

PEAK OIL BARONS

Let the great black gold debate begin!



Economists haven't been the most popular folks in the money management community, particularly in the wake of the worst financial crisis to hit global markets since 1929. Before it hit, the market seemed dominated by rosy economic data about the "red hot" real estate market and seemingly unstoppable global growth. And, as Mark Kritzman and Sébastien Page point out in this issue, few had their risk parameters tuned into data that could account for the kind of extreme volatility we experienced at the end of 2008 (p 18). But Canadian superstar economist Jeff Rubin has always been a bit offbeat—a contrarian with an always-interesting angle in a sea of economic indicators.

Last month his new book appeared called *Why Your World is About to Get a Whole Lot Smaller*. Granted, that title might seem a bit redundant for those of us who've survived the Lehman collapse—nonetheless Rubin's book is interesting. He tackles the peak oil theory and argues that oil's going to reach \$225 a barrel by 2012. He follows that premise through to some logical conclusions—travel

will slow down and people will want to consume things that don't cost a lot to import (i.e., locally grown produce).

Intuitively, Rubin's premise seems like a good one—and if you factor in the environmental toll that oil drilling and extraction take on the landscape, it's even more relevant. It gets even more interesting, however, when you place him next to Daniel Yergin who's been arguing against peak oil for years. According to him, we have too much oil—6.5 million barrels of spare production capacity that's not being used.

So, are we facing a shortage or a surplus? I guess it depends on which data set you're looking at—or maybe your outlook is defined by whether you drive a Prius or an Escalade. Either way, both Yergin and Rubin appear to be looking at different data sets. Which one is the most reliable, I am not sure. Speaking of debates, you'll find coverage of our inaugural CIR Online Debate on page 7 of this issue—hope to see you online soon! ■

— Caroline Cakebread

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