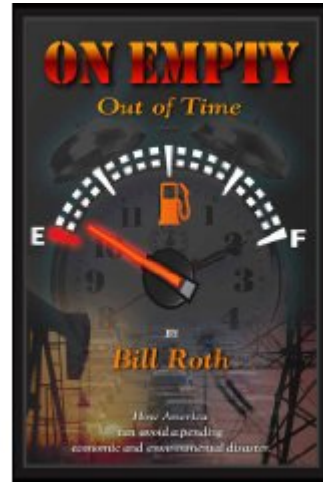


On Empty – Out of Time by Bill Roth

Review by Michael Olson

It is routine now to read about energy independence, climate change and environmental pollution, the rise of East Asia led by China, and the massive outflow of American wealth to foreign oil producers. Some have called the latter phenomena, the largest transfer of wealth in history. Today, we are well aware of these issues and realize that effectively addressing them to create sustainable societies, preferably enjoying the climate regime that we have grown accustomed to over the past several centuries, is both very desirable and very difficult. Unpleasant choices that require changes in behaviors and redirection of our personal financial resources lurk behind every proposed antidote for each of these challenges. With the change in American leadership coming in early 2009, we can expect more attention being directed to making hard decisions. But will they be good decisions?



I use the term ‘good’ as opposed to ‘right’ decisions because the nature of these social messes (aka ‘wicked problems’) is that the decisions that work are those that align with social values, beliefs, and time horizons (a good solution today may well be bad for tomorrow). Anyone who has worked on problems with these wicked attributes knows that just having a useful discussion is a challenge. Extending that discussion to the whole American society so far has generated only a cacophony of opinions. In these situations the historical result seems to be that this noise-filled vacuum allows special interests to pull the strings of power – too often to the detriment of the larger population.

So what to do? Clearly anything that helps us better understand the bigger picture and to step outside our silo perspectives of the issues gets us further along the path to better decisions. Bill Roth in his book “On Empty – Out of Time” addresses this larger picture from an economist’s point of view. His economic perspective is bolstered by having spent a number of years consulting in the power industry. As a result, he is able to bring many of the facts that have spewed forth from numerous sources to fill the print, talk and video media of our daily lives together. He has combined these in a way that highlights the issues that we face and he offers some insights on developing good responses to these many challenges.

Mr. Roth focuses on what many see as three main interacting factors: 1) energy independence as influenced the War on Terror and the associated transfers of wealth for oil, 2) climate and environment change, and 3) the rising role of China (and India) in global energy demand with its attendant climate and environmental impacts. The

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common denominator for a conclusion here is that our future will be more to our liking if we attain substantial energy independence and create a sustainable green economy.

Mr. Roth brings the reader along first with a number of chapters that outline the costs of the natural gas, oil and coal (fossil fuel) economy in wealth transfer and climate and environment impact. He includes some antidotal comments on how China’s economic growth demands encourages them to buy the cheapest oil and coal they can find which, no surprise, is very polluting. Some of this finds its way into shipping fuels and often particulate matter that is a substantial part of the pollution index in California. He also reviews a number of the alternatives on the way to clean energy and energy independence with an economist’s eye. He demonstrates how the costs compare when viewed from the anticipated demand for green energy as well as independence. These set the stage for his view of how we get from here to there (and beyond since these wicked problems never get completely solved; change continues to redefine the context and the goals, leading to future re-solving).

The most important aspect for the dilettante observer of climate and energy is his review of three main levers for policy makers: 1) direct regulation, 2) market shaping via cap and trade, and 3) consumer pricing clarity via ‘real cost’ pricing with rebates to facilitate transition to a sustainable, green, energy independence economy. As you would expect, redefining an economy through the first is politically difficult in a democracy. China may have an advantage on us there. The second depends upon markets becoming mature which Mr. Roth suggests may take a decade or more. And we have experienced over the last few years the challenges of developing global Cap and Trade in a way that works and does not foster abuses. Our experience over the last few years in carbon trading seems to reinforce this view. And I did hear a NPR interview about a UC Berkeley class study on Cap and Trade that had one interesting outcome – all strategies used by the traders, users and suppliers resulted in much higher prices. Interesting is the reality. Finally, anything that has the implication of a ‘tax’ is one of those ‘framing’ words that raise the emotional resistance of the small government crowd. But this may well be the key since human behavior is the engine for change in our world. Mr. Roth points out that as long as individuals make buying choices based upon misleading pricing information, misleading in the sense of directing us away from choices that get us where we should want to be in a hundred years, we will reap the sour fruits of those decisions. Is this the legacy we would leave our children?

I encourage you to read his book and join the discussion on where we want to go and how we can change our behavior to get there.