



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.

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[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.

The real conundrum, in my opinion, is how to destroy demand so as to come in for a soft landing, even if we are heading towards a 1979 to the googol (*ed: not google the search engine, and googol is the correct spelling as I just learned in the comments*) power. (no pun intended, I assure you.)

I advocate taxing gasoline now. Abruptly. Quickly. Severely. Better to bend the shit out of the economy now than completely break it later.

If we were to somehow organize and convince Congress that a \$1/gal tax on gas now would make their political futures brighter than the alternative. I maintain that's the first rational course of action as I've said in many posts on this blog.

Of course, our government as HO said below, can't even decide (as per [today's New York Times](#)) to *set a goal* in a bill to cut oil imports by 40 percent within 20 years! "Why?" you ask.

The first step to convincing anyone in elected office is demonstrating that there is a problem that, if not solved by them, will hurt them politically. If politicians can ignore something, they will, because it is politically expedient for them to do so.

The second step is finding politicians that actually think oil policy is in their purview (it is, from the conversations I have had thus far considered a "private and corporate" matter, not one for the public sector to regulate...and THIS is going to be a real problem if that mindset does not change...).

Remember, politicians, if they are anything, they are the ultimate in rational actors. That's why I have spent so much time talking about the [tragedy of the commons and the governing of the commons](#).

As I said in the comments a few posts back...that's why politicians will wait to build the wolf trap until the wolf is at the door. The problem is that the stuff to make the wolf trap is out in the workshed.

We all know admitting that there is a problem is step one of twelve, the first step on a journey, yadda yadda.

This may be more difficult than it seems, especially for politicians (and that's from both parties...), as I'll illustrate when I discuss my (mis)adventures with my elected officials over the next week.

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