Journal opinion article

Literature, Russian Literature

Daniel Yergin's Wall Street Journal article en d The Global Shakeout From Plunging Oil outlines the interaction of supply and demand as the mainfactor for the substantial decrease in oil prices. He writes that China and its sizeable demand for oil has been replaced as the most pivotal factor that affects world oil prices. The production of oil, particularly in the United States, has allowed for the surge in the supply without a concurrent increase in the demand. " Instead, the surge in U. S. oil production, bolstered by additional new supply from Canada, is decisive" (Yergin Para. 1). In this interplay of a basic economic concept pertaining to supply and demand, many individuals on a smaller scale are gaining from the benefits of affordable oil. Nevertheless, this might as well be a temporary condition because of its more encompassing implications.

The instability of prices for this major commodity caused the creation of the Organization Of Petroleum Exporting Countries (OPEC) to control production and prices. The oil prices seem good on an individual level but this indicates an even bigger economic and political issue that entails the OPEC's involvement. Yergin states that the decision not to reduce production greatly affects less affluent OPEC members compared to their more financially stable counterparts. Venezuela and Iran are among those countries suffering from the blow of plummeting oil prices. Member nations classified as developed countries are more resilient and have steady reserves to cushion the fall. " The OPEC members in big trouble are the " have-nots"—those with small financial reserves and high government budgets" (Yergin para. 9).

Another equally prevailing factor in this issue is the Russia-Ukraine conflict. Notable is the fact that Russia is not a member of the OPEC and yet is the biggest producer of petroleum in the world. Almost majority of its budget comes from its oil revenue and in a country largely reliant on imported consumer goods, this spells trouble. Russia’s falling currency equates to the fact that it has to pay more to get the goods it needs. Together with other sanctions imposed on the country due to the on-going conflict, Russia is experiencing major economic woes (Yergin para. 11).

On a microeconomic level, the affordable prices of oil mean an increase in the purchasing power of individuals and other enterprises. Fuel at a lower cost means value for consumers felt prominently by vehicle owners who purchase it on a regular basis and manufacturers who use it for production. But as the article suggests, this is far from being a steady trend in the market. This can be felt recently as oil prices are now slowly increasing, though, still at a lower rate than it had previous to the successive price drops in the preceding months. The drop of oil prices can best be explained through the supply and demand model but with more political and economic underpinnings. Unquestionably, the OPEC plays a vital role in this issue. Further, international conflicts may have a bigger role than it seems that more are affected in the process.

Work Cited

Yergin, Daniel. “ The Global Shakeout from Plunging Oil.’ Wall Street Journal, 30 Nov. 2014. Web. 24 February 2015.