

A Discourse On Prophetic Method

Oil Crises and Political Economy, Past and Future¹

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So Foxy Loxy led Chicken Little, Henny Penny, Ducky Lucky, Goosey Loosey, and Turkey Lurkey across a field and through the woods. He led them straight to his den, and they never saw the king to tell him that the sky is falling. —The Story of Chicken Little

I. Introduction: The Age of Chicken Little

There is definitely a sense of crisis in the air and many a Chicken Little is running down the road to tell the king that the sky is falling. Oil prices have hit a \$100+ a barrel and the housing bubble is bursting, followed by the inevitable pain of millions of people whose homes have been foreclosed. Add to this the collapse of dozens of financial corporations and the efforts of thousands of jittery bankers trying to calm the even more jittery anxieties of millions of depositors and stockholders and you get the sense that Nature and Capital are joining forces to write in bold letters across the social skies: THE END IS NEAR.

People like myself, who have lived through a number of crises “real or fancied,” are not so easily aroused by the apocalyptic pathos that accompany the Littles’ announcement. I think back with a superior

1 This paper was originally a talk given at the Left Forum, Cooper Union, New York, NY, March 16, 2008.

smile at Marx's almost childish rejoicing over the financial crisis of 1857-8 that inspired him to write the glorious midnight notebooks we now call the *Grundrisse*. He often wrote until 4:00 AM in the winter of 1857-58, fortified by "mere lemonade on the one hand but an immense amount of tobacco on the other... so that I at least get the outlines clear before the *deluge*."² I treasure the notebooks, but I frown on Marx's expectation that a mere financial panic would bring a world system like capitalism to the brink of catastrophe. The deluge Marx was expecting did not come (at least not for more than a decade). After studying literally dozens of financial bubbles (and their bursting) and of commodity price explosions (and their crashes)—indeed, since the 1857-8 crisis also involved the price of gold, there was a meeting of commodity price and financial bubble then as well—I have become blasé over the prophets of doom (who were often hoping to make some profit on the side!)

The themes I have harped on in my writing is that:

1. capitalism is not only crisis-prone but it is also crisis-creative (so whenever one sees a crisis one should not assume this is a problem for the capitalist class, even though it might be one for individual capitalists, for a crisis might end by putting the capitalist class as a whole in a more powerful position), as Naomi Klein has recently reminded us;³
2. the hope to find a short-cut to go beyond capitalism through Natural limits (whether it be "Peak Oil" or "Global Warming") is understandable, but it is misplaced—the only path for a positive "transition" from capitalism is through a political recomposition of the working class internationally.⁴

The problem with the optimists of either variety is that they tend to disarm the anti-capitalist movement and can make us vulnerable to dangerous political assumptions. In other words, I am more concerned about Foxy Loxey's murderous intentions than Chicken Little's inferences from her experiences, even though, eventually, of course, Chicken Little will be right!

For all my insouciance, however, my comrades and I knew that a major crisis of global neoliberalism was on the agenda long ago. The first sign was "the Asian financial crisis" which was ignited by the first wage rebellion in the Eastern Asia (South Korea, Indonesia, Thailand) of

2 Quoted in Francis Wheen, *Karl Marx: A Life* (New York: W. W. Norton & Co., 1999) p. 227.

3 Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism* (New York: Henry Holt and Company, 2007).

4 George Caffentzis, "The Work/Energy Crisis and the Apocalypse," In *Midnight Oil: Work, Energy, War 1973-1992*, Ed. Midnight Notes Collective, (Brooklyn, NY: Autonomedia, 1992).

the globalization era in 1996.⁵ The subsequent banking crisis echoes in Russia, Argentina and Brazil and the “dot.com” equities crash in the US called for a new phase of globalization, often called the “war on terrorism.” The second crisis was instigated by the military failures of the US invasions of Iraq and Afghanistan, since they bode ill for a world regime that required military dominance to back its financial and ideological dominance (with the dollar the “god of the market” and the universalization of commodification as the practical maxim). When the unity of the series dollar-market-gun collapsed, a situation similar to the period between World War I and World War II opened up... so you see, I too had my prophetic globe tucked somewhere in my pocket. I just did not see this awaited crisis around every corner and did not want to play the role of a jolly “Chicken Little” that Marx played 150 years ago.⁶

It is time, now, for me to take out my prophetic crystal from my pocket. However, I will not join Henny Penny and the others on the road to the king. I make no prophesies in this presentation. I will instead set the stage for the methodological analysis of the many prophesies concerning the coming crises that will come. My main negative maxims in this effort are:

1. the rejection of “oil and energy exceptionalism,” i.e., the view that oil and energy are so important for the capitalist system the “rules of the commodity” do not apply to them (basic commodities are *still* commodities);
2. the rejection of the fetishistic view of oil and energy production as being classless and workerless. One can read books and books about the magnates, shahs and sheiks of the oil world, and books and books about oil geology but never learn that oil and energy is produced in a class society by workers (i.e., the oil-producing proletariat) who are involved in a class antagonism with capital at the well head, across the oil regions, along the pipelines, in the tankers, and in the cities of oil producing countries.

Their struggle is crucial for world history, but it is rarely mentioned in these books. Petroleum fumes apparently produce strange abstractions. The avoidance of class struggle that would be impossible with coal (where the struggle of the miners is always front and center) is commonplace for oil!

5 Midnight Notes Collective, *Midnight Notes 12: One No and Many Yeses*, Originally Published 1997, Accessed online at <http://www.midnightnotes.org/oneno.html>.

6 Sergio Bologna, *Money and Crisis: Marx as Correspondent of the New York Daily Tribune, 1856-57*. Translated and printed in *Common Sense*, Nos. 13-14, 1973.

This is a panel on “The Political Economy of Oil, Energy and Environment,” but I will reverse the title and examine the impact of “Oil, Energy, and Environment” on Political Economy. I will further limit my efforts in “comparative crisisology” today to the impact of oil prices and the relations of production in the oil industry on the political economy of Keynesianism and global neoliberalism. Finally, I will compare the commonalities of and differences between the crisis now developing and the main crisis of capitalism I (and many others in this room) lived through, i.e., the crisis of 1973-1980. In doing so, I will sketch out the role of oil prices and rents in the general situation of the coming crisis.

In fact, there are many aspects of the present that have an eerie resemblance to the “energy crisis” of the 1970s. First there is the oil price: on March 4, 2008 “the highest trading price, \$103.95 a barrel on the New York Mercantile Exchange, broke the record set in April 1980 during the second oil shock. That price, \$39.50 a barrel, equals \$103.76 today, when adjusted for inflation.”⁷ Second is the war: the US military defeat in Vietnam is echoed in the military quagmire of Iraq and Afghanistan. Third is the ideology of scarcity and apocalypse: the present anxiety expressed by the Peak Oil enthusiasts is reminiscent of the Club of Rome’s widely heralded “Limits to Growth.” Fourth is the monetary anxiety: the dollar’s loss of its hegemonic role in world exchanges (especially oil exchanges) is similar to Nixon’s cutting of the connection between the dollar and gold. This last change is further reflected in a golden mirror: the \$750 per ounce peak in 1980 is matched (though not in real terms this time) by the return and surpassing of its nominal peak (gold would have to reach about \$1850 per ounce to equal its 1980 price adjusted for inflation) in early 2008. I feel I’m in a situation now that is similar to the one in 1980 when I wrote “The Work/Energy Crisis and the Apocalypse,” i.e., I knew that a new political economy was on the agenda, but I did not know yet all of its lineaments.

I hope by this methodological investigation in comparative crisisology and the discussion it might provoke that we will be somewhat clearer about these lineaments.

7 Jad Mouawad, “Oil Tops Inflation-Adjusted Record in Set in 1980,” *New York Times*, March 4, 2008.

Terminological Reflections: Crisis, Collapse, Catastrophe, Singularity, and My Favorite, Apocalypse

Before I begin my discourse, I should say a few words about the notion of crisis. This is a period when the word "Crisis" is frequently in use and even its astrological and medical roots are making a return to collective awareness. Though it was often deployed to describe social, political and economic affairs in the 19th century, the term suffers from semantic inflation in the 21st. It is widely recognized that it now has a variety of meanings and an ever-growing trail of cognates like "collapse," "catastrophe," "singularity," and my personal favorite "apocalypse."

Let me first turn to "crisis" and attempt to use an old method of categorization that was introduced by Plato, the method of division. There are a variety of dimensions that crisis can be assessed. I will list just four:

1. a crisis can be of capital's or the working class' social reproduction⁸;
2. a crisis can be a crisis *of* capitalism or a crisis *within* capitalism⁹;
3. a crisis can be planned or unplanned;
4. a crisis can arise from chronic long-term tendencies (the falling rate of profit; overproduction) or be the product of a transient conjuncture.

Of course, the disjunctions are inclusive not exclusive. Not taking the possible inclusivity of the disjunction into account, there are 16 possible crisis types that are available. An application of this framework, for example, would be in the analysis of Antonio Negri's view of the Great Depression. According to my reading of his conclusions, it was capital's crisis of social reproduction and indeed it was a crisis *of* capital, that was unplanned, and it arose from a combination of chronic tendencies and the conjuncture of the Russian Revolution and "the technological path of repression" that was adopted to counter Communist workers.¹⁰

This framework for the theory of crises, although rather elaborate, does not include a number other terms recently used to

8 George Caffentzis, "On the Notion of a Crisis of Social Reproduction: A Theoretical Review," In *Women, Development and the Labor of Reproduction*, Ed. Maria Rosa Dalla Costa and Giovanna Dalla Costa (Trenton, NJ: Africa World Press, 1999).

9 Michael Lebowitz, *Beyond Capital*, Second edition (New York: Palgrave-Macmillan, 2003) p. 165.

10 Antonio Negri, "Keynes and the Capitalist Theory of the State," in Michael Hardt and Antonio Negri, *Labor of Dionysus: A Critique of the State-Form* (Minneapolis: University of Minnesota Press, 1994).

describe the transcending of the limits of a social structure like capitalism. They include “collapse,” “catastrophe,” and “singularity.” Each of them had their own genealogy, of course. “Collapse” had its popular root in the peculiar demise of the Soviet Union in the late 1980s. What had been claimed to be the most powerful entrenched political party in the planet, the Communist Party of the Soviet Union, armed with nuclear weapons and in control of an army of millions, somehow peacefully went out of business without a shot being fired. The Communist Party in the Soviet Union was not “pushed” out of power either by an internal working class revolt or by an external agent, it just simply “collapsed” the way that a physical structure like a bridge or a building breaks down with just “normal” usage. Actually existing communism was apparently too heavy for its own foundations.

This term was developed by Joseph Tainter in his timely 1990 book, *The Collapse of Complex Societies*,¹¹ and then more recently by Jared Diamond in his 2005 book, *Collapse: How Societies Choose to Fail or Succeed*.¹² It has increasingly been used to describe the possibility of the United States economy suffering a similar fate to the Soviet Union’s. Dmitry Orlov has ironically deployed the term to describe the fate of the United States in some not-too-distant future that is experiencing the impact of Peak Oil using the Russian experience as a standard.¹³

“Collapse” is an attractive term for those who want to view society as an energy-processing structure, with a given set of rules of social reproduction that increase in complexity in the face of problems. Inexorably, increasing complexity at first brings increasing “energy capture” but eventually it becomes subject to the law of diminishing returns. This leads to collapse, i.e., a sudden return to a lower level of complexity. Some Peak Oil supporters like Richard Heinberg have adopted this notion as a way of describing their vision of the consequences of living on the “other side” of Hubbert’s curve.¹⁴ From this perspective, some societies have rules of reproduction that are sustainable and that lead to “success” while others do not and lead to “failure,” i.e., collapse, given changing environmental constraints.

The meaning of “collapse” in this context is closest to that of “a crisis of social reproduction” I mentioned above. (If, according to this

11 Joseph Tainter, *The Collapse of Complex Societies* (Cambridge: Cambridge University Press, 1990).

12 Jared Diamond, *Collapse: How Societies Choose to Fail or Succeed* (New York: Viking Books, 2005).

13 Dmitry Orlov, “Closing the ‘Collapse Gap’: The USSR was better prepared for collapse than the US,” *Energy Bulletin*, originally published 2006, accessed at <http://www.energybulletin.net/node/23259>.

14 Richard Heinberg, *The Party’s Over: Oil, War and the Fate of Industrial Societies* (Gabriola Island, BC: New Society Publishers, 2003) pp. 32-36.

reversal of the classical “progressive” stage theory of history scheme, Communism collapsed back into Capitalism, then will Capitalism collapse back into Feudalism?)

Finally, there are terms coming from the field of non-linear mathematics like “catastrophe” and “singularity.” They have had a faddish presence in economics and philosophy in the past.¹⁵ In this discontinuous and turbulent climate, they undoubtedly will get re-examined. I should also mention, my personal favorite, a borrowing from theological discourse: Apocalypse. As I wrote of the “end of world” apocalyptic discourse in 1980 when the “Club of Rome” rhetoric was giving way to nuclear “exterminism”:

Whenever the ongoing model of exploitation becomes untenable, capital has intimations of mortality *qua* the world’s end. Every period of [capitalism] has had its apocalypses...that mark every change in capitalist development and thought.¹⁶

We seem to be in a similar situation now. We are waiting for a recession, of course, but not only that. We also awaiting a discontinuous break into a new political economy (both as a model and a strategy) similar to the one experienced after the crisis of 1973-1980.

To begin I present a summary of my comparisons in the following table:

Date	1973-1980	2003-2008
Political Economy in Crisis	Keynesianism	Global Neoliberalism
Locus in Capital	Vol. 1: the struggle over the work-day; relative and absolute surplus value	Vol. III: transfer of values into prices (average profit); rent, interest; how does class struggle affect capitalist production as a whole

¹⁵ See J. Barkley Rosser, “The rise and fall of catastrophe theory applications in economics: Was the baby thrown out with the bathwater?” *Journal of Economic Dynamics and Control*, vol. 31, issue 10, 2007, pp. 3255-3280; Alain Badiou, *Being and Event* (London: Continuum, 2005).

¹⁶ Caffentzis, “The Work/Energy Crisis and the Apocalypse,” p. 216.

Oil/Energy	US no longer “swing” producer; nationalization of oil production; OPEC; peaking of oil price; end of “the Golden Age of Oil”	inability to reverse nationalizations and impose neoliberal regimes on oil producing nations; peaking of oil price
Working Class (U.S. and internationally)	One of the highest strike waves in history; peak of real wages in US; US defeat in Vietnam	Long period of real wage decline; zero strikes; US quagmire in Iraq and Afghanistan
Money	The cutting of the dollar’s relation to gold; floating exchange rates	Decline of the hegemony of the dollar on the world market

Ideally, I should comment on each of the categories, but that would take us a thousand nights.

II. Oil and the Crises of Two Bourgeois Political Economies: Keynesianism and Global Neoliberalism

My general argument is that the oil industry played a crucial role in the crises of both the political economies of Keynesianism and global neoliberalism. This should not be surprising, for oil and its energy substitutes are basic commodities that are essential in the production of all commodities (including labor power). Consequently, any specific form of capitalism in this era must be able to integrate the energy branches of industry, and the dominant political economy must conceptualize and strategize how this is to be done. Not any kind of integration will do. A particular energy regime must be compatible with and support the prevalent mode of the exploitation of labor. Once this integration breaks down and the ruling political economy confronts too many anomalies and bungles to many struggles, a crisis ensues both on the level of practice and theory. In this section I will sketch, first, how Keynesianism from the 1940s to the early 1970s was in perfect synch with the international oil industry, and then how a revolution in the relations of property in the oil industry played such a central role in the over-turning of Keynesianism. I do this because it can provide reference point for our analysis of the present crisis and, hopefully, of how it can be resolved with greater power for the anti-capitalist forces of the planet.

Keynesianism and Energy

Keynesianism is many things, of course. Like Marxism, it is closely related to the life and thought of its “founder,” John Maynard Keynes, and therefore to its founder’s political and theoretical situation. This is not the place, however, to deal with these biographical and contextual matters. I will simply refer to a tradition of reading Keynesianism that emphasizes its class characteristics and therefore is most useful in analyzing the crisis of the 1970s.¹⁷ Let me present the key elements of this interpretation:

- Keynes (and his supporters) recognized that since the Russian Revolution the working class had become a crucial *independent variable* in the functioning of capitalism. It was both an antagonist and a motor of capitalist development. No longer could it be relegated to the status of “laboring species” (i.e., defined as a race that works) or a “factor of production;” since it could step out of the system.
- For Keynes, the wage and therefore *the wage struggle has become the center of capitalism*, because it drives effective demand and must be kept in balance with increases in productivity. The state has a vital role in this political economy, i.e., as a homeostatic mechanism interposed between classes to guarantee the productivity deal between the classes.
- Keynes also realized that “the enormous accumulation of fixed capital embodied in the assembly-line factories required a proportionate accumulation of capital in the working class (“human capital” as it was called later).”¹⁸

This energetic conception of the working class and its reproduction is crucial to recognizing that the main power capital had over workers was in its ability to chart “technological paths of repression.” It was crucial therefore for capital to have access to a cheap, dependable source of “counter-energy” that could power the machinery necessary for the production of what Marxists call “relative surplus value.” What Renfrew Christie summarized long ago as a general condition of capital was even more true of Keynesianism, “It is only from capital’s need for machines so that it can win the class struggle, and from energy’s

17 see Caffentzis, “On the Notion of a Crisis of Social Reproduction: A Theoretical Review,”; Antonio Negri, “Keynes and the Capitalist Theory of the State,”; Harry Cleaver, *Reading Capital Politically* (Austin, Tx: University of Texas Press, 1979); Massimo De Angelis, *Keynesianism, Social Conflict, and Political Economy* (London: Macmillan, 2000).

18 Caffentzis, “The Work/Energy Crisis and the Apocalypse,” p. 231.

special relation with machines, that energy receives its particular importance [in capitalism].”¹⁹

The energy regime that was fashioned by the U.S., the U.K. and the “Seven Sisters,” the cartel of British and U.S. transnational oil corporations, was typical of the Keynesian period (roughly 1945-1973). The blatant collusion (later tempered into a “systems analysis” approach) among the major oil companies to set the price of oil both in the US and internationally was seen as simply the most extreme of these pricing arrangements found throughout the “monopolized” industries of the US and Europe at the time. The arrangements (which began as openly cartelistic and were then became covert) made for a very predictable price (on average about \$20 a barrel in real 2008 dollars according to my rough calculation) for a quarter of a century.²⁰ There were other, less contractual methods that were used so keep oil “cheap and predictable” in the face of anti-colonial struggles in the oil-producing regions of the planet. First, for most of this period, the U.S. oil industry was the world’s “swing” producer, and hence “uppity” countries like Iran in 1953 could be isolated and boycotted out of the market, if need be, with the US making up the difference in supply to support the international price. Second, if any oil-producing nation’s working class and/or capitalists decided that they would take control of the oil production on their territory, then they would face a coup (as with Mossadeq’s efforts in Iran in 1953) or a direct invasion (as in the case of Roosevelt’s deal with King Saud in 1945 that in effect concluded that the U.S. would intervene militarily to defend the Saudi throne).

The Keynesian energy regime which brought together the “Seven Sisters” with the US and Britain military to organize the “stability” of the oil areas of the world, especially the Middle East was a crucial part of the larger Keynesian political economy. This regime—what Leonardo Maugeri calls “The Golden Age of Oil”²¹—guaranteed a steady supply and low price of petroleum that made it possible to substitute machinery for labor at a rapid pace, with the added bonus of eliminating the centrality of obstreperous coal miners in the class struggle of Europe and the US. Maugeri, in the typical fetishized style of oil commentators, writes:

Oil’s success in fuelling modern economic development brought about the fastest process of energy source

19 Renfrew Christie, “Why Does Capital Need Energy?” In *Oil and Class Struggle*, ed. Peter Nore and Terisa Turner (London: Zed Books, 1980) p. 13.

20 See John M. Blair, *The Control of Oil* (New York: Random House, 1976) on the “International Control Mechanism.”

21 Leonardo Maugeri, *The Age of Oil: The Mythology, History and Future of the World’s Most Controversial Resource* (Guilford, CT: The Lyons Press, 2006).

substitution in the history of mankind, whose victim was coal. As late as 1950, the chief energy source of the first industrial revolution still reigned over all rivals, supplying about 65 percent of world energy needs. But by the mid-1960s, oil had supplanted coal as energy king.²²

The Crisis of Keynesianism: 1973-1980

The crisis of 1973-1980 was one of a whole political economy, it was not “just” an “energy crisis.” It was a crisis of class strategy and theory as well as of unemployment, rust belts, and austerity budgets. My comrades and I at the time, in trying to express this point, called it a “work/energy crisis.”²³ What was at stake in the 1970s was a general relationship between classes that had been built up in the US from the New Deal in the 1930s. True, the dominant theme of the time was focused on oil and energy issues, especially questions of quantity (were the Club of Rome’s claims correct?), form (was the nuclear powered or the solar powered economy going to be the alternative to oil?) and price (was there a tendency for the secular increase of oil prices?).

We argued at the time that the key issue was that the working class internationally (in the US and Western Europe as well as in the anti-colonial struggles in the so-called Third World) was imposing wage increases (beyond productivity increases) that put capital’s accumulation strategy at risk. The crisis was first and foremost one of work. Its “energy” aspect was due to capital’s use of energy prices to overcome the struggles around and against work.

The relation to the “energy crisis” to the “crisis of Keynesianism” is the following: the class struggle in the US and Europe took the form of a direct wage struggle either at the factory proper or the “social factory” (by coalitions of waged and unwaged workers); while the class struggle in the oil-producing areas was an attempt to take control of the rents and transferred profits that were accruing to the “Seven Sisters” since the early 20th century (by coalitions of national capital and the working class waged and unwaged). These two simultaneous rebellions of the early 1970s struck at the heart of the Keynesian universe. The struggle in Europe and North America put into question the wages/productivity equation that was at the center of the accumulation process. The one in the oil-producing parts of the former

²² Maugeri p. 77.

²³ See Caffentzis, “The Work/Energy Crisis and the Apocalypse”; Midnight Notes Collective, *Midnight Notes 2: No Future Notes*, originally published in 1979, Accessed online at: <http://www.midnightnotes.org/workenergyapoc.html>.

colonialized world was demanding back its national resources (especially oil, a commodity that was being produced at a very high level of organic composition, *pace* Emmanuel!) that had been deliberately devalued, and had been turned into super-profits by the corporations of the imperialist powers, especially the US and UK. These two polar rebellions, taking place simultaneously, sabotaged the basic mechanism of Keynesianism, viz., responding to workers' struggle in the factories of Detroit for "more money, less work," by automating the assembly line using cheap energy provided by a compliant oil-producing proletariat a world away.

These simultaneous struggles created the specter of stagnation, the stationary state, and "zero growth" for capital's theorists. Indeed, if there were political forces that could have created some kind of "political recomposition" at this time, world history would definitely have taken a different turn in the 1980s. Certainly, there was no "International" then that could have achieved (or even thought of) such a project.

Instead of recomposition, the crisis of Keynesianism brought decomposition for the working class internationally; the polarity of the very social forces and movements that triggered the crisis of Keynesianism was used against each other. Instead of creating a crisis of capital, capital turned the crisis against the working class internationally. The nationalization of the oil-producing companies in many countries took place in the early 1970s and the imposition of steeper oil rents returning to the national coffers led to the oil boycott of 1973. OPEC presented itself as the first commodity trading organization that would realize the dreams of the International Economic Order and reverse the injustices of centuries of colonialism and imperialism. This vision, however, was translated at the other pole of the Keynesian world as a wage nightmare. Unemployment, abandoned factories, austerity budgets, welfare cuts, the prison-industrial complex, began to take shape in the recessions of the middle and late 1970s. These signs of working class defeat were all laid at the door of the "Arabs" or of "OPEC." The tools of vilification and the powers of racism were turned against workers at the other pole of the class struggle.

There was clear evidence that this stage of the crisis (when one crisis-provoking pole was used against the other) was planned, and the Yom Kippur War boycott met with the concealed approval of strategists of capital like Henry Kissinger (the Foxey Loxey *par excellence* of the time). As Mario Montano wrote long ago: "Behind the ritualistic position of diplomatic adversaries that the US and OPEC countries necessarily entertain during international bargaining sessions, stands their Holy

Alliance.”²⁴ This was the time when the Arab oil sheik was projected to be a thief of the US workers’ future. Indeed, when the Iranian Revolution in 1979 led to another spike in the oil price, US workers expressed open hostility to Iranian immigrants and students in the streets and campuses of the U.S. What could have meant a major crisis for capitalism, however, became a pretext for cutting of wages of workers in Western Europe and North America while creating an investment flow (then called “petrodollars”) that was used to make loans to formerly colonized countries (imposing a flexible interest rate that the “subprime mortgage” was to emulate in the early 21st century!) that in the 1980s forced them to near bankruptcy and then, under the pressure of the World Bank and IMF, to neoliberalize their economies. What a foxey trap!

Global Neoliberalism and Oil

This trap was successfully sprung and it immobilized worker struggles both in the First and Third Worlds. Keynesianism, however, had to be abandoned and the “Chicago Boys” and neoliberalism took over theoretical and practical hegemony throughout the planet. This transformation was politically legitimated in the neoliberal regimes that took power at the end of the oil price crisis in 1979 and 1980, first with Thatcher in Britain, then Reagan in the US, and then through the “debt crisis” of 1982, the IMF/World Bank imposition of neoliberal structural adjustment programs (SAPs) throughout the Third World. These neoliberal regimes both in the “center” and in the “periphery” of the early and mid-1980s made it possible to set up the political arrangements that would make for a successful globalization of neoliberal capitalism on three counts:

1. the working classes of the neoliberalized world gave up on the productivity deal in North America and Western Europe (wages would be correlated to increases in productivity) and the post-colonial developmentalist deal in the Third World (import substitution and the creation of a local market would generate employment);
2. the state was reduced as the place of surplus distribution (with tax cuts and austerity budgets);
3. the complete destruction of the “Chinese walls” against the free flow of capital in the form of money, equities, and physical equipment constructed during the long period from

²⁴ Mario Montano, “Notes on the International Crisis,” In *Midnight Notes Collective, Midnight Oil: Work, Energy, War 1973-1992* (Brooklyn, NY: Autonomedia, 1992) p. 127.

WWI to the end of import substitution regimes in the late 1970s.

Let me comment on each of them and determine their relation to the oil and energy industry.

In the Keynesian period the state stopped being the exclusive club of collective capital and was interposed between the classes (and by a law of dialectics, it was divided against itself). In the neoliberal era the state abandoned this mediating role. It had to also abandon its role as the overseer of working class reproduction and regulator of capitalists' exchanges. The dictatorship of the market was to prevail. As Massimo De Angelis nicely put it, the state's job was to impose a practice of "good governance," i.e., "every problem raised by struggles can be addressed on condition that the mode of its addressing is through the market."²⁵ The "global" path to neoliberalism is indicated by the fact that the formalization of neoliberal policies was the adoption of Structural Adjustment Programs (managed by the central agencies of global collective capital, the IMF and World Bank). Moreover, the rise of the World Trade Organization with its legal system that made it possible for corporations to sue sovereign states as standard procedure symbolized the triumph of this transformation in the 1990s.

The next feature characteristic of global neoliberalism was the totalization of commodification and monetarization (what a Latinate sentence!). The previous barriers to commodification, especially those aspects of life involved in the reproduction of labor power, were to be battered down. Similarly, the barriers to the free flow of capital were to be annihilated, letting a tidal flow of money enter into previously unmonetarized parts of the world economy. "Financialization," not industrialization, became the most obvious feature of global neoliberalism, so that "money (not labor) is the measure of all things."

The class nature of the global neoliberal deal is that the winners—those willing and able to "swim" in the seas of the free market—will receive substantial increases of income *not wages*. (Indeed, wages were displaced as the primary class relation in the neoliberal economy by "ownership" income like equity in stocks or real estate.) Workers would be paid either far beyond (if you were neoliberally graced) or far below (for the majority) their "individual productivity." The two "prices to pay" for this opportunity to "play in the field of dreams" is the loss of guarantees (since every worker was in competition with workers around the world) and the increasing division in the working class both nationally and internationally (since most workers were either unwilling

²⁵ Massimo De Angelis, *The Beginning of History: Value Struggles and Global Capital* (London: Pluto Press, 2007) p. 89.

or unable to “swim”). Inevitably, the neoliberal era brought about ever widening wage divisions within the working class (with shining city centers surrounded by miles of poverty), waves of immigrants, and the experience of “new enclosures,” both in terms of the direct attack on communal land and other common resources.

For the oil and energy-producing proletariat a corollary of these axioms of a globalized neoliberal political economy is that the collective ownership (through the state or through communal rights) of the energy resources (especially oil and natural gas) of the national territory had to be abrogated. Thus the oil-producing proletariat’s rent claims on international capitalism (mediated by the state) were to be declared null and void, i.e., the birthright of millions was to be sold for a bowl of spicy pottage. Under the dictate of the new political economy all moments of the hydrocarbon energy cycle from ownership of the subterranean resource to extraction to refining to shipping producing the most basic of commodities for contemporary capitalism had to be commodified. The rules of the global market had to determine its oil price (especially since its price included a tremendous transfer of surplus value from the rest of the system). Thus the oil and energy regime was to be determined by a commodity market similar to the emerging “spot” market. No longer could the global economy depend upon deals made on the basis of a price structure managed either by the Seven Sisters or by OPEC.

The Crisis of Global Neoliberalism, Its Energy Aspect

These were the dictates of the global neoliberalism. Though many of them were obeyed, those pertinent to the oil and gas industry were not. I.e., the attempt to undo the nationalizations of oil and energy that took place largely in the 1970s and to dismantle OPEC have failed even though the spot market seemed to promise a “neoliberal” solution for the organization of oil and energy corresponding to the “globalization” of other commodities continues to operate. I read the failure to change the property relations in the oil fields of Saudi Arabia,²⁶ of Russia (2004), of Venezuela (2002), of Iran (2007) and especially of Iraq (since 2003), along with many more “minor” set backs, as crucial “events” in the larger failure of the neoliberal globalization model.²⁷ For if energy

26 George Caffentzis, “Oil, Globalization, and Islamic Fundamentalism,” In *Globalize Liberation: How to Uproot the System and Build a Better World*, Ed. David Solnit (San Francisco: City Lights, 2004).

27 George Caffentzis, “The Petroleum Common,” In *No Blood For Oil! Energy, Class Struggle, and War, 1998-2004*, Accessed at http://radicalpolitics.org/caffentzis/no_blood_for_oil-entire_book.pdf.

commodities, the most basic of commodities, cannot be managed by neoliberal globalized means, this mode of accumulation is a dead letter in the long run.

We must remember that the nations listed above are the largest oil producers with the largest oil reserves on the planet. Consequently, the inability to even have Iraq transferred to a new neoliberal oil course, even when it has been occupied by US troops for five years, is a glaring testimony of the inability of the US government to “manage” the political terrain. Add to this gigantic failure, the stalling of the neoliberalization of the Saudi gas industry after 9/11, the inability of the US government to protect Exxon from the Russian state, the failure of the US-supported coup against Chavez, the inability of the campaign against Iran (disguised as an effort to stop the building of a nuclear weapon) to gain concessions in its stance in OPEC, and one gets a dismal picture of the US’s capacity to play the rule enforcer of the neoliberal global order.

We must also remember that the so-called “minor” difficulties are not minor at all when added together. Some examples include:

- a long-standing and now armed rebellion of the local inhabitants demanding the rights to the petroleum under their feet in the Niger Delta;
- the “gas war” in Bolivia that pitted indigenous peoples against the expropriation of the hydrocarbons resources of the country;
- the Zapatista rebellion against the extraction of the oil reserves of the state of Chiapas, Mexico.

What we are seeing here are flash-points of the “Fourth World War” that Subcomandante Marcos has so eloquently spoken about. Capital is now driving exploration and extraction of oil to the “margins” of the world (where communalist ethics still prevail among indigenous people) and it is confronting a tremendous communalist resistance. In a hundred different spots of Africa, Latin America and Asia, a “petroleum common” is being defended, often by force of arms. As Steven Colatrella has called it, there is a “political Hubbert’s curve” that is taking shape under the pressure of a myriad of “micro-struggles” between the oil companies and the indigenous peoples who are imposing a major barrier to capitalist expansion of the oil industry. The “war of the flea” is so powerful partly because it is not categorized as a “war” at all!

Not accidentally this crisis of the oil industry coincides and interacts with a crisis of the US proletariat, which is seeing its own future in the form of income “outside” the wage being devastated. The dream of wealth beyond work has been the proletariat’s since its birth

in the “Land of Cockaigne.” With the inability to increase wages through collective struggle beginning in the mid-1970s and the increase in employment of women and children as the only way to maintain the family income, the US proletariat has been trying to find other ways to survive and prosper. These ways have been increasingly individualistic and parasitic on the market. In the 1990s many workers hoped to hit it big in the world of the stock market and in the stock options that were increasingly offered by companies in lieu of wage increases. In the boom, many became millionaires “on paper.” When the “dot.com” crash came in 2000-2001, the dream paper became worthless (and workers more than capitalists suffered). Almost immediately after the “dot.com” crash, however, a housing price boom began to take off. This boom was also fueled by the neoliberal reorganization of the credit industry that made swift and unregulated movement of loans for real estate property possible. This boom also has now crashed, this time with millions of workers homeless instead of pensionless.

The “class deal” neoliberalism has offered to the “ambitious” and “energetic” part of the US working class is now beginning to fade. This constitutes a major crisis of neoliberal capitalism *for* the working class in the US, whereas the inability of imposing the neoliberal deal for the oil industry internationally is a crisis *for* capital. That is why one must be very careful in articulating what sense of “crisis” one is using at any moment. The political question of our day is whether capital will be able to turn the crisis from itself into a crisis of the working class internationally. The “war on terrorism” and the “surge in Iraq” have been military/ideological efforts to turn the US working class’ catastrophe at home into the basis of a renewed effort to accomplish the goals of neoliberal capitalism abroad. Will capital be able to do what it did in the previous crisis of 1973-1980 again? Certainly the Bolivarian movement in Venezuela has recognized the danger that such a possibility poses and has taken some steps to respond to it through an offer to provide discounted oil to low-income communities in the US. This provides a model for class solidarity between the two poles of global neoliberalism.

If capitalism is able to survive this period, one thing is now clear. The state’s role will be decisive. Inevitably, neoliberalism political economy’s main effort—to take state power out of the sphere of working class appropriation—will have to be compromised. The sovereign wealth funds that are now proliferating across the planet (arising out of motives that are similar to Alan Greenspan’s “surplus nightmare” in the US) are signs that the state’s role in investment will be crucial once again in the political economy of the coming period.

Will this huge planetary surplus (represented by the rents and the surplus value transferred into profits that are being appropriated through high oil prices by the states of oil-producing countries) be invested in a new “energy” regime not based upon the exploitation of work? Could the feared high price of oil become the lever for a transformation both of the energy and power problem of the planet? That will depend on whether this time around a relation of solidarity will be forged between the oil-producing and the US proletariat.

This solidarity certainly will not emerge by simply calling for the US proletariat to stop being oil-consuming “hogs” and transform themselves into solar “angels.” After all, the “down side” of Hubbert’s Curve, in a sense, could be seen as a potential payback for a century of exploitation, forced displacements and enclosures. It appears like the capitalist class is unwilling to pay reparations to the peoples in the oil-producing areas whose land and life has been so ill-used as is suggested by the horror, for example, of paying the Chavez state funds through oil taxes and rents that will go into buying back land that had been expropriated decades ago and giving it to peasants. Capital wants to be able to control the vast transfer of surplus value that is being envisioned in these discussions, and without a neoliberal solution it is not clear that it can. Should the working class be simply echoes to capital concerns? After all, shouldn’t the reparations be paid to the people of the Middle East, Indonesia, Mexico, Venezuela and countless other sites of petroleum extraction-based pollution?

I have no prophecies concerning the success of a transition from capitalism to another non-capitalist mode of life, I will leave you, however, with some political queries that might provoke such prophecies:

- Does the energy crisis of this decade prepare for a new, post-neoliberal/globalization deal?
- Will it be possible for capital to transfer the crisis from itself to the working class internationally as it did in the last “energy crisis” of 1973-1980?
- Is the US class “deal” of wages dissociated from productivity, but with easy credit and “cheap” imported commodities over?
- Is the \$100+ per barrel price of oil going to be permanent and a vindication of the Peak Oil theory or will there be a huge fall in the oil price as there was in the mid-1980s?
- Is the revalorization of the state an essential aspect of the next form of capitalism, if there will be a “next”?
- Capital’s last renewable energy era (filled with windmills and sails) was one marked by slavery, genocide and enclosures, will the “second time around” likely be any better?

- Could the political meaning of the “down side” of Hubbert’s curve have an “up side” for the oil-producing proletariat?
- Are Chicken Little’s apprehensions or are Foxy Loxy’s deceptions more dangerous to the Henny Pennies of the world?

