

## [That free lunch thing](#) [1]

Written by [Tim Worstall](#) [2] | Monday 16 June 2008



As I've mentioned [here before](#) [3] those elusive free lunch things really do exist. Liam Halligan tells us that the high oil price is being driven by the [fundamentals](#) [4]:

*In 2007, the review shows, global oil demand was 85.2m barrels a day, up from 84.2m the year before. Global production, meanwhile, fell from 81.7m barrels daily, to 81.5m. So, global oil use is accelerating just as production is coming down.*

*Such price-boosting trends will almost certainly continue. On the consumption side - as is well-know - the relentless demands of China, India, Indonesia and the other "emerging giants" are unlikely to abate soon. As these countries continue getting richer, their rapid population growth and escalating fuel use per head will keep global oil demand spiralling upward.*

Well, yes, as far as Liam goes, that's true. However, there is one thing more we might want [to add](#) [5]:

*The International Energy Agency has estimated that oil subsidies in China, India and the Middle East totaled about \$55 billion in 2007.*

So we actually have a global situation whereby we rich countries are busily whacking taxes onto oil in order to reduce demand for climate change reasons and poor countries are at the same time gleefully subsidising the use of the same product. Plus, of course, those subsidies also drive up demand for that subsidised resource, thus raising the global price still further.

So there is our elusive free lunch: whether we want to talk about it in terms of the global price of oil, or for climate change reasons we'd prefer to concentrate on emissions, we could actually improve both matters simply by getting those poor countries to stop subsidising their consumers.

As I mentioned before, there are indeed free lunches out there, almost always when we manage to stop governments doing some damn foolish thing they've taken it upon themselves to do.

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