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Working Woman and Man
BOOKSTORE NEWSLETTER

STORE HOURS:
MON.-FRI.: 5-8 PM
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WORKING WOMAN & MAN BOOKSTORE 613 WEST 24TH STREET MINNEAPOLIS, MINNESOTA 55405

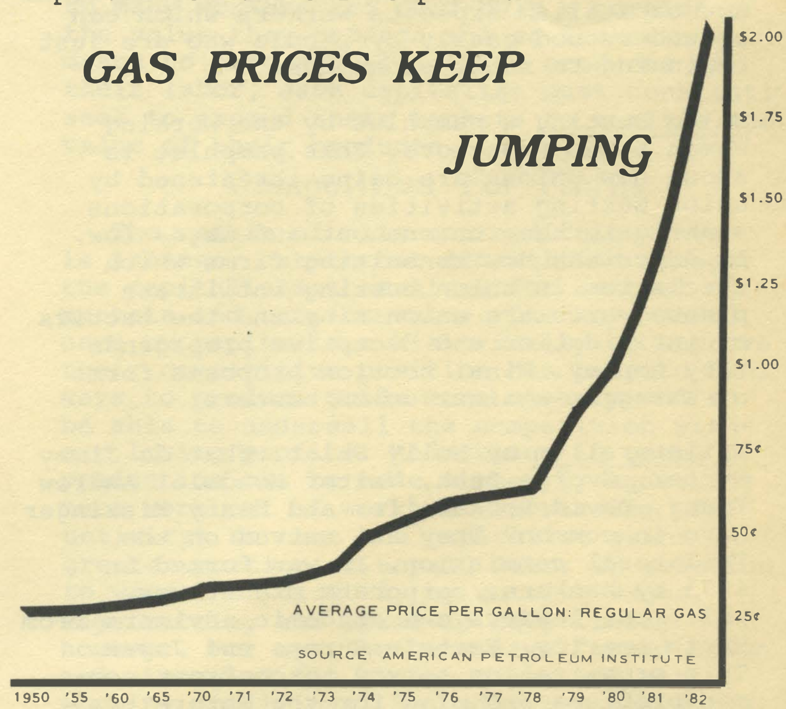
ENERGY MONOPOLIES FUEL INFLATION

On January 28th, just 8 days after taking office, President Reagan took action to decontrol the price of domestic crude oil and end the price suports for small refiners. This was eight months ahead of Carter's schedule. Although the economic impact in terms of prices is the same in the long run, by his swift action Reagan has made it clear he is favoring the profits of the oil monopolies over working peoples' standard of living. His hastening of decontrol will mean about $6 billion more in profits for the oil industry this year.

DECONTROL = INFLATION

The economic effects of higher prices will be born mainly by working people, who will experience a further deterioration of their buying power. The immeadiate effect is an 8¢ per gallon increase in gas and the prediction of another 10¢ per gallon increase in the Spring. These price hikes are on top of prices which had already doubled in the last 2 years. Those who will suffer most will be people who have low incomes or fixed incomes and don't have any luxuries to give up to pay higher fuel prices. The price of heating older homes in low income neighborhoods is often 2 times as high as newer homes and fuel expenses of over $200 for 2 and 3 bedroom homes is not unusual in colder months.

With an end to price supports, monopoly control in the energy industry will take another jump. The Department of Energy expects 40 out of 200 small refiners to fold due to the end of the entitlement program which guaranteed them a share of the cheaper crude oil or a cash equivalent payment from the giant producers. With an increase in the price of the basic raw materials the small refiners will have higher costs, which for some will mean the end of operations. The cash equivalent payment from the large oil companies to the small refiners amounted to 6 billion dollars in 1980. With the end of the entitlement program this will increase the revenues of the large oil companies by $ 6 billion automatically. They will also be able to take a bigger share of the market as the small independents fold. Overall an increase of up to $10 billion is expected for the oil companies.



Price hikes are not the only way in which the energy monopolies will be increasing profits. The loosening of environmental controls will mean a decrease in their operating overhead and a subsequent increase in profits. Two examples can be seen in the Black Hills National Sacrifice Area and in off shore drilling. In the Black Hills major energy companies are developing plans

new AT the bookstore

From Black Liberation Press
"Strategies and Tactics for Confronting Mounting Racism": 5 essays which cover the development of racism, black resistance to racism, the effects of racism on black women and how to fight racism.

The Energy Cartel: Who Realy Runs the American Oil Industry, by Norman Medvin
This book tells about world oil production and the role of the 7 oil monopolies. The book gives information on the corporate structure of oil corporations and their fraternity with financial institutions. It demonstrates the anti-competitive nature of monopolies. This is a good book to understand how the giant oil companies work.

How Capitalism Works by Pierre Jalee', This book explains the basic concepts of political economy; commodity production, value, labor power, surplus value and where profits come from. It gives scientific analysis of how capitalism exploits workers which can be understood easily by people who are just beginning to study economics.

Union Busting a pamphlet by the Working Woman & Man Bookstore. This pamphlet is about how unions are being threatened by union busting activities of corporations seeking to keep unions out and wages low. It describes how consulting firms which specialize in union busting infiltrate plants which are unionizing and the tactics of intimidation and deceptive propaganda they employ. Final section proposes forms of struggle against union busters.

Trilateralism by Holly Sklar. What do Jimmy Carter, George Bush, Walter Mondale, Andrew Young, David Rockefeller and Henry Kissinger have in common? They all served on the Trilateral commission. It was formed in 1973 by bankers, corporate executives, political leaders and academic advisors from North America, Western Europe and Japan. This organization serves to confront common problems and plan for the future - a future of profit and stability for global corporations and banks.

The Wasnington Connection and Third World Facism by Noam Chomsky and Ed Herman. Chomsky and Herman analyze the forces that have shaped U.S. foreign policy in Latin America, Asia and Africa as well as the role of the media in misreporting policies and their motives.

THE BOOKSTORE CLUB

Everyone who has to work for a living today knows that we're getting squeezed. Inflation. Unemployment. Budget Cuts. U.S. Military in El Salvador. Without a long range, concrete perspective on these issues and events, people get caught up in reaction to each new problem or futilely looking for personal solutions to the crises we all face.

The BOOKSTORE CLUB exists to inform and educate working people about issues and events that have a direct and indirect effect on our lives, to aid in developing the long range, concrete perspective needed to develop solutions to the problems we face.

As a means to fulfilling this purpose, a number of Bookstore club projects are underway.

THE WOMEN'S WORK BOOK is a form for working women to summarize and draw conclusions from their own experience of social oppression and economic exploitation on the job, as well as to develop writing skills and a deeper understanding of women's rights and political economy. The results will be published by the bookstore to inform and educate other workers.

DISCUSSIONS are held regularly on basic issues and concepts from a scientific socialist perspective. Topics include: Capitalism vs. Socialism; The State; Women's Rights; Wage Labor and Capital.

SLIDE SHOWS are being produced to clarify concepts, illustrate developing issues, and stimulate discussion. A new slide show on Dialectical and Historical Materialism, the world outlook of scientific socialism, will be available this month for viewing, rental or purchase. Showings will be scheduled; call for more info.

JOIN THE BOOKSTORE CLUB! Membership in the bookstore club entitles you to participate in BSC projects, discussions, etc. The membership fee is $5 per year. Our goal is a stronger and better bookstore through your support and participation.

for mining uranium at a great cost to the environment. This will have the effect of creating health hazards and lower quality of living for people in the effected areas. Recent proposed let ups in restrictions to off shore drilling in California will increase the hazard of oil spills and destruction of the environment.

Consumers Held Hostage

Another method used by energy monopolies to increase profits is a trend to use non-union labor. This is a key tactic being used in expanding operations in the Western states such as North Dakota by Exxon, Union Carbide and other energy companies. These states often have right to work laws as opposed to heavily unionized coal mining areas in the east. They have made it clear that if the union is brought in they will not develop these areas.

The contradiction we face is clear: On the one hand, skyrocketing oil prices and oil company profits and on the other, an increasing struggle for working class people to survive and develop decent conditions with a decent standard of living.

What accounts for the tremendous rise in oil companies profits? Why has the government now acted to insure even greater profits for the oil companies as a "cure" for economic crisis? The answer to these questions must be sought in the laws of development of capitalist commodity production and distribution, and in the role of the State in preserving a system of economic exploitation based on capitalist private ownership of the means of production.

The goal of capitalist commodity production as any capitalist will tell you, is private profit. The investment decisions of the capitalist are based solely on the criteria of profitability, not on the utility or benefit to society of any particular product. It doesn't matter to the captalist whether the product of his investment is energy or housing or hoola-hoops, so long as the rate of return of profit is maximised. Exxon's treasurer stated the companies position bluntly in 1973: "Unless the profit levels become such that the oil industry is confident its investment will bear fruit, the supply of oil will not be forthcoming." In essence then, the "Energy Crisis" can be explained as the result of a profits crisis by the oil monopolies and by their response of using monopoly power to limit supplies and hold consumers hostage to their need for oil until payment of maximum profits is assured. But in order to understand the basis of the crisis and its solution, we must look to the source of profit in capitalist production in general and to the history of the development of the energy monopolies.

The Source of Profit

The capitalist begins with money, capita He invests a portion of his capital in purchase of raw materials and means of production, tools equipment etc. Another portion of his capital is invested in labor power--wages. Workers, because they have no other means of making a living, must sell their labor power to the capitalists for a wage.

In the process of capitalist production then, the value of the raw materials and of the means of production (depreciation) is directly transferred to new products. Workers receive in wages only a portion of the value their labor adds to the new products. The remainder, the unpaid labor of workers or surplus value, is appropriate by the capitalist as private profit.

For the capitalist to realize his profit from the surplus value produced by the workers however, the commodities produced must be sold on the market. Here the anarchy of production based on private profit continually threatens capitalists' profits and social production. If the market does not provide sufficient buyers for all of the products produced, the capitalist cannot realize the profit necessary for reinvestment to continue production. This is by no means assured. In fact, because so many workers are paid only a portion of the value they produce and so lack the means to purchase all of the products of their labor, each capitalist must constantl seek to expand their markets to realize the value of their products.

Competition For Profits

The result of this contradiction then is intense, cut-throat competition amongst the capitalists themselves for control of markets and surplus value. The key method used by capitalists historically to improve their competitive position has been to find ways to produce goods more cheaply and so be able to undersell the competition without losing profits. Reductions in costs of production can be made either by squeezing more work out of workers (increasing productivity) so that the capitalist gains a greater portion of unpaid labor in relation to wages, or directly by cutting wages. Wage cutting and speed-up have limits however. For one, workers have formed union and struggled for higher wages and better working conditions. Secondarily, the worker must receive enough in return for their labor so that they will come back the next day to labor again. So the key means for increasing productivity-- increasing the proportion of unpaid labor squeezed from the workers-- has been the introduction of new , more efficient technology.

The growth and development of capitalist production relies heavily on the continual investment in new technology to increase the productivity of labor. Capitalists who lag behind in implementing new production methods and technology can be undersold by more productive capitalists, who have reduced the unit costs of their products and so can drive others out of business. Thus competition amongst capitalists leads to concentration and centralization of capital in fewer and fewer hands; "free enterprise" based on cut-throat competition leads inevitably to combination and monopoly.

Rockefeller Gains Control

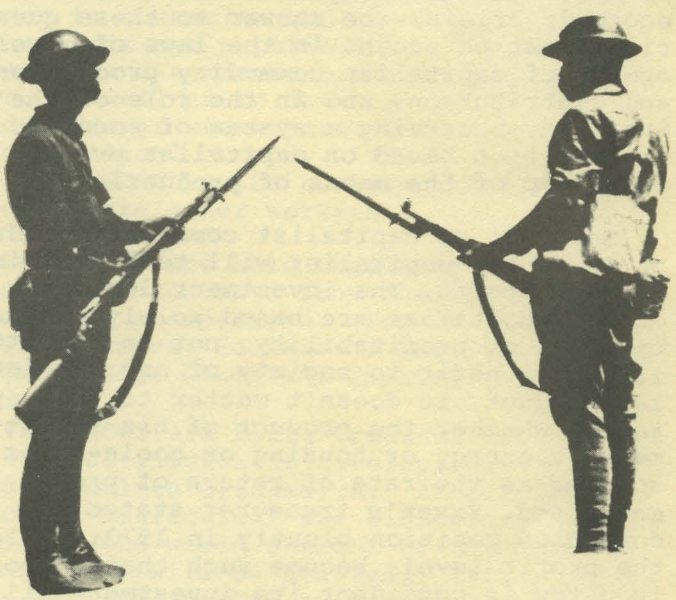
In the case of the development of the oil monopolies in particular, other methods have been used as well, to centralize control of oil production and eliminate competition. In 1865, John D. Rockefeller's Standard Oil Company was only the largest refiner in Cleveland. By 1873 he had established control of 80% of all oil refineries in the U.S. The methods use were first to undersell the competition in selected areas until they were driven out of business or forced to combine with Standard. By attacking regions and attacking weaker competitors first, Rockefeller amassed sufficient capital to be able to sustain losses from underselling even his own costs of production for short periods of time in a particular market until the competition was forced to submit. At the same time, Rockefeller moved to control the entire production and distribution process of oil from well head to gas pump. By this "vertical integration" of the production process, Standard Oil was able to appropriate all of the unpaid labor of of workers throughout the course of production, rather than pay for the private profits of other capitalists, thus reducing production costs. In addition, vertical integration of production and distribution allowed Rockefeller to force other refiners to form secret trust agreements to fix prices or face a cut off of their supplies of crude oil and/or the means to distribute their product.

These "trust agreements" between giant oil companies have played a critical role in the development of the oil industry since Rockefeller engineered the first secret trust on 39 companies in 1882. Trust and monopoly control of oil production allow the oil companies to realize super profits by fixing the price of oil products above what the market would allow under "free enterprise". The vertical integration of production and distribution, as well as the tremendous mass of capital required to start an oil company, prevent other capitalists from entering into competition directly with the oil trusts and monopolies.

Unpaid Labor Increases

Monopoly price increases don't however change the source of profits, the unpaid labor of workers in production. Rather, monopoly control allows the oil companies to take a large share of the total surplus value produced in society at the expense of other capitalists and working class consumers. Other capitalists pass on the added costs of production for raw materials and fuel in the costs of their products, thus reducing workers wages indirectly by reducing their buying power.

Trusts and monopolies are particularly important in the development of oil production because increases in productivity of labor in oil production depend not only on the development of new technology but also on natural conditions determining the accessibility and ease with which oil can be drilled. In 1927, a huge supply of oil was discovered in Iraq. The discovery threatened to send costs of production of oil, and prices falling. The huge oil companies who possess already a near monopoly of means of production and distributition moved quickly to establish control of Mideast oil and rig prices. The monopoly of oil production was extended world wide.



Guard Called Out

When oil was discovered by independent drillers in East Texas in 1930, the profits of the oil monopolies were similarly threatened. In fact the price of oil fell from \$1.30 to 5¢ a barrel. At that price however the return of profit on investment would not be sufficient to "justify" to the capitalists continued investment in oil production. Their capital would return a greater rate of profit thru investment in other industries. So paradoxically the supply of oil was threatened by the discovery of abundant and easily produced oil. Therefore, the government moved in to assure the oil companies private profits and the nations supply of oil. The independent producers were declared "outlaws" and the Texas National Guard closed the wells at bayonet point.

To summarize then, the only goal of the oil capitalists from their beginning has been to maximize the return of profit on their investment thru the exploitation of the working class for unpaid labor. There are 3 major contradictions, or struggles of opposing forces, in this process. The fundamental contradiction lies in the process of production itself, in the struggle between capitalists and workers for control of surplus value. Capitalists seek constantly to maximize unpaid labor of workers, while workers struggle to maintain a decent standard of living. The second contradiction is competition amongst the capitalists as they struggle with each other to maximize individual private profit. Finally , capitalists seek to control markets and resources worldwide, and thus come into contradiction with the national aspirations and development of 3rd World countries for control of the wealth of their nation. Each of these contradictions has played a part in the development of the current energy crisis.

Increasing Exploitation

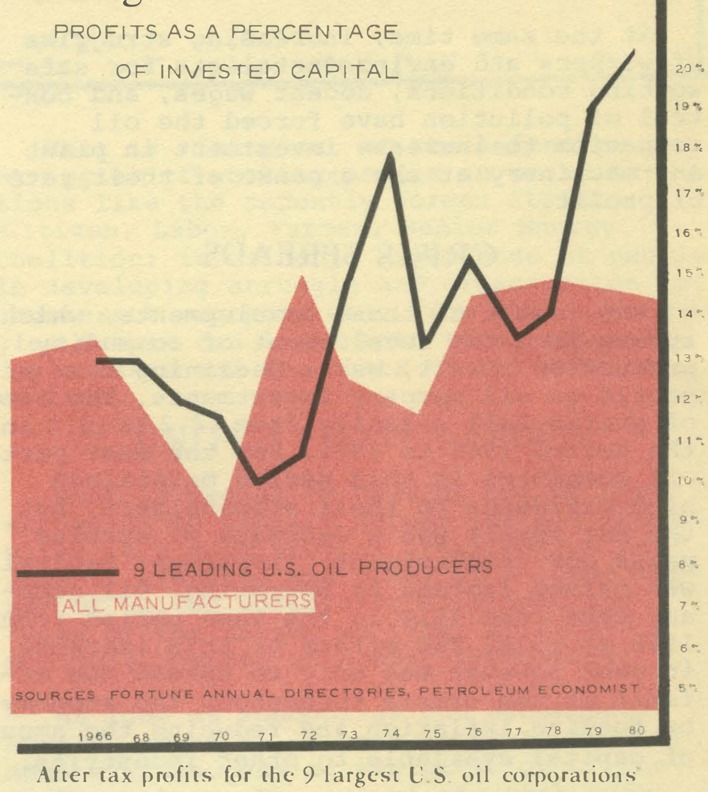
Increasing productivity, in other words increased exploitation of labor, has contradictory effects from the point of view of the capitalists. If increase of production involves replacing workers with machines, then a greater amount of capital is required to be invested in machinery which can only transfer value to products not produce new value, in proportion to the capital invested in wages which allow the capitalist to expand value by appropriating the unpaid labor of workers. Thus an increase in the rate of exploitation of labor (the relation of paid to unpaid labor) is accompanied by a decrease in the rate of profit (the relation of total capital invested to unpaid labor), even if the total amount of unpaid labor increases,

As an industry grows, more and more unpaid labor is required for investment and expansion; if the rate of return of unpaid labor on this investment falls, the continued development of the industry is threatened.

Monopolization of the oil industry does not in itself eliminate this threat of the rate of profit to fall. At the most, monopoly reduces the competitive incentives to increase productivity and so leads to stagnation of the rate of profit. In fact oil companies have historically opposed government research and development of alternative energy resources such shale oil or coal gasification as well as efforts to make energy more efficient. Their opposition ended only when they had secured control of these industries for themselves and so could avoid competition.

In the case of oil, the rate of profit declines also because of additional capital required for investment in tools and machinery to overcome decreased productivity of oil drilling based on exhaustion of old wells and more difficult conditions of drilling new ones. For example, off-shore drilling platforms and Alaskan oil require much greater investment than east Texas oil to return the same amount of unpaid labor.

Aiming For Maximum Profits



After tax profits for the 9 largest U.S. oil corporations fell in the late '60s and early '70s. IN 1972, oil's rate of profit was well below the average for all manufactured goods. But fueled by the "Energy Crisis", the rate of profit doubled in the past 7 years and is now well above the average for all manufacturing corporations. The source of these profits? The unpaid labor of all workers.

Spectre of Nationalization

Capitalists response to declining rates of profit must be to seek to reduce wages and thus increase the unpaid labor they recieve as surplus value . In the 50's and 60's the oil monopolies sought an increase of surplus value shifting investment to foreign production where costs of production were cheaper.

This exploitation of labor and resources of third world people was enforced by the military power of the U.S. government. In 1953 a CIA sponsored coup in Iran replaced a government which had nationalised Iranian oil with the Shah and restored control of Iranian oil to the oil monopolies.

In 1960 however foreign oil producing nations formed OPEC. By the late 60's the apparent defeat of U.S. corporate interests in Vietnam signalled the declining power of the U.S. government to militarily impose the corporations will on 3rd World peoples. In 1973, OPEC members won an agreement from the oil companies leading to 51% control of their oil production. The "spectre of nationalization" in the words of one oil company executive threatened the oil companies vertical monopoly of oil production worldwide.

At the same time, increasing struggles of workers and environmentalists for safe working conditions, decent wages, and control of pollution have forced the oil companies to increase investment in plant and machinery at the expense of their rate of profit.

CRISIS SPREADS

The result of these developments, which spring from the development of commodity production itself, was a declining rate of profit on oil company investments. The rate of profit fell steadily from 12.2 to 10.0 in the period 1966 to 1972. For the most part, oil companies in this period maintained high dividends to their stockholders, but the net result was a decrease of surplus value for reinvestment. Investment capital was raised instead by borrowing. Oil company debt rose 151% in the same period from 1966 to 1972. The effect of this increase in debt however was only to spread the effects of the crisis throughout the economy by fueling inflation and reducing the amount of capital available to other industries.

So at the beginning of the 70's the oil companies faced an increasingly troubling situation. On the one hand, a declining rate of profit undercutting the surplus value needed for new investment, and at the same time loss of control of production of oil to nationalist forces in the Third World. "The balance of power has now shifted once and for all", wrote Oil and Gas journal, "from the oil companies to the oil producing states--an historical event indeed!" Loss of control of foreign production meant that the oil companies now had to pay a higher price for crude oil for their refineries. Even though oil companies can and do pass these costs on in the price of their products, higher prices for raw materials mean a greater investment is required to realize the same amount of surplus value in profits, so the rate of profit falls.

Supply Withheld

What was required, wrote an Exxon official in a secret memo leaked by Jack Anderson in 1974, was a "basic restructuring of the oil industry to assure an acceptable rate of profit". In essence, the solution developed by the oil industry was to use their monopoly control of distribution to increase prices beyond the level of OPEC price increases in order to generate capital to develop alternative sources of production beyond the control of OPEC, so that they could once again establish complete vertical integration of energy production.

John Winger, head of the Chase Manhatten Bank's Energy Economics Division, predicted in 1974 that the financial needs of the "free world" petroleum industry would total 1 trillion dollars in the 15 years ending in 1985--4 times as much as the preceeding 15 years. Continental Oil Co. Chairman John McClenan drew the conclusion: "The required funds cannot be generated internally by the energy companies at today's level of prices and profits, and it may prove impossible to draw them from outside sources at current rates of return on investment." Because energy is an essential commodity for all social production, and demand was rising, the oil companies solution to this problem, simply stated, was blackmail: "Unless the profit levels become such that the oil industry is confident that its investment will bear fruit, the supply of oil will not be forthcoming." Prices, said the monopolies had to rise, and so they did.

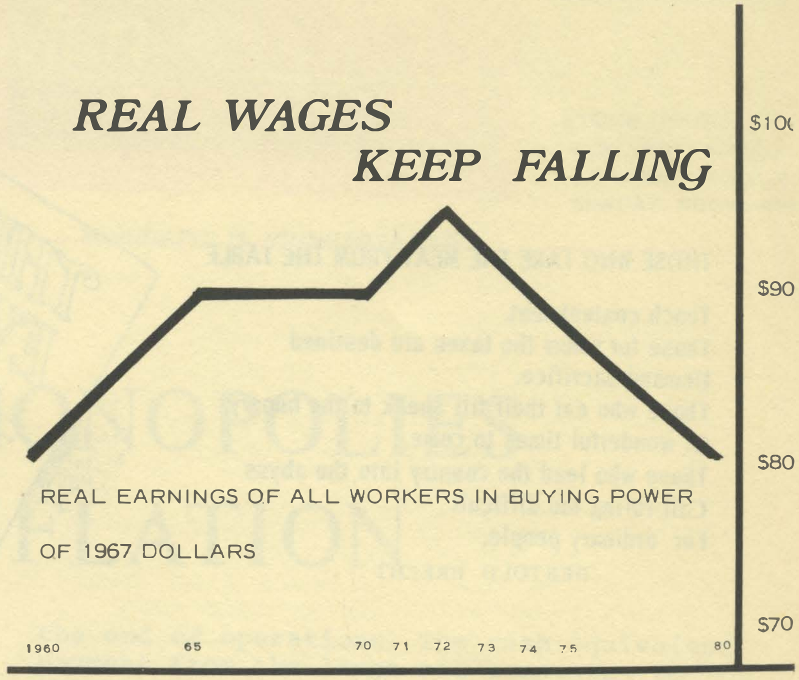
The effects of the tremendous rise in energy prices are well known. By increasing the investment in raw materials and energy required for industrial production, the crisis of a declining rate of profit in other basic industries, like steel and auto has been accelerated. At the same time the rate of exploitation of workers throughout society has increased by reducing the buying power of wages. In essence, the oil companies have laid claim to a greater percentage of the total of unpaid labor of society, while other companies now seek to maintain profits by increasing the mass of unpaid labor exploited from the working class by cutting wages.

Government Helps Big Oil

Deregulation of oil prices must be understood in the context of this overall attack on worker's standards of living to insure capitalists' private profits. Reagan's patriotic camouflage of a return to "free enterprise" is absurd in the face of monopoly control of the oil industry. If oil prices were being set by a free market according to the laws of supply and demand, prices would be on a decline now rather than on the rise. Current supplies of oil almost exceed the maximum storage capacity and refineries have been forced to cut back production, yet prices for gasoline are predicted to exceed $2 a gallon by 1982.

As we've seen the government has always acted to insure oil company profits whether in East Texas or Iran, or through giant tax loopholes. At the same time, the government has historically attempted to keep the energy costs to other capitalists relatively low, in order to lower costs of production for all U.S. produced goods and give them a competitive advantage on the world market. At the present stage of development however, as we've shown, U.S. corporations like the energy monopolies, face rising opposition to their control of foreign resouces and markets, and their exploitation of the labor of Third World peoples. The burden of monopoly capitalist super-exploitation must be shifted to internal production, to increasing exploitation of the U.S. working class. Deregulation of prices for domestically produced oil is a means to this goal, consistant with the governments historical aim of preserving and defending capitalist private profit.

With no restraint then from the government on the oil companies accumulation of profits, working people are faced with a direct attack. On the one hand, the monopolies are world-wide, well organized and rich. On the other, working people's organizations are weak, isolated and disconnected. Unions which focus only on the effects of exploitation in a single company or industry or citizen's groups organized to defend their standard of living in an individual state or community have proven no match for the power of the monopolies. While unions struggle for wage increases and against take away contracts, the cost of living rises faster than wages, While consumers in Connecticut won a tax increase on oil companies in their state, the cost of the tax is paid from increased prices and tax deductions in other states. As a measure, the average wages for all workers have fallen more than 10% in the past 13 years.



What is rising out of the defensive struggles of working people in organizations like the recently formed CLFSEC (Citizen, Labor, Farmer, Senior Energy Coalition) is valuable experience of people in developing struggle and organization to counteract monopoly oil. From these struggles people can learn both forms this struggle takes and the roots of the problem we face.

UNITED FRONT NEEDED

What is needed to develop out of these struggles to finally defeat the oil monopolies is a much broader organization capable of wielding the power of a large number of united workers to eliminate the cause of the crises we face: private monopoly control of energy production.

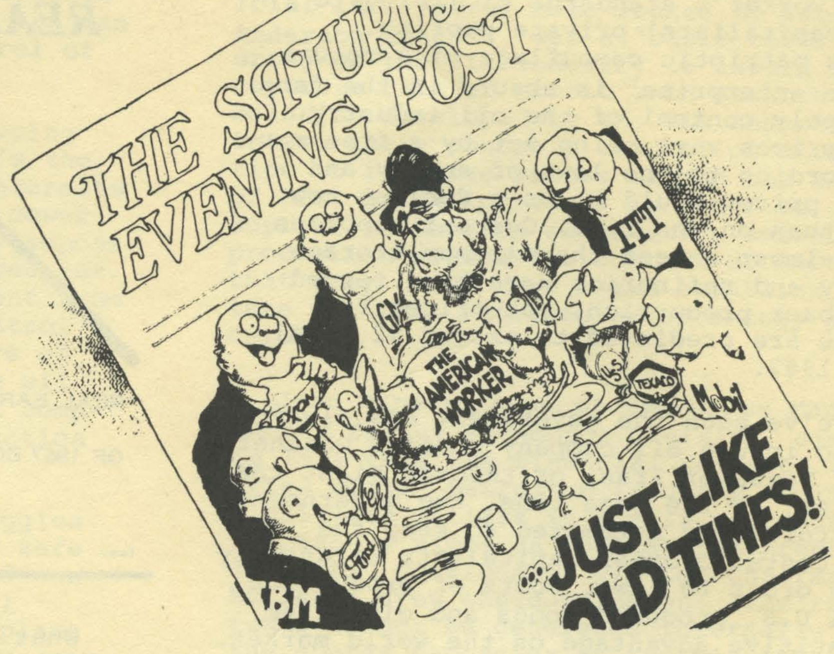
As long as monopolies can accumulate surplus value as private property it will mean ever increasing exploitation of the working class. The use of the vast technology of energy production for collective benefit can only be brought about by social ownership of the means of production.

To succeed in defeating monopoly control of the energy industry, a united front must be developed to challenge control of the State by the energy monopolies. The long range goal must be to use the state to bring about nationalization of the oil industry. This will bring about a condition where social ownership of the energy resources and means of production will make it possible to use them for collective benefit.

THOSE WHO TAKE THE MEAT FROM THE TABLE

Teach contentment.
Those for whom the taxes are destined
Demand sacrifice.
Those who eat their fill speak to the hungry
Of wonderful times to come.
Those who lead the country into the abyss
Call ruling too difficult
For ordinary people.

BERTOLD BRECHT



Ben Sargent, The Austin American Statesman

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