



The First Piece of the Solution as I See It (or, What Can We Actually Do?)

Posted by [Prof. Goose](#) on June 17, 2005 - 10:46am

(Edited to note: This is not the post EB was supposed to be referring to. [That post is actually linked here](#). This post is the first post I did with the monthly data...the other post linked above has more valid data and assertions...)

The chart below, from [inflationdata.com](#), presents data on the inflation-adjusted price of oil going back to 1946.

▣

[Oil Prices Inflation Adjusted](#)

You will note that the peak price in the 1979 oil crisis was equivalent to around \$95/bbl in 2005 dollars. Originally uploaded by [profgoose](#).

Last I checked the price of oil today was hovering at around \$57.5/bbl. [With this piece that's circulating today](#) (hat tip: [peakoil.com](#)), the price will probably hit \$60/bbl by the end of the week. \$60/bbl, after the refinery time gap, should translate to about \$2.60/gal. \$95/bbl would roughly be equivalent to \$4.50/gal. (of course that's a rough estimate, the market could push that higher).

A quote or two from that piece:

"Global oil producers will fail to meet rising oil demand in the fourth quarter, sparking oil price rises of up to around \$60 a barrel, an Iranian oil analyst said Wednesday.

Mohammad-Ali Khatibi, director of the Tehran-based International Center for Energy Studies' OPEC research office, told the Pars news agency that OPEC and non-OPEC producers wouldn't be able to meet demand in the fourth quarter."

That means that the price, when it gets to \$60/bbl of oil, will be 63% of what it was in 1979, adjusted for inflation. We don't know how good we've had it, eh?

So, there's a big difference between \$60/bbl and \$95/bbl. What we do with that difference and when we do it is going to be one of the crucial public policy decisions of the coming generation.

And the time to make that decision is not far in the future.

Now, granted, I was but a mere pup in 1979...but I do remember President Carter in his sweater. I remember my parents bitching profusely about gas prices (what were they, 50c a gallon?). I remember the lines of cars on television every night. It wasn't pretty. People were losing jobs left and right.

