

Oil Price Trends and Fluctuations: An Alternative Approach to the Global Petroleum Market

Dissertation presented by: **Blas Regnault** (Venezuela)

in partial fulfilment of the requirements for obtaining the degree of DOCTOR OF PHILOSOPHY/ **Development Economics** (DEC)
International Institute of Social Studies. Erasmus University Rotterdam, The Netherlands.

Abstract

The dissertation focuses on the determinants of money (nominal) prices of crude oil, henceforth money prices of crude oil, explicitly referring to the period from 1960 to 2019. There are two main research objectives: (i) to explain the trends in money oil prices; and (ii) to explain the fluctuations of money oil prices. Trends and fluctuations are intertwined, and the explanations developed in this dissertation are a systematic effort to understand the relationship between these two movements.

Understanding the underlying causes of trends and fluctuations required in the first instance a critical review of the standard literature on the determinants of crude oil price. This process involved evaluating the main explanatory variables and causalities used by the most respected authors of standard economic theory in order to appreciate the current state of knowledge in the field. This critical literature review served to detect several lacunae in the standard approach, laying the foundations for an alternative explanation of the determinants of the money prices of crude oil.

The main results of this study enable us to assert that production costs in the least efficient oil industry in the world (the USA oil industry) and the evolution of the institutional environment (players, consumers, producers, e.g., the creation of OPEC in 1960) determine the money price trends and sub-trends of oil. I argue that this represents a more plausible explanation than that offered by the standard approach. The study also demonstrates that fluctuations in the money price of oil are best explained by global business cycles.