

OPINION

Oil spill reveals the dangers of success

—by Robert J. Samuelson

An intriguing aspect of the BP oil spill is that, before the accident, deepwater drilling seemed to be a technological triumph. About 80 percent of the Gulf of Mexico's recent oil production has come from deepwater operations, defined as at water depths exceeding 1,000 feet. In 1996, that was 20 percent. Jack-up rigs, which are oil platforms on stilts in a few hundred feet of water, have given way to the "mobile offshore drilling unit" (MODU) which keeps its position through the interaction of global positioning satellites and on-board engines which activate directional propellers to offset ocean currents and wind.

Seismology and submersible robotic technology have also advanced. The Deepwater Horizon rig was not testing new limits. It was drilling in about 5,000 feet of water when others have approached 10,000 feet. The safety record was good. The American Petroleum Institute, the industry's main trade group, says that since 1947, oil companies have drilled more than 42,000 wells in the Gulf of Mexico and recovered about 16.5 billion barrels of oil. Against that, spills totaled about 176,000 barrels from 1969 to 2007. In a typical year, it was a few hundred barrels. By contrast, recent production is about 1.6 million barrels a day, and the latest estimates give the current spill in the Gulf in millions of gallons.

There will be extensive analysis of the causes and ultimate impacts of the Gulf oil spill, but the stark contrast between the disaster's magnitude and the previous safety record points to a perverse possibility: The success of deepwater drilling led to failure. It sowed overconfidence. Continuing achievements obscured the dangers.

This pattern applies to other national setbacks. Consider the financial crisis. It was not the inherent complexity of subprime mortgages or collateralized debt obligations (CDOs) that caused the crisis. It was the willingness of presumably sophisticated investors to hold these securities while ignoring the complexity and underlying risks. This behavior was understandable at the time. The economy seemed to have become less risky. High inflation had been suppressed, and economists talked of the "Great Moderation." The belief that past economic and financial instability had been quelled, however, created future instability by encouraging risky behavior.

Or take the Toyota woes with their faulty accelerators. Few auto companies enjoyed as envious a reputation as did Toyota until recently. The auto maker consistently did well in surveys of reliability and customer satisfaction. This success—and the image of Toyota cars as the safest on the market—help explain why Toyota reacted so slowly to reports of sudden acceleration. Problems were minimized because they seemed out of character for Toyota.

One theory of the oil spill in the Gulf is that the deepwater technology is inherently so complex and dangerous that it can't really be understood or regulated. The safety record before the BP spill seems to rebut that. The problem is that the system broke down. Careless mistakes were made. Or regulators were co-opted by industry. Judgments were botched. Something. The post-crisis investigations will presumably fill out the story, but no one has as yet suggested that the blowout reflects a previously unknown geological phenomenon—something in the oil formation—or a quirk of technology that no one could have anticipated.

Perhaps studies will reveal one or the other. But the prevailing assumption is that this accident was preventable, meaning that human error was responsible. There's a pattern to our calamities or, at any rate, some of them.

Success tends to breed carelessness and complacency. People take more risks because they don't think they're taking risks. The regulated and the regulators often react similarly because they've shared similar experiences. The financial crisis didn't occur so much because regulation was absent (many major financial institutions were regulated) but because regulators didn't grasp the dangers. They, too, were conditioned by a belief in the "Great Moderation" and lower financial volatility.

It is human nature to celebrate success by relaxing. The challenge we face is how to acknowledge this urge without being duped by it.