A socialist response to the massive rise in fuel prices

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The staggering increase in gasoline prices is taking an enormous toll on working families in the US, whose paychecks are already being eaten up by a host of other rising costs, from health care, to education, to housing and food. In the last two weeks alone, prices at the gas pump have risen nearly 25 cents—to an average of $2.91 per gallon—with prices exceeding $3.10 in California, New York and other states.

Some 70 percent of US adults recently polled said gas prices—which are up 31 percent since last year—were causing them financial hardship. Tens of millions of people in America forced to drive long distances to work, as well as elderly people on fixed incomes, rural residents and small business owners are being devastated, and the crisis could lead to mass layoffs in the airline and trucking industries and throughout the economy.

Underlying this crisis is the fundamental contradiction between the development of the productive forces and the social relations of the capitalist profit system, which finds its starkest expression in the maintenance of a petroleum-based economy that every day becomes more incompatible with human needs and life itself.

After warning that Americans must brace for a “tough summer,” blaming supposed “tight supply” for prices that could reach beyond $4.00 a gallon in the next several months, President Bush responded to mounting outrage by announcing a series of largely meaningless measures Tuesday. These proposals—suspending environmental rules governing gasoline refiners, halting purchases for the government’s emergency stockpile and giving oil companies more time to pay back previous loans of crude oil from these reserves—will do little or nothing to ease prices, while further feeding the profit drive of the energy conglomerates.

Senate Majority Leader Bill Frist, meanwhile, declared that there is “no silver bullet” to bring down prices and advised Americans to tune up their cars and drive more slowly to get better mileage. For workers who are seeing their real wages slashed by the cost of long daily commutes, Frist’s remarks amount to “Let them eat cake.”

While the oil companies and their apologists in Washington have blamed world crude oil prices and environmental regulations for the price hikes, the chief cause is profiteering by oil companies, which are posting record windfalls. Over the last decade, there has been a wave of mergers and consolidations in the oil industry, allowing a handful of monopolies to tighten their grip on supplies, manipulate production levels and drive up prices. The present crisis is the result not of some natural working out of the laws of the market, but rather of definite decisions made by corporate executives who have immense personal interest in the matter.

In the 1990s, oil producers complained of too much refining capacity, not too little, and an “oversupply” of oil that was driving down profit margins. The industry responded by shutting down 25 refineries in the US since 1995 and cutting capacity by 830,000 barrels a day. In addition, competitors conspired to control the amount of oil and gas on the market, eliminate independent producers and consolidate control of supply and pricing in the hands of the oil monopolies.

In 2005, the top five oil companies—Exxon Mobil, BP, Royal Dutch Shell, Chevron and ConocoPhillips—saw their profits surge to more than $111 billion. The world’s largest oil giant, ExxonMobil, made $36.1 billion, the highest amount in US corporate history and more profits than the next four companies on the Fortune 500 list combined. At $339 billion, its revenues exceeded the gross national products of Taiwan, Norway and Argentina.

While millions of ordinary people have been squeezed by rising gas prices, ExxonMobil’s top executives and investors have reaped hundreds of millions in compensation and rising share values. Lee R. Raymond, who retired in December, received more than $400 million in his final year at the company. Between 1993 and 2005, Raymond was paid more than $686 million, or $144,573 for each day he spent leading the Texas-based company. During this time, Raymond engineered the $81 billion acquisition of Mobil—giving ExxonMobil the capacity to produce twice as much oil as the country of Kuwait—and wiped out 10,000 jobs.

Raymond’s successor, Rex Tillerson, saw his pay raised by 33 percent last year to $13 million. All told, the top five executives at Exxon took home more than $130 million in compensation in 2005, own more than $280 million in restricted stock, and have stock options valued at $113 million. The oil bosses throughout the industry have been similarly rewarded as oil prices doubled over the last two years.

These corporations and individuals have reaped massive wealth by exploiting and exacerbating the current crisis. None of them have the slightest interest in mounting the kind of vast social effort that is needed not merely to meet current demand, but, more essentially, to develop alternative safe and sustainable sources of energy.

That the present reliance on petroleum is both unsustainable and a deadly threat is indisputable. The world’s crude oil reserves are finite and will only disappear all the more rapidly to the extent that steps are taken to expand production. At the same time, the burning of these fossil fuels is the central cause of global warming, which—the Bush administration’s suppression of science notwithstanding—threatens to make Earth uninhabitable.

Moreover, the pursuit of this finite resource has given rise to the catastrophic growth of militarism. It is the principal cause of the criminal US war in Iraq, which has claimed the lives of hundreds of thousands of Iraqis and those of more than 2,500 US troops. It likewise drives the open preparations for a new war against Iran as well as plans for a military confrontation with China, whose expanding economy makes it a competitor for control of global energy supplies.

The rising gas prices have prompted politicians—Democrats and Republicans alike—to call for investigations into price gouging and, in some cases, even to seek legislation to impose a “windfall profit tax” on the oil companies. Not a thing will come out of this posturing, which is strictly for public consumption.

Big Oil has long exerted enormous influence over both political parties in Washington, but the level of political control it commands today dwarfs what it possessed in the era of John D. Rockefeller and his Standard Oil at the turn of the twentieth century. With two former Texas oilmen in the White House and the votes of senators and congressmen lubricated with hundreds of millions of dollars in campaign contributions and lobbying efforts directed toward both parties, Big Oil has nothing to fear. Both Democratic and Republican administrations have provided the oil companies with massive subsidies and tax breaks, lifted environmental and safety regulations, and provided the US military as a virtual private army to guard the companies’ oilfields and pipelines throughout the globe.

ExxonMobil’s ex-CEO Raymond, a close ally of the Bush administration, helped formulate policy regarding drilling in the Artic National Wildlife Refuge and opposing any measures to reduce global warming. In 2001, the company was a key participant in Vice President Cheney’s Energy Task Force, which discussed, among other things, the oil fields of Iraq and the danger that, after the end of UN sanctions, the country’s largely untapped reserves might fall into the hands of Russian, Chinese or French competitors, instead of the US or British oil companies.

Last March, the Senate Judiciary Committee held a public hearing to supposedly “investigate” price gouging by the oil companies. Again, Democratic politicians pontificated about “corporate greed” and wagged their fingers at the oil chiefs who testified. In his remarks, Rex Tillerson, the new CEO of ExxonMobil, scoffed at the impotent gestures, reminding the Senators, “I suspect people on this committee benefited from our success last year.” The lifelong oilman knew of what he spoke: among the wealthy Senators assembled on the committee was Arizona Republican Jon Kyl, a large Exxon shareholder who has long championed the industry’s interests.

Under conditions in which the living standards of hundreds of millions of working people in the United States are being driven down by the soaring price of fuel, immediate action must be taken to bring the cost of fuel under control.

At the same time, the larger task of developing alternative energy sources and confronting the mounting threat posed by global warming cannot be postponed.

Neither a short-term answer to the present crisis over gas prices, nor the longer-term solution to replacing an unsustainable petroleum-based economy is possible outside of a direct assault on the capitalist profit system and the powerful social, financial and political interests that are behind the policies of Big Oil.

The Socialist Equality Party advances a policy that places social needs before profit interests. We call for an immediate capping of gas prices for individual consumers and small to medium-sized businesses at $1.50 per gallon.

The exploitation of this crisis in the interests of corporate profits and the private accumulation of wealth must be halted. The actions of Big Oil must be approached objectively for what they are: criminal, anti-social behavior. Criminal investigations must be initiated into the practices of the giant oil companies, including the auditing of the personal accounts of all leading executives. The massive profits recorded by the oil companies during the past year as well as the obscene multimillion-dollar compensation packages paid out to executives must be expropriated and placed in a publicly controlled fund.

These short-term measures must be combined with a fundamental change in the financial structure and organization of the energy industry. The American people and, in fact, the people of the world are being held hostage to the profit interests of vast energy conglomerates that threaten the globe with declining living standards, environmental destruction and war. It is necessary to break this stranglehold by nationalizing the energy conglomerates—that is, converting ExxonMobil, Chevron, ConocoPhillips, etc., into publicly owned and democratically controlled utilities.

This would begin to make available the financial resources that are needed for launching an internationally coordinated, multitrillion-dollar effort to develop alternative energy sources and confront the danger posed to the environment and mankind’s future.

In opposition to the deliberate “fixing” of the market to enrich the wealthy elite, the exploration, development and use of energy supplies must be guided by a rational international plan that is publicly debated and democratically approved by the working class. This plan must meet the needs of the world’s people for low-cost, environmentally safe and renewable energy.

In their efforts to secure vast profits, the energy monopolies and the auto industry have long conspired to prevent the development of reliable public transportation, and, in the past have dismantled existing transit systems. A rational plan for energy use must include the pouring of billions of dollars into urban mass transit and light-rail systems, as well as developing fuel-efficient vehicles.

These ideas are not utopian but absolutely necessary for the future of humanity. They require, however, that working people assert that their rights—to a decent standard of living, secure jobs, a clean environment and a future free from war—take precedence over the profits and property rights of the America’s ruling elite. To achieve this, the working class must build its own political instrument—a mass socialist party—to end the monopoly of the two big business parties and the outmoded and bankrupt capitalist system they defend. This is the perspective of the Socialist Equality Party and our candidates who are running in the 2006 elections.