$100 a barrel. Cheap.

by the St. Louis Post-Dispatch

The price of oil briefly broke the $100 mark last week. The most remarkable thing about passing the long-dreaded psychological barrier was how little it seemed to hurt.

Back in the 1970s, the oil price shocks helped bring on years of inflation, economic stagnation and two recessions. This time around, the market mostly yawned when oil on the New York market touched $100.09 a barrel on Thursday, even though that's just a hair below the all-time high reached in 1980 (adjusted for inflation). Oil closed at $97.91 on Friday.

The major danger to the U.S. economy today involves the housing crises and a credit crunch. High oil prices are an added burden, of course, but they're no longer an economic back-breaker.

The country still has a long way to go, but America is far more energy efficient than it used to be. Compared with the 1970s, it now takes half as much oil to produce the same amount of economic output. In part, that's because we're more of a service economy, and it takes less energy to run a bank than, say, an aluminum smelter.

But it's also because of lessons learned in the bad old days of the 1970s and early '80s, when Congress imposed the first fuel economy standards on vehicles, and people traded in muscle cars for little Corollas. Industry became energy-conscious.

We forgot those lessons during the cheap oil days of the 1990s, as we climbed into our sport utility vehicles, but now we're in deja vu. Oil now costs nine times as much as it did in 1998. The price is up 71 percent in the past year alone. Gasoline in St. Louis averaged $2.86 per gallon last week.

Without that painful renewed jolt, Congress never would have passed this year's energy bill, with the first boost in vehicle fuel economy standards since 1985 and mandates for alternative energy. Ethanol now is cheaper than gasoline, and we grow it at home. America is learning to adjust to higher oil prices.

For now, those prices hurt in several ways. They work like a tax imposed by a foreign power, sucking money out of American wallets and slowing growth. Gasoline takes only 4 percent of the average American's disposable income, but pile higher fuel prices on top of the housing debacle and a suffering banking system, and it increases the chances for recession.

At the same time, rising oil prices add to inflationary pressures. That deepens the quandary for the Federal Reserve. The Fed would like to cut interest rates to ward off recession, but it dare not do so if the inflation monster might escape.

High oil prices also add to America's problems abroad. They prop up Iran's rickety economy and its irrational president, jangling nerves in the world's oil patch. Oil money keeps Venezuela's Hugo Chavez stirring the pot in Latin America. Even Russia, flush with oil money, is starting to growl again. We depend on imports for about 60 percent of our oil, much of it from volatile parts of the world. That's one big reason we're in Iraq.

And there's little the United States can do about it. Oil prices are set on a world market. Today's high prices are partly because of speculation in that market, but the main cause is higher demand for oil as Asia industrializes. As more of the developing world emulates our high-consumption lifestyle and oil reserves continue to shrink, we will look to the day when oil first passed $100 with something like nostalgia.

Reprinted from the St. Louis Post-Dispatch â€“ CNS.