

## [The trouble with oil](#) [1]

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Should we be worried that the price of oil is over \$100? Of course, dollars aren't worth very much these days, so the price is illusory. But it's still high. In the 1970s, when the oil price quadrupled overnight (but that's government cartels for you), the shock to the developed economies was enormous. The current price rise is more down to markets - like strong demand from China - but still alarms many people.

However, high oil prices make it worthwhile to invest in other sources of energy such as solar, wave, and wind power. (So why, you may rightly ask, do government feel they have to subsidize such alternatives?) Higher oil prices induce consumers to cut back - to install more efficient domestic boilers and move to lighter, more fuel-efficient cars, to turn down the thermostat a notch, or to car-pool to work.

And high prices make it worth looking for more oil - which exists in sands and shale all over the place. And even the Middle East, which has 70 percent of known oil reserves, it relatively unexplored. Only 3 percent of the world's oil exploration has occurred there, according to Pete Geddes of the [Foundation for Research on Economics & the Environment](#) [3]. Fewer than 100 new wells were drilled in the Persian Gulf between 1995 and 2004, compared with 15,700 in the United States (which has very much leaner reserves). And apart from the North Sea and a few other places, hardly any of the world's ocean floor is explored at all.

The trouble with oil is that 90 percent of it is controlled by non-democratic governments. It's not a market at all. And the existing producers have every incentive to keep the price up, and no incentive for new exploration. The only answer to the world's energy needs is to create an oil market - which can't happen until democracy and private enterprise is spread much more widely around the planet.

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