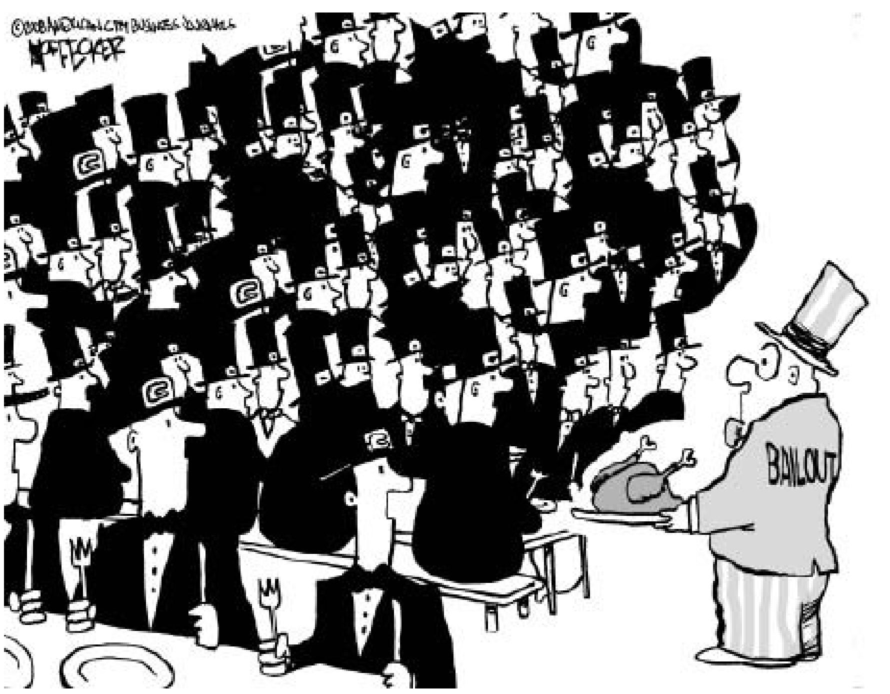
COMMENTARY



Enjoy low gas prices, because it won't last

VIEWPOINT
ANDREW BROD

I have a question: Is this the same economy we had a few months ago? Back then the watchword was uncertainty, as it was unclear whether the financial crisis would spill over into the broader economy. Then financial-services companies started failing, the stock market dropped even faster than before, and now there's very little uncertainty that a recession has hit.

A few months ago, the big news in commodities was relentlessly rising prices. Corn futures rose dramatically on the strength of ethanol subsidies and rising global demand. Prices of basic metals like iron and copper rose as well. And oil prices surged to a once-unimaginable high of $146 per barrel in July. Gasoline prices reached $4.11 per gallon.

But now the prices of some crude-oil products have fallen below $50 per barrel, and the national average gasoline price fell to $1.93 per gallon earlier this week. According to GreensboroGasPrices.com, some area stations were selling regular gasoline for as little as $1.67. What's going on? Has the era of high energy prices ended so quickly?

When oil prices first started their downward trend from that July peak, it was the result of conservation by consumers worldwide who had finally had their fill of price increases.

They found substitutes or cut back. By the end of August, declining demand had caused oil prices to drop 24 percent and gasoline prices to fall nearly 11 percent.

Then the accelerating recession really took the air out of prices. Since the worsening of the financial crisis in early September, the prices of both oil and gasoline have fallen even more sharply, by another 50 percent. Some commentators have claimed that low fuel prices are good news because they provide a measure of relief to strapped consumers. But it's essentially the reverse: prices are low precisely because so many consumers are hurting.

So which is the fluke? The summer surge in oil prices or this fall's precipitous drop? Unfortunately, it's the latter. To paraphrase John McCain, the fundamentals are strong for the eventual return of high oil prices.

The thing to remember about the run-up in oil prices is that it was a number of years in the making. After hovering around $20 per barrel for more than a decade, oil prices started trending upward in the late 1990s, driven by growth in emerging economies, particularly Brazil, Russia, India and China.

Like the U.S. economy, those economies have slowed down dramatically. But also like the U.S. economy, they'll be back.

The upward trend stalled briefly during the 2001 recession, with oil prices falling 44 percent by the end of 2001. But the trend resumed in early 2002. And soon, it was reinforced by a growing tightness in oil supplies. The combination of growing demand and static supply sent prices to the stratospheric heights we saw this summer.

The recession of 2008-09 has interrupted the upward trend once again. But the trend will resume after this recession ends, just as it did after the 2001 recession.

According to recently released projections by the International Energy Agency, the consumption patterns of the last few years will continue and in fact intensify, and supplies will continue to be tight. The authors of the IEA report expect the price of oil to rise to $200 per barrel by 2030.

So enjoy that cheap gasoline while you can.

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Step outside of corporate world and take a class

On Monday mornings, many are immersed in the weekly staff meeting: assignments abound, deadlines drift and coffee grows cold while e-mails and voice mails pile up unanswered.

Mondays are the crucible of commerce, but I fear Monday could be the very day that holds us back if we merely focus on management and the week ahead. Why spend so much time re-hashing priorities and coordinating calendars, when what we really need to be doing is learning?

This fall I side-stepped the standard Monday routine and enrolled in a course that intrigued me: Introduction to Nanotechnology at Forsyth Tech. Nanoscience is a perfect storm of physics, chemistry and biology, looking at different properties of matter at the atomic scale. If made small enough, gold will act as a catalyst for chemical reactions and have a distinctly different color than we know it in bulk form. In a world measured in meters, I can stand at the edge of the Grand Canyon and never propel myself to the other side.

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But if you make me and the Grand Canyon small enough, say a billionth of a meter, there is a possibility I will cross over the crevasse as wave rather than particle due to something called the Tunnel Effect. Cool, huh?

It's been 31 years since my last science class. There are formulas with symbols I don't recognize, and concepts of quantum physics that may ultimately elude me no matter how many metaphors I use to describe them. In an open-seating classroom without cubicle or office walls, there's nowhere to hide. I can't miss a homework assignment and blame Purchasing or a glitch in the global supply chain. When called upon in class, I either know the material or I don't, and everybody around me knows it, too.

But it's worth the risk. To learn the science behind the technology, to articulate in everyday language what the PhDs have been working on for decades is the only way across the divide. There's more than $100 million worth of nanoscience-related investment in local university programs at Wake Forest, UNC-Greensboro, N.C. A&T State and Forsyth Tech. We have nano-accelerators and nanotech spinout ventures and large corporations looking to capitalize on the technology with novel applications. How can we make textiles bacteria resistant? How do we make buildings energy efficient? How can we kill cancer cells with targeted drug delivery using carbon nanotubes?

I would challenge anyone who is an executive to step out from the world they know and find something new to learn. If there is any science related to your business, and you didn't come up the ranks via the lab bench, don't rely on the experts to give the technical briefing. You may understand the cash flow statements or brand strategy for your pharmaceutical client, but do you understand ladder synthesis or the difference between a ligand and a lipid? You're all for green energy, but how does that photo-voltaic panel capture and transfer solar energy?

School is humbling, which also means it gets us back to what we do best as adaptive beings. I may be the head of my organization, but at the community college there is no hierarchy. I am one among many, without title, portfolio or privilege. I move invisibly past people more than half my age, while the people my age give me a half-nod in passing. We're all trying to figure it out, and we're willing to trade the intimidation for some insight into what's next.

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