

Tenth Lecture**New Imperialism or New Capitalism?****Regimes of differential accumulation**

- The pendulum of breadth and depth
- Neoliberalism as a breadth regime
- The debt load and the threat of deflation
- The “spark”: oil prices and the onset of inflation

The New Wars

- The realist world view
- The return of “imperialism”?
- The conventional creed: plenty of cheap oil for global growth
- OPEC and the oil companies: conflict or convergence?
- The “Scarcity Thesis”
- Long term reserves, short term inventories and the price of oil
- From “free flow” to “limited flow”
- Relative prices and differential profits
- Middle East “danger zones” and “energy conflicts”
- Regimes of differential accumulation and the political economy of the Middle East
- The end of neoliberalism?

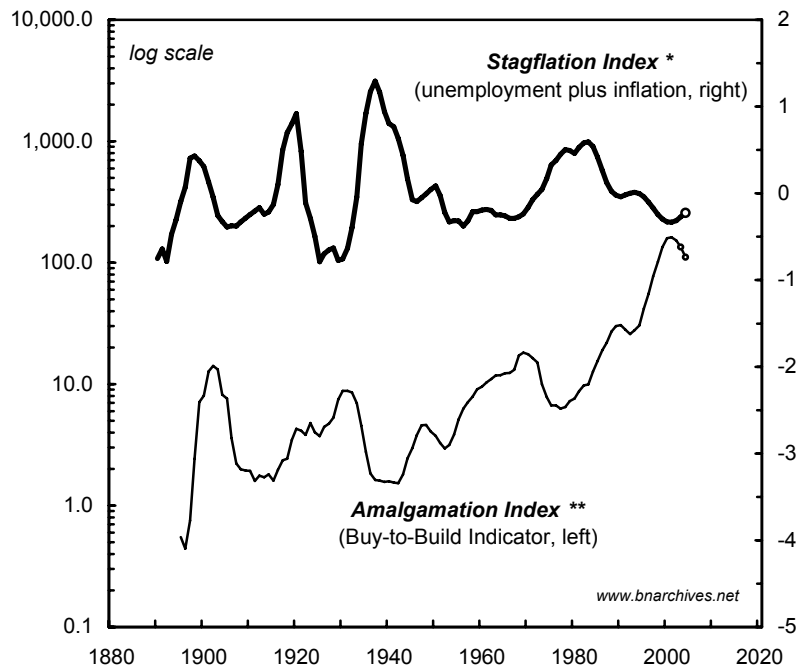


FIGURE 1 Amalgamation and Stagflation in the U.S.A.

* Computed as the average of: (1) the standardized deviations from average of the rate of unemployment, and (2) the standardized deviation from the average rate of inflation of the GDP implicit price deflator.

** Mergers and acquisitions as a percent of gross fixed capital formation.

NOTE: Series are shown as 5-year moving averages (the first four observations in each series cover data to that point only).

SOURCE: The Stagflation Index is computed based on data from the U.S. Department of Commerce through Global Insight (series codes: RUC for the rate of unemployment and GDP/GDP96 for the GDP implicit price deflator). Nitzan, Jonathan, and Shimshon Bichler. 2006. [New Imperialism or New Capitalism?](#) *Review* XXIX (1, February).

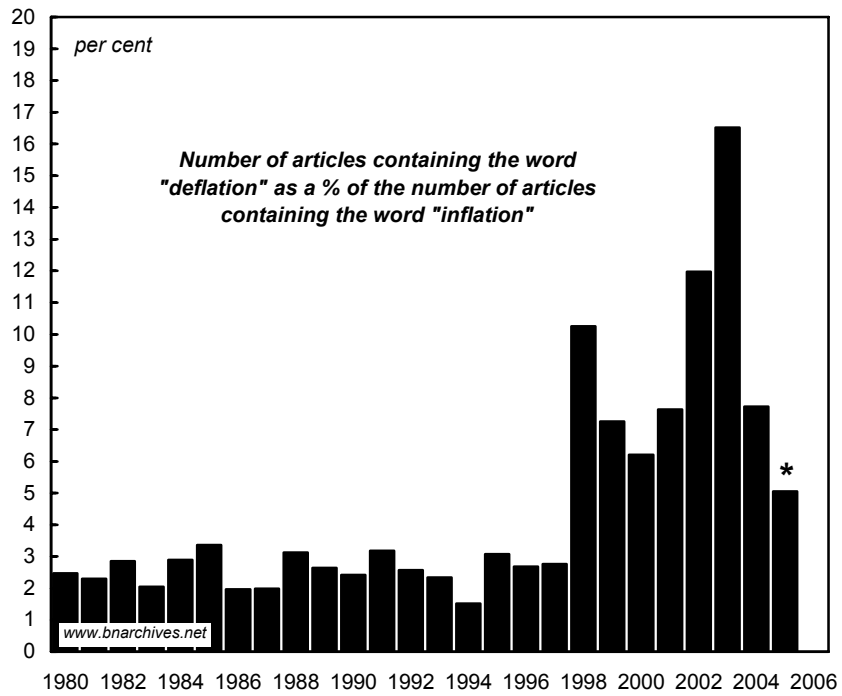


FIGURE 2 The Threat of Deflation

* January-April.

SOURCE: *Business Source Premier*.

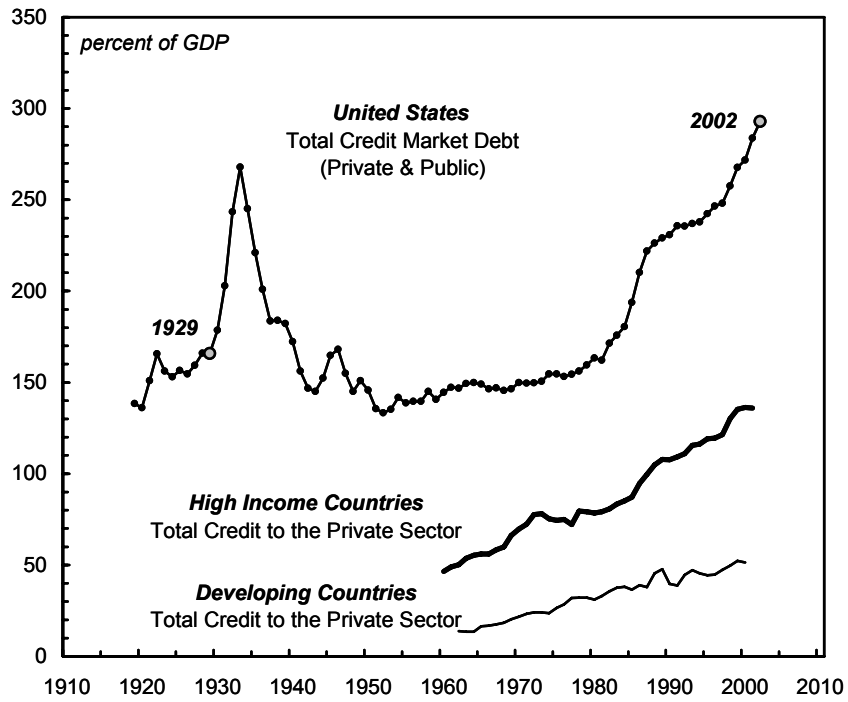


FIGURE 3 The Debt Load

SOURCE: *Bank Credit Analyst Research Group; World Development Indicators.*

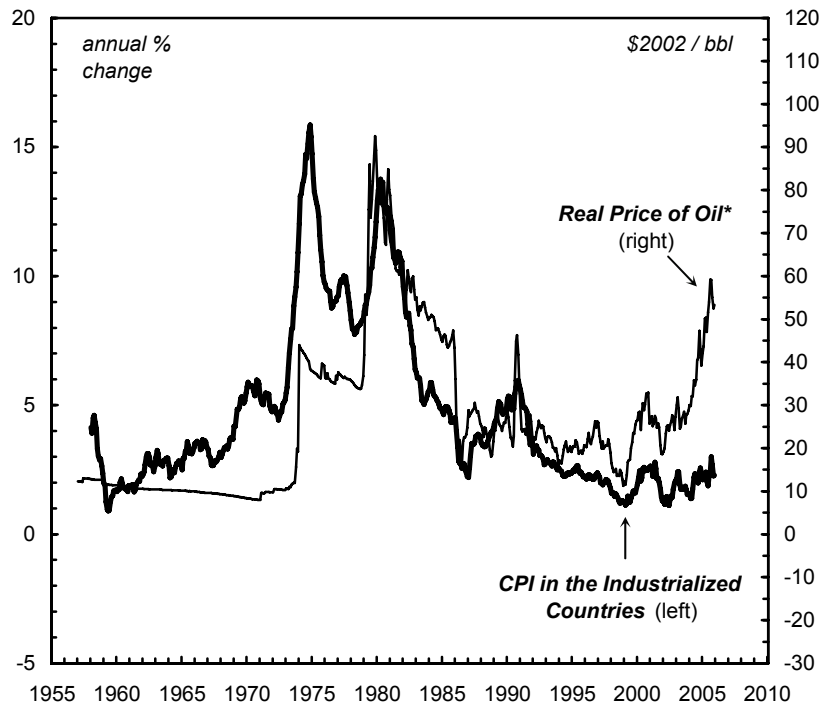


FIGURE 4 Inflation and the Price of Oil

* \$ price of crude oil deflated by the U.S. CPI.

SOURCE: *International Financial Statistics* through Global Insight (series codes: L64@C110 for CPI in the industrialized countries; L76AA&Z@C001 for the price of crude oil; L64@C111 for the U.S. CPI).

Imperialism

'Imperialism used to be the white man's burden. This gave it a bad reputation. But imperialism doesn't stop being necessary because it is politically incorrect.'

Michael Ignatieff, Professor of Human Rights Policy at the Kennedy School of Government at Harvard University

'Our goal is not combating a rival, but maintaining our imperial position, and maintaining imperial order.'

Professor Stephen Peter Rosen, Head of the Olin Institute for Strategic Studies at Harvard University

The main task of the United States in preserving its empire is 'to prevent collusion and maintain dependence among the vassals, [to] keep tributaries pliant and protected, and to keep the barbarians from coming together.'

Zbigniew Brzezinski, former National Security Advisor to Jimmy Carter

'For globalization to work, America can't be afraid to act like the almighty superpower it is. . . . The hidden hand of the market will never work without the hidden fist . . . and the hidden fist that keeps the world safe for Silicon Valley's technologies is called the US Army, Air Force, Navy and Marine Corps.'

Thomas Friedman, New York Times

'Globalisation, the economic imperialism of capital taken to its logical conclusion, has, paradoxically, required a new doctrine of extraeconomic, and especially military, coercion. . . . It has, in fact, been a major strategy of capitalist imperialism even to create local states to act as conduits of capitalist imperatives. . . . "Operation Infinite War" is apparently intended to produce something more like Hobbes's 'state of war'. . . . It is this endless possibility of war that imperial capital needs in order to sustain its hegemony over the global system of multiple states. . . . This does not necessarily mean that the US, as global capital's ultimate coercive power, will wage war for no reason at all, just for the purpose of display.'

Ellen Meiksins Wood

The Invasion of Iraq

'America's chief interest in going after Iraq's president, Saddam Hussein, is doubtless to save the world from his actual or potential weapons of mass destruction. Another large consideration, secondary as it may be, has attracted less attention than it should have: the effects that would follow from the opening up of the country's enormous reserves of oil. . . . It might seem, then, that knocking out Mr Hussein would kill two birds with one stone: a dangerous dictator would be gone, and with him would go the cartel that for years has manipulated prices, engineered embargoes and otherwise harmed consumers.'

The Economist, Septmeber 14, 2002

'The first reason here is oil – the desire for greater U.S. control of Iraqi (and thus indirectly other Middle Eastern) oil resources. The second reason is the U.S. desire to extend the U.S. drive for global domination. The third and last reason on this list is the desire of many dominant leaders of the Bush administration in the U.S., in partnership with the Sharon government in Israel, that a conquest of Iraq become the first stage of a 'strategic transformation' of the entire Middle East.'

Bill Christison, formerly a top political analyst at the CIA, *CounterPunch*, February 8, 2003

'Oil appears in Washington's calculations about Iraq as a strategic rather than an economic resource: the war against Saddam is about guaranteeing American hegemony rather than about increasing the profits of Exxon. . . . As part of their grand plan for using a "liberated" Iraq as a base from which to promote democracy and capitalism across the Middle East, they want Baghdad to explore for new reserves, rapidly increase production capacity and quickly flood the world market with Iraqi oil. They know that this would lead to an oil price crash, driving it to \$15 a barrel or less. They hope that this collapse will stimulate economic growth in the US and the West, finally destroy Opec . . . wreck the economies of "rogue states" (Iran, Syria, Libya), and create more opportunities for "regime change" and democratisation.'

Yahya Sadowski. No War for Whose Oil? Collateral Damage From An Illegal War. *Le Monde Diplomatique*, April 17, 2003.

'There were only two credible reasons for invading Iraq: control over oil and preservation of the dollar as the world's reserve currency. . . . By invading Iraq, Bush has taken over the Iraqi oil fields, and persuaded the UN to lift production limits imposed after the Kuwait war. Production may rise to 3m barrels a day by year end, about double 2002 levels. More oil should bring down Opec-led prices, and if Iraqi oil production rose to 6m barrels a day, Bush could even attack the Opec oil-pricing cartel.'

John Chapman. The Real Reason Bush Went to War. *The Guardian*, July 28, 2004

'From all that can be seen, oil production in Iraq is likely to remain depressed for years, no matter how much more blood is shed in its pursuit. It is already evident that American military action will not lead to democracy in Iraq, merely to the division of the country into separate ethnic enclaves, one possibly ruled by Iranian-like ayatollahs; it can now also be said that we will not gain any additional petroleum supplies as a result of all this sacrifice and tragedy. Not only has the use of force to procure Iraqi oil failed to achieve its intended results, it has actually made the situation worse.'

Michael Klare. The Failed Mission to Capture Iraqi Oil. *Information Clearing House*, September 22, 2005.

The Conventional Wisdom

' . . . If there is any agreement among the pundits, this surely must be it: *the coming war on Iraq will be fought largely over oil*. The gist of the argument is simple enough, and can be summarized as follows:

- In order to continue growing, the world economy needs plenty of cheap oil;
- The OPEC cartel stands in the way of that goal. For years, its members have manipulated output to keep prices high;
- Now, there is finally an opportunity to change the rules of the game, perhaps even to make the oil cartel irrelevant;
- The entry point is Iraq. The country, says George Bush Jr., has become a 'global threat.' It supports terrorism, it has weapons of mass destruction, and it has a ruler unscrupulous enough to use them. In the age of 'preventive strikes,' these are sufficient reasons to invade thy neighbour;
- Once victorious, the invading armies will install a new, more friendly leader. This ruler will adopt a new energy policy, hostile to OPEC and friendly to the United States and the West. And since Iraq has 11 per cent of the world's crude oil reserves and the ability to pump out plenty of it, the days of high oil prices will soon be over. . . .'

From Jonathan Nitzan and Shimshon Bichler, 2003. [It's All About Oil](#). *News From Within* Vol. XIX, No 1, January 2003, pp. 8-11.

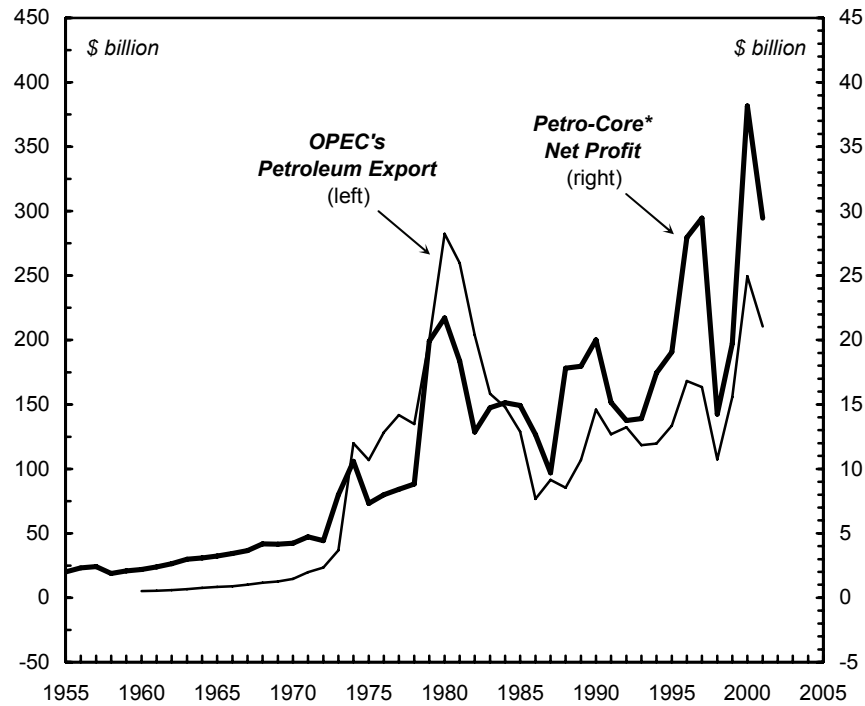


FIGURE 5 OPEC and the Oil Companies

* British Petroleum (BP-Amoco since 1998), Chevron (till 2000), Exxon (ExxonMobil since 1999), Mobil (till 1998), Royal-Dutch/Shell and Texaco (till 2000). Company changes are due to merger.

SOURCE: *OPEC Annual Statistical Bulletin*; *Fortune*.

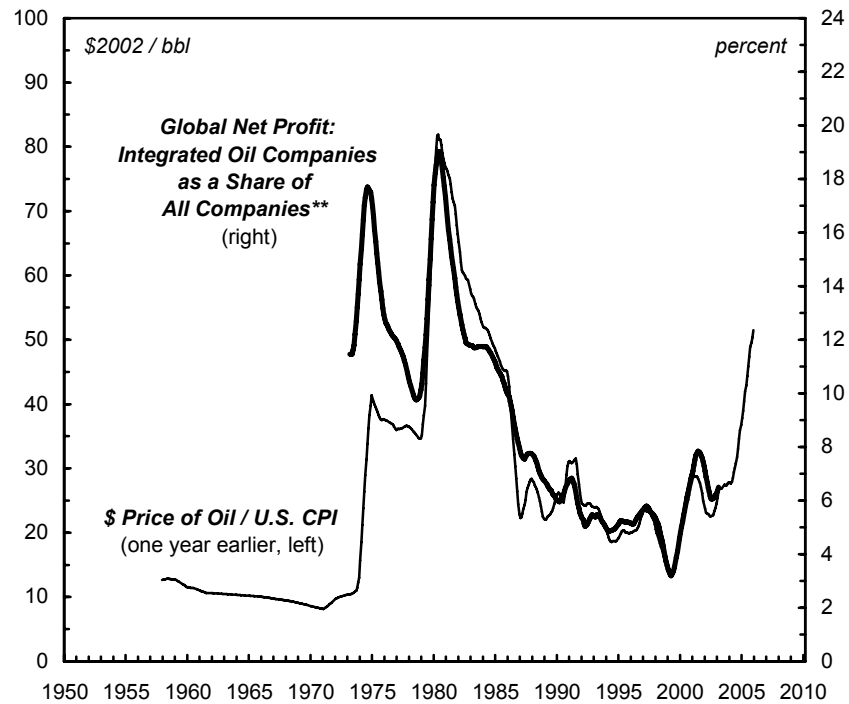


FIGURE 6 The Price of Oil and the Global Distribution of Profit

NOTE: Net profit is computed by dividing market value by the price/earning ratio. Data are restated to reflect changes in the series constituent companies. Series are smoothed as 12-month moving averages.

SOURCE: *Datastream* (series codes: OILNWD for the integrated oil companies; TOTMKWD for world total); *WEFA* (series codes L76AA&Z@C001 for the price of crude oil; L64@C111 for the U.S. CPI).

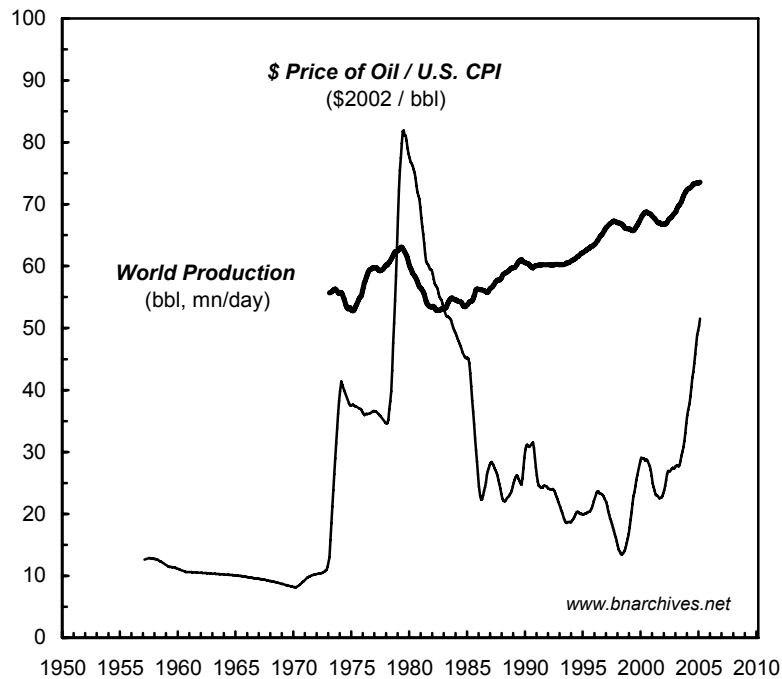


FIGURE 7 Oil: World Production and Price

NOTE: Series are smoothed as 12-month moving averages.

SOURCE: Energy Information Administration (<http://www.eia.doe.gov/emeu/ipsr/t11c.xls>); IMF *International Financial Statistics*; U.S. Department of Commerce through Global Insight.

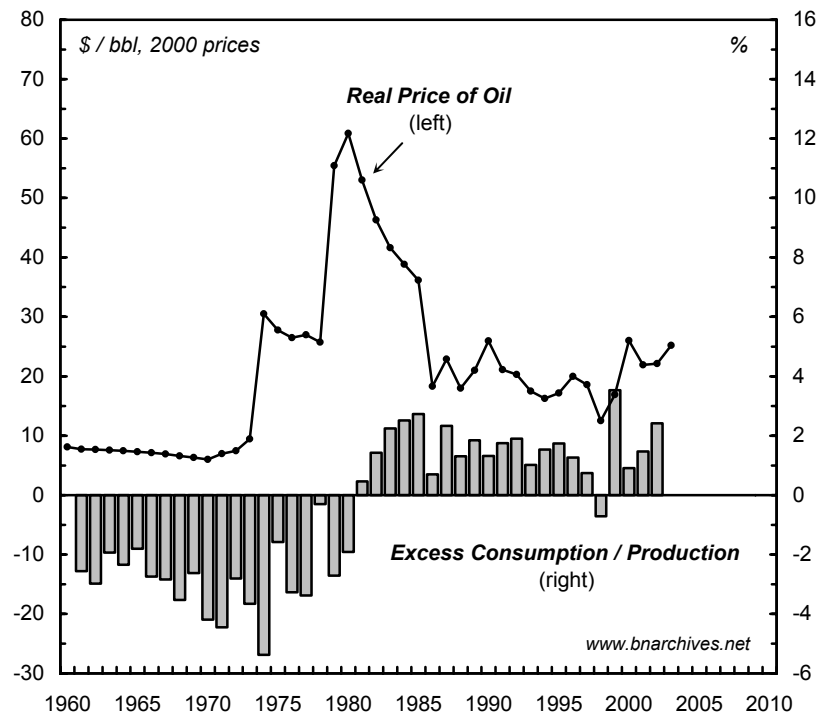


FIGURE 8 “Scarcity” and the Real Price of Oil

NOTE: The real price is the spot \$ price divided by the U.S. Implicit GDP Deflator. Excess consumption / production is equal to world consumption less production as a per cent of their average. According to British Petroleum, this excess is accounted for by “stock changes, consumption of non-petroleum additives and substitute fuels, and disparities in the definition, measurement or conversion of oil supply and oil demand data.”

SOURCE: British Petroleum (Annual); IMF and U.S. Department of Commerce through Global Insight.

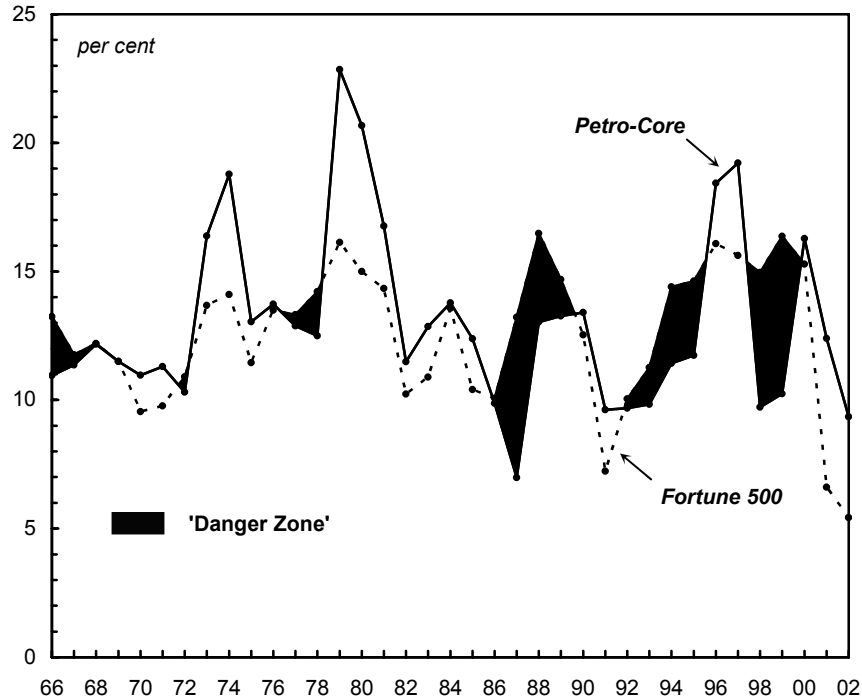


FIGURE 9 Return on Equity: The Petro-Core* versus the Fortune 500

* British Petroleum (BP-Amoco since 1998), Chevron (till 2000), Exxon (ExxonMobil since 1999), Mobil (till 1998), Royal-Dutch/Shell and Texaco (till 2000). Company changes are due to merger.

NOTE: Until 1993, the Fortune 500 list included only industrial corporations (firms deriving at least half their sales revenues from manufacturing or mining). From 1994 onward, the list includes all corporations. For 1992-3, data for Fortune 500 companies are reported without SFAS 106 special charges.

SOURCE: *Fortune*; Standard & Poor's *Compustat*.

The New Wars: The Stylized Facts

- First, *every* energy conflict in the Middle East was preceded by a danger zone, in which the oil companies suffered differential *decumulation*.
- Second, *every* energy conflict was followed by a period during which the oil companies beat the average.
- And, third, with only one exception in 1996-7, the oil companies *never* managed to beat the average without an Energy Conflict first taking place.

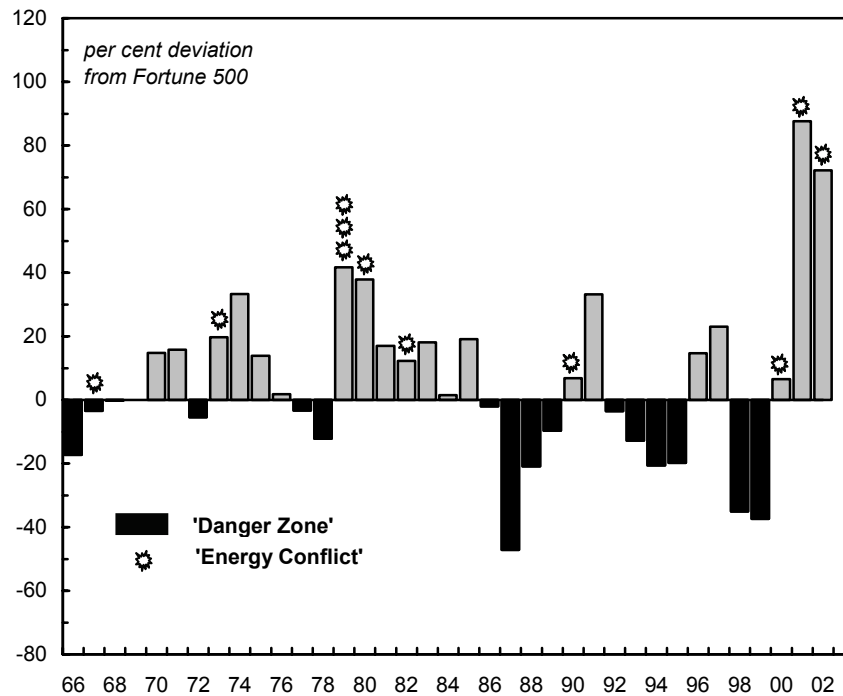


FIGURE 10 The Petro-Core's Differential Accumulation and Middle East 'Energy Conflicts'

* British Petroleum (BP-Amoco since 1998), Chevron (till 2000), Exxon (ExxonMobil since 1999), Mobil (till 1998), Royal-Dutch/Shell and Texaco (till 2000). Company changes are due to merger.

NOTE: Until 1993, the Fortune 500 list included only industrial corporations (firms deriving at least half their sales revenues from manufacturing or mining). From 1994 onward, the list includes all corporations. For 1992-3, data for Fortune 500 companies are reported without SFAS 106 special charges.

SOURCE: *Fortune*; Standard & Poor's *Compustat*.

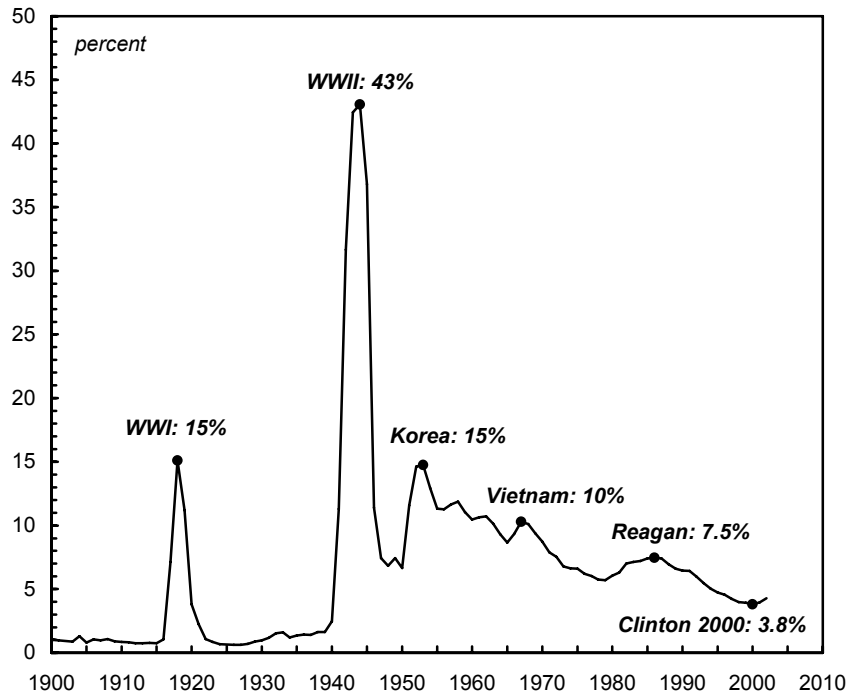


FIGURE 11 U.S. Military Spending as a Share of GDP

SOURCE: Nils Petter Gleditsch, *The Peace Dividend* (Amsterdam and New York: Elsevier, 1996); U.S. Department of Commerce through Global Insight (series codes: GDP for GDP; GFML for military spending).

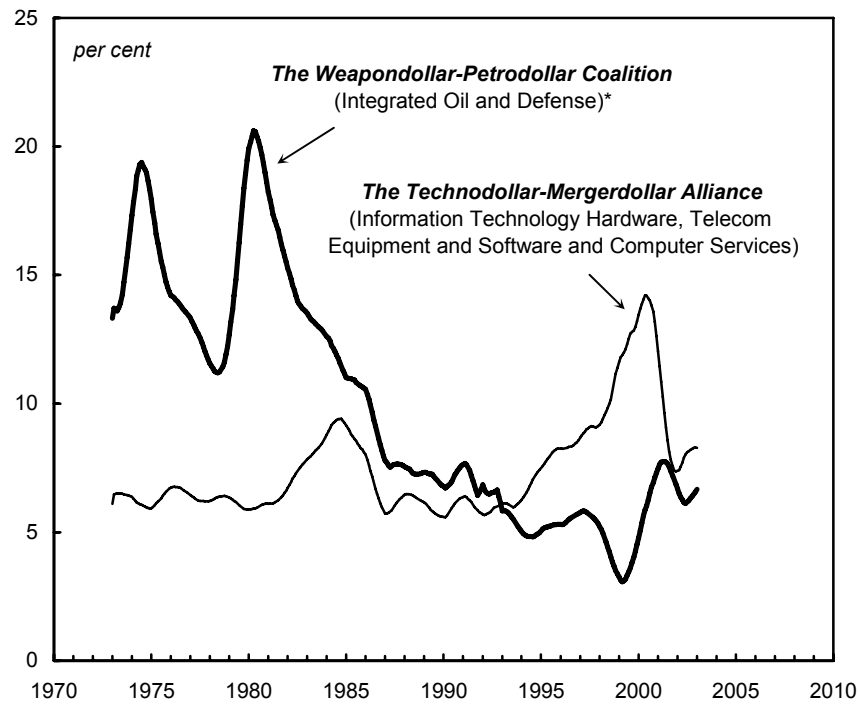


FIGURE 12 Shares of Global Net Corporate Profit

NOTE: Net profit is computed by dividing market value by the price/earning ratio. Series denote monthly data smoothed as 12-month moving averages.

SOURCE: *Datastream* (series codes TOTMKWD for world total; OILINWD for integrated oil; DEFENWD for defense; INFOHWD for information technology hardware; TELEQWD for telecom equipment; SFTCSWD for software and computer services).