

Re: Cheap oil forever!

Source: <http://sci.tech-archive.net/Archive/sci.econ/2004-06/0806.html>

From: Grinch (*oldnasty_at_mindspring.com*)

Date: 06/15/04

Date: Tue, 15 Jun 2004 23:32:50 GMT

On Mon, 14 Jun 2004 01:46:36 GMT, royls@telus.net first asked to be re-introduced to the concept of "rent seeking", then finally and kindly provided a trend line for us clinching the case made in the first post in this thread. Finis, the end, and thank you very much sir!

>On Sun, 13 Jun 2004 08:37:27 GMT, Grinch <oldnasty@mindspring.com>

>wrote:

>

>>On Sat, 12 Jun 2004 23:00:32 GMT, royls@telus.net proved himself as

>>Mr. Empirical, Master of Data, once and for all, for all of us to

>>see...

>>

>>>On Sat, 12 Jun 2004 04:50:05 GMT, Grinch <oldnasty@mindspring.com>

>>>wrote:

>>>

>>>>On Thu, 20 May 2004 14:01:39 -0700, "Darren" <reply.to@news.group>

>>>>wrote:

>>>>>

>>>>><royls@telus.net> wrote in message news:40abbe59.11937049@news.telus.net...

>>>>>

>>>>>> What is going to happen is that the price of oil will

>>>>>> continue to rise.

>>>>>

>>>>>For exactly the same reason that increasing scarcity has steadily

>>>>>driven up the cost of all other finite resources that have been

>>>>>steadily consumed by humanity at an ever increasing rate.

>>>>

>>>>Not really. In the case of oil, a small fraction of the total

>>>>resource is under enough pressure that it can be extracted just by

>>>>drilling a hole and letting it flow. This extreme ease of extraction

>>>>meant that for over 100 years up until the early 1970s, real oil

>>>>prices fell pretty consistently as technology improved and reserves

>>>>that could be tapped in that way were discovered.

>>>>

>>>>However, since the early 1970s, real oil prices have risen (as I said,

>>>>and you denied)

>>

>> *Yup, a steady rise from \$70/b in 1981 (today's money) to \$14/b in 1998.*

>>

>> *Your data is as good as ever, Roy.*

>

> *This is interesting. As usual, you choose to baldly lie about what I have written, but in this case the proof that you are lying is right there in front of your readers' eyes. Look up about 10 lines. Yep. >There it is. I said since the early 1970s, not since 1981, liar.*

1970: \$16.47 per barrel

1998: \$14.00 per barrel (2004 dollars)

OK, so let me read you more carefully.

When you wrote: "since the early 1970s, real oil prices have risen"

What you *meant* was: "since the early 1970s, real oil prices have risen and then fallen too so by the late 1990s they were at a level below what they were even before the rise started thus demonstrating a trend ever upward from 1970!"

I gotcha. We understand each other now.

> *And*

> *I did not say the price rise since then had been steady, liar. And I did not say the end-point of oil price history had been reached in 1998, liar.*

Well, no ... but now you do seem to need to say 1998 was the start-point of the rise you said started in the early 1970s, eh?

Or maybe 2000 was -- since, after all, prices had to get back to up to the 1970 level first to rise from there.

>> *And you are as in tune with the real world as ever.*

>

> *Unlike you, for example....?*

>

>> *If you think oil prices have risen steadily from \$70 to \$14, I guess this explains your curious ideas about returns to real estate.;-)*

>

> *Right. You have chosen to lie about what I wrote, as usual, and insert the word, "steadily," which I did not say. "Steadily" would more accurately be applied to how oil prices declined from about the 1880s to 1972 (though that decline was also by no means monotonic due to wars, financial panics, etc.). What was _really_ steady was the price decline between about 1957 and 1972. Prices since then have been far more volatile, but the trend has certainly been up. Which is why I did not say they had risen "steadily." And why, as usual, you*

Was the increase that was "_primarily because_ the fraction of current oil supply that can be extracted at such very low cost has been declining"

a) The increase to \$70 in 1981 from \$16.47 in 1970?

or

b) The increase to \$14 in 1998 from \$16.47 in 1970, which occurred after all that "geopolitical" stuff in the '70s and '80s settled out and OPEC's rent collecting market power declined?

I'm trying to get my primary causes straight here. ;-)

>>I mean, you are so sensitive to "rent seeking" in some obscure cases,

>

>??? "Obscure"? Intellectual property is "obscure"? Landowning is

>"obscure"? Union monopoly privileges are "obscure"?

>

>>but when an new cartel arises and sends out press releases and hits

>>you over the head with a rent-seeking stick, doubling prices

>>immediately, **this** is a normal steady rise due to an erosion of

>>primary supplies. ;-)

>

>Which of course I never said, nor implied.

>

>):^/

Well, you said the "primary cause" of the rise after 1970 was **not** rent seeking by those OPEC fellows but rising cost of getting the stuff out of the ground.

And really, the rise that most people remember is to \$70.

So some might draw an implication there.

Of course, if you meant the rise to \$14 from \$16.47 in OPEC's last period of political weakness, as that better reflected a non-manipulated market price, that's something else.

>>So, here is the ***real world*** scenario:

>>

>>Prices steadily fall all the way for 130 years to effectively an

>>**all-time low** in 1998

>

>Garbage. The *all-time low* was reached in the early 1930s, not

>surprisingly to anyone but you, and the decline from the 1860s to the

>1880s, for example, was by no means steady.

>

>>-- the **only** interruption in the price fall

>>being two **brief** sharp spikes up do to "geopolitical events".

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>
>*Ridiculous. Please try to educate yourself, or at least to be a*
>*little more honest and respectful of your readers, and not assume they*
>*will be fooled by such transparent lies.*
>
>*The long-term world oil price charts at*
>
><http://www.wtrg.com/prices.htm>
>
>*prove that your claims are flat false.*

Bwah! ha! ha!

Roy, you've got to learn to read your own authorities before posting them.

"Until the March 28, 2000 adoption of the \$22-\$28 price band for the OPEC basket of crude..."

That is, a new round of RENT SEEKING

"... oil prices only exceeded \$22.00 per barrel in response to war or conflict in the Middle East. "

It's taken **war** to get prices up (and what have we got now?
Terrorists attacking is Saudi Arabia et.al.? Is that "geopolitical" in your book?)

Continuing with your preferred authority....

"The Very Long Term View

"If long term history is a guide, those in the upstream segment of the crude oil industry should structure their business to be able to operate with a profit, below \$15.28 per barrel half of the time..."

What??? Hey, that's **half** of what prices are now!

Your authority says that. Kudos!

BTW, looking though that page I don't see any support **at all** for your claims prices being driven up because of rising extraction costs, eh? Do you??

Projecting a profitable \$15.28/b into the future, **your authority** there is taking the "very long term view" that the cost of oil is going to stay the same as it's been.

But if I'm missing somewhere where **your authority** agrees with **you** by it predicting higher extraction costs will lead to continually increasing real cost, do please note it!

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;—)

Also, those charts seem to have been too complex and confusing for you to read clearly.

Here's a nice simple clear one you might enjoy.

<http://www.eia.doe.gov/emeu/25opec/sld010.htm>

>>And at the end this time reserves are at an **all time high**

>

>Reserves by what definition? Are you not even a tiny bit skeptical
>about reserve figures showing no increase in reserves from 1970 to
>1985, and then a near—50% increase over the next few years, despite
>_fewer_ new field discoveries? Are you unaware that OPEC rewards
>increases in its members' reported reserves with increases in
>production quotas?

Hey, Roy, aren't you even **more** skeptical about the 177 billion in proven reserves that just appeared in your own Alberta up there, with **no** new discovery at all!!!

And there's 700k barrels a day coming from there right now, and going into your gas tank, where **none** existed before!

It's magic! Magic, I say!!

Or maybe it's technology. Which brings up a point:

Now you're the Master of Data. And you've said **yourself** that reserves go **up** with price.

Tell us a piece of data, now: What's the average productivity increase in extraction technology in this industry??

You know, as in: "with a 2% productivity increase we can extract for \$0.98 this year what cost \$1.00 last year"

Give us an estimate. If it's 2% then in 50 years the industry will be able to extract for \$0.36, and in 100 years for \$0.13, what it extracts at a cost of \$1 now.

Or if the rate is 3% — more realistic for manufacturing and minerals generally — it will be able to extract for \$0.22 in 50 years and \$0.05 in 100 years, what it does for \$1.00 now.

Would you take 3%?.

So, 0.36 to 0.05 give multiples of from about 3 to 20.

Now, as I've already pointed out, we've already had a seven—year >4% growth boom with oil at \$55 barrel adjusted for inflation and

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intensity of use.

Give us a guess: From all sources, what do you imagine total oil reserves might be at from \$165 to \$1,100 per barrel?

Because over the long run, 50 to 100 years, productivity gains of 2% to 3% will make such reserves available a real cost no higher than we paid during the "seven fat years" boom of the 1980s.

Now remember, there's **six times** as much oil as is in all of Saudi Arabia in just **one** oil sands field. And then there is coal, tar sands, natural gas ... even conventional oil! I bet at a few hundred dollars a barrel even conventional reserves would go up some, eh?

What do ya think? Give us a number for the productivity increase first.

Really, we get 177 billion of 1.6 trillion barrels in Athabasca at a mere \$15/b production cost.

How many billion more at the equivalent of maybe \$100/b. Or \$500/b? How many Saudi Arabias might come out of Athabasca. Two? Three?

>.....

>...*Almost all of which increase in reserves occurred in the late 1980s for political reasons, and represents upward revisions of the reserves in known fields, not new field discoveries. The chart at the bottom of*

>

><http://www.wistp.murdoch.edu.au/teaching/N212/n212content/topics/topic5/03worldoilgas.html>

>

>*is quite revealing on that score.*

It's magic! I tell you, magic!

Of course, as Asimov said, the effects of technology always appear as magic to the naive.

>>>>*Although admittedly the geocentric solar system agreed much better with empirical observations of reality.*

>>>

>>>*What has happened to the real price of oil over the last 35 years, Grinch? How about over the last 20 years?*

>>

>>*20 years:*

>>

>>*1984: \$52 per barrel (2004 dollars)*

>>*2004: \$34 per barrel (average through May)*

>>

>>*You know, Roy, for a guy with such strong opinions you don't actually*

>>**know* anything. Eh?*

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>
>?? *Oh, dear...*
>
>*It seems you slightly misunderstood what I was asking.*

What happened to the price of oil over the last 20 years??

It fell.

Admittedly the numbers I gave above understate how far it fell and for how long, by giving as the end point the recent five month demand spike up to \$34.

Numbers can be misleading that way.

> *A starting*
>*price and an ending price do not say what has happened to the price*
>*_over_ the period. Oil peaked a little over 20 years ago, at real*
>*prices it hadn't seen in 100 years, and then fell to a 1988 _low_*
>*about _50%_higher_than_ its average price in the ten years to 1973.*
>*It then rose and fell quite substantially, and at its 1998 minimum*
>*(triggered by the 1997 East Asian financial panic) _briefly_touched_*
>*the levels it had been at for a solid _decade_ up to 1973.*

You mean it fell to 15% below what it was in the early 1970s which *you* said was the low price point culminating the long decline.

Then we get it rocketing up in 1974, and again in 1980–81

Which *primarily* reflected true increased cost and scarcity, you say, eh? ;–)

While the 20–year decline after the political events up to '81 passed — as OPEC lost its clout and RENT SEEKING ABILITY — to *below* what the price was in the pre–73, that was just an aberration. ;–)

BTW, you might re–read your own source there about how OPEC's rent seeking ability faltered up to that time.

When rent–seeking diminishes, what do you expect to happen to price? Might it go nearer its natural level?

> *Since that*
>*_very_brief_ 1998 minimum, it has of course soared to _sustained_ real*
>*prices far above the _sustained_ prices of the pre–1973 era.*

You mean, as *your source* said, OPEC then organized a new round of rent seeking — do you know what that is? — to get the price up.

>*Now, as for the 35–year price history, for which you not so*
>*unexpectedly declined to proved any response at all, you are of course*

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>aware that the price from 1969 to 1973 was *_always_ far below the*
>*average price since then,*

The "average price" ???? Hello??

Roy ... how does a bout of \$70 a barrel from rent seeking and embargo
affect **average** price?

Personally, I look to determine market prices when rent seeking is
low.

You do know how rent seeking affects price, eh?
Ever heard of that??

Hey ... now if you **really really** think that \$70 a barrel oil
resulted **primarily** from supply constraint and increasing extraction
cost, then you have the little problem of explaining how it fell over
the next 20 years to \$14. An 80% fall over 20 years ain't an
aberration!

But **if** you think that prices were pushed up to \$70 by "geopolitics",
conflict, and rent seeking — and then nonetheless, knowing that, you
claim that an "average price" including the numbers for that period
reflect true free market conditions and resource availability, then
you, sir, are a ... yes liar! liar! liar!

Pants on fire! liar! liar! liar!

Or a dimwit.

Pathetic.

>*and that the low price attained for about 15*
>*minutes in 1998 has been followed by much more typical -- i.e., much*
>*higher -- post-1973 prices.*
>
>>*I mean, personally, before I went on and on with all these price*
>>*claims I'd *check them* to make sure I wasn't making an ass of myself.*
>
><*snicker*> *No, you wouldn't. You didn't. And _you_ consequently*
>*_have_ made an ass of yourself.*

ROTFLMAO. ;-)

I **read** my sources, Roy.

And I read **your** sources too. The way they agree with me, it's a
pleasure!

>
>>*BTW, the quality of all your empirical claims re Georgism and land*

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>>values and all that stuff is really being confirmed for us here.
>
>Indeed. Look at the price charts at the url I gave above, especially
>the 1867–2003 chart. The general accuracy of my description of how
>oil prices have changed over time, and the falsehood and dishonesty of
>your description, are perfectly evident.
>
>>>>Meanwhile, we're all still waiting for our first observation of a
>>>>mineral resource rising in price perpetually (much less running out)
>>>>due to scarcity as a result of humanity's consumption of it.
>>>
>>>Do you or do you not understand that the real price of oil fell until
>>>about 1970, and has been rising since then?
>>
>>1970: \$16.47 per barrel
>>1998: \$14.00 per barrel (2004 dollars)
>>
>>Does "rising" have a different meaning in Canada?
>
>2004: \$40/bbl. Does "since then" have a different meaning in what you
>are no doubt pleased to call your "brain"?

Bwah! Ha! Ha! Ha!

In Canada "since 1970" means "in 2004"!!

ROTFLMAO! ;-)

>>>Don't you think 35 years
>>>is enough to establish a trend?
>>
>>I'd say about 140 years through 1998 probably constitutes a trend.
>
>Uh–huh. But only if you ignore what has happened in all the years
>since 1973, aside from 1998...
>
>>And looking at things another way...
>>
>>1981: \$70 per barrel
>
>A peak it had not seen for 100 years...
>
>>2003: \$21 per barrel
>>
>>... I'd probably say that 22 years constitutes a trend too.
>
>Oh? What happened to the \$16.47/bbl in 1970 that you seemed to be
>aware of just a few lines up? Or any of the other
>_sustained_low_prices_ before 1973?

What happened in 1973, Roy?

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Could it have been RENT SEEKING??

Bwah! ha!

Did you read your own source about 1973–81???

Hey, would your recognize of case of rent seeking if it came dressed as Momma Cass (instead of a landlord) and *sat on your head*??

BTW, isn't it just an *amazing coincidence* how you figure that after 130 years of general decline, extraction costs started their inevitable rise at the *exact same time* as this cartel, C–A–R–T–E–L, got together and began engaging in massive RENT SEEKING.

What a coincidence, eh? Really, the inevitable rise of extraction costs could have begun on any one of 150 other years. What were the odds?

Today the Saudis are sitting on 260 billion barrels of oil that they can extract for a cost as little as \$2/barrel, keeping it *off the market* to jack up prices ... and the problem keeping prices up is there's no oil left in the world with low extraction cost!!!!

Ha! Ha! Ha!

>>Compared to *that**, do you think a one year price spike constitutes a trend?

>

>Look at the chart, Grinch. And you evidently think a one–year price >_dip_ constitutes a trend...

What's the one year dip? 1970 to 1998, or 1981 to 1998?

Geeze -- you quote \$40/b in support of a "trend"... and that didn't last even *one month*!

Bwah!

>>Roy, it looks to me like your long–term "trends" consist entirely of >>the three years 1973, 1981 and 2004 ...

>

>Look at the chart, liar.

Ok, OK. Hmmm... I see two huge spikes from *rent seeking* in 1973 and 1981, and down, down, down otherwise to \$14 in 1998.

Then I see a rise all the way back to \$20 in 2001 -- no higher than it was in 1949 -- which rise had to be manipulated through another round of *rent seeking*, well, at least according to *your authority*

Then I see price bouncing around there for three years (\$21 in 2002) followed by a *price spike* in 2004 when *simultaneously*, the economies of the US, Japan., China and India boom, there is a war in the Mideast and terrorists striking the oil industry in Saudi Arabia

What do you see?

>>with all the rest of the last
>>140 years being various short-term aberrations off trend. ;-)
>
>Look at the chart, liar. The long-term downtrend ended in 1973. Deal
>with it.
>
>>>>But as long as one ignores the total lack of all empirical evidence
>>>>needed to confirm it, the theory looks great!
>>>
>>>The real oil prices over the last 35 years are a total lack of
>>>empirical evidence?
>>
>>Roy, you are *so funny*.
>
>ROTFL!! Grinch, you are _so_stupid_. You ducked and dodged and ran
>away whimpering like a frightened little boy when I asked you what oil
>prices had done over the last 35 years.

Bah! ha! ha! ROTFLMAO;-)

Roy, you're as much fun as those old Bugs Bunny cartoons. The good ones from the 1940s. You remind me of Elmer -- you're gonna get that waskally wabbit with your rifle ... someday!

> Now's your chance to act like
>a man for a change, and you blow it again. How sad.
>
>>Really, why didn't you check the price numbers before going on and on
>>about them like this?
>
>I have. Look at the price chart, Grinch.
>
>>Now here's a question for you:
>>
>>Three years ago there was a big milk surplus down here, and a
>>recession too, prices fell real low, so a lot of farmers got rid of
>>their milk cows and went into something else.
>>
>>This year there is a *boom* and milk demand is *way up* -- and the
>>price of a gallon of milk has risen by *much more* than that of a
>>gallon of gasoline! It's true!! And with summer the price of ice
>>cream has shot up even more than that!! You can look it up!
>>
>>Now, reading the "trend" of this one-year price spike and its deeper

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>>meaning, do you conclude the nation is finally and forever running out
>>of cows?
>
>One year does not make a trend

Right! And *one month* at \$40, does not make a trend.
And *five months* averaging \$34 does not make a trend.

>-- not even 1998, unfortunately for
>you.

But...
1949: \$20.
1998: \$14.

Or since you don't like that how about...

1949: \$20
2002: \$22.50

Which is after *your source*, thank you very much, says OPEC organized
a new round of RENT SEEKING.

Very impressive **up trend** there, over 53 years, with **a cartel
pushing up the price at the end**, eh?

Extraction costs must be really zooming!

> *Contrary to your claims, 1998 was not the last year oil would
>ever have a price, and the _momentary_ bottom touched in that year
>(which, contrary to your claims, was not the all-time low -- that was
>reached in the early 1930s)*

In the Great Depression? Was that because extraction costs fell? ;-)

>did not establish the long-term trend in
>oil prices. Sorry. You are just making a fool of yourself by
>claiming that the brief dip of 1998 defined the permanent, long-term
>oil price trend.
>
>>>>> *When its price exceeds the price of equivalent
>>>>> energy produced by other means, it will no longer pay to just burn it
>>>>> for its energy content, and oil consumption will stop growing and
>>>>> perhaps decline.*
>>>>
>>>> *Indeed. Exactly as happened with whale oil in the 1850s and coal in
>>>>Britain at the turn of the last two centuries, **as experts had
>>>>predicted**!*
>>>>
>>>> *Of course, what was wrong with those predictions was that the experts
>>>>had predicted it all was going to happen because of the whales beingl*

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>>>>killed off and Britain running out of coal bringing the Industrial
>>>>Revolution to a grinding halt. Coal was a finite resource being
>>>>consumed at an ever increasing rate with the cheapest supplies
>>>>consumed first, which irrefutably = ever-rising prices, you know.
>>>>
>>>>Res ipsa loquitur. Who could argue?
>>>>
>>>>(As long as one didn't look at facts.)
>>>
>>>?? Are you unaware that consumption of whale oil *did* decline
>>>dramatically, and that all the remaining whales in the world would not
>>>be enough to supply more than a few *days'* worth of current world oil
>>>consumption?
>>
>>Bwaah! ha! ha!
>>
>>Am I unaware that **whales** couldn't provide more than a few days worth
>>of the world's current oil consumption???
>
>Yes. That's what I asked you.

I know! I know!

I just enjoyed it so much I had to repeat it. ;-)

>>Are you saying that they **could** provide a few days worth?
>
>No. Why do you feel you always have to lie about what I write? I'm
>not sure exactly how much energy there is in all the whale oil
>remaining in the world, but it's certainly no more than a few days'
>petroleum consumption worth.
>
>The point is, you said the experts who said the world was running out
>of whales and could not continue to use them as a source of energy for
>very much longer were not looking at the facts. But they were. They
>were right.

No, they were **wrong**

Better brush up on that reading comprehension for the Mensa renewal.

(Notice I am not saying you **lie** about what I wrote, just that you have trouble with comprehension. I'm a nice guy.)

What I **said** was that the experts predicted fuel prices would rise and supplies would fall "bringing the Industrial Revolution to a grinding halt" because the whales **would** be killed off and coal **would** run out in Britain.

But the whales were **not** killed off, Britain did **not** run out of coal, and rising prices did **not** bring the Industrial Revolution to a

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grinding halt, it continued on rather notably well. Zero for three.

Now, what have we learned?

We learn that those experts, like you, thought **only** of marginal cost of extraction presuming it to rise in money terms, and of diminishment of fixed supply.

They did **not** consider innovation in extraction which continually reduces its cost making the expensive cheap and increasing supply, nor innovation in use which reduces demand, nor innovation in substitution which both increases supply and reduces demand.

E.g, they thought petroleum was f***ing unusable, and drilling it out of the ground was a ludicrous notion.

"Drill for oil? You mean drill into the ground to try and find oil? You're crazy."

— famous response of drillers recruited by Edward Drake for the first oil well project, popularly known as "Drake's folly".

OK, it may be understandable that back then people believed there was no substitute for whale oil or cheap coal, ergo they **had** to run out — because those people never saw substitutes for such things.

But today it is just plain STUPID to think there are no ready substitutes for cheap pumped oil at economic prices, because two major economies have **already run** quite competitively on oil from non-oil, and oil from Athabasca is going into your car right now. So how dim is that?

In 120 years' times there's going to be no substitute for oil in fueling transport — just like we today have no substitute for the horse feed of 120 years ago?

The USGS says there's 80 years of conventional oil left with a probable production peak around 2040 or so.

Gee, do you suppose that deca-trillions of barrels of oil in tar sands, coal, natural gas, etc and so on, might be able to produce enough to cover that gap, as technology makes economic extraction of reserves that we'd think of as having a cost of \$165 to \$1,100 a barrel today?

Especially being that entire economies have **already** run on the stuff?

>>>> *bringing the Industrial*

>>>> *Revolution to a grinding halt.*

>

>> *Let me just say that it is a very good thing that we do have "markets"*

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>>*that operate with much competition which provides incentives for good things like continuous innovation and increased productivity and cost reduction and efficient substitution ... so that when it *came down to it**, we didn't have to -- and weren't even tempted to -- build our modern 21st Century economy entirely on whale oil.

>>

>>*We can agree on that, eh?*

>

>*Yes, because for once, you did not lie about what I wrote.*

>

>>*Now I leave you with one final question to ponder:*

>>

>>*1949: \$20.06 per barrel*

>

>*I note that this was the peak price recorded any time between 1927 and 1973...*

>

>>*1970: \$16.47 per barrel*

>>*1998: \$14.00 per barrel (2004 dollars)*

>

>*And this was of course the _lowest_ price recorded any time since 1973...*

>

>>*Trend or not?*

>

>*Certainly these data demonstrate a trend: your unmistakable trend to dishonestly presenting cherry-picked data, on the few occasions you present any data at all.*

Yeah, ain't it remarkable how one can cherry pick data from recent years showing prices in the same ballpark or less than the \$20/b of 55 years ago? 1994: \$20 1999: \$20 2001: \$23 I mean, being that the price trending has been *up* for *so long*, with extraction costs relentlessly rising?

You know, realizing that there's been a CARTEL engaged in RENT SEEKING by forcing up the price artificially in recent years, it really is!!!

>

>*Look, just go to the price charts at <http://www.wtrg.com/prices.htm>, Grinch, and tell us what you see. And for once in your life, try to be honest.*

>

>*Oh, and I'll leave you with a question:*

>

>*1932: \$9/bbl*

>*1968: \$18/bbl*

>*2004: \$36/bbl (2004 dollars)*

>

>*Your cherry-picked data showed a price decline of 30% in 50 years.*

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No, Roy, wrong again.

Mine showed *no significant rising trend*, especially not one due to scarcity or extraction cost after counting for the effects of the *rent seekers*.

I neither claim nor care about a falling trend.

My only concern -- as expressed *extensively* in the first post of this thread, if you actually trouble to recall -- is that oil stay under \$55 a barrel or so, adjusted upward for continuing decline in use in proportion to GDP.

As long as that condition holds oil will be no more a burden on the economy than it was during the "seven fat years" of the 1980s when growth averaged over 4% annually.

In other words, we will have "cheap oil" whatever its nominal dollar price, it will be no problem.

And my only claim is that it is extremely possible, to the point of being self-evident so. That was the point of the original post.

To refute that you will have to credibly show that oil prices must be be *expected* to rise at a rate to breach the \$55-adjusted-for-intensity-of use number ---- and that this will occur due to *scarcity*, not due to politics, war, rent seeking, a meteor hitting Saudi Arabia, or whatever.

I couldn't care less about the price of oil rising less than that, or falling, or whatever price action may occur -- so long as cost stays below that amount.

*>data are not cherry-picked. I just chose the all-time low price, and
>the most recent price, and the price at a date midway between those
>times.*

Bwah! ha! ha!

"Not cherry picked" he says, projecting a straight-line trend from a Great Depression all-time low to a boom & rent seeking 19-year high!

Just for the record, when you are *really* not cherry picking you run a trend line from one cyclical high to another cyclical high, or from a cyclical low to another cyclical low.

That'd be \$9 to \$14 in 72 years.

But just for fun, let's use *your* numbers.

sci.econ: Re: Cheap oil forever!

> *And _those_ data show a price _increase_ of _300%_ over _72_>years.*

Ooooooh. All-time low to 19-year high, that's an impressive 1.9% per year!

>*Trend or not?*

Yes indeed it is! I accept it as so, and will project it into the future.

In the 30 years since 1973, when oil prices indeed had a big hike -- although *possibly* due to rent seeking behavior by suppliers rather than sudden rising extraction cost -- real GDP has grown 3% per year average while oil consumption in barrels has increased 0.5% per year average.

E.g.: <http://www.eia.doe.gov/emeu/aer/txt/ptb0501.html>

Now if we add your cherry-pickin' from-1932 1.9% increase in real price per barrel annually to the 0.5% increase in barrels consumed annually, we get a 2.4% increase in total real dollar cost of oil annually.

Compared to a 3% increase in real GDP annually.

So our *trend* is

Constantly Diminishing Cost of Oil in terms of GDP!

Thank you very much, sir! You have made my case for me in the best terms possible, with your Depression-low to 19-year high trend line and all.

Merci!

>-- Roy L