

Business and the price of oil

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There are many things in the world that are taken for granted. Sadly, one of the most neglected things in the public consciousness is the state of natural resources and their respective costs.

There is no other resource in the world that is more important than oil. Oil is the resource that allows cars to run, planes to travel, homes to be heated, etc. Without oil, the world comes to a stop as major nations will grind to a halt. This, of course, would lead to economic collapse that would lead to a ripple effect that would carry over into nations that are unstable. In such a nightmare scenario, these unstable nations would descend into anarchy as revolution sets in among the economic collapse. Yes, oil is quite an incredible important resource.

This is why the issue of the falling price of oil per barrel raises eyebrows and concerns. No, oil falling below a certain price will not lead to major disasters, but it can lead to a number of problems in the world economy. For example, Venezuela and Iran are totally dependent on oil exports for their entire economic infrastructure. Falling oil prices, even a minor fall will do great harm to those nations if the economic problems remain over a sustained period of time.

In the article, " Oil Prices Rebound After 19 Month Lows," Tanalee Smith points out that the price of oil, while still not all that great for oil exporters, has grown recently following an extended period where the price was drastically lulled.

The article goes on to point out that crude oil prices rose twenty three cents to close out at \$51. 44. This has had a ripple effect on OPEC as it had

curtailed OPEC's plans to continue cuts in their oil output. While OPEC (particularly the member state Saudi Arabia) will maintain previously announced production costs, they will not escalate further production cuts.

The question posed here is what is the effect of the lowering of the price of oil? While it does have the positive effect of lower gasoline prices, it also has the negative effect of the oil production costs leading to oil becoming scarce and the price of oil dramatically escalating.

If the price of oil escalates, would it lead to the United States drastically expanding domestic oil production? That is doubtful, although some domestic expansion will be occurring, but not at the levels that would have environmentalists overly worried.

Ultimately, it becomes hard to predict what types of effects a continual drop or rise in oil prices and production will have on US, European and world economies, but we can at least take solace in the fact that the price of oil and oil production has remained stable recently and, hopefully, will remain stable for the near future.

Bibliography

Smith, Tanalee. 16 January 2007. " Oil Prices Rebound After 19 Month Low." 17 January 2007. URL http://biz.yahoo.com/ap/070116/oil_prices.html?.v=16