

# Over a Barrel

## editorial

In 1982 one of the founders of the Organisation of Petroleum Exporting Countries (OPEC), Juan Pablo Perez Alfonzo, called oil the devil's excrement. The former Venezuelan oil minister warned that it would bring ruin: "Look around you. Look at this waste, corruption, consumption, our public services falling apart...And debt, debt we shall have for years. We are putting our grandchildren in debt." Now, very late in the day, economists will back up Perez Alfonzo's pessimism. There are also many anti-war activists and environmentalists willing to pinpoint this flammable liquid as the root of all evil. As we fall further into an ecological nightmare it certainly seems like a well placed target but what was compelling to us in preparing this special issue was the way the oil economy should push us towards crucial questions about economic organization and democracy.

While working for Occidental Petroleum, Timothy Halford was sent out to finance an impressive array of arts and cultural activities in Orkney. The goal of this generous public relations exercise, during a difficult time for the company, was to avoid a public enquiry into the establishment of the Flotta oil terminal. It was a close run thing. However, by ensuring very few formal rejections were received an enquiry was prevented. The extent to which public consciousness is dominated by an expanding public relations industry prompts candid reflections from people like Timothy Halford<sup>1</sup>. Many would agree with him that the ability to 'manage the message' is overcoming independent investigation in the media.

Big spending on promotion and advertising is not easy to explain rationally unless it's remembered that part of their impact is not just to 'sell' something but also to raise the costs of market entry for potential competitors. The same holds true in public discussion and politics. It should be far more disturbing that the political class denies the real scope of these issues and their implications for culture.<sup>2</sup> Instead, the Scottish Executive burdens our children with an empty propaganda that masks their disastrous fascination for 19th century solutions to 21st century problems. This is most striking in the reluctance of government to intervene in the face of climate change, which according to Nicholas Stern is "the biggest market failure ever."<sup>3</sup>

Through a series of extremely partial interpretations and costly promotional campaigns, the political class has helped to raise Adam Smith's "hidden hand" of the market above all others. Whether selling out social housing or the NHS, the common strand running through all tax

funded information campaigns is their overriding commitment to propaganda rather than public discussion. Given this rationale it's no surprise that when the Scottish Executive seeks to turn our attention to energy and the environment we are left only to cycle through gridlocks, bow hopefully before corporate windmills and volunteer more waste to be recycled by migrant workers in China.

For some, the term 'neoliberalism' is useful shorthand for the normality of privatisation, the ideology of marketplace, and the myth that making money is the same as real wealth. However relevant it may be, neoliberalism is still an extremely sanitary bit of jargon, as John Foster reveals in his article on the fatal consequences of fuel poverty for the elderly in Scotland. In a world where countries are effectively re-colonised and common resources plundered, we appear to be entertained by media smokescreens, hi-tech trinkets, cheaper fashion and the sense that the world is a smaller place. Endless discussions about individual happiness and an epidemic in mental ill-health suggest that we are not as delighted as we might seem. Needless to say the world is not smaller and, as the result of our rapacious dog-eat-dog system, social relations and solidarity are squandered in the same way as natural resources. A great deal of life looks like a kind of temporary contract.

Thanks to oil, the Niger Delta has become a 'death economy' and people there, like Felicia Itsero, typically see little difference between the government and foreign oil companies. At the age of 67 Itsero said, "the story is too long and too sad" and she suggested that the Chevron company "should leave our community completely and never come back again".<sup>4</sup> Resistance, including women's naked protests, has been met with violent official reprisals, militaristic political threats, and the arrival of US military personnel in the Delta. However, it would be tempting to believe that the colonial pioneers who corrupted people with novelties, or what some more knowing natives called 'gee-gaws', have come home to ply their trade having at last succeeded in implanting their economic system everywhere else. There is evidence to suggest that the kind of tricks of hi-finance and public debt, easily played out with 'Third World' governments, have been updated and are perpetrated in the consumerist homelands of advanced capitalism.

Plundering the public sector is a costly business and in David Craig's investigation published last year the consultancy fees alone amount to some £70 billion.<sup>5</sup> In his 2006 article 'The Cynical State', Colin Leys, an experienced researcher of development policies internationally, observed

that, "the policy regime of even a major post-industrial state like the UK is no longer as radically different from that of a 'banana republic' as most people in Britain imagine. The installation of management consultants in key government policy-making posts is not entirely unlike the installation of officers from the World Bank in the ministries of an African state. Structural adjustment is in progress in both." With each headline story about a 'cash crisis', brought about by one over-paid managerial regime and to be resolved by yet another, it looks as though we are caught in the phase of neoliberalism known as 'creative destruction'. Daniel Buck's article in this issue follows the process to its conclusions.

Of course the radical left do not have a monopoly in the penetrating criticism of these matters. Still, it may surprise some readers that Ron Paul, a Texas Republican, has been one of the most outspoken critics of the relationship between oil and the economic scams which underpin American imperialism. Ron Paul attacks the petrodollar system, whereby oil is traded in dollars, because it has allowed the Federal Reserve to make the dollar worthless in real terms. According to Paul, this leaves ordinary Americans soldiering on with entirely false optimism. However, the existence of mavericks, like Congressman Paul, hardly alters our perception of politicians, from Thatcher to Blair to Bush onwards all merging into something like a single power bloc – something which is signalled, at least, by the mass abstention from elections.

The touching friendship between Margaret Thatcher and the murderous Chilean dictator Augusto Pinochet is perfectly in keeping with the neoliberal development of our affairs being carried on by New Labour. The investigative economist R.T. Naylor describes the history of such statesman-like alliances being forged in a twilight world where mobsters and bankers rubbed shoulders with liberal politicians. After the fall of the Batista regime in Cuba, liberal governance was thought to offer safer repositories for 'hot money' flown out of countries to dodge accounting and taxation. However, what emerged was "the perfect loan back scam", spelt out here by Naylor:

"First capital flight wrecked the debtor-country finances, forcing emergency borrowing from the banks in which the flight capital was deposited. Then, to service the resulting debt, debtor countries were forced to impose severe austerity measures and massive currency devaluations. Then the banks through which the flight capital had passed forced the debtor governments to shed public assets at fire-sale prices. Then the flight capital, whose value had been increased many times in terms of the local purchasing

Goose Creek, Texas, USA. Image courtesy of the Houston Public Library photo archive



power by depreciation of the local currency, could go home again, laundered through an international mutual fund, to repurchase the public assets on the auction bloc.”

When the World Bank implemented an international mutual fund in 1985, it was a scheme planned by Henry Kissinger and supported by President Reagan. As long as it has been traded in dollars, oil has never been far from this plotline with the ‘petrodollar’ settlement protecting the United States from its own methods of economic warfare. Following the invasion in 2003 Iraq was flooded with \$12 billion from the US Federal Reserve. The highly dubious operation was recently defended before a US congressional committee on the grounds that the money represented Iraqi funds. However, the crisis-ridden dollar bill is anything but a neutral method of payment and indeed the phenomenal increases of public and private debt in the US depend on spreading dollars elsewhere. Traditionally, 15% of US treasury paper was held abroad, today it is 40%. However, as one financial consultant puts it, “the truth is that US fiscal and monetary excesses, which have been essential in keeping the global economy afloat in recent years are no longer tolerated in foreign exchange markets. The status quo is not an option. The only question is how the pain of adjustment is to be apportioned.”<sup>6</sup>

In the US the pain is being redistributed to the poor and to the bewildered middle classes. Elsewhere, on top of economic meltdown and invasion, the threat of individually targeted repression still remains an indispensable part of financial globalisation. Why else have so many men like Pinochet escaped justice? Nevertheless, the more gradual reversal of democratic progress has been the ordinary backdrop that cloaks the rule of the money men. In his book ‘A Brief History of Neoliberalism,’ David Harvey notes that in the country that leads wars for democracy, legislation is actually determined by senators from 26 states with less than 20% of the population. Moreover, with elections orientated towards packaging a persona for public consumption, it is now argued that it would be pointless to try and separate the roles of ‘commander-in-chief’ and ‘celebrity-in-chief.’ In putting his thoughts into words, George W. Bush showed real audacity in this respect, but it was still underpinned in his 2004 re-election campaign by a ‘war chest’ of \$140 million.

Bold facts like these support numerous arguments that point to the superficial democracy and the sort of gerrymandering that may be brought to light in many countries. But the same arguments only make real sense when seen alongside the financial institutions like the US Federal Reserve, the World Bank and the IMF, which are all beyond democratic control. Rather than a sign of mere resignation, the declining numbers of votes cast in national elections may be the foremost collective expression of where power really lies in the world. Although ethnic and

nationalist politics command more attention under these circumstances, they obviously don’t hold the answers and, in the UK at least, have failed to call out greater numbers of voters to the polls.

As Phil England points out in this issue, when it comes to petrolic economies the question that arises, especially for the middle classes, is not about the desirability of change but about where the political will can be found for it. Green political discussions have tended to ignore, or at least simplify, the history of social change and how it comes about. The most bitter question that could be found from the political history of mass-industrialisation is: why save the planet if it to prolong the unjust order of things that brought us to this juncture?

Because of these questions, we have paid special attention in this issue to the problems of trade unions in the era of neoliberal globalisation. If the world was divided into hemispheres and the ‘Third World’ was once the backyard of capitalism, things have changed. As workers are forced into competition with their staggeringly low paid counterparts and regions are held to ransom either by threats of disinvestment or by reckless promises of accelerated development, the critical question of who democracy is really for has become as obvious to a landless peasant in South America as it is to an oil industry worker in the North Sea.

In this special issue of Variant we travel between the southern tip of Argentina and the Western coast of Norway, and through the Middle East. So-called modernizing politicians like Gordon Brown have nothing in common with Latin American radicalism but they may well admire the corporatist aspects of Scandinavian social democracy. Yet throughout the 1920s and ‘30s, Norway, Sweden and Denmark were respectively the three most militant countries in the world. How far the Norwegian model for the oil industry, and the broader achievements there of social democracy, are connected to Scandinavia’s history of militancy is a question few modernizing social democrats will consider as they uphold anti-union laws and head further towards limousine liberalism.

It turns out that the global market has numerous hidden hands which are anything but benign. As Adam Smith warned, business interests seldom come together without it ending “in a conspiracy against the public, or in some contrivance to raise prices.” For an international political economist like the late Susan Strange, too many Marxists neglected the scale and impact of such profoundly unaccountable powers over the destiny of nations and possibly entire continents. Perhaps this was a consequence of a rather romantic devotion to the clarity of revolutionary moments, but as long as workers and ordinary citizens are held over a barrel by the supremacy of global finance, movements to democratize democracy, as began to occur in Venezuela, will be treated as nothing short of insurrectionary.

## Notes

For an online version of this edition of Variant, and for updated content go to: [www.overabarrel.info](http://www.overabarrel.info)

A dedicated physical display is also available - email [variantmag@btinternet.com](mailto:variantmag@btinternet.com) or Owen Logan [his215@abdn.ac.uk](mailto:his215@abdn.ac.uk)

- 1 Timothy Halford was interviewed for the “Oil Lives” oral history project based at Aberdeen University. This issue of *Variant* draws upon the interviews that were done with several people as part of that project.
- 2 This kind of evasion is only too evident on the current bill on culture being put before the Scottish Parliament.
- 3 Quoted in Phil England’s article in this issue.
- 4 ‘Why women are at war with Chevron: Nigerian Subsistence Struggles Against the International Oil Industry’ by Terisa E. Turner & Leigh S. Brownhill, in *Journal of Asian and African Studies*, Volume 39, Sage (2004).
- 5 *Plundering the Public Sector* by David Craig with Richard Brooks, Constable (2006)
- 6 Quoted in *Post Washington, Why America can’t rule the world*, by Tony Kinsella and Fintan O’Toole, published by Tasc at New Island (2005).

