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The Economy | All pumped up for conservation

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Don't look now, but conservation may be cool again.

People I know who could afford gas-guzzlers are starting to brag about their new hybrids. If this keeps up, we'll soon be back to gauging status in miles per gallon rather than cup holders per seat.

A recent poll found that two-thirds of Americans now think it's patriotic to buy a fuel-efficient vehicle. Even in polarized Washington, smarter energy use is reemerging as a cause both left and right can embrace.

The Washington Post reports the formation of a lobbying coalition that includes both red-meat conservatives and tree-hugging environmentalists, called "Set America Free."

The group plans to push for tax breaks that encourage alternative fuels in order to reduce our dependence on crude oil, particularly the imported-from-the-Middle-East kind.

It's a sea change from just a couple of years ago, when presidential spokesman Ari Fleischer defended gas-guzzling cars as part of the "blessed" American way of life. And the cause is pretty clear. You can see it hanging over your neighborhood gas station, beginning with "$2" and a decimal point.

The national average price for regular gasoline is now near $2.16 a gallon. Crude oil is near $56 a barrel, and yesterday a leading Wall Street firm, Goldman Sachs, said the world price could spike to more than $100 a barrel in the next several years.

Yikes. As oil prices have risen in the last few years, economists and pundits (including me) have argued that things weren't all that bad. If you adjusted for inflation, fuel prices were really much higher in the 1970s.

But $100 a barrel? Now it's getting serious.

What could cause oil to boil to such a level? Two likely answers come to mind, namely China and India.

As the Earth's most populous countries belatedly join the developed world, their industries and consumers demand lots more energy. But the available global supply of crude isn't growing much, if at all. And political turbulence in Iraq, Venezuela, Nigeria and Russia makes some of that supply look shaky.

More demand without more supply equals higher prices. It's elementary.

But it's not the whole story. Markets - including energy markets - can move for other reasons, including herd psychology. And some analysts think oil prices may be skyrocketing at least partly because investors are rushing in, just as they did with tech stocks several years ago. There's a circular cause-and-effect loop at work. As investors grow convinced oil will rise, more money flows into the market, bidding up futures contracts and other oil-related investments. That feeds back into the actual price, at least temporarily.

But remember what happened in the 1970s and '80s. When the OPEC nations raised crude prices fivefold, they set off two reactions. Other oil producers jumped into the market, drilling in the North Sea and elsewhere; and consumers got serious about conservation.

As a result, oil prices collapsed in the mid-1980s, turning OPEC into a toothless tiger for the next decade.

OPEC is smarter now. The Saudis and their friends aren't simply jacking up prices; rather, they've learned to play on the market's expectations.

It was only a few months back, for instance, that a Saudi spokesman was saying he expected crude prices to stabilize around $25 a barrel.

Of course, if you expect prices to fall, there's not much point in trading your SUV for a hybrid (or a rail pass). You also aren't as likely to invest in a new refinery or deep-sea drilling rig.

Ironically, that makes it more likely that demand will outrun supply, keeping prices high over the long term.

But maybe the expectations game is turning once again. A couple of more months of over-$2-a-gallon gasoline, and the reaction from American consumers, industry and government might gain some real momentum.

Which would, of course, be the best way to bring those prices down.