

The following words were written in the 1930s by M. King Hubbert, published by Technocracy Inc. in 1940: **Man Hours and Distribution** pamphlet, page 27 — **IV. A Technological Distribution System (Scientific Approach to the Problem)**. What we have seen is that our leaders of business and government have gone from one blind expedient to another without the slightest prospect of accomplishing anything more effective than a postponement of the evil day when no expedient can be made to work any longer. Yet, in spite of all efforts, one-third of the population of this, the most richly endowed continent on earth, have become virtually pauperized, and the people of North America may consider themselves fortunate indeed if they are not further induced by the same business and political leadership to offer up a human sacrifice over a trumped-up foreign war as an additional futile gesture.

A more eloquent example of demonstrated incompetence on the part of social leaders is not to be found in all the annals of human history! (This administration has exceeded them all... in re: incompetence. No?)

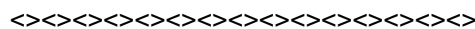
What is there so difficult about the problem? What is it that has to be done in order to solve it? Simply and solely that our continental totality shall be operated at a maximum of efficiency with a maximum conservation of resources for the maximum production and distribution of physical wealth — with a resultant standard of living greater than has ever been obtained on the North American Continent.

To do this requires a social organization designed to operate all production sequences and a distributive mechanism that will deliver the products of industry to the consuming public at whatever rate is required.

Getting Something for Nothing — In the distribution to the public of the products of industry, the failure of the present system is the direct result of the faulty premise upon which it is based. This is that somehow a man is able by his personal services to render to society the equivalent of what he receives, from which it follows that the distribution to each shall be in accordance with the services rendered and that those who do not work must not eat. This is what our propagandists call "the impossibility of getting something for nothing."

Aside from the fact that only by means of the sophistries of lawyers and economists can it be explained how, on this basis, those who do nothing at all frequently receive the largest shares of the national income, the simple fact is that it is impossible for any man to contribute to the social system the physical equivalent of what it costs that system to maintain him from birth to death — and the higher the physical standard of living the greater is this discrepancy. This is because man is an engine operating under the limitations of the same physical laws as any other engine. The energy that it takes to operate him is several times as much as any amount of work he can possibly perform. If, in addition to his food, he receives also the products of modern industry, this is due to the fact that material and energy resources happen to be available and, as compared with any contribution he can make, constitute a free gift from heaven.

Stated more specifically, it costs the social system on the North American Continent (circa 1940) the energy equivalent to nearly 10 tons of coal per year to maintain one man at the average present standard of living, and no contribution he can possibly make in terms of the energy conversion of his individual effort will ever repay the social system the cost of social maintenance. (This explains draconian cuts, shipping jobs overseas which is vigorously encouraged by today's political and business leadership to include every social safety net ... for seniors, students, children, veterans, including all the middle class down ... excepting corporations and the top 1% of the nonworking population. — Paul Cordsmeyer



The Bureau of Labor Statistics press release announcing an unemployment rate of 4.7% [full employment essentially] is a fraud. The reason is that laid-off workers who exhaust their unemployment benefits are not counted as unemployed. These so-called "discouraged workers" disappear from official statistics. Roberts' analysis and conclusions explain this deception in detail. www.vdare.com

Job Disinformation: By Paul Craig Roberts — *The New York Times*, February 3, 2006

On Friday, Feb. 3, the Bureau of Labor Statistics released the nonfarm payroll jobs report for January. New York Times reporter Vikas Bajaj wrote an upbeat news story, obviously based on a Labor Department press release rather than any study of the BLS report. If the rosy view of Ethan Harris, chief economist for Lehman Brothers, is typical, Wall Street has no more idea than Bajaj of what the jobs report really says. [Jobless Rate Falls to Lowest

Level in More Than 4 Years — http://www.nytimes.com/2006/02/03/business/03cn_econ.html?ex=96622800&en=7a5ed2ad83afda&ei=P90&partner=rssuserland&emc=rss>]

The export and import competitive sectors of the US economy have been tanking for a long time. To keep the story manageable, let's just go back to January 2001. The latest BLS payroll jobs report says that January 2006 is now the 61st month that the US economy has been unable to create any jobs except jobs in domestic nontradable services, most of which are low paid. Of the 194,000 private sector jobs created in January, 46,000 were in construction (and most likely went to Mexican immigrants, both legal and illegal) and 136,000 were in domestic services. Financial Activities (essentially credit agencies) account for 21,000. Administrative & Waste Services account for 17,600. Health Care & Social Assistance account for 37,500. Waiters, Waitresses, and Bartenders account for 31,000. Wholesalers account for 15,100.

There were 7,000 new jobs in manufacturing in January, but the total number of manufacturing jobs in January 2006 is 48,000 less than in January 2005. Over the past five years, millions of manufacturing jobs have been lost. At the rate of 7,000 new manufacturing jobs per month, the lost manufacturing jobs over the past five years would not be regained for 34 years.

Does anyone remember when reporters were curious? In his rosy jobs report, Vikas Bajaj does let it out of the bag that "economists estimate that the nation needs to add roughly 150,000 jobs a month just to keep up with population growth." That translates into 1,800,000 new jobs per year to stay even with population. Over the past 61 months, 9,150,000 new jobs were necessary in order to prevent population growth from pushing up the unemployment rate.

How many new jobs have been created over the past five years and one month? According to the Bureau of Labor Statistics latest revisions, a total of 1,054,000 net new private sector jobs were created over the past 61 months (January 2001 through January 2006). Add the total net government jobs created over the period for a total net job creation of 2,093,000 jobs over the past 61 months.

That figure is 7,057,000 jobs short of keeping up with population growth!

What, then, does it mean for Bajaj to tell the Times readers that the unemployment rate has fallen to 4.7%, a rate that economists consider to be essentially full employment? How can the economy possibly be at full employment if the economy is 7 million jobs short of keeping up with population growth!

The unemployment rate does not measure the millions of Americans who have lost their jobs to offshore outsourcing and to foreign workers brought into the US on work visas. These millions of Americans have exhausted their unemployment benefits and severance benefits and have been unable to find jobs to return to the work force. Economists refer to these millions of unemployed people as discouraged workers who have dropped out of the work force. As they have given up searching for jobs, they are not considered to be in the work force and, therefore, do not count as unemployed.

If you are an American engineer whose job has been outsourced to India, China, or Eastern Europe, where the cost of living and salaries are far below US standards, or you are an engineer who has been forced to train as your replacement an Indian engineer imported on a H-1B or L-1 work visa, where do you go to find a new engineering job? All the companies are doing the same thing.

It is amazing to hear politicians and corporate executives blabber on about a shortage of engineers and scientists when there are now several hundred thousand unemployed American engineers. The corporate executives, whose own bonuses grow fat from replacing their American employees with foreigners who work for less, spread disinformation about "shortages" so that Congress will give them more H-1B visas. This is one of the greatest frauds ever perpetuated on the American people.

If the unemployment rate is now at essentially full employment, why only a few days ago did 25,000 Americans <http://www.suntimes.com/output/news/cst-nws-walmart26.html> apply for 325 jobs at a new Chicago Wal-Mart?

Americans are not being told the truth about anything, not about Iraq, not about Iran, not about terrorism, and not

The underlying methodology is Hubbert's postulate that the rate of new oil discoveries depends on the fraction of the oil that has not yet been discovered. Similarly, the rate of oil production depends on the fraction of oil that has not yet been produced. A test of Hubbert's hypothesis, using the long history of US oil production, is on pages 3542 of my book *Beyond Oil*. An algebraic result from the Hubbert theory says that the production rate peaks when half of the oil has been produced.

The most accurate measure of the eventual total oil comes from the "hits" graph on page 48 of *Beyond Oil*. The input data for that graph are the dates of the first well in each oilfield. The February 2006 edition of Colin Campbell's ASPO newsletter contains his updated version of the ExxonMobil discovery dates. I enlarged Campbell's graph and scaled off data for 2004 and 2005. An update of the calculation reported on page 49 of *Beyond Oil* gives an unchanged estimate: 2.013 trillion barrels. (There is always a statistical nervousness when an estimate does not change. I make the estimates by stepwise trials, and the winning step was 2.013. What I know is that neither estimate was 2.012 or 2.014.)

The world peak would then happen when 1.0065 trillion barrels have been produced (half of 2.013). Following Hubbert, I used the Oil & Gas Journal end-of-year production numbers. It isn't that the Oil & Gas Journal reports are divinely inspired; their methodology is well explained and their reports constitute a relatively consistent data set. The cumulative world production at the end of 2004 was 0.9812 trillion barrels and at the end of 2005 it was 1.00748 trillion. During the year, we passed the halfway point.

There are some interesting additional bits in the end-of-year statistics. Compared to 2004, world oil production was up 0.8 percent in 2005, nowhere near enough to compensate for a demand rise of roughly 3 percent. The high prices did not bring much additional oil out of the ground. Most oil-producing countries are in decline. The rise in production was largely from Saudi Arabia, Russia, and Angola. The Saudi production for 2005 was 9.155 million barrels per day. On March 6, 2003 Saudi Aramco and the government of Saudi Arabia announced by way of the Dow Jones newswire that they were maxed out at 9.2 barrels per day. In retrospect, that statement seems to be accurate. Further details are in Matthew Simmons' book *Twilight in the Desert*.

Could some new discovery come along and reverse the global oil decline? The world oil industry is a huge system: Annual production worth 1.7 trillion dollars. I don't see anything on the horizon large enough to turn it around.

So what are the policy implications? Numerous critics are claiming that the present world economic situation is a house of cards: built on trade deficits, housing price bubbles, and barely-adequate natural gas supplies. Pulling any one card out from the bottom of the pile might collapse the whole structure. There are calls for embargoing Iranian oil because of the nuclear weapons situation. Pulling four million barrels per day out from under the world energy supply might trigger a severe worldwide recession. In the post-peak era, we're playing a new ball game and we don't yet know the rules.

Ghawar, the supergiant Saudi oilfield, is producing increasing amounts of water along with the oil. When Simmons sent *Twilight in the Desert* to the printer, the water cut at Ghawar was around 30 percent. There are later reports on the Internet (home.entouch.net/dmd/ghawar.htm) of water cuts as high as 55 percent. Ghawar has been producing 4 million barrels per day; when the Ghawar field waters out, you can kiss your lifestyle goodbye.

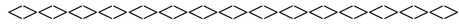
Since we have passed the peak without initiating major corrective measures, we now have to rely primarily on methods that we have already engineered. Long-term research and development projects, no matter how noble their objectives, have to take a back seat while we deal with the short-term problems. Long-term examples in the proposed 2007 US budget (Feb. 9, 2006 New York Times, page A-18) include a 65 percent increase in the programs to produce ethanol from corn, a 25.8 percent increase for developing hydrogen fuel cell cars, and a 78.5 percent increase in spending on solar energy research. The Times reports that solar energy today supplies one percent of US electricity; the hope is to double that to 2 percent by the year 2025.

By 2025, we're going to be back in the Stone Age.

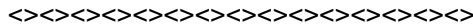
Ethanol, fuel cells, and solar cells are not the only shimmering dreams. Methane hydrates, oil shale, and the Yucca Mountain radioactive waste depository would be better off forgotten. There are plenty of solid opportunities. Energy conservation is by far the most important. Initiatives that are already engineered and ready to go are biodiesel from

palm oil, coal gasification (for both gaseous and liquid fuels), high-efficiency diesel automobiles, and revamping our food supply. Every little bit helps, but even if wind energy continues its success it will still be a little bit.

That's it. I can now refer to the world oil peak in the past tense. My career as a prophet is over. I'm now an historian.



Comment: A recent radio program this week reported world consumption has reached 1,000 barrels of Oil per second... Paul C.



Massive Oil Profits May Not Last, by Nelson D. Schwartz, FORTUNE senior writer, February 3, 2006

LONDON — Judging by the tens of billions (yes, that's billions with a B), the big oil companies are reporting in earnings for 2005, you'd think this is as good as it gets for companies like Chevron, Exxon, Shell, and BP. Their shares are up, they've got a friend in the White House (even if he has been daring to talk about alternative energy), and they literally have more cash than they know what to do with. Heck, when was the last time it was cooler to be a member of Houston's Petroleum Club than be a tech type in Austin?

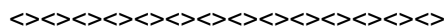
Look a few lines down from the blowout profits, though, and you'll spot something that's being quietly discussed in the boardroom but not maybe not at the Petroleum Club — weak production gains and a stunning inability to replace the reserves the giants are pumping right now.

Although industry leader Exxon has long shown extraordinary discipline in finding more oil year after year, rivals like Shell and Chevron are lagging badly. Despite earning \$14 billion last year, most of Chevron's production and reserve increases came from its acquisition of Unocal, not what oil insiders call 'the drill bit.' And while Royal Dutch Shell (Research) earned more than \$25 billion, its daily production fell from 3.7 million barrels a day in 2004 to 3.5 million last year. Even worse, the Anglo-Dutch giant replaced only 70% to 80% of the oil it pumped out of the ground, despite spending billions on new projects.

"This is the big story for these companies," says veteran industry consultant and occasional gadfly Matthew Simmons. "They're so big, they're having a very hard time growing. The only thing they really know how to do well is buy back stock." Simmons, it should be noted, is convinced the world is entering a period of tight oil supplies that will drive prices much, much higher. That's debatable — but he's on to something here. Because if the oil giants can't find new fields, going forward they'll essentially be liquidating the source of future profits. Smaller, independent oil firms have had much more success in growing production, which leads Simmons to wonder if maybe the giants wouldn't be better off splitting themselves up. "I think one of these days, one of the Big Oil companies is going to break itself up like AT&T and the Baby Bells."

Oil analyst Neil McMahon of Sanford Bernstein agrees the production numbers are a challenge, although he's a bit more sanguine about the future of Big Oil than Simmons. "Still, at the end of the day, it's not great," he admits, adding that production schedules of big projects like BP's Thunderhorse in the Gulf of Mexico and Chevron's Gorgon field off Australia have also been slipping.

But with prices where they are, there's no shortage of cash. And there is a lack of easy-to-find crude. Don't be surprised, therefore, if the next time Big Oil finds some new assets, they're found not in deep water or under desert sands but on Wall Street.



Energy Research Sputters http://www.technologyreview.com/NanoTech/wtr_16217,303,p1.html

Experts say too much funding is going into hydrogen at the expense of near-term technologies.

By Kevin Bullis, January 31, 2006

High oil prices and the dangers of global warming have some experts hoping that President Bush... will redirect energy research priorities. The president, they say, needs to start funding a wider range of promising technologies, including ones that could have a near-term impact on both fuel costs and emissions.

