

## chapter thirteen

# Peak Oil and National Security

## A Critique of Energy Alternatives

The discussion of energy politics in the US is now dominated by two competing paradigms. One is promoted by the Bush Administration and its corporate allies and the other by a wide assortment of liberal and left-wing NGOs and analysts (and occasionally by the corporate supporters of the “Gore-wing” of the Democratic Party which includes, from time to time, John Kerry). The Bush paradigm is all too familiar: the “real” energy crisis has nothing to do with the natural limits on energy resources, but is due to the constraints on energy production imposed by government regulation and the OPEC cartel. Once energy production is liberalized and the corrupt, dictatorial and terrorist-friendly OPEC cartel is dissolved by US-backed coups (Venezuela) or invasions (Iraq), according to the Bush folk, the free market can finally impose realistic prices on the energy commodities (which ought to be about half of the present ones), and stimulate the production of adequate supplies and a new round of spectacular growth of profits and wages.

This Presidentially-approved paradigm is receiving decisive practical criticism from millions of pro-Chavez demonstrators and voters in the streets of Caracas and from thousands of resistance fighters in Fallujah and Najaf. I will leave its fate in their hands.

In this article I examine the other, more sympathetic energy paradigm in the field. Its key components are: (a) the claim that the time when oil production permanently outpaces discovery of “new” oil is nearing (often called “the Peak Oil hypothesis”); (b) a view of the United States as being a powerful nation state whose government is moved by “national security” imperatives in its energy politics. This paradigm is politically problematic for those opposed to the Bush Administration’s imperialist

energy policy, not because its component parts are completely false, but because these parts come together to form a misleading and disarming totality.

In order to make good on my criticism, let me review the paradigm's component parts.

## Peak Oil

Up until early modern times, miners, natural philosophers and other "experts" believed that gold, silver and other minerals (like coal) were vegetable-like in that when mined they would literally grow back like a snipped rose bush. This insight in the case of coal and its other hydrocarbon cousins in gaseous and liquid form was not wrong in principle (they *are* the residue of ancient organisms), but it was mistaken as a practical maxim, for the time it would take normal geological processes to transform organic matter into coal, natural gas and petroleum is in the order of millions of years. Consequently, these fuels are, for all intents and purposes, finite, non-renewable energy resources.

This finitude forms the theoretical basis of modern geology. But it has often haunted capitalists extracting profits from the production of the major energy-producing hydrocarbons (e.g., in the late 19th century there was a fear that coal supplies would soon run out), since the extent of this finitude was difficult to gauge. Is the exhaustion of coal, oil and natural gas near (a couple of decades) or far off (a couple of centuries)? The energy industry in the past tended to put the actual total exhaustion of coal, natural gas and oil reserves as far into the future as plausibly possible. But the industry's deferral of its death has recently been abandoned. (This was, perhaps, signaled by British Petroleum's retagging of its acronym as "Beyond Petroleum"). For it is increasingly recognized that the decisive question posed by the finitude of, for example, oil is not the *static* one: how much time there is from the present to the pumping of the last drop of oil out of the last extant field on the planet. The important question is *dynamic*: when will oil production *permanently* outpace new finds, *begin* to deplete the world's reserves and to *tendentially* decline? This inflection point, of course, will occur much earlier than the complete depletion of oil, gas and coal. It is often called "peak oil," since it is the point when production definitively outpaces the replacement of exhausted fields by newly discovered ones. Once this "peak oil" point is reached and passed, geology and economics dictate a new era of expensive oil.

Oil companies are now desperately trying to position themselves to be able to stake out and possess the remaining oil areas on the planet. According to the widely recognized reasoning, if the companies do not make their claims now, they will be left out of the price boom in the first half of the 21st century caused by a decline in production and an increase in demand. This consensus is based on the work of M. King Hubbert in the 1950s who accurately predicted that US non-Alaskan oil production would peak around 1969 (the actual peak was in 1972). Extrapolating Hubbert's work on the US to the whole planet, geologists like Colin Campbell, Jean H. Laherrere and Craig Bond Hatfield have noted that the number and size of new oil discoveries have been falling since the 1960s and are rapidly heading to zero. They also note that the larger fields are usually found first, while there are diminishing returns on new exploratory wells recently.

Since oil consumption is growing at approximately 2 percent per year, while the old oil fields are drying up and new fields are expensive to find and exploit as well as being objectively rare, a price hike of dramatic proportions looms.

It follows that the owners of large quantities of "old" oil still in the ground (mostly the governments of Middle East OPEC nations) are becoming notionally richer by each coming year even if they do not extract any oil during that year and that all the profit to be made out of the production of "new" oil now lies in the hitherto neglected geographical "margins" of the planet. Both invite scenarios licensing imperialist interventions. On the one side, the Middle East's government's nationalized "banks of 'old' oil" are becoming even more desirable objects of control and possession as the local "peak oil" points are met and passed outside the region. Thus the US government's sudden interest in invading Iraq and Iran and occupying them—as its troops are already stationed in Saudi Arabia, Kuwait, and Bahrain—is immediately understandable. On the other side, it is exactly in the drive to the margins to find "new" oil that all the horrors of the primitive period of the oil industry are returning. Indigenous people must be driven from their lands; previously uncontaminated waters and lands must be polluted; cultures, peoples and ecologies must be exterminated. But these peoples—from the Chiapans to the U'we to the Ogonis to the West Papuans—are resisting their own extinction by stalling the oil industry's self-proclaimed final advance through threatening to commit collective suicide (the U'we in Ecuador) or through armed confrontations (the Ijaws on the oil platforms in the Niger Delta).

## The US as a Nation State and National Energy Security

The second basis of this anti-Bush paradigm is simple: the US is a nation state with recognized territorial borders and its government is presumably primarily interested satisfying its constitutional injunction: “form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty.” The state and citizenry are presumably put into danger when vitally necessary goods are imported from outside its territory, especially from states that are either ideologically or economically hostile to it. National security would therefore be increased by an import substitution policy that would produce these necessary goods at “home.” In so doing, of course, the need for engaging in foreign military adventures diminishes.

This argument (a sort of pacific mercantilism) holds good for energy in general and oil in particular. There is hardly any natural stuff more vital for social and capitalist reproduction in the US than oil. But beginning in the early 1970s oil production in the “lower 48” has fallen to the point that more than 50% of the oil burned in the US is now imported. Since oil reserves are increasingly concentrated in OPEC nations, especially in the Middle East, and these nations are becoming hostile to the US, the US faces a national energy security crisis.

Given these principles and facts, the supporters of this paradigm argue, the solution to national insecurity created by energy dependency is a strategy of import substitution, i.e., the US government should invest in an effort to derive most of the nation’s energy required for socio-economic reproduction from domestic sources. Such a result would eliminate the need for invading and occupying Iraq (and other belligerent OPEC countries) to directly control the oil fields there.

The paradigm’s supporters emphasize the urgency of implementing such an import strategy with the approach of “Peak Oil.” As the actual hydrocarbon “stuff” in the planet’s subsoil decreases, there is even more temptation for energy-importing countries (like China) to aggressively (and desperately) insure themselves a continuous supply. If the US continues on its path of increasing energy dependency, it too will be competing with other nuclear-armed states for the final pools of subterranean petroleum with delirious consequences.

## Critique of the Peak Oil/National Security Paradigm

This anti-Bush paradigm, though correctly appealing to anti-imperialist fervor and ecological anxieties, is problematic since it poses the question as a matter of “oil dependency” and not of the inevitable consequences of the present system of commodity production. It does not recognize that: oil is a commodity (not a thing); the oil industry is devoted to making money profits (and not producing oil); the US government is essentially involved in guaranteeing the functioning of the world market (and not in the energy “security” of its citizens); and energy politics involves classes in conflict (and not only competing corporations and conflicting nation states). In brief, it leaves out the central players of contemporary life: capitalists and workers. Somehow, when it comes to writing the history of petroleum, capitalism, working class, and class conflict are frequently forgotten in a way that never happens with oil’s earthy hydrocarbon cousin, coal. Once we put capitalism and working class conflict into the oil story, the plausibility of the Peak Oil-National Security paradigm lessens. Let me breakdown my points of criticism:

### (a) oil is a commodity

Oil in a capitalist society is not produced to satisfy human needs and desires (although as a commodity it must satisfy some desire, real or fancied). It is produced to make profit and to increase control over and accumulate human labor (which requires the creation of a universe of misery)! Even if oil was the elixir of life, as long as it could not make a profit on sale, it could just as well be sewer water as far as capitalism is concerned (or perhaps it would be even less valued, since sewer water, in Mexico at least, can be sold to fertilize fields!)

In other words, oil must be a commodity to have a value, but oil is not just like any other commodity. It creates even more mysteries and metaphysics than its average cousins. First, it is a *basic* commodity, since it is involved directly or indirectly in the production of most other commodities. Its price changes affect the prices of almost all other commodities and hence wages and profits throughout the world. Also, its production process has a *high organic composition*, i.e., it involves large amount of machines and equipment and relatively little direct labor. Finally, it has a *rent* component in its cost. All of these elements together make of oil a special commodity from the point of view of political economy and they undermine the Peak Oil/National Security paradigm.

**Basic commodity.** Surely, the price of oil can influence the rest of the capitalist system in the way interest rates can. Oil prices ultimately have a power much more general and diffused than it immediately appears simply because oil is involved in the production of most other commodities. The many economic models since 1973 that have correlated world and regional recessions with oil price hikes empirically express this connection. Consequently, those who control the nationalized oil companies of the OPEC nations are crucial to the functioning of contemporary capitalist production not only because of the importance of oil for actual production of plastics and transport of steel, but also because of the larger economic consequences of any change in oil prices they charge. When government and corporate officials in NY, Washington and London look at the composition of the OPEC leaders and see only Islamic terrorists and nationalist revolutionaries this clearly poses not only a political and military threat, it is most immediately an economic one for them.

**Transferred value.** Most commodities do not sell at their values, otherwise highly demanded commodities like oil would not be produced, since their almost labor-less production would not generate enough surplus value directly. Consequently, some value from branches of production which require less investment in machinery and plant (e.g., textiles) must be transferred through market competition into the branches like the oil industry which require much more investment in technology. This means that oil is a commodity that is the object of the collective interest of capitalists around the planet. Any attempt to run such an industry that would be detrimental to the general capitalist interest will face opposition from a vast assembly of individual capitalists around the world. (As Kissinger said in the early 1970s: "Oil is too important to leave it to the Arabs.") Thus oil companies are closely monitored (and regulated) by capitalists and their governments domestically and internationally. It is not only the US oil companies that are vitally interested in the fate of the oil reserves of Iraq, there are behind them many other kinds of corporations in the US, Europe and Japan whose profits will depend upon that fate as well.

Indeed, there is such a collective (almost communal) capitalist concern for industries that (a) produce commodities with high levels of machinery and little direct labor and that (b) are important to the production of commodities, they can easily be the object of political and military action by a capitalist class domestically and internationally. Sometimes this action can be legislative. For example, Rockefeller's oil operations were the initial target of the "anti-trust" movement in the late 19th and early 20th century US. But sometimes this action can be violent and prompt wars (as

can be seen from the British attack on the Ottoman Iraq in WWI to the 2003 US/UK invasion of Iraq.)

**Rent.** Rent is one of the categories of political economy that is clearly relevant to the oil industry. There is a rent that goes to the owners of the oil fields due to the fact that not all underground oil is the same. Some is “sweet” (i.e., it has a low sulfur content), some is not; some is deep, some is not; some is on land, some is not; some requires a lot of technology to find, some does not. Clearly, if the price of oil is the roughly the same throughout the world, then the owner of the territory where the oil has positive characteristics can charge rent (and expect to be paid it). Indeed, there is probably some “Absolute Rent” in the rental costs of oil that is paid simply as tribute to the regime of private property even when a company is producing in the worst oil areas. All this rental value comes from the transferred value from the rest of the capitalist system. Again, there is a collective capitalist interest in its part of the cost of oil.

Indeed, there has been a capitalist critique of “rent-seeking” throughout the history of political economy. Rent is presumably the epitome of unproductive income. This critique still goes on today in the text-books and among the ideologues of both Keynesianism and neoliberalism. However, for all the critique of the rentier, rent still is a decisive form of income in a capitalist society, as any New Yorker will attest to! But the productivist ideology that has its roots in John Locke’s defense of English colonialism in the late seventeenth century is always waiting on the horizon to be brought in to justify attacks on the rights of the rentier. If the rentier, though his/her right of exclusion, disrupts the productive development of a profitable industry, then there is a right of the “more productive” to lay claim to the right of exclusion. Therefore, war is always on the wings of all rental claims.

Since oil is a “peculiar” commodity in all these dimensions and is crucial to the functioning of the world capitalist production, the considerations appropriate to understanding its role in world economics and politics are not merely technical or scientific. US capitalists and the US government are vitally involved in the fate of the world oil industry independently of whether corporations based in the US import oil or not.

## (b) The US is not a nation state any more, if it ever was

The primary function of the contemporary US government as far as energy policy is concerned is not defined in the Constitution’s famous preamble. Indeed, *even if the US*

*economy was completely self-sufficient in energy production and no longer dependent on imports from OPEC countries, the US government would still be instigating “oil wars”* for at least two reasons. First, the US government would still need to guarantee the profits of the major energy corporations that are involved in “foreign” production and often need US military assistance (cf. from the Iranian coup in 1954 to the Iraq invasion of 2003). Second, the US government (in both its Democratic and Republican embodiments) is “responsible” for the survival of the neoliberalism/globalization project as a whole. For profit making is now (and has always been) dependent on the world market and today this market’s rules are determined by the WTO, the World Bank and IMF, institutions that are committed to a neo-liberal doctrine.

The main problem with neoliberal/globalization is that for it to “work” the system must be global and the participating nations and corporations must follow the “rules of trade” (including trade in services, patents and copyrights) even when participation goes against their immediate self-interest. In a time of crisis, however, there is a great temptation for many participants to drop out of or bend the rules of the game, especially if they perceive themselves to be chronic losers. What force is going to keep the recalcitrants (both old—those who refused to be part of the game—and new—those who dropped out) from proliferating? Up until the 1997 “Asian Financial Crisis” most of the heavy work of control was done by the IMF and World Bank through the power of money, but since then it is becoming clear that there are countries that will not be controlled by structural adjustment programs (SAPs) and the fear of being exiled from the world credit market if they do not follow the instructions of the IMF and the World Bank.

The most illustrious recalcitrants are the Bush-baptized “axis of evil” nations—Baathist Iraq (one of the last of the national socialist states), Iran (one of the last fundamentalist states after the demise of the Taliban) and North Korea (one of the last of the communist states)—but there are many other Islamic, national socialist and communist governments that have not transformed their economies into neoliberal form. This list will undoubtedly grow unless there is a check, in the form of a world police officer that will increase the costs of an exit.

The neoliberal order needs the equivalent of the role Britain played for the liberal capitalist system of the 19th century in order for it to function properly. Bill Clinton and his colleagues believed that the UN could eventually be used by the US government as such a force. The Bush Administration disagrees and concludes that the US will have to act in its own name to enforce the rules of the neoliberal order (even though many of

its adherents are unwilling to do so) and that action must at times be military. In the end, it is only with the construction of a terrifying US Leviathan that the crisis of neoliberalism will be overcome and regime of free trade and total commodification will finally be established for its Millennium.

The invasion of Iraq is a crucial step in this construction process. It is seen by Bush as a sacrifice of US human and capital resources for the greater capitalist good (hence, perhaps, the continual evocation of "God" in the administration's rhetoric). There is some truth in the Bush Administration's claim that the present war on Iraq (and future wars on the remaining problematic OPEC countries, if the more "extreme" elements of the Administration have their way) is not about oil *per se*. It is about imposing a uniformly neoliberal structure on countries that, because of their ability to receive transferred value through their oil sales, have been able to evade the rules of the global market. Indeed, oil is the main internationally traded commodity that is not regulated by WTO rules to this day.

The Bush Administration's project of policing the neo-liberal order might have been possible, if there promised to be but a few recalcitrants to and migrants from the neoliberal order. However, this is not likely. For neoliberalism does not seem to be able to deliver on the "sustained growth" that rises all ships even in its halcyon days in the late 1980s. On the contrary, experience shows that it does not even raise the 20% of the "ships" it had claimed to do in its inception. This means that many millions in the Third World who aspired to membership in the local ruling class and the many billions who simply wanted an increased wage have been devastated by the course of neoliberal globalization and have become its implacable enemies in the 1990s and early 21st century.

Consequently, there will be neoliberal wars fought by US troops aplenty in the years to come, if the US continues to play the British Empire of 21st century neoliberalism. For what started out in the 19th century as a tragedy, will be repeated, not as farce, but as catastrophe in the 21st. At the same time, it is not possible for the US government to "retreat" from its role, without jeopardizing the neoliberal/globalization project itself. Thus the supporters of the Peak Oil/National Security paradigm are offering up a questionable connection between energy import substitution and the path of imperialism. As logicians would say, energy dependence might be a sufficient condition of imperialist oil politics, but it is not a necessary one.

### (c) Peak Oil?

Are we actually witnessing the oil industry's "final advance" because the moment of "Peak Oil" is nigh? We should be as skeptical of the early 21st century Hubbertian version of "the end of oil" as we were of the Club of Rome's "limits to growth" scenarios of the late 1960s, for oil is inevitably surrounded by an ideological aura. It is impossible to read the lineaments of history from the limits and constraints of nature, especially not in a capitalist society where "nature" is often playing surrogate for the commands of a ruling class (cf. the long, continually revived career of "Social Darwinism"). The problem with the debate concerning the hypothesis is simply that although the geological reasoning Hubbert used is compelling for predicting oil use, the class consequences of such reasoning are far less compelling.

The point that I want to stress is that the "Peak Oil" hypothesis is now becoming an early 21st century justification for an attack on pensions, wages and workers' guarantees in the so-called advanced capitalist countries. Presumably, the increased cost of finding new fields and their increased rent in an era of Peak Oil will force an increase in the transferred value into the oil industry that would require an increase in the mass of exploited labor. The permanently increased energy costs presaged by the "Peak Oil" hypothesis are now a convenient way for capitalists to invoke the need for "austerity" (for their workers) long before the actual exhaustion of oil, natural gas and coal is on the horizon. Thus this hypothesis is an even more pernicious tool in class struggle than the energy limitation ideology of the 1970s. But the apparently logical connection between the "end of cheap oil" and reduced wages and working class expectations is simply a mirage. The hidden assumption of Peak Oil ideologists is that increased energy prices (for corporations) inevitably require a reduction of the wage rate instead of a reduction in the profit rate. In other words, Peak Oil politics assumes that the working class will finance the transition from cheap to expensive oil come what may. Given the present configuration of class forces in the US, this assumption is perhaps a good bet, but it is far from necessary outcome.

## Conclusion

Given our critique of the Peak Oil/National Security paradigm, one can understand why the Bush Administration's paradigm is appealing to many in the US working class. First, it has a much more plausible account of the US's government's general role in the world economy and its specific role in controlling the average price of oil. No one seriously believes that the US capitalist class is going to abandon its "global reach" of

its profit making just for the sake of providing a reliable, domestically produced energy supply to US workers. Second, it offers to members of the US working class an understandable role in the future division of labor, i.e., as well-paid mercenaries and managers of the world market in energy. The horrible deaths of the four “contractors” in Fallujah in April of this year are increasingly to be seen as “work accidents” that go with the territory, and not as exceptional circumstances. Third, it seems to imply that the US’s presumed military dominance will be applied in the service of the working class’ need for oil energy.

Thus, the key issue of oil in contemporary class politics in the US is not the one addressed by the Peak Oil/National Security paradigm, viz., US corporations and workers are economic dependent on an imported commodity that is increasingly becoming more “expensive” and that the political project of our era is to have a US economy self-sufficient in energy. The problem is that a significant minority of US workers see their *only* future in a neoliberal/globalized world with its main recalcitrants—the OPEC countries—policed by a military recruited from the US working class. One cannot explode this enclosing vision of the future by offering a logically and politically unconvincing alternative project of national energy independence.

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