

# Proponents of the Peak Oil Theory Crying Wolf—Again

By **BILL HARBAUGH**

I've been following the reports about the enthusiastic reception that Richard Heinberg's January 10 talk about peak oil and industrial collapse have received in Eugene (OR). Here's a related problem that I give in class.

World oil reserves are 600 billion barrels, and we are using it at 20 billion barrels per year. How long until we run out? Please write down your answer before you read any more of this column.

My students do the math, and they tell me the oil will be gone in 30 years—maybe just 20, if we add growth in consumption and population. Good try, I tell them, but these numbers are from 1950. Hmm.

The idea of economic collapse from resource exhaustion used to be mainstream economics, a long time ago. In 1798, Thomas Malthus argued that population would soon outstrip food production, and that mass starvation would result.

During the potato famine, English politicians used his economics as an excuse not to waste money on relief for the starving Irish. Stanley Jevons, in 1865, argued that England's industrial revolution soon would come to a halt because the country was using up its supply of coal.

Actually, England still has plenty of coal, though not much use for it. As for the starving Irish,

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well, today 57 percent of them are now officially overweight or obese. Whoops.

While this embarrassing failure to explain reality sent economists back to the drawing board, apparently it has left the peak oil cult untroubled. Their forecasts of doom and gloom are just a recycled version of Malthus's logic, which treats humans as if we are mindless sheep, and which shows no understanding of markets or incentives.



The new model that economists came up with starts from sensible assumptions—business people aren't idiots, they want to make money, and consumers don't like to waste money. As more people use up an exhaustible resource such as oil, the owners

see the scarcity coming and they start demanding higher prices.

That gives consumers an incentive to conserve, and oil companies incentives to find more oil. Companies that don't own oil start to develop alternative energy sources. Combine these effects and scarcity tends to go away. Add in a little technical progress and prices will fall, not rise.

Sure enough, measured by how many hours we have to work to pay for a barrel, the long trend of oil prices has been downward, except for a few short spikes during wars.

The list of alternatives to oil is very long. On the production side, there's solar energy, wind energy, nuclear-hydrogen energy, coal, tar sands, or just plain drilling more oil wells. On the consumption side, there's insulating your house, buying a small