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That Demand Factor, Again [1]

Written by **Jan Boucek** [2] | Saturday 12 June 2010

Politicians can be quite shameless and none more so than those now running America, led by President Obama and his No. 1 cheerleader House Speaker Nancy Pelosi.

BP?s disastrous accident in the Gulf of Mexico is, indeed, a serious problem, challenging the oil industry?s technical skills to the limit. The immediate priority is to stop the leak and repair the damage. Longer term is the need to investigate how the blow-out happened and learn from the experience.

Unsurprisingly, though, BP has already been tried, convicted and sentenced by the politicians because it suits them to deflect any and all responsibility to everybody?s favourite whipping boy ? the big corporation. As with the big banks, though, this is a cop out, a knee-jerk assault on just the supply side of the equation. To its credit (or misfortune), BP has been exceedingly good at delivering oil to the markets in response to insatiable demand, just as the banks were in providing seemingly limitless lending to feckless households and governments.

In both cases, governments of the day were pleased to have the oil companies and banks efficiently deliver the goods that kept the voting masses happy. Whether by skewed taxation, investment incentives, fiscal & monetary policies or politicised agencies, the government machinery ensured there was no restriction on the demand side of the equation. Businesses responded logically to those factors by developing ever more sophisticated technologies and techniques to keep the oil and cash flowing.

This imbalanced approach to supply & demand has been long at work in another sphere ? illegal drugs. By failing to effectively curtail the demand for drugs in America, an inordinate amount of effort is now being expended on battling their supply to the point where Mexico is seeing thousands ? yes, thousands - of drug-related murders each year. If the country collapses into a narco-state, who will politicians blame ? the Latino drug barons or the kids back home?
By isolating big business as the only villain in what are otherwise national or international screw-ups, politicians will fail to implement comprehensive legal and regulatory frameworks to effectively deal with the issues of the day. As Walt Kelly?s Pogo character put it, ?We have met the enemy and he is us.?

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