Madurai, Nainita

Signature:

Article Title:

“*OPEC Achieves Cuts in Output, Halting Price Slide”*, Jad Mouawad, The New York Times, January 26, 2009

Summary:

This article talks about a strategy used by OPEC to curb the sudden decrease in the price of oil by decreasing the supply of oil sold to foreign markets. The decrease in the price of oil is a result of the global economic crisis which has caused a decrease in demand for the scarce resource. This decrease in supply has successfully increased the price of oil but economists worry that this rebound could ultimately hurt the already failing economy rather than help it in the long run. Another result of the downturn of prices is a decrease in investments for new energy which could cause problems in the future when oil becomes increasingly scarce. In politics it may seem better if the oil prices are lower but in terms of the economy this may be a bad sign. Oil production costs are increasing, but prices are not in response to this increase and oil exporters are having trouble balancing their budgets. The decrease in prices may cause an even more drastic change in policies. OPEC believes that if the decrease in the supply is carried through than the prices of oil should increase, but some economists believe that the prices will keep falling because the global economy is still failing.

Comments:

This decrease implies a leftward shift of the supply curve for the global oil market.