

Event this week

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Economics News Summary Oil prices influence the production of services and goods in an economy because it encourages firms to cut expenses. As a result, oil is an essential determiner of economic development since it supports the significant sectors of the economy. Stanley Reed's article indicates a reduction in the prices of oil to the minimum level experienced for the first time in 6 years. This happened despite the international concerns that the US was reserving oil than the expected rate and this could affect production due to storage in other regions. The price falls came after recent increments that took place in the past months after pledges by the OPEC to stabilize the markets.

The context of the article is relevant to the past years when oil prices rose to unexpected levels, leading to low productivity and high cost of goods. This is also relevant to the dwindling Russian economy after the US influenced the price cuts to impose sanctions on the country. However, most industries are shutting down production for maintenance purposes, which reduces the oil demand across the American States.

The implication for a broader international development is that the producing countries are crying foul because the reduction in prices will affect their market shares. This is because of the increasing American reserves that take advantage of the fall in prices to store additional oil. For instance, Saudi Arabia expresses fear that the reduced demand will affect future market shares and productions.

The contents of the article relate to the course because it analyses the implication of reducing oil prices to economies that depend on its sales. This is evident through the effect of the prices on workers, global economies and

industrial production. As a result, the concept of demand and price is clearly demonstrated.

Reference

Reed, S. (2015). “ U. S. Oil Prices Fall to Six-Year Low.” The New York Times.

International

Business Column. Web. Retrieved from