Re: But There Ain't No Global Warming.

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From: Michael Davis (*mdavis19_at_ix.netcom.com*)
Date: 01/28/05

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Date: Thu, 27 Jan 2005 19:23:23 -0500
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Tony Wesley wrote:
> *Michael Davis wrote:*
>
>>*Speaking of raving. Your irrational panic is showing. There is no*
>>*shortage of oil. Can you name anyone who wants oil but can't buy*
>>*it at any price? No? Thought not.*
>
>
> *Interesting. At any price? Assume for a moment, at some point, anyone*
>
> *who wants to buy oil could buy it but at $1000 / bbl.*

Irrelevant. What part of "at any price" did you not understand? If there
is enough oil for sale to meet all demands, then there is no shortage.
Period.

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>
>>*That means there is no shortage.*
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>
> *Interesting definition of shortage.*

Yes, it is also the correct one. Feel free to consult a dictionary.

>
>
>>*The price is artificially high right now because speculators, spin*
>>*doctors and panic mongers have driven it up and are making*
>>*windfall profits.*
>
>
> *Paranoid conspiracy theory noted.*

Huh? You really don't pay much attention to the commodity futures
markets, do you? That's not paranoia, its just business as usual.

> *Occam's Razor would have us believe*
> *that the market forces have behaved as they always have.*

Yes, We've always been over paying for oil, just not over paying as much as other people.

> *"... when goods are traded in a market at a price where consumers*
> *demand more goods than firms are prepared to supply, this shortage (or*
> *excess demand) will tend to lead to increases in the price of the*
> *goods."*
>
> *from http://en.wikipedia.org/wiki/Supply_and_demand*

That's nice. I took Macro Economics in school too, but I payed attention. There's a lot more than just supply and demand that goes into determining price here in the real world. The price for crude oil you see quoted on the nightly news is actually the price of a futures contract for oil to be delivered sometime in the future. Futures contracts are traded on commodities exchanges just like stocks are traded on stock exchanges. Just like stocks, commodities can be very volatile with their price determined more by emotions than reason. Every bit of bad news coming out of Nigeria, Venezuela, Israel, Iraq and Saudi Arabia causes panicky spikes in oil price even though supply and demand have not changed significantly. Periods with no bad news result in falling prices, although again, supply and demand have not changed significantly.

>
>
>> *The reason there is little investment in*
>>*developing new supply is because the present supply is adequate*
>>*and new supply coming online would tend to drive the price down.*
>
>
> *"...new supply coming online would tend to drive the price down."*
> *The converse is that having less supply, (i.e., a shortage) would*
> *tend to drive the price up.*

Except there clearly is no shortage. So where does that leave us? It leaves us with an adequate supply that fully meets present demand at an artificially high price resulting in huge profits. Due to the volatility of the commodities markets, any significant increase in supply could result in a collapse of prices. So where is the incentive to expand supply? The best strategy for the oil companies is to tighten down their supplies until they just meet the market demand so as to prevent excess downside volatility. Its not paranoia. Its not a conspiracy. Its just business. HTH.

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Member #33 1/3 of The "I Have Been Killfiled By Tommy" Club
"There's a sucker born every minute" − David Hannum (often erroneously
attributed to P. T. Barnum)
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