# 150 Years of Boom and Bust: What Drives Mineral Commodity Prices?

Martin Stürmer

Abstract

My paper is the first to provide long-term evidence on the dynamic effects of supply and demand shocks on mineral commodity prices. I explore a new annual data-set on prices and production of copper, lead, tin, zinc, and crude oil from 1840 to 2010. Long-term price fluctuations are mainly driven by persistent “world output-driven demand shocks” and “other demand shocks”. Historical accounts of market events suggest that “other demand shocks” mainly capture changes in inventories. Due to oligopolistic industry structures, “supply shocks” exhibit some effects on the prices of tin and copper, but not on the prices of lead and zinc. Subsample results for crude oil indicate that during earlier periods “supply shocks” have been an important driver. My results suggest that prices will return to their stable or declining trends in the long-run.