



January 23, 2008

Time To Move On to the Next Bubble: Clean Energy

by [Mark Braly](#)

The U.S. economy is a bubble economy -- going from bubble to crash to the next mania -- and the new bubble is likely to be clean energy, says Wall Street insider Eric Janszen in the cover story of the February Harper's.

We've seen two bubbles, internet and housing, within a decade, writes Janszen, "each creating trillions of dollars in fake wealth."

"There will and must be many more such booms, for without them the economy of the United States can no longer function. The bubble cycle has replaced the business cycle."

Here's why Janszen thinks the necessary next bubble will be clean energy. The new bubble sector must:

1. already be formed and growing as the previous bubble (housing) deflates. *Check.*
2. have in place or in the works legislation guaranteeing investors favorable tax treatment and other protections and advantages. *Check.*
3. be popular, "its name on the lips of government policymakers and journalists." *Check.*
4. "support hundreds or thousands of separate firms financed by not billions but trillions of dollars in new securities that Wall Street will create and sell." *Is that coming?* Janszen is quite expansive in his definition of clean energy, including a massive retooling of the country's transportation and power infrastructure.

Janszen, a one time venture capitalist and serial entrepreneur, thinks the financial sector is driving the U.S. economy (and, per force, much of the global economy). The financial sector gets behind whatever new thing they think can provide the hyperinflated returns they require. And they bring to bear massive political influence, well lubricated by money, to insure whatever public policy they require.

Advocates of renewable energy might say bring on this bubble. But Janszen cautions: "Bubbles are to industries that host them what clear-cutting is to forest management. After several years of recession, the affected industry will eventually grow back, but slowly."

In an email interview I asked Janszen if a clean energy bubble was a good thing — bringing massive investment to vital new industries — or bad, leaving those industries struggling in the wreckage of the inevitable crash down the road.

"The term 'bubble' is pejorative," he replied. "The alternate title for the Harper's piece was 'The Good Bubble.' These are changes we need but lack the political ability to make due to the inertia of entrenched interests...Employment of the bubble system that was responsible for the tech and housing bubbles may be the only means available both to fight the impact of the debt deflation recession that started in Q4 2007 and also to deploy resources on the scale required."

In this scenario, the big losers will likely be the investors or taxpayers, as in the housing collapse.

But will the inevitable collapse hurt clean tech? "...it's hard to say that (it) will be worse than the impact of not focusing entrepreneurs and capital on the problem now." As for winners and losers: "it's up to the political system and markets to determine the distribution of gains and losses," Janszen says.

Janszen's job at the Jeffrey Osburn venture capital firm during the tech boom was to watch for the peak — and get his

investors out in time. He delivered. His contrarian web site, itulip.com, has created a buzz in the mainstream business media. The name, you might have guessed, derives from the 17th century tulip bulb mania that swept Europe and resulted in regulation and enduring caution toward speculative bubbles. Now, according to Janszen, they are business as usual. He is not alone. Similar views are shared by economic writers such as Paul Krugman of Princeton and the N.Y. Times and Robert Kuttner, author of "[The Squandering of America: How the Failure of Our Politics Undermines Our Prosperity.](#)"

One comes away from Janszen, both in print and email, not knowing whether to welcome or put some kind of net over this bubble.

In our interview the author posed the question: "What deregulation or regulation is needed to make sure investors will not lose their shirts on alternative energy the way they did after the 1970s? You'd look for a shift away from tax breaks and other government subsidies of the oil industry to more creative win-win regulations that help both incumbent and insurgent interests."

A floating tariff on imported oil might be the win-win, suggests Janszen. "What if by tariff imported oil was held at \$100/bbl no matter what the actual FOB costs and gradually increased to \$200, over say three years?"

Looking back to the birth and death of the 1970s clean energy industries due to cheap oil, I'd have to say Janszen may have something there. But does Wall St. have the political juice to buy itself insurance for expensive oil in a nation that demands cheap? My answer would be speculative, and Janszen's may be hyperinflated.

Mark Braly was energy advisor to the mayor of Los Angeles during the 70s energy shock, author of the city's prize-winning energy plan, and president of a State of California non-profit corporation which made loans to renewable energy businesses. Now retired, he is a City of Davis, California, planning commissioner working on the city's zero-carbon program.

For Further Information

- <http://www.harpers.org/>

Please Note: RenewableEnergyAccess.com does not endorse the sites behind these links. We offer them for your additional research. Following these links will open a new browser window.

null

Copyright © 1999-2008 RenewableEnergyAccess.com
All rights reserved.

