

A Chronicle of the Age of Consequences

Chapter 4 Headwinds

“We’re into uncharted territory.” – Jim Ritterbusch, energy consultant
“We are in uncharted waters here.” – U.S. Rep. Jerry Costello, D-Illinois

In June, two worrisome milestones were reached in America, each a harbinger of a perilous journey ahead.

The first occurred on June 9th, when the nationwide average price of a gallon of gasoline crossed the \$4 threshold for the first time. This was big news partly because of its obvious economic impact on the nation, but also because *it wasn’t supposed to happen*, at least not according to most experts. As late as this spring, the U.S. Energy Department projected the cost of gas to rise to no more than \$3.85 a gallon, before receding. Instead, it zoomed past all worst-case scenarios.

And our summer of discontent officially commenced.

We passed the second milestone with barely a ripple in the media. A new study determined that in 2007 China surpassed the United States as the world’s leading emitter of carbon dioxide, a principle greenhouse gas. This was big news too, though for different reasons. Unlike the price of gasoline, however, this development *was* predicted to happen, just not this quickly.

The two milestones are linked, of course. China’s insatiable thirst for energy to power its overheated economy is causing it to consume vast amounts of coal and oil – the former contributing to global warming and the latter influencing the price of gas at our pumps. Unfortunately, given China’s apparent ambition to keep growing its economy at a breakneck pace, the trend lines for both are upward.

As dire as these developments are for people and the planet, it is the speed at which both milestones were reached that has many experts (and political leaders) bewildered. And judging from their reactions, which have ranged from confusion to anger, no one knows what will happen next.

I don’t either, but I can say this: taken together these milestones represent a significant step forward into the Age of Consequences.

Let’s start with the effect of \$4 gas. On June 10th, we instantly had a “gas crisis” on our hands, at least according to the major media outlets and our national political leadership. It’s been front page news every day since (and one of the reasons why the China report went largely unnoticed). The fact that this development has been brewing for years – there was a similar “crisis” back in April, 2006, when gas crept close to \$3 a gallon before eventually falling back (that October I paid \$1.98 at a gas station in Memphis, Tennessee) – mattered not a whit to pundits. Shock and outrage dominated the news.

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Take “Black Friday” – June 6th – when oil jumped 8% to nearly \$140-a-barrel, for instance. Combined with the previous day’s run-up, oil moved \$16 higher in less than 24 hours – an unprecedented jump – and suddenly everyone began frantically searching for solutions to the “crisis.”

In the media, the majority of the stories involved one of two angles: hand-wringing or finger-pointing.

On the hand-wringing front, here are a few of the many troubles that made headlines in the past four weeks:

- Public schools are struggling to cope with rising food and fuel costs, which threaten to bust already tight budgets next fall.
- Asphalt, which contains a lot of petroleum, has become so expensive that cities across the nation don’t know whether they can afford to fill potholes.
- Sales of SUVs dropped 31% over a twelve-month period, which is a primary reason why the price of General Motors’ stock sank to a 30-year low in June.
- Out-of-gas calls to AAA and towing companies are up dramatically.
- Choices for air travel are dwindling, especially as smaller airlines feel the pinch. United Airlines said it will cut domestic capacity by nearly 20% in 2009.
- A report prepared for the airline industry said that if oil prices remain high, every major airline could be in bankruptcy by the end of next year.
- By the end of June, the Dow had swooned nearly 20% from its 2006 all-time high.
- Unemployment posted its biggest one-month jump in May since 1986.
- Corn climbed to nearly \$8 a bushel, another record, after the Midwest was struck by the worst flooding since 1993.
- People are praying at the pump. In Washington, D.C., a group gathered to pray to God for delivery from high gas prices (he isn’t listening apparently – gas has risen 40 cents a gallon since they began praying back in April).
- Drivers around the world are being pummeled. In Turkey gas has risen to \$11 a gallon. In France it’s \$10. However, Europeans have highly developed mass transit systems, and don’t mind small cars.
- Fishermen in Spain and Portugal began nationwide strikes to protest high diesel prices. Truckers are staging similar protests from England and Bulgaria
- Meanwhile, the world is driving more cars than ever: there are 887 million vehicles on the road today, up from 553 million just fifteen years ago. The global population of autos is expected to reach one billion in *only four more years*.

There was some good news:

- The high price of oil means that imported goods are becoming more costly – the cost of shipping a 40-ft container, for example, has gone from \$3000 eight years ago to \$8000 today. This ought to encourage more domestic production.
- High prices are encouraging serious investment in biofuels and other “alternate” technologies.

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- A “green mania” has swept the nation – or at least the marketing departments of major corporations. The public awareness of “green” products, architectural practices, and other issues of sustainability has never been higher.
- The global food crisis has been pushed off the front page (I’m being cynical, I know).

The food crisis, of course, has not gone away. According to one report, 100 million people globally are being driven deeper into poverty by a “silent tsunami” of sharply rising food costs. One child is dying every five seconds due to malnutrition, according to the UN.

Meanwhile, on the domestic finger-pointing front, well, let’s just say that the remedies to the \$4 gas “crisis” proposed by our pundits and politicians can be boiled down to four words: drill, tax, beg, and accuse.

Republicans want to drill for more oil – pretty much anywhere in the nation that has the slightest potential, including national wildlife refuges and ecologically (and economically) sensitive coastlines. In the end, I suspect they will get their way, especially if (when) gas prices rise another dollar or two a gallon.

More drilling solves nothing, of course. At best, it extends the Fiesta for a few more years, while exhausting what’s left of our oil reserves. It also extends our unofficial national energy policy: burn it up as fast as possible – a policy, by the way, that will anger and mystify our grandchildren.

The Democrats’ response isn’t much more visionary. They tried, and failed, to get Congress to pass a ‘windfall profit’ tax on Big Oil. Their plan was to use the money raised to fund renewable and alternate energy sources. The problem with this idea is that it’s probably twenty years too late. We need renewable energy sources NOW. Also, the cost of higher taxes will simply be passed along to the consumer sooner or later, which means poor people will struggle even more than they already are.

Besides, raising taxes is politically nutty. People want action. More drilling is action, which is why I suspect that places like the Arctic National Wildlife Refuge will ultimately be tapped.

For their part, the Bush administration – as well as the heads of most industrialized nations – has pursued a different response to \$4 gas: beg the oil-producing nations to open their taps wider. Bush has been to Saudi Arabia twice in the past five months to plead his case for greater production. A summit of the Group of Eight nations in Japan in mid-June unanimously urged OPEC to boost output (global production of oil has been stalled at 85 million barrels per day since 2005). At the end of the month there was another summit, this time in Saudi Arabia, with a similar plea.

The response from OPEC members could be described as the diplomatic equivalent of shrug, or a yawn.

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Lastly, \$4 gas has become a political football, not just in Washington, D.C. and various state capitols, but on the campaign trail. This was inevitable, of course – but it's no less dispiriting. Democrats and Republicans are hammering each other for their supposed role in the creation of this “crisis” – all with an eye toward the fall election.

It's the same with the presumptive presidential nominees of their respective parties. John McCain wants to drill and accuses Barack Obama of being another tax-and-spend liberal. Obama fires back that McCain has no “vision.” Round and round and round they go.

Meanwhile, the price at the pump slowly inched upward, a penny a day.

What is perhaps the most troubling aspect of all this hand-wringing and finger-pointing is the overarching message delivered by the media: \$4 gas is an annoying impediment to continued growth and prosperity. We're facing an economic headwind, they imply, to business-as-usual, nothing more. High prices have slowed down our hopes and prayers for the easy life, so the sooner we “solve” the “gas crisis” – whether it's new oil, alternative energy, high technology, or magic fairy dust (to paraphrase author Jim Kunstler) – the sooner we can get back to the march of Progress.

It's all just a big bump in the road, everyone seems to insist, and now an officially annoying one at that. It's an attitude summed up by an economist at a company called Global Insight who put it this way in an interview: *“Businesses that had been patiently waiting for oil prices to fall have run out of patience. We expect more of them to throw in the towel and [start] raising prices.”*

Which means the bump will get bigger.

But what if the breeze we feel is not a headwind at all – but something else? What if gas prices don't come down, but keep rising instead? What if the planet keeps warming, as it now seems likely to do? What if the map in our hands – a map that we've been following since the early 1800s – suddenly went blank? What if the landmarks on our daily commute home were no longer recognizable? What if the stars in the night sky suddenly looked different?

What if the stirring we felt wasn't a headwind at all – but the winds of change picking up speed?