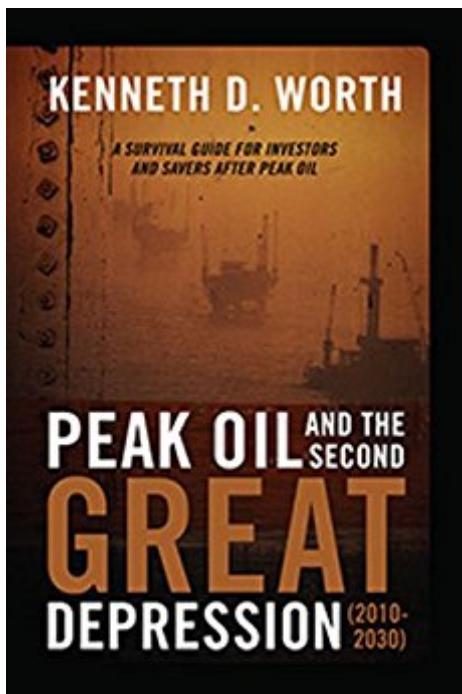


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Peak Oil And The Second Great Depression (2010-2030): A Survival Guide For Investors And Savers After Peak Oil



Synopsis

Peak Oil is the point of maximum global oil production. In Peak Oil and the Second Great Depression (2010-2030), the author argues that the likely peak in global oil production occurred in the period 2005-2008, due to the peaking of Saudi Arabian oil production during that time. The most significant piece of evidence of a Saudi peak in production in 2008 was the inability of Saudi oil ministers to increase production in the period 2005 to 2008 despite record crude oil prices and the drilling of thousands of new wells in Saudi Arabia's seven major oil fields. As of 2012, Saudi crude oil production has still not increased significantly, while net exports continue to decline due to increased domestic consumption. In the years ahead, it is argued, continued economic growth in the developing world including China, India and Brazil (as well as within OPEC) will put upward pressure on the price of oil, which will create severe economic difficulties for the indebted developed economies (such as the US) which rely on imported energy. Mitigation measures in the form of conservation and increased domestic drilling (an option available only to the US and Canada among the larger developed economies) will be insufficient to offset dramatic increases in the price of imported crude oil. Oil at very high and indeed painful prices in the face of already historic levels of personal and governmental indebtedness, it is argued, will create large scale unemployment on levels not seen since the (First) Great Depression as expenditures for foreign oil dramatically reduce spending available for the domestic economy. The author argues that the policy response to the economic difficulties will be to create a general rise in the price level to reduce the burden of the existing debt on households, businesses and governmental entities. As prices, and especially wages, rise, domestic spending will recover and unemployment will be reduced, although this process could take several decades. Very significant inflation will likely be necessary to prevent an even more severe drop in employment and output in the economy given the magnitude of the shock to the economy created by continued declines in global oil production. As of this writing in mid-2012 global production of crude oil has not surpassed the 2005-2008 levels despite sustained high prices. International and sovereign-owned oil companies have had seven years now to respond to high prices with increased exploration, drilling and production. The results have been less than encouraging, to say the least. Dramatic changes in the economy as a result of Peak Oil will alter the approach that would optimally be taken by investors and those wishing to preserve savings. The issues of asset allocation and sector weighting are explored together with alternative investments in commodities and real estate.

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Customer Reviews

Having read a lot of books on peak oil and the coming economic depression, I found this one unique by the fact that it is so brief, and it expresses a point of view widely shared by those who believe peak oil and financial debt will have a powerful adverse influence on human prosperity over the coming decades. The author paints the picture of peak oil in terms of \$300 per barrel oil and \$8 per gallon gasoline. One would have to take these as somewhat arbitrary, and, as the author points out, oil and its refined products will be subject to a long term trend of rising prices but with some short term downward movements within that overall trend. Then the author discusses the problem of "peak debt", the massive debt being built up by the US government. This is all discussed very much in the context of the United States. Europe suffers the same problems but, as appropriate in a book this short and to the point, the details of those problems as they relate to Europe are not discussed. The debt chapter ends with the prediction of 10-15% inflation in the United States over the next couple decades. One thing I like about the book is the assuredness and boldness with which the author makes such predictions, which happen to all pretty well coincide with my own beliefs based on extensive reading on the subject. With regard to ways out of the debt, there is no beating around the bush. It will be done through inflation. I have become firmly convinced that peak oil and other factors render the prospect of "growing our way out" an impossibility, and to solve the

problem through austerity would require Draconian cuts to government programs that are politically impossible. The author seems to have reached the same conclusion.

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