

patch in Alberta, a hot real estate market followed by a sharp downturn). However, the soaring oil rents in Alberta led to the National Energy Policy of 1980, which sought to redistribute those rents. In Canada, the fallout in terms of domestic friction was contained. But in other countries similar struggles over rents spiralled out of control; indeed, rent grabs have been identified as one root cause of “failed states”.<sup>15</sup>

Thus corruption, internecine friction (even warfare), failed states, can all be seen as endogenous to price movements. Parenthetically, one might note that it is sometimes exuberantly claimed that “Greed works!” It does nothing of the sort. Greed is the author of the “tragedy of the commons”; it is the source of the “curse of oil”. Its ethos is acquisitive and appropriative; it seeks out the windfall. It has nothing to do with the vision and industry, conditioned by discipline and passion, which are required for creation. Under stable price regimes, rewards go to the creative; when prices fluctuate widely, they go to the lucky.

### **Its not simply “volatility”**

It is old news that price behaviour became more volatile in the post-Bretton Woods era. But there is volatility and then there is volatility. The issue is not that the amplitude of fluctuations increased—that would be a simple version of increased volatility, presumably something that markets could deal with quite easily once the pattern established itself. The problem appears to be difficulty of identifying equilibrium.

Although “equilibrium prices” may never be attained in actual markets, they can be thought of as representing a point of attraction towards which actual prices will tend to gravitate, or put another way around which they might fluctuate.

An interesting way illustrate price behaviour is a connected scatter plot, in which the price in one year is plotted against the

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<sup>15</sup> See William Easterly, “The Elusive Quest for Growth”, *op. cit.*, pg 134-135 for the story of the struggle in Côte d’Ivoire over the windfall rents conferred by soaring coffee and cocoa prices in the 1970s.