



Demand Destruction Through Recession?

Posted by [Prof. Goose](#) on July 14, 2005 - 6:19pm

Updated to add: [this piece is related, if not on point](#) (thanks CA!):

If the Federal Reserve can't get the price of oil up to \$100 per barrel like they are planning, these dollars returning home will be much harder to hide. \$100 oil will double the need to hold on to dollars and from this will allow the game to continue for some time into the future.

Original post: With all of the talk recently about demand destruction, [which I have advocated many times through tax increases and redistribution of resources to R&D&I for alternatives](#), there seems another piece of the puzzle that many are saying will take care of the problem: Economic slowdowns or [a recession as evidenced by an inverted yield curve](#), which many seem to say is on the horizon:

NEW YORK (CNN/Money) - One of the world's largest Treasury bond brokers has predicted that the so-called yield curve could invert by as early as the next quarter, a move some economists fear could precede a recession.

What is an inverted yield curve? Well, it's where short term bonds pay higher interest rates than long term bonds, which if you think about it, really makes no sense (getting paid more by a bank when you commit for a year than when you commit for 10?). When this has happened in the past, usually due to geopolitical or domestic political instability, it historically signals recession.

And, if the USA goes into recession, well, the world economy is dependent on us. We're the heartbeat, aren't we? I've seen it in the comments a few times that this will slow down demand quite a good little bit. Is this true?

Since this is all occurring at the margins because of the similarity of the supply and demand numbers (both at 84 mbpd), does a recession prior to peak oil destroy enough demand to give us more time until the impacts of a true gap between supply and demand are felt? How much of a recession has to occur for this to be the case? Or is there still a supply problem no matter what?

Anyone care to speculate or go into further depth on this?

Technorati Tags: [peak oil](#), [oil](#), [inverted yield curve](#), [economics](#)



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