



Bourse! Bourse! Bourse! Bourse!

Posted by [Prof. Goose](#) on January 25, 2006 - 8:09pm

Topic: [Economics/Finance](#)

Tags: [bourse](#), [iran](#), [iraq](#), [kuwait](#), [oil](#), [oil bourse](#), [oil prices](#), [opec](#), [saudi arabia](#) [[list all tags](#)]

The corrupted phrase from the ever popular [Swedish Chef from the Muppets](#) of long ago (geesh, I sure am old) aside, the proposed Iranian Oil Bourse is a hot topic in the blogosphere.

First, we have our colleague [James Hamilton](#) over at [Econbrowser](#) basically saying "No worries, money is all fluid," versus [Kassimir Petrov](#) who has serious concerns about the US economy if the Iranian bourse becomes reality. My thoughts under the fold...

I tend to think Hamilton's one smart guy and in the short-term, I think he's likely right. My concern is about that ever cloudy long-term, especially if we are close to peak.

My main question is really about the [fungibility](#) of oil and how it relates to this bourse, and then how that relates to the oil net-exporting nations realizing, as we approach or pass the peak, how much geopolitical power they actually have...especially against the nation that uses 25% of the world's petroleum resources. Isn't the bourse just another piece of the geopolitical puzzle that can be turned against the [already-weakened US](#) in the long-term? Why won't these net-exporting countries keep the resource at home, selectively sell to others, OR make the US pay a petroleum premium?

Yes, this would seem an unlikely occurrence short-term; ending fungibility would require an almost unrealistic cohesion among all oil net-exporting nations that is hard to see right now, especially since the profit motive is always popular, especially among leaders who do not have democratic responsibilities to their already poor peoples and therefore have no need to spread the wealth around. ([Exceptions: Russia, Norway, Mexico, and Venezuela](#)...and how many of them are post local-peak?).

However, in the long term (as cloudy as it often is) it also would appear that, geopolitically, fewer and fewer of those oil net-exporting nations, especially the big 'uns, are big fans of US foreign policy. There are others who would also like to have more resources of their own.

It would also seem that many of those net-exporting nations could, hypothetically, be united by a common religious schema (ex Venezuela, who might just like to be a part of the group for power's sake).

This is especially problematic if the regimes we are supporting/creating who have been friendly to us, but are also constituents of this religious schema aren't able to produce as much petroleum as we thought they would due to domestic problems (Iraq), [are declining faster than we thought](#) (insert favorite here), have been disingenuous about their reserves (Kuwait and SA, but who knows who else...), or have militant Wahabis who desire to overthrow and take over the oil supply

Just thinking out loud.

Other places and pieces to think about:

<http://www.theoil drum.com/story/2005/11/29/20245/881>

<http://www.theoil drum.com/story/2005/11/8/04355/9945#22>

<http://www.tcsdaily.com/article.aspx?id=012003A>

http://shop.ceps.be/BookDetail.php?item_id=1166

So, those are my thoughts for the day. A little disjointed, but that's because I have to go teach now...so I had to rush this together. Thanks also to Will R for bringing this up in the TOD mailbox. I'll check back in tonight.



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