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## The Conscience of a Liberal

Paul Krugman

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### Oil speculation

Oil speculation is [back in the news](#). Last year I was [skeptical](#) about claims that speculation was central to the price rise, because what I considered the essential signature of a speculative price rise — physical withholding of oil from the market, in the form of high inventories — just wasn't showing.

This time, however, [oil inventories are bulging](#), with huge amounts held in offshore tankers as well as in conventional storage. So this time there's no question: speculation has been driving prices up.

Now, "speculation" isn't a synonym for "bad". If the underlying assumptions that seem to have been driving oil markets were right — namely, that a vigorous recovery is just around the corner, and demand will shoot up soon — then it would be perfectly reasonable to accumulate oil inventories right now. But those assumptions are looking less reasonable by the day.

Anyway, the moral of this post is that the oil story this time looks very different: this time, the signature of large-scale speculation is clearly visible.

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