Afflicted Powers

CAPITAL AND SPECTACLE IN A NEW AGE OF WAR

new edition

RETORT

IAIN BOAL
T.J. CLARK
JOSEPH MATTHEWS
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Afflicted Powers is an account of world politics since September 11, 2001. It aims to confront the perplexing doubleness of the present – its lethal mixture of atavism and new-fangledness. A brute return of the past, calling to mind now the Scramble for Africa, now the Wars of Religion, is accompanied by an equally monstrous political deployment of (and entrapment in) the apparatus of a hyper-modern production of appearances.

Capital is attempting, nakedly, a new round of primitive accumulation. But never before has imperialism, and its dominant world power, been subject to real catastrophe in the realm of the spectacle. The present turn to empire is confronted by a variety of movements, including a new kind of vanguard whose weapons include the tool kit of spectacular politics. This book attempts to rethink the current global struggle, and to provide some critical support for present and future oppositions. Its main themes are the spectacle and September 11, blood for oil, permanent war and illusory 'peace', the US–Israel relationship, revolutionary Islam, and modernity and terror.

AFFLICTED POWERS

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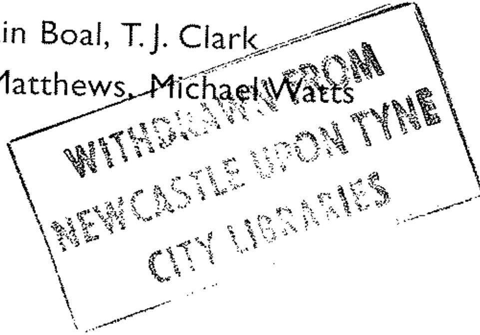

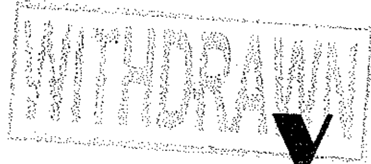

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Frontispiece image, page vi:
Unidentified Iraqi (by some reports Detainee #18470)
under torture by US forces, Abu Ghraib prison, 2003.

In memory of
Michael Rogin
1937–2001

And reassembling our afflicted Powers,
Consult how we may henceforth most offend
Our Enemy, our own loss how repair,
How overcome this dire Calamity,
What reinforcement we may gain from Hope,
If not what resolution from despare.

Paradise Lost, Book 1

2

BLOOD FOR OIL?

> [Oil] is a filthy, foul smelling liquid that squirts obligingly up into the air and falls back to earth as a rustling shower of money.
>
> —Ryszard Kapuscinski, *The Shah of Shahs*

Capitalism presents itself, said Marx on more than one occasion, as an "immense accumulation of commodities". The commodity is the economic cell-form of capital – its basic genetic material. Oil, a perfect specimen of the cell-form, derives its power from a double identity, a twofold belonging to the human world. On the one hand – and what could be simpler? – a commodity offers itself as an object for use, an "expedient thing" whose semantics can be traced back to early modern notions of income and profit. But on the other, in a full-scale commodity-producing economy, what comes to matter about each separate article is not so much its constellation of uses as its value as an item of exchange, the commodity's function as a "material depository" (the language is taken from Marx once again) of exchange value.

The exact relation between the depository and its value turns out to be somewhat obscure, but value seems to be generated from the commodity's shifting place in a complex, self-contained world of money equivalents. So that finally the foul-smelling liquidity (and combustibility) of petroleum presents itself as merely the outward and accidental

appearance of something more basic, more primary: the article's price. The rustling shower of money becomes what "oil" truly is.

Yet oil's price, and the forces that surround its determination, remain mysterious, confusing. Because petroleum and basic resources in general are part of a bewildering world of appearances that veil the operations of the economy. It is no accident that Marx ends his account of commodities in *Capital* not with the intricacies of value or the acrobatics of price determination as such, but with the difficulty of seeing through the commodity form; of coming to terms with the talismanic qualities of commodities – their "metaphysical subtleties" and "theological niceties" – that occlude their true character. The commodity is always something other than what it seems.

In the long march toward the modern world system, *mass* commodities – gold, sugar, slaves, cotton, coal, oil – have been its beasts of burden. They have sometimes served as markers for entire historical epochs. If such commodities bear the mark (now, mostly disguised) of capitalism's original sin – "dripping from head to foot ... with blood and dirt", as Marx put it, characteristically – they each also come to be invested with their own specific mythos, their own magic power: King Cotton, Black Gold, Silicon Valley. Capitalism would be nothing without its continual ability to make materials (or men and women reduced to the status of materials) the Creators of New Worlds. For all the talk lately about the emergence of a post-industrial economy – in which "information" or "services" or "symbol-management" is already, we are told, displacing the authority of any one material resource – the last few years have been an object lesson in just how vital to this dream of the future remains the control of a few strategic commodities. Blood and dirt cling to them still. They are the motors of production, the ultimate hard currency of exchange. But *for that very reason* they are subject to the deepest and most complete mystification.

Never more so than in the case of oil. The great Polish journalist

Ryszard Kapuscinksi, living through the spectacular oil boom of the 1970s in West Asia, fully sensed the mysteries of Black Gold:

> [O]il creates the illusion of a completely changed life, life without work, life for free, it expresses the eternal human dream of wealth achieved through a lucky accident ... in this sense it is a fairy tale, and like all fairy tales a bit of a lie.[20]

Commentators on the present ills of the world contribute to oil's mystification: oil is a "curse", they say, it "distorts" the natural course of development and ushers in an economy of hyper-consumption and excess: golf courses in the Saudi desert, bloated shopping malls – stacked with the detritus of trans-Atlantic capitalism – in Dubai and Bahrain. Democracy is "hindered" by oil (as if cobalt promoted constitutional government), installing despotic rule and patrimonialism rather than statecraft and capitalist discipline. There is ring of truth here. But it is thin and shallow because it substitutes a brand of narrow commodity determinism for the larger truths of primitive accumulation – the deadly complicity, that is to say, of guns, oil, and money.

At various points in this book we gesture back to the street demonstrations of February and March 2003; sometimes in awe at the moment's vitality and momentum, sometimes in frustration at its limits. If there was a single political thread tying the anti-war mobilizations together, it was undoubtedly the refrain of "No Blood for Oil". A flotilla of signs rang variants on the idea, and on Market Street in San Francisco it was Chevron headquarters (not Bechtel or Carlyle or Starbucks) that goaded the marchers to their most vocal dissent.

20 *The Shah of Shahs*, New York 1982, p. 36.

And with good reason. The American addiction to cheap petroleum had shepherded the brokers, carpetbaggers, and hustlers of the oil business directly into political office. Five "supermajors" – elephantine oil corporations with wells, pipelines, refineries, and subsidiaries in almost every country on earth, more gluttonous and powerful than ever after the great round of mergers during the 1990s[21] – had scaled the walls of the White House. The more flagrant and vulgar the identity of interests the better. In a bullish five years as CEO of the world's largest oil-and-gas-services company, Vice President Cheney had siphoned $44 million in salary from Halliburton – heading an outfit that on his own Brechtian admission saw war as a "growth opportunity". Millions more dollars in "deferred compensation" were earmarked to tide him over during his time away from the trough. As if to signal that Cheney's view of politics now ruled unopposed in Washington, in December 2003 the administration trotted out the Bush family *consigliere*, James Baker – the consummate oil man – as Special Presidential Envoy to restructure Iraq's $130 billion debt.[22] Baker's mission, we now know, was less about debt-forgiveness than cutting a deal for the Carlyle Group (for whom Baker is senior counselor). Carlyle was to receive a $1 billion investment from Kuwait as a quid pro quo for restructuring Iraq's liabilities, thereby guaranteeing Kuwait – and various oil companies – billions of dollars in war reparations, still due from Iraq as a result of the First Gulf War. Good business if you can get it.

A sector of American capital, in other words – and a commodity whose geo-strategic significance had obsessed the American establishment

21 Exxon-Mobil, Royal Dutch-Shell, BP-Amoco, TotalFinaElf, and Chevron-Texaco have collective sales revenues of over $500 billion (almost twice the GDP of all of sub-Saharan Africa).

22 Baker's law firm represents Halliburton; Baker Hughes, his oil-services company, was promised the restoration of second-tier oil fields after Kellogg, Brown and Root; and he is a member of the ruling politburo of the Carlyle Group, in which it is estimated he owns equity to the value of $180 million – a sliver of their $17.5 billion portfolio.

ever since World War Two – had finally achieved transcendent power. How could it be doubted that the war against Saddam was to be fought essentially for possession of petroleum, and that the subsequent occupation would aim at giving the US permanent control of a crucial spigot?

How could it be doubted? If the last four years are not a compelling confirmation of economic determinism in the last instance – the economic base deciding the political superstructure – then what ever will be? We take the point of these rhetorical questions, but shall proceed in what follows to question the entire logical structure of the Blood for Oil argument. We distrust its false transparency. We think it *aspires* to be an economic explanation of history, but is really still locked inside a "hero-and-villains" vision of social process. It revolves around the (malign) power of a single commodity, substituting the facticity of oil (and oil men) for the complex, partially *non*-factual imperatives of capital accumulation.

Let us set out our ambitions for this chapter as unambiguously as we can. We shall pursue four lines of inquiry. The first aims to identify the broad contours of the Blood for Oil account – in the process putting the thesis itself in the strongest form we can manage. The second goes on to expose the actual complexity, and the heterogeneous form, of the oil argument when it is deployed as anything more than a slogan (and in so doing we hope to demonstrate that the argument itself, pursued at all seriously, compels its users to move beyond oil as such). We then provide our own reading of oil politics; namely, a synoptic view of the constitutive role of oil in American empire, but one that exposes, and questions, Blood for Oil's Malthusian underpinning – its presumption that the control of oil led ineluctably to war, and most of all, its unwillingness to situate oil on the larger landscape of capital. Finally, we turn to the occupation of Iraq, and try to situate American policy in the Middle East in relation to the full spectrum of capital's needs and appetites over the past decade. Here we address the question of primitive accumulation, but try above all to rethink that recurrent (and ancient) form of capitalist expansion in relation to the present-day configuration of US power worldwide – the *military neo-liberalism* which characterizes American empire in its twenty-first century iteration. The invasion and occupation of Iraq must ultimately be located, in our view, in the deadly alchemy of permanent war, capitalist accumulation, and the new enclosures – all now conducted under conditions of the spectacle.

What follows is sometimes technical, not to say tortuous. We see no way out of this. Capitalism is technical, and certainly tortuous. It is not necessary for the Left always to follow its convolutions – we think the Left has regularly suffered from an infatuation with its enemy's mechanics – but sometimes it is. The Blood for Oil argument claims to provide an account of capitalist politics. We believe it does not. Our obligation to the reader, therefore, is to establish what a genuine account would consist of.

I

What is the logical structure of the Blood for Oil thesis? The US attacked Iraq, wrote George Monbiot in the *Guardian*, because "Iraq had something it wanted".[23] Something scarce, finite, exhaustible – and indispensable. No effort was made to disguise the war's basic purpose: from the very beginning, Bush had been "making plans for the day when oil production peaks, by seeking to secure the reserves of other nations". In capsule form, Monbiot identified the three basic assertions of the blood-oil couplet: *strategic use* ("without oil most Americans could not get to work"), *Malthusian scarcity* (the "peaking" of world production), and *geopolitics* (the strange political geography of oil reserves). War for oil was

23 George Monbiot, "Bottom of the Barrel", *Guardian*, December 2, 2003.

premeditated and tied to one central imperative. The White House now acted as the executive committee of the American Petroleum Institute.

Almost invariably, this line of argument turns on a plotting – a mapping – of personal connections, Big Oil business networks, and the revolving door of government-corporate power: the kindred Houses of Bush and Saud; the Carlyle Group and its ties to bin Laden family assets; Prince Bandar's Washington influence; Manchurian Global; no-bid contracts; and so on. Stepping back from the detail of conspiracy theory (as we have said before, never was a conspiracy less interested in concealment), Cheney's April 2001 *National Energy Strategy*, crafted early in the Bush presidency by oil lobbyists and executives, is often held to provide the state's own explicit set of justifications – of predictions, even – concerning the blood for oil linkage. US oil consumption (over a quarter of global output) is estimated to rise by over 30 percent by 2020; and no more than a quarter of that increase, the report reckoned, was likely to come from a new round of domestic production. The ruin of Alaska would hardly make a dent in the problem. More ominously, the contribution of the Middle East to global oil output was projected to grow from 25 percent to 40 percent. The SUV economy (by now we are paraphrasing Cheney's report a touch freely) had paved the way for "increased dependency on foreign powers that do not always have America's interests at heart."

In the dizzying world of oil addiction,[24] Iraq had displaced Saudi Arabia as a "swing producer"[25] – "turning its taps on and off when … it was in its strategic interest". And Saddam's destabilizing influence

24 The statistics bear repeating. In 2000, the US consumed over 1100 gallons of petrol per capita; the other OECD countries averaged roughly 400 gallons per person. The remainder of the planet used less than one tenth of the US figure.

25 Saudi Arabia is a member of OPEC, but it is a measure of the bizarre world of global oil politics that the US government has, in its "special relationship" with the House of Saud, expected the Saudis to maintain sufficient unused capacity to compensate for any short-term market tightening or price volatility. It was Saudi Arabia that released oil to stall the OPEC price rises in 1973 and during the 1990–91 Gulf War. Within twenty-four hours of September 11, 9 million extra barrels of Saudi oil were released to keep prices stable.

("a demonstrated willingness to use the oil weapon") raised the possibility of a future "need for military intervention".[26] There was even a 1975 feasibility study – prepared by the Congressional Research Service for the House Subcommittee on International Relations – that could be dusted off for specific advice on "Oilfields as Military Objectives".

Why did Iraq figure so prominently in the *National Energy Strategy*'s calculations? A number of developments – political turbulence within the House of Saud, centering on the succession of King Fahd; insurgent Wahhabism in the kingdom (with a direct line to the September 11 attacks); signs of a Saudi–Iranian rapprochement; a new assertiveness by other OPEC powers; and the dismal findings of the Simmons Report,[27] spelling out the declining present and future yields of major Saudi oil fields – had conspired to place in doubt the Saudi role as reliable swing producer. The other pillar of post-war US oil policy – Iran – was long lost to revolutionary Islam. Now Saudi Arabia had become a dangerous mess. According to the *Arab Human Development Report*, the kingdom ranked last in the region on all key indicators of "democracy" and "social achievement". No mean feat, given the competition. Per capita income in 1981 had been $28,000 a year; by 2002 it had plummeted to $8,000. The population had quadrupled since 1970: a quarter of a million young men enter the inhospitable labor market each year. Actual conditions cannot be determined with any precision ("we don't have a tradition of statistics" says a Saudi banker); officially, unemployment is around 10 percent, but it may be as much as three or four times

26 In a top-secret National Security Council document, NSC staff were directed to cooperate fully with Cheney's Energy Task Force as its core mission included the "melding" of two policy arenas: "the review of operational policies toward rogue states" and "actions regarding the capture of new and existing oil fields".

27 Matthew Simmons, investment bank president, is an advisor to Cheney. His report documented the degraded condition of Saudi oil fields (due in part to massive pumping of seawater to facilitate extraction). Simmons estimated a rate of decline of 8 percent for the major Ghawar field and emphasized the need to bring older fields back into production (*New York Times*, February 24, 2004).

that figure among the young. More than half the high school curriculum consists of religious instruction, and half the country's youth say they are planning to emigrate. The country has no secular charities, no non-religious NGOs, and no political parties. If free elections were held tomorrow in Saudi Arabia, so one Western European ambassador had it, bin Laden would win hands down.

Iraq, by contrast, was awash with low-cost oil. As yet only 15 of its 74 fields have been developed; known reserves are 112 billion barrels, but once the new technologies for subsurface exploration become operational, Iraqi holdings might exceed 300 billion barrels (perhaps one quarter of global reserves) over the coming decade. What made Iraq special, said Paul Wolfowitz to the APEC powers in Singapore, was that it "floats on a sea of oil". With recovery rates of 50 percent (a conservative figure) and reserves of 250 billion barrels (an equally cautious reckoning), Iraqi oil would be worth about $3.125 trillion. To this can be added the bonus of 100 trillion cubic feet of natural gas – sufficient to supply the entire US for ten years or more. Not to mention the fact that compromised fields in Kirkuk and Rumaila, plus the sanctions-era degradation of basic oil infrastructure (more than $60 billion of needed repairs, the industry estimated), held out the promise of bottomless state contracts for the likes of Bechtel, and Kellogg, Brown and Root – the "next Klondike" as the US Overseas Private Investment Corporation delicately put it.[28] Providing, of course, that a pliant and stable Iraq could be installed to administer the no-bidding.

Shock and awe offered the prospect, as Thomas Friedman said at the time, of killing two birds with one stone: "Destroy Saddam and destabilize OPEC".[29] Or, more precisely, the war promised a return to the good *old* days of OPEC – oil prices kept low enough to lubricate American

28 In 2003 alone, Halliburton's Iraq contracts represented 22.1 percent of its total revenues.
29 Thomas Friedman, "Oil price formula calls for critical maths if Saddam is taken out of the equation", *Guardian*, August 6, 2002, p. 6.

capitalism and satisfy the US consumer, but high enough to feed oil company profits; oil quotas sufficient to line the pockets of supplicant petro-oligarchies around the world; a marker price within a zone capable of drawing non-OPEC oil into the world market as a buffer; and, once again, an obedient swing producer willing and able to respond to the exigencies and volatilities ("supply-disruption risk", in the argot of the New York Mercantile Exchange) of the earth's most strategic commodity. Had not the 2001 Baker Institute Report (yes, *that* Baker), *Strategic Energy Policy Challenges for the 21st Century*, noted the disturbing rundown in spare capacity worldwide? (OPEC's unused sources of supply had amounted to 25 percent of global demand in 1985; by 1990 they made up no more than 2 percent.) The earth, it concluded, was "precariously close to utilizing all of its available global oil production", thereby "raising the chances of an oil supply crisis". The occupation of Iraq promised a resolution to all this. And more.

An oil war offered the rosy prospect of "privatization by occupation" – or, a "sublime" opportunity to "scoop up cheap assets" as STRATFOR put it.[30] Whether or not existing French and Russian contracts with the Ba'athist state would be honored was of less consequence to the oil supermajors than the prospect of a neo-liberal assault, led by Rumsfeld and Cheney, on Iraq's nationalized oil industry, a staple of all Third World petro-states and a sector that had in general escaped the fate of neo-liberal privatization. And behind this hostility to state-owned petroleum lay a bitter, and complex, history. The patchwork of foreign concessions and informal state-company alliances that had dominated the first part of the twentieth century – the so-called era of "free-flowing oil" – had been ripped apart by insurgent nationalisms during the post-1945 period, with Venezuela and Iran leading the charge. US oil companies had turned, not

30 Strategic Forecasting Inc., the self-described "world's leading private intelligence provider" based in Texas (www.stratfor.com), quoted in C. Brightman, *Total Insecurity*, London 2004, p. 215.

unexpectedly, to the US state for support: they were duly provided with foreign tax credits to compensate for rising royalty payments in the world at large, with tariffs on the importation of cheap overseas oil, with exemptions from anti-trust prosecution, and, most dramatically, with a CIA-backed coup to topple the Mosadeq government in Iran. But all this, in a sense, proved futile. The new geography of oil cartels, and the founding of OPEC in 1960, marked an historic politicization – and ultimately the global restructuring – of the oil business.

Of course, none of this meant the collapse of profitability for the likes of Shell and Amoco. Quite the reverse: the new "limited flow" arrangement was predicated, as Sheik Yamani put it, on not wanting "the majors to lose their power". (For every dollar increase in the price of crude during the 1970s, the majors increased their net profits by 7 percent.) Nevertheless, the Seven Sisters were compelled to live with a new international oil system, accepting "upstream" nationalization and an effective Third World cartel as (unpleasant) facts of life. In response, the majors moved "downstream" in many key activities, operating as joint ventures with national oil firms to whom higher royalties were now paid (the so-called 50/50 system), and consolidating their power in other sectors of the supply chain to compensate for the loss of direct control of reserves. Between 1953 and 1972 their share of concession areas fell from 64 percent to 24 percent. Even after the mergers of the late 1990s, the supermajors directly produced only 35 percent of their sales, and controlled only 4 percent of world reserves.

On this larger canvas, then, Iraq was to be made an example – it would set the stage for a whole new attempt at the radical de-nationalization of oil (a process begun, to little effect, in Saudi Arabia in 1998). By creating an "emerging market" from a decrepit state-owned petroleum industry, the war would lay the foundations for something dear to the hearts of the Washington cabal: an end to (other people's) economic nationalism and producer cartels. Augmented Iraqi output under corporate auspices

brought another benefit: OPEC oil would continue to be traded in dollars. (In November 2000 Saddam had switched to the euro as a riposte to Washington's hard line on sanctions.) In this ideological universe, oil figured centrally – since oil had remained one of the Third World's most effective bulwarks against the neo-liberal attack. The appointment of ex-Shell executive Philip Carroll to run the Baghdad energy ministry was a logical move given Paul Bremer's belief (voiced to anyone who would listen) that the Iraqi Governing Council's attachment to oil nationalization "had to be changed". Bremer's first act as proconsul, after all, had been directed at the 190 state-owned companies and their 650,000 employees. He fired half a million of them. What followed was not simply a state liquidation sale but a raft of laws – Order 37 lowering corporate tax rates, Order 39 permitting wholly owned foreign subsidiaries, Order 40 welcoming foreign banks – even more radical than East European shock therapy ("getting Iraq ready for Wal-Mart" as the former Bush–Cheney campaign manager put it).[31] Here was an unprecedented opportunity for BP, Shell, and Exxon-Mobil to take back their old Iraq Petroleum Company possessions. Not just de-nationalization but restitution!

The occupation, everyone agrees, has not gone as planned. Doling out the spoils of war amidst the chaos of a radical insurgency has turned out to be almost impossible – of 2,390 planned projects between 2004 and 2008, only 164 are underway. But who is to say that Bremer and Exxon are not slowly but surely getting what they came for? As always, at taxpayers' expense. Twenty percent of all congressional aid to Iraq has been devoted to oil infrastructure – in effect, a $1.6 billion subsidy to the oil industry. As if to drive home the point, on May 22, 2003 the Bush administration tried to accelerate corporate investment in the Iraqi oil sector by means of Executive Order 13303. A secret order, naturally. It granted non-Iraqi companies blanket immunity from criminal or civil prosecution in relation

31 Notably, all of Saddam's laws concerning labor's (lack of) rights were left intact.

to any action – however corrupt, illegal, abusive, or costly to the environment – undertaken with a view to oil exploration, production, or sale.

Such efforts were born partly of desperation. Iraqi oil is at present still flowing (we write in fall 2004), but at a dribble – already in 2003, sabotage had reduced output to 1.33 million barrels per day (bpd), down from 2.12 million bpd the previous year. The occupying armies are incapable of maintaining security in and around the refineries and pipelines. And the extent of the oil infrastructure's ruin has now become clear. One hears much less talk now of that oil-financed imperialism – 7 or 8 million barrels per day was once a common estimate – which not so long ago was the darling of the military accountants. In Rumsfeld-speak: "stuff happens".

There are caveats, then. But even taking account of the present difficulties, does not the story we have told so far add up to a solid confirmation of the Blood for Oil argument? Have not the past two years been both a "bonanza for the American oil companies" (*Washington Post*, September 15, 2002) and "one of the most audacious hostile takeovers ever" (*Wall Street Journal*, April 30, 2003)? Who on the Left would care to disagree?

II

So much for the prosecution case. What are we to make of it? Pitched at a certain level of generality – big actors, deathless economic necessities, corrupt intermediaries, a conception of "capital" as essentially a unified field – the pattern of cause and effect here looks robust. But the argument, under closer scrutiny, turns out to be rather more complex and unstable. The thesis is multilayered, sometimes contradictory, and overconfident that it has put its finger on specific signs of oil at work. In our tally, the Blood for Oil argument might mean that war was launched for any (or all) of the following reasons, or through some concatenation of them:

- Because of an oil shortage (or unacceptably high oil prices), and/or the press of Hubbert's Peak[32] (the zenith of global oil output having been reached).
- Because of the unprecedented powers of the petro-industrial complex (it had captured the White House, as never before).
- Because a self-consciously assertive "oil administration", aware of the need there would be to rehabilitate the vast Iraqi oil sector if ever Saddam was removed from power, could not resist the opportunity for their cronies to drink deep at the well of reconstruction (over 2,300 such projects to be put out to bid for completion over the two years from March 2004).
- Because of a temporary (but strategic) capacity shortage within OPEC.
- Because of a strategic need to reassign Russian and French contracts in Iraq (worth an estimated 70 billion barrels) to the US supermajors.
- Because the privatization of a powerful (and paradigmatic) Third World nationalized oil sector would send a neo-liberal blast through OPEC (indeed, removing Saddam did away with one of OPEC's most assertive voices for aggressive price policy, and set the stage for clipping the wings of another, Hugo Chavez).
- Because of a short-term strategic need to deploy vast oil reserves for geo-strategic purposes. (China's oil consumption is reckoned to be around 10 million bpd by 2020. What a prize, to have gained de facto control over China's industrial progress, as well as leverage over other great oil importers like Germany and Japan!)
- Because the privatization of the Iraqi fields would place pressure on the House of Saud to further deepen the trend, tentatively opened in 1998, to liberalize the Saudi oil sector.

32 King Hubbert, a hard-rock geologist, correctly anticipated the peaking of US production in the 1950s, and predicted – less successfully – that world oil output would peak in the year 2000.

- Because war was consistent with the "open-door policy" pursued for the better part of eighty years by the US in the Middle East (and by implication fell in with a "master plan" or "global acquisition strategy"[33] for American control of the great lubricant of hydrocarbon capitalism).
- Because war represented, as in other energy conflicts, a means to restore flagging corporate profitability, low oil prices, and general good order within the oil system worldwide.
- Because of a desire to create a new (and more reliable) "swing producer", friendly to US interests, and thereby maintain the viability of the dollar through petro-dollar based trade.
- Because the whole post-1945 US oil strategy was actually in a shambles (Colombia, Saudi Arabia, Iraq, Nigeria, Indonesia all demonstrably failed states); and in particular, because the capture of Iraqi oil would release the US from the Saudi connection. A collateral benefit of this strategy would be the removal of US troops from the neighborhood of Islam's holiest sites.

This breviary is not exhaustive. Neither is it meant to call in question every one of the claims listed – many have merit, as we shall see. Nonetheless, in our view the Blood for Oil thesis loses sight of what oil ultimately stands for in the present moment: that is, *neo-liberalism mutating from an epoch of "agreements" and austerity programs to one of outright war; the plural and unstable relations among specific forms of capital, always under the banner of some apparently dominant mass commodity; and those periodic waves of capitalist restructuring we call primitive accumulation.* However the argument is unpacked, Blood for Oil misdescribes what a single commodity – despite oil's unique political weight and density – can actually represent in relation to the larger structural imperatives of the system.

33 Mike Davis, "The View from Hubbert's Peak", *Los Angeles Times*, May 26, 2004; Michael Klare, *Resource Wars*, New York 2001.

Photo: James Sparshatt/Corbis

Kingdom Towers, Riyadh, Saudi Arabia, 2001

This is not quite the same thing as saying that the Blood for Oil argument is crudely reductive – substituting a single motive for a confused, overdetermined set of reasons and causes. At one level this is true. There are almost too many other plausible ways of framing the Iraq invasion: as an exemplary instance of gunboat diplomacy in the interests of "free trade"; as a consequence of the seizure of power by the Project for the New American Century; as a demonstration of the price to be paid by any state opposing the vision of world order laid out in the National Security Strategy document of September 2002; as a road test for Rumsfeld's new model of the military; to permit the withdrawal of US troops from Saudi Arabia; to complete Bush Senior's unfinished business; as a spectacular response to September 11; even as a reaction to the lack of targets in Afghanistan ("we're down to the last outhouse", as Rumsfeld confessed to the *Wall Street Journal*). Whatever the strength of the individual arguments here, together they surely outrun the logic of oil alone.

But this on its own is a feeble objection. All (or most) human situations are overdetermined: it does not follow that the best we can do is settle for a plurality of causes, or a resigned plea for complexity. Some determinants are more important than others; they may shape the logic and limits of the rest. And oil may be such a determinant. The problem with the Blood for Oil hypothesis is not its choice of oil as a dominant factor within a nexus of political economic forces. Rather it has conspicuously failed to grasp the most fundamental properties of imperial oil, and is unable therefore to talk concretely about how oil's dominance is established. Oil's powers are drawn from a quite specific force field having a capitalist core that must periodically reconstitute the conditions of its own profitability.

III

How, then, do *we* position oil, and the global reach of the supermajors, in our interpretation of the Iraq invasion? We begin with two incontestable realities. The first is the brutality of the historical record. Right from the start, commercial oil extraction has been accompanied by ruthless and undisguised imperial violence, by repeated warfare and genocide, and by a cynical lawlessness characteristic of the corporate frontier. Iraq is the result (the deposit) of precisely these processes. The Iraq Petroleum Company (IPC) – reconstituted in 1928 as a consortium made up of the Anglo-Persian Oil Company, Shell, the *Compagnie Française des Pétroles* and a group of five US companies spearheaded by Standard Oil – was essentially co-extensive with the new British client state. To ask which of the two enabled the other is an academic exercise. Granted as a Mandate to the British between 1923 and 1929, Iraq was a crucial front in Britain's ambitious strategy, initiated through the British Controlled Oil Fields Group at the end of World War One, to dominate global oil acquisition. Under pressure from the League of Nations' Covenant to use its mandatory powers to develop representative institutions in Iraq through indirect rule, Britain adroitly cooked up bogus elections, installed a pliant Constituent Assembly and a freshly minted monarch, then successfully rigged a plebiscite with the assistance of its new high commissioner, Sir Percy Fox. With a little help from the League of Nations in 1925, Britain struck a deal with the French to ensure that oil-rich Mosul Province – "Nebuchadnezzar's furnace" – was formally incorporated within Iraq. In short order, a Principal Agreement was signed in March 1931 formally granting the IPC a massive tract of 32,000 square miles of Iraqi territory. A hastily convened Iraqi Parliament rubber stamped what has been called "one of the worst oil deals that has ever been signed",[34] endorsing the IPC demand that no taxes be levied. Iraq surrendered its right to tax the

34 US Department of State oil expert Richard Funkhouser, addressing the US National War College in 1951, cited in Francisco Parra, *The Politics of Oil*, London 2004, p. 13.

companies for a "fiscal stability clause", paid for with a trifling one-time payment by the consortium.

Here was the concessionary economy at work. A ramshackle dependency, whose very sovereignty is largely a fiction, grants to an oil company an exclusive right to explore and develop oil over a vast territory for an extended – often indefinite – period of time. The company, armed with full title to all oil resources, operates with total impunity, offering niggardly payments (royalties, rents and taxes) to the host government. As a result of concessions like these, the Big Three oil cartel came to control 70 percent of global oil output by the 1930s. By the end of the Great Depression, the foundations of the modern international oil system – corporate/state collusion, regulation of surplus, and manufactured scarcity by means of interlocking partnerships – had been laid. From the vantage point of the present, the only things missing were drugs and private armies.

The second reality is *America*'s special place in the ongoing story. This turns on the accident of geological history that left the world's largest economy, from the 1920s onward, increasingly dependent on foreign oil. The Persian Gulf figured centrally in America's strategic response.[35] By 1933, Standard Oil of California (SOCAL)[36] had acquired a massive concession from King Ibn Saud, extending from the Persian Gulf to the Red Sea. Within a decade, five US multinationals had invested $1 billion in Iraq, Kuwait, and Saudi Arabia.

35 In the wake of the anti-trust break-up of the Rockefeller oil empire, US firms looked further afield to Mexico and Venezuela. The British, French, and Russians meanwhile had excluded US interests from the Ottoman sphere (most dramatically in 1920 when the European powers blocked US concessions in Iraq). American firms pushed hard for an "open door" policy and, under pressure, the British finally succumbed, largely as a result of war debts owed to the US. Jersey Standard and New York Standard were granted access to the old Ottoman lands (and membership in IPC) by Whitehall in 1922.

36 In 1933, SOCAL established the California Arabian Standard Oil Company. In 1943, SOCAL convinced the US government to take over SOCAL's and the British government's funding of the Saudi government. In 1944, SOCAL renamed the company the Arabian American Oil Company (Aramco) and added Exxon and Mobil as co-owners.

The new political cartography of oil had been drawn in full by the end of World War Two. Roosevelt, returning from Yalta in February 1945, met with the Saudi monarch and declared that his country was "more important to US diplomacy than virtually any other nation". Within two years, Truman and his Secretary of State, Dean Acheson, were working directly with Big Oil for strategic assistance. The oil men would provision Europe and the armed forces in Asia (notably Japan and Korea); in return, the oil companies would be given the head of Mosadeq and a military base in Daharan (the center of Aramco's Saudi operations). The coordinates were clear: an inter-state coalition with the Gulf sheiks, an alliance between the military (plus the CIA) and big petroleum, and an international oil system superintended by American firms. From the perspective of the US state's political interests, it was a system and a strategy intended to shore up the Marshall Plan, to exercise "veto power" over Japanese imports, and to help control the spread of Communism in Asia.

The oil system, unstable and rickety at best, needed constant fine-tuning. When in 1968 the British announced their intention to withdraw forces from the Gulf over the next few years, no less than Henry Kissinger stepped in – "to keep Iraq from achieving hegemony in the Persian Gulf".[37] Local forces were to be strengthened in the face of a possible Iraq–USSR alliance.[38] Monarchical rule (Shah Pahlavi in Iran and, as ever, the Saudis) backed by massive military power became the twin pillars of US strategy.

But fine-tuning could not douse the flames of insurgent petro-nationalism. From the very beginning, client states had little control or understanding of price setting. Anglo-Persian, for example, slashed Iranian royalties in 1933 as company revenues tumbled and promptly exiled Reza Shah to South Africa for simply questioning the concessionary

37 Henry Kissinger, *Years of Upheaval*, New York 1982, p. 669.

38 The Ba'athists had broken with the US in 1967 after the Six-Day War, signed a treaty with the Soviets soon after, and nationalized the IPC in 1972.

agreements. Concessions, and the operations of imperial oil, inevitably stoked a strong nationalist reaction. By 1958, John Foster Dulles reluctantly acknowledged the limits of Big Oil geo-strategy, conceding that nationalism "made it more difficult for the oil companies to maintain a decent position".[39] It was Mosadeq in Iran, Abdul Karim Qasim in Iraq, Perez Alfonso in Venezuela, and Abdullah Tariki in Saudi Arabia who emerged as the standard-bearers of national resource control. They cleverly turned to the spot market – the new locus of much international oil trading – with the result that pressures to lower oil prices intensified. In a historic decision, Exxon (formerly Jersey Standard) unilaterally cut posted prices by 10 cents per barrel on August 8, 1960. Harold Snow, the President of British Petroleum, was reported to have wept at the news. There was good reason. OPEC was born a month later as a counter-cartel. The meeting of the five core states in Baghdad seemed to confirm the worst American fears: insurgent nationalism turned into a trade union. Still, OPEC sat dormant for a decade. It was the confluence in 1973 of Libyan radicalism, assertive oil independents, and an Arab oil embargo precipitated by US support for Israel in the Arab–Israeli war, that finally detonated the old system. In a ten-month period in 1974, the price of a barrel of oil rose 228 percent.

The OPEC revolution turned the oil-procurement system upside down. America was now obliged to fashion, from the ruins of the cartel, a new oil strategy in which the Saudi "special relationship" loomed even larger, and had to learn to live with the consequences of something the oil companies had only fantasized: three massive oil price-hikes over the succeeding decade. All of which turned out, unexpectedly, to be good news: for the companies' profitability, for OPEC revenues, and for America's geo-strategic interest in confronting its new economic competitors, Japan and Germany.

39 Quoted in D. Little, *American Orientalism*, Chapel Hill 2002, p. 60.

How, then, does this history affect the Blood for Oil argument in the case of Iraq? In brief, we go on to argue the following. First, there was no shortage, or impending shortage, of oil during the time war was in the planning stage. Second, war was in no sense a structural or strategic necessity; indeed, it represented a high-stakes gamble, not least for the oil industry itself. There was a record – long and ignominious – of proven alternatives to military force, as the recent histories of both imperial and American oil reveal. And third, as we have stated previously, a narrow focus on oil *qua* commodity cannot grasp the larger capitalist complex of which oil is a constitutive part. It substitutes oil capital for a wider capitalist nerve center.

IV

We begin with the specter of shortage. Oil is finite, an exhaustible resource. It is no surprise, therefore, that the combination of strategic use and explosive rates of consumption have made the oil sector the object of much Malthusian speculation. Our view is that scarcity and price – the twin sisters of Malthusian pessimism – provide no ground on which the Iraq war can or should be located. The history of twentieth-century oil is *not* the history of shortfall and inflation, but of the constant menace – for the industry and the oil states – of excess capacity and falling prices, of surplus and glut.

It is best to start with the years immediately prior to September 11. Oil prices had in effect collapsed in the late 1990s – a product of the Asian financial crisis and Clinton's Dual Containment policy.[40] A round of corporate mergers, accompanied by a new internal discipline within

40 Brainchild of Martin Indyk, Assistant Undersecretary of State for Near East Affairs, the policy denied Iraq and Iran permission (mostly) to market oil, and allocated their quotas to the Saudis – who in effect were bankrolling the US military presence in the Gulf. The Saudis leapt at the opportunity to increase their quota (indeed to exceed it) as a way of addressing their own economic crisis. By 1997 Saudi Arabia was pumping 8.5 million bpd (in 1985 it had

Photo: Ed Kashi/Corbis

Oil spill, Nembe Creek, Niger Delta, Nigeria, August 2004

OPEC, resulted in prices rebounding to $30 a barrel, but in real terms this was small beer. In response, the 2001 Cheney Task Force did no more than recapitulate an argument made earlier by Jimmy Carter: demand is growing, oil is not scarce, but it is unevenly distributed. Carter had emphasized conservation, at least in the first instance, as a response to market– dependency; Cheney accented military preparedness, national security strategy, and alternate sources of supply (West Africa, the Caspian).

The basic conundrum, again, was to design a system of organized scarcity capable of keeping the oil price low enough for capitalist growth (and latterly, an SUV car culture), and high enough for corporate

been barely 3 million bpd). However, as the Asian contagion spread and economic contraction followed, oil prices collapsed to $9 per barrel in 1998 (see Stephen Pelletiere, *Iraq and the International Oil System*, Washington DC 2004).

profitability and OPEC's Third World "high absorbers".[41] Repeated attempts to *finalize and regularize* these contradictory goals have all proved fruitless: in a sense, post-1945 US oil policy stands in tatters if one simply notes the correspondence between states with oil, political instability, and anti-imperial resistance. Yet oil prices have remained, for almost half a century, *relatively stable (and cheap) in real terms.* Unprecedented price hikes in 1973–74 and 1979–80 had nothing to do with actual oil scarcity, in the same way that the rapid run up in oil prices beginning in March 2004 (to well over $55 a barrel by October 2004) was entirely a matter of what NYMEX traders called "paper froth". Speculators piled into the oil market because hedge funds had no alternatives, and punters wagered on the likelihood of a "supply-disruption premium".[42]

It is true that there has been a recent avalanche of "end of oil" prophecies, connecting to a longer history of apocalyptic thinking about modernity's wholesale dependence upon a finite resource. Oil is running out. The claim is incontestable, of course. The question is when. The Malthusians feed on the opinion of certain hard-rock geologists, Colin Campbell and Kenneth Deffeyes chief among them, who believe that maximum global production is upon us – *now.* There is a new think-tank – the Oil Depletion Analysis Centre – and a lobbying group – the Association for the Study of Peak Oil – devoted to establishing the fact. Yet the vast resources of the new West African "Gulf States", the deep-water fields beginning to be exploited in Mexico and Brazil, the Canadian tar sands, the emergence of Russia as a new oil superpower, and the scramble, however chaotic and violent, in the Caspian – all actively promoted by the Cheney Task Force – point to a rather different world picture.

41 High absorbers like Venezuela and Iraq are capable of deploying petro-dollars *internally* for development purposes, and so are much more likely to promote higher prices than surplus-producing low absorbers like UAE or Kuwait.

42 "A burning question", *The Economist*, March 27, 2004, p. 71.

Any response to the scarcity question has to begin with the field of oil statistics, on which there is absolutely no consensus – and sometimes no data.[43] There is disagreement among the oil majors and their organizations (the International Energy Agency, the American Petroleum Institute) about when global oil production is likely to peak – in 2010? 2025? 2045? – and about the production frontier beyond which US security might be endangered. The entire question of company oil reserves is murky – the US Geological Survey and the estimate of oil savant Colin Campbell differ on the subject by 3.9 trillion barrels! – and what figures we have are very likely cooked.[44] The USGS believes Hubbert's Peak is decades away; Royal Dutch-Shell believes it is the other side of 2030; and the US Energy Information Administration places the zenith somewhere between 2021 and 2112. For every King Hubbert there is a Morris Adelman (MIT emeritus professor): over the next half-century, Adelman says, "oil available to the market is for all intents and purposes infinite".[45]

In any case, new technological advances are already opening the way to hugely better recovery rates. Deep-water drilling has exposed hitherto inaccessible fields (in the Gulf of Mexico, the Bight of Benin, Angola, and Brazil). Exploration breakthroughs will continue to redraft the map of energy reserves. Even more radically, the capacity to convert Canadian tar sands into useable hydrocarbons may alone fundamentally refigure the whole geopolitics of petroleum: in time, Canada's reserves could exceed

43 Here is Nicolas Sarkis, Director of the Arab Petroleum Research Center in Paris: "Oil market statistics are *fuzzy*. Surprisingly OPEC members publish production figures three months late, maintaining the confusion between their theoretical production quotas and actual output .... Operators and observers play hide and seek, attempting to track tankers and consulting secondary sources ... to assess daily production". "Is there really a rise in oil prices?", *Le Monde diplomatique*, July 2004, p. 4.

44 Witness the recent debacle at Shell in which the CEO, Sir Philip Watts, was compelled to resign in the wake of corporate downgrading of its West African and Australian reserves. Shell's reserves in Nigeria were apparently overestimated by 15–20 percent largely it appears as a result of a combination of fraud within the Nigerian Petroleum Ministry and a system of tax incentives offered by the government which induced Shell to play fast and loose with its figures in the early 1990s.

45 Morris Adelman cited in V. Vaitheeswaran, *Power to the People*, New York 2003, p. 190.

those of Saudi Arabia. Would not Ottawa be a safer bet as swing producer than Riyadh? Or Baghdad? Even within the energy industry as now constituted, it is gas (liquefied natural gas) that is the new panacea. And the geography of gas reserves is not isomorphic with the geopolitical map of oil security. Finally, there is the vast rearrangement of the energy landscape – studiously ignored by the Cheney Task Force – made possible by new conservation technologies, which in as little as a decade could shift the frontier of oil exhaustion decisively. Sheik Zaki Yamani, Saudi oil minister and one-time head of OPEC, is fond of saying that "the Stone Age did not end for lack of stone".[46] The Oil Age – and with it, hydrocarbon capitalism – will indeed come to an end; but this rubicon will be crossed long before the world runs out of the foul-smelling liquid.

To suggest, then, that absolute scarcity propelled the events of 2003 is untenable. And much the same can be said about price. The relation among so-called "excess demand" (read, ongoing economic expansion), "excess supply" (read, economic recession and improved conservation methods), and price defies any market logic. Over the past three decades, for example, the proxy for availability – the ratio of proven reserves to current production – rose by a quarter, yet in real terms prices doubled. An examination of inventories (a common way to estimate the desires of buyers and sellers) confounds expectations further. During the 1970s, as inventory built up, prices soared; the oil crisis of 1973–74, that is, had nothing to do with shortage – because there was no shortage. By the 1980s, excess consumption had taken hold and inventories diminished, yet, strange to say, prices fell by 71 percent between 1980 and 1986. Over the last fifteen years, the fluctuations of price in relation to excess demand are utterly baffling. The magnitudes of the mismatch between demand and price make little sense. Since 1960, world consumption has typically been 2–3 percent above or below world output. How on earth can such

46 Quoted in V. Vaitheeswaran, *Power to the People*, New York 2003, p. 98.

relatively insignificant discrepancies explain dramatic real-price fluctuations of tens or sometimes hundreds of percent a year? And why are prices sometimes so sensitive to the discrepancies, and other times completely resistant to them?

Why? Because oil is an item (a key item) of market currency, and therefore subject to constantly shifting expectations and perceptions, speculation and gambling – plus the pressure, as always, of "external circumstances". However plentiful supplies have been, since 1960 continual wars and rearmament in the Middle East have generated an atmosphere of crisis. Prices magically return to "acceptable levels" as the conflicts dissipate. But if wars and regional instability produce high prices, the link is in no simple sense causative. The oil industry itself has long built such things into its normal business calculus. The so-called price consensus typically incorporates a "peacetime base", an "embargo effect", and, of course, "war premiums".

If petro-Malthusianism was in some measure a *product* of war, might relative scarcity (concrete threats of supply-disruption) plausibly provide the grounds for invasion? Real oil prices had fallen steadily through the 1990s, and in the wake of world recession were as low as they had been for thirty years. OPEC, as expected, responded (along with Mexico) by cutting output. Saudi Arabia cut its quota by a million barrels, and prices reacted accordingly (amidst some agitation among traders regarding the ascension of Hugo Chavez in Venezuela, and deteriorating US–Iraq relations). Rising oil prices in 2000, and the bursting of the Wall Street high-technology bubble, doubtless fed the perception that oil was scarce and economic recovery might be compromised. But rising oil prices are the reality over the long term (in real dollars, they had doubled in three decades), and they were rising on an historically low base. To suggest that here was a trend that "Americans could barely accommodate"[47] is nonsense.

47 Stephen Pelletiere, *Iraq and the International Oil System*, p. 125.

V

Might the occupation of Iraq nevertheless reflect a deeper morbidity within the entire oil system? Might war have been triggered by short-term capacity problems, or supply disruptions (the nightmare of Osama rocketing oil tankers in the Straits of Hormuz) – maybe with an eye to stability in the long term? Was the resumption of large-scale oil production in Iraq a structural imperative for the stability of the world oil system, or for American capitalism (the strength of the dollar), or for both? In our account, the answer must surely be no.

Let us assume that the Bush oil men *did* see their national and corporate interests undercut by the oil situation worldwide. Let us assume too that the state and the companies were unable or unwilling to compromise on higher but stable prices. Let us take as given that the Administration was incensed by Saddam's switch, in 2000, from dollars to euros in payments received under the Oil for Food program, and terrified that such action might give Iran the same idea. And assume further that French and Russian contracts in Iraq were perceived by the supermajors as undercutting their operations, or their global acquisition strategy. Given all this, why would the companies or the Bush cabinet believe that it required an invasion to put things right? And why might this view have traction on the Left? War, said George Caffentzis,[48] "is the only way for the ... oil companies to gain profitable access to Iraqi oil".

"From the point of view of the price of oil" said Adel Beshai, Professor of Economics at the American University in Cairo, "the best thing would be not to attack Iraq at all .... [It] could lead to unpredictable events .... Attack Iraq and you open Pandora's box."[49] The box might

48 George Caffentzis, "No Blood for Oil", 2003, http://www.commoner.org.uk/02-9groundzero.htm.

49 Cited in Michael Mann, *Incoherent Empire*, London 2003, p. 209. According to the 2003 *Economist Intelligence Unit*, three quarters of the countries with the "highest risk for foreign investment" are oil producing states.

contain unprecedented price increases, which could be good news for the companies (including non-American majors) – but already, in saying so, we have essentially left the Blood for (Cheap) Oil framework behind. Indeed why open the box at all? The crude art of cutting deals with petro-sharks and oilygarchs was tried and tested. Rumsfeld himself had been such an adept practitioner twenty years earlier – with Saddam and *his* oil men. And had not Cheney at the helm of Halliburton overseen the sale of $22 million of services and parts to Saddam through a subsidiary (Dresser) as part of the notoriously corrupt UN Oil for Food program? It was still all working swimmingly. Why tamper with it? Perhaps to retain the viability of the dollar? If OPEC switched to the euro, might the dollar crash? The dollar has fallen of course, and that is the point. The idea that an OPEC switch could destroy the dollar is implausible; afer all, the cartel accounts for less than 5 percent of cross border capital flows. Perhaps, however, the oil companies were sold a bill of goods, convinced by Cheney and associates that the risk of unforeseen consequences was low. But this is implausible. What the industry wants more than anything else, noted the former Director of Operations for the CIA, is "a stable apple cart".[50] It is a sentiment parroted endlessly by the oil trade press (by late 2001 the trade journals such as *Oil and Gas International* were lamenting the commercial costs of the Afghan invasion). High prices have never compensated for the costs of stabilizing and securing production. All of the supermajors in West Africa – to take one example – have prepared policy papers on the current security situation, and each is haunted by the specter of worsening conditions prompting withdrawal from the region in two to three years.

War is rarely a vehicle for price stability, in other words – but perhaps that is the point. Conflict has been endemic to the industry in the Middle East since the 1960s. And through all the subsequent wars and upheavals

50 Cited in William Engdahl, *A Century of War*, London 2004, p. 268.

– the Arab embargo, the Six-Day War, the Iranian Revolution, the Iran–Iraq conflict, the first Gulf War – oil companies managed to restore their levels of profitability, oil oligarchs and dictators made Switzerland happy, and, in spite of periods of inflationary recession, the oil economy was stabilized. But the 2003 invasion was different – different than the first Gulf War, which had indeed been a struggle over oil supplies.[51] What was on offer to the industry this time was unilateral adventurism in the face of a global Muslim insurgency, and the prospect of enraging the largest generation of young Arabs and Muslims in history. It risked 20 percent of the world's oil supply, the entire Gulf strategy, the wider set of US interests in the region, the radical destabilization of the entire Muslim world, the active promotion of the jihadi struggle, and blowback of a wholly unpredictable and uncontainable sort.

VI

Oil, said a founder of OPEC, is "the devil's excrement". It works magic. It is the force that makes the world go round. In our view, the very formulation of the Blood for Oil hypothesis concedes too much to this magical point of view. As we have said before, it substitutes oil (as one sector of industry) for a dominant capitalist core, and fixes on the character of a single commodity at the expense of the systemic imperatives of capital in general. To grasp this we must return to OPEC and the new oil regime it helped launch.[52]

The 1960s marked a decade-long decline in oil prices, accounted for in part by the unrelenting search for reserves, new upstream technologies,

51 Saddam was furious that Kuwait and UAE, under US pressure, were producing over quota to keep prices low. His obvious oil-profits motive elicited widespread condemnation across the Arab world and provided a relatively broad multilateral ground for the American military response.

52 We are deeply indebted to the brilliant analysis of the political economy of oil offered by Jonathan Nitzan and Shimson Bichler in *The Global Political Economy of Israel*, London 2002.

and fresh infusions of oil from Russia, all of which combined to create massive excess capacity. Major new actors appeared on the scene. Old-style collusion was less and less feasible. Against this backdrop, OPEC's politicization of the oil market can be understood not as a threat to the major oil-consuming states but as a new and more sophisticated alignment, resting on a convergence of interest among companies, the US government, and suppliers. A higher price-regime was good for the majors (their profits soared during the 1970s, and their ability to check the power of independents was enhanced), good for Washington (it promised a slowdown in the Japanese and European economies, as Kissinger noted), good for Britain (through North Sea oil and its majors), and good for the Cold War, since it boosted the US military presence in the Middle East. Sheik Yamani articulated OPEC's mission rather well: "to avoid at all costs any clash of interests which would shake the foundations of the whole oil industry".[53]

Big Oil was a beneficiary of the OPEC revolution. But understanding why leads us immediately beyond questions of price and supply to a wider, more inclusive economic – and political – landscape. There is a twofold history at work here. On the one hand, the rollercoaster of price booms and busts, often cutting against long-term trends; and on the other, the ever bleaker epicycles of conflict, militarization and revolutionary upheaval. On the one hand, that is, the *politicization* of the oil sector; on the other, the *commercialization* of the arms industry.[54] This is the heart of the "Weapondollar–Petrodollar Coalition".[55] In the 1950s, 95 percent of US armament exports had been provided as foreign aid.

53 Ibid., p. 227.
54 Ibid., pp. 219–73. See also "Transformed: A Survey of the Defense Industry", *The Economist*, July 30, 2002.
55 Nitzan and Bichler, *The Global Political Economy of Israel*, p. 202. According to the Congressional Research Service, the US in 2003 maintained a wide lead in weapon sales ($14.5 billion, 57 percent of the total); Russia ranked (a distant) second. Thom Shanker, "US and Russia still dominate arms market", *New York Times*, August 30, 2004, p. A7. It is perhaps no surprise, then, that Russia accounted for the lion's share of oil contracts in Iraq.

By 2000, the figure had fallen to one quarter. Privatization of the arms trade, naturally, had established itself as the way of the future, and soon the ubiquitous "contractor" was providing everything from air-conditioned tents to morticians. Following a wave of mergers and consolidations in the 1990s (overseen and promoted by the Defense Department), the largest twenty US contractors were reduced to four – Boeing, Northrop Grumman, Lockheed Martin, and Raytheon. Their sales now account for $150 billion, and they control a vast proportion of state contracts. Net profit in the sector, as a share of the total net profit of the Fortune 500, doubled (to 10 percent) between 1965 and 1985. This kind of extraordinary growth of the "Arma-Core" could not be sustained even by US levels of military Keynesianism: it required foreign purchases, and, specifically, Third World buyers.

The key to the rise of the armaments industry – the shift from aid to trade – was the arrival on the scene of OPEC, and the redistribution of global income that followed. In 1963, the Middle East accounted for 9.9 percent of global arms imports; in the decade following 1974, the figure was 36 percent (roughly $45 billion per year).[56] Almost half was provided by US suppliers. According to Nitzan and Bichler, "for every 1 percent change in oil revenues there was, three years later, a 3.3 percent increase in arms imports".[57] The energy conflicts across the region were both cause and consequence of oil-fueled militarization. Endless money, said Cicero, forms the sinews of war.

The Weapondollar–Petrodollar Coalition was sustained by high oil prices (and energy conflicts) but the arrangement was structurally unstable. Excessively high oil prices brought energy substitution and the search for higher-cost non-OPEC oil in their wake; and militarization, should conflicts escalate, might compromise, at any moment, the easy

56 Saudi arms imports in 1974 amounted to $2.6 billion; between 1985 and 1992 it spent $52.4 billion. See International Crisis Group, "Can Saudi Arabia Reform Itself?", July 2004, Brussels, p. 27. Web article appearing at www.icg.org.
57 Nitzan and Bichler, p. 233.

complicity of oil companies with the OPEC nerve center. The middle ground, as Nitzan and Bichler see it, was an oil price determined by "tension without war", in which oil corporate profitability stayed ahead of all other major manufacturing sectors. When profits fell to what the industry called a "danger zone", oil men turned hawkish. Each descent into the "danger zone" preceded an energy conflict, and was in turn followed by a dramatic reversal of economic fortune. The price collapse of the 1980s proved to be a major crisis for the new order, compounded by the fact that the Iraq–Iran War – an obvious source of profit – contributed to an oil glut through "distress sales".[58] Added to this, the arms trade during the Reagan era remained subject to foreign policy constraints – as a consequence of which Russia captured 30 percent of the Middle East arms market. The Gulf War and the subsequent defense treaties corrected the disequilibrium, but the 1990s overall proved to be far less welcoming. Oil prices tumbled, oil-producing states (often under neo-liberal pressures) faced domestic austerity, and Arab–Israeli tensions subsided (albeit briefly). A wave of mergers in the oil and armaments industries provided breathing space, but their share of the Fortune 500's capitalization fell to 5 percent. Then along came September 11.

We take our distance here from Nitzan and Bichler's analysis. The kind of political servo-mechanism they point to, precisely calibrating the oil/war nexus – and setting the tempo of American rule more broadly – is in the end too perfunctory, too mechanical. Nevertheless, they point in the right direction. For the significance of oil, we have been arguing, derives as much from the industry's relation to other fractions of capital – to a complex and shifting capitalist epicenter – as from any straightforward dependence on Gulf reserves. The dialectic of oil and armaments – "build and destroy" – extends, in other words, much

58 In 1986 George Bush, then Vice President, went to Riyadh to plead for *lower* levels of oil output by Saudi Arabia, to increase prices and re-stimulate the oil–weapons trade.

further afield, embracing not only military and oil-service industries, but the giants of construction (and "reconstruction"),[59] the global engineering and industrial design sector, and, not least, financial services and banking capital. For these last, the dollar-denominated oil surpluses of the "low absorbers" (Kuwait, UAE, Saudi Arabia) are the necessary raw materials for offshore banking, hedge funds, and speculative capital movements. The OPEC revolution, lest we forget, inserted massive quantities of petro-dollars into the hands of commercial banks, which soon put the money to work – to build and destroy – in Brazil, Argentina, and Mexico.

So it is about Chevron and Texaco, but also about Bechtel, Kellogg, Brown and Root, Chase Manhattan, Enron, Global Crossing, BCCI, and DynCorp. "Oil, Guns and Money" is how Midnight Notes[60] gloss the intersection of work, energy, and war. This comes closest to what we are seeking to emphasize, but even this characterization may be too sanitary, occluding the "black economy" with which the likes of Enron and Halliburton are more and more obviously entangled. Drugs, oil theft, and money laundering are the main activities in this capitalist ghost world; Russia, Nigeria, Colombia, and Mexico the chief way stations. In quantitative terms, these circuits of capital and power are difficult to determine; but they run, almost certainly, to trillions of dollars.

We are not fully convinced that the oil-arms-military-engineering-construction-finance-drugs nexus was brought to crisis point by the "peace dividend", by low oil prices, and by the 1990s explosion of the high-tech sector.[61] But we are confident that a transnational constellation

59 From 1994 to 2002 the Pentagon concluded 3,016 contracts, valued at $300 billion, with twelve private military/service/construction companies; 2,700 went to KBR and the management and technology consulting firm Booz Allen Hamilton.

60 Midnight Notes, *Midnight Oil: Work, Energy, War 1973–1992*, Brooklyn 1992, remains for us an absolutely foundational text for any understanding of the current conjuncture.

61 Nitzan and Bichler believe that the crisis was at hand as early as 1993: gone were the contracts, and gone was stagnation and conflict. As they put it: "civilian business offered much better ways to beat the average" (*The Global Political Economy of Israel*, p. 271).

of capital, anchored through OPEC and the inter-state system, provides the ground on which any argument of corporate interest – the heart of the Blood for Oil thesis – must be assessed. To put the matter in this way does not deny the significance of oil but locates it on a larger capitalist landscape. American empire cannot forgo oil: its control is a geopolitical priority. But these strategic and corporate oil interests cannot, in themselves, credibly account for an imperial mission, however ineptly prosecuted, of the sort we have witnessed over the last two years. Rather, what the Iraq adventure represents is less a war for oil than a radical, punitive, "extra-economic" restructuring of the conditions necessary for expanded profitability – paving the way, in short, for new rounds of American-led dispossession and capital accumulation. This was a hyper-nationalist neo-liberal *putsch*, made in the name of globalization and free-market democracy. It was intended as the prototype of a new form of military neo-liberalism. Oil was especially visible at this moment of extra-economic imposition because, as it turned out, oil revenues were key to the planning and financing of the military exercise itself, and to the reconstruction of the Iraqi "emerging market".

VII

Military neo-liberalism is the key formula, we believe, to a proper determination of the capitalist moment surrounding us, and therefore to the politics of oil. The realities covered by the term "neo-liberalism" hardly need spelling out. The world has endured two decades and more of radical reconstruction made in the name of a new/old capitalist orthodoxy – repeated rounds of privatization and deregulation, tight money (for some), free trade (for the defenseless), "adjustment programs", attacks on welfare and on big (that is, corporate-unfriendly) government. (Ninety-five percent of all regulatory changes during the 1990s, as inventoried by the *UN World Investment Report*, were aimed at liberalizing capital controls. The tripling of bilateral investment treaties in the first half of the same decade was almost wholly aimed at removing "barriers" to foreign investment.) We cannot explore here the origins of neo-liberalism, but they date to the 1970s, and to the challenges confronting US economic hegemony as a result of a crisis of overaccumulation.[62] Faced with growing competition from western Europe, Japan, and East Asia, the US under Richard Nixon dismantled international financial barriers to "liberate the American state from succumbing to its economic weaknesses and … strengthen the political power of the American state"[63]. Institutionally, what permitted this "gamble" of projecting US financial power outwards was the IMF-WTO-Treasury-Wall Street nexus. Right at the heart of neo-liberalism's strategy was an assault on the state-centered development strategies of post-colonial states: markets were to be forced open, capital and financial flows freed up, state properties sold at knock-down prices, and assets devalued and transferred in crises of neo-liberalism's own making. For the Third World, "There is no alternative" was the mantra; for the post-1989 socialist bloc, it was simply dubbed "Shock Therapy". What proved so extraordinary about the neo-liberal counterrevolution was not its missionary zeal, but rather its hyper-nationalism: that a single nation should insist on its own image as a global norm. The 2002 National Security Strategy, we can now see, was its creed, and "full spectrum dominance" its commandment.[64] On balance, the neo-liberal offensive was, as Antonio Gramsci might have put it, a passive revolution from above: conservative, defensive and despotic.

For a while, this version of back-to-the-future seemed to carry all before it. The Fall of the Wall was its emblem; Russian mortality rates and the ruin of Argentina its crowning achievements. The laws of economics,

62 Robert Brenner, *The Boom and the Bubble: the US in the World Economy*, London 2002.
63 Peter Gowan, *The Global Gamble*, London 1999, p. 23.
64 See B. Silver and G. Arrighi, "Polanyi's 'Double Movement': The *Belles Epoches* of British and US Hegemony Compared", *Politics and Society*, vol. 31, no. 2, 2003, pp. 325–55.

wrote Lawrence Summers, were "like the laws of engineering". There was only one set, and "they work everywhere". Not for a moment do we underestimate the continuing monochrome allure of such laws over much of the world. But something has clearly shifted in the course of the last ten years. Even as recently as the late 1990s, our masters seemed confident that the new world of capital penetration would come about essentially by means of agreement (between governments and corporations), "fiscal discipline", fine tuning of subsidy and bailout, and nonstop pressure from US creditors. What precise constellation of forces began to put this methodology in question is still open to debate. But it happened – precipitately. Cracks began to appear within the World Bank establishment. Stiglitz fought with Summers, Western Europe fought with the Washington consensus, and the South often refused to take its bitter medicine. The grotesqueries of Third World indebtedness and First World subsidies to corporate agriculture became an issue in polite society. The back-slapping and mutual congratulation of the Uruguay Round descended into the fiasco of Seattle – and the deeper fiascos of Doha and Cancun. At Cancun, what emerged was an in-house insurgency: a Group of Twenty steadfast in its refusal to endorse the massive US–EU subsidies to North Atlantic agriculture, and WTO rules crafted to prevent the South from protecting itself. In the world at large – the world neo-liberalism was fighting to create – struggles accumulated as the price of change became clearer (the Argentine example was much discussed), and capitalism's enemies began to score real successes. The underbelly of "globalization" was now exposed.

This is the proper frame, we believe, for understanding what has happened in Iraq. It is only as part of this neo-liberal firmament, in which a dominant capitalist core begins to find it harder and harder to benefit from "consensus" market expansion or corporate mergers and asset transfers, that the new preference for the military option makes sense. Military neo-liberalism seems to us a useful shorthand for the new

reality; but in a sense the very prefix "neo" concedes too much to the familiar capitalist rhetoric of renewal. For military neo-liberalism is no more than primitive accumulation in (thin) disguise.

"Primitive accumulation": The words have an old-fashioned ring to them, which again we think appropriate to the present. They derive, to repeat, from Marx's discussion in *Capital* of the first foundations – the "historic presuppositions" – on which capitalist development in Britain was launched. And what they point to is a history of force, of dispossession and enclosure. We have already quoted the final sentences of Marx's chronicle, and the reader will remember that they put their stress, unforgettably, on the sheer ruthlessness of the history in question. "Blood and fire" are writ large on the landscape.

Marx had no illusions about the role of force in his own time. But he did seem to believe that the age of violent expropriation was at an end. It was capitalism's strength that it had internalized coercion, so to speak, and that henceforward the "silent compulsions of economic relations" would be enough to compel the worker to "sell the whole of his active life".[65] The whiplash of primitive accumulation was required only for the "pretensions of capital in its embryonic state".

We are not the first to think Marx too sanguine (or do we mean too melancholy?) in this diagnosis. For in practice it has turned out that primitive accumulation is an *incomplete* and *recurring* process, essential to capitalism's continuing life. This is true in at least two senses. First of all, the class of small landed laborers – modernity's sacrificial lambs – has proven remarkably resilient, and still fights for survival in the twenty-first century. The collapse (or reform) of "actually existing socialisms" over the past two decades produced several hundred million *new* peasants as the millennium drew to a close. If accumulation depends, as Marx said, on the multiplication of a true proletariat, then the obstacles to the creation of such uniformity never quite seem to go away.

65 Karl Marx, *Capital*, vol. 1, pp. 899–900.

The process is incomplete in another sense: namely, that it is not simply the dispossession of labor(ers) that is key to primitive accumulation, but *all* forms of dispossession. And these forms recur, and reconstitute themselves, endlessly: the reconstitution is fundamental to capitalism as a system. "The original sin of simple robbery", as Hannah Arendt put it, must "be repeated lest the motor of accumulation suddenly die down".[66] Hence the periodic movement of capitalism outward, to geographies and polities it can plunder almost unopposed. (Or so it hoped, in the case of Iraq.) But hence, also, its drive *inward*, deep into the fabric of sociality, in search of resources to rip from the commons. How else, for example, to grasp the present reality of the patenting of life-forms? How else to make sense of the myriad ways in which collectively held goods and resources are privatized – pension funds, basic utilities, public housing, forests once open to shared use? And how better to bring into focus the periodic financial crises or structural adjustment programs – perpetrated by the IMF and other global regulatory institutions, by hedge funds, or by concerted campaigns of speculation – that bring in their wake a wholesale devaluation of wealth, and across-the-board transfer of assets from local to foreign hands?[67]

The question remains, of course, as to why the process of primitive accumulation takes on, as it regularly does, a specifically military (imperialist) form. An answer in general is easy to find. However dispersed and ingenious its procedures may be in each new instance, primitive accumulation is essentially an exercise of violence. Blood and fire are its vectors. All forms of primitive accumulation, said Marx, *require* "the power of the state". Force is, he said, both the midwife of the new and itself an economic power.[68] So the state hovers always in the wings. But what are

66 Hannah Arendt, *The Origins of Totalitarianism*, New York 1958 (orig. pub. 1951), p. 182.
67 See David Harvey, *The New Imperialism*, London 2003, *passim*, especially his discussion of "accumulation by dispossession".
68 Karl Marx, *Capital*, vol. 1, p. 751.

the circumstances, precisely, which oblige the state to land on stage, in the way it has lately? They are rarely, *contra* Marx, straightforwardly "economic". In the past few years, it is the interweave of compulsions – spectacular, economic, geopolitical – that reveals American empire's true character.

Will military neo-liberalism endure? Indeed, what might victory under current circumstances consist of? With the deficit rolling along at $600 billion annually, and the national debt rising to $2.5 trillion, the cost-benefit balance of the strategy begins to look dubious. No doubt many state functionaries are doing their sums. And what of Operation Iraqi Freedom? Two years after the tanks rolled across the Euphrates floodplain, the occupation barely has control of Baghdad. With unemployment running at perhaps 50 percent, the Mahdi Army steadily draws new support from the ranks of the urban unemployed in the slums of Sadr City and Basra, now twice dispossessed: once by Saddam, once by Bush. The estimated number of insurgents has risen from two to over twenty-five thousand. It all "continues to calm down", said Rumsfeld in August 2004.

Even the luster of the privatized contract economy has tarnished. Of the $18.4 billion in reconstruction funds allocated by the US Congress in October 2003, less than 9 percent has been spent a year later – and untold amounts of that on "security". During the same period, 113 criminal investigations of contractors have been launched by one Congressional agency alone, and cases opened on another 272 allegations of fraud and "waste".[69] As if to confirm the falling rate of expectations, Halliburton is reportedly putting Kellog, Brown and Root on the block because it has become so unprofitable. So much for the Great Iraqi Oil Robbery. Even Rumsfeld admits "we lack metrics to know if we are winning or losing the war".[70] And however you calculate it, in the present equation a few more million barrels of oil will not matter a damn.

69 *Washington Post*, November 1, 2004.
70 Cited in Alan Krueger and David Laitin, "Misunderestimating Terror", *Foreign Affairs*, 83/5, 2004, p. 13.