

## Our View: CERA Flunks Economics

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Every year, Cambridge Energy Research Associates (CERA) publishes “Special Advertising Features” in *The Wall Street Journal*. The first for 2019 appeared Tuesday, March 12. Sadly, the authors flunked their economics test.

The article title, “Trading Places: How the Shale Revolution Has Helped to Keep the US Trade Deficit in Check”<sup>1</sup> would receive an “F” from any economics professor. Why? Because the trade deficit is all about the difference between a nation’s savings and investment. The trade deficit has nothing to do with the amount of oil imported or exported.

Evidently, the CERA authors have not paid attention to Martin Feldstein, a professor of economics at Harvard and once chairman of President Reagan’s Council of Economic Advisers. Feldstein wrote a piece for NBER in 2017 that has appeared in several publications, including *The Wall Street Journal*. The title was “Inconvenient Truths About the US Trade Deficit. It began this way:

Reducing the US trade deficit requires Americans to save more or invest less. On their own, policies that open other countries’ markets to US products, or close US markets to foreign products, will not change the overall trade balance.<sup>2</sup>

Feldstein’s statement shows the following conclusion from the CERA article to be utter nonsense:

The shale revolution has unleashed a wave of investment in the energy sector and helped the U.S. economy on many fronts. It has had an especially profound and positive effect on the U.S. trade balance, one that will continue to resonate—and grow—in coming years.

Well-educated, intelligent people, even those without PhDs in economics, recognize this pronouncement as being totally wrong and utter propaganda. The authors flunk economics.

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<sup>1</sup> David H. White, Jeff Meyer, and Danial Yergin, “Trading places: How the shale revolution has helped keep the US trade deficit in check” [<https://tinyurl.com/y4stxsae>].

<sup>2</sup> Martin Feldstein, “Inconvenient Truths About the US Trade Deficit,” Project Syndicate, April 25, 2017 [<https://tinyurl.com/yaenmqeg>].