2008 ASPO-USA Peak Oil Conference
Proceedings

- Program
- Speakers
- DVD
- Online Video
Peak Oil: Macro Investment Themes

Jim Puplava
September 21, 2008
Peak Oil Macro Themes

- Death of the Consumption Society
- Reverse Globalization
- The “Gorilla Game”
- The Big Unknown
**Death of Consumption Economy**

- Taxes & Inflation
  - Rising Taxes
  - Rising Inflation
  - Negative Savings
  - Rising Debt Levels

Source: Bureau of Economic Analysis
DEATH OF CONSUMPTION ECONOMY
THE LAST STRAW

Source: Federal Reserve Board

Source: Federal Reserve Board Flow of Funds
# Death of Consumption Economy

## Social Security Wage Base

<table>
<thead>
<tr>
<th>Year</th>
<th>Wage Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$102,000</td>
</tr>
<tr>
<td>2000</td>
<td>$76,200</td>
</tr>
<tr>
<td>1990</td>
<td>$51,300</td>
</tr>
<tr>
<td>1980</td>
<td>$25,900</td>
</tr>
<tr>
<td>1970</td>
<td>$7,800</td>
</tr>
</tbody>
</table>

Source: “Contribution and Benefit Base,” Social Security Administration
CONSUMPTION AND GDP

Source: Bureau of Economic Analysis
The Consumption-Oriented Economy

Share of GDP (%)

- Personal consumption expenditures (RS)
- Net exports of goods and services
- Gross Private Fixed Investment
- Government Consumption Expenditures And Gross Invest

Source: Bureau of Economic Analysis
REVERSE GLOBALIZATION
Reverse Globalization

- Cost of Moving Goods – Key Variable
- Last 3 Years:
  $1 Oil ↑ = 1% Rise in Transport Costs

China to North America 4 Weeks

Total Cost of Transporting a 40’ Container from Shanghai to US East Coast

<table>
<thead>
<tr>
<th>YEAR</th>
<th>COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$3,000</td>
</tr>
<tr>
<td>2008</td>
<td>$8,000</td>
</tr>
</tbody>
</table>

$200 Oil = $15,000

AIR TRANSPORTATION COSTS

And the Price of Inflight Pretzels Will Surely Follow...

©Copyright CaseyResearch.com by Sasha Chernyak
Source: www.airlines.org
**SHIFTING INTERNATIONAL TRADE DYNAMICS**

- **Altering Wage Differentials**
- **Capital-Intensive Manufacturing**
  - $90 Freight cost per ton of steel
- **Shifting Trade Patterns**
  - Interregional Trade

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**Freight-Intensive Exports to US**

THE “GORILLA GAME”

- Traditional Energy
- Alternatives
- Transportation
- Infrastructure
- Lifestyle
THE GREAT UNKNOWN
SOLVING PEAK OIL

A. Conservation
B. More Drilling
C. Alternative Energy
D. Manhattan Project
E. All of the Above
Unknown Outcomes

1. Last Man Standing — Richard Heinberg
2. Long Emergency — James Kunstler
3. Collapse — Jeremy Diamond
4. Silver Bullet
THE NEW “GREAT GAME”

Source: The New Great Game by Lutz C. Kleveman
My name is Ozymandias, King of Kings,
Look on my Works, ye Mighty, and despair!
Nothing beside remains. Round the decay
Of that colossal Wreck, boundless and bare
The lone and level sands stretch far away.

—“Ozymandias” by Percy Bysshe Shelley (1817)

“My grandfather rode a camel, my father rode a camel, I drive a Mercedes, my son drives a Land Rover, his son will drive a Land Rover, but his son will ride a camel.”

—Sheikh Rashid bin Saeed Al Maktoum (1912-1990)
Prime Minister of United Arab Emirates 1979-1990