http://www.counterpunch.org/2013/09/20/capitalism-and-us-oil-geo-politics/print

Capitalism and US Oil Geo-Politics

The Profits of War and De-Stabilization

By ROB URIE

SEPTEMBER 20-22, 2013

There is a long-standing tension between political, cultural and economic explanations of national policies and international relations. Cultural explanations have tended to either tie closely to artifact—e.g. the Sharia prohibition against paying interest on loans, or to devolve quickly into antique racist blather, e.g. the 'Arab character' in Western narrative. The tension between political and economic explanations relies on a different dynamic. Political power and economic power are both forms of social power. But as the saw regarding the Western academic practice of separating economics from politics has it, 'economics only deals with solved social problems.' And as any reading of mainstream (capitalist) Western economics has it, the structure of its fundamental premise is (1) we are all in this economy together so (2) whatever arrangement of circumstance produces the most income / wealth / 'utility' is best regardless of how it is distributed. However, as France's King Louis 16th found as his head was being forcibly separated from his body, distribution matters.

Economism, or crude economic explanations of social relations such as Nobel Prize winning economist Gary Becker's 'utility maximizing' choice of spouse / partner, is clearly devoid of history, culture and political context. But explanation outside of context is the goal of Mr. Becker and mainstream Western economics—to posit theories that apply, however implausibly, across time and space, geography and circumstance. Keynesian economics brings social life back into the picture in the sense that Mr. Becker's utility maximizing individuals produce collective outcomes that are different from the mere aggregation of individual economistic 'satisfactions,' sometimes catastrophically so. But as current circumstance in 'the West' has it, Keynesian economists can proffer more plausible explanations of social-economic relationships in capitalist economies than 'micro-economists' can but the last time Keynesian economics had the ear of the political class was when the White House was surrounded by angry citizens ready to burn it to the ground. Apparently the political class is maximizing some more complicated notion of utility.

The necessary starting point of any discussion relating capitalism to broader political economy is to distinguish between capitalism in fact versus theory. To be clear, this exercise bears no relation to the 'realist' school of thought. Capitalism in theory comes with a large and intrusive institutional structure needed to keep a political economy capitalist while in fact the accumulation of capital produces the political power to push it out of the way. Like the celibate religious sects of the sixteenth and seventeenth centuries, free market capitalism—that without the developed institutions needed to 'manage' it, tended to last for one generation, two at the most before its concentrated political-economic power shut the door on subsequent 'market' competition. Recognition of this tendency was behind the anti-monopoly regulations and forced de-consolidation of industries in the progressive era and in the broader attempts to regulate capitalism at the industry and macroeconomic levels coming out of the Great Depression. Having now shoved aside these lessons of history the current era of finance capitalism is in the later stages of the consolidation of political-economic power. Discussion of 'capitalism' without its theoretical content being placed in the modern context of highly concentrated wealth and its subsequent hold on Western political systems is to say nothing when the implied intent is to say something.

What is often an unfathomable mystery in one dimension finds relatively simple, or at least straightforward, explanation in another. The great political mystery of this age is how in an alleged democracy, where citizens can express their approval or disapproval of government policies at the ballot box, these very same government policies almost exclusively benefit a tiny minority of the already wealthy? (Increasing income concentration is tied in history and fact to finance—the same Wall Street that was bailed out in 2008 – ???? and continues to exist on government guarantees). Classical liberal political theory posits a tight bond between capitalism and political democracy. The U.S. economic system is a complex hybrid of ‘capitalism’ and the overwhelming majority of citizens favor policies that broadly benefit the public, and yet the policies favored by a tiny minority of wealthy ‘citizens’ are the law of the land. In the political dimension this is a mystery but in the economic dimension the use of economic power to buy political power is relatively straightforward—‘Citizens United’ anyone? Anyone? And in a Marxian frame the relation becomes symbiosis—in capitalist economies the state exists as a tool of the concentrated economic power in whose interests it acts.

In political space one of the great mysteries is why / how the tiny state of Israel achieves such capture over U.S. foreign policy in the Middle East? The typical less than helpful answer is ‘the Israel lobby,’ one step removed from ‘Israel’ but no more illuminating. According to the CIA the GDP of Israel in 2012 is, depending on the method of calculation, between $240 and $252 billion USD and U.S. GDP is about $16.6 trillion. $16.6 trillion is sixteen thousand and six hundred billion dollars. There is no *direct* economic relationship to explain the power of Israel over U.S. foreign policy because the scale is so wildly imbalanced on the side of the U.S. The answer then must be geo-political and a quick glance at a map of the Middle East places Israel in the vicinity of Iraq, Iran and Saudi Arabia, the very centers of oil geo-politics by the U.S. for the last century. Before the Iranian Revolution in 1979 Iran, Saudi Arabia and Israel were strategic allies of the U.S. in the region. Following the revolution—largely unforeseen by the U.S. at the time, U.S. allies dwindled to Saudi Arabia and Israel. Israel’s ascendance as close strategic ally of the U.S. dates to this period. With the Cold War now ‘officially’ over, the only plausible geo-political ‘value’ of Israel to the U.S. is its proximity to Middle Eastern oil. And to be clear, the oil and gas industry has been among the most profitable capitalist enterprises in the history of the world.

There was a time as the George W. Bush administration was selling its war on Iraq that the point was regularly made that Mr. Bush himself was an ‘oil man,’ as was his father, George H.W. Bush, his powerful Vice President Dick Cheney, his National Security Advisor Condoleeza Rice and his Commerce Secretary Don Evans. And they were launching war on a nation believed to have the world’s second largest supply of oil reserves. Geo-political rationales were offered by the neo-cons in the Bush administration, largely the protection of Israel and ‘friends in the region’ from WMDs (link below). But the major architects of the war believed Iraqi WMDs were but a future possibility (link below) shortly before they came to office. At that time they, including Mr. Bush’s Secretary of Defense Donald Rumsfeld, argued publicly that protecting the world’s supply of oil was a central reason for attacking Iraq. Taking the totality of circumstance—former oil company executives launching war on an oil rich nation on a pretext they publicly proclaimed they didn't believe shortly before taking office—and that upon launching their war proved to be non-existent, requires a willingness to overlook the obvious—that the war on Iraq was for oil, that is difficult to support.

That the Bush administration sold the American press and public the geo-political rationales for war while the economic dimension was kept out of 'polite' discussion goes far toward illuminating the diversionary role of geo-politics in U.S. foreign policy—were the actual reasons for U.S. foreign policy given the American public wouldn't support, fight and die for them, or so it is implied by those doing the selling. Again, the Bush administration went out of its way to insist its war on Iraq had no relation to Iraqi oil. Oil most certainly does have geo-political import outside of direct commerce—'capitalism,' and it is a major factor in the conduct of war. One of the largest challenges in running the machinery of modern warfare is to maintain a secure supply of energy. This was a major logistical challenge in WWII and in all U.S. wars since. But note the circular logic at work here– success in wars requires access to oil and wars for oil in turn then make geo-political sense. This is a recipe for ongoing global social catastrophe just as seems to be playing out in the Middle East. The largest consumer of oil in the U.S. is reported to be the Pentagon. And to cut through the chatter, oil company profits and oil executive paychecks went through the roof during Mr. Bush's war on Iraq and remain near their highest in history.

Rough variants of capitalism were behind the growth of industry in the West and industry is the primary military / non-military user of oil. The strategic *economic* importance of oil to capitalist economies precedes its geo-political import because industry (an economy) is needed to build the military materiel of geo-politics before modern warfare is even possible. This is true from the genesis of industrial capitalism through the production – destruction cycles of economic / geo-political actors across modern history. The oil shocks of the 1970s were sold as geo-political in nature with the first in 1973 even called the 'Arab Oil Embargo' even though Iran, then still a U.S. client state, and Venezuela, were the main OPEC members in favor of embargo and both had little quarrel with U.S.-Israeli relations. And multi-national oil companies based in the U.S. were the primary actors holding oil off of world markets to raise the price. What was demonstrated with the embargoes was the effect that suddenly limited access to oil had on Western industrial economies that were structured to be wholly dependent on plentiful supplies at relatively low cost. Lacking the independent imperial relations needed to secure plentiful, cheap oil France and Japan both aggressively moved their nuclear energy programs forward. Given the relative immobility of nuclear energy, as opposed to nuclear weapons, these programs were conceived and built for economic purposes. The embargoes caused swift, steep recessions and the paradox in Western economics of rising prices coincident with falling economic production. The modern storyline of U.S. energy dependence / independence was borne here and the last embargo in 1979 resulted from oil-rich Iran declaring its independence from the U.S. And the hard turn right in Western academic economics evolved from the seeming paradox of 'stagflation.'

The point is sometimes made that political instability runs counter to the interests of capitalists inferring that the desire for profits provides a 'natural' check against the historical tendency of capitalist economies to go to war at the drop of a hat and keep fighting years or decades after the possibility of achieving geo-political goals has passed. The theory itself requires a quaint notion of capitalism akin to antique Scottish economist Adam Smith's petite bourgeois shop keeps who may have feared they would lose business if the rabble chased good paying customers away. With Wall Street as an example, this theory fails in two central ways—Wall Street uses economic power backed by the threat of state power and the power of Western institutions like the IMF (International Monetary Fund) to insert itself into political economies around the globe and then restructure them for its own benefit. (For examples: see Goldman Sachs' currency swaps and their effect on Greek political economy or the effect of IMF 'structural adjustment' programs in South America). The great mystery of the 'austerity' hoisted on Western economies (that defies 'political' explanations) is straightforwardly the same creditor's view of corporate accounts—the banker's view used in 'workouts' of corporate debt, applied to national accounts. The point: through exploitative economic extraction based on naked power relationships Wall Street is both economically and politically destabilizing around the globe. Capitalist imperialism isn't the mutually beneficial system of trade between equals of theory—the IMF, the supreme tool of finance capitalism, is one of the most economically and politically destabilizing forces in world history.

The second way Wall Street is destabilizing is through an internal paradox of capitalism itself. Even if Wall Street were populated by Adam Smith's shop keeps opening their doors in the morning and waiting for customers to come in and transact for a modest profit, the 'system' of capitalism, its social component that produces a collective outcome different from the simple aggregation of the parts, is fundamentally destabilizing. In recent years the late American economist Hyman Minsky has become best known for his theory that 'stability is destabilizing,' that in capitalist economies with developed financial institutions periods of sustained stability lead to increased risk taking that produces financial bubbles that in turn cause economic crises when these bubbles inevitably burst. Mr. Minsky developed his theories for 'finance' capitalism, capitalism where finance plays a prominent role. But even industrial capitalism in which finance plays a less prominent role has regularly recurring crises caused by commodities booms and busts and wars. Economists and capitalists can disagree over the causes of these crises but their history as regularly recurring events is undeniable.

One other dimension of the de-stabilizing effect of capitalism is illustrated through the economic crises in Western economies of recent decades. Wall Street in particular, and the corporate West more broadly, has been provided its wish list in terms of the freedom to conduct business as it sees fit. Wall Street was effectively deregulated, allowed to increase leverage, allowed to shift risks (within the system of finance and without) and allowed to engage in predatory practices that actively harmed 'its' customers under the rationale that business leaders know what is best for business. In 2008 Wall Street hung itself with the rope it had asked for and took the global economy down with it. If these same Wall Street executives were asked if they wanted periodic crises of increasing intensity that produce widespread economic catastrophe the most likely answer is 'no.' But the desire for both economic stability and profits goes to Keynes' insight that individual rationalities don't lead to systemic rationalities. Wall Street got exactly what it thought would be good for business and economic catastrophe was the result. But the more potent insight from Marx is that the system of capitalism itself is unstable—prone to crises, from the symbiosis of concentrated economic power and the state power that serves its interests. In practice capitalism is a system of economic imperialism. The capitalist cartoon of bourgeois shop keeps trading celery for shoes or corporate CEOs wishing for political stability as they install warmongering political leaders is just that, a cartoon.

When the U.S. neo-cons in the George W. Bush administration argued that Iraq's, and more broadly the Middle East's, oil is of strategic importance they left unstated the historical development that makes it strategically important. The circular logic of the geo-political explanation, that oil is strategically important because it is strategically important, leaves out how Western capitalist development made it so through strategies of engineered dependence. Capitalism, to the extent the term is descriptively accurate, is the political economy that built this world where 'energy' plays the economic role it does. In the early twentieth century a group of industrialists lobbied local governments to tear out existing mass transit systems so that they could sell cars, tires, gasoline and roads. The last serious discussion of energy conservation in the U.S. was when Jimmy Carter was in the White House. In the middle of the most recent U.S. war on Iraq the George W. Bush administration passed a tax subsidy to encourage businesses to purchase the largest gas-guzzling cars in existence—'Hummers.' Global warming caused by burning fossil fuels threatens the continuing existence of life on this planet. So put another way, over a million people in Iraq died so ‘we’ in the West can drive SUVs. And Iraq was but one of America’s wars fought for oil.

Comedian Jon Stewart, among others, has made the point that for the all of the death, destruction and carnage the U.S. caused in Iraq ‘we’— U.S. corporations, don’t even control the oil—the Chinese have been large purchasers of Iraq’s oil without having launched a devastating war to get it. What this argument misses is that oil industry profits went through the roof from the higher energy prices geo-political unrest tends to generate. The George W. Bush administration probably had no concept of the catastrophe it would create with its war in Iraq. But if you go to the neo-con literature their theories have it that engineered chaos is a form of ‘winning’ because preventing other monopolies, both economic and political, from arising is as important as achieving local monopoly power when you already have global monopoly power. And for those who weren’t paying attention, through illegal short selling, CDS (Credit Default Swaps) depredations and backdoor deals through the New York Fed, Wall Street was in full cannibalization mode during the very worst of the financial calamity in 2008. Capitalism is a catastrophe-generating machine.

Finally, for those who have moved on from the U.S. war on Syria story, the war is proceeding largely as planned. The CIA is arming and training ‘rebels’ and when oil and military industrial profits dictate a pretext for broadening the war will be created. Look for geo-political explanations like ‘humanitarian intervention,’ ‘U.S. interests in the region,’ and ‘democracy’ to know the fix is in.