

Scarcity and Growth Considering Oil and Energy: An Alternative Neo-Classical View

By Douglas B. Reynolds

“energy in general, and oil in particular, is critical to the operation of modern economies”

ABSTRACT

Oil has been shaping international relations and economics for over a hundred years. But the most volatile changes in markets and politics are yet to come and it will affect Alaska. This book explains why oil scarcity is close at hand, how OPEC works in a game theoretic and political manner, and why the Soviet Union collapsed. If ever a book explained the most important aspects of oil markets and politics, this is it.

In discussions of science, ecology and economics, this book explains why price and costs do not indicate where scarcity is. The concept of Bonanza explained by Georgescu-Roegen and the “Mayflower Problem” espoused by Norgaard as well as M. King Hubbert’s famous oil logistics curve are used to explain the problem of scarcity. The result is that the economy can easily be “fooled” into believing that scarcity is declining, when in fact it is increasing quickly. Eventually the true scarcity of the economic system is revealed with a shock too late to alter the course of economic growth. Harold Hotelling’s (1931) famous principle cannot be used in this case to prepare the economy or the market for sharply higher resource prices because of the lack of information in the early stages of energy resource exploration.

In economics it is thought that any energy resource at all, such as solar or wind power, can be substituted for oil or natural gas. The book explains that such substitutions are physically difficult to engineer. The costs of energy alternatives are constrained by the physics of how each resource works within an economic system. This book explains a new theory for how and why OPEC works. Eventually OPEC’s low production and the world’s high demand will create another shortage that will emerge quickly and without warning as it did in the 1970s.

Many of the people who have read portions of the book have been amazed. I hope that you will be too.

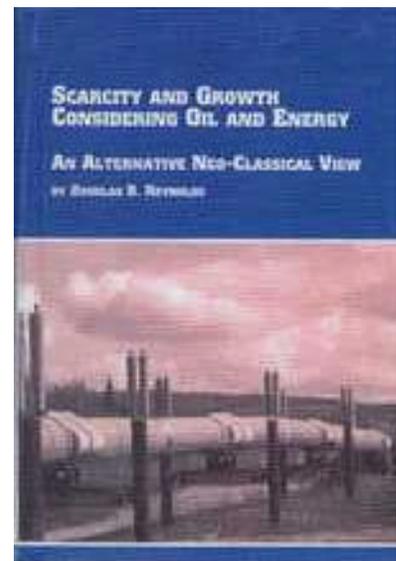


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