Oil and gas essay

Of the factors that affect economic growth the Industry of 011 and gas Is one that holds a stronghold In the world’s and America’s economy today.

When evaluating the economic growth factor of economy and specifically oil and gas on must consider the following questions: ” What relationship does the factor have with the whole economy? How does this factor affect economic growth ” Is the factor a cause or effect of economic growth? ” what would the economy be like if there were significant problems with this factor? ” What relation does a central bank have to this factor?

I ill answer each of these questions in respect to how economy Is affected by oll and gas. The economy in the united States today Is greatly affected by 011 and gas. When there are large reserves and an increase of active drills in respect to oil, the economy seems to receive a boost. This is because prices for such things like gas and oil fall and people are able to consume more gas at a lower price.

There is more supply and prices fall, therefore people save money on gas and can consume other items in the economy.

People working in these industries have more Job openings and more Jobs illed, therefore creating a lower unemployment rate and a higher national per capita Income. The need for substitutes are not there so, consumers will consume oil and gas at a growing rate. Since, people use oil and gas for so many different things like heating there homes, driving their cars, and a variety of other sources, the overall GNP for the consumer will rise. Economic growth is affected through significant fluctuations In inflation of oil and gas.

If you look throughout history when there have been fluctuations in gas and oll prices you have vast fluctuations In the economy of ur country.

The instablllty of this factor has cause government regulation to come into play in times of crisis. For example during the midseventies we had the oil and gas shortage due to the Middle East cutting off supply to Importers of their oil. By doing this, they caused a shortage in a lot of countries creating rising oil prices and high demand.

Consumers could not rely on the oil prices to be stable, therefore they consumed less of other products due to the inflation of gas prices and more of their dollar began to be spent on gas. Americans particularly started to come up with more fficient means of using and consuming gas over the past 25 years.

011 and gas Is a resource that can be used up if not conserved properly. That is why OPEC was formed, as well as organizations such as NAFTA to help regulate trade of these commodities and bring organization to a disorganized status.

In addition, governments like the United States impose taxes on gas to regulated the prices in order to ward off against supplies of oil affecting the nations economy. This only the supply of oil. That state was Texas. When Texas's oil rigs began to dry up, their conomy went into a recession.

Their reliance on the oil supply as their main revenue producer caused a lot of people to lose their Jobs and demand and consumption for other products fell as well. This caused a spiraling effect which caused people from all industries to lose their Jobs.

Texas's economy suffered and so did parts of the American economy with High inflation and high debt which caused the economy to suffer. Increased regulation and diversification of a country's resources can stop this from being the case.

Countries representing OPEC all live and die by the constant roduction of oil. While this factor is used to stimulate their countries economic growth, it should be used to stimulate the building of a country's infrastructure. Oil-rich countries should use the positive affect oil has had on their countries to build strong governments and consumer demand for other goods.

This powerful infrastructure that could be built will give the economy stability and allow for a country's GNP to grow in a slow, steady, and positive way. The building of a strong middle-class will allow for country's to prosper for many years to come.

Instead what as happened is that economies of these countries are in a state of flux. What I mean by this is that their economies are very unpredictable and unstable and their reliance on oil has made the disparity between the rich and the poor a gap that becomes too large to overcome.

One prime example of this is Brazil, Brazil has large reserves of oil in a very large country. Brazil is a developing nation and is very unstable when it comes to central governments.

In the 70’s and 80’s Brazil made large amounts of oil from its reserves. Instead of investing the money made (from xporting oil) into their countries future, the leaders of that country used the money to make themselves rich and left the country in political and economic disarray. The middle class of Brazil became almost non-existent and their seem to be but two classes in that country.

Those classes were the extremely rich and the extremely poor. The lack of infrastructure and consumer confidence in the economy due to the mishandling of oil profits lead to many political assassinations and increased crime rates throughout the country. It has taken and will continue to take Brazil years and ears to recover from these economic crisis’s , which all could have been avoided had 3razil’s government invested in its future.

It is definitely true that an economy of a country can be vastly affected by the demand, consumption, and supply of oil.

The affect that good supplies of oil has on a country’s economy is one that can only be measured in the sense that it is inevitable that they will be affected. As long as we drive cars that are fueled by gas and we use heat in the winter time, oil will always be strong factor in determining the growth of a countries economy. In the United States, we have the strong infrastructure to adapt to problems that the instability of both the supply and demand of oil will cause.

Countries need to look within themselves for managed growth in order to steady their economies if oil is what sparks their economy. A strong central bank and government will allow for funds to be invested in supporting the economy, the oil business, and consumerism.

Once the infrastructure is set the shear reliance on oil will not be a factor, because the country's economy will be able to handle the affect. When the day comes that oil ells ran dry and substitutes are needed the countries that will survive will be the rhen these countries will adapt and overcome.

Oil and gas should be used as helper of a country's economy and not the passion by which it is run. The production of great income for a country and a higher GNP that oil production is something that should be able to benefit them for many years to come.

If you look at the United States as a model you will see a country that handles oil with precision. When the oil Industry is in a downturn, the government can step in and regulate taxes and timulate investment by having the central bank pump in funds that would not otherwise be used.

When the oil industry is doing fine, the government can sit back and reap the prosperity of increases in employment and a rise in demand for oil. The prices will be lower for gas and oil, which means consumption will be up and the economy will be up too. Countries around the world can learn how to handle oil to the extent that it creates an agenda that the benefits far outweigh the costs. We know that oil and gas affects the economy and that it easily regulated by strong central overnment and bank.

The infrastructure must be built up to manage growth. The leaders of the country should be committed to the development of the oil industry. Finally the consumers should be aware of how their role in the consumption of oil Nill affect the economy as a whole. When all parties are aware and committed to the prosperity of their country and to the industry then the consumption, supply, demand, profits, losses, and investment towards oil will be a mutually beneficial one for the country and it's people.