

## FORTY YEARS OF PARADOXAL EVOLUTION OF THE PRICE OF THE OIL BARREL

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**Abstract.** *Oil, a liquid mixture of hydrocarbons, a deposit also known as petroleum, has constituted in the last century, an important raw material, obstinately desired by all the powers of the world. Evaluated as one of the most powerful currencies on the worldwide market, in US\$ per barrel (1 barrel = 158.9 liters), the cost of the oil barrel has permanently been an exceptional economic index. Subject to the toughest laws of the market, the evolution of the oil price in the last 40 years has marked the main political events of the world, from the armed conflicts in the Middle East to the recent Worldwide Recession, which affects the whole world.*

**Keywords:** Oil, price, evolution

Before the 70s, the price of the oil barrel ranged between \$ 1/barrel or even less than \$ 1/barrel. Nothing seemed to forecast what would happen on the oil market, of this product which has been and still is the basis for so many raw materials vital for the thermoenergetic industry, or for that of construction materials and of other industries, if someone could have the idea of changing this price. Effectively, oil, then and now, always practical, has been the main element which led to global turmoil. Held both by poor and rich countries belonging to all social systems known and to the main continents on the globe, oil has been at the same time, the main element of commercial connection. But political economy interests have allowed the change of this price. Initially, little by little, and then more and more.

The situation got complicated when the price of the oil barrel started to increase, reaching in 1980 at the maximum value of \$ 36.1/barrel, and afterwards, it decreased, with certain oscillations, reaching in 1989 to \$ 13.14/barrel. At that time, on our market there were several prices for the national currency, namely: lei 12/\$ 1 as protocol price; lei 32/\$ 1 as official price, while on the black market, one \$ amounted to around lei 100.

That was the correct figure with which we had to make investments for naming the most efficient solution? All the more as in the majority of times, we either compared solutions of concrete dams to solutions of local materials dams, which also encompassed important quantities of concrete, for sealing elements or discharges of large waterways.

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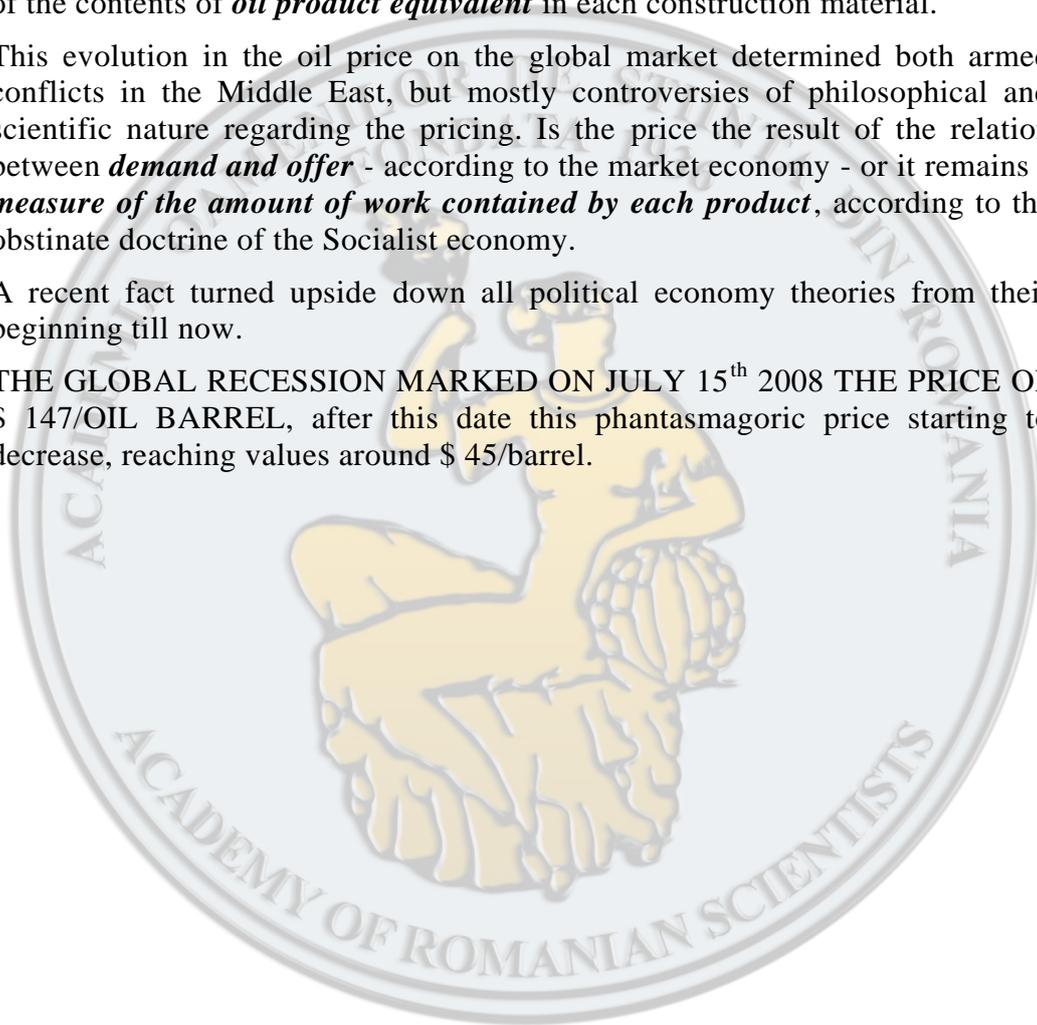
We imported oil, which reached both the refineries and the thermal power stations, and the cement industry. This aspect led to the problem of choosing another criterion for comparing options, namely the ***quantity of primary energy stored in a product***.

This was the starting point for the preoccupation, supervision, following of the evolution of the oil price on the global market, and for the actual identification of the contents of ***oil product equivalent*** in each construction material.

This evolution in the oil price on the global market determined both armed conflicts in the Middle East, but mostly controversies of philosophical and scientific nature regarding the pricing. Is the price the result of the relation between ***demand and offer*** - according to the market economy - or it remains a ***measure of the amount of work contained by each product***, according to the obstinate doctrine of the Socialist economy.

A recent fact turned upside down all political economy theories from their beginning till now.

THE GLOBAL RECESSION MARKED ON JULY 15<sup>th</sup> 2008 THE PRICE OF \$ 147/OIL BARREL, after this date this phantasmagoric price starting to decrease, reaching values around \$ 45/barrel.



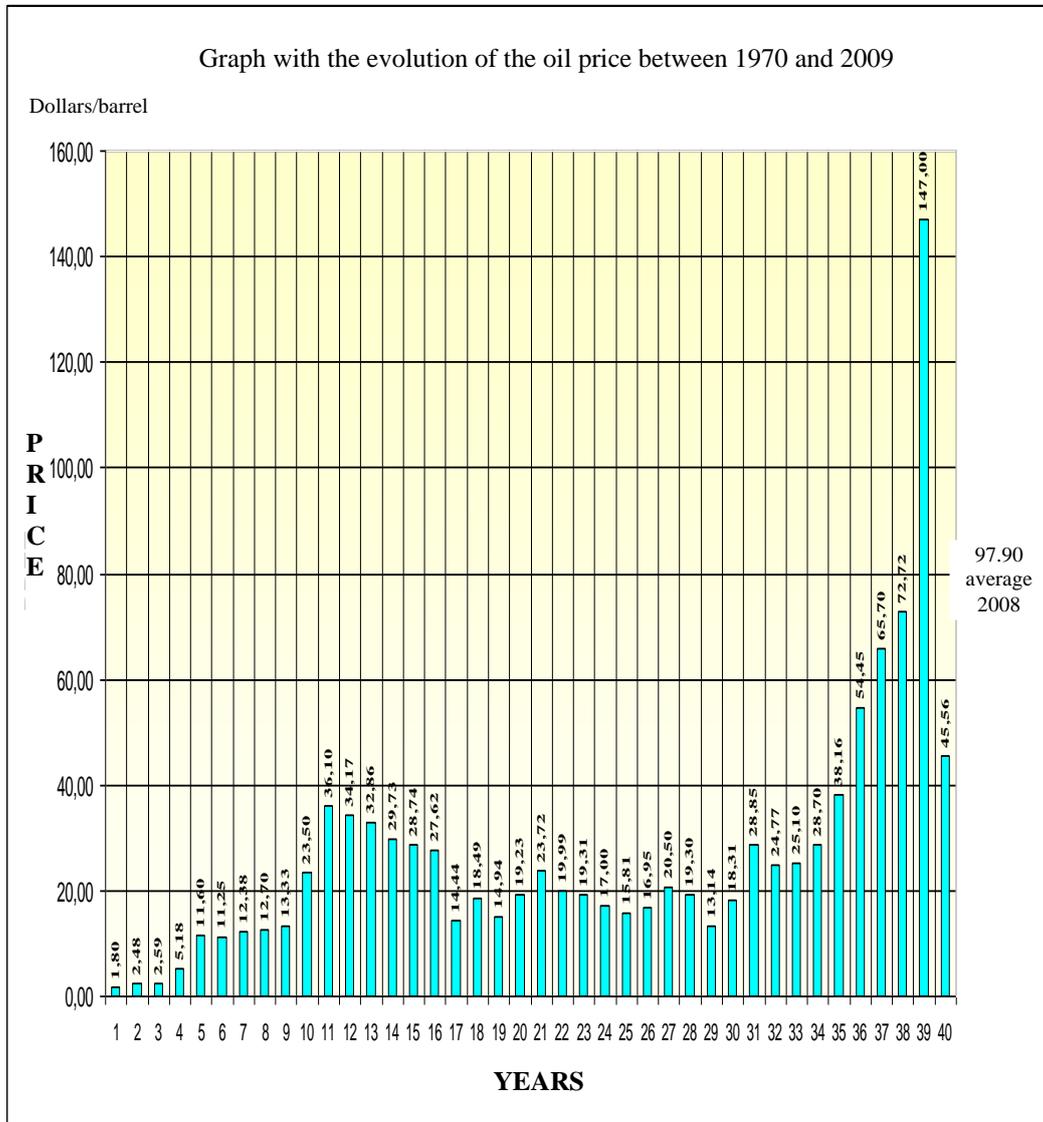


Table 1 – Graph with the evolution of the oil price between 1970 and 2009

**OBSERVATION:** The amount of USD 45.56/barrel was recorded between January 26<sup>th</sup> and February 2<sup>nd</sup> 2009.

We have lived this extraordinary economic phenomenon and nobody can give a coherent explanation about what is going on.

What determines the holders of oil reserves to sell against a price around three and a half times lower than the maximum value recorded on July 15<sup>th</sup> 2008?

How can we explain the fact that Russia has extraction costs from Siberia amounting to \$ 52/barrel, when the current sale price is lower?

In the same period, *natural gas, oil complementary hydrocarbons* keep their price unchanged on the world market.

This economic phenomenon in full process, contemporary to us, will have a fundamental influence on the thinking regarding the social context of our existence.

