

The Gulf Oil Spill: Beyond Blaming

The Gulf oil spill is symptomatic of larger issues than greedy oil companies or incompetent government regulatory agencies. The spill provides an opportunity for us to examine the connections between our affluent lifestyle and the future inevitability of such catastrophes.

Now that the Gulf oil spill has been capped (if it actually has) and receded into collective amnesia, what have we learned about preventing another such catastrophe? Society has certainly settled on the blame for the spill: BP's negligence and the failure of government regulation. Without denying their respective responsibilities, finding a couple of institutions on which we can heap the blame misses the point: Such tragedies are inevitable in a society as addicted to oil as ours, in a world of peaking daily oil production, in an age of technological hubris, and in an economic system that virtually requires corporations to shift the cost of their environmental catastrophes onto the public.

Both Presidents Bush and Obama have rightly referred to our "addiction" to oil. From transportation to agriculture, from power to plastics, and much more, our standard of living requires massive quantities of cheap oil.

But the age of cheap oil is coming to an end.

Oil geologists largely agree that "peak oil"—the point at which we reach the maximum *possible* daily production—is upon us. With demand for oil rising rapidly, especially in the developing nations, the price of oil will soon (that is, at least within the decade) skyrocket, creating famine and scarcity for the world's poor and a drastic change in the standard of living for the affluent.

Peak oil doesn't mean that the world is running out of oil; daily production actually reaches its maximum when about half the world's remaining reserves are still underground. But what's left is the difficult half—the oil that will be expensive, dangerous, and even more ecologically damaging to extract. BP's ultra-deep-water drilling is an example of precisely this issue. In the frantic rush to "reduce our dependence on foreign oil" and assure the continuing availability of cheap oil, the pressure for ever-more difficult, ever-more dangerous oil extraction rises. Deep-water drilling is one such extraordinarily difficult process; drilling under arctic waters that

are often covered with ice is another. Processing shale or tar sands is environmentally catastrophic. One learning from this crisis is that—within a consumer society like ours—“accidents” and environmental devastation are inevitable; they are part of the cost of our lifestyle.

Partly because of our long history of inventiveness and success, we Americans tend to believe that technological solutions can solve everything from world hunger to global warming: It “always has,” we say. Scientists and engineers, we imagine, will find safe methods of deep-water drilling, environmentally sound processing of oil-rich tar sands, or cheap alternative ways to produce all the energy we “need.”

The environmental problems we now confront, however, are of a different order of magnitude and complexity than anything we’ve known before. Failure, of course, is much more serious and—perhaps more importantly—after-the-fact interventions involve messing with the Earth’s delicate homeostatic mechanisms as never before. We understand only a tiny portion of the Earth’s infinitely intricate balances—developed over billions of years—that sustain life. But we nevertheless consider putting shades into space to block a part of the sun’s rays or seeding the atmosphere with sulfate particles to reduce the sunlight hitting the Earth, confident we can handle whatever complications arise from disrupting nature’s equilibrium. But, unlike in the past, the consequences of technological failure in these areas now threaten civilization. The BP oil spill is only a tiny prelude to what’s coming if our species doesn’t find its appropriate place in the balance of nature. We must learn far more respect for the Earth.

Finally, our current economic system actually encourages such catastrophes. As long as our free-market economy pushes corporations to externalize their costs, companies will continue, indeed must continue, to risk everyone’s safety. Externalization—when a business shoves some of its costs onto someone else—is a well-recognized cause of what the economists call “market failure.” If a manufacturer disposes its wastes into the nearby river instead of paying for the proper treatment, the cost of waste disposal or treatment has been externalized onto the rest of society. Since neither the companies nor their consumers pay the true cost, more of the product is consumed than “should be.” Incentives for alternatives (in this case wind or solar) diminish.” Who pays? The residents downstream pay either to clean up the river by suffering the consequences of the pollution. Or we all pay in the form of taxes for the clean-up.

The economic system forces even a virtuous company to externalize whatever costs it can. If I pay my own costs of preventing or cleaning up my pollution, I’ll have to raise my prices and my competitors can run me out of business ... unless they’re forced to internalize their costs, too. The only solution is to *require* all manufacturers to internalize the full cost of production.

In this case since neither BP nor any other oil company, can afford to pay for the incalculable consequences of such a spill, part of the full cost of deep-water drilling would necessarily include insurance against any accidents. But, no insurance company would risk selling such a policy, either. Therefore, no oil company could afford ultra-deep-water drilling, and it wouldn't be done. Whatever compensation BP ultimately agrees to, the ultimate cost of the spill will be paid by the rest of us. Requiring internalization of all environmental costs—for instance, through such mechanisms as “cap and trade”—will ultimately reduce oil production and raise prices substantially, effectively lowering the American standard of living.

The causes of the BP oil spill are not only the iniquity of a particular company nor government incompetence. The hard-to-face learning is that our out-of-control consumerism is primarily responsible. America's dependence on cheap oil, the realities of peak oil, the limits of technology, and the inability of our economic system to deal with externalized costs make such devastating “accidents” inevitable. The dirty little secret is that we face a sharp reduction in our standard of living—either shoved down our throat by future realities or graciously accepted now.