

# Good government interaction essay example

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## Article Review

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#### Summary:

It was a general belief for a long time that the demand for oil will far exceed the supply and the world will run out of its reserves of oil. This would lead to the sky-rocketing of the oil price and lead to a crisis in the energy sector. But the recent developments have proved such fears wrong. But, of course, apprehensions of shortage do remain in the future decades. But the immediate fears of the shortage could be warded off due to two major reasons. First, the improvement in technology and massive research and excavation work has led to the discovery of more oil reserves. The current reserves now can be exploited more efficiently with the new improved technology. These developments in oil exploration and extraction have increased the supply of oil in the international market. The second development that occurred in the last few decades is the conservation measures that has been induced by the governments in many countries. Improvement in technology has reduced the fuel consumption by the cars. Other conservation techniques have also been followed.

The increase in the supply of oil has shifted the supply curve to the right. The rate of increase in demand could be reduced to some extent. These two forces have kept the oil price from moving too high. In fact in recent times oil prices are on the fall. But it is important to note that with the improvement in the standard of living around the world the demand for oil will rise. This will put an upward pressure on the oil prices. The IEA has introduced a set of principles for the countries to set up policies for fuel

conservation. It has been already observed that the major oil consuming countries of the world have been able to put a check on the rising demand for oil by new technologies and oil conservation measures. USA had been a major consumer of oil. About one third of the total oil production in the world has been consumed by the US. Countries like US and Japan are continuing with the oil conservation venture. But the demand for oil in the emerging nations is on the rise. China and India has been major purchasers of oil in recent times. It is important to introduce fuel efficient technologies in these nations so that the oil prices do not soar up to alarming heights in near future.

The government interventions in the oil market have been in two ways. The government has induced more supply of oil by intervening into the use of improved technology in the excavation and extraction of oil. Through government policy interventions the excavation and exploration works have increased leading to increase in the supply of oil. The oil production in the US has increased impressively in the recent years though the country has not reached self-sufficiency in this respect. Another important aspect of government intervention in the oil market has been on the demand side. Innovations in oil conservation and fuel efficiency techniques have also been induced through government initiatives. The introduction of fuel efficient cars has reduced oil consumption to a large extent. Even in developing countries the governments are launching widespread awareness measures and campaigns for oil conservation. This is going to reduce the demand for oil to a considerable extent.

## **Importance of Government Interaction**

The way oil supply and demand was moving a few decades ago, the oil prices were reaching alarming proportions. There were alarm bells ringing around the world about the soaring oil prices and the possible future scarcity of oil. With government policy interventions these fears could be warded off. Demand could be checked and supply increased. A few decades ago the world couldn't dream of a situation of falling oil prices that we are facing now. If such conservation measures continue the oil prices will remain at a moderate level.

## **Works Cited**

Norris, F. (2012, November 2013). Oil Supply is Rising, But Demand Keeps Pace and THEN SOME. International New York Times.