Summary

Literature, Russian Literature

Summary This paper seeks to offer a summary to an article and to express the article's relevance to economic concepts. Summary of the article Krauss Clifford published the article, ' Why the disruption of Libyan oil has led to a price spike,' in February 2011. The article expressed concerns over Libya's oil productivity. According to the author, reported unrest in the Middle East and its explosion in Libya were greatly felt in the oil industry. The protests that involved violent exchanges between rebel groups and government forces forced oil firms in the country to close down for security reasons. Fears that the uprisings could spread to other oil producing countries further threatened global supply of crude oil. The author's major argument was that an extended conflict in Libya would lead to increased global fuel prices and subsequently derail economic growth. Though Libya was presented as a minor supplier of global crude oil, its product was of high quality and was as a result preferred by many of the European countries that did not have facilities for refining low quality oil that is majorly available in the global market. Its crude oil was also preferred by the United States' market (Krauss, p. 1).

Krauss further argued that failure to solve the Libyan crisis would force dependants of the Libyan oil to shift their demand to two alternative suppliers, Nigeria and Algeria. This would however lead to increase in fuel prices as had earlier been witnessed in the United States. According to the author, quality of oil from Libya, Algeria, and Nigeria concentrates focus on their crude oil instead of alternatives from other global suppliers. As a result, relative supply shortage, due to the conflict, with respect to demand would hike prices as had been previously witnessed. Though the article noted adverse impacts of the conflict on major European economies, it reported that the United States would not be a victim due to its ability to refine sour crude oil, unlike many of the European nations that heavily depended on Libyan oil. The author supported his opinion of the impacts of the Libyan conflict on global crude oil market by experts' views from academic and corporate fields. With the fact that oil industries in Middle East countries are majorly controlled by the government, national security forces ensures protection of to oil companies. Production in Libya, according to the author, was however vulnerable due to privatization that made it highly sensitive (Krauss, p. 1).

Relevance to economic concepts

The article directly relates to concepts of scarcity and competition. Sowell defines scarcity as a condition of limited supply relative to demand that consequently means that buyers' needs cannot be effectively met. This leads to competition for the subject commodity. In the article, the conflict in Libya disrupted production of the country's quality oil. As a result, high demand for the class of crude oil drove up prices that were then transferred to consumers. While European countries had no alternative but to compete for the remaining supplies of the type of crude oil, the United Stated had a subsidy through its ability to refine sour crude oil and was therefore not adversely affected by the Libyan crisis (Sowell, p. 79; Krauss, p. 1).

Conclusion

Krauss' article therefore expressed economic concerns, scarcity, and competition, from the Libyan protests and their impacts on oil prices.

Works cited

Krauss, Clifford. “ Why the disruption of Libyan oil has led to a price spike.” New York Times. 23 February 2011. Web. 18 May 2012. < http://www. nytimes. com/2011/02/24/business/energy-environment/24oil. html? pagewanted= all > Sowell, Thomas. Basic Economics: A Common Sense Guide to the Economy. 4th Ed. New York, NY: Basic Books, 2010. Print