Oil and Class Struggle

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1. Preface

Of all the manifestations of the crisis of capitalism, the so-called 'energy crisis' has probably received the most publicity in recent years. Correspondingly, there has been a great deal of confusion about the real causes of this crisis. Some commentators immediately connect the 'energy crisis' with the conflict in the Middle East; others glimpse behind the crisis the conscious political action of the U.S. government, aiming to strengthen the position of the dollar. While the reactionary mass media make reference to the 'oil sheikhs' and actively stir up racial hatred by attributing the calamities of capitalism to other nations, certain socialists see the causes of the 'energy crisis' in the existence of the multinational oil firms. Behind the conscious propaganda of the former, and the speculations and illusions of the latter, the real underlying causes necessarily remain hidden.

There is no doubt that the 'energy crisis' of 1973-74 was triggered off by the OPEC states' drastic increase in the posted price of oil. There can also be no doubt whatsoever that as a result of this increase the OPEC states were able to increase their revenues by about 80 to 90 billion dollars during the same year. An enormous redistribution of the mass of value on the world market has therefore taken place in their favour.

But how could the posted price suddenly be increased fourfold? What was the source of this enormous mass of value which has now been suddenly appropriated by the OPEC states? What is the basis of the power which enabled these states to act in this historically unique fashion?

To answer the first two questions we must briefly outline the specific process of the formation of value and price and the specific mode of operation of the law of value in the extractive sphere, to which energy production belongs. Regarding the third question, we must investigate the relationships between those states, or more precisely those classes which participate on the world market in the distribution of the mass of profits of the world energy sector. In the present essay the results of the author's investigations have been summarized in rather a concentrated form. Sections 2.3 and 4.1 are taken with minor alterations from a work by the author originally published in German at the beginning of 1974.[1] Sections 4.2,5 and 6 are

from an extensive investigation concluded by the author in November 1977 (also published in German).[2] For reasons of space numerous questions raised by such a complex problem have had to be omitted here. It is thus unavoidable that the author has had to refer frequently to his previous work.

2. The Dual Modification of the Law of Value in the Sphere of Raw Material Production

In Volume 3 of *Capital* (Chapter 10) Marx derives the operation of the law of value by abstracting from all forces external to capital. In part six of the same volume, where he derives the 'transformation of surplus profit into groundrent' and thus his theory of rent, Marx is really dealing with the modified mode of operation of the law of value in the spheres of production of agriculture and extraction, which are immediately dependent on nature.[3] In these spheres the law of value is subject to a dual modification: by the impossibility of generalizing the productivity of labour, which in this sphere depends on the power of nature (a circumstance which therefore limits competition); likewise, groundrent sets limits to competition (in all cases where the land and the soil, viz. sources of raw materials, are subsumed under groundrent). This essay will examine in detail both these forms of the modification of the law of value, as this is the only way in which the basic categories necessary for a comprehensive treatment of the economics of raw material production in the energy sector can be derived.

2.1 The First Modification of the Law of Value

The real causes of an increase in the productivity of labour and the possibilities of generalizing these productive powers in one sphere of production have been extensively dealt with elsewhere.[4] We know that under normal conditions a higher productivity of labour springs from capital itself, either because 'capital is used in greater than average quantities' or because 'better methods of labour, new inventions, improved machinery, chemical manufacturing secrets, etc., in short, new and improved, better than average means of production and methods of production are used.'[5]

Further, this higher productivity of labour can be generalized within a particular sphere, and can therefore be transformed into the average productive power of labour which is applied in the sphere. The market price, viz. the general price of production (cost price plus average profit), of commodities in the sphere is regulated by the individual prices of production of those capitals which produce significant portions of the commodities. Capitals producing in better conditions therefore utilize a productivity of labour which is higher than average; they thus realize a surplus profit, as their individual price of production is below the general price. Capitals producing in conditions less favourable than the average in the same sphere

are not in a position to realize the average profit, as the individual price of production of their commodities is above the market price; therefore, sooner or later, they have to cease production.

If supply and demand are in equilibrium, or if there is only a short-term deviation of demand from supply, the market price is not regulated by those capitals in a sphere of production which produce in the worst conditions, but by those which operate in average conditions. Because conditions of competition exist, the capitals which produce in average or favourable conditions can, by extending their share of the market, completely cover the existing social need for commodities from this sphere in the short term. Thus they can replace the capitals producing in the worst conditions, which squander social labour.

In contrast to the conditions of competition in spheres such as industry, the productivity of labour cannot be generalized in the spheres of production immediately dependent on nature: therefore the market price cannot be regulated by the price of production of commodities produced in 'average conditions'. In the sphere of extraction the material basis of the higher productivity of labour is the power of nature, which allows certain capitals to gain a greater surplus value from the productive power of the labour they utilize – assuming that all the capitals operating in this sphere have the same average organic composition. Therefore the higher productivity of labour in the extractive sphere does not arise from capital, but:

> It arises from the greater natural productiveness of labour bound up with the application of a force of Nature, but not a force of Nature that is at the command of all capital in the same sphere of production . . . . On the contrary, it is a monopolizable force of Nature which, like the waterfall, is only at the command of those who have at their disposal particular portions of the earth and its appurtenances.[6]

Capitals which utilize a productivity of labour linked to an exceptionally favourable natural force obtain a surplus profit which, from the standpoint of the creation of surplus value, is in no way distinct from the usual surplus profit. Yet the exceptionally favourable natural force is not itself the source of surplus profit:

> . . . the natural force is not the source of surplus-profit, *but only its natural basis, because this natural basis permits an exceptional increase in the productiveness of labour.* In the same way, use-value is in general the bearer of exchange-value, but not its cause.[7]

The essential distinction between the extractive and industrial spheres, therefore, is the fact that in the former the higher productivity of labour cannot be generalised because the determination of its material basis is given by nature and independent of capital. *Therefore the first modification of the law of value is expressed by the fact that limits are set to the competition of individual capitals to raise the productivity of labour and generalize it by*

increasing their share of the market in the sphere (with a corresponding tendency to lower the regulating market price). In this sphere the competition of individual capitals consists only in acquiring a monopoly in a particularly favourable material basis of the productive forces given by nature, in order to secure a permanent surplus profit by excluding real competition.

On the one hand, the natural basis of the productive forces – whether this is the land and the soil or mineral raw materials – cannot be reproduced at will. Therefore the share of the market of individual capitals in the commodities of this sphere depends on the extent to which individual capitals have a monopoly over the quantity and quality of the natural basis of such commodities. On the other hand, it is only as a result of an extraordinary accident of nature that the most favourable conceivable material conditions for the production of a raw material, whether in one particular location or in several parts of the globe, are present in unlimited quantities. As a rule, the material basis of raw material production occurs in relatively limited quantities and is distributed over the globe with decisive differences of both quality and location. The greater or lesser, higher or lower, quality of a raw material, which is ultimately reflected economically on the market, is a result of the chemical composition of the raw material, the natural conditions of its production, its transportability, and the conditions of its material processing. It may be taken as a proven fact that crude oil as a source of energy, compared to coal for example, displays considerable advantages in all the respects mentioned.

These material conditions, given by nature, for the production of raw materials have the following consequences for the production of surplus value. The materials' individual price of production produced by individual capitals in one sphere, e.g. the energy sector, differs depending on whether these capitals exercise a monopoly over the poorer or the better quality natural source of the raw material. The fact that a raw material's individual price of production varies with quality and location does not make any difference if the monopoly over the total disposable sources of this raw material is dominated by one single capital. *The question here is: what actually regulates the market price of raw materials in this sphere?*

But to completely satisfy social needs – nationally and internationally – for a particular raw material, raw materials of the same kind must, according to our assumptions, be produced at individual prices of production. We have seen that, in industry, capitals with unfavourable conditions of production dissipate social labour, and are thus driven from the market by capitals with average or favourable conditions of production. This is because there are then no external limits to the extension of the latter's share of the market. But we have also seen that, in the extractive sphere, the applied higher productive forces of labour cannot, because of their natural basis, be generalized.

In these conditions, the lowest productivity labour applied in the extractive sphere by capital produces as much surplus value as does socially necessary labour. This is only the case when the most complete satisfaction of social needs requires the production of raw materials found in qualitatively or

locationally unfavourable situations which affect the productivity of labour. But this means that the capital which utilizes the lowest productivity of labour must aim for the average, the normal, profit, and that therefore the individual prices of its commodities must at least correspond to the market price. *Therefore, as distinct from the industrial sphere, the market price in the extractive sphere is regulated by the individual price of commodities produced in the worst conditions.*

Thus, if the social need for the products of the sphere rises, so that production of qualitatively or locationally even more unfavourable raw materials becomes unavoidable, the market price will tend to rise. This is because materials whose production price is higher than the individual price of production previously regulating the market price are now needed. Hence the market price must rise to such an extent that the average creation of surplus value is possible even in the production of raw materials under the least favourable conditions.

By contrast, if the social need for a raw material declines, or new, more favourable conditions (in terms of quality or location) are discovered, the capital which previously operated in the least favourable conditions (and whose commodities therefore had the highest production price, which regulated the market) no longer realizes the average profit. This is because the competition of the capitals operating in better conditions now forces down the market price to the individual price of production of those groups of raw materials in the sphere whose production still meets society's needs. In the changed conditions, the productivity of labour previously utilized by capital in the worst conditions proves to be socially squandered labour. For this reason, such capital is excluded from the market.

In all these conditions, the market price of the raw materials is in every case regulated by the individual price of production of raw materials produced in the least favourable conditions. Capitals producing this group of raw materials obtain only the average profit. The other capitals, producing under the most favourable conditions in the sphere, whose individual price of production is therefore lower than the market price, obtain a more or less large surplus profit in proportion to the favourable natural quality and location of the raw material over which they have a monopoly. These surplus profits accrue independently of whether the raw material sources are subsumed under landed property or not. Landed property can, at most, effect that transformation of surplus profit into groundrent, a circumstance which depends on the historical relation of capital to landed property. We will discuss this in more detail later.

2.2 The Second Modification of the Law of Value

In the above analysis of the first modification of the law of value in the extractive sector, we have assumed that there are no limits to the competition of the capitals in the sphere for the acquisition of new, more favourable sources of raw material. These capitals carry on their competitive struggle by permanently trying to get access to raw material sources of higher quality.

As we have described above, there were only limits to competition in so far as the capitals utilizing a higher productivity of labour cannot generalize this within the sphere. We now drop this assumption, and start from the premise that the natural basis of raw materials is subsumed as a whole under landed property, which, as a factor external to capital, therefore prevents capital from having an unrestricted choice of the natural basis of its production. This thus sets limits to the competition between capitals for raising the productive power of labour by utilizing more favourable natural bases.

Landed property excludes from production the particularly favourable natural basis of raw materials until a tax or toll is paid for the permission to utilize this favourable natural resource. The competition of capitals for a monopoly in the more favourable natural basis enables landed property to force up these tolls, which will be paid as long as capitals can give up the whole *surplus profit* to landed property and still obtain the normal average profit.

In these conditions there is no incentive for capital to increase the productivity of labour by utilizing qualitatively or locationally more favourable natural bases of raw materials, as the extra profit to be gained is ear-marked for landed property. Therefore, landed property is a barrier to capital, as it prevents the abolition of factors counteracting competition so that an increasingly more advantageous natural basis of production can be utilized. *Landed property thus again modifies the law of value in the extractive sphere in order to prevent capital from transcending the first modification.*

2.3 The Transformation of Surplus Profit into Groundrent

If the whole natural basis of raw materials is subsumed under landed property the surplus profit is transformed into groundrent. Marx distinguishes two essentially distinct forms of groundrent: *differential* and *absolute* groundrent. In the above-mentioned case where the surplus profit arises from the difference between the individual price of production of a single capital and the general price of production in the sphere, we are dealing with *differential rent:*

> . . . it is evident that this rent is always a differential rent, for it does not enter as a determining factor into the general production price of commodities, but rather is based on it. It invariably arises from the difference between the individual production price of a particular capital having command over the monopolized natural force, on the one hand, and the general production price of the total capital invested in the sphere of production concerned, on the other.[8]

By contrast, *absolute groundrent* is determined by landed property in the natural basis of raw material which is in every respect the most unfavourable, but is utilized by capital. Capital still utilizes this comparatively dubious, most unfavourable natural basis because with the given relationship of supply and demand it can still create an average amount of surplus value. But this average surplus value from capital does not cause landed property to place at

the disposal of capital the natural basis it commands, however bad it is. Landed property excludes this natural basis belonging to it from production until it receives a fee. This will not happen until the social need for this raw material exceeds the supply in the long term and the market value, and with it the market price therefore rises above the general price of production of the capital generally employed in the sphere. This difference between the market price of the commodity in question and the general price of production is then (as a particular form of surplus profit, of the natural monopoly profit which enters into the price of the commodity) transformed into absolute ground rent by being appropriated by landed property.

As we have seen in our discussion of the Marxist theory of absolute ground rent,[9] landed property can only be effective in capitalist society and operate as a barrier to capital if the material basis of a commodity subsumed under landed property for which a social need exists is available to a relatively limited extent. *If, on the other hand, the natural basis of this commodity in the extractive sphere is available in unlimited quantities, as for example is sea water as the natural breeding ground for fish, then the competition of the landed proprietors – if this natural basis is generally subsumed under landed property – leads to a tendency for ground rent (both differential and absolute) to fall, and finally to the complete abolition of landed property as a barrier to capital.*

3. The Law of Value and the Energy Sector

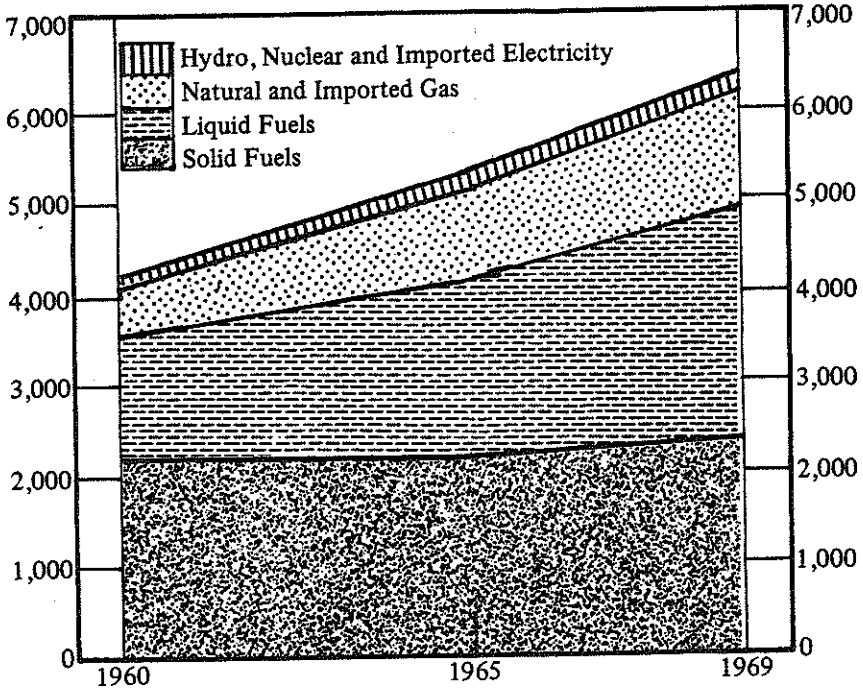
The basic theoretical assumptions demonstrated above now allow us to take a step nearer to dealing with the real problem, i.e. the analysis of the specificity of the formation of value and price, of competition etc., in the energy sector. It is clear that the energy sector must be seen not on the national level but internationally, since the market price for the products of this sphere, like the products of all spheres of production immediately dependent on nature, can in general only be derived in an international context. For the sake of simplicity we shall abstract from the modification of the law of value by currency mechanisms and consider only the effect of both the modifications of the law of value demonstrated above which have an immediate effect on the production process.

The carbon-bearing sources of energy – crude-oil, coal, natural gas, oil shale – in so far as they occur in nature in a use-value form, differ fundamentally in form, chemical composition, and physical and chemical properties. The only thing they have in common in terms of use-values is that they all contain carbon. If we include the most important non-carbon sources of energy, such as nuclear energy, thermo-dynamic sources of energy, reservoirs, etc., then there is not even a material property common to all forms of energy sources. What in general determines that these sources of energy are commodities on the market is that, like every commodity, they possess exchange-value. Their particular determination, and their second common property as commodities, is that they are related to each other *in the context of exchange-value*, because they are all different use-value forms of one and the same commodity.

Sources of energy that we initially abstract from by-products only have an exchange-value because they are the material bearers of one and the same form of commodity (energy), which is eventually transformed into heat under the various technical processes for changing materials. Therefore the value, and thus the market price, of a definite mass of the above-mentioned sources of energy, is a result of how much energy (expressed in calories) they eventually supply and how much it costs to separate the thermal energy from its material bearer.

In order to present clearly the mode of operation of the law of value in the international energy sector, we omit all those forms of energy sources which, because of their relatively small share in providing energy for the world, are of

Figure 1
World Consumption of Primary Energy, 1960-1969*



* In million metric tons of coal equivalent.
Source: United Nations, *Statistical Papers*, Series 1, No. 14/St/Stab/Ser I/14; *World Energy Supplies 1966-1969*, Table 1 S.6.

little significance and which have at present no influence in determining the value and price of energy sources. This includes all energy sources which do not contain carbon; as well as oil shale and natural gas. As Figure 1 shows, this leaves two main sources of energy in the world today – coal and crude oil.

It would be quite correct to assume that, as a particular use-value form of energy, crude oil displays considerable advantages compared to coal in all respects, from its immediate production to its transformation into thermal energy. In addition, the by-products of crude oil find numerous uses in all sectors of industry; but to get rid of the residues of coal requires actually additional costs.

Let us omit all the advantages of crude oil compared to coal in processing, and the highly valuable by-products from oil, and merely consider the mass of calories which crude oil and coal contain, respectively, as the main determinant of the market value and market price of both forms of energy source. Even then we must still admit that the individual price of production (cost price, including transport costs, plus average profit) of a tonne of coal, expressed in terms of the mass of calories it contains, is several times the individual price of production of a tonne of crude oil. Because of its particularly unfavourable use-value form, a much greater mass of capital is necessary to produce a given mass of energy in the form of coal than is required to produce the same mass of calories in the form of crude oil.

The productivity of labour in the production of crude oil is, therefore, several times higher than in the production of coal, as the material basis of the former is more favourable than that of the latter. As the material basis of the productivity of labour in the sphere is given by nature, and therefore cannot be generalized, the same laws operate which were derived under Section 2 above. Thus the individual price of production of coal regulates the market price for all other carbon-bearing use-value forms of energy sources because, firstly, coal has the highest price of production in the sphere and, secondly, there is a great demand for coal on the international energy market. We will now deal with the first of these factors.

Sources of energy are in practice related to each other by a conversion factor.[10] This indicates a connection in terms of value which must also exist between them in reality. Furthermore, the average market price of oil in Europe – even before the 'energy crisis' – was almost four times that of its total costs of production, transport, processing and distribution (see Section 5.1, Table 2, below); this proves that the market price is not formed on the basis of the actual costs of production (the individual cost price) of the oil itself. Instead, it is obvious that the market price of oil in Europe is regulated by the actual production costs of European coal, which is many times higher than the actual production costs of oil.

However, the individual prices of production of coal from various regions are quite different, just as the individual prices of crude oil from various areas also reveal significant differences. The individual price of production of crude oil in the Persian Gulf and in Africa, for example, is considerably lower than that of North American crude oil. Not only is the quality of the former higher,

it also contains on average less harmful impurities such as sulphur, etc., and more CUs [See note 10] (therefore in terms of CUs the production costs are lower). Furthermore, on the basis of the favourable conditions given by nature, the extraction of crude oil in the Persian Gulf and in Africa takes place in a more or less natural fashion at the earth's surface. The amount extracted for every well is up to a thousand times higher than it is in North America.[11]

In its turn, the individual price of North American coal is lower than that of European coal.[12] Here, too, the difference in the prices of production can be attributed to the difference in the natural conditions of production. The impurities in American coal (e.g. the ash content) are less, and the heat content is therefore higher than that of European coal. Thus the individual price of production of American coal (i.e. price per CU) is less than that of European coal. Further, the main deposits of American coal occur in a very suitable geological form and near the earth's surface: thus in comparative terms its production requires a smaller mass of capital than European coal which occurs in a less suitable geological form deeper under the earth's surface. In addition, the productivity of labour is higher in the American mines – this springs from capital itself. The technological level of production, and thus the organic composition of capital, is higher in the American than in the European mines.

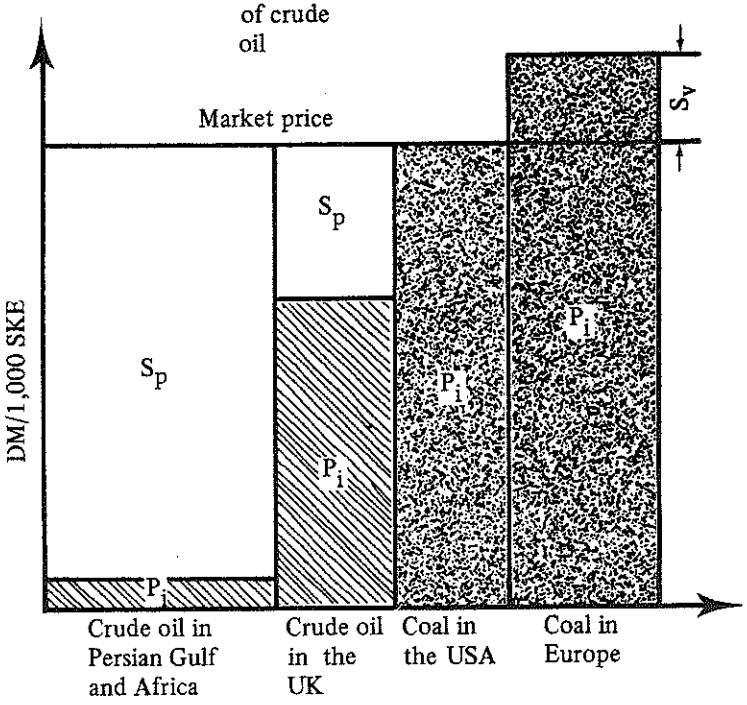
The average individual price of production of European coal is so high that it would long ago have been driven out of the market by American coal, and to an even greater extent by crude oil, had not its production been maintained by the 'socialization of losses'; either directly through the nationalization of the coal mines as in France and Britain, or indirectly in the form of subsidies to the industry. Numerous mines would have had to close and immense masses of capital (and therefore social labour) would have been annihilated because capital could not produce the average amount of surplus value, since the individual price of production of single capitals was above the general price of production regulating the market. Only the intervention of the state and political considerations have, in the most important European coal-producing states, prevented the closure of even more productive plants. By contrast, the capitals producing coal in America do manage to create an average amount of surplus value and therefore realize the average profit to be found on the market.

The individual price of production of American coal regulates the market value and market price of all sources of energy, inasmuch as its individual price of production obtains precisely the average profit. Therefore, although other sources of energy (like Europe) produce coal, and although they contribute to the energy market, their individual price of production is even higher than the individual production price of American coal. The market price of energy sources is not determined by the individual price of production of European coal because, from the standpoint of capitalism, the labour expended in this sphere is wasted labour and thus cannot be remunerated by capitalist society. Given that European coal can in general only be produced if

subsidized by the state, the market price for energy sources in the sphere is regulated as if European coal were non-existent in the energy market.

If we aimed to illustrate the ***exchange-value relations*** of the main energy sources on the world market – crude oil in the Persian Gulf and North America, coal in North America and Europe – and to show by means of a graph the relation between the market price for energy and the individual price of production of the respective energy sources (all converted to CUs, on the basis of the analysis given above), the following picture would result:[13]

Figure 2
Exchange-value Relations of Main Energy Sources on World Market



As Figure 2 shows, the productivity of labour in the energy sector is highest in the Persian Gulf and lowest in the European coal mines. Capitals which utilize the higher productivity of labour in the Persian Gulf obtain enormous masses of surplus profit,[14] since, as we established in Section 2.1 above, limits are set to competition in the extractive sphere by the fact that the higher productivity of labour, resting on a more favourable natural basis, cannot be generalized. Thus the socially necessary labour employed in the sphere, and therefore the market value and market price, only falls to the extent that it is possible to increase the *average* productivity of labour in the sphere through means arising from capital itself.

But, at first glance, the real development in the energy sphere seems to contradict this first modification of the law of value in the sphere of extraction. For the market price of the most important energy sources (price per CU) has remained constant for a long period – certainly this is true from the 1950s until recently.[15] In real terms, given the general devaluation of money, it has even fallen, although as we can see from the graph in Figure 1 and from Table 1 society's need for energy has increased enormously.

From the Marxist standpoint, this development means a huge increase in the productivity of labour. We shall see that such an increase cannot arise from capital. It also suggests a sharpening of competition in the sphere. How did this development take place? Has the first modification of the law of value in the energy sphere been abolished? What are the conditions of this abolition? Table 1 contains a partial answer to this question:

Table 1
Development and Structure of Consumption of Primary Energy

	World				*Western Europe*			
Source of Energy	*1960 Mill. CUs*	*%*	*1970 Mill. CUs*	*%*	*1960 Mill. CUs*	*%*	*1970 Mill. CUs*	*%*
Coal & other solid fuels	2,116	46.0	2,263	31.0	509	56.9	423	28.0
Oil	1,610	35.0	3,285	45.0	286	32.0	877	58.0
Gas	598	13.0	1,241	17.0	10	1.1	91	6.0
Hydro	276	6.0	511	7.0	89	10.0	106	7.0
Nuclear	–	–	–	–	–	–	15	1.0
Total	*4,600*	*100.0*	*7,300**	*100.0*	*894*	*100.0*	*1,512*	*100.0*

* Excluding nuclear.
Source: 'Gegenwartige und kunftige Probleme der Energieversorgung', Studie 7, Esso-AG, Hamburg 1973.

We can see from Table 1 and from Figure 1 that, with the continual rise in world energy requirements, the structure of distribution between the main energy sources has constantly changed. The share of solid fuels, and therefore of coal, in world energy production has continually fallen (although its absolute production has remained almost constant); and the share of liquid fuels, and thus of crude oil, has continually risen. There has been increased competition between capitals producing different energy sources, as a result of which the capitals producing crude oil have been able to considerably enlarge their share of the market in the total production of energy at the expense of the capitals producing coal.

Therefore, the first modification of the law of value in the energy sphere has actually been abolished by the fact that those capitals which utilize a higher productivity of labour because of the more favourable natural basis of their productive forces have considerably enlarged their share of the market. *From the standpoint of the law of value, the effect of the capitals which utilize a higher productivity in the sphere, thereby enlarging their share of the market, is the same as if the average productivity of labour itself in the sphere had been increased.* The consequence of this, as was apparent for decades in the energy sphere, was a tendency for the market price to fall. The underlying reason was that, as a result of the continual fall in the average socially necessary labour in the sphere, the market value tended to fall.

While, on the one hand, therefore, the general price of production regulating the market in the energy sphere has fallen, the individual price of production of those capitals producing coal has remained constant, or at least in Europe has not fallen so far that they could have produced an average amount of surplus value without direct or indirect subsidy from the state (as in England, France and West Germany: cf. Figure 2).

This is only a partial answer to the question posed above. For, on the one hand, the supplies of natural sources of crude oil (for the time being the most favourable natural basis for the productivity of labour) are limited in the sphere, a limitation which is today more concrete than for any other natural raw material. On the other hand, the raw materials of the world, including sources of crude oil, in whatever form and wherever they occur, are subsumed under landed property. It is clear that the particular form of landed property in the sources of raw materials is not private property but, as a rule, communal ownership. The ruling class as a whole is therefore the indirect proprietor of the sources of raw material, and the relationship of these sources to landed property is regulated by means of the state which represents this class.[16]

But the relationship of capital to landed property is only the *form* in which private property of the sources of raw materials distinguishes itself from communal property, just as it is only a change of form when private property in agricultural land goes over to state property:

> Landed property is thus negated from two sides; the negation from the side of capital is only a change of form, towards its undivided rule. (Groundrent as the universal state rent (state tax) so that bourgeois society reproduces the medieval system in a new way, but as the latter's total negation.)[17]

The formal transformation of landed property, and the transformation of private property into the property of the state which represents capital, does not mean the abolition of the particular relationship of landed property to capital. In these conditions, groundrent is transformed into 'general state taxes', but is not abolished. We have seen elsewhere that this particular relationship, in which landed property operates as an immediate barrier to capital, can only be completely abolished if the limitation of the land and the sources of raw materials is completely abolished.[18]

Given the limitation of the conditions of production immediately set by nature, and assuming that these conditions of production are subsumed under communal property, the proprietor state of a society is related to capital as the real proprietor, although the state essentially operates as the ideal total capitalist in this society. *It follows, therefore, that on the level of the world market landed property, even if it is state property, only sets limits to the capital operating on landed property if the state which appears as the ideal total proprietor is at the same time far from appearing as the direct representative of that capital.*

But how is it that, in practice in the energy sector, landed property in the sources of crude oil does not operate as a barrier to capital, and therefore does not set limits to the competitive struggle of individual capitals in the sphere, seeing that the production of crude oil has increased at the expense of coal? Further, we have to ask under what conditions landed property as such cannot be effective in modifying the law of value (as derived in Section 2.2 above).

This set of questions can only be answered in connection with an analysis of the historically specific inter-imperialist class relations and the transformations they are subject to in the oil industry.

4. Class Relationships within Imperialism and their Transformation on the World Market

4.1 The Historical Relationship of Capital to Landed Property: The Origin of OPEC

Two essential forms of landed property are to be distinguished – the old form of landed property in pre-capitalist society, and its modern form in bourgeois society:

> By its nature as well as historically, capital is the *creator* of modern landed property, of groundrent; just as its action therefore appears also as the dissolution of the old form of property in land. The new arises through the action of capital upon the old.[19]

In the explanation above, we have always assumed that we were dealing with the modern form of property when discussing landed property as a

barrier to capital. For only with the development of the capitalist mode of production in the spheres of production subsumed under landed property is landed property in a position to appropriate as groundrent a section of the surplus value produced:

> In so far as commodity-production and thus the production of value develops with capitalist production so does the production of surplus-value and surplus-product. But in the same proportion as the latter develops, landed property acquires the capacity of capturing an ever-increasing portion of this surplus-value by means of its land monopoly and, thereby, of raising the value of its rent and the price of the land itself.[20]

Capital and modern landed property are dialectically related to each other. Capital, itself the product of the destruction of the old relations of landed property, creates modern landed property and transforms it into its opposite: 'Capital arises out of circulation and posits labour as wage labour; takes form in this way; and developed as a whole, it posits landed property as its precondition as well as its opposite.'[21] Once it is fully developed with capital as a whole on a national scale, modern landed property must be abolished as a barrier to capital if, historically, capital as a social relationship still capable of development is to establish itself.

In fact, capital initially abolishes landed property as a barrier on a national level. This process occurs by capital historically transcending the limitation of the conditions of production immediately given by nature: it overcomes national barriers and for the first time creates the capitalist world market (to be distinguished from the already established world trade market). It operates on this market, in which the land, the soil and sources of raw material are available to a relatively unlimited extent. If these are available at an international level to a relatively unlimited extent, national landed property ceases to operate as a barrier to capital (see Section 2.3). But it must be stressed that this will only happen if capital manages to overcome the barriers to accumulation in the form of landed property on an international level. *To this extent the subsumption of international landed property under capital as a historical condition of its development is the reverse side of capital's initial negation of national landed property.*

International landed property was, in our view, subsumed under capital during the second half of the 19th century either by a process of direct annexation or colonization, or indirectly by the incorporation of the economy which rested on landed property into the world market ruled by capital.[22] Under these special conditions, when capital is in a position to have unrestricted use of the relatively unlimited conditions of production given by nature, it doesn't have to give up the entire surplus profit to landed property.

Capital's profit is only limited to the extent that it must utilize a part of the obtained or expected surplus value to establish the general conditions of production. This includes not only an infrastructure and administration indispensable for capitalist production, but the costs of the reproduction of the forms of rule resting on the pre-capitalist relationships of landed property. For, the particular relationship of capital to landed property in which the latter does not operate as a barrier to the former can only exist as long as the pre-capitalist relationships of class and landed property can be maintained.

For their part, the ruling classes of pre-capitalist societies, as the indirect exclusive proprietors of the national land, and sources of raw materials of these societies, are quite satisfied with a payment from capital for utilizing their landed property as the natural basis of its production. This is a kind of pre-capitalist groundrent, on which their power and domination has rested since time immemorial.

It is clear that this payment, this groundrent, has nothing whatsoever to do with capitalist groundrent created by capital itself; and that this tribute paid by capital to landed property constitutes only a small portion of real capitalist groundrent, of the surplus profit obtained by capital as a whole. In so far as pre-capitalist landed property does not operate as a barrier to capital, it in no way excludes the land or raw material sources from production in order to force up groundrent. Thus capitals in the sphere of raw materials production, including the production of energy sources, can compete with each other by employing increasingly favourable natural bases for their production in pre-capitalist societies. Assuming that more favourable natural bases of raw material production are actually present to a sufficient extent in pre-capitalist societies, individual capitals can do this by increasing the productivity of labour employed by them and by attempting to force down their individual price of production. *It is therefore clear why in the sphere of energy production, although the natural basis of production is limited and is subsumed under landed property, the former appears to capital to be unlimited; and why therefore competition can take place in the sphere and the law of value operate.*

It is also clear why, for several decades, it was not landed property, and in the case of crude oil production the countries providing crude oil, but capital (and thus the multinational oil companies) which could determine the volume to be produced, the market price and even the amount of the groundrent to fall to landed property. The question now is the following: how and in what conditions has a clear change of tendency in the relationship of capital to landed property in the case of crude oil production begun to manifest itself since the beginning of the 1970s?

We have explained above that only landed property as a pre-capitalist form remains subjected to capital and therefore it does not operate as a barrier to the latter. From this standpoint it is possible to derive the direct interest of capital in maintaining pre-capitalist forms of rule which rest on landed property. This direct interest of capital also reflects itself historically in the decades of unconditional support given by imperialism to despotic forms of rule in those pre-capitalist societies rich in raw materials.

For a whole epoch it was possible for capital to maintain the forms of rule resting on pre-capitalist relationships of landed property by means of political

intervention and military force whenever there was a danger of the dissolution of the old conditions. But what capital cannot and does not do is hinder the dissolution of pre-capitalist relations of production and the development of the production of capitalist surplus value. This is because capital itself is the real cause of the destruction of pre-capitalist landed property, as well as being the immediate bearer of the capitalist mode of production into pre-capitalist societies.

At the turn of the 18th century when capital penetrated into the agriculture of England, and later into that of colonies, it initially destroyed pre-capitalist landed property as its condition and transformed the former into its opposite. To draw an historical parallel over 150 years later, capital in the international sphere is now destroying the pre-capitalist landed property of societies rich in raw materials and forcibly transforming it into its opposite.

Once capitalist surplus value production has established itself as the determining form of production in formerly pre-capitalist societies, and once the class relationships have been fundamentally transformed, then the ruling class ceases to be satisfied with the fact that it places at capital's disposal the natural basis of production of raw materials which it owns. It ceases to be satisfied merely with tribute from capital, once its own power rests on the production of surplus value. It begins to put an end to the indiscriminate exploitation of national raw materials by capital, especially foreign capital. It tries to stop the competitive struggle of capitals to increase the productivity of labour by utilizing at all costs a more favourable natural basis, and in this way attempts to have an influence on the formation of the market price in the particular sphere concerned.

The ruling classes of these societies, as the actual proprietors of the sources of raw material, themselves begin to determine the amount of tribute paid to them. They force up the tribute to the amount really owing to them as landed proprietors in the capitalist world system (the entire surplus profit obtained by capital as a result of utilizing a more favourable natural basis of production). *Provided that quite definite political conditions obtain, then the competition of capitals to acquire particularly favourable natural sources of raw materials will ensure that the entire surplus profit obtained by utilizing these natural sources is transformed into capitalist groundrent and is appropriated by the proprietor state.*

The transformation process (described above) of the old relationship between capital and pre-capitalist landed property into a new relationship between capital and the modern landed property it created began a long time ago, and we are only now experiencing its consequences. The change in the relationship between the multi-national oil companies and the oil-rich societies is therefore neither the result of the particularly clever politics of a few Harvard graduates in the oil-providing countries, nor the result of the bad foreign policies of the U.S.A. Nor is the last Arab-Israeli War of 1973 in the Middle East itself the real cause of this change of tendency, as it is simplistically presented by the bourgeois press and politicians. Rather, it is the result of the development of capitalism in the oil-rich societies themselves. The War

only accelerated the change of tendency.

Of course, we cannot conclude from this that the capitalist mode of production has already established itself in all these societies. Nor can we conclude that with the development of national capitalism these societies have already become completely independent economically and politically. Further, we cannot conclude that the most capitalistically developed societies must automatically play the leading political role in the upheaval of relations between the multinational oil companies and the oil-providing countries. Too many factors play an influential role for the relationship of economics to politics to be reduced to this simplistic picture.

Among such influential factors, for example, are the particular internal political structure, the level of political and military dependence on imperialism, and the dependence of the other sectors of the national economy on the world market. Further, the particular balance of forces between the socialist states and the capitalist states, as a real power relationship, cannot be left out of account. This is a factor which has a decisive effect not only on the function of a single state in this process of transformation, but also on the overall change of tendency in the relationship of the oil-providing countries to the multinational oil companies. This relationship of forces and the real power of the socialist states has, it is true, neither brought about nor given rise to this change of tendency; but it has favoured its development and, right from the start, prevented the use of military force by imperialism to counteract this tendency.

Libya, one of the least capitalistically developed countries supplying crude oil, has, next to Algeria, played the leading role in bringing about the change in the relationship between the multinational oil companies and the countries supplying crude oil, and not only in its pricing policies. Again, Iran, next to Saudi Arabia the most capitalistically developed country, has acted as a brake.[23] At the same time, it is clear that Libya could only play the leading role in the negotiations between the OPEC states and the oil companies because the objective conditions for a change of tendency in the most important OPEC states were already present. Sooner or later these states would themselves have had to take similar steps, as was shown by the foundation of OPEC itself – the institutional condition of a necessary change in the old relationship between the multinational oil companies and the oil-supplying countries. Thus, if the Libyan government had tried to take the same measures before the establishment of OPEC as it has since 1971, it would in all probability not have succeeded.

Historically the first attempt to bring about a successful change in the relationship between world capital and landed property during the present period is that of the national bourgeoisie in 1951 in Iran. The dissolution of the pre-capitalist relationships of property and production was very far advanced in Iran, and the national bourgeoisie under the leadership of Dr. Mossadegh threatened the interests of imperialism, and its domestic allies at that period (the class of large Iranian landowners), with its nationalization of all BP's oil installations. But by means of an externally organized economic boycott and

internal conspiracy, imperialism was able – just as it was in Chile in 1973, although at a qualitatively different level – to prevent the national bourgeoisie from taking power. This first attempt failed because the objective conditions in the other oil-producing states for transforming the relationship between world capital and landed property were still completely lacking at that time.

Before concluding this section, we still have to look at the logical consistency of the historical development of the relationship between capital and landed property. First of all, we must draw together what has already been said in relation to this question. Capital itself, as the destroyer of pre-capitalist relations of landed property, first develops on a national level and creates modern landed property on this same level. It then transforms this landed property into its own opposite. National capital abolishes this antithesis by making itself into world capital. The other side of this abolition is the suppression of pre-capitalist landed property on the international level. In this way, the original relationship between capital and landed property is historically reproduced, but this time on the international level and with the difference that now, because capital is already a finished product, pre-capitalist landed property represents the condition, not of its origin, but of its further development. But this further development on an international scale presupposes the destruction of pre-capitalist relations of landed property – a process which has accelerated in the present period.

Once the capitalist mode of production is established in all pre-capitalist societies, the old pre-capitalist form of international landed property is transformed into its modern form. In this way, the old antithesis between landed property and capital is reproduced historically, but this time on the international level. *It also follows from this historical relationship between capital and landed property that this antithesis, because it is now fully developed, can only be abolished with the capital relationship itself.*

4.2 Wage Labour, Capital, Landed Property and the Dual Character of the National State on the World Market

The above explanation attempted to establish the development of modern landed property as an economic power and as a barrier to capital on the world market. The emergence of organizations like OPEC and the International Energy Agency (I.E.A.), which include exclusively oil-owning states and capitalist, oil-consuming states respectively, makes it seem that two groups of states representing the interests of either landed property or capital confronted each other.[24] The real relationships are quite different.

Just as on a national level *capital* in reality exists in single capitals, *landed property* in individual landed properties, and *wage labour* in the wage workers of one factory, so likewise these exist on the world market in their individual fractions: as *national capital, national landed property,* and *national wage labour.* The classes of landed proprietors, the bourgeoisie and the working class relate to each other directly on a national level as independent political powers. Outside the national state, this relationship is quite different. On the world market this relationship is modified by the nation state, as these classes

constitute themselves in the context of their specific local, historical and cultural peculiarities. Regarding the explanation of the relationship between capital and landed property as it really presents itself on the world market, what follows is not that the 'international bourgeoisie' meets the 'international class of landowners'; it is rather that nation states which represent national capital and national landed property as an organic unity, confront each other politically and economically. The antithesis between capital and landed property on the world market does not mean that states split into two essentially different groups which must line up at one or other of the two poles of this antithesis. *Instead, this antithesis appears as a contradiction established within every individual state. This also determines the dual character of the state, insofar as a landowning state is at the same time a capitalist state, and a capitalist state is a significant landed proprietor owning sources of raw materials.*

If, however, the nation states subject to such a dual determination join forces within opposing institutions such as OPEC or I.E.A., which represent and defend exclusively either the interests of landed property or the interests of capital, then in one case the interests of landed property, and in the other the interests of capital, prevail as the *decisive* interests of the nation state. This explains why the institutions of landed property on the world market were historically created by the countries of the 'Third World', and those of capital by the developed capitalist countries. Thus the interests of capital in the 'Third World' countries are marginal on the world market, in view of the less developed level of capitalism in such countries by comparison to landowning interests, as important producers and exporters of raw materials. In contrast, the interests of landed property in the developed capitalist countries scarcely come into consideration, given the high level of development of capitalism in these countries, even though in absolute terms they may have at their disposal greater sources of raw materials than in other countries.

The determination of the real antithesis between capital and landed property on the world market, which manifests itself in the dual character of nation states, helps to explain some important aspects necessary for the analysis of class relationships. *The contradiction between the divergent economic and political interests of the landowning states of the 'Third World' and of the O.E.C.D. states which occurs on the world market is not an antagonistic contradiction. Capitalist landowning states of the 'Third World' are organic components of the world market.* The national capitals of countries such as Chile, Iran, Indonesia, Nigeria, Zaire etc. are, despite their local independence, the least developed individual parts of international capital, just as the barbaric military dictatorships of these countries represent merely the localized domination of imperialism. True, the national capitalist classes of the countries of the 'Third World' are, on the one hand, as the landowning classes of their countries in a position to utilize their landed property for the appropriation of groundrent. Therefore they can redistribute surplus value in favour of their national accumulation fund. But on the other hand, as a component of the international bourgeoisie, they are forced, in view of the associated

dangers for capitalism, to recognize and take into account the limits of their power. Similarly, the developed capitalist states are forced to recognize the sovereignty of the nascent bourgeois classes in the countries of the 'Third World', which they themselves have brought into being; they are forced to make concessions to them, given their mutual interests and structural interdependence.

The organic and structural coincidence of both blocs means that we are *not* dealing with economically and politically homogeneous, monolithic unities. Instead, both blocs are characterized by internal contradictions which arise from distinctive national interests. These interests also explain the varying positions of the states which are within both blocs. Mexico, as a capitalist country of the 'Third World' and an oil proprietor on the world market, can flirt with the O.E.C.D. states (especially the U.S.A.), instead of joining OPEC, as long as its capital interests outweigh those of its landowners. If this country becomes an important oil-exporting country, as has in fact been predicted, it will have to stop wavering between its landowners and capital and instead join the land-owning states of OPEC. Algeria and Libya, whose national economies have not yet been completely subordinated to the conditions of the world market, can for precisely this reason occupy a radical position within OPEC in relation to further increases in the price of oil. Iran, whose national capital is an integrated component of world capital, occupies a radical position as an oil proprietor, but at the same time, in regard to the intensification of the crisis of the capitalist world economy, ultimately resigns itself to a moderate position which is compatible with the interests of capital. [Publisher's note: this chapter was completed before the Iranian Revolution of 1978-79.]

In my opinion the contradictions within the O.E.C.D. states are even sharper. The U.S.A. commands extensive natural sources of almost all raw materials and is thus the most significant landowning state in the world as a whole. On the world market, however, its capital interests far outweigh its landowning interests, as it has scarcely any significance as a raw materials exporting country, while as an exporter of capital it occupies by far and away the most important position. The relative independence of the U.S.A. in the provision of national raw materials, and the function of the American state in providing the most effective political and military representation of the interests of capital on the world market, explains why its government adopts a radical position in all confrontations with the landowning states of the 'Third World', not excluding the use of force. On the other hand countries like Canada, South Africa, and Australia, which are amongst the important raw material exporters in the bloc of the O.E.C.D. states, often seem to stand closer to the positions of the landowning states in safeguarding their interests, especially in the discussion of the 'New International Economic Order'. Further, it is quite conceivable that O.E.C.D. states like Norway, and probably England, which in the near future will be transformed into important oil exporters on the basis of North Sea oil, will leave the O.E.C.D. (or even the E.E.C. in England's case) and join OPEC. But this will only happen if, in the longer term, they can more effectively represent their total national state

interests by their power as an oil-landowning state. (For further analysis see Section 6 below.) Such a change of position by England, including even only a verbal willingness to join OPEC, must finally destroy the last illusions of naive anti-imperialists about the actual character of such institutions as OPEC.

Finally, the constitution of international landed property, and thus of the relationship between capital and landed property, on the world market also has decisive consequences for the workers' movement and its strategy. In the economic and political conflicts between nation states on the world market resting on the antithesis between capital and landed property, the national working classes are hopelessly subjected to the nation state interests of one or other class – the capitalist or the landowning class. The national working classes can only represent their specific class interests when they create their own international economic and political institutions, which oppose the power of capital and landed property in an *independent and unified* way. The constitution of the working class as an international class, overcoming national limits, is also the essential precondition for abolishing the power of the classes of capital and landed property, and therefore of abolishing the contradiction between these classes on the world market. Thus the manifold determined contradictions on the world market have reduced themselves to the contradiction between the class of international capitalists (landowners) and the international proletariat, of which the proletariat of the countries of the 'Third World' also forms an organic component. Thus the material basis for anti-imperialist policies that involve alliances with the non-proletarian classes in the countries of the 'Third World' was dissolved long ago. In the interest of a consistent anti-capitalist strategy on a world scale, attention must be paid to this new development.

5. Surplus Profit from Oil: its Sources, Distribution and Redistribution

5.1 The Structure of the Market Price for Oil: The Sources and Forms of Surplus Profit from Oil (Groundrent, Surplus Profit from Capital, Petroleum Tax)

It is of fundamental importance to distinguish between the posted price and the market price for oil. Before the 'energy crisis' of 1973-74 the posted price for oil was fixed by contract between the multinational oil companies and the oil-producing countries. This price was used as the basis for calculating the taxes and royalties (groundrent) to be paid to the producing countries.

On the other hand, the market price for oil is in fact determined on the world market in competition with other sources of energy. As the data in Table 2 show, an average market price for crude oil realized on the European energy market in 1972 prior to the 'energy crisis' came to four times its posted price.

Table 2
Breakdown of an Average Price of a Barrel/Ton of Crude Oil as paid by the consumer in Western Europe*

	First Quarter 1972	
	$ per barrel of crude oil	*$ per ton of crude oil*
Average host government take (taxes and royalties)	1.75	12.25
Average consumer government take+	5.60	39.20
Average cost of industry operations (production, transport, refining, marketing/distribution, incl. downstream corporation taxes)	2.70	18.90
Average industry margin (for reinvestment and distribution to shareholders)	0.35	2.45
Weighted average gross proceeds per barrel/ton of crude	*10.40*	*72.80*

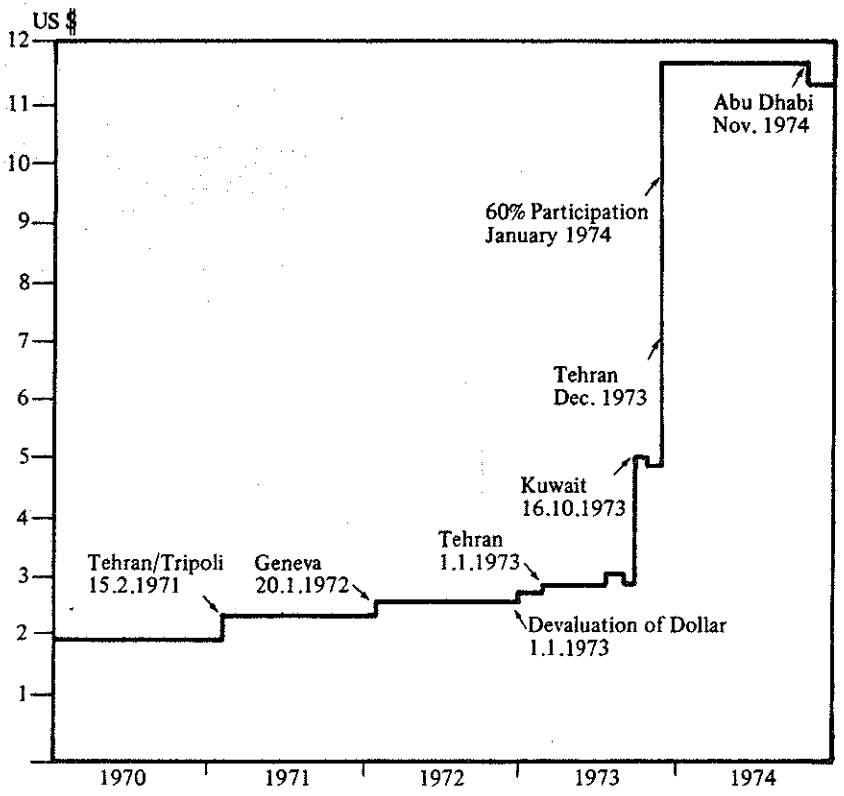
*Countries include United Kingdom, France, Italy, Benelux, and Sweden.

+This item does not, in reality, consist of duties charged on energy as such. A large proportion of this form of taxation represents a recoupment of financial burdens assumed by the community at large for the benefit of road transport.

Source: O.E.C.D., *Oil: The Present Situation and Future Prospects,* Paris, 1973, p.176.

What has been proposed and defended theoretically in Section 3 above is that the actual market price for crude oil is governed by the individual cost of production of coal on the world market. This hypothesis will now be argued in more detail and empirically substantiated.

Figure 3
Oil-producing Countries' Share of Posted Price and Groundrent for Crude Oil, 1970-1974*



* In U.S. $ per barrel for Arabian light 34° A.P.I.

Source: Jonas, R., and Minte, H., *Petrodollar*, Bonn 1975, p. 32.

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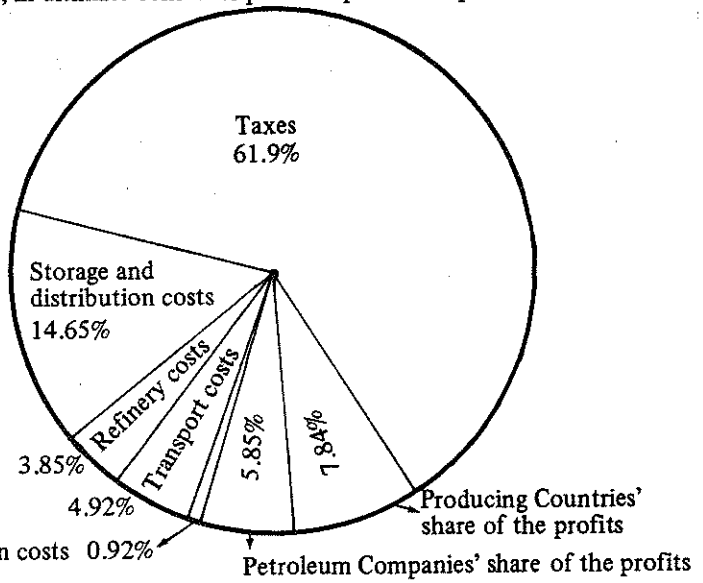
Source: Jonas, R., and Minte, H., *Petrodollar,* Bonn 1975, p. 32.

In the year 1972, approximately only one-quarter of the average market price for crude oil (then $ 72.80 per tonne) consisted of the total actual costs incurred. The difference between the market price and costs, i.e. the remaining three-quarters of the market price ($ 53.90 per tonne), was appropriated by the oil-producing countries, the oil companies and the oil-consuming countries in the form of groundrent, surplus profit and petroleum

tax respectively.[25] Figure 4 below shows a similar structure for the market price of petroleum products as Table 2 above.

Figure 4
Share of Costs, Taxes and Profits of Producing Countries and Oil Companies Compared, in ultimate consumer price for petroleum products



Source: Burgbacher, Fritz, 'Aktuelle Ol-und Energieprobleme und ihre mogliche Losung', in *Gluckauf 110,* Essen 1974, p.63. The negligible difference in the data on the components of the market price for oil in Table 2 and Figure 4 are probably a result of the fact that Figure 4 takes as its basis a market price which also includes, besides petroleum tax, the other usual taxes – sales tax, V.A.T. etc.

The data of Table 2 and Figure 4 respectively lead one to conclude that the market price levels for petroleum and petroleum products respectively are not determined and regulated by their individual cost prices (production costs). At the same time, the relatively high profits appropriated by the oil companies and the oil-producing countries can in no way be ascribed to arbitrary actions based on their collective political power, given that, as the development of the listed prices for petroleum shows,[26] even before the international 'energy crisis' both the landowning states and the oil companies were in competition to some degree. Even less can the levying of petroleum taxes on imported crude oil at the unique and unprecedented level of $ 39.20 per tonne – i.e. at 54 per cent of the market price of $ 72.80 per tonne (cf. Table 2) – be explained as a voluntaristic act on the part of the governments of the oil-

consuming countries, since this tax,[27] unlike all other forms of taxation, is not as a rule imposed by a single country but by all the West European oil-consuming countries.[28] Until now it has not been levied sporadically but on a regular basis ever since crude oil was first imported into West Europe. Table 3 illustrates this in relation to West Germany; in all the years before the 'energy crisis' the level of petroleum tax was almost twice the import price of crude oil.

Table 3
Development of Crude Oil Imports, Petroleum Tax, Import and Market Prices of Crude Oil in West Germany, 1954-1975

Year	*Crude Oil Imports (million tonnes)*	*Total Petroleum Tax (million D.M.)*	*Petroleum Tax per tonne (D.M. per tonne)*	*Import Price Arabian Light c.i.f. (D.M. per tonne)*	*Market Price (D.M. per tonne)*
1954	5.98	0.810	135.4	85.0	220.4
1956	8.00	1.510	188.6	96.0	284.6
1958	10.89	1.822	165.3	93.5	258.8
1960	23.27	2.664	114.5	85.3	199.8
1962	39.56	3.699	93.2	76.3	169.5
1964	51.84	6.071	117.2	74.9	192.1
1966	68.81	8.016	116.5	66.9	183.4
1968	85.70	9.875	115.2	67.8	183.0
1970	98.79	11.512	116.8	68.3	185.1
1971	100.23	12.417	123.8	78.2	202.0
1972	102.60	14.227	138.8	71.7	210.5
1973	110.49	16.589	150.2	81.9	232.1
1974	102.54	16.052	158.0	213.3	371.3
1975	88.41	17.121	193.0	216.9	409.9

Source: Massarrat, M., *Weltenergieproduktion,* op. cit., ch. 13.1.

The fact that petroleum taxes can be levied independently of time and place by all the oil-consuming countries of Western Europe proves that these taxes are an economically determined component of the actual market value, i.e. the market price, of crude oil. This price must, therefore, also be explained in terms other than a mere political act of the oil-consuming countries dictated by national considerations.

The market price component appropriated by the oil-consuming countries' petroleum taxes could have been appropriated instead in the form of additional groundrent or extra profit by the oil-producing countries or the oil companies respectively, because it existed independently of the oil-consuming countries. However, the reason why this component has been appropriated

precisely by the oil-consuming countries and not by the landowning countries or the oil companies is explained in detail elsewhere.[29]

Petroleum taxes, we must conclude, are not the cause of the unusually high difference between the cost price and the market price of crude oil but, on the contrary, are the consequence of this great difference. The oil-consuming countries are able to levy such high petroleum taxes on imported crude oil because even then this source of energy remains able to compete with other energy sources which are scarcely taxed at all. Coal is an example – its market price can be realized on the world market despite higher petroleum taxes. Finally, what has been argued above for the unusually high petroleum taxes also applies to the existence of groundrent for oil-producing countries and the extra profit of oil companies.

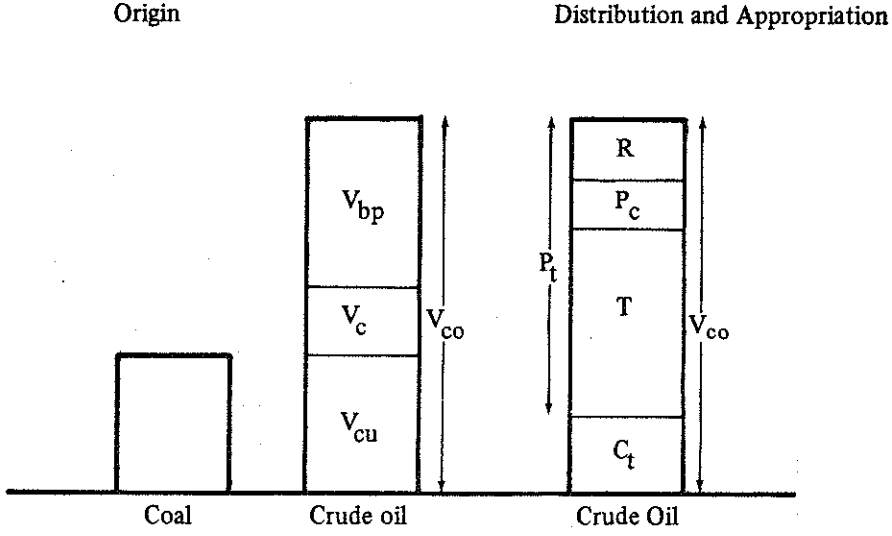
It is clear from the above arguments that the oil-producing countries, the oil companies and the oil-consuming countries, by means of groundrent, surplus profit and petroleum tax respectively, have all taken a share in the margin between the actual costs of production and the actual market price of crude oil. We shall now analyse the different components of the actual value of crude oil.

On the level of abstraction used in Section 3, the value relationships between different energy sources were considered exclusively with regard to the thermal energy contained within them. The uniform market price represented graphically in Figure 2 expresses the market price of the thermal energy contained in various raw materials. In examining the actual value of energy resources, however, further factors must be taken into consideration. In addition to thermal energy, crude oil also contains valuable by-products such as motor fuel, naptha, lubricating oil, bitumen, etc., which can be extracted from it with considerably less effort than from coal. On the basis of the results summarized here[30] the structure of the value of crude oil can be subdivided according to its origin, distribution and appropriation.

The basis of crude oil's market value is the value of the thermal energy it contains, given that crude oil products are used essentially to produce thermal energy.[31] The value of thermal energy contained in crude oil (measured in CUs) is, as proved above, determined by the value of the thermal energy in the same amount of coal. This most important component of the market value of crude oil shall be termed V_{CU}. The production of thermal energy based on oil requires less expenditure of effort than such production based on coal.

A definite amount of CUs in the form of crude oil as an energy resource represents *per se,* therefore, a higher value than the same quantity of CUs in the form of coal. This difference is precisely equivalent to the differential amount of effort necessary to convert both energy resources into thermal energy. This component of the market value of crude oil shall be termed V_c. Finally, we term the value components of the market price of crude oil which constitute by-products as V_{bp}. The actual market value of crude oil (V_{co}) consists of: $V_{co} = V_{CU} + V_c + V_{bp}$ (cf. Figure 5).

Figure 5
Structure of Market Value of Crude Oil by Origin and by Distribution and Appropriation



Both factors, V_c and V_{bp}, also explain why the actual market value of crude oil as a raw material, as will be shown empirically below, is considerably higher than the market value of coal, although the production costs of the former are considerably lower than those of the latter. The market value of crude oil (which, as illustrated above, is made up of various components), is one side of the analysis. The other side is the distribution of the mass of value embodied in crude oil between various classes, countries etc. *The market value is determined by economic laws of the value-formation process in the world energy sector, and the distribution of the amount of value embodied in crude oil arises from the historically determined power relations of different classes in the capitalist world market.*

We shall denote the value component in the form of machine depreciation and the use of materials, as well as in the form of wages in production, transport, refining and marketing, as total cost price C_t. The difference between the market value and the total cost price of crude oil is total profit – P_t. This is distributed among oil-consuming countries in the form of petroleum taxes – T; among the oil companies in the form of company profit – P_c; and among oil-producing countries in the form of royalties and taxes – R. Hence the total quantity of value, V_{co}, embodied in crude oil is divided as follows:
$V_{co} = C_t + P_t = C_t + T + P_c + R$.

5.2 Distribution and Redistribution of the Surplus Profit from Oil

An analysis of the structure of the market price for oil and a detailed explanation of the source of total profits (normal profit plus surplus profit) allows us

to demonstrate empirically the development of the distribution and appropriation of surplus profit from oil. In the struggle over the distribution of surplus profit from oil, the posted price acquires decisive significance. Up until the end of the 1960s the multi-national oil companies were able to keep the share of the oil-producing countries' groundrent as low as possible by means of the low level of the posted price for oil which was, in fact, dictated by them. With the formation of modern landed property (as already explained in Section 4) and given that the oil-producing states of the 'Third World' were able for the first time in history through the setting up of OPEC to organize their *de facto* monopoly power as owners of the most profitable oil wells in the world, they were able to transform the posted price for oil into the economic lever for the redistribution of surplus profit from oil.[32] Thus by drastically increasing the posted price for oil, the OPEC countries were also able to increase significantly their share of the groundrent as a proportion of the surplus profit from oil. The 'energy crisis' of 1973-74 must therefore be seen as the result of a change in class relations on the world market and as the result of the struggle for the redistribution of the surplus profit from oil.

The actual scale of this distribution of the surplus profit from oil between groundrent – R – of the oil-producing countries, company profit[33] – P_c – of the oil companies, and petroleum tax – T – of the oil-consuming states before and after the 'energy crisis' of 1973-74 will now be examined.

In the interests of a uniform empirical portrayal of the development of the distribution of the mass of oil profits, numerous conversions must be made when we use empirical sources.[34] It has to be emphasized that this fact makes it essential to consider the calculations that follow as only relatively accurate. However, in no case is there a serious discrepancy between individual data taken from various sources and the results enumerated below which are systematic, cover a long period, and are the outcome of the utilization of extensive data.

Here we shall limit ourselves to a comprehensive outline of the results for all components of the surplus profit from oil. These results have been calculated in detail elsewhere.[35] Table 4 and Figure 6 present a synopsis of the development of the average shares in the surplus profit produced from one tonne of crude oil of the oil-producing countries (in the 'Third World'), the oil companies and the oil-consuming states.

The data from Table 4 and Figure 6 allow one to draw the following important conclusions: (i) In the 1960s, with the reduction in the real world market level of energy prices, the surplus profit from oil also fell. This is an indication of and additional evidence for the heightened form of competition between capitals in this period in the world energy sector; (ii) After the tremendous leap in the posted price of oil after 1973, the oil-producing countries appropriated a groundrent actually higher than the total surplus profit which in 1972 (before the 'energy crisis') had been created by the production of one tonne of oil and appropriated by all the parties concerned. This fact shows particularly clearly the real aim of the oil-producing countries, which was by means of posted price increases in 1973-74 to appropriate the entire oil

surplus profit as groundrent.[36] The fact that the oil companies continued to appropriate surplus profit after 1974, and were in fact able to increase it in absolute terms, is due to structural changes in the world energy market after 1974, as the result of which the actual value and price levels of the energy sources also increased.[37]

Table 4
Structures and Components of Surplus Profit from Oil (OPEC average values)

Year	*Groundrent*		*Company Profit*		*Petroleum taxes in importing countries*		*Total Surplus Profit from oil*	
	$ per ton	*%*	*$ per ton*	*%*	*$ per ton*	*%*	*$ per ton*	*%*
1945	1.82	-	4.90	-	-	-	6.72	-
1950	2.16	11	4.95	25	12.40	64	19.50	100
1955	5.50	11	5.39	11	39.90	78	50.79	100
1960	4.88	12	5.49	14	28.60	74	38.97	100
1962	4.99	15	5.70	17	23.20	68	33.89	100
1964	5.75	14	5.62	14	29.40	72	40.77	100
1966	6.04	15	6.05	15	29.00	70	41.09	100
1968	6.29	15	6.16	15	28.80	70	41.25	100
1970	6.26	15	6.14	15	29.00	70	41.55	100
1971	8.17	17	5.94	12	35.20	71	49.31	100
1972	10.14	17	5.69	9	43.30	74	59.13	100
1973	14.64	18	8.67	11	55.70	71	79.01	100
1974	63.02	46	14.09	10	60.80	44	137.91	100
1975	62.78	42	13.22	9	74.20	49	150.20	100

Source: own estimates. See Massarrat, M., *Weltenergieproduktion,* op. cit., ch. 16.

Not all the participants have been able to appropriate increased surplus profit shares from each tonne of crude oil produced in the 'Third World'. The advanced capitalist oil-consuming countries of the O.E.C.D. (excluding the U.S.A. and Canada) could, of course, only secure surplus profit on that part of the annual crude oil production of the OPEC countries which was actually imported by them. As for the surplus profit of the oil companies, it relates only to that part of production which they controlled in their concessionary areas. This is also the reason for the difference between the share-out of surplus profit obtained per tonne (see Table 4) and the share-out of the surplus profit which the oil-producing countries, the oil companies, and the oil-consuming countries have been able to appropriate *in toto* (shown in Table 5).

Figure 6

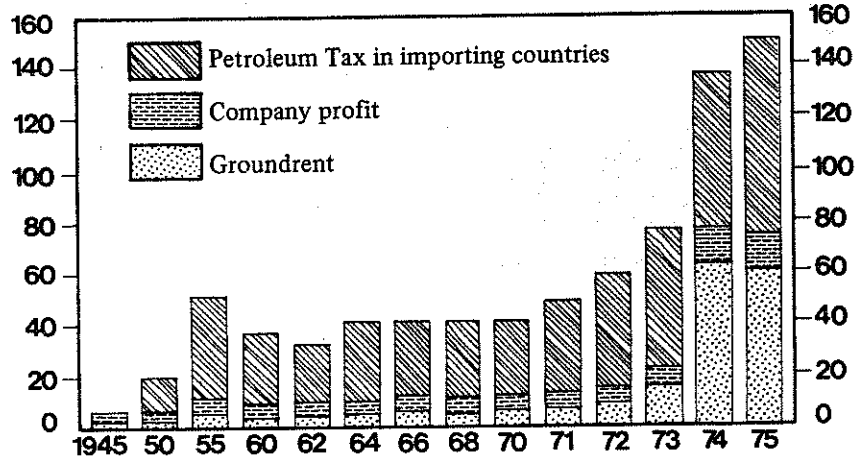


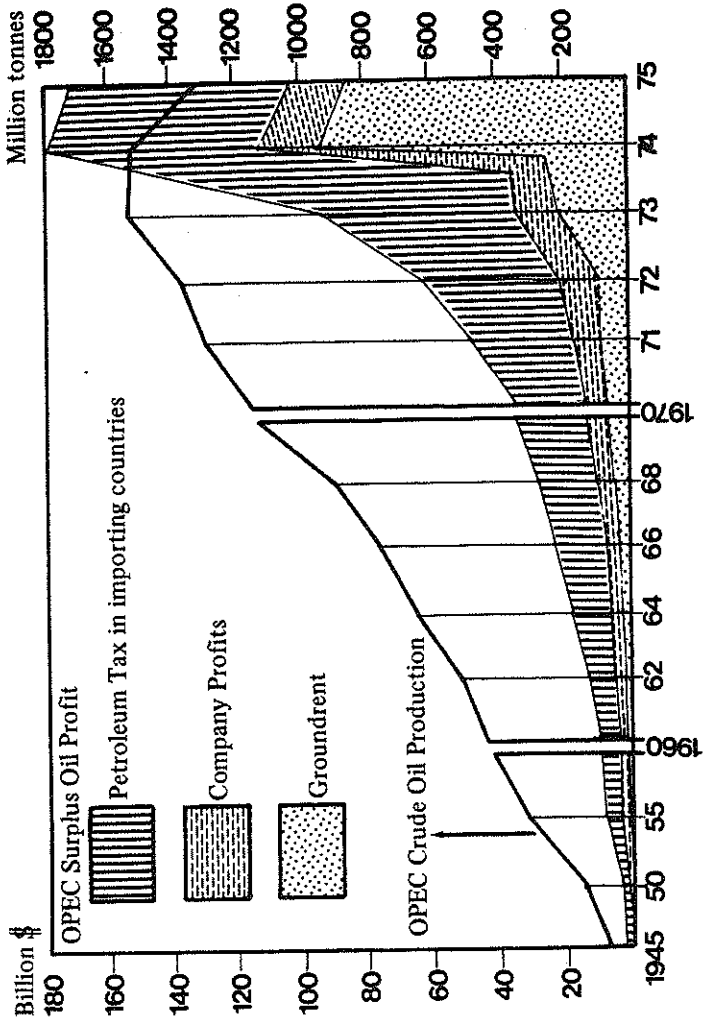
Table 5
The Development in the Distribution of OPEC Oil Profits between Oil-producing Countries (OPEC), Oil Companies, and Major Oil-consuming Countries (O.E.C.D.)

Year	*OPEC oil-producing countries*		*Oil companies*		*O.E.C.D. oil-consuming countries**		*Total*	
	$ mill.	*%*	*$ mill.*	*%*	*$ mill.*	*%*	*$ mill.*	*%*
1945	133	-	359	7	-	-	492	-
1950	391	16	895	37	1.123	47	2.409	100
1955	1.569	18	1.536	17	5.689	65	8.794	100
1960	2.180	20	2.453	23	6.181	57	10.814	100
1962	2.658	21	3.023	24	6.781	55	12.462	100
1964	3.770	20	3.683	19	11.598	61	19.051	100
1966	4.792	20	4.799	20	14.654	60	24.245	100
1968	5.940	20	5.815	20	18.115	60	29.870	100
1970	7.343	20	7.204	19	23.342	61	37.889	100
1971	10.798	22	7.847	16	29.997	62	48.642	100
1972	13.908	22	7.808	12	41.119	66	62.835	100
1973	22.691	23	13.428	14	58.602	63	97.721	100
1974	95.601	53	21.377	12	62.715	35	179.693	100
1975	85.277	50	17.952	11	68.531	39	171.760	100

* Excluding U.S.A. and Canada.
Source: Massarrat, M., *Weltenergieproduktion,* op. cit., ch. 16.

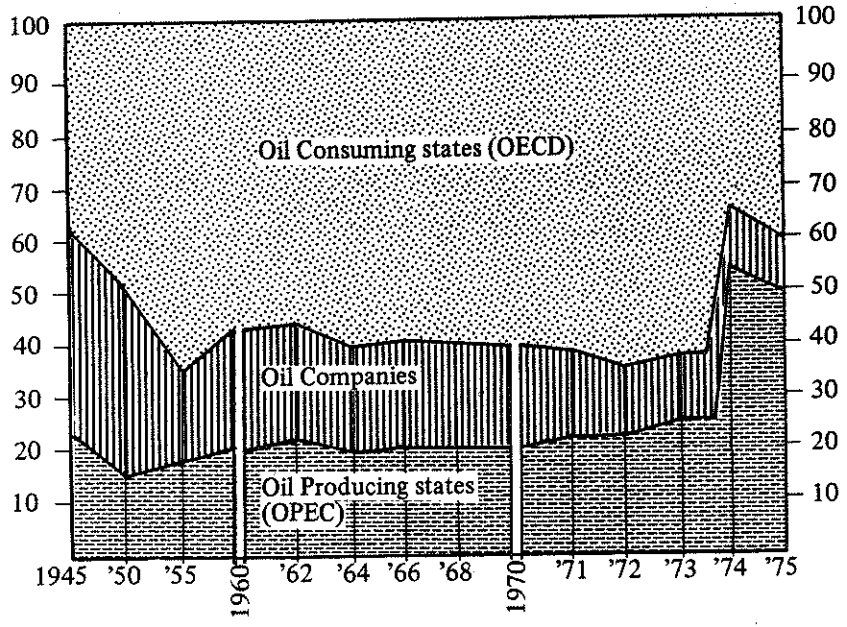
The drastic reallocation of surplus profit derived from oil in favour of the OPEC oil-producing countries becomes evident from the fact that after the 'energy crisis' the groundrents of these countries could be increased more than 40 times compared to 1960, whereas the oil companies' surplus profit and consuming countries' petroleum taxes over the same period only increased approximately 8 and 10 times. Figures 7 and 8 below illustrate particularly clearly this redistribution of the surplus profit derived from the total amount of oil produced in the oil-producing countries.

Figure 7
The Development of the Absolute Distribution of the Surplus Profit Derived From Oil



Source: Massarrat, M., *Weltenergieproduktion,* op. cit., and Table 5

Figure 8
The Development of the Relative Distribution of the Surplus Derived From Oil



Source: Table 5

Because the present price level for energy is above the value level of the energy market, after the 'energy crisis' petroleum tax no longer originated in total, but only in part, from the value of crude oil (i.e. from the surplus profit from oil produced in the OPEC countries). Consequently, the share of the oil-consuming countries in the total surplus profits from oil after the 'energy crisis' in reality is smaller, and the oil-producing states' share actually higher, than is shown in the empirical data and diagrams above.

Clearly such a drastic reallocation of wealth in favour of the oil-producing countries of the 'Third World' leads to considerable economic problems for the oil-consuming countries, especially those within the O.E.C.D. Thus this

re-allocation signifies for the developed capitalist countries the withdrawal of a part of the surplus value hitherto at the disposal of their national aggregate capital and a decrease in its average rate of profit. *During the drastic withdrawal of surplus value thus described, which was brought about by the currency crisis of 1973-74,*[38] *the decline in the rate of profit induced by this withdrawal of surplus value (at the very least) considerably intensified the ongoing crises of capitalist production.* By contrast, this reallocation of wealth has contributed to a considerable boom in (for the most part capitalist) production in the oil-producing countries and above all to the militarization of these countries. Both their balance of payments surpluses and their currency reserves increased rapidly at the same time.[39]

In considering the objective driving forces of the laws, and therefore possibility of, redistribution of wealth within the capitalist world, it is immaterial whether the masses of value recently appropriated by the OPEC countries are merely consumed as revenue, or used for the development of the productive forces or spent on armaments and militarization, or even whether they are partially fed back again into the main centres of capital accumulation by means of direct recycling.[40] Therefore we shall not discuss this any further.

6. On the Relationship of OPEC to O.E.C.D. Countries And Contradictions Within These Blocs

By drastically increasing the posted price for oil at the end of 1973, the OPEC countries were able to increase dramatically the share of groundrent accruing to them from the total surplus profit. However, as has been pointed out above, they by no means succeeded in transforming the *total* amount of oil surplus profit into groundrent. Nevertheless, this *could* be achieved by bringing the posted price up to the level of the actual price of oil on the world market. To block this, the consumer countries in the O.E.C.D. had to use their own 'monopoly' as chief consumers of OPEC oil to oppose the latter's monopoly inherent in ownership of the oil wells. Moreover, at the end of 1974, they set up the International Energy Agency (I.E.A.), the real function of which, in the first instance, was to abolish the competition between the consumer states which had been unleashed after the 'energy crisis'. The Agency's long-term aim is to enforce a *uniform strategy* for the defence of 'common interests' with regard to OPEC. The tasks of the I.E.A. laid down in its international energy programme leave no doubt as to its real function. These tasks include guaranteeing the supply of oil to all member countries, co-ordinating measures to reduce consumption, establishing an information system on the oil market, and the drawing up and implementation of a long-term co-operation programme for a more rational use of energy and for the production of alternative sources of energy.[41]

An institutionalization of the economic and political power of the O.E.C.D. countries *vis-a-vis* OPEC proved to be all the more urgent as soon as it became clear that the organized monopoly power of the oil companies would be

decisively weakened by the institutionalized countervailing power of OPEC, and would be completely eliminated as a power factor in economic and political relations between the oil-producing and oil-consuming countries once OPEC states completely nationalized the companies. By completely excluding the monopolistic enterprises of the oil companies and forcing them out of the oil-producing countries, the OPEC countries brought themselves into direct contact with the oil-consuming countries. (See Figure 9)

Figure 9
Structural Relationships Between Oil-producing Countries, Oil Companies and Oil-consuming Countries After the 'Energy Crisis'

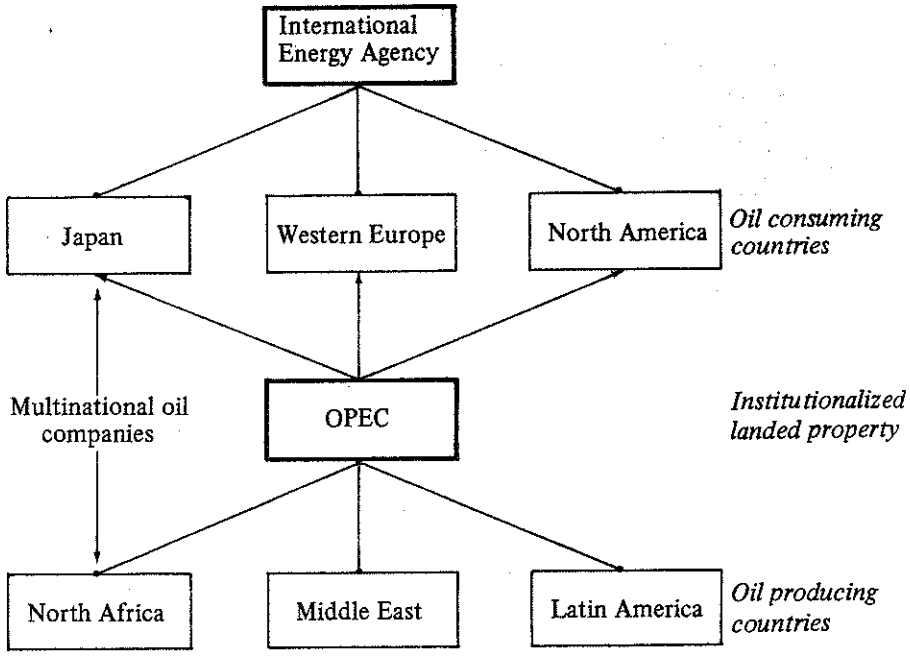


Figure 9 shows the complete change in position of the oil-producing countries of the 'Third World' and the total reversal of relationships on the world market. If at one time the monopolistic concerns of the multinational oil companies unilaterally determined the amount and posted price of crude oil against the interests of the oil-producing countries,[42] today it is, on the contrary, the latter which jointly and independently fix the amount to be produced and the price of their crude oil through OPEC. The oil companies have lost their monopoly hold over the oil-producing countries; as individual capitals in production, refining and marketing, they now have to be satisfied

with normal profits in both oil-producing and oil-consuming countries. But the present position of the O.E.C.D. countries on the world energy market is still not comparable to the hopelessly weak position in economic and political terms of the oil-producing countries. The O.E.C.D. countries have at their disposal developed national institutions including tariffs and petroleum taxes with which they can set limits to the monopoly power of OPEC even without the I.E.A.

The O.E.C.D. countries are strong, even if the OPEC countries, because they own the oil wells, are in the position to take the offensive and enforce still further increases in their groundrents by reducing the quantity and increasing the price. The O.E.C.D. countries can react to this on a purely economic level by reducing their consumption and by increasing petroleum tax or custom tariffs – i.e. defensively – so long as they are not in a position to drastically increase production from alternative sources of energy. This concentration of forces is quite different, however, if beyond economic levers the military and political power of the O.E.C.D. countries is also taken into consideration. Even if the U.S.A.'s threat of force against the OPEC countries can be disregarded, it is nevertheless undeniable that the O.E.C.D. countries have decisively counteracted the economic monopoly power of OPEC, ultimately by massive political pressure on individual OPEC members. In this way they have successfully threatened the OPEC monopoly by fostering splits in the OPEC ranks. The ruling class of Saudi Arabia has proved itself in this sense to be a particularly important ally of O.E.C.D. countries within OPEC.[43] When one group of OPEC countries grouped around Iran announced a 30 per cent increase in the posted price for oil from 1 October 1975,[44] Yamani, the Saudi Arabian oil minister, firmly rejected it and pleaded instead for the freezing of the price.[45] By threatening to leave OPEC, increase its production and offer its oil at a cheaper rate on the world market than the other OPEC states, Saudi Arabia succeeded in keeping the increase down – officially to 10 per cent, but in reality to 6.8 per cent.[46]

Saudi Arabia's conduct finally led to an open, if temporary, split at OPEC's oil-price negotiations in December 1976. Against a majority of 11 out of 13 member states which voted to increase the oil price, Saudi Arabia, together with the United Arab Emirates, supported a mere 5 per cent increase in the oil list-price for the whole of 1977.[47] In our opinion, Saudi Arabia's policies contradict in every respect national interests, even those of that country's ruling classes. A small increase in the oil price means that, compared with the other OPEC countries, Saudi Arabia either secures less profit for the same amount of production or must increase production to realize the same returns. Saudi Arabia's OPEC policy can in our view, notwithstanding other arguments,[48] only be explained by the political pressure of O.E.C.D. countries, especially the U.S.A. Admittedly, the ruling class of Saudi Arabia is by no means the sole ally of imperialism amongst the OPEC countries. However in contrast to the Persian bourgeoisie, which is structurally even more closely allied with imperialism, it can be much more easily induced to adopt a 'more moderate' attitude towards the O.E.C.D. countries. In contrast to Iran, Saudi Arabia

possesses enormous oil reserves, and, as the world's leading oil exporter, amasses incredible foreign exchange reserves which, given its relatively small domestic market (approximately 8 million inhabitants), it cannot transform into productive capital at a national level. The crucial weakness of OPEC has its roots in the specific conditions of Saudi Arabia. This weakness also allows the Saudi Arabian ruling class to pursue a divisive policy among the OPEC countries.

Thus the ruling class, in for example Iran, can easily present itself as 'anti-imperialist' by denouncing their Saudi Arabian class brothers as lackeys of imperialism.[49] It is clear that the present rulers of Saudi Arabia will not stand their ground on such a policy in the long term, if only for domestic reasons. In all probability, therefore, they will increasingly adapt themselves to the policy of the majority of OPEC states.[50] Notwithstanding this situation, bourgeois commentators rejoice at discovering in each difference amongst these countries 'an irreparable breach', a final 'break-up of the oil cartel'.[51] In their joy, however, they completely overlook the fact that, in relation to the world energy market, the split among the O.E.C.D. countries is significantly deeper.

In fact, the differences in national energy policies among the O.E.C.D. countries are more serious than those among the OPEC states. The contradictions among the O.E.C.D. countries originate from their specific national conditions. Roughly speaking, a total of four groups of countries should be distinguished from one another:

Firstly, countries which dispose of no energy resources worth mentioning, such as Japan, Italy and Denmark. This group has, on the one hand, an interest in keeping the price of oil as low as possible. On the other hand, in view of their strong material dependence on the OPEC countries, they are prepared to put up with oil price increases.

Secondly, countries which in the main are able to supply the majority of their requirements for solid fuels by means of national resources, but are dependent on the world market for their oil. This applies primarily to the West European countries – France, West Germany and the Benelux countries. They have an interest in as low a list-price for oil as possible. But they also seek to keep the share of their own (considerably more expensive) energy production as high as possible in relation to national energy requirements by artificially increasing the national price level for energy.

Thirdly, countries like the U.S.A., and to some extent Canada, which dispose of unlimited energy resources of all kinds, and which are not in principle dependent on the world market in material terms. But, on account of the rising costs of domestic energy production in the 1960s, these countries increasingly imported crude oil from OPEC countries. To fulfil the conditions necessary for crude oil to be produced from the most unproductive national oil sources at a profit, the U.S.A. is definitely interested in a relatively high price for crude oil. Nevertheless, it appears as a declared enemy of an increase in oil prices and can even afford to threaten the OPEC states with the use of military force, given its relative independence in meeting its energy requirements from national resources.[52]

Fourthly, countries like Britain and Norway which because of North Sea oil will in the near future, in addition to meeting their own energy requirements, also export oil (certainly as far as Norway is concerned).[53] These countries have absolutely no interest in a fall in the price of oil. On the contrary, they will endeavour to contribute to increases in oil prices in so far as they are more and more transformed into significant European crude oil producers. Instead of playing at price-breaking *vis-a-vis* OPEC on the world market, which many naive bourgeois politicians expect, Britain and Norway are more likely to side with OPEC against the O.E.C.D. countries; indeed they might even join them if they were to find that this was in their long-term national interest.[54]

The differentiation of national interests outlined here makes it clear how fragile the united front of the O.E.C.D. countries is on the world energy market in reality. In fact, because of its specific national interests, France did not even originally join the I.E.A.[55] The divergent energy policy interests of the O.E.C.D. countries were already revealed in 1975 by the so-called Kissinger Plan in which a uniform minimum price (f.o.b.) for crude oil was to have been fixed.[56] The U.S.A. as the largest crude oil producer among capitalist countries wanted, by fixing a minimum price for crude oil, to provide security for profitable domestic energy production. The majority of O.E.C.D. countries, hoping instead for a drop in OPEC oil prices, had to put up a fight against this plan.[57] In addition, it is hardly surprising that Britain, as the largest future crude oil producer of Western Europe, was decisively in favour of a minimum price for oil. At the same time the British government insisted that it would not allow itself to be represented by the E.E.C. but only by its own delegation at the International Energy and Raw Material Conference held in Geneva in December 1975.[58] This would have meant a split in the common front of the I.E.A. states and would have decisively weakened the position of the I.E.A. in relation to OPEC. Only by a massive change of position, especially by the West German government, could Britain initially even be 'drawn back' into the common front. This was achieved at a certain cost, though – in return, the majority of O.E.C.D. states agreed to the minimum price of $17 a barrel demanded by the U.S.A. and Britain. Thus these O.E.C.D. countries lacking in oil accepted a principle that put the oil-rich countries of the group in a position to pursue OPEC policies within the O.E.C.D. in the future![59]

This quarrel among the O.E.C.D. countries broke out at a time when Great Britain was producing approximately 25 million tonnes of crude oil and only supplying a small part of its own oil needs. Britain's break with the I.E.A. can certainly not be averted once the planned production for 1980 of approximately 200 million tonnes has been attained.

References

1. Massarrat, M., "'Energiekrise" oder die Krise des Kapitalismus', in *Probleme des Klassenkampfs,* no. 11/12, 1974.
2. Massarrat, M., *Weltenergieproduktion und Neuordnung der kapitalistischen Weltwirtschaft: Eine Analyse der Weltarbeitsteilung und der Neuaufteilung des Reichtums in der Welt,* Campus – Verlag, Frankfurt/Main, forthcoming.

3. In our opinion, the significance of the Marxist theory of rent has until now received only limited recognition. In Marxist literature its application is usually limited to the concrete investigation of the relationship of capital to groundrent in the sphere of national agriculture. But the Marxist theory of rent extends far beyond this realm. It remains, therefore, the most appropriate starting point for investigating the relationship of capital to groundrent on the international level and for deriving the modification of the law of value on the world market in all spheres of production dependent on nature. This essay provides a model for applying the Marxist theory of rent: without a knowledge of this theory it would not be possible to derive the essential causes of the so-called energy crisis. In my opinion the Marxist theory of rent is also the most soundly based theoretical foundation of the classical world division of labour.
4. Massarrat, M., 'Zur Problematik der gleichen Mehrwertrate und Kritik der Marxschen Theorie der absoluten Grundrente.' This essay, in which the author critically discusses the acceptance of the equal rate of surplus value and the Marxist theory of absolute groundrent, is to be first the subject of an internal discussion, and will only be published at a later date.
5. Marx, Karl, *Capital,* Vol. 3, Lawrence & Wishart, London 1974, p.644.
6. Ibid., p.645.
7. Ibid., p.647ff; my emphasis.
8. Ibid., p.646
9. Cf. on this point: Massarrat, M., 'Zur Problematik der gleichen Mehrwertrate', op. cit.
10. For example, the concept 'coal unit' (CU) expresses the average energy content of one kilogram of coal, which equals 7,000 calories. A CU is frequently considered as merely a technical statistical magnitude, but in reality it is economically based. The energy contents of one kilogram of various sources of energy converted to CUs are: natural gas – 1.471; crude oil – 1.429; natural gas – 1.286; coal – 1.0; lignite – 0.286.
11. The extraction of crude oil per well per day yields on average only 2 tonnes in the U.S.A., but between 500 and 1,900 tonnes in the Near East.
12. The actual production costs per tonne of crude oil and coal in various regions of the world in the Sixties were approximately as follows: Near East crude oil, $0.54; Libyan crude, $2.16; Venezuelan crude, $4.21; USA coal $7.40; West European coal $15.00. Cf. Massarrat, M., *Weltenergieproduktion,* op. cit., chapter 8.3.
13. This graph does not so much depict the distribution structure of the main energy sources according to kind and region, viz. the relation of

the individual prices of production to the regulating market price according to absolute magnitudes, as give their connection in terms of exchange value. Our aim here is very much to make the connections of the energy market visible at the level of abstraction. A new reconstruction of this picture on the basis of precise data would be an empirical problem.

14. See note 12 above.
15. Thus in the period between 1950 and 1969, the posted price of oil per barrel in the Persian Gulf rose from $1.75 to only $1.84, the price in East Texas from $2.65 to $3.20, while the average coal price per tonne in the U.S.A. rose from $4.84 to $4.99. The price of European coal (B.R.D.) in the same period rose from 36.00 to 72.63 deutsch marks per tonne; that is, it almost doubled. This is why the market share of coal as a source of energy fell between 1960 and 1970 from almost 57 per cent to only 28 per cent (cf. Table 1). For further details on price trends in the world energy market, see Massarrat, M., *Weltenergieproduktion,* op.cit., chapter 10.4.
16. This statement does not apply to the European societies in which the dominant pre-capitalist property relationship was private property in land (including sources of raw materials). But it does apply particularly to the Oriental Asiatic societies in which communal property in land was the dominant pre-capitalist property relationship, and where the transition to the capitalist mode of production took place without the development of private property as the dominant relationship in landed property.
17. Marx, Karl, *Grundrisse,* Harmondsworth, Penguin 1973, p.279.
18. Massarrat, M., 'Zur Problematik der gleichen Mehrwertrate', op.cit.
19. Marx, Karl, *Grundrisse,* op.cit., p.276.
20. Marx, Karl, *Capital,* vol.3, op.cit., p.638.
21. Marx, Karl, *Grundrisse,* op.cit., p.278.
22. In my opinion, this is a very important approach for explaining imperialism and for analysing the development of the world market and the world division of labour. It has been further developed in Massarrat, M., *Weltenergieproduktion,* op.cit., chapters 4-7.
23. In this context, the price trend in crude oil is typical of the different roles of Libya and Iran. 'Until the Tehran Agreement in late 1973, which roughly doubled the price per barrel to $11.65, the Libyan posted price had risen very sharply: from $2.55 per barrel in 1971 to $8.925 on 1 November 1973. At the same time the price of one barrel of Venezuelan oil rose from $2.09 to $7.26, of Nigerian oil from $2.42 to $8.31, of Arab oil from $2.55 to $5.17 and of Persian oil from $1.72 to $5.046.' *Frankfurter Rundschau,* 29 December 1973. Yet even the Tehran Agreement to raise the price of oil to $11.65 per barrel was, shortly before, preceded by an increase in crude oil prices by Libya to over $15. While Libya was always in the forefront of the OPEC states in placing demands on the oil companies and raising the price of crude oil, and while the other OPEC states always had to follow, the Shah was continually making appeals to call a halt. As the trend of prices for Persian oil clearly shows, he himself showed the way as 'a good example'.
24. In our opinion, this appearance is also the real cause of the fact that even

Marxist scientists, basing themselves on this antithesis, have been led incorrectly to characterize the New International Economic Order as anti-imperialist: 'The conception of the "New International Economic Order" is in fact essentially *anti-imperialist*. In its essence, it is directed against the dominating structural element of the present capitalist world economic system: the great multinational monopolies. This conflict opens up real perspectives.' Schilling, Hartmut, 'Die kapitalistische Entwicklung in der ehemals kolonialen Welt unter den gegenwartigen Bedingungen der allgemeinen Krise des Kapitalismus und weltwirtschaftlichen Strukturveranderungen', in *Asien, Afrika, Lateinamerika, Heft 2, Berlin (DDR) 1976, p.172.* In our opinion, such an evaluation of the real nature of the landowning states is basically false, as it lends itself to being used to legitimize the co-operation of the 'really socialist' countries (with the People's Republic of China at their head) with reactionary regimes in the Third World.

25. In contrast to the majority of West European countries, the United Kingdom levies on imported oil an import duty instead of a petroleum tax; the level of this duty corresponds approximately to the average level of the petroleum tax of the other West European countries. In the U.K. this import duty fulfils the same function as petroleum tax.
26. Cf. Massarrat, M., *Weltenergieproduktion,* op.cit. ch.10.4.
27. Petroleum tax must be classified as a special tax. Petroleum products are also subject to sales tax and value added tax (VAT).
28. The petroleum tax of DM 138.9 per tonne (cf. Table 3) levied in West Germany in 1972 in fact corresponds approximately to the West European average.
29. For further details see Massarrat, M., *Weltenergieproduktion,* op.cit., ch.15.1.
30. For detailed proof and empirical description see ibid., ch.13.1.
31. If the structure of the utilization of petroleum products were altered so that they were produced essentially for the chemical industry, then the basis of the value and price formation process would no longer be determined by the specific conditions of the production of thermal energy, but rather by those of the chemical industry.
32. On the genesis, function, and the change in function, of the posted price for oil on the world market see Massarrat, M., *Weltenergieproduktion,* op.cit., chs.15.1 and 17.3.
33. Company profit P_c includes in addition to the normal profit from the capital of oil companies, which is related to the average rate of profit in the centres of capital accumulation, also the oil companies' share of surplus profit.
34. Thus for example, there is the conversion of amounts of crude oil produced from long tons and barrels into metric tonnes, and from production per day to production per annum, and finally the conversion of the revenue of OPEC countries, most quoted in national currencies, into U.S. dollars for the whole period under study.
35. See Massarrat, M., *Weltenergieproduktion,* op.cit., ch.16.
36. 'Studies undertaken have shown that the OPEC countries must earn at least $7 per barrel of exported crude oil, considering the costs of alternative sources of energy. In addition it was necessary to increase the list

price of standard crude oil (Arabian light) to $11.651 per barrel. This was also agreed upon by the six OPEC ministers [of the Persian Gulf region] on 22 and 23 December 1973.' Izadi Hassan, *The Recent Changes in Crude Oil Prices and its Development* (in Persian, National Iranian Oil Company, Tehran 1975, p.21. Izadi is the director of the marketing and export department of the National Iranian Oil Company.

37. Hence it follows that petroleum tax after the 'energy crisis' is no longer in its entirety a component of surplus profit derived from oil. For further details on this see Massarrat, M., *Weltenergieproduktion,* op.cit., ch.17.3.
38. Thus, for instance, the O.E.C.D. countries in 1974 showed a trade deficit of $37.5 billion (compared with a surplus of $2.25 billion in 1973). *Die Zeit,* 18 January 1975. For a detailed analysis of the monetary effect of the reallocation of wealth, see Rummert, Hans-Joachim, 'Die Olpreiserhohungen 1973-74 in ihren Auswirkungen auf die Einkunfte der Forderlander' in *Gluckauf 110,* Essen 1974, p.406ff.
39. The trade surplus of the OPEC countries in 1974 amounted to $55-60 billion. The currency reserves of these countries have increased almost tenfold from 1970 ($5 billion) to 1974 ($46.9 billion), ibid. See also Jonas, Rainer and Minte, Horst, *Petrodollar,* op.cit., p.72.
40. For further details on the institutions and mechanisms of petrodollar recycling, see ibid., p.78ff.
41. *Frankfurter Rundschau,* 19 November 1974; see also Jonas, Rainer, and Minte, Horst, *Petrodollar,* op.cit., p.71.
42. For further details see Massarrat, M., *Weltenergieproduktion,* op.cit., chapter 15.3 and particularly figure 31.
43. 'My country which possesses the largest oil reserves in the world', emphatically proclaimed the Saudi Arabian Crown Prince Fadh, 'will not be the cause of a weakening in the capacity of humanity to live in stability and prosperity. In view of this lofty aim, commercial considerations cease to exist and consequently the methods which are used to increase or lower oil prices will likewise disappear.' *Frankfurter Rundschau,* 1 April 1975.
44. *Frankfurter Rundschau,* 20 May 1975.
45. *Frankfurter Rundschau,* 2 June 1975.
46. *Frankfurter Rundschau,* 4 October 1975.
47. *Frankfurter Rundschau,* 18 December 1976.
48. Harry Schleicher attributes the differing price policy conceptions of the OPEC countries exclusively to 'national egoisms'. *Frankfurter Rundschau,* 1 October 1975.
49. This happened in the Persian daily papers, *Rastachis, Ayandegan, Keyhan* etc., after the OPEC negotiations of December 1976. See also *Frankfurter Rundschau,* 21 December 1976.
50. Thus Saudi Arabia eventually had to raise the price of oil on 1 July 1977 to the OPEC level of $12.70 per barrel. After this date OPEC tendered its crude oil once more at a unified price. *Frankfurter Rundschau,* 5 July 1977. Compared to this step, no particular significance can be attached to the 'equivalent achievement' of the remaining OPEC states in renouncing in their turn a 5 per cent price increase on 1 July 1977.

51. So, for example, Harry Schleicher in the *Frankfurter Rundschau,* 1 October 1975; Jens Friedemann, *Die Zeit* 24 and 19 December 1975.
52. Thus in January 1975 former U.S. Secretary of State Henry Kissinger 'did not on principle rule out an armed conflict over Middle East oil', *Frankfurter Rundschau,* 4 January 1975. A few months later, the U.S. Defence Secretary also repeated this threat, ibid., 2 April 1975. Cf. 'Krieg gegen die Olscheichs?', *Der Spiegel,* 13 January 1975.
53. Total current oil reserves in the North Sea which could be produced at a profit are estimated at 2.2 billion tonnes. Crude oil production from the North Sea should increase to 150 million tonnes annually by 1980 (as compared with 2 million in 1973 and 46 million in 1975-76). Ruddiger, G., 'Das Ol und Gaspotential der Nordsee', in *Braunkohle,* Dusseldorf 1974, book II, p.335.
54. Given the structural crisis of British capitalism, which the British Government hopes to 'overcome' by means of North Sea oil, such a radical change of position – while at the moment still unimaginable – ought directly to suggest itself.
55. The position of France can be explained primarily by the fact that the French national oil corporation C.F.P. was only partially nationalized in Algeria and Iraq. (The C.F.P. in 1970 produced 665,000 barrels in these countries; its share of production in 1975 still amounted to 271,000 barrels. *OPEC Annual Bulletin,* 1975, p. 38 ff) Also relevant is the fact that it signed long-term agreements with the OPEC countries after the oil crisis to ensure the supply of its national needs. By not joining the I.E.A. the French government was presumably also pursuing the aim of appearing as a 'neutral' mediator in negotiations between O.E.C.D. and OPEC countries.
56. *Frankfurter Rundschau,* 5 February 1975.
57. 'Energieagentur gegen Ol-Mindestpreis', *Frankfurter Rundschau,* 10 March 1975.
58. *Frankfurter Rundschau,* 8 October 1975. Callaghan, at the time British Foreign Secretary, remarked apropos of this: 'It would suit me if a common energy policy was achieved in Europe, whereby of course it would have to be taken into consideration that our interests result from different circumstances. We are bulk consumers but will also become bulk producers. From 1980 we will be completely independent as regards energy supplies, i.e. in oil, coal, natural gas and on a smaller scale in nuclear energy – a really enviable position.' *Die Zeit,* 17 October 1975.
59. Disappointed, the bourgeois journalist Michael Jungblut anticipated that the minimum price for oil would have the following consequences: 'Once the instrument of a minimum price has been generally accepted there will be numerous possibilities of gradually increasing it. The British could repeatedly block collective decisions within the E.E.C. with trumped up arguments and change their mind by allowing themselves to be bought off with an increase in the guaranteed price.' *Die Zeit,* 23 January 1976.

4. Oil and the State: A Study of Nationalization in the Oil Industry

Petter Nore

It is by now almost a truism of Marxist thought to point out that there has been a dramatic increase in the role of the state in modern societies. But even within this general trend, the speed with which the state has intervened in the oil industry remains, by any standards, exceptional. While ten years ago the state in the main oil-exporting countries played virtually no role in the running of the oil industry, by the late 1970s that industry has been or is in the process of being nationalized. This chapter aims to understand the origin and meaning of this state intervention in oil.

There are two opposite interpretations of the recent nationalizations. One claims that nothing fundamental has changed in the relationship between producer states and imperialism. Dependence and imperialist domination have simply taken on new forms. The other interpretation sees the nationalizations as part of a struggle waged by the people of the Third World against imperialism. We find neither of the two interpretations convincing.

Our alternative explanation combines an analysis of long-run trends in modern capitalism with the special historical forces that have affected the oil industry as a whole from the late 1960s onwards. We will then examine the consequences of these developments for the companies and the producer states, concentrating in particular on what it has meant for the process of capital accumulation in the producer countries.

Surplus Profit in the Oil Industry

To facilitate such an analysis we must briefly outline the special features of oil production. Oil production gives rise to large permanent financial surpluses in excess of 'average profits', which we will label 'surplus profit'. This surplus profit is divided between producer states that receive it in the form of rent, the oil companies that earn 'excess profits', and the consumer countries that collect their share in the form of indirect taxes on oil consumption.

The origin of this surplus profit is two-fold. Normally, in capitalist production, it is the most productive of the production processes within an industry that becomes generalized and that, in due course, determines the average price of production (production costs plus the average rate of profit) for commodities