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Oil, war, lies and bulls**t'

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There's hardly any doubt that the George W Bush administration lied rather consciously about the cause of invasion and subsequent occupation of Iraq. President George W Bush also has been deliberately untruthful to the American public on a number of domestic issues, such as illegal, indiscriminate wiretapping of US citizens, torture of foreign detainees and American political prisoners, and limitless encroachment on civil, human, and legal rights of the American citizenry at large.

As a consequence, at least on the issue of the invasion of Iraq, there's no discernable disagreement about the Bush administration's appalling lies. However, what is still questionable within the public (particularly, the anti-war) discourse is the mistaken belief that oil has been the primary cause of the US war in Iraq. This belief, as I shall demonstrate below, is but a harmful ploy that essentially belittles the truth; this belief plays as a de facto cover-up that inadvertently, but sadly, conceals the Bush administration's scandalous tracks in this bloody colonial adventure, and consequently trivializes the real cause of the invasion of Iraq.

For instance, this supposedly "progressive" view is boon to the Israel lobby in the United States, whose singular aim today is to justify the Bush administration's mindless warmongering and to distract the public from the real cause of war in the Middle East.

In this critical sense, I will argue, rather regretfully, the anti-war movement itself has indeed played a significant part in the Bush administration's reckless and frantic foreign policy. Moreover, I contend that speaking of oil as the cause of war is clumsily out of context and thereby distracts our attention from the neoconservative /militarist/Christian Zionist vision of the Bush-Cheney administration.

And, particularly, by invoking "No Blood for Oil", the anti-war left - including radicals and certain self-proclaimed "Marxists" - is, advertently or inadvertently, blameworthy of sweeping the real cause of war under the carpet.

Since the oil crisis of the early 1970s, I have been weary of the relevance of orthodox economic doctrines and their damaging methodological influence over what is known as heterodox economic alternatives. However, my deepest resentment is reserved for the so-called mainstream economics textbooks in which competition, and by implication monopoly, has been treated axiomatically, that is to say, as-a-matter-of-factly. I contend that invoking the fiction of "perfect competition" and appealing to its equally silly

corollary (that is, "perfect monopoly"), has not been more exposed than in the case of oil industry.

My deepest concern here arises from the intrinsic fakery - not necessarily falsity - of the textbook competition-monopoly spectrum, camouflaged as a real market-structure theory. In other words, the truth about this tautological proposition is axiomatically undeniable; nevertheless, it is absolutely alien and indeed irrelevant to the context and concrete reality of capitalist competition.

Competition has an evolutionary context within the contending process of accumulation in capitalism, which compels the competitors to participate in the concentration and centralization of capital in their perpetual war of survival. Neither "pure competition" nor "pure monopoly" nor the faked harmony within their purported spectrum will be suitable for a testable hypothesis concerning advanced capitalism.

To be sure, this proposition is not wrong; it's simply devoid of the context. This is what I mean by unrelated axiomatic (or fictional) construction. And that's what H G Frankfurt, the author of *On Bullshit*, calls, "bullshit". In this manner, the very accumulation of capital in the globalized oil industry has been idealized by mainstream economic as "monopoly" and the Organization of Petroleum Exporting Countries (OPEC) as an alleged (price-making) cartel.

What is depressingly noticeable is that the liberal/radical left also tends to utilize this very idea of competition - before resorting to some selective cartelized features of the bygone oil era, under the "Seven Sisters" leading oil companies, peppered with the equally bygone US foreign policy under the defunct Pax Americana (1945-1980) - as a guiding principle.

Moreover, this unauthentic impression (overblown with irrelevant, anachronistic, and/or out-of-the-context facts) has become a typical facet of nearly all liberal/radical (leftist) writings on today's oil.

Similarly, this sort of fakery and this manner of unconcern for truth have become the signature of the majority of anti-war writings on oil and the war. It appears that no amount of historical examination, critical reasoning and/or concrete evidence on the decartelization, competitive globalization, and the epochal transformation of oil have any effect on these liberal/radical adversaries. In other words, for this well-intentioned but clueless anti-war crowd, neither historical specificity nor epochal context nor concrete evidence has any relevance.

The theory they know is patently owned by the orthodoxy, the oil they imagine is non-competitive (and deemed controllable), and OPEC they envision is a "cartel" - contrary to the empirical evidence.

Being baffled by this much misapprehension since the early 1990s (this is, since the beginning of the US sequel in Iraq), I have persistently been in search of a fitting

category - beyond categories of "truth" and "falsehood" - a category that would accurately describe the right-wing economic theorizing, and its left-wing blind following, in respect to mischaracterization of oil, misapprehension of the post-Pax Americana interventions, misrepresentation of American hegemony and the mistaken identity of the present epoch.

I was particularly interested in a meaningful category that would adequately describe the anti-war writings on oil and their purported linkage to the question of war.

This question was on my mind till one day, in 2005, when I came across in a bookstore a stack of petite volumes titled *On Bullshit*. Thumbing through the tiny pages, the author's brief description on the back-page reassured the skeptical reader: "Harry G Frankfurt, renowned moral philosopher, is Professor of Philosophy Emeritus at Princeton University." This was a godsend, I thought as I gave a quick read of the first few pages, and realized this is what I have long been seeking for the streamlining of my otherwise long-handed criticism of the "market typology" and my long-drawn-out dissatisfaction with neoclassical competition as embraced by nearly all textbooks on microeconomics and industrial organization.

More importantly, I noticed that this book offers an apt category for depiction of nearly all recent writings on oil and war, whose relevance to the context and whose competence on the issues are suspect. I have been writing for nearly four decades on this subject, and only belatedly realized that I need a serious *sui generis* category - a shorthand - for identification of these writings and utterances; writings and utterances that are steeped in circular reasoning; that are devoid of historical periodization and replete with the panoramic fakery - in both academic and popular literature on oil, war, globalization and hegemony.

In this 67-page gem of a book, the author remarked: "It is impossible for someone to lie unless he thinks he knows the truth. ... [Thus] the liar is inescapably concerned with truth-values." By contrast, Frankfurt rightfully insisted that "[f]or the bullshitter, however, all these bets are off: he is neither on the side of the true nor on the side of the false. His eye is not on the facts at all, as the eyes of the honest man and the liar are ..."

The author then went on: "his focus is panoramic rather than particular. ... He is prepared, so far as required, to fake the context as well." And finally a gentle reminder by the author: "Since bullshit need not be false, it differs from lies in its misrepresentational intent."

"Bullshit" indeed seemed to have been the accurate description of what I have painstakingly encountered in the mainstream as well as heterodox economic literature on oil in recent decades. I have written well over half a million words (and spoken four times that) to expose the faulty methodology and the lack of concern for truth concerning the epochal transformation and globalization of oil by the conservative, liberal and radical economists; and by international relations academics.

In the majority of writings in these literatures, the preemption of truth has been accomplished by absolute lack of concern for contextual reality. The writers often resorted to axiomatic reasoning - not as an abstraction from complexities of the truth but abstraction from the truth itself - in order to justify their models - rather circularly. They preferred to hang on to the bygone colonial era, under the International Petroleum Cartel (1928-1973), and to force the out-of-the-context revival of this anachronism upon the present reality of global oil.

That's why - before setting the context - I decided to insert the word "bullshit" in the subtitle and throughout this article - not as a sign of disrespect or put-down - but as a *sui generis* category of immeasurable value in order to accurately classify the enormous body of the popular writings on oil , war, and hegemony.

The price of oil had already passed the threshold of US$145 per barrel, before falling below the $100-mark and back, given the deepening financial crisis at home and the staggering financial and political cost of foreign adventures abroad; the day-to-day price of oil has now moved to an uncharted territory. No amount of cozying up to Saudis by the American administration will ever do the trick, as it used to in the pre-1970s cartelized era.

Indeed, as I have demonstrated nearly three decades ago, since the 1970s, bargaining and cozying in this business cannot explain the underlying long-run price oil. Moreover, to look at oil systematically, and in a non-arbitrary manner, any bargaining is necessarily confined within the boundary of these differential oil rents.

The size of these oil rents is also dependent upon the level of long-run oil price, whose magnitude is subject to the production price of costliest oil region (that is, least productive deposits) in the world. Geographically, the lower-48 states region of the United States has been the site of the world's oldest and most explored oil deposits. This oil region had been under the auspices of the International Petroleum Cartel that had controlled nearly all world oil till the global restructuring of the early 1970s. Upon the decartelization of oil in the early 1970s, the US oil (the world's highest explored, highest-cost oil) has become the center of gravity of value and pricing of oil globally.

That's why, the difference between yesterday's and today's oil is the difference between arbitrary pricing, ad hoc accounting and unmediated control by the defunct International Petroleum Cartel on the one hand, and the mediating operation of the "law of value", manifested through competitive globalization and worldwide pricing of oil on the other.

This, in my view, is the critical distinction between the liberal/radical (leftist) view, which relies on the idealized orthodoxy (that is, mainstream economics) for theoretical and ideological nourishment, and the one that focuses on the evolutionary material reality of competitive pricing of oil in the globe. Today, the extent of this contrast has never been so clearly apparent than over the issues surrounding the US invasion and occupation of Iraq on the one hand, and the alleged question of oil on the other.

Since the oil crisis of 1973-74 that restructured and unified the industry, the reality on the ground has rendered the colonial control of oil untenable. Therefore, the theoretical underpinning of modern oil and lingering fantasies of yesteryear's cartelization (together with the unreality of US hegemony under the Pax Americana) have no commonality.

But liberals and conservatives alike see the oil as an immutable entity devoid of historical evolution, and insist that, even in its undivided globalized configuration, oil - even now - is allegedly privy to the necessity of physical control and military invasion, thus insinuating an arbitrary domination.

Moreover, these observers often start with power (as a point of departure) and conclude with power and power relations to reach their point of arrival, without any inkling about the circularity of their argument. The case in point is the US invasion of Iraq, in which the anachronistic view of oil - which requires direct control - is both the point of departure and the point of arrival, at the same time.

For instance, journalists like Thomas Friedman and Ted Koppel tend to fall into this same trap, by peddling oil as the cause of war, in headlines, the Op-Ed page of the print media, and on radio and television airwaves, without a hint of understanding about the circularity of their pronouncements; sadly enough, economists, international relations specialists, and other social scientists fare no better.

On a more professional terrain, former Federal Reserve chairman Alan Greenspan had already implied that the US invasion of Iraq was for oil. The question here is not whether oil was not on the uppermost part of the vice president Dick Cheney's mind when the George W Bush administration's invasion of Iraq was under way. But that Greenspan is habitually captivated by the ancient idea that the world oil is partitioned between us and the Arabs, and that the United States (after the invasion) and Saddam Hussein - who fought the proxy US war with Iran in the 1980s - (before the invasion), have been able to control it.

Greenspan, in his own words, favored the US invasion of Iraq on the presumption that today's oil does immutably operate in the same manner as in the colonial and cartelized era, and that the physical access and cartelized pricing are still the determining parameters of today's oil. Aside from his callous attitude, if not his reactionary mentality, Greenspan's apparent delusion may have to do with his unshakable conviction in romanticized (neoclassical) competition, together with his sheer ignorance of the concrete reality of oil, a combination of which is quite consistent with his narrow political worldview.

In the same vein, when it comes to questions of oil, power and hegemony, even progressive international relations specialists, such as Simon Bromley (author of *American Hegemony and World Oil*) have not been entirely immune from circular reasoning. And when it comes to concrete historical facts, they too pretend as if, for instance, the cartelized oil and/or the American hegemony have not yet been relegated rather objectively to the junkyard of world history.

As for "hegemony" alone, it appears that, today, is the most misused and abused word in the English language. The casual use of hegemony, by the left and the right, to mean control and domination, is literally one the terrible idiosyncrasies of our time.

As I have pointed out elsewhere, hegemony in its original and proper connotation exhibits four interwoven characteristics. It is: (1) mutually consensual, (2) internally driven, (3) historically specific, and (4) institutionally mediating. And more importantly, hegemony is a feature of whole (that is, the Pax Americana), not an attribute of part (that is, the United States). This, I believe, is an authentic interpretation and precise extension of Antonio Gramsci's hegemony to the sphere of international relations.

Hence, it's silly and circular to define the existence of American hegemony in terms of the readily assumed American hegemony. Nevertheless, the majority of political scientists (and economists) still speak of the American hegemony, despite the absence of the long defunct Pax Americana. Today's oil price, both in magnitude and volatility, proves vociferously the fallacy of arguments that are stubbornly geared toward the "hegemonic control" of oil, notwithstanding the transformation of oil from cartelization to decartelization (and globalization), since the early 1970s.

How does the oil price relate to the falling value of dollar and the gravitational force of macro-economy as a whole? In order to answer this question, we need a concise distinction between the long-run and short-run price of oil at the present stage of globalization.

Globalization of oil reflects the formation of global prices in which the highest-cost and lowest-cost oil regions tend to operate, side by side, competitively and in a unified manner. And, in this global pool, short-run market prices are not likely to form in isolation within each locality, but rather emerge universally and in a unified manner. The formation of the long-run price of oil, too, is achieved through global competition.

What is governing the magnitude of the long-run price is the "production price" (costs, plus average profit) of costliest (least productive) oilfields within the least productive oil region of the world, namely, the United States. These fields are located beneath the continental shelf of the United States, known as the lower 48 states.

Both the conservative and liberal media blame OPEC (the usual suspects are the Arabs, Iranians and Venezuelans) for the oil price hike and accordingly concoct a reason for military conflict, such as the US invasion of Iraq. A bit more sophisticated version brings in additional issues - supposedly beyond oil - and speaks rather panoramically of the US /China, dollar/euro or other arbitrary binary pairs in the mix, without admitting first that the American century, under the Pax Americana, has long been over, and that the epoch of globalization is not the same as "Americanization" and America's purported hegemony.

The left-wing media, while staying away from the blame-game and showing a bit of

human compassion, nevertheless concur with the same conclusion. A notorious case in point is Michael Klare of The Nation, who - as the darling of the liberal left - has successfully made an industry out of this unauthentic and unbecoming trick in respect to war and oil. Klare's proposition is indeed a replica of what James Schlesinger, a Chicago School economist - (and formerly a CIA director and a one-time US secretary of energy) - had already pontificated on oil and war, in 1991, following the earlier US war against Saddam Hussein. Aside from strict copycatting, Klare and his likeminded liberal/radical colleagues are in reality acting as strange bedfellows in concert with the Bush administration's war policy, simply by obscuring the cause of war and perpetuating a campaign of misinformation on the side of this administration.

Steeped in rusty knowledge of yesteryear's oil cartel, Klare doesn't even realize (or doesn't care) that on the terrain of reasoned cause/effect relationship the question of "resource wars" - a proposition in need of proof - cannot be understood, let alone falsified, by a mere description of "resource wars", despite his rather elaborate dog-and-pony show. And the fact that our society is hooked heavily on oil consumption has essentially nothing to do with why our government should behave the way it does.

After all, there is such thing as systematic explanation as to how capitalism works and how the production and distribution of these resources are to be utilized as guideposts for critical and objective examination of the 21st-century global capitalism. One needs not be overly voluntarist, or for that matter crude, in respect to pricing of a resource, which is uncontrollable in the view of its globalization, beyond the determination of a real or an imaginary entity in today's world.

And, more importantly, we need not change the context of oil to suit the context of war. Yet, Klare does this with an incredible ease; he identifies oil as the cause of war, not by investigating the specificity of oil in its evolutionary context but by repeating the same "resource wars" syllogism ad nauseam. This, I believe, is a notable example of panoramic appeal and misrepresentational fakery, reminiscent of "bullshit" - according to Frankfurt.

Oil is a commodity whose point of origin is insignificant once it arrives in the inter-connected global pool. Therefore, notwithstanding the differential regional cost of production, the market price oil is universally the same. The short-run market price of oil is determined by the spot and futures oil markets. This means that, from the standpoint of globalized pricing, there is no distinction between "cheap oil" and "expensive oil".

The spot market reflects the daily delivery of oil on a competitive basis. This market leads to market-clearing prices in an organized exchange, whose magnitude sets the short-run price of oil in all other localities, regardless of their momentary supply-and-demand conditions. The futures price, on the other hand, refers to the competitive delivery of oil, sometime in the near future, hence the possibility of speculative bubbles in the oil market. The market clearing price of oil takes its cue from the spot/futures prices anywhere in the world. This is also true for the determination of the price of oil in long-term government contracts, between oil-exporting and oil-consuming countries, anywhere in the world. OPEC too follows similar pricing rules for its oil.

Spot markets in NYMEX (New York) and International Petroleum Exchange (IPE) in London are the ones that for all intent and purposes set the daily price of oil globally. The benchmark for NYMEX is the West Texas Intermediate crude, while IPE trades in Brent - the crude from North Sea. In turn, the OPEC oil basket itself (a composite of spot oil prices of member countries) takes its cue from Brent (and, by implication, from the West Texas Intermediate crude), and thus consistently varies according to fluctuations in these competitive global oil markets.

This concrete reality provides us with three interrelated theoretical points in the political economy of oil: (1) that the short-term global price of oil does not necessarily depend upon the concrete, market-clearing (physical) equalization of oil demand and supply at each and every single location on the globe; (2) that the converging pattern of long-run (random) market fluctuations is neither independent from nor a cause of the long-run "production price"; (3) that such a pattern ordinarily reflects short-run fluctuations (of demand and supply) around the gravitational center of the long-run price - that is to say, the "production price" of the costliest oil deposits in the world.

The last point depicts the necessity of the "law of value", prior to market prices, in the contemporary global oil industry.

The futures market (NYMEX) is a hedge market that normally operates alongside the spot market. However, given its purpose, this type of market is not without speculation. Hence, the question is how much activity in this market is aimed at effective hedging and how much geared toward speculation. This is how the issue of "selling oil that you don't have" had transpired in the summer of 2008, hinting at speculation in Wall Street by putting down, say, 6% of the barrel, and turning around to sell 100% of the same barrel that is not owned. Here, the culprit is the lack of adequate regulation, combined with extraordinary political provocation advanced by the Bush administration toward Iran in the same period.

This brings us to the connection between competitive price and the corresponding production from the various oil regions of the world, according to their individual productivity and cost structure. Given the fact that the costliest oil should be able to recoup the long-run price (cost, plus normal profit) in order to stay in business, its individual production price must represent the long-run price for the remaining oil regions of the world.

By way of digression and in anticipation of a typical question as to why all these costly oilfields will not suddenly go out of business, particularly in the presence of more productive oilfields, say, in Saudi Arabia or Iran, it would be necessary to get rid of an enduring popular illusion.

First of all, the presumption that these least-productive oilfields have always been the least productive is demonstrably untrue. The majority of the least productive oilfields - say, in the United States - had not always been at the bottom of productivity scale when

they were placed under production. In other words, while these fields were initially ("naturally") productive, they gradually declined via the successive application of capital that eventually led to their present declining status.

Secondly, and related to the earlier point, differential productivity of the oilfields within and between oil regions is not only dependent upon the accident of geography but also to the successive capital investment and uneven accumulation of capital vis-a-vis rent.

Thirdly, as a consequence, it is incorrect to assume - as in the case of agriculture (his "margin of cultivation") did David Ricardo - that capital moves in an orderly and unidirectional manner, from a more productive oilfield to less and lesser productive leases in search of oil. Hence, "marginal" oilfields must not be necessarily identified with the newly invested capital on the newly leased fields, but with the ones that are already producing the bulk of oil from the older oilfields in the United States.

This mechanism, and not "monopoly", provides the means for global competition among the more- and less-productive oil regions, thus turning the emerging differential oil productivities into differential oil rents - side by side with a competitive profit. As a consequence, these differential oil rents are not only price-determined but are themselves the effect of competition and competitive pricing of oil. And, by implication, OPEC is not a "cartel" but simply a rent-collecting organization.

The orthodox view (and similarly the self-described heterodoxy), however, takes its point of departure from the bygone cartelized era, before lumping OPEC and the rest of today's globalized oil together into an eclectic conspiratorial collage. The case in point is Paul Cummings who - not quite unlike Klare - starts with John D Rockefeller's oil monopoly and decidedly ends up with a cartel and monopoly, without detecting a hint of circularity in his argument.

An implicit hint of control and conspiracy does also emanate from Michael Hudson's view of oil (Counterpunch, June 2008). He explicitly attributes the "the cause of soaring oil prices" to "the Iraq War [which was supposed to lower them, not raise them] and to the contribution of US overseas military spending to the balance-of-payment deficit, and hence to the plunging dollar on world markets."

Here, the reader should notice a tendency of a doubletalk in this supposedly heterodox verdict. For it would be a bit bizarre to attribute the cause of the US invasion of Iraq to an increase and, at the same time, a decrease in the price of oil.

In a similar methodological approach, Paul Davidson, the guru of post-Keynesian economics, on the one hand speaks of "OPEC Cartel," and on the hand invokes the Marshallian notion of "user cost" in order to demonstrate the cause of oil price hikes in the summer of 2008. The so-called user cost is an axiomatic construct that relates the present and future price of oil, given the expected increase of the latter. However, by appealing to this (axiomatic) concept alone - without an independent empirical examination - the question is moot. Nevertheless, even if one accepts this proposed deduction, which is simply a tautological construct, one needs to search for a deeper cause behind the sudden facade of these expected increases in the price of oil. Davidson,

however, tends to blame OPEC, rather speculatively, without focusing on the action of speculators - those who buy and sell oil short in Wall Street, by churning the "paper barrels" for a quick profit.

Davidson discounts the fact that OPEC is seen more than ever worried about speculation in futures markets and thus hopelessly seeking a way out of this short-run instability that jeopardized its long-run revenue and future differential oil rents. But, alas, for Davidson, OPEC's price-determined differential oil rents are but "monopoly rents."

To recapitulate, the production of oil from the least productive oil region is entitled to a competitive profit. This reflects a normal rate of return on capital investments that, notwithstanding the risk and uncertainty, move rather competitively in and out of the industry on a regular basis. By comparison, oil production from more productive oil regions is entitled to a differential oil rent, in addition to normal profit.

In this manner, the long-run price of oil is set by the US oil production price (US regional oil cost, plus competitive profit), which in turn represents the gravitational center of short-run fluctuations of oil prices worldwide.

This also has a considerable implication for the question of environment and the issues that are hanging in the balance in the view of the popular but fictitious desire for "self-sufficiency" in oil and energy in the United States. That is why, so long as the production from least productive US oilfields is to continue, the measly production from new explorations, such as from the US Outer Continental Shelf and/or Alaska's National Wildlife Refuge (more productive US oil provinces) would neither change the center of gravity (the long-run price) nor markedly reduce the short-run price of oil in the US.

Again, this is not because of the alleged "oil monopoly" invoked by popular wisdom, but because of the very fact that these differential oil rents are an outcome of competition among the lesser- and more-productive oilfields; and thus least-productive oilfields are merely entitled to competitive profit, without rent.

Given my ample demonstration elsewhere, I also wish to point in passing that absolute rent is undoubtedly not applicable to the oil industry, and that the formation of differential rents are an outcome of successful movement of capital (shown by a higher than average composition of capital) in and out of the oil industry worldwide. Therefore, contrary to some Marxist interpretations, capital and landed property are not be perceived in terms of two stand-alone entities on the verge of collision course in an imaginary mechanical conflict in accumulation.

Capital and landed property in capitalism are rather organically interconnected and, as such, the effect of their mutuality and indivisible interaction can only be verified by the empirical magnitude of "organic composition of capital" in the industry.

This, however, is half of the story. "If you throw an apple up in the air," a Persian adage cautions, "it would turn a thousand and one times over." The short-run price of oil, while

subject to the gravitational force of the long-run price, need not be continually identical with it, except by sheer accident. In other words, short-run market prices are necessarily deviating from the long-run price due to the dynamics of accumulation and the myriad contingent factors some of which may be identified as follows: (1) the continued increase in the US domestic and global oil demand, outpaced by the growth of oil supply; (2) the tendency toward speculation and propensity for the asset-holding activity in oil futures markets; (3) the sizeable decline in the value of denominating currency, namely, the US dollar; (4) actual (or anticipated) natural calamities and/or consequential political upheavals.

Yet, just as the movement of the Earth around the Sun cannot be fully understood without a proper reference to the gravitational field of the latter, the short-run price of oil cannot be understood without an explicit recognition of the center of gravity of the long-run price. In other words, aside from the circularity of one-sided reliance on the short-run (that is, demand-and-supply) price, it would not be possible to distinguish short-run market oscillations from the long-run structural transformation, which disrupts the industry and tends to alter the magnitude of the center of gravity - via periodic crises.

In a fully planned economy, equalization of demand and supply can be achieved by design. However, in a fully functioning market economy, demand and supply are equalized by trial and error - more or less accidentally. That's why we need to understand the theoretic and empirics of the center of gravity (long-run price), prior to market fluctuations and daily market prices. Hence the priority of production over circulation.

What is driving the price of oil today is a combination of all four factors above. First, in the United States 4.5% of world population consumes 25% of world oil production. China, with year-after-year double-digit economic growth, is more than ever energy hungry. India is not far behind and the rest of the developing economies do not cease their growth either. Secondly, tendency toward speculation in the oil futures is a recent phenomenon. This, in part, has to do with the prevailing atmosphere of intrigue in the US financial sector, caused by the sequential rupture of speculative bubbles - in the US real estate, mortgage institutions, collateralized debt market, asset-backed commercial paper market, and debt-obligation insurance market - domino style.

But, more importantly, an increase in the market price of oil is due (thirdly) to the precipitous decline in the value of US dollar, which serves as the denominating currency. Here, the decline in the value of US dollar gives rise to two separate effects in the market price oil: a direct effect, via the depreciating value of the denominating currency, and an indirect effect, via a flight from the US dollar, as an asset, and shift to oil (and other commodities) for speculative purposes. The combined effect of these can be detected from the magnitude and volatility of oil prices in the first and second quarters of 2008.

The fourth factor is the drumbeat of war by the Bush-Cheney administration and provocations to that effect by the Israeli government against Iran. This would not only influence the price but indeed cause tremendous market volatility in oil. For example, the statement by Israeli Deputy Prime Minister Shaul Mofaz last May (2008) that an attack

on Iran's nuclear sites may be "unavoidable" led to an $11 increase in the price of oil - the second largest single-day rise on record. This and other events such as the replacement of Admiral William Fallon, commander of the US CENTCOM in the Persian Gulf, with a careerist and apparently neocon-friendly General David Petraeus, are not a kind of information that could simply escape the mind of those who have set their eyes on the prize in Wall Street.

Now, dynamics of the economy as a whole, and their interaction with the sudden increase in the price of oil, mustn't be treated as separate entities independent from one another. Moreover, the oil sector and the magnitude of oil prices do not evolve in a vacuum by themselves. The fact that the price of oil is increasing - beyond the public expectation - is itself a clear manifestation of the turbulent economy, not the other way around. It's the whole economy that is intensely subject to internal restructuring - which is the classic definition of crisis - and oil is only playing its part.

Consequently, it is not only utterly unwise to capitulate to supply-side economics textbooks that refer to the oil price hikes as "supply shock"; it is also disingenuous to behave like a neoliberal in everything else but to speak of "self-sufficiency" (an obsession with "domestic supply") in oil and energy, and to resort to another after-the-fact and out-of-the-context shenanigan, namely, the oil's "strategic" value.

Again, to appreciate Frankfurt, invoking the notion of "self-sufficiency" in this context is neither false nor true, but simply "bullshit" - the corollary of which is the hoax of the "national security". Unfortunately, despite our remarkable global interdependence, this demagogic message has never ceased from being put on public display by fearmongers in foreign policy and demagogues in the domestic arena, where the American public is the first casualty.

The original "shocks" of the 1970s were but a manifestation of (1) decartelization and globalization of oil, including the decartelization of the US crude oil sector, and (2) larger and more intricate internal transformation, from the (hegemonic) Pax Americana to a worldwide globalized economy and polity - minus American hegemony.

Besides, shocks are normally the attribute of external rather than internal development. Therefore, it's terribly misleading to reverse the direction of causality and claim that oil crises (in the 1970s) have been responsible for the past US recessions. After all, thanks to the globalization of oil that the "production price" of US oil is now governing the "production price" of all oil globally.

We are now confronted with a food crisis, a fuel crisis, a housing crisis, a credit crisis, and a banking crisis, - to name a handful. And, if this is only a "mental recession", as the former Republican Senator Phil Gramm (a one-time economics professor at Texas A&M University) wants us to believe, we must have an awful lot of "mental cases" on our hands at present in the US economy.

The cruel irony in all this is that the same rightwing ideologues who bashed the

government support-system, smashed the public safety-net and cursed public "handouts" for generations - all but in the name of "free enterprise" and "laissez-faire" - are now desperately crying for government handouts and public bailouts. Since the beginning of this summer, well over $1 trillion have been transferred from the public coffers to pockets of private banks, insurance companies, and mortgage institutions that recklessly - and, in some cases, hand-in-glove with public officials - made a decision to take incalculable risks in order to earn untold amounts of profit.

Here "greed is good", as always has been, especially when the government comes to the rescue. The current handout is the largest transfer of wealth from Main Street to Wall Street since the Great Depression. And, I fear, the end is not yet in sight. The short list includes: Bear Stearns ($30 billion), Fannie Mae and Freddie Mac ($200 billion), AIG ($85 billion), and, as of this week a massive non-specific rescue package for $700 billion. Incidentally, this is the same "bazooka" that the Secretary of Treasury Henry Paulson had promised (to the US Congress) to be utilized merely as a deterrent in order to calm the jittery market in Wall Street - a weapon that, god forbid, he wouldn't have to use.

This speaks clearly to the irony of market ideology that rather idealistically hangs on to the so-called market perceptions without much inkling about the material conditions that are to be inevitably the cause of such perceptions. The US national debt has now jumped to upwards of $11.3 trillion - a figure for the combined annual GDP of China, France, Germany, Norway, Russia, and Sweden in 2007.

On Monday, September 22, the first day after the weekend's proposed massive bailout, the NYMEX October crude oil (nominal price) surged by $25, from $104.55 to $130, before settling at $120.92 a barrel, with a $16.37 increase. This was the largest one-day spike in the price of oil in history of the industry, a rather expected response to bailout's inflationary repercussion and further fall in the value of the US dollar.

Today, the US economy is sneezing in cold sweat - notwithstanding the present financial contagion - but the world economy is not even uttering: "bless you". Here lies the belated distinction between the so-called Americanization and globalization - and, by implication, the loss of American hegemony. This crisis provides us with a vivid distinction between neo-liberalism (as an ideology and policy) and the epochal context of globalization, beyond the conventional notion of imperialism and/or nationalism.

At the last meeting of the World Economic Forum at Davos, Switzerland, even sympathetic liberals and social democrats realized, rather belatedly, that the American economy is no longer functioning as the engine of world economy. Their lexicon was "decoupling" of world economy from the US economy, thus signaling rather aptly what I have already foreseen well over two decades ago, notwithstanding the pageantry of Reaganomics and pomposity of "the only superpower".

In the meantime, the Republican ticket for the November US presidential election is hanging to the reactionary ideology of the tripartite neoconservative/cold-war militarist/Christian Zionist alliance - the same coalition that catapulted George W Bush

for two consecutive terms to the Oval Office. Here, militarist John McCain, who is now surrounded by an army of neoconservative lobbyists, had to logically "balance" the Republican ticket by nominating Christian (fundamentalist) Zionist Sarah Palin, as his vice president, in order to obtain seamless identity with George W Bush's social and ideological base.

McCain is now frequently seen with Senator Joseph Lieberman (the patron saint of the Israel lobby in Washington) on the campaign trail; he is rather shamelessly manufacturing the facts about Iraq and audaciously promoting another war - this time with Iran. Again, as I have pointed out elsewhere, this alone speaks to the temporal, as opposed to epochal, feature of today's America. Consequently, in reality, McCain-Palin presidential show provides a thin disguise for the Bush-Cheney's potential third term in the office. And in the present era of post-Pax Americana, post-hegemony, and post-Reagan Republican Party, the lesser-known face of fascism is possibly lurking on the horizon in the United States.

In sum, to understand the connection between oil prices, the falling US dollar, the status of US economy, and the loss of American hegemony we need to appreciate the dialectical relation between the globalization of oil, globalization of world economy (beyond the defunct Pax Americana), and the fact that material, ideological, and social conditions for American exceptionalism have readily ceased to exist.

On the epochal (global) trajectory and quite contrary to Antonio Negri and Michael Hardt's *Empire* (2000), the emperor is nothing but the cloth! Even a nostalgic allusion to such binaries as hard power/soft power is but reminiscent of the bad cop/good cop stratagem, albeit on a wider scale, which is nonetheless a far cry from hegemony and exceptionalism.

Likewise, on the temporal plane and in respect to US foreign policy, the Bush doctrine of preemption is not only reactionary but also a self-destructive and desperate agenda on the road to perdition. And, by extension, "the war on terror" is but a bizarre phrase that predictably is at the service of promoting further unprovoked US military invasion in the world. Thus, "bull in the china shop" is not an unbefitting label for the existing US foreign policy today.

The world is more than the sum of its globalized parts and the United States has yet to come to grips with the necessity of its circumscribed power and its fast-shrinking place in this century, and behave accordingly for its own sake in this post-colonial, post-Pax Americana, and post-hegemonic world.

Note

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