

Rapid rise of oil prices

[Business](#), [Industries](#)



The point of the abstracts is to show how different societies can be affected by the same economic factor - rising oil prices. Countries, that I am going to present in the light of this question can be divided on two categories: oil-importers and oil-exporters. The following abstracts will be guided by this division.

Oil-exporters

Many of these countries have their economies based mainly on oil export, which makes them highly dependent on their resources on one hand, and give certain political buttons on the other. Most of these countries form OPEC (Organization of Petroleum Exporting Countries). One of them is Iran: "Revenues from oil and gas exports provide up to 70% of the state's general budget.

Both the government and economy of Iran are highly dependant on oil. Foreign goods are mainly paid by petrodollars, enriching many Iranians and making many individuals quite wealthy. The boost in oil revenues that came with the 1973 oil price boom led to the creation of many new enterprises."(Karbassian Akbar (2000) Islamic Revolution and the Management of the Iranian Economy. Social Research. V. 67; i. 2; p621.)

" By this spring the price per barrel had nearly tripled... OPEC production ran slightly behind world purchasing."(Gregg Easterbrook (05/15/2000) Opportunity cost - Hooray For Expensive Oil; The new Republic. P. 21)

From this we can assume that triggering oil prices to go up simply by slowing down the production can be very profitable. " We have an income

distribution from oil importing countries towards the oil exporting countries."(Breffni O'Rourke. EU: High Oil Prices Affect Economies, Societies. <http://rferl.org/nca/features/2000/09/F.RU.000911133329.html>).

This way many macro economical problems (budget holes, financing of social needs et c) could be happily solved. But in real life these profits appear ambiguously. If we take a close look at countries like Iran in the period of time we don't find fast economic growth like in most European oil importing countries. That is because these countries sometimes tend to have a petrodollar injection rather than seek for more natural ways of improving their economies.

" The high oil prices and the cheap rouble which killed the competition of foreign goods provided the push for a modest recovery."(Dimitry Shlapentokh. (05/00) Putin's Russia: What Is Ahead? Contemporary Review. V. 276 i. 612 p. 225)

Thus the conclusion is that rising oil prices are beneficial for oil-exporting countries only in a short-term matter, because they can provide a necessary boost for their economies. But used as a recovery tool petrodollars could be dangerously addictive stunting natural progress of the economy.

Oil-importers

Oil-importing countries are dependant on oil as well, only in a different from oil-exporters way. " Higher prices are making a strong impact across Europe, provoking protests in some areas and threatening to reverse the continent's economic recovery." (Breffni O'Rourke. EU: High Oil Prices Affect Economies,

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Societies. <http://rferl.org/nca/features/2000/09/F.RU.000911133329.html>). " For the typical oil-importing country, the temporary income loss due to a rise in oil prices leads to a decrease in saving rather than a downward adjustment of consumption." (N. Loayza; K. Schmidt-Hebbel; L. Serven. 05/00. What Drives Private Savings Across the World? Review Of Economics And Statistics. V. 82 i. 2 p. 165).

Of course high oil prices usually cause certain damage. Depending on whole economic and politic situation damage can be serious or mild: " High oil prices are causing hardship for many Americans - Americans on modest incomes that have to drive a long way to work, independent truckers that have big fuel costs."(The President's Radio Address. (05/27/00) Weekly Compilation Of Presidential Documents. V. 36 i. 12 p. 581), 1comparing to " The " fuel riots" were sparked off by a sudden increase in the basic price of oil. People can not afford the increased oil prices because having lost their jobs because of the government actions in the state sector." (African News Service. (07/19/00) p. 1008201 n. 0410)

But besides short-term negative effect ("... this is the impact which counts most at the moment." Rising oil prices sometimes lead to some positive changes in the society. Situations like that push governments to spend more funds on researches of alternative or more efficient fuels, which in future would allow to be less dependant on oil: " Meanwhile, we will continue to work toward a longer term solution. I've asked Secretary Richardson to conduct a 60-day study on converting factories and major users from oil to other fuels, which will help to free up future oil supplies for use in heating

homes." (The President's Radio Address. (05/27/00) Weekly Compilation Of Presidential Documents. V. 36 i. 12 p. 581).