

Slipping on crude

Oct 23, 2014

Theories abound of the US and Saudi Arabia collaborating to keep crude prices down to hurt Russia and/or to prevent the Islamic State (IS) from getting more funds — IS has already captured fields in Syria and Iraq and could well be eyeing fields in other countries in the neighbourhood. In this context, the Cato Institute blog has an analysis which suggests that, were oil prices to remain at below \$90 per barrel for some time, we could see a severe fiscal squeeze in various oil producers and even a regime change in some — lower prices, says Steve Hanke in a Cato blogpost, dealt a fatal blow to the USSR . Hanke posits that states like Iran, Venezuela and Iraq can only balance their budgets at prices ranging between \$110 and \$135 per barrel.