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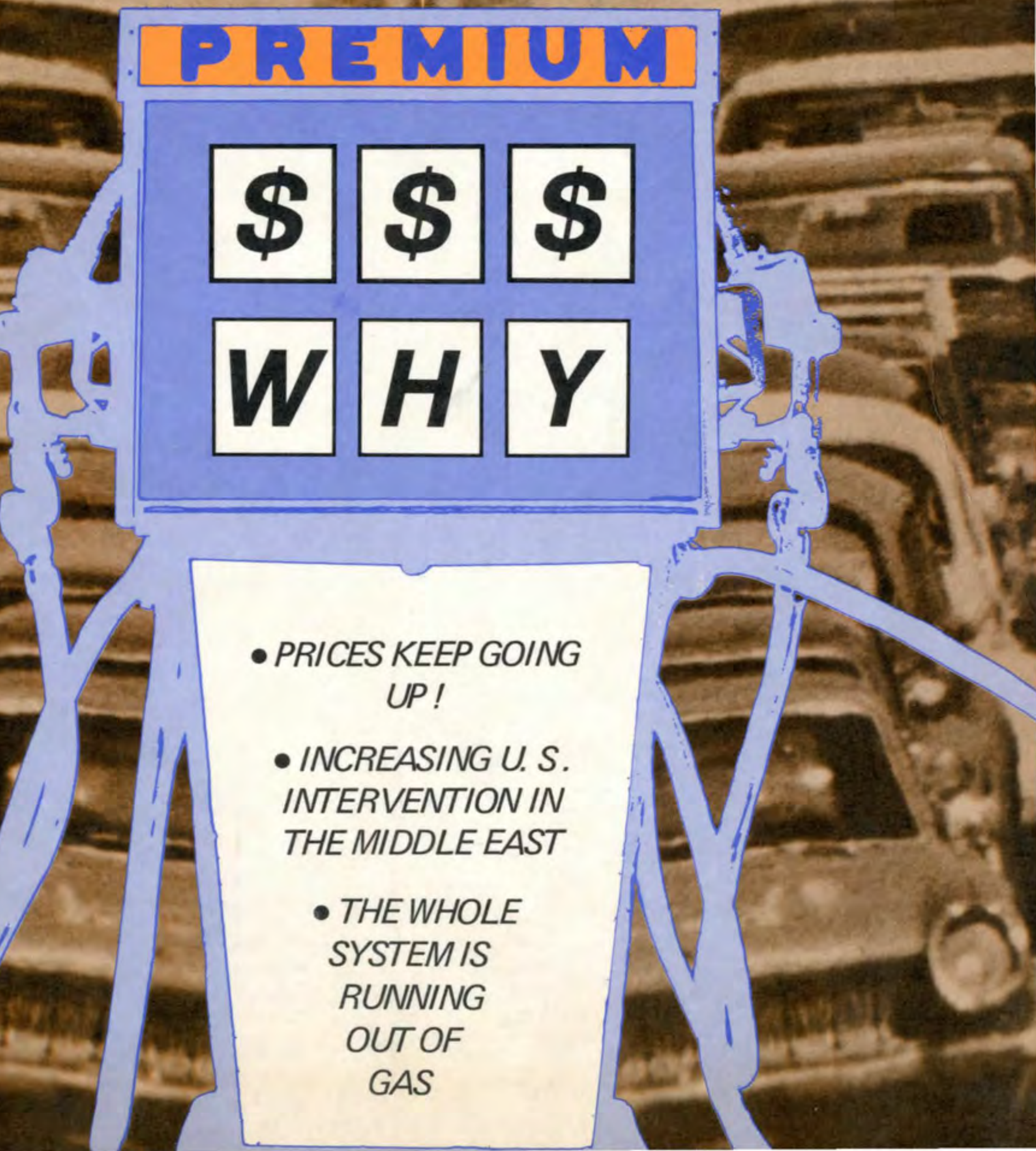
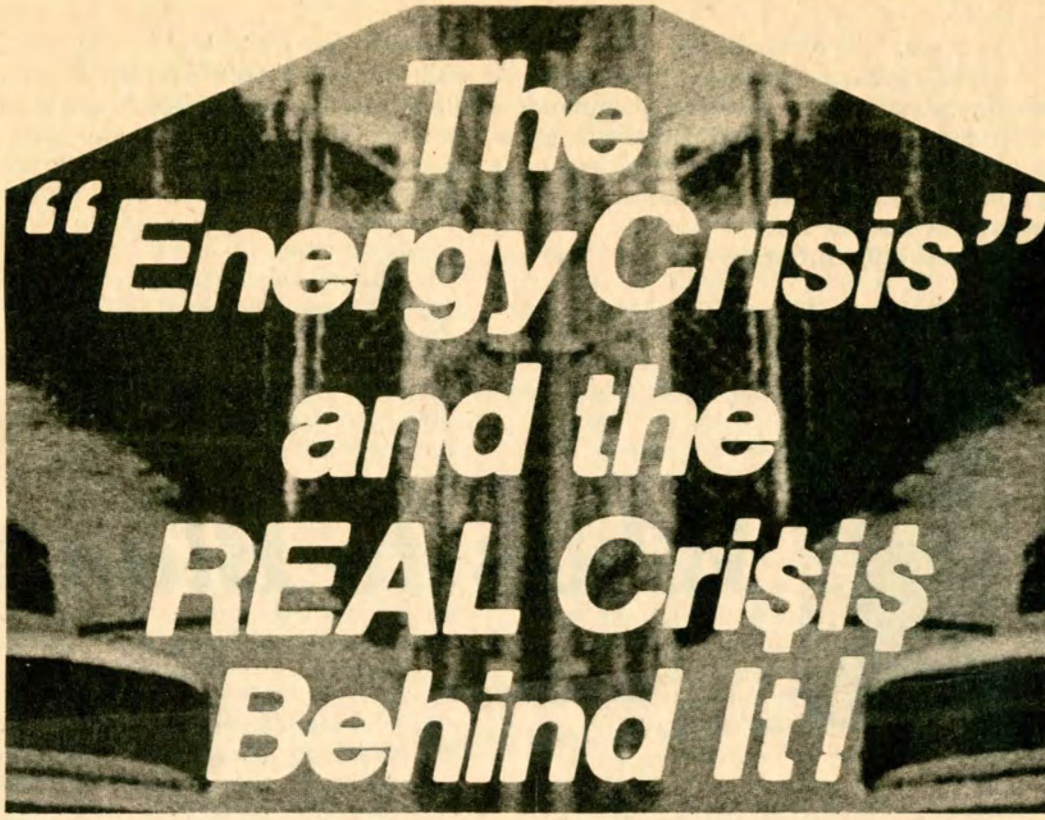
The "Energy Crisis" and the REAL Cri$i$ Behind It!



• PRICES KEEP GOING UP!

• INCREASING U. S. INTERVENTION IN THE MIDDLE EAST

• THE WHOLE SYSTEM IS RUNNING OUT OF GAS



by Dave Pugh and Mitch Zimmerman

Graphics by Gar Smith

The authors received a great deal of assistance from members of the following organizations: Committee Against the Energy Freeze, Iranian Students Association, Revolutionary Union, and the staff of United Front Press.

 June 1974

A thief, running away with your purse or wallet, yells "Thief!" to confuse people and ease his getaway. The giant oil companies, some of the biggest thieves in the world, have bombarded us with lies and half-truths to hide the fact that they created the energy crisis. At one time or another they've pointed the finger at Mother Nature, at the Arab people, at the environmental movement, and at all of us for "wasting energy" — everyone's responsible but Big Oil.

The facts tell a different story.

Who's to Blame?

PLENTY OF OIL IN THE GROUND

"Our nation has been beautifully endowed with a large resource of fuel minerals," the Department of the Interior reports, "which includes petroleum, natural gas, coal, oil shale, uranium, and thorium. The energy content of the *known* reserves of these fuel minerals is enough to last 190 years at present rates of consumption."

How does this jibe with the warnings of oil executives that the U.S. is running short of oil? The answer is simple: When the oil companies talk about oil reserves, they are talking about the amount of oil that can be produced at an "acceptable" level of profit.

The reason there is an "energy shortage" in the U.S. is this: The companies that stand between us and our natural resources are not in business to produce energy. They are in business to produce profits. They have put a brake on our energy development because it has been in their interest to do so.

LESS ENERGY = MORE PROFITS

Seven giant companies have long dominated world oil — almost everything from the well-head to the gas pump. Five of the seven are U.S.-owned, and more than half their oil and their profits come from overseas.

Through joint ventures and agreements, the seven have spun a web of power that covers most of the globe — and they have used this power for decades to limit oil production. Why? History has taught Big Oil that surpluses of oil and free-swinging competition mean lower prices and lower profits. But by agreeing among themselves to limit the amount of production, prices can be kept artificially high.

The big companies have an additional reason for limiting U.S. oil output. It is far more profitable to import foreign oil and gasoline. Production costs in the Middle East average 12 cents a barrel (42 gallons), twenty times cheaper than in the U.S. Refineries, too, are cheaper to build and operate overseas, because wages and taxes are lower and they can operate without expensive pollution controls.

So for more than twenty years, the companies have deliberately cut back on U.S. energy development.

- Between 1956 and 1972, the number of new oil wells in the U.S. steadily tumbled — with total drilling declining from 208 million feet to 86 million feet per year.
- In the 1950s and 1960s, the major oil companies capped over 20,000 flowing wells in California alone, with an estimated capacity of 5 billion barrels of oil.
- Between 1968 and 1972, U.S. oil companies built only one major new refinery in the U.S.
- Since the early 1950s they have opposed

government research and development of alternate energy sources, such as shale oil and coal gasification.

In short, the oil industry itself imposed severe limitations on the development of U.S. energy to maximize their profits.

BUT THEN: A PROFIT CRISIS!

By the end of the 1960s, however, the big international companies faced a number of serious problems. First and foremost, nationalist and popular governments around the world were fighting to regain control of their natural resources from foreign companies. The oil companies were hit hardest in the Middle East — where Arab governments demanded higher prices, control over production levels, and a growing share of ownership.

In the U.S., independent refiners and dealers were cutting into the markets of the major oil companies. Independent gas stations eliminated the green stamps, credit cards and tigers-in-the-tank, and kept prices down through "gas wars" with the majors. Their share of U.S. gasoline sales rose from 10% in 1960 to 25% in 1972.

Finally, the environmental movement was interfering with a number of profitable Big Oil plans for plundering our natural resources. This movement delayed the Alaska pipeline, stopped offshore drilling and strip mining, fought against air pollution, and delayed the construction of unsafe, nuclear power plants.

Here was the real crisis — a profit crisis for the big oil companies. Although they were still making enormous profits, the *rate* of profit was slipping — and this, for reasons that will be made clear later in this pamphlet, was something they could not tolerate.

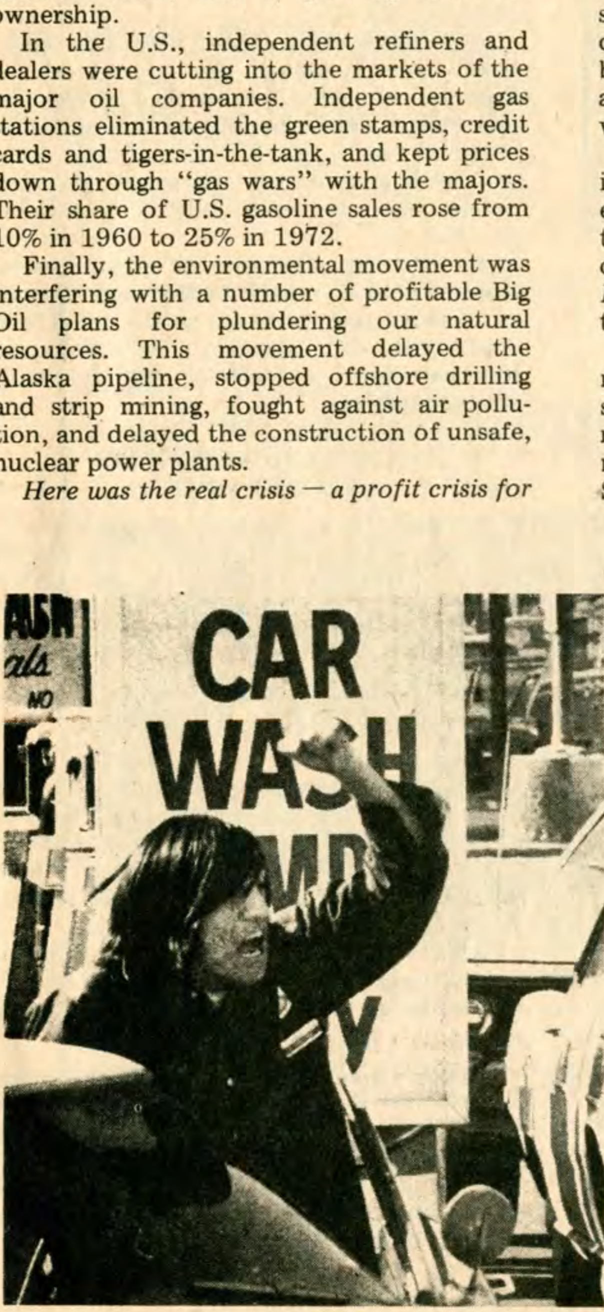
ENTER THE ENERGY CRISIS

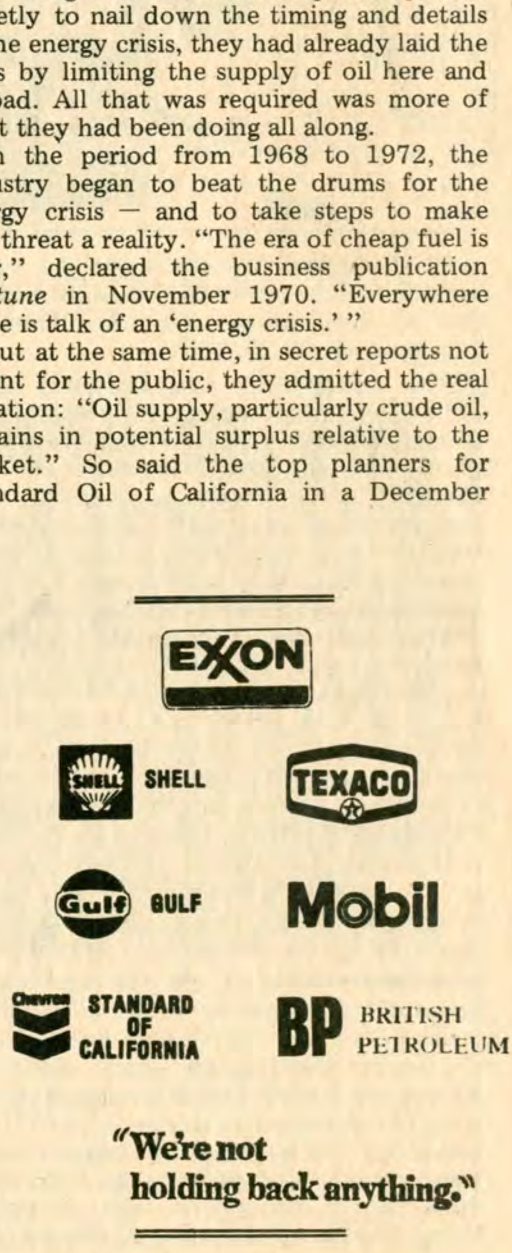
Exxon treasurer Allan Hamilton bluntly stated the companies' position: "*Unless profit levels become such that the oil industry is confident its investment will bear fruit, the supply of oil will not be forthcoming.*" Big Oil decided to use its world-wide power over supplies to create shortages that would send prices through the ceiling.

Although oil executives probably met secretly to nail down the timing and details of the energy crisis, they had already laid the basis by limiting the supply of oil here and abroad. All that was required was more of what they had been doing all along.

In the period from 1968 to 1972, the industry began to beat the drums for the energy crisis — and to take steps to make this threat a reality. "The era of cheap fuel is over," declared the business publication *Fortune* in November 1970. "Everywhere there is talk of an 'energy crisis.' "

But at the same time, in secret reports not meant for the public, they admitted the real situation: "Oil supply, particularly crude oil, remains in potential surplus relative to the market." So said the top planners for Standard Oil of California in a December





1968 study that recommended the big oil companies limit their Middle East production to keep prices high. (*San Francisco Chronicle*, March 27, 1974.)

The energy crisis was underway. From 1968 to 1970, the government of Iran pressed the Iranian Oil Consortium to boost production. But the Consortium, an international group including Exxon, Gulf, Texaco, Mobil and other U.S. companies, refused. In the same period, the U.S.-owned Arabian-American Oil Company (Aramco) kept Saudi Arabian oil production level, despite government requests to produce more oil.

Meanwhile the companies continued to cut back U.S. oil output. From 1972 to 1973, U.S. crude oil production actually dropped 2%. In addition, the use of refineries was reduced from 90% in 1970, to 85% two years later.

FIRST SHORTAGES

The oil companies gave the energy crisis a test run in the winter of 1972-73. The companies refused to order as much foreign oil as they themselves predicted would be needed. The result was a shortage of fuel oil in several northeastern U.S. cities that winter, and a sharp increase in the price.

In the spring and summer of 1973 the oil companies really began to clamp down. In many areas of the country, gasoline was in short supply, and prices began to rise. By May, 1200 independent gas dealers had been driven out of business.

These events represented minor successes for Big Oil and their energy crisis. But it would take something much bigger to push gasoline prices completely out of the 30 to 40 cents-per-gallon range. The Arab oil embargo and price hikes provided them with a golden opportunity to put the energy crisis in high gear.

THE OIL EMBARGO

When the Arab-Israeli war broke out in October 1973 eight Arab oil-exporting governments declared an embargo against the United States, South Africa, Portugal and the Netherlands — all countries that were supporting Israel.* They followed this with a series of dramatic increases in the price of their oil.

In a larger sense, these moves represented heavy blows against the power of the Western oil giants (mainly U.S.)) that had dominated Middle Eastern oil production for decades. But in the short run, the actions of the Arab governments presented the companies with an opportunity to boost their profits.

By creating shortages of panic proportions, the oil giants could ram through enormous price increases on the retail level. And both the shortage and the price increases could be blamed entirely on the Arab countries.

THE COMPANIES HAD PLENTY OF OIL

To put the embargo in perspective, the U.S. only gets a small (though rising) portion of its oil from the Middle East. Over 60% of the oil we consumed in 1973 was produced in the U.S. and another 17% of our oil came from Venezuela and Canada. Before the boycott started, the U.S. was getting only 13% of its oil from the Middle East.

Even during the Arab embargo, however, there were enormous leaks to the U.S. Millions of barrels of "embargoed" oil went to Europe and the Caribbean — then the oil companies quietly routed it to the U.S. In addition, the companies increased imports from Iran, Indonesia, and elsewhere.

Where were the shortages? According to *Oil & Gas Journal*, imports for October, November and December 1973 were actually

* The eight states were Libya, Algeria, Saudi Arabia, Kuwait, Abu Dhabi, Qatar, Bahrein, and Dubai. They also announced they would cut oil production by 5% each month. The Arab rulers said the embargo and cuts in production would continue until Israel evacuated the Arab territories occupied in the June 1967 war and restored the national rights of the Palestinian people.

32% higher than for the same three months of 1972. While we were sitting in long gas lines at Christmas time, oil was pouring into the U.S. in record quantities!

Yes, there was a shortage of gasoline at the gas pumps — but there was no shortage of oil waiting in storage tanks and pipelines.

- In January 1974 the oil companies were pressured into revealing that their oil stockpiles were 5% higher than the year before.
- This was confirmed by *Platt's Oilgram*, a daily business service that oil companies subscribe to for $400 a year. The Oilgram reported in January 1974: "Storage tanks are, in fact, full to the brim in northwest Europe, the east coast of the United States and in Italy."

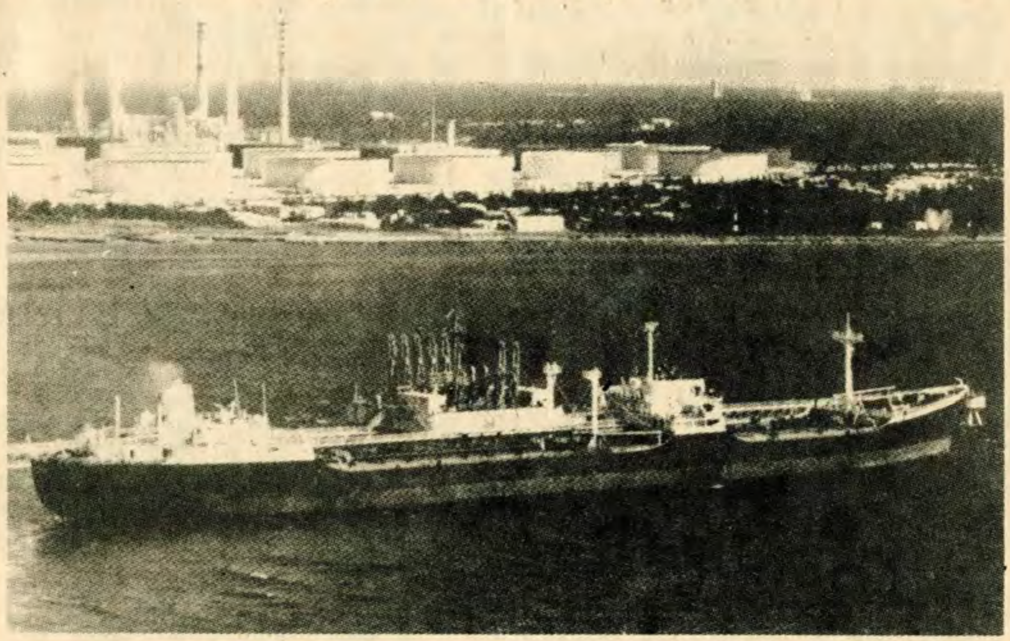
Oil imports did begin to fall off in February, but it was for a different reason — to help Big Oil wipe out the smaller independents. The *New York Times* reported (February 22, 1974): "Some of the nation's major oil companies are deliberately reducing their imports of crude oil," to keep it out of the hands of independent refiners. The article also noted they could make higher profits refining it in Europe.

GAS LINES VANISH OVERNIGHT

When the Arab governments officially lifted their embargo in March, the oil companies and the government promptly released their enormous reserve to promote the illusion that the boycott had mainly been responsible for the shortages. But at every stage of the game, the shortages had to do with decisions of the oil companies to boost their rate of profit by raising prices.

The entire operation was a lot like the shortages and price increases for meat in 1973. When pressure from consumers forced the Cost of Living Council to put a lid on beef prices, the big beef packers and cattle interests simply kept the meat off the market. Once meat did return to the supermarkets, we were supposed to be glad to pay higher prices and grateful that the government lifted meat price controls.

DID THE EMBARGO LEAK?



According to a *Knight News Service* report on January 7, 1974, we find strong evidence that the oil embargo was more bark than bite. An analysis of Lloyd's of London shipping reports revealed that there were 1093 sailings of oil tankers from the six principal Arabian Peninsula ports in October-December 1972. But in the same period of 1973 — the supposed embargo months — there were 1435 departures, or *a 31% increase:*

Where were the ships bound? The report concluded, "The tankers have names like the *Esso* Aruba, the *Texaco* Newcastle, the *Chevron* Madrid, the *Esso* Okinawa, and the *Chevron* Antwerp. After loading up with oil, they head for ports like Milford Haven in Great Britain and, in some cases, *unspecified destinations.*"

WHAT ABOUT PRICE INCREASES?

First of all, since over 60% of the oil we consume is from U.S. wells, nothing the Arab oil producers do has any effect on the cost of producing this oil. Yet the price of U.S. crude oil rose from $3.50 to $7.00 per barrel — pure profit for the oil companies.

Secondly, we're paying much more at the gas pump than is needed to cover increased taxes to Arab governments. From March 1973 to March 1974, Arab oil producers raised their taxes from $1.75 to $7.00 per barrel, or about 17 cents a gallon. (One barrel = 42 gallons.) But in the same period, gasoline prices rose almost 30 cents a gallon — not just for gasoline made from Middle East oil, but for *all* gas we buy here.

Finally, a special arrangement with the U.S. government allows the oil companies to deduct all payments to foreign governments from the U.S. taxes due on their huge overseas profits. Thanks to this "foreign tax credit," Exxon, Gulf, Texaco and the others paid no taxes whatsoever on their $6.1 billion in foreign profits last year. In effect, Big Oil is overcharging us twice — once with higher prices at the gas pump, and once in extra taxes we pay because they evaded theirs.

Higher prices in the Middle East have been used by the oil companies as an excuse to boost prices — not just in the U.S., but in Europe, in Japan, and in the poorest countries of the world, that can least afford costlier oil.

BIG OIL'S BIG GAINS

In the short run, the energy crisis has been a great success for Big Oil. The 1973 profits of the ten biggest U.S. oil companies were $7.8 billion — up 51% from 1972. Independent refiners and dealers are being weakened or driven under. And a host of environmental and health safeguards are in danger: Offshore drilling is starting up again, air pollution controls are being relaxed, construction of the Alaska pipeline has begun, lower safety standards are being pushed for nuclear reactors, and the companies are pressing to cancel safety restrictions on the nation's coal mines.

As the icing on the cake, the oil companies will profit from a $10 billion program of government subsidies called "Operation Independence" — which President Nixon claims will make the U.S. self-sufficient in energy by 1980. Oil company executives are unanimous in saying this goal is impossible to meet. But they are glad to go along with this hoax, because most of the subsidies will go to oil companies.

For the last decade and a half, the oil giants have been gaining control over "competing" energy sources to make sure they don't compete too much. The oil companies have become giant energy combines. They now own 54% of the country's

WHO BENEFITS IN THE MIDDLE EAST?

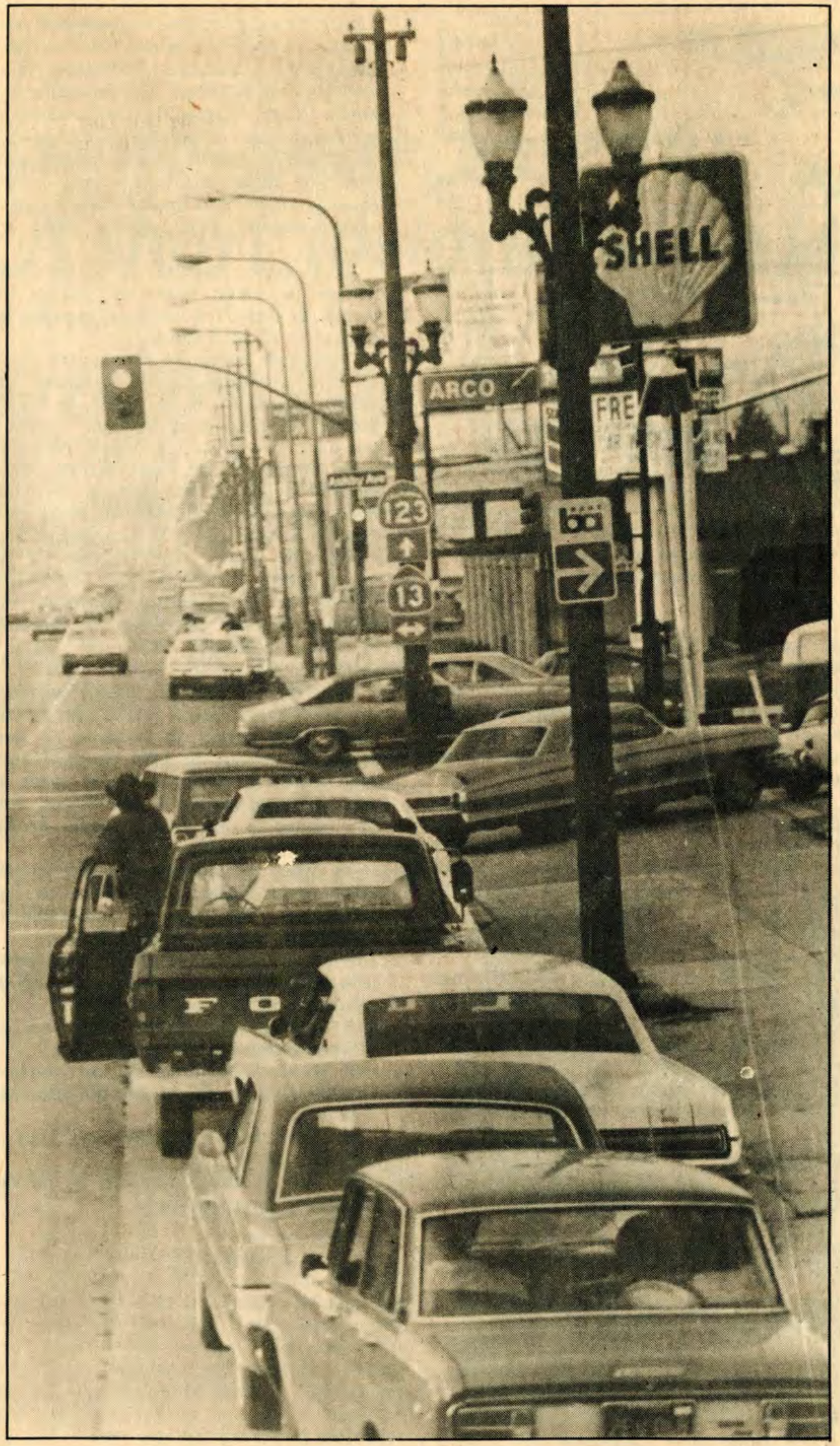
Although the Middle East's oil producing governments are now receiving billions in increased taxes, the vast majority of the people — workers, peasants and shopkeepers — live in extreme poverty. Most of the Arab and Iranian people don't even have electricity, much less cars.

Saudi Arabia is a good example of this. Since World War II the country's oil wealth has been monopolized by Aramco, a consortium of Exxon, Texaco, Standard of California and Mobil. These companies now have a 75% interest in Saudi Arabia's total oil reserves, estimated at over $1 trillion worth of oil! Due to the energy crisis, both Aramco and King Faisal's regime have ended up billions richer.

Yet, of the $15 billion King Faisal is expected to receive in 1974, very little will trickle down to the six million people of Saudi Arabia. In Saudi Arabia today, life expectancy is 47 years. Many people face malnutrition and serious health problems. Ninety percent of the people are illiterate.

Meanwhile, the Arabian kings have invested billions in industrial countries and Swiss banks, and they've squandered millions on luxuries for the royal family.

The huge disparity between such wealth and poverty has led to a growing struggle against the Faisal regime and Aramco. So in recent years, the Faisal regime has bought massive quantities of military equipment — over $1 billion worth in 1973 alone — from the U.S., Britain and France, to suppress domestic opposition, as well as to put down revolutionary struggles in other parts of the Arabian peninsula. These movements are much too close to Aramco's oil wells and refineries for either Exxon's or Faisal's liking.


SHELL
ARCO
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"You give us what we want and we'll give you what you want."

coal reserves; 73% of natural gas supplies; and 45% of the uranium reserves. They are rapidly acquiring concessions for oil shale and geothermal energy (underground hot springs) as well. The only thing they haven't been able to corner is solar energy. So far the sun hasn't been up for sale.

And now, $5 billion of the "Operation Independence" money is slated for research and development of nuclear energy. As the third largest contractor for nuclear reactors in the world, a Shell-Gulf partnership will get a big cut of this. And Exxon and Arco both have a big stake in turning uranium into nuclear fuel.

Now that the price is right, and now that Big Oil itself stands to receive the profits, it's full steam ahead on alternate energy sources — especially if our taxes will pay for it.

THEIR GAIN — OUR LOSS

The big oil companies' current prosperity comes directly at the expense of working people all over the world. In the U.S., the rising price of gasoline and heating oil means we have less to spend on everything else we need. Other companies are passing on the increased cost of industrial fuel, so everything else we buy is getting more expensive, too. For many poor and elderly people on fixed incomes, this means choosing between eating enough and keeping warm in the winter.

This same squeeze is facing workingpeople in every industrial nation in the world. In Italy, for instance, gasoline is now selling for $1.32 a gallon.

The price hikes are even more damaging to the underdeveloped countries of the world. Rising oil prices mean an enormous increase in the cost of fertilizer — made from petroleum — as well as bigger oil bills that poor countries can least afford. There is already a serious shortage of fertilizer and declining food production in many of these countries. According to the United Nations Children's Fund, the threat of severe malnutrition and starvation now faces *400 million to 500 million children* in the underdeveloped countries — because of increased fertilizer and food costs. (*San Francisco Chronicle*, May 14, 1974.)

All this may seem incredibly ruthless. But it's all in a day's work for Exxon, Texaco, or Gulf. They aren't in business to keep us warm in winter, to help produce food to feed children, or to meet our needs in any way. Like all capitalist enterprises, they are in business to produce maximum profits, by any means necessary.

In order to understand where the energy crisis came from — and how to fight it effectively, we need to understand how these giant corporations work.

- **How did the oil companies grow into world-wide monopolies, with the power to pull off an energy crisis?**
- **Why is the energy crisis an act of desperation by these companies?**
- **Which "solutions" to the energy crisis will leave us no better off than we are today?**
- **What will it take to fight back effectively?**

The rest of this pamphlet is devoted to answering these questions.

* Oil companies now own two of the three biggest coal companies (Consolidation Coal and Island Creek), and seven of the top fifteen.

Know your Enemy: A short history of Big Oil

Every day we see an amazing array of gas stations on the road. We have our choice of Exxon, Gulf, Texaco, Arco, Mobil, Sohio, and dozens of others.

Even though they're competing for our gas dollars, the biggest companies have arranged a cozy deal for themselves. For half a century, seven companies have monopolized every phase of the international oil industry — rigging prices, driving out smaller competitors, and gouging the public. In 1970 the Big Seven controlled 80% of the output of the 11 major oil exporting countries; 80% of the world's oil tankers; 50% of the world's refineries; and most of the world's marketing network.

The history of the oil industry is the story of how these worldwide monopolies developed. Two themes run through the story:

- An ever-widening drive for monopoly control over oil supplies, to prevent "overproduction," falling prices, and falling profits.
- Continual opposition from the people of the U.S. and other countries to this drive for monopoly power and maximum profits — starting with the popular anti-monopoly movement of the early 1900's through today's movement of Third World oil producers to control their own natural resources.

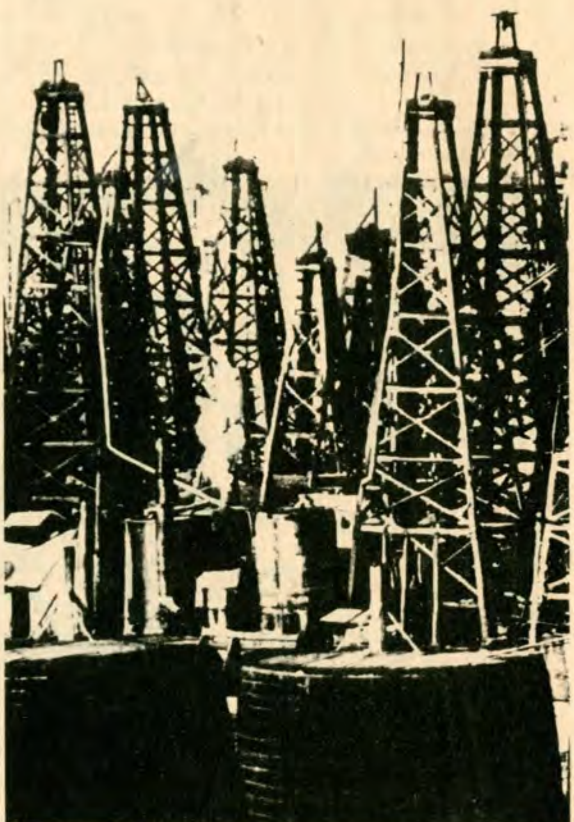
RISE OF STANDARD OIL

The rise of Rockefeller's Standard Oil in the late 19th century was a classic illustration of the development of capitalism — from the era of "free competition" to the era of monopoly and imperialism.

The modern oil industry began with the discovery of oil in northeast Pennsylvania just before the Civil War. It was like the gold rush: the whole region swarmed with adventurers, hustlers, and ordinary workers. The oil was produced with the sweat and blood of thousands of workers. But most of the oil's value was pocketed by men who never got their hands dirty. Unlike gold, oil wasn't any good unless you could get it to someone who could process it and sell it.

Production of crude oil was in a state of anarchy: One day a new gusher would come in, and there would be so much oil that the refineries couldn't handle it. Prices fell, and excess oil drained into local rivers. A month later the well would fail, supplies would get short, and prices would rise. Oil sold for $10 a barrel in 1860 — 10 cents a barrel in 1861 — $8 a barrel in 1863 — and 3 cents a barrel in 1865!

Cleveland, Ohio became an early refining center, and in 1865 John D. Rockefeller and his partners gained control of the city's



Spindletop, Texas, in 1901

largest refinery. Rockefeller recognized from the start that unless production could be limited, prices (and profits) would always be low. He resolved to "stabilize" the industry by concentrating refining in a few hands — largely his own!

A depression swept the country in the early 1870's, and Rockefeller's Standard Oil Company made the most of it by buying up dozens of failing refineries, 34 in one year alone. When he had built up a large enough output, Rockefeller demanded and got secret kickbacks from the railroads on every barrel of oil shipped. With this advantage, Rockefeller lowered prices and undersold his competitors. And when they went out of business, Standard Oil bought their refineries at cut-rate prices.

"TURN ANOTHER SCREW"

Control over transportation was the secret of Standard Oil's success. Rockefeller's position was so strong that he even got a kickback on oil shipped by all his competitors! Rockefeller was never satisfied. In 1881 a Standard Oil official sent a letter to a railroad noting that the line could have charged a small competitor $16 more on a shipment of 70 barrels of kerosene. "Please turn another screw," ordered the Standard Oil man.

As new and cheaper ways to transport oil were devised, Standard gained control of them. By the 1880s, the company had bought or built 90% of the nation's crude oil pipelines. For transporting refined products, Standard built its own enormous fleet of railroad tank cars, and leased nearly all of the tank cars belonging to the railroads. Competitors found there were no tank cars available for their use, and were forced to go on shipping in barrels. Sometimes they found Standard had grabbed up all the barrels as well!

The monopoly on cheap transportation guaranteed a monopoly on refining: Standard controlled 85% of the nation's refineries by the 1880s. And since the U.S. produced nine-tenths of the world's oil in 1880, Standard's monopoly was worldwide.

Control over the supply of refined oil meant that Rockefeller could set prices at whatever the traffic would bear. It added up to superprofits: Each year from 1882 to 1906, Standard Oil's profits averaged an incredible 40% of investment.

Rockefeller developed a reputation for being ruthless. He played rough all right, but he was only following the rules of the game. To ask a capitalist not to fight for maximum profits is like asking a dog not to go after a bone.

The real builders of the oil industry—pipelayers in the 1890s.

MINERS BATTLE ROCKEFELLER

The wealth that the Rockefellers and their rivals fought over did not spring from the ground spontaneously. It was pulled out by the sweat and blood of tens of thousands of workers. To keep profits high, the oil barons kept wages low, working conditions brutal, and met any union talk with firings and blacklisting. In this they had a powerful ally: the armed might of the state, used whenever necessary to crush the workers' movement.

In 1914, coal miners of the Rockefeller-owned mines near Ludlow, Colorado, stood up and fought against this system of industrial slavery. For seven long winter months, 10,000 men, women, and children stayed on strike — fighting for the 8-hour day and recognition of their union, the United Mineworkers. On Easter Sunday 1914, the strikers' camps were brutally attacked by state militia and Rockefeller's own private army of gunmen — they killed 33 strikers, including two women and eleven children. The miners and their wives fought back courageously with their carbines, but they were simply outgunned.

BIG CAPITAL — MONOPOLY POWER

Standard Oil's rapid rise to monopoly power was built on its access to capital. Capital refers to the machines and equipment it takes to produce goods that can be sold — and by extension, money which can be used to buy the means of production.

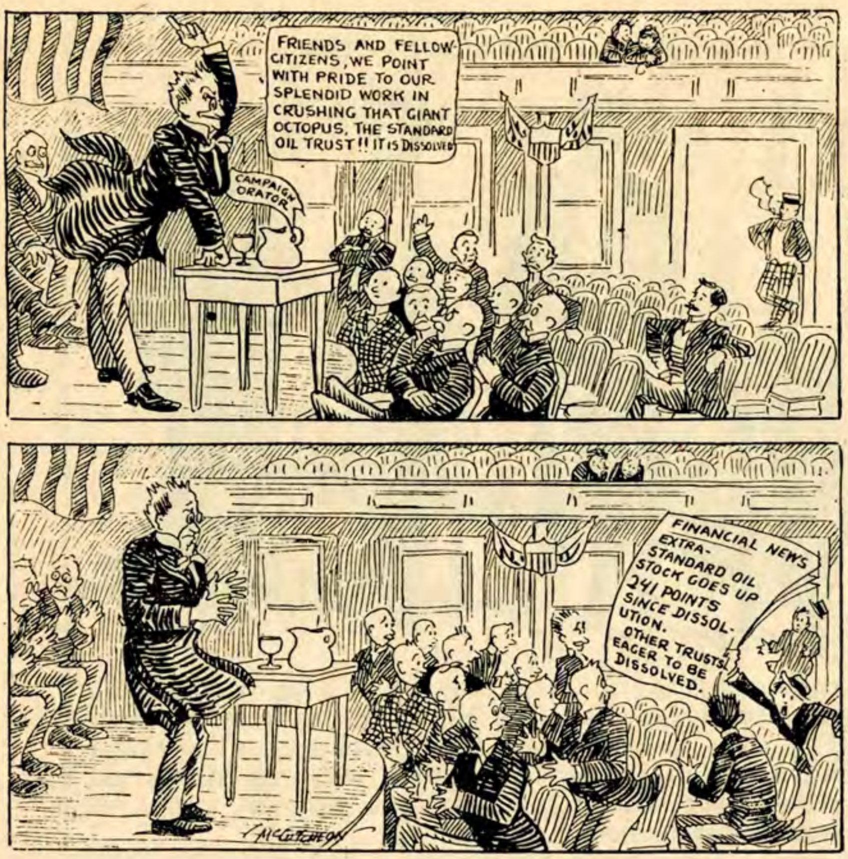
In other words, if Standard Oil has two million dollars in its bank account, that money is considered capital because it can quickly be used to buy machinery to produce goods. If you have two hundred dollars in a bank account, this isn't capital because there isn't much machinery you can buy with it, and you are probably holding it for a rainy day or to pay the mortgage.*

* *Where does capital come from?* The employing class accumulates capital by exploiting workers — paying us less in wages than the real value of what we produce. Capitalists claim that their share — profit — is a "fair" return because they provide us with the machines and other means of production. But the machines "they provide" did not fall from the sky. They were purchased with money (capital) made by exploiting past generations of workers.

Even in those days, it took large amounts of capital to buy up a score of refineries, build pipelines, and assemble an entire fleet of tank cars. Then, as today, the key to amassing capital was high profits. With profits high, money could be plowed back into the business, and bankers and stockholders were eager to invest their money. In linking the oil trust with the major banks, Rockefeller set a pattern that steel, railroads, and autos all followed. The days of free competition were coming to an end — the era of monopoly capitalism had arrived.

"BREAKING UP" THE TRUST

People were outraged by the ruthlessness and exploitation of the monopolies, or trusts, as they were known then. Around the turn of the century, a massive anti-monopoly movement developed among workers, farmers, professionals and other sections of the American people. Faced with increasing public demands to cut the oil trust down to size, the U.S. government



CRUSHING EFFECT OF SUPREME COURT'S STANDARD OIL DECISION.

Chicago Tribune, March 15, 1912.

reluctantly agreed to "bust up" the company. In 1911 the Supreme Court ordered that Standard Oil be divided into 33 smaller companies.

Despite appearances, the government had not destroyed Standard Oil's monopoly power. Standard was divided into companies with different territories in the U.S. — so they didn't have to compete with each other. Rockefeller kept ownership of at least 25% of each company's stock. And Standard Oil's grip on cheap transportation remained intact. Union Tank Lines (the Rockefeller company that owned 70% of the country's tank cars in 1895) was not broken up, and it continued to serve the Standard family exclusively.

For many years the Standard empire was held together by loyal managers and by the stockholdings of Rockefeller and his partners. More recently, the job of coordinating the companies has been handled by banks like the Rockefeller-controlled Chase Manhattan Bank, headquartered in New York. This bank was one of the earliest examples of the growing dominance of "finance capital" — the merger of industrial monopolies and big banks.

FORCED TO MOVE OVERSEAS

Standard Oil was on top at the turn of the century. But as new oil fields were discovered overseas and in the U.S., competitors arose to challenge Standard's dominance.

- In the 1890s, new oil supplies were developed in the Dutch East Indies (Indonesia) by Royal Dutch Petroleum — which was then able to take a giant bite out of Standard Oil's Asian markets.
- In 1901 the great Spindletop oil field was discovered in Texas. Gulf and Texaco got their start here; and British-owned "Shell" contracted for a big part of the Texas output.
- In 1908 a massive oil field was discovered in Persia (Iran). Anglo-Persian Oil—today known as British Petroleum—was formed the next year to exploit the find.

These oil discoveries meant new competition in the foreign markets where Standard got most of its profits. Prices dropped worldwide. The new competitors charged less in an effort to break into Standard's markets. And Standard tried to wipe out the "upstarts" with cut-throat pricing.

When Royal Dutch and Shell merged in 1907, the battle got even hotter. In 1911 — the same year Standard was "dissolved" — Royal Dutch/Shell invaded the U.S. market, and bought up oil fields in Oklahoma.

Eventually, Standard realized that it had to join the struggle for overseas oil

concessions — to keep them out of the hands of competitors. It didn't matter how much oil it controlled in the U.S. To maintain its monopoly prices, Standard Oil had to control the supply everywhere. Standard Oil was set on its course of overseas expansion.

Oil companies, of course, were not the only ones struggling for markets, raw materials and cheap labor abroad. U.S. financiers were busy investing in sugar in Cuba and the Philippines; bananas, utilities and railroads everywhere in Central America; and mining in the Andes.

EXPORT OF CAPITAL + "EXPORT" OF MARINES = IMPERIALISM

Just as the governments of Great Britain and the Netherlands protected their capitalists abroad, so the U.S. government backed U.S. companies in their overseas expansion. The U.S. Marines intervened dozens of times, and the Carribean was referred to as an "American Lake" in the early 1900s.

Major General Smedley Butler (U.S. Marine Corps, Retired) reflected on his career:

"I spent most of my time being a high class muscle man for Big Business, for Wall Street, and for the bankers. In short, I was a racketeer for capitalism. Thus I helped make Mexico and especially Tampico safe for the American oil interests in 1914. I helped make Haiti and Cuba a decent place for the National City Bank to collect revenues in . . . I brought light to the Dominican Republic for American sugar interests in 1916 . . . In China in 1927, I helped to see to it that Standard Oil went its way unmolested."

This was different from Britain's or Holland's open colonialism. Instead of seizing the entire country as a colony, the U.S. preferred to rule indirectly, through bought-and-paid-for puppets — backed up occasionally by armed intervention.* Here was a way to have all the fruits of colonialism while still condemning it.

But the essence of imperialism was there — and still is. Backed up by U.S. military power, American capitalists sent their machines and dollars abroad, to bring back superprofits by exploiting other countries' cheap labor and abundant raw materials.

STRUGGLE FOR THE MIDDLE EAST

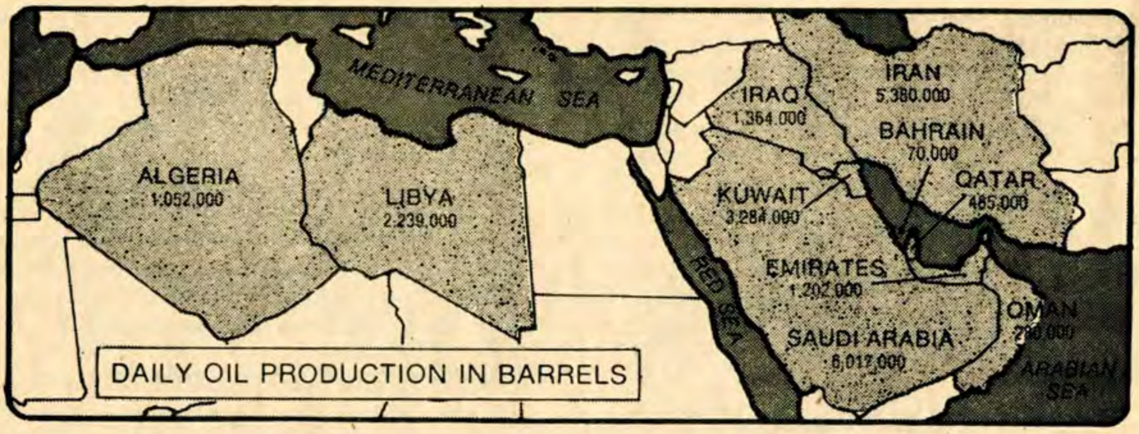
In the years just before World War I, petroleum came of age. In the 19th century, it had been used largely in kerosene lamps. Now it was overtaking coal as the leading industrial fuel. Petroleum was also proving to be a key to modern warfare, fueling navies, tanks, and airplanes.

Before the war, most of the oil riches of the Middle East were undiscovered. But the area occupied a strategic location at the crossroads of Europe, Asia and Africa, and the major European powers hungered for control. As a result of World War I, Britain was able to seize most of the region as colonies, or client states.

When the great Middle East oil fields were discovered in the 1920s, it was the British (and British-Dutch) oil companies that monopolized the production of the area: Anglo-Persian and Royal Dutch/Shell. But Standard and the other U.S. companies

* Around the turn of the century, the U.S. seized a number of countries as outright colonies: Cuba, Puerto Rico, the Panama Canal Zone, Hawaii, and the Philippines.

"Imperialism is for us a long cow with its head in the Middle East, where it is being fed, and its udders in America, where it is being milked of its oil."
—Adil Husain,
an Egyptian nationalist



wanted a piece of the action.

In 1927 the great Baba Gurgur well in Iraq came in, flowing at 90,000 barrels a day. And clearly this was only the start of oil production in the Middle East.

The international oil industry was at an historic turning point. If this new, cheaply produced oil became freely available, people all over the world would soon be paying less for fuel.

But the big oil companies saw only danger in the new abundance. Oversupply would mean heightened competition, falling prices, and falling profits. They quickly moved to contain the threat.

SUPERPROFITS FOR ALL

In 1928, Sir Henri Deterding, head of Royal Dutch/Shell, invited the chiefs of Standard Oil of New Jersey and Anglo-Persian Oil to join him at his castle in Scotland to shoot grouse and settle their differences. Out of these talks came the "As Is" Agreement, which established controls over production, prices, and world markets for oil. The price wars in Asia, Europe, and the Americas came to a halt. From that day to this, the Big Seven — Exxon, Shell, Texaco, Gulf, Mobil, Standard of California, and British Petroleum — have avoided price competition with each other.

As a result of this peace agreement, U.S. oil companies got a cut of Middle East oil. Jersey Standard (Exxon) and Standard of New York (Mobil) got a slice of Iraq's oil; Gulf and BP joined to control Kuwait's oil; and Standard of California and Texaco teamed up (as Caltex) to exploit Saudi Arabia's oil.

To gain superprofits for all, the Big Seven set the price of Middle East oil at the same level as Texas oil. Since oil produced in the Middle East was 15 to 20 times cheaper than U.S. oil, the difference was pure profit for the oil monopolies.

Ever since the As Is agreement, the Big Seven have tied their interests together in joint operations and shared exploitation of oil reserves around the world. These agreements — written and unwritten — are the reason we can refer to them as *monopolies.* Although they have never stopped fighting among themselves for top position, the Big Seven work together to keep out new competition, limit supplies, control prices, and make superprofits at the expense of working people around the world.

THE U.S. TAKES OVER

After World War II the international balance of power shifted dramatically. British industry was a wreck and her colonies in the Middle East were demanding independence. The situation was the same or worse for France, Germany, Italy and Japan.

But U.S. industry had grown fat during the war, and U.S. power was at its peak. Deeply in debt to the U.S. and dependent on U.S. military backing, Britain could scarcely murmur a complaint as the U.S. moved to dominance in the Middle East and elsewhere. (Better demoted to junior partner than thrown out on the street!)

A CIA-backed coup opened the way for the U.S. companies to seize a 40% share of Iran's oil. And U.S. companies rapidly developed their holdings in Saudi Arabia and the Persian Gulf. Jersey Standard and Mobil joined Caltex in Saudi Arabia — forming Aramco, with exclusive rights to *all* of Saudi Arabia's huge oil reserves, the largest in the world. By the mid-1950s, the U.S. oil monopolies controlled well over half of the Middle East's oil reserves.

In just twelve years, from 1948 to 1960, the profits of U.S. oil companies from the Middle East came to a whopping *$12.8 billion.* By 1973, fully 60% of the profits of the big U.S. oil companies came from the Middle East.

Resistance in the Middle East

For decades the Middle East poured out its lifeblood — oil — to the Western imperialist powers. While the foreign monopolies took billions in profits from the area, the vast majority of the people of the Middle East continued to live in extreme poverty. The Arab countries and Iran were not able to develop, because only a fraction of their oil wealth remained with them.

In the 1940s and 1950s, a rising nationalist movement roused the masses of the Arab and Iranian people to strike back against the foreign oil giants. Some 80,000 Iranian workers demonstrated on May Day in 1946, and a few days later the oil workers at the giant Abadan refinery went on strike. The entire working class of the city of Abadan stopped work in solidarity with the oil workers, and the foreign companies were forced to recognize their union and increase wages.

This strike set a pattern of mass struggle that spread across the Middle East. Oil workers struck Aramco's refineries in Saudi Arabia several times between 1953 and 1956, raising demands for higher wages and removal of U.S. military bases from Saudi Arabia.

Nationalist and popular governments began to replace regimes that had been subservient to the Western powers in the 1950s and 1960s. But everywhere that Arab nationalism stood up to foreign oil, the Western imperialist powers fought to hang on.

• In Iran, a progressive nationalist party headed by Dr. Mohammed Mossadegh was elected in 1951. The new government promptly nationalized the British-owned oil fields. But the monopolies responded by boycotting Iran's oil. (At that time, curiously enough, not one U.S. newspaper said a word about "blackmail.")

This was just the opportunity the U.S. had been waiting for. The CIA organized and

Demonstrators in Iran in the early 1950s demand nationalization of foreign oil companies.

"ISRAEL IS TO BECOME THE WATCHDOG"

In order to counter the growth of Arab nationalist and socialist movements after World War I, Britain encouraged the formation of an exclusively Jewish state of European colonists in Palestine. With British and U.S. backing, the state of Israel was created in 1948, forcing over 1 million Palestinians out of their homeland and into refugee camps in neighboring Arab countries.

The Western powers hoped for a reliable local agent to intervene against progressive Arab movements in the area, and this went hand-in-hand with the ambitions of Israel's rulers. Gershom Shoker, editor of Ha'aretz (the "Israeli New York Times") wrote in 1951:

> **Israel is to become the watchdog.** *There is no fear that Isreal will undertake any aggressive policy toward the Arab states when this would explicitly contradict the wishes of the U.S. and Britain. But if for any reason the Western powers should sometimes prefer to close their eyes, Israel could be relied on to punish one or several neighboring states whose discourtesy toward the West went beyond the bounds of the permissable.*

financed a right-wing coup in August 1953, restoring the present Shah (king) to power. The Shah immediately returned Iran's oil to the foreign monopolies — and the U.S. companies got a 40% cut.

- In 1956, Egypt nationalized the Suez Canal. Within days, Israel joined the former owners, Britain and France, to invade the Sinai Peninsula in an attempt to regain control. But the power of international public opinion forced them to withdraw.
- In 1958 a progressive government came to power in Iraq amid popular pressure to nationalize the foreign oil monopolies. Ten thousand U.S. Marines were landed in Lebanon to intimidate Iraq, and soon afterwards the U.S. Sixth Fleet was permanently stationed in the Mediterranean. With popular nationalist movements on the rise, U.S. oil interests in the Middle East received more military protection.

OPEC: THE TIDE TURNS

In 1960 the struggle against the Western powers reached a new level, with the formation of the Organization of Petroleum Exporting Countries (OPEC). The organization — initially composed of the Middle East oil producers and Venezuela — reflected two trends in the Middle East. First, the people of these countries were demanding an end to foreign control of their oil. Secondly, feudal as well as progressive oil-producing states wanted more independence from the Western powers, and a bigger cut of the oil profits.

In the 1960s, a number of state-owned European oil companies and U.S. independent firms broke through the Big Seven's monopoly on oil production in the Middle East and North Africa. This reflected the revival of West European economic power since World War II. As a result of this new competition, the supply of oil on the world market increased and crude oil prices began to fall. The Big Seven tried to shift the burden of these falling prices onto the oil producing countries. But by joint action, OPEC was able to keep the monopolies from lowering their royalty payments.

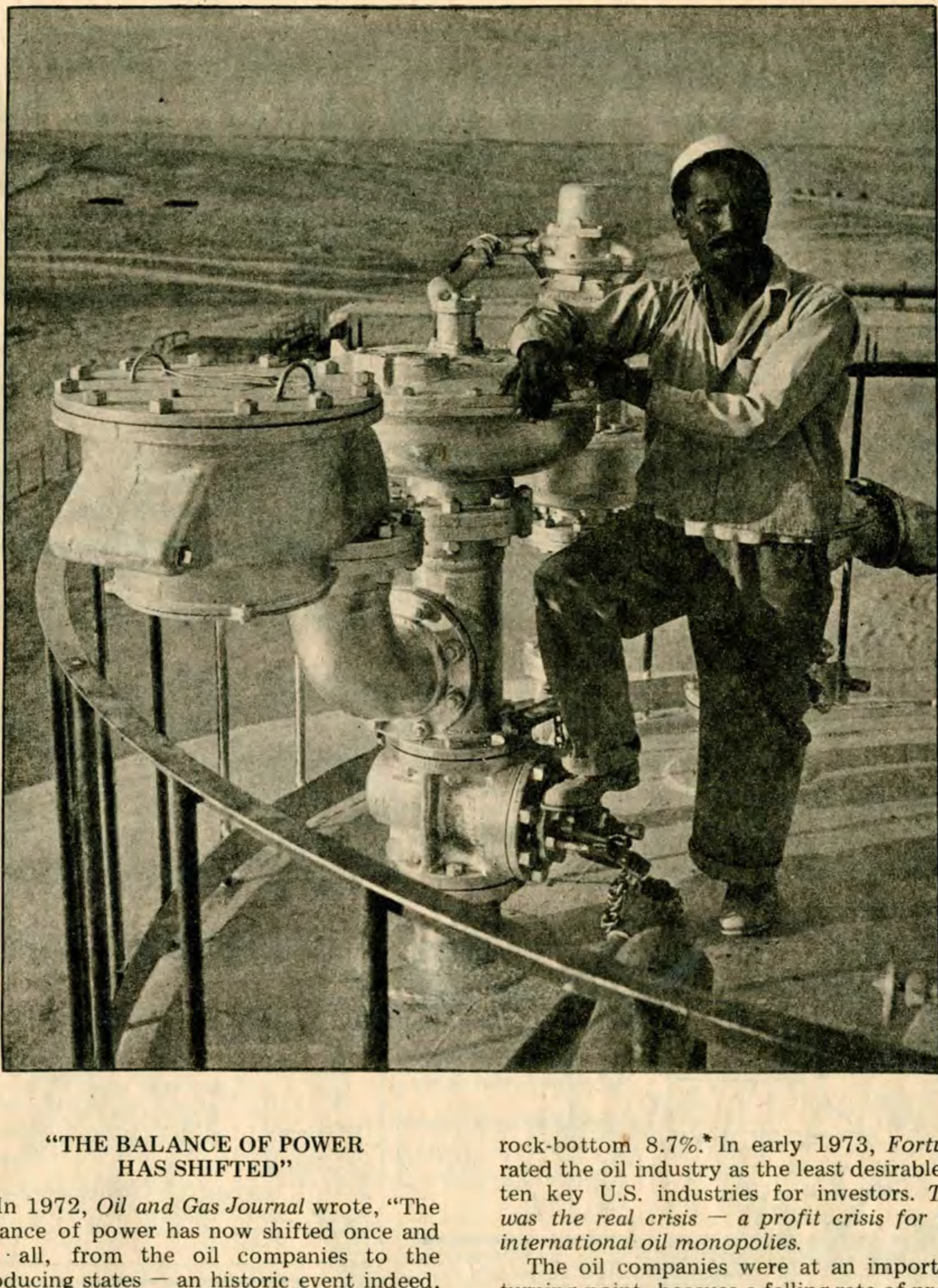
In 1970, events took a sharp turn. By then the oil-producing countries had learned a vital lesson from the Vietnam War — U.S. business is not able to take or keep control of a country's resources if the people of that country are strong enough to fight back.

The new nationalist government in Libya demanded a large increase in payments from the foreign oil companies in 1970. Since it was supplying 30% of Europe's oil at the time, Libya was in strategic position. So Libya slowly started cutting oil production, to force the companies to bargain individually.

Occidental Petroleum — a U.S. independent producer that formerly had been denied access to the Middle East by the Big Seven — broke ranks first. Soon Exxon and the others were forced to come to terms with the Libyan government. Within two years, Libya more than doubled its share of the oil revenues, from $1 a barrel in 1969 to $2.20 in 1971.

Soon after the Libyan victory of 1970, the OPEC countries all demanded sharp increases in payments from the foreign monopolies — and their oil revenues increased dramatically, from $4.2 billion to $7.1 billion. The OPEC countries also accelerated their drive to take back control over their oil resources. Algeria nationalized foreign oil holdings in 1971, followed by Iraq in 1972. Other Arab oil producers demanded 30% to 50% of the oil taken from their soil, to be marketed as they chose.

The international oil monopolies could no longer get oil from the Middle East at bargain basement prices. This was when the "energy crisis" first began to appear in the U.S. business press.



"THE BALANCE OF POWER HAS SHIFTED"

In 1972, *Oil and Gas Journal* wrote, "The balance of power has now shifted once and for all, from the oil companies to the producing states — an historic event indeed, and one that was unimaginable three years ago."

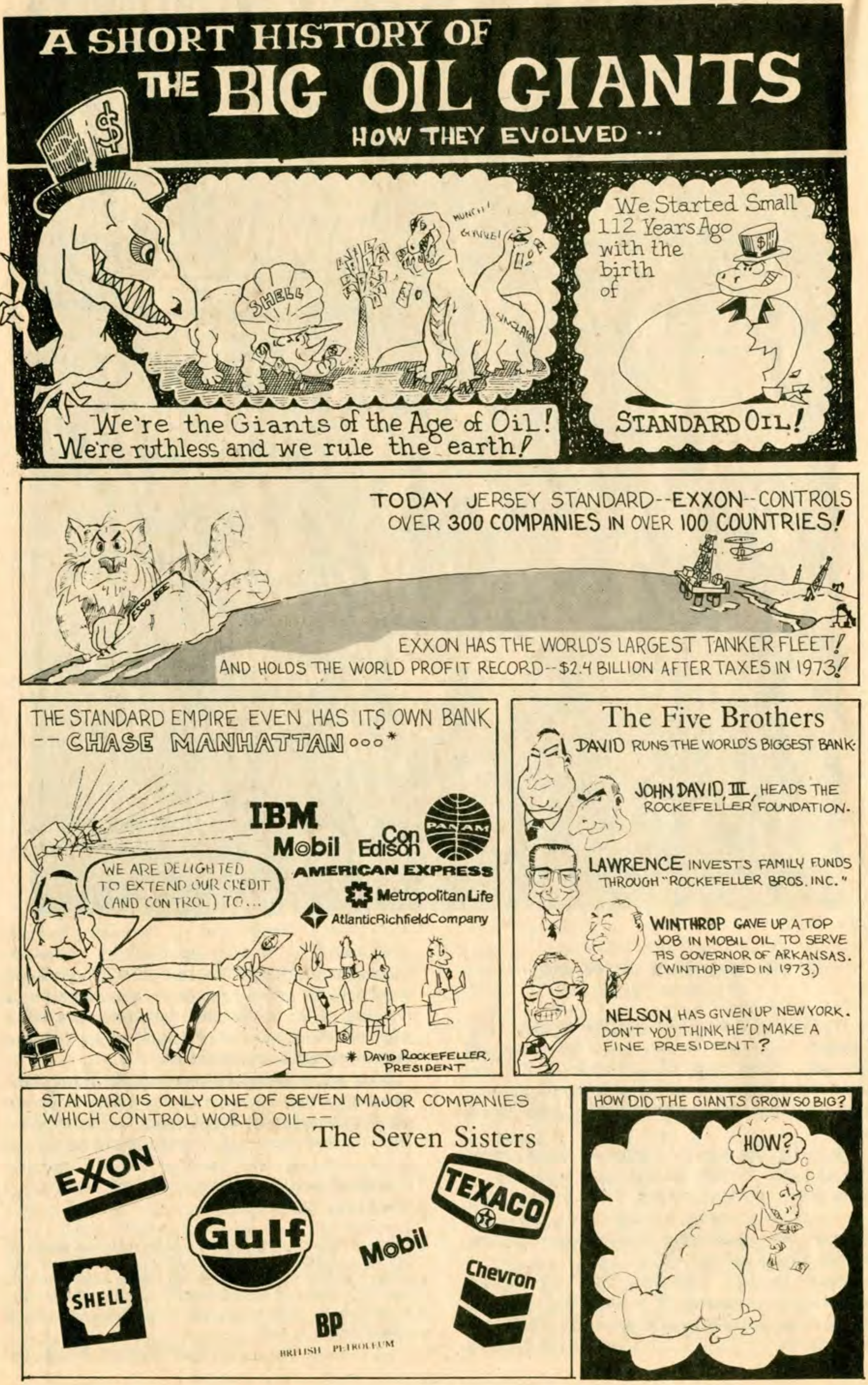
But Big Oil was not worried about what the history books would say someday — they were worried about what the account books were showing already! The demands of the oil producing states were cutting deeply into profits.

Back in the "Golden 50s" the international oil companies made 20% or more on their investment each year. By 1968 this was down to 12.4%, and by 1972 it hit a rock-bottom 8.7%.* In early 1973, *Fortune* rated the oil industry as the least desirable of ten key U.S. industries for investors. *This was the real crisis — a profit crisis for the international oil monopolies.*

The oil companies were at an important turning point, because a falling rate of profit can be fatal to any large capitalist enterprise. Profits and rate of profit are central to understanding the "energy crisis" and the changing world situation the oil companies must now deal with.

* Other factors that led to a falling rate of profit in the late 1960s were: (1) The declining value of the dollar, which made foreign oil more expensive for the U.S. to buy; (2) increased costs such as new supertankers and automated refineries and drilling operations.

(text continued on pg. 18)


A SHORT HISTORY OF
THE BIG OIL GIANTS
HOW THEY EVOLVED ...
SHELL
We're the Giants of the Age of Oil!
We're ruthless and we rule the earth!
We Started Small
112 Years Ago
with the
birth
of
STANDARD OIL!
TODAY JERSEY STANDARD--EXXON--CONTROLS
OVER 300 COMPANIES IN OVER 100 COUNTRIES!
EXXON HAS THE WORLD'S LARGEST TANKER FLEET!
AND HOLDS THE WORLD PROFIT RECORD--$2.4 BILLION AFTER TAXES IN 1973!
THE STANDARD EMPIRE EVEN HAS ITS OWN BANK
-- CHASE MANHATTAN ...*
WE ARE DELIGHTED TO EXTEND OUR CREDIT (AND CONTROL) TO...
IBM
Mobil
Con Edison
PAN AM
AMERICAN EXPRESS
Metropolitan Life
AtlanticRichfieldCompany
* DAVID ROCKEFELLER, PRESIDENT
The Five Brothers
DAVID RUNS THE WORLD'S BIGGEST BANK.
JOHN DAVID III, HEADS THE ROCKEFELLER FOUNDATION.
LAWRENCE INVESTS FAMILY FUNDS THROUGH "ROCKEFELLER BROS. INC."
WINTHROP GAVE UP A TOP JOB IN MOBIL OIL TO SERVE AS GOVERNOR OF ARKANSAS. (WINTHOP DIED IN 1973.)
NELSON HAS GIVEN UP NEW YORK. DON'T YOU THINK HE'D MAKE A FINE PRESIDENT?
STANDARD IS ONLY ONE OF SEVEN MAJOR COMPANIES WHICH CONTROL WORLD OIL--
The Seven Sisters
EXXON
Gulf
TEXACO
Mobil
SHELL
Chevron
BP
BRITISH PETROLEUM
HOW DID THE GIANTS GROW SO BIG?
HOW?

IN 1865 STANDARD OIL WAS ONLY THE LARGEST REFINER IN CLEVELAND, OHIO...
BURP!
BY 1873 STANDARD CONTROLLED 80% OF AMERICA'S REFINERIES!
IT WASN'T ANY ACCIDENT EITHER!
"We mean to secure the entire refining business of the world." John D. Rockefeller
JOHN D. ROCKEFELLER
JOHN D'S STANDARD MADE COMPETITORS "AN OFFER THEY COULDN'T REFUSE." --GO ALONG OR GO UNDER!
1882 ROCKEFELLER FORMS HIS FIRST SECRET TRUST INVOLVING 39 COMPANIES.
Hide the profits & say nothing!
"Don't even tell your wife!"
ROCKEFELLER COULD HIRE STRIKE-BREAKERS, PINKERTONS, STATE MILITIAS, AND... SABOTEURS!
ACT OF GOD! ACT OF GOD!
KA-BAM
BUFFALO--JUNE 15, 1881
AND WHAT IF THE COMPANY DIDN'T 'GO ALONG'?
Undersell 'em!
LOWER PRICES IN THEIR AREA! WIPE THEM OUT! THEN WE'LL MOVE IN AND DOUBLE THE PRICE!
Isolate Them!
CUT OFF THEIR SUPPLIES! KEEP THEIR GOODS FROM REACHING THE MARKET!
J.D MADE A SECRET PACT WITH THE RAILROADS TO KEEP STANDARD'S SHIPPING COSTS LOW AND ALL OTHERS HIGH! ROCKEFELLER UNDERSTOOD CONTROL OF DISTRIBUTION MEANT CONTROL OF PRICES... (SOUND FAMILIAR?)
JOHN D. ONLY INVITED THE BIGGEST COMPANIES TO JOIN THE STANDARD TRUST...
"As for the others, unfortunately they will have to die!"
But, Sir! My late husband put $200.000 into his company!
I'm touched, Widow Bachus! I'll give you $79,000!
GO ALONG OR GO UNDER!
1888 OHIO'S ATTORNEY GENERAL ORDERS THE TRUST DISSOLVED...
NJ
THAT'S WHEN ROCKEFELLER HEADED FOR NEW JERSEY!
1901 OIL IS DISCOVERED IN TEXAS!
JOHN D'S MONOPOLY WAS BLOWN AWAY BY THE Spindletop GUSHER.
ENTER TEXACO, JOHN P. GETTY, AND THE MELLON BROS. (GULF.)
1902 IDA M. TARBELL PUBLISHED HER "History of the Standard Oil Company"
AMERICANS WERE OUTRAGED ...
THE ANTI-TRUST MOVEMENT GREW SO STRONG THAT...
1911 THE FEDERAL GOVERNMENT MOVED TO BREAK UP THE STANDARD OIL TRUST...
Which would you prefer... One HUGE company or three BIG ones?
BUT ROCKEFELLER OWNED ALL THE PIECES!
STANDARD OF NEW JERSEY Exxon
STANDARD OF NEW YORK Mobil
STANDARD OF CALIFORNIA Chevron
STANDARD OF OHIO Sohio
STANDARD OF PENNSYLVANIA Arco
STANDARD OF INDIANA Amoco
1912 SHELL (A BRITISH-DUTCH COMBINE) BEGINS SALES OF CHEAP FOREIGN PETROLEUM INSIDE THE UNITED STATES
THERE WERE OTHER LANDS WHERE OIL WAS TO BE FOUND... AND PROFIT. I HAD TO CONTROL THEM!

I COULDN'T AFFORD TO BE SQUEEZED OUT ANYWHERE!
I SET OUT FOR GREENER PASTURES!
US
CUBA
VENEZUELA
WITH LOWER PRODUCTION COSTS, FOREIGN OIL IS CHEAPER!
DOES THAT MEAN WE CAN LOWER THE PRICE OF OIL HERE IN THE U.S.?
NO, STUPID! WE'LL SELL THE EXTRA OIL IN JAPAN AND EUROPE ... FOR HIGH PRICES!
1927
A WELL IN IRAQ ERUPTED WITH AN AMAZING TORRENT OF OIL.. 12,500 TONS A DAY!!
GUSH! GUSH! GUSH!
GUSH!
BABA GURGUR-- AN IMMENSE FIELD SOME 60 MILES LONG!
RUMBLE!
A GOOD THING? NO! TOO MUCH OIL IS BAD FOR PRICES SO, IN...
1928
THE ACHNACARRY AGREEMENT CARVED UP MIDEAST OIL AND THE 'COMPETITORS' AGREED TO CONTROL DRILLING AND RIG PRICES.
IRAQ
IRAN
SAUDI ARABIA
KUWAIT
1930
BACK IN AMERICA THE "TWENTY MAJORS" HAD CARVED UP THE UNITED STATES INTO REGIONAL MONOPOLIES
BUT ON OCTOBER 9th THE BIG OIL MONOPOLY ALMOST CRUMBLED
WHEN
'DAD' JOINER-- KING OF THE WILDCATTERS
DISCOVERED THE EAST TEXAS OIL FIELDS, PRICES FELL FROM $1.30 TO 5¢ A BARREL!
SO THE U.S. CONGRESS PASSED THE "HOT OIL ACT" AND "POOR BOY" INDEPENDENT PRODUCERS BECAME "OUTLAWS."
THE TEXAS NATIONAL GUARD UNDER THE COMMAND OF GEN. J.F. WOLTERS* CLOSED THE INDEPENDENT'S FIELDS AT BAYONET POINT!
*GEN. WOLTERS WAS ALSO CHIEF COUNSEL FOR TEXACO!
MEANWHILE US OIL INTERESTS GREW THROUGHOUT THE MIDDLE EAST.
CHEVRON IN BAHRAIN!
GULF GETS KUWAIT! CHEVRON AND TEXACO TAKE SAUDI ARABIA!
CHEVRON AND TEXACO ARE IN! FRANCE AND BRITAIN ARE OUT!
1932
1933
1947
1948 And then BIG OIL FORMED
ARAMCO
EXXON, TEXACO, MOBIL AND CHEVRON OWNED NINETY PERCENT OF SAUDI ARABIA'S OIL!
AND THE BIGGER I GOT, THE MORE I NEEDED TO EAT!

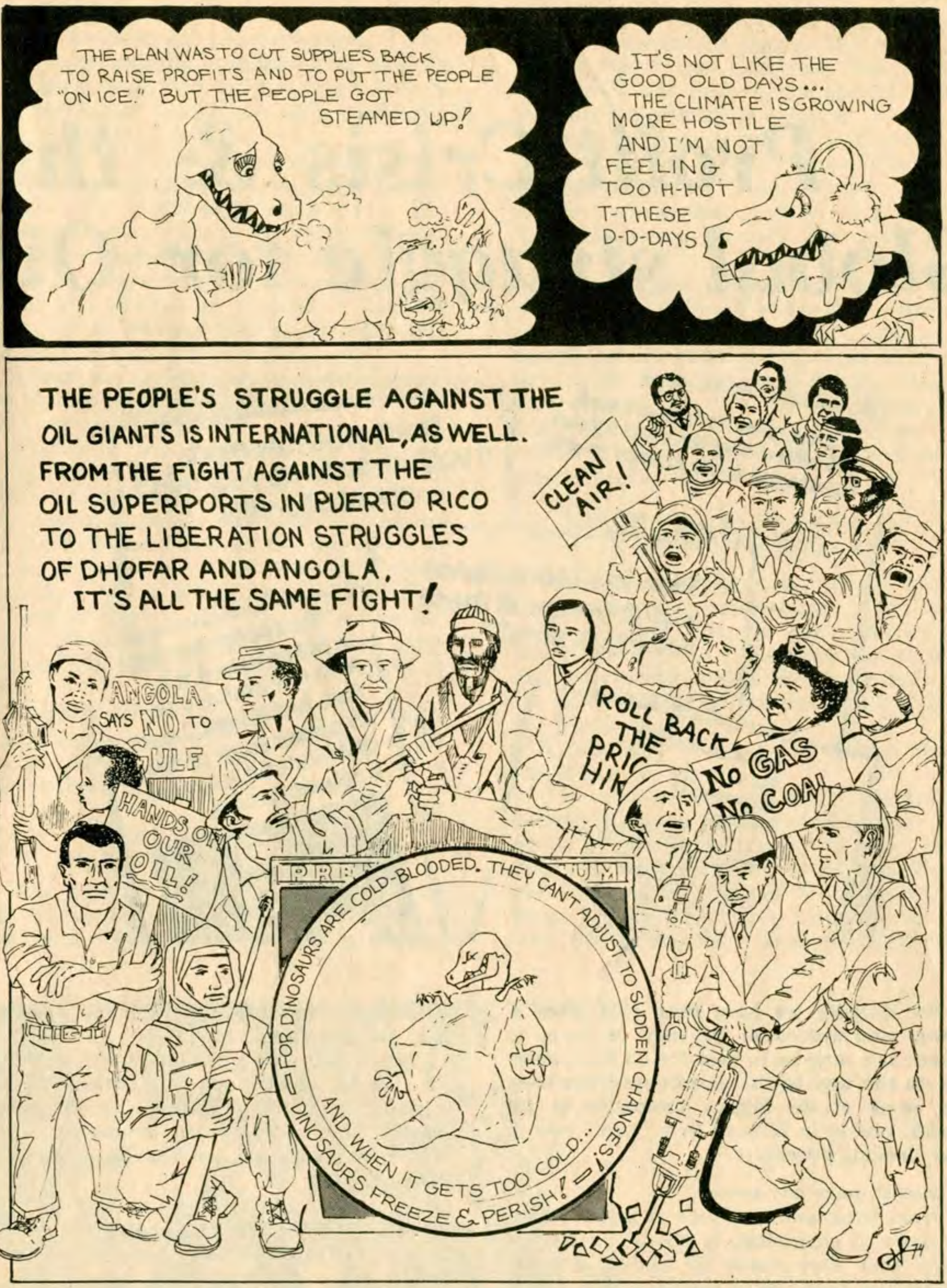

AT HOME I COULD DEPEND ON MY TRUSTY BEASTS OF BURDEN TO KEEP ME SATISFIED AND GROWING!
SNAP!
EVERYONE CAN BE A GIANT! WORKERS SHOULD BE SELF-RELIANT!
SO DO AWAY WITH WELFARE PAYMENTS AND UNEMPLOYMENT INSURANCE CLAIMENTS!
SAME OLD SONG & DANCE
TAPPITY-TAP
BUT THE OIL BOYS ARE ASSURED OF: THE OIL DEPLETION ALLOWANCE IMPORT QUOTAS FOREIGN TAX CREDIT CHEAP USE OF FEDERAL LAND "INTANGIBLE" DRILLING COSTS
1935 THE INTERSTATE OIL COMPACT COMMISION (FORMED BY AN ACT OF CONRESS) PERMITTED THE MAJORS TO CONTROL PRODUCTION & PRICES!
OUR PRODUCTION ESTIMATES FOR THE MONTH!
US BUREAU OF MINES
WAL, HERE'S YOUR MONTHLY QUOTA!
THANK YOU!
AND IN THE MIDDLE EAST IT WAS NO DIFFERENT-- U.S. OIL COMPANIES, BACKED UP BY THE U.S. STATE DEPARTMENT, GOT EVERYTHING THEY WANTED!
LET THEM EAT SAND!
LOCAL LEADERS WERE EITHER BRIBED OR...
OUSTED
IN 1951 DR. MOHAMMED MOSSADEGH NATIONALIZED IRAN'S OIL IN 1953 A CIA-SPONSORED MILITARY COUP TOPPLED THE GOVERNMENT AND INSTALLED THE SHAH.
STILL... STRIKES HIT THE PHILIPPINE FIELDS KUWAIT, SAUDI ARABIA, AND LIBYA!
OIL FIELDS WERE NATIONALIZED IN IRAQ, SYRIA, ALGERIA, CEYLON, VENEZUELA, BOLIVIA, & CUBA!
IN 1956 EGYPT NATIONALIZED THE SUEZ CANAL!
1960 THE OIL-PRODUCING NATIONS FORMED THEIR OWN TRADE ASSOCIATION
OPEC!
OCT. 1973 OPEC MEMBERS WON A 25% SHAREHOLDING AND AN AGREEMENT LEADING TO 51% CONTROL!
What's happening to our oil?
Whose oil?
IN SPITE OF THE SIXTH FLEET AND THE SHAH OF IRAN...
OPEC COUNTRIES BEGAN TO DEMAND BETTER PRICES FOR THEIR CRUDE
and the Rate of Profit FELL
FROM 20% IN 1950'S TO 14% IN 1960 TO 9.5% IN 1972
THIS IS THE BANK! WE'RE IN A PROFIT CRISIS! OIL COMPANIES ARE NO LONGER A GOOD INVESTMENT!
WITH MIDDLE EAST OIL PROFITS DECLINING I'M AFRAID WE'LL HAVE TO INVEST OUR CAPITAL ... ELSEWHERE!
OKAY. YOU GUYS! WE'LL UP OUR RATE OF PROFIT DOMESTICALLY! CUT COSTS! INCREASE PRODUCTION!


IT BEGAN TO LOOK LIKE SURVIVAL WASN'T GOING TO BE SO EASY!
ARCO
SINCLAIR
I WASN'T GETTING THE COOPERATION I NEEDED AT HOME
STRIKE!
BOYCOTT SHELL
BETTER WAGES
COST OF LIVING
WORKERS STRUKE FOR BETTER WAGES AND FOR HEALTH & SAFETY
THE GATES OF SHELL
ABANDON ALL HOPE YE WHO ENTER HERE
INDEPENDENT OWNERS WON A GROWING SHARE OF THE HOME MARKET!
BILL'S GAS
30% OF THE MARKET IN 1972!
AND THEN, JUST BECAUSE OF SOME MINOR UH...INCONVENIENCES LIKE...
AIR POLLUTION
CHOKE! CHOKE! CROAK!
OIL SPILLS
ATOMIC WASTES
A GROWING ENVIRONMENTAL MOVEMENT LEAD TO THE CREATION OF THE
ENVIRONMENTAL
PROTECTION
AGENCY
BAN ON CO
BAN ON NO
BAN ON PVC
BAN ON SST
BAN ON DDT
BAN LEAD FROM GASOLINE
BAN OFF-SHORE OIL DRILLING
BAN USE OF HIGH-SULFUR
HARSH FINES FOR POLLUTING
BAN ON THE ALASKAN OIL PIPELINE
OIL DEPLETION ALLOWANCE CUT FROM 27% TO 22%
Environmental Impact Report
THE OIL COMPANIES HAVE CHANGED THEIR NAMES BUT NOT THEIR STRIPES!
FACED WITH LOW PROFITS ABROAD AND PROTEST AT HOME, IT WAS TIME TO ACT!
ESSO
ENCO
EXXON!!
HUMBLE
MIDDLE EAST Rate of Profit
AND WHAT WOULD OLD JOHN D. HAVE DONE ?
CUT THE SUPPLY! BOOST THE PRICE!
WINTER 73
Home Heating Fuel Remains in Short Supply throughout the Eastern United States! And that's the way it is...
The news was brought to you by your friends at EXXON!
SUMMER 73
And it's a beautiful day at the beaches... if you can find the gas to get that far.


THE PEOPLE WERE TRYING TO LIMIT MY GROWTH!
I'LL TEACH THEM! I'LL CUT BACK THEIR ENERGY. THAT SHOULD SCARE THEM BACK INTO LINE!
QUASH!
EPA
WE'VE ALREADY USED "SHORTAGE" AND "BROWNOUT" WE NEED A DYNAMIC NEW TERM... I HAVE IT!... THE ENERGY CRISIS!!
GREAT! THEY JUST MIGHT BUY IT!
HOW JOLLY!
INSPIRED!
INGENIOUS!
I LIKE IT!
MOBIL
CHEVRON
SHELL
GULF
EXXON
WE'RE DOING THE BEST JOB WE CAN TO MEET THE COUNTRY'S GROWING OIL NEEDS... BUT REMEMBER
People Cause Pollution... and High Prices and Fuel Shortages and Brownouts and
EXXON
We'd like you to know... only what we tell you.
THE ECONOMY'S BOOMING 'CAUSE WE'RE ALL CONSUMING
BUY A GE ELECTRIC SELF-CLEANING OVEN
DISCOVER AMERICA IN A MOBILE HOME
WHY SETTLE FOR LESS? BUY A CHRYSLER
BUY YOUR VERY OWN ALL-ELECTRIC SNOOPY TOOTHBRUSH
BUY A McCULLOCH GAS-POWERED CHAIN-SAW
BLINK!
BUY!
BUY!!!BUY!!!
PUK!
THE AMERICAN PEOPLE ARE ENERGY WASTRELS. THE ERA OF CHEAP ENERGY IS OVER!
FEDERAL ENERGY OFFICE William Simon, Prop.
INDEPENDENT GAS STATION OWNERS SQUEEZED OUT!
I'LL PAY ANY PRICE!
WE DECREE THE OIL COMPANIES CAN HAVE ANY LAW THEY NEED!
$1
STANDARD OF CALIFORNIA
GULF
TEXACO
MOBIL
EXXON
BUT THEN IN OCTOBER WAR RESUMED IN THE MIDDLE EAST!
Nov. 1973
ARAB LEADERS, RETALIATING OVER NIXON'S $2.2 BILLION ARMS AID TO ISRAEL, DECLARED AN "OIL EMBARGO"!
BUT WAS IT FOR REAL?
We will not be "forthcoming"!
!
But it's understood that U.S. oil firms won't be allowed to suffer!
THE ARAB OIL "EMBARGO" PREPARED THE AMERICAN PUBLIC FOR FURTHER DRAMATIC ANNOUNCEMENTS
'It's incredible that in one year, the pressures turned all the way around'
—Harry Bridges, president, Shell.
FOREIGN CRUDE DOUBLED IN PRICE... AT $10 A BBL. WE MIGHT RESUME OIL DRILLING IN THE U.S.!
'The only safe and profitable place to invest in oil is the U.S.'
—Bob R. Dorsey, chairman, Gulf.
MEANWHILE SHORT SUPPLY STILL MEANS HIGH PROFITS FOR BIG OIL... AND HIGH PRICES FOR THE CONSUMER!
'We are embarking on the oil industry's version of Project Candor'
—J. Kenneth Jamieson, chairman, Exxon.
THIS WAS A PERFECT ALIBI FOR HIKING PRICES

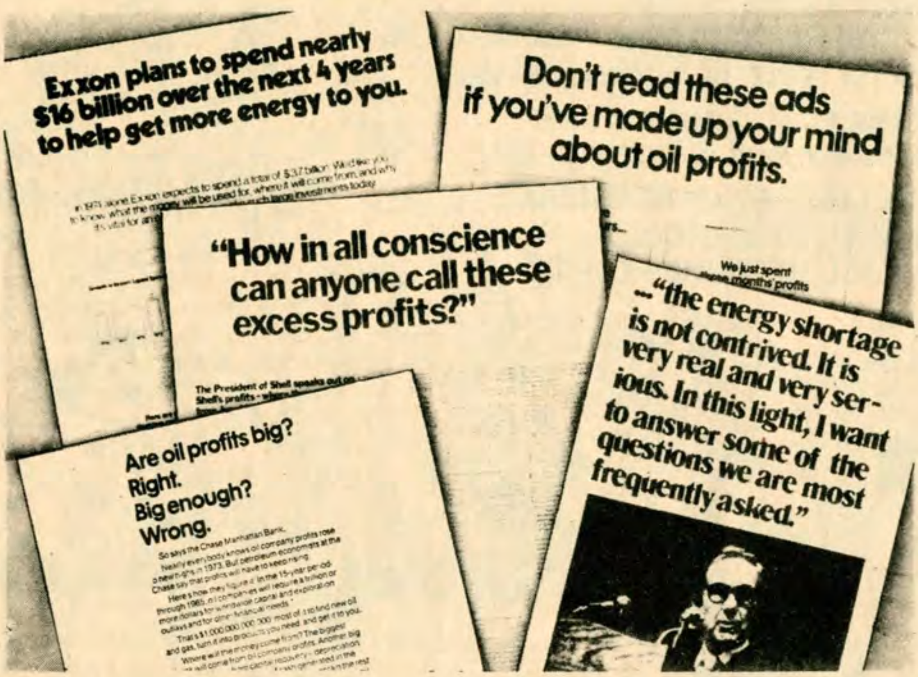
After-tax oil profits—1973
(millions of dollars)

	First nine months of 1973	Increase over 1972
Exxon	1,656	59.4%
Mobil	571	38.3%
Texaco	839	34.9%
Gulf	570	60.1%
Standard Calif.	560	39.7%
Standard Indiana	390	32.2%
Shell	253	40.6%
Continental	153	23.4%
Atlantic-Richfield	178	36.9%
Total all nine	5,170	45.2%
All oil companies	52,500	30.3%



Graphics by Gar Smith

Profit Crisis & the Global struggle for Oil



For decades we have been told what a sturdy and successful industry oil is, so it comes as a surprise to hear the oil companies are on the way to the poorhouse. Here they are, some of the biggest companies in the world, raking in billions in a "bad" year — and pleading poverty.

Does it make any sense?

From their point of view it does. Under the laws of capitalism, it doesn't matter so much that they made $8 billion in *total* profits last year. What counts is how much profit they made on each dollar of investment. Return on capital invested, or rate of profit, is the key.

Let's look at an imaginary example to make this clear. In 1968, Acme Oil Company had a total investment of $100 million, and they pulled in $10 million in profits. That gave them a rate of profit of 10%. Two years later, with the help of the Chase Mankind Bank, they expanded their total investments to $500 million (two new refineries). Their profits for the year came to $20 million — a record.

Wow! Acme oil's profits have doubled in two years. But it took five times as much capital to produce only twice as much profit. The rate of profit is now only 4%. *Total* profits are up, but the *rate* of profit is down.

SO WHAT IF THE RATE OF PROFIT DECLINES?

Acme Oil and its shareholders are in big trouble. The big investors who own the company don't care how many millions were made last year. They're worried about how much they will get back for every million dollars they have sunk into the company. With the rate of profit down, Acme Oil can't go on paying the same high dividends.

Equally important, Acme Oil will not be able to scrape up the capital for expansion. Investors and banks will direct their money into a more profitable company instead.

Why do they need to expand? In the rat race of the international oil monopolies, if you can't keep growing — grabbing up new oil supplies and markets, building bigger tankers and automated refineries — you can't keep your profits up.

It's a vicious circle. A falling rate of profit means the company will have less capital available for investment, which means still smaller profits. Perhaps bankruptcy lies at the end of this downward spiral. Or, before then, the financiers that control most of the company's stock may engineer a deal for Acme Oil to be swallowed up by a growing, more profitable oil company.

Either way, a falling rate of profit means big trouble for any capitalist enterprise. Here are some recent examples:

- Sinclair Oil was an independent company with outlets in the East and Midwest. In 1966, Sinclair's rate of profit stood at 8.2% of invested capital (pretty poor). By the end of 1968, it had fallen all the way down to 6.1%. Finally, in 1969 Sinclair (whose trademark was a dinosaur) became extinct. It was swallowed up by Arco, a smaller but more profitable company. In the same period, Arco's profits had risen from 9.4% to 11%.
- Standard Oil of Ohio (Sohio) also had a declining rate of profit. This was part of the reason Sohio surrendered in 1970 to a takeover offer from British Petroleum.

ENERGY CRISIS: A DESPERATE SOLUTION

With a growing loss of control over crude oil production worldwide, the entire industry's rate of profit has been sliding steadily since the 1950s. The major oil companies could see the handwriting on the wall: Push profits up — or join the list of big companies, like Penn Central and Lockheed, that face bankruptcy or takeover.

With their average rate of profit down to 8.7% in 1972, the oil monopolies were getting desperate. They brought out a solution which had exposed them to the fury of people all over the world: the "energy crisis."

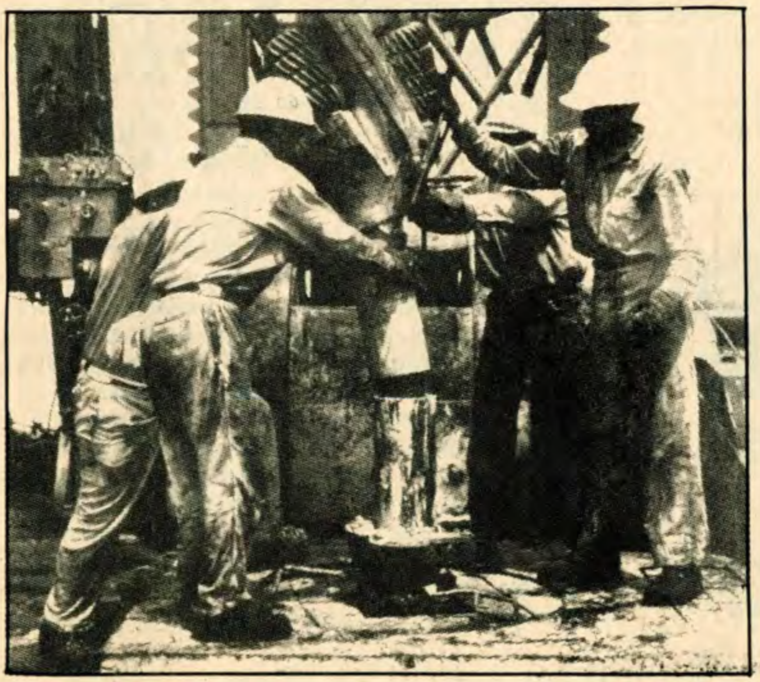
In the short run, the energy crisis has been all that Big Oil hoped it would be. The ten largest oil companies in the U.S. made record profits of $7.8 billion in 1973, up over 50% from the year before. (Exxon alone made $2,400,000,000 during the year!) Looking at the thermometer of capitalist health, the industry's rate of profit jumped to 15.1%.

MIDDLE EAST: PIVOT IN BIG POWER RIVALRY

Although the energy crisis has sent profits soaring, the oil companies have been unable to do anything about the basic cause of the profit crisis. U.S. monopolies are increasingly losing the control they once had over the world's crude oil reserves — especially in the Middle East.

Middle East oil is central to U.S. world power in a number of ways.

- U.S. industry is becoming more and more dependent on oil from the Middle East. The major oil companies predict that *by 1980 they will be importing over 50% of the oil the U.S. needs.* One-half to two-thirds of these imports will come from the Middle East, particularly the Arabian (Persian) Gulf.



Workers on offshore rig in the Gulf— hotbed of rivalry between imperialist powers.

• The U.S. military considers Middle East oil a strategic material, essential to its ability to wage war around the world in defense of U.S. business interests.

• Control of Middle East oil is vital to U.S. capitalism in order to maintain economic superiority over its main competitors — Japan, Western Europe, and the Soviet Union.

Especially in this last area — big power rivalry for control of Middle East oil — the energy crisis is already beginning to backfire for the U.S. oil monopolies.

Japan and the West European countries have been "allies" of the U.S. since World War II. But history shows that such alliances are unstable and temporary. When times get hard, no capitalist country hesitates to knife its "partners" in the back, if the advantages seem to outweigh the risks.

Thus U.S. oil companies had no qualms about using the energy crisis to weaken Europe and Japan. Western Europe gets 65% of its oil from the Middle East and North Africa. Japan gets 81%, and both have had to purchase most of it through U.S. companies. By raising prices all out of proportion to the increase in Middle East costs, U.S. oil companies helped to fuel runaway inflation in Europe and Japan (much more than in the U.S.). This meant that with one stroke European and Japanese

Christian Science Monitor

"If you had an ounce of horse sense you'd be facing the other way."

products became less competitive with U.S. goods on the world market. Since they rely heavily on exports, Japan and Western Europe are now facing serious recessions.

But these countries are not standing still either. Both sides — the U.S. oil monopolies and the industrial nations of Western Europe and Japan — are girding themselves for a fierce struggle over oil.

WEST EUROPEAN AND JAPANESE STRATEGY: UNDERCUT THE MONOPOLIES

The West European nations and Japan are determined to break through the U.S. monopoly on Middle East oil with direct, government-to-government deals. Their offer to the oil producing states is: Sell your oil *direct* to us. We'll give you a better deal — arms, industries, and even fleets of supertankers in exchange for your oil.

Washington has been trying desperately to put the lid on these independent deals, and to get its formerly obedient allies to line up behind the U.S. In early 1974, for example, Kissinger tried to set up a conference of oil consuming nations to present a united front to the Third World oil producing states. But this effort failed completely, and independent deals are on the upswing.

As of January 1974, $6 billion worth of long-term, direct agreements had been signed. Japan, for instance, is trying to arrange a ten-year supply of Middle East oil in exchange for building petrochemical plants, steel mills, and shipbuilding complexes in the Middle East. "All this activity," notes the *Wall Street Journal*, "shows signs of an all-out battle for oil."

This growing rivalry among the U.S., Japan and Western Europe has greatly strengthened the bargaining position of the oil-producing countries. It has also made it possible for them to use their oil as a political weapon to counter foreign interference in the internal affairs of the Middle East.

STRAINS ON THE MILITARY ALLIANCE

Alongside this fierce economic competition, tensions are rising between the U.S. and Europe regarding their cooperation in military affairs. During the Arab-Israeli war in October 1973, the NATO countries — all heavily dependent on Middle East oil — refused to join the U.S. in putting their forces on full-scale military alert. Japan called on Israel to return the Arab lands seized in the 1967 war and restore the national rights of the Palestinian people.

Many countries even felt obliged to enforce the oil embargo against the U.S.

military. Spain and Italy refused to refuel the Mediterranean-based U.S. Sixth Fleet. And in the Philippines, the Marcos dictatorship — normally obedient to U.S. interests — refused to release oil to the U.S. Seventh Fleet, based in Subic Bay. This limited the Fleet's ability to cruise around Vietnam and into the Indian Ocean.

U.S. STRATEGY: GIVE A LITTLE TO SAVE A LOT

The U.S. government and oil companies are making every effort to keep the reactionary rulers of the biggest oil-producing states in their camp — particularly Saudi Arabia and Iran. These rulers are themselves anxious to go on doing business with the U.S. monopolies.

Once they were mere puppets of Western oil industries. But today, with billions in oil revenue at their disposal, they have become full-fledged members of the world capitalist class. Arab investment managers are beginning to buy into the economies of the industrial nations — including investments in the big oil companies themselves and in a wide range of U.S. stocks and real estate.

Befitting their increased financial clout, these rulers are now demanding a bigger share of the take from their partners, the international oil monopolies. "Participation agreements" have recently been negotiated between the oil monopolies and Saudi Arabia, Kuwait, and the other Gulf States. Each of these states now "owns" a quarter of their oil industry, with their shares scheduled to rise to 51% and finally 100% ownership in future years. The government of Iran technically "owns" all of its oil production now.

In return, the international oil monopolies have been promised a rising quantity of oil for the foreseeable future at prices they can afford. They are also receiving gigantic cash payments in exchange for surrendering legal control over the oil. Saudi Arabia, for example, will pay $3 billion by 1983 for a 51% share of Aramco.

These agreements have weakened, but by no means shattered, the power of the oil monopolies. A. Z. Yamani, the Saudi Oil Minister, explained in a 1969 speech, "*For our part, we don't want the majors to lose their power . . . We want the present setup to continue as long as possible and at all costs to avoid any disastrous clash of interests which would shake the foundations of the whole oil business.*"

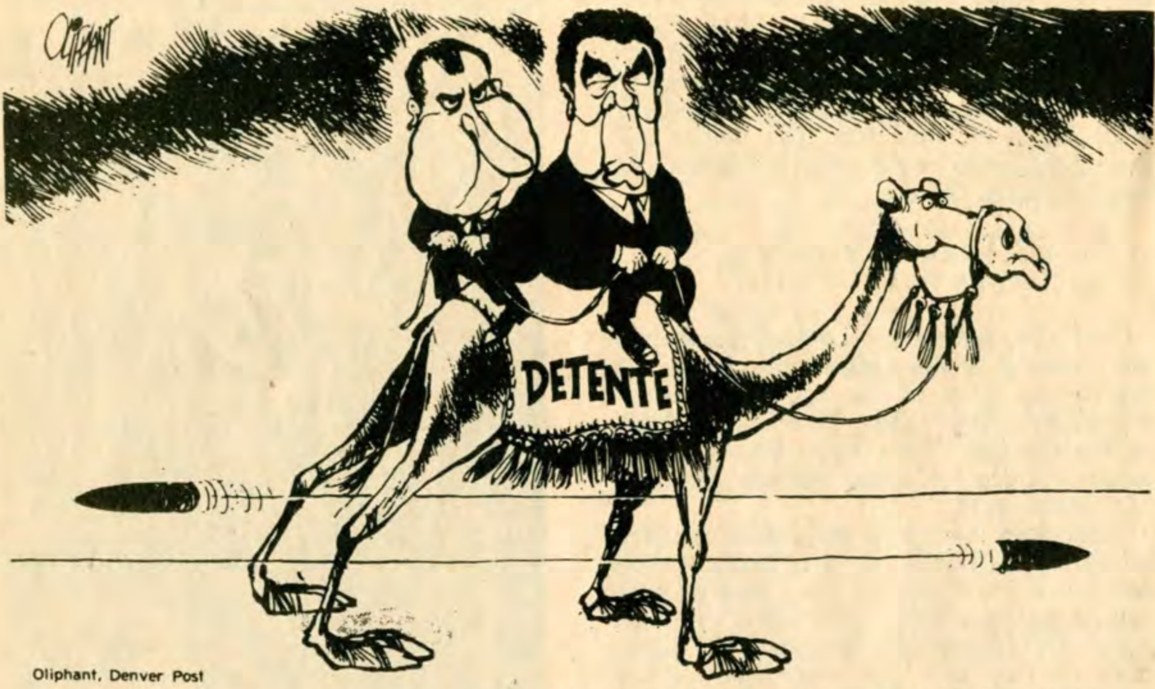
The heads of the Arab and Iranian oil producing states, for their part, stand to receive a bigger share of the oil revenues, aid in industrializing their countries, and continued U.S. military backing to suppress domestic opposition and revolutionary movements in the area.

Shah of Iran—new U.S. business partner.

THE OTHER SUPERPOWER WADES INTO THE FIGHT

Standing not so quietly in the background of the global struggle for oil is the USSR. Now a communist country in name only, the Soviet Union is eager to gain control of Middle East oil — for purposes of political and economic influence in Western Europe as well as for fast profits.

Following the 1967 Arab-Israeli war, the Soviets concluded a series of agreements with several Arab states — providing high-priced Soviet arms and machinery in exchange for relatively low-priced Arab oil. Although the USSR is totally self-sufficient in oil, the Soviet government wants to control a larger supply for export to Eastern and Western Europe. Most oil used in



"They're not shooting at each other — they're shooting at us!"

Eastern Europe comes from the Soviet Union, and constitutes a strong chain binding their economies to the USSR.

The Soviet Union is hoping for similar ties with Western Europe. Large quantities of low-cost Iranian and Afghanistani natural gas are now being piped into the USSR. At the same time, the Soviets are transporting large quantities of natural gas to Eastern Europe, West Germany, Italy, and Austria, where it is sold at a high markup. Meanwhile, the USSR is setting up oil operations in Western Europe, including a refinery in France and storage deposits in Belgium, in partnership with Western capitalists.

The USSR already has a foothold in Iraq, one of the largest oil producing states in the Middle East. Iraq ships much of its oil to the Soviet Union to pay (with interest) for Soviet machinery, technicians, and military equipment.

The USSR is actually serving as a new middleman for Iraqi oil, and they've got the profits to prove it. To give one small example, during the recent embargo, the Soviet government sold a large quantity of Iraqi oil to West Germany at *triple* the price it paid Iraq for the oil — yielding a tidy profit of \$28 million. (*London Daily Express*, December 28, 1973)

To safeguard its growing stake in the Middle East, the USSR has gained access to a strategic naval base in Iraq, at the northern end of the Gulf. Only a few hundred miles to the South, the U.S. has a naval station on the island of Bahrein. Competition between the U.S. and USSR for control of the region's oil is already heating up. And from the evidence of human history, it seems unlikely that the battle to secure these oil reserves will be a peaceful one.

A COMMON FOE

Despite the sharpening conflicts among the U.S. oil monopolies, the West European and Japanese capitalists, and the Soviet government, they all agree on one thing: Middle East oil is (or should be) theirs to dispose of.

But in the long run, a powerful force confronts the big powers, now struggling to reallocate the Middle East's oil among themselves. That force is the rise of revolutionary, popular movements in the area — movements which are demanding an end to foreign domination of their countries and complete control of their own natural resources.

U.S. Intervention in the Middle East

The ultimate threat to U.S. control over Middle East oil comes from the Arab and Iranian people themselves. Since the 1960s, revolutionary movements have grown rapidly in the southern part of the Arabian Peninsula and in the Gulf area itself — the heart of the world's most valuable oil reserves.

These movements hope to overcome the backward conditions in their countries by developing new industries, modernizing agriculture through collective effort, eliminating illiteracy, and promoting the rights of women. But it will be necessary first to throw out two sets of enemies — local reactionary kings and sheikhs, and the imperialist powers that stand behind them.

PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN

In the 1960s, a strong revolutionary movement developed in Yemen, a country of eight million people situated on the southern tip of the Arabian Peninsula. Yemen had been a British colony for 129 years. After a four-year fight for independence, the Yemeni people liberated the southern part of their country from Britain

Fighters of the Dhofar People's Liberation Army in training.

and its local puppets. In 1967, the People's Democratic Republic of Yemen was formed, which has begun developing the country and making the transition to socialism.

People's Yemen has set a powerful example for the poverty-stricken people of the oil-rich Arabian Peninsula, especially in neighboring Oman. For this reason, King Faisal and the U.S. have supplied mercenary tribesmen and north Yemeni forces with weapons to attack People's Yemen — which Faisal calls "a satanic citadel of subversion."

THE REVOLUTION IN DHOFAR AND OMAN

East of People's Yemen in Dhofar, a province of Oman. After 200 years of British colonial rule, the people of Dhofar are fighting for independence from Britain and its local puppet, the Sultan of Oman.

In the 1950s, many Dhofari men went to work in the oil fields of the Gulf and participated in strikes against the foreign oil monopolies. When they returned to Dhofar, they helped initiate the armed struggle against the British and the Sultan in 1965. Since then, this movement has liberated 90% of Dhofar from British rule, finally ending slavery and the power of the big landlords.

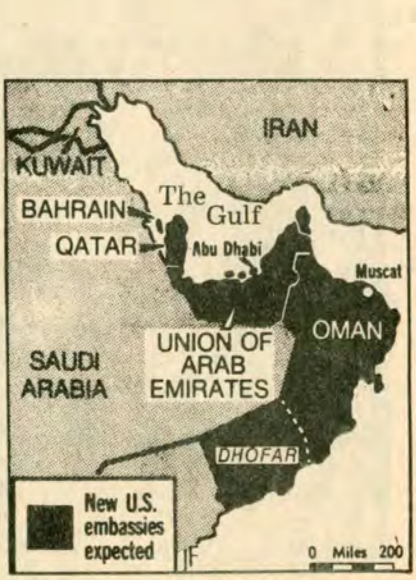
In 1970-71, the liberation struggle spread closer to the Royal Dutch Shell wells and pipeline in northern Oman and to the foreign oil concessions in the Gulf itself. The British quickly ousted old Sultan and installed his British-educated son. With U.S. and British backing, the new ruler asked the Shah of Iran to send over 30,000 Iranian troops to fight the revolutionary forces in Oman and prop up the Sultan's regime.

IRAN: U.S. POLICEMAN IN THE GULF

In the Middle East, as elsewhere, the U.S. is applying the "Nixon Doctrine" — using the troops of a pro-U.S. regional power to protect U.S. business interests. The Shah of Iran has gladly accepted this role as U.S. imperialism's "deputy sheriff" in the Gulf. "*Iran is ready to replace Britain as the protector and policeman of the Gulf,*" says the Shah. "*We are the only country which has the necessary military and economic possibilities to protect the region.*"

The U.S. government has been arming Iran on a massive scale to carry out this role. In 1973, the two countries concluded the biggest single arms deal in history, for $3 billion worth of sophisticated counter-insurgency weapons: helicopter gunships, F-5 jet fighter bombers, Phantom jets, and laser bombs, which were used in Vietnam. By early 1974, there were 1,100 U.S. military advisers in Iran, headed by three generals.

Iranian marines aboard U.S.-made Hovercrafts in the Gulf.



U.S. ENERGY CRISIS IS MAKING WAR THINKABLE AGAIN

by Dr. H. Peter Metzger — *Denver Post* (May 29, 1973)

"Trial balloons for a Middle East war have already been sent aloft. Elmer Bennett, assistant director of the Office of Oil and Gas of the U.S. Department of the Interior, said last month: 'If our dependency on foreign oil becomes so great, or our control in foreign policy and international influence delcines . . . *the alternative could be to send an expeditionary force to the Middle East that could make Vietnam seem like a picnic.*'

"New developments in weapons have made even atomic war more acceptable — to the militarist at least. Our newest is a laser-ignited nuclear-fusion bomb. Ordinary atomic bombs are too powerful and dirty to be used for anything but nuclear blackmail. The new variety produces none of the nasty fission byproducts associated with radioactive fallout. *Also, more manageable sizes can be produced; enough say, to wipe out a small city without harming neighboring oil production facilities* . . . .

"PLANNERS have already worked out several game-plans for such a war. For example, there are thousands of American technicians and their families, living in 'American' towns in the oil-rich areas of the Middle East. One scenario calls for those Americans to be unjustly attacked by a ruthless local population, thereby justifying American retaliation. That same method was used to justify the German occupation of the Sudetenland in 1938."

THE U.S. COP IS STILL ON THE BEAT

Despite the U.S. defeat in Vietnam and the certain opposition of the American people, the U.S. government is laying the groundwork for military intervention in the Middle East. In a September 1973 press conference, President Nixon warned the "more radical" Arab states about what "Mr. Mossadegh learned many, many years ago" — referring to the U.S. overthrow of Iran's Premier, who had nationalized Western oil interests.

Even Senator Fulbright, the liberal "critic" of U.S. failure in Vietnam, warned the Arab states to be "a little less concerned with justice and rather more with the reality." Otherwise, he continued, "our present policy makers may come to the conclusion that military action is required to secure the oil sources of the Middle East."

Preparations have already been made for direct military intervention. In the summer of 1973, 9,000 U.S. Marines participated in the biggest desert war games in the Mojave Desert. Two Marine battalions landing teams, fully combat ready, were part of the U.S. military force ringing the Middle East during the October 1973 war. This force included the Sixth Fleet in the Mediterranean and the Seventh Fleet in the Indian Ocean.

The U.S. government is actively expanding its capacity to intervene in the Gulf area. In March 1974, the Defense Department put in a request for $29 million to beef up U.S. air and naval facilities on the tiny island of Diego Garcia in the Indian Ocean.

Admiral Elmo Zumwalt, testifying at a Congressional hearing, explained: "*It's just like having a policeman on the beat, who deters crime simply by being there.*" Zumwalt did not specify what "crime" was to be stopped, but he did say that without a U.S. military presence, allies in the region "might be replaced by less friendly regimes."

THE ANTI-ARAB PROPAGANDA CAMPAIGN

Preparing public opinion for future U.S. military intervention in the Middle East has been one of the major goals of the government and the oil companies. This accounts for much of the anti-Arab propaganda — like the image of the "greedy Arabs" out to cut the U.S. "jugular vein," or the cartoons in dozens of magazines, showing an Arab holding a gasoline hose. At the same time, the Shah of Iran and King Faisal are portrayed as "reasonable" and our "friends."

The goal of this media campaign is to prepare the American people to accept whatever measures the government feels are necessary to protect the Rockefellers' oil fields and refineries in the Arabian Gulf — whether it's sending in "aid" and military advisers now, or Marine battalions in the future.

But the people of the U.S. have not been buying it. Polls show that most people blame the oil companies and the U.S. government for the energy squeeze, not the Arab people.

The System is running out of gas

The struggle against the power of U.S. companies is not restricted to the Middle East. In the Portuguese colony of Angola, Gulf's rich oil leases are under increasing attack from a powerful African independence movement. In Puerto Rico, Exxon's plans to build a huge superport/refinery complex face mounting opposition from millions of Puerto Ricans. Offshore Vietnam, four oil companies were granted leases by the puppet Saigon government. But the Provisional Revolutionary Government of South Vietnam has denounced these leases as illegal, and the companies are moving ahead slowly, if at all.

And it is not just the oil monopolies that are under attack. Throughout Asia, Africa, and Latin America, "multinational" U.S. corporations are the target of popular movements.

U.S. copper producers lost more than half their holdings in Zambia (formerly Northern Rhodesia) in 1969. Peru has seized U.S. fishing boats in its territorial waters to protect its maritime resources from overfishing and depletion. And a growing revolutionary movement in the Philippines is threatening U.S. investments of over $2 billion in fruit, timber, rubber, and other industries.

A WEAPON IS UNSHEATHED

Despite all the leaks in the Arab oil embargo,* the political use of the "oil weapon" has dramatically revealed the vulnerability of the imperialist powers to united action by Third World countries rich in raw materials. The picture of small nations shaking their fists at the great powers — extracting concession after concession and getting away with it — can only embolden other Third World countries to intensify their struggle.

Already the example of OPEC and the oil embargo has stimulated moves toward unity among other mineral and agricultural producers. In March 1974 seven bauxite-producing countries met in Africa to set up an organization to promote their interests in bargaining with the monopoly aluminum companies. That same month, seven Latin American countries formed the Union of Banana Exporting Countries, to end the long era of "banana republics" whose politics and economies have been dominated by the U.S.

When U.S. businessmen look out at the world these days, they see opposition in every direction.

PUTTING ON THE SQUEEZE AT HOME

With the overseas empire in a continuous state of crisis, U.S. business is trying to squeeze more profit out of American workers by making us work harder and faster, and by raising prices. From this perspective, the energy crisis and the rising price of fuel is nothing new.

But the surge in fuel prices is aggravating two underlying problems of the economy — inflation and "over-production." Since energy costs affect the price of nearly everything we buy, the energy crisis has unleashed a general round of price hikes. The result is that our money buys less and less of what we produce. Even though we may still need these goods, we can't afford to pay for them any more.

Goods pile up in the stores, and retailers cut down on their ordering — causing warehouse and factory inventories to climb. The bosses call it "overproduction," and they lay off workers "until sales go up

* The embargo was ineffective because it was announced mainly for public relations purposes by reactionary Arab rulers. According to the *Washington Star News* (October 12, 1973), King Faisal admitted that he was opposed to using oil as a political weapon, but added he might not be able to "withstand the pressure" from more progressive Arab governments and his own people. This "pressure" is the widespread support the Palestinian struggle enjoys among the peoples of the Middle East — who have consistently called for measures such as nationalization of Western oil interests in response to U.S. and European support for Israel.

again." But this only makes things worse. Unemployed workers can't even afford to pay off what they owe, not to mention buy more goods. So more workers lose their jobs and soon the whole economy goes into a tailspin. Part way down the spiral is a recession. At the bottom is outright economic collapse and depression.

This is exactly what happened in the Great Depression of the 1930s, and before that in 1907, 1893 and 1873.

Overproduction is built right into capitalism. The drive for maximum profits leads the bosses in every industry to speed up production, raise prices, and hold the workers' wages down. To stave off the day of reckoning, each capitalist country tries to solve its overproduction problem by boosting exports.

This has helped in the past. But today, worldwide inflation and recession means that workers everywhere have less to spend. Today each nation's industry can only hope to salvage its sales and profits at the expense of another country. This is why the struggle among the big capitalist powers to dominate the world's markets is becoming so savage.

But even this is only a temporary solution. The major capitalist countries are so interdependent today that economic collapse in any one will tend to bring down the others, since a depression eliminates that country's buying power.

THE ENERGY CRISIS AND YOUR FOOD BILL

The effects of the energy crisis are already showing up in an unexpected place — your food bill. Why?

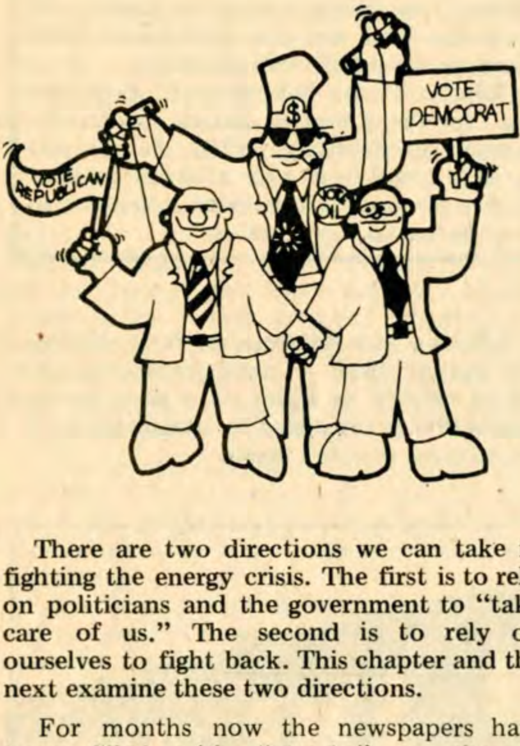
As the U.S. uses more and more foreign oil and the price of this oil rises, more dollars are flowing out of the country — the "balance-of-trade" is worsening. U.S. business must make up for this through exports. And right now the most profitable U.S. export commodity is food.

During 1973, increased agricultural exports created domestic shortages of wheat, rice, beans, and other basic commodities. This was the main reason food prices jumped 22% over the year.

What will the future hold? A spokesman for the American Bakers Association warned in February 1974, "*People will have to stand in line for a loaf of bread at higher prices, the way they now have to wait in line to buy gasoline.*"

Inflation and depressions, food shortages and energy crises — under capitalism they are as natural as slime on a slug, because production is organized to maximize profits, not to meet people's needs.

Can we "Throw Big Oil out of the White House"?



There are two directions we can take in fighting the energy crisis. The first is to rely on politicians and the government to "take care of us." The second is to rely on ourselves to fight back. This chapter and the next examine these two directions.

For months now the newspapers have been filled with "attacks" on the oil companies by politicians, and with proposals to "curb" their power. But the government and the oil companies have been sleeping in the same bed for decades — so we're justified in being skeptical about this new-found concern with the "public interest." What is the government really up to?

Let's take a closer look at three of the proposals currently under discussion.

"NATIONALIZE THE INDUSTRY"

Some people are demanding that the government take over the oil companies. This reflects, in part, a very positive understanding — that so long as these oil giants are in private hands, they will always put their profits before the needs of the people. But when we look at this "solution" more closely, it turns out to be the opposite of what is needed.

If the oil monopolies were nationalized, nothing basic would change. One of the Big Seven, British Petroleum, is *already* nationalized. The British government has owned 51% of the company since 1911. But this doesn't make wages any higher for BP's Iranian workers, or gas any cheaper for the British public. And what's more, nationalized industries don't allow strikes.

Why wouldn't government ownership under capitalism work? The banks and corporate investors who own the oil industry today would simply trade in their stocks for government bonds, with no interruption in profits. The "nationalized" oil companies would still need to produce maximum profits, in order to pay off the bondholders and generate capital for new investment.

So long as the government itself represents the class of super-rich owners, it's going to be business-as-usual in any nationalized enterprise.

"BREAK UP THE MONOPOLIES" (AGAIN)

Anti-trust moves are already under way in several states against the oil companies, and some people are calling for breaking the oil monopolies into separate producing, refining, and marketing companies. But anti-trust laws have been on the books for 80 years, and the government has never effectively enforced them against the oil companies.

Even if Exxon, Texaco, or any of the other monopolies were successfully broken up, who would own the pieces? The same financial interests would continue to coordinate the industry, restrict competition, and keep prices high. Each new company would pass higher prices onto the next, and ultimately to the consumer.

"TAX THEIR PROFITS"

Congress is likely to take some action to make the oil companies pay more taxes. The oil depletion allowance, for example, is one of the biggest tax loopholes of all time. It has saved the oil industry $140 billion in taxes since 1918.

But now, because of the bad publicity it has brought them, Arco and others are ready to eliminate this loophole — on the condition that government controls over oil prices be ended! Since the depletion allowance currently works out to about 50 cents a barrel (roughly a penny a gallon), this "reform" could give the oil companies more in higher prices than they would lose in taxes.

Another proposal being discussed in Congress — an "excess profits" tax — won't wind up doing much damage to the oil monpolies either. The effect of this kind of tax depends on what is considered "excess," how much of their profits the industry is able to hide through bookkeeping tricks, and what is done with the tax money. Most proposals earmark the money for "energy development" — which means that the government will just turn around and give it back to the oil companies.

GOVERNMENT OF, BY AND FOR THE MONOPOLIES

In proposing these "attacks" on Big Oil, the main concern of politicans and liberal business leaders is to channel our anger into a deadend street. Senator Henry Jackson and others tell us that "we have to throw Big Oil out of the White House in 1976." Instead of fighting for our real needs now, they want us to direct our energies into the next election.

But you can't vote Big Oil or the other big corporations out of the government because they are the government. Back in 1914, the Secretary of State (a Democrat at the time) told an audience of businessmen:

I can say, not merely in courtesy — but as a fact — my Department is your department; the ambassadors, the ministers, and the consuls are all yours. It is their business to look after your interests and to guard your rights.

It is every bit as true today as it was then. Five out of the last six Secretaries of State (including Henry Kissinger) previously worked for the Rockefellers. Some have been Republicans and some have been Democrats. But all have faithfully served the oil companies and the rest of the U.S. ruling class.

Every politician in Washington receives campaign contributions from a varied group of powerful business interests. And industries generally contribute to both sides, to be sure of a winner! Under these conditions, elections represent a kind of "United Crusade" of the super-rich to maintain their control of the government. Because there are conflicts among different business groups, squabbles among politicians often reflect these differences. But no matter who's running, the business class as a whole wins. The government is theirs.

So even if the oil companies do start paying more taxes one way or another, this won't change anything basic. It isn't going to bring the price of gasoline down, it isn't going to limit the Big Seven's worldwide power, and it isn't going to prevent the next "energy crisis."

None of the half-baked solutions we've been reading about in the papers is going to accomplish much — *because they're not intended to!* We can't rely on the government to come up with the solution because it's part of the problem.

We Can

Fight Back!

There are two sides in the "energy crisis." A tiny class of rich businessmen find that it's good for profits. The rest of us, the great majority of the people, suffer from the crisis. *We* are paying for *their* prosperity.

This is the simple fact that Nixon, Simon and Co. have tried to obscure with their two-faced talk about "equal sacrifices" and "pulling together." What they really mean is this: We should suffer quietly.

But we *can* fight back. During the "energy crisis," people around the country began to strike back in increasing numbers to defend their living standards.

NO HEAT, NO WORK

At the height of the fuel shortage, the bosses at Dasco Paper Products in Oakland, California decided to "save energy" (and money). In the coldest weeks of winter, they turned the thermostats off and told the employees to work faster to keep warm! But on January 9, 1974, 50 Dasco workers, led by Chicana and Mexican women, walked into the office and told the bosses, "Either we get heat or we walk out."

After the bosses refused, the workers spread out to the rest of the plant. Ninety percent of the other workers walked out with them. And when the swing shift threatened to join the walkout, the heat was turned back on for good.

CONFRONTING THE UTILITY RIPOFF

As the price of everything goes higher and higher, millions of low-paid workers and poor and elderly are having to choose between heating their homes and eating enough. But the utilities keep asking for new rate increases. And "public" utility commissions keep granting them, using the energy crisis as an excuse. (New York City's Consolidated Edison, for example, raised utility bills by 35% in 1973, and they're still demanding more.)

In response, angry groups of working people and senior citizens have been shaking up utility hearings across the country. And they're starting to win some victories. In Atlanta, the Georgia Power Project helped force the local utility commission to cut a requested rate increase by two-thirds in 1972. And in December 1973, over 50 welfare mothers in Milwaukee forced the country welfare board to provide them with extra money to cover skyrocketing electricity and fuel bills.

TENANTS TURN ON THE HEAT

Using the energy crisis as an excuse, many landlords in the Black, Latin and Asian communities have turned down the heat in apartment buildings, refused to make repairs, and raised rents. But last winter, some angry tenants in the Bronx, New York showed the way to turn the heat up under a profit-hungry, no-heat landlord.

In the dead of winter, their apartment building had no heat whatsoever. The landlord claimed the fuel tank was empty and the boiler busted. The tenants paid him a visit and chained him inside his office. Early the next morning the radiators were working and the hot water was running again!

New York City

Milwaukee

Oakland

TRUCKERS DEMAND CHEAPER FUEL

In response to the gasoline shortage and price increases, thousands of independent truckers set up highway blockades in December 1973. They followed up in early February with a powerful nationwide strike, shutting down much of the trucking industry in the nation's industrial heartland. Their main demand: a rollback of the price of diesel fuel and *all* petroleum products to May 1973 levels.

The government worked overtime to break the truckers' strike. Nixon called the 200,000 strikers "a handful of desperados," and several states called out the National Guard. Troops and police broke up picket lines at truck stops and terminals, and escorted scab trucks down the highways.

The government offered to let the striking truckers pass on the fuel price increases to their customers. But the truckers resisted this, because they knew it would only drive up prices for consumers. They felt the oil companies should pay instead.

Though the February shutdown meant layoffs and a shortage of consumer goods, particularly in the industrial Midwest, most workers were strongly behind the truckers. At a support rally in Cleveland, a worker from U.S. Steel gave a speech expressing his solidarity:

> *I was a truck driver for 10 years, until I gave it up. I now work in a steel mill. We keep hearing that because of the truckers' strike, we will run out of food and gasoline. But hell, the real question is, will we run out of it first, or will it become too expensive to buy? We know in the steel industry that if the truckers are on strike, we will soon be laid off. But we know that if we do get laid off, it's not the truckers who are our enemy. The enemy is the big oil monopolies and the government."*

MINERS WIN MORE GAS FOR WEST VIRGINIA

In late February 1974, 27,000 coal miners in southern West Virginia went on strike against the gasoline shortage and the whole energy crisis. For over 20 days, they shut down the mines under the slogan, "*No gas, No work.*"

Many West Virginians work up to a hundred miles from home, and were stuck when Governor Arch Moore instituted a rule that you couldn't buy gasoline if you had more than a quarter tank left. "There was no way to drive 50 to 100 miles home with a quarter of a tank," one miner said. "This situation of working in the mines is worse than being in jail. You worked your shift and then you still couldn't go home."

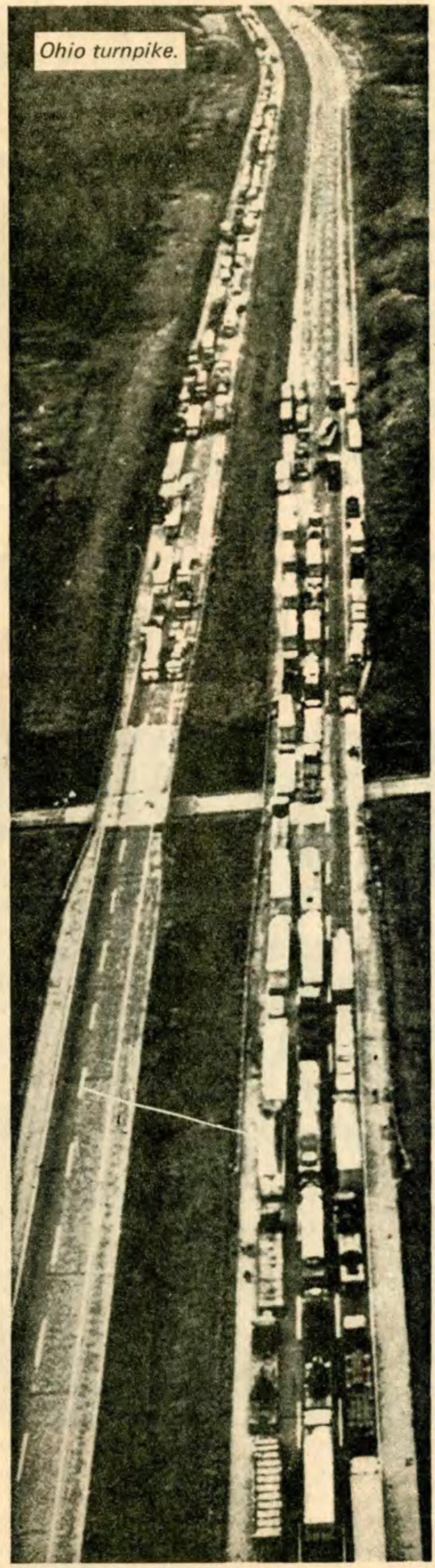
The strike started at Consolidated Coal's Maitland mine after a number of miners ran out of gas and were stranded overnight. Two days later some 500 Maitland miners met to discuss the problem, and decided that a strike would be a powerful blow against the phony energy shortage — particularly since their mine (like many others) is actually owned by an oil company, Continental Oil.

Within a week, all 27,000 miners in southern West Virginia were out. At one point in the strike, the governor offered to suspend the quarter-tank rule for people who drive over 250 miles per week to work. But the miners refused to be divided. Their reply was, "No deals, gas for all."

After three miners were shot by snipers, the miners began extending their struggle to northern West Virginia. **At this point Governor Moore announced the end of the quarter tank rule for 30 days, and released more gas supplies for the whole state.**

The miners' strike showed that when workers take matters into their own hands and use their power to stop production, they can win important victories for all the people.

27,000 West Virginia coal miners struck for more gasoline supplies for the whole state.



Ohio turnpike.

"Six Years on the Road"

To the tune of "Six Days on the Road"
Written by an Atlanta area truck driver

I pulled into P'burgh off the interstate highway
The truck stop was packed but wasn't no one buying fuel today
Well the pumps was blocked alright, so I parked between a Jimmy and white
Six years on the road and today I'm going out on strike

Well the diesel fuel price is climbing as high as the sky
and the speed limits lowered so's a man can't hardly get by
Well my budget is so doggone tight
And the food prices are so out-of-sight
Six years on the road and today I'm going out on strike

Yonder comes a scab and he's highballen right on througn
Yeah he thinks he'll get by but we know more than he do
Some boys get on the radio–he won't get as far as Ohio
Six years on the road and today we're going out on strike

They tell me that the Gov. is talking to the President
And somebody's heard that the Nat. Guard has been sent
Now we ain't looking to fight
But a man will fight when he's righ.
Six years on the road and today we're going out on strike

Well the oil millionaires make profits by the ton
And you know they seem to run up there in Washington
But its truckers that carry the loads
And its truckers that rule the roads
Six years on the road and today we're going out on strike

HANDS OFF THE MIDDLE EAST!

The global operations of the oil giants means that they have world-wide power — but it has also meant that they have enemies everywhere. These enemies of the oil monopolies are our allies, and part of our struggle is to prevent the government from intervening in these countries.

In cities all around the country, demonstrations against the energy crisis took up the demand, **"No more Vietnams! Hands off the Middle East!"** In November 1973, the U.S. 182nd Airborne Division was put on a full-scale alert to be airlifted into the Middle East. With the lessons of Vietnam fresh in their minds, dozens of soldiers signed a petition to Congress saying they would refuse to fight in the Middle East.

STOPPING SOUTH AFRICAN COAL

A broad coalition of miners, civil rights activists and others is fighting to stop the Southern Company — which operates utilities in Georgia, Alabama and Mississippi — from importing coal from racist South Africa.

Just as the oil companies found it cheaper to import foreign oil, rather than develop U.S. oil, so it is more profitable to have coal shipped 10,000 miles from South Africa rather than produce it in our own backyard.

The reason South African coal is so cheap is that South Africa's fascist government forces the black miners to work under slave labor conditions. Wages are $3 a day. Unions are illegal and strikes are brutally suppressed: Just since September 1973, police have fired on striking miners on at least three occasions, killing 21 and wounding 86. These conditions are a powerful magnet for U.S. companies, because they mean superprofits. So Consolidation Coal Company — owned by Continental Oil — is currently negotiating for rights to mine South African coal.

But an alliance of the United Mine Workers and the Coalition to Stop South African Coal may put a stop to these plans by preventing current shipments of coal to the Southern Company from ever entering the U.S. U.S. Longshoremen have in recent years halted imports of Rhodesian chrome by refusing to unload it. The U.M.W. and the Coalition hope for similar support from the longshoremen and other workers to keep South African coal out of the U.S.

One of the main targets of these Angolan liberation fighters of the MPLA is Gulf Oil. Since 1966, Gulf has been pumping oil off the coast of the Portuguese colony of Angola. Gulf pays royalties of $50 million a year, more than half Portugal's military budget used to suppress the Angolan liberation struggle. In addition, the U.S. government supplies Portugal with large quantities of military aid. The African Liberation Support Committee and other U.S. groups have demanded that both Gulf and the U.S. government keep their hands off Angola.

Independent taxi drivers in Japan demand fair gas allocations. During the 1974 Spring Labor Offensive, over 6 million Japanese workers went on strike for a 30% wage increase, a two-year freeze in public utility rates, and other demands.

In early 1974, Britain's coal miners won an important battle against their government, which owns the mines. After three months of refusing overtime and one month of striking, the miners won a hefty 35% wage increase, which broke through the government's wage control policy.

Puerto Rican fisherman holds a lobster suffocated by oil which spilled from a Mobil tanker. The island's fishing economy would be wiped out by a huge super-tanker port complex the oil companies want to build.

The superport has sparked widespread opposition in Puerto Rico and among Puerto Ricans in the U.S. When the U.S. Mayors' Conference met on the island in December 1973, it was greeted by a militant demonstration of 25,000 people—opposing the superport, protesting the mayors' presence on Puerto Rican territory, and demanding independence for Puerto Rico.

THE SYSTEM: READY FOR THE JUNKYARD

The oil monopolies and the government have been shaken by the furious reaction of the American people to the "energy crisis." We have not been taken in by the companies' lies. And what's worse for them, the energy crisis has provided millions with a "crash course" in how imperialism works in practice.

We must fight for every short-term victory that can be won, whether it's stopping a utility rate hike, bringing down gasoline prices, or preventing U.S. intervention in the Middle East. But the problem goes much deeper than the need for a few reforms. As long as a handful of the superrich own the means of production and control the government, production and investment will be geared to their interests, not our needs — and there will continue to be "energy crises."

It doesn't matter how rich our country is in oil and other resources, how fertile our land is, or how skilled our hands are. Under capitalism, the drive for profits will continue to produce shortages, crises, foreign wars, and depressions.

What it comes down to is that capitalism is an irrational system. It doesn't make sense to have millions out of work when they could be building housing, improving our schools and meeting other pressing needs. It doesn't make sense to drown chicks in order to keep poultry prices high while millions of people go hungry. And it doesn't make sense to run out of gas when there's plenty right under the ground.

Under a system based on planning for the people's needs, we could produce the oil we need. We could head off an "energy crisis" by allocating more money for drilling and exploration, without worrying about the rate of profit or dividends. The world's oil supplies could be developed for the benefit of all, without big power domination. But it will take a change in the entire system to do it.

The central question is: *Who should run the economy and the government?* The capitalists who are now in the driver's seat, or the tens of millions of working people whose labor power makes the wheels go round? Their whole system is running out of gas. The time is coming for us to shove it into the junkyard of history and replace it with something better.

"OUT OF GAS"
by Prairie Fire

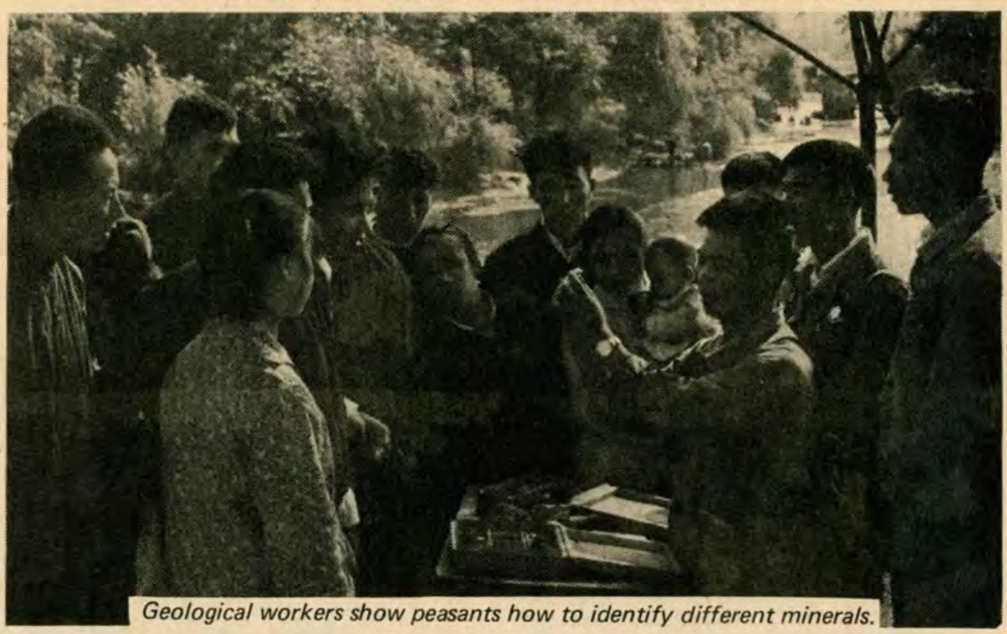
They say that it's an energy crisis,
We know that it's an energy freeze.
They say we all must make sacrifices,
We know it's a monopoly squeeze.
They say we all must do our share,
When we know for sure they're not gonna do theirs.

We nail things down, they screw things up,
Come on people, ain't we had enough?
Let's get organized
and bring these bastards to their knees.

And I believe that we're ridin' with a reckless driver,
In a system that has run out of gas
And he wants the people to get out and push
When the damn thing's breathin' its last

We got to kick out the driver, once and for all
Give the system a complete overhaul
And with the people at the wheel
Make breakdowns a thing of the past.

NO ENERGY CRISIS IN PEOPLE'S CHINA



Geological workers show peasants how to identify different minerals.

One country we never hear about in connection with the energy crisis is the People's Republic of China. China in industrializing fast, and its demand for fuel and power is steadily rising. Nonetheless, because China is a socialist country, it has been able to avoid any "energy crisis" by careful planning and by relying on the people. How do they do it?

Prior to the revolution in 1949, south China had little coal, and had to ship most of what it needed thousands of miles from north China or import it. In addition, China had to import all of its oil — at great profit to Exxon, Shell, and others.

But since the revolution, People's China has made major strides in developing energy on the basis of self-reliance. Instead of counting on a few "experts" to locate new coal reserves, for example, the Chinese government launched mass movements to make south China self-sufficient in coal and other minerals. Geologists went from village to village, training the people how to recognize minerals. In Chekiang Province alone, almost one million people took part in successful hunts for coal and iron in 1970. This kind of popular movement is only possible under socialism, because the people know that they own the country's mineral wealth, and that they will benefit from any new discoveries.

Prior to 1949, foreign powers said there wasn't any oil in China. But China's oil workers were determined that their country would never again be vulnerable to blackmail by foreign monopolies or dependent on foreign experts. Despite primitive technology, China discovered oil in 1959 in the freezing northern fields of Taching, and used their ingenuity to develop these fields.

Self-reliance in energy has many advantages for People's China. China does not have to spend precious foreign exchange to buy oil. Instead they can buy machinery and other goods to speed their economic development. And by keeping the price of fuel deliberately low, China makes it easier for all other industries to develop.

China's oil industry has also made important advances in eliminating air and water pollution. For example, when the new refinery in Nanking was completed in 1965, it was built to recycle 99% of its waste material. Today cabbages and other vegetables are grown right in between the oil pipelines, and oil workers and their families live within walking distance of the refinery because there is no pollution.

The Chinese understand that the energy problem is not primarily a question of natural resources, but a political question: Should industry serve the masses of people, or a class or rich owners? The Chinese have an answer. *Under socialism, energy is the property of the whole Chinese people and is produced in their interest.*

HOW YOU KNOW IT'S SO & WHAT TO READ NEXT

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CLEAN AIR and CLEAN WATER
ANGOLA SAYS NO TO GULF!
HALT THE UTILITY PRIC HIK
No GAS No COAL
HANDS OFF OUR OIL!
EXXON
SHELL
THE CHASE MANHATTAN BANK
TEXACO
FEO
Ford
GM
HUGHES