We're about to be saved by an energy bonanza

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We spend so much time trying to make sense of the daily data deluge — retail sales, jobs, exports, deficits, political poll results — that we often overlook more durable shifts in the underlying economy. Two such are worth considering.

The woes of the financial sector have been much in the news. Bank of America will be telling 30,000 employees to clean out their desks in the next few years. Citigroup is to lay off 4,500 employees: in the jargon of the bank these are "targeted headcount reductions in certain businesses"; or "the tip of the iceberg" for a company with 267,000 employees, Nancy Bush of consultants SNL Financial told Bloomberg Businessweek. Even Goldman Sachs has announced 1,000 layoffs. It's all part of a worldwide trend. Britain's HSBC will cut 30,000 jobs by the end of 2013, France's BNP Paribas 1,400, and Italy's Unicredit more than 6,000 by 2015. And these announcements were made before George Osborne declared that times will be tougher and for longer than he had originally thought, France was warned that its triple-A credit rating might not prove a permanent entitlement, and Mario Monti had not yet announced the austerity plans that will undoubtedly turn Italy's no-growth economy into a shrinking one.

All in all, more than 200,000 jobs in the financial services sector have gone this year, more even than in 2009, when 174,000 were lost. If this were in response to a transient economic factor it would be painful, but not of long-term significance. But it isn't. It is a structural change, a permanent unseating of the former masters of the universe. Marisa DiNatale, a Moody's Analytics economist, is forecasting Wall Street will not regain its lost jobs for more than a decade.

This permanent change is due in part to legislative restrictions on the areas in which banks will be allowed to operate and what they will be allowed to charge for various services, and in part to the new capital requirements that will make lending less profitable as more capital is needed to back the banks' loan books. The American and other world economies will sooner or later recover, but the rising tide will not raise banks' boats.

The opposite end of the economic spectrum is occupied by the American energy industry. Rarely has an industry changed so rapidly. For one thing, it is no longer fashionable to talk about running out of oil. Daniel Yergin, a Pulitzer Prize-winning energy expert, argues persuasively in his latest book, The Quest, that not only have we not reached the peak of the world's capacity to produce crude oil, but we have not even reached the plateau. Since 1865, every report that we are running out of oil has been followed by news of new technologies that postpone the day on which old fields will be exhausted, and of new discoveries.

Consider, too, this headline in The Wall Street Journal, "US Nears Milestone: Net Fuel Exporter". Because of the economic slowdown in America, and the rapid growth in emerging markets, this year marks the first time in 62 years that America will be a net exporter of petrol, diesel and other oil-based fuels, a shift from importer that is not likely to be reversed for a good long while. But because the country remains dependent on its 9m barrels a day of crude imports from which to refine the products it is exporting, "the energy independence" promised by presidents from Richard Nixon to Barack Obama remains a chimera.

However, the US is now in a position sharply to reduce its dependence on oil from volatile and unfriendly countries. Canada is rapidly developing its huge reserves of shale oil, and only Obama's decision to delay approval of a new pipeline from Canada, and his restrictions on domestic drilling, stand in the way of a reduction of dependence on the Middle East, Venezuela, and other countries that do not wish America or its democratic allies well.

More important is the discovery that America, like other nations, including China, which last week announced the discovery of vast reserves of shale gas in Sichuan province, is sitting on almost infinite supplies of shale gas.

Development of those resources is predicted by forecasters at IHS Global Insight, in a study prepared for the natural gas industry, to create 870,000 jobs in the US by 2015. The stuff is everywhere, and can be produced by hydraulic fracturing, a process of forcing chemically treated water underground to break up the rock in which the gas is trapped.

This use of water, and its possible effect on reservoirs, has environmentalists upset, and the battle is now drawn between the greens and an oil and gas industry eager to tap an estimated 500 trillion to 1,000 trillion cubic feet of gas. This fuel will replace coal as the leading fuel for energy generation in the US by 2025, say economists at Exxon Mobil.

More important, it might replace a great deal of petrol now used to power America's cars and trucks. **Robert Hefner III, a long-time player in the natural gas industry, argues in his book The Grand Energy Transition that it is possible to retrofit half of America's vehicle fleet to run on natural gas by 2015. He contends that the essential part of the infrastructure is already in place: 2.2m miles of natural gas pipelines that connect most petrol stations and 63m homes where some 130m cars reside.**

If the economists at IHS Global and Exxon, and Hefner, are even close to right, the world's energy economy and the associated geopolitics are in for a big shake-up, one likely to have even more of an effect on the overall economy than the vastly different shake-up under way in the financial services sector.

Like many forecasts these days, the accuracy of those for banks and energy will depend in good part on policy decisions: the way in which the banks are regulated, and the balance struck between environmental and energy/growth policies. All those who feel they can confidently predict the course of the next American, French, British and German elections please step forward.

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