to do now is decontrol our natural-gas prices, and we will be home free. There will be another mild period of adjustment, and soon we will be on a firm, stable, and innovative energy course.

Are we up to it? Can Americans tackle the energy problems of the 1980s?

Stay tuned. □

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Busch Gardens
Edward Gilbert
Florida Division of Tourism
Ray Maxwell
Walt Disney World
James Murphy
Circus World
Kenneth Murray
Budget-Rent-A-Car of Florida Inc.
Truman Myers
Church Street Station
Bill Nielson
U.S. Representative
Dick Pope Jr.
Florida Cypress Gardens
Joe Ryan
Florida Attractions Association
Gary J. Sargent
United Airlines
Thomas W. Staed
Treasure Island Inn
Bo Swope
Gray Line of Orlando
Peter C. Yesawich
Robinsons Inc.

Irevor Colbourn, President
University of Central Florida
Clifford Eubanks, Dean
College of Business Administration
Edward J. Mayo, Director
Dick Pope Sr. Institute for Tourism Studies

