



ATLANTIC MEMO # 5

The \$100 Barrel: Long Term Gains, Short Term Costs

Members of the Atlantic Community are more concerned about the short term consequences than the potential long term benefits of the current high oil price.

[Prof. Thomas Straubhaar](#) of the Hamburg Institute of International Economics argued on [atlantic-community.org](#) that the global economy could benefit from the \$100 barrel, because it will drive energy saving and economic efficiency, lead to new investment in oil fields, and benefit Germany as oil rich countries buy high quality goods.

Atlantic-community.org members, however, were more sceptical of this analysis and worry about the economic and security consequences of the high oil price. Here is a summary of their main arguments and conclusions.

1. The \$100 barrel: In the short term this is no blessing.

There is a strong consensus that in the short run there is little to benefit from a growing oil price. [Louis Schirano](#) is adamant that the benefits of the \$100 barrel are outweighed by the costs: the impending global economic slowdown led by possible recession in the US, the increasing US trade deficit caused by the oil price rise in the face of a weakening dollar (and the global effects), and the erratic behaviour of Russia. [Jens Laurson](#) notes that for oil and gas importing countries such as Germany, any benefit from increased exports would be offset by increased costs of production.

2. The high oil price will spur security problems.

[James Cricks](#) argues that the reallocation of wealth to countries such as Russia and Iran will be detrimental to global security. Likewise [Jens Laurson](#) is concerned about the increasingly errant behaviour of emboldened oil states and the threat that they pose to the West, not to mention the cost they pose to their own people. [Andreas Kern](#) went even further, saying that rising oil prices added to existing Dutch-disease problems in emerging resource exporting economies.

In relation to this, however, there was agreement that growing energy security concerns, especially in the US, will encourage energy saving and the development of alternatives. [Luke Nichter](#) pointed out that those who previously found "green" energy saving initiatives unpalatable, may find a new rallying point in energy security, although this could also lead to dangerously insular economic nationalism.

3. Europe must recognise that the US is different.

Contributors worried that Europeans did not accept the differing attitudes in the US towards climate change. In [William Schirano's](#) opinion, setting the bar too high could create another area where transatlantic relations suffer. [James Cricks](#) pointed out that it is not just SUVs that create greater demand for oil in the US – for instance, population density in the US is seven times lower than in Germany which means that mass transport is not always an option, a view also expressed by [Louis Schirano](#).

To those taking part in the debate, the increased development of alternative energy sources was an obvious result of increased oil prices. In the long run energy alternatives will probably originate from the West, claims [Luke Nichter](#). [Andre Kelleners](#) adds that there may be benefits through alternative energy development in economies that are human capital intensive. However, he concludes, the long term benefit to the environment will be no condolence for those feeling the effects today.

Atlantic Memos showcase the best ideas and arguments from debates in the Open Think Tank on [atlantic-community.org](#). All policy recommendations in this document were made by registered members of the Atlantic Community.

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