

A socialist answer to the global rise in gas prices

The Editorial Board
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The sharp rise in gasoline prices in recent months has imposed enormous burdens on working people in the United States and internationally. With prices at the pumps averaging over \$4 a gallon in the US and well on their way to \$5 or even higher this summer, working families—already burdened by rising food, housing, medical and other costs—are experiencing a drastic cut in their living standards.

Due to the sprawling character of American metropolitan areas, the long distances from home to work and a general lack of investment in public transit alternatives, working people in the US are more dependent on their cars than many of their counterparts in developed countries. This has made the population even more vulnerable to the rise in gas prices, which have shot up 38 percent since last July.

According to an Associated Press/Yahoo News poll, nine out of ten respondents expect to be financially squeezed over the next six months due to rising fuel prices, with nearly half saying it could cause severe hardship. The increases in the cost of natural gas-based fertilizers and transportation have contributed to the sharp rise in food prices. Diesel prices have driven independent truckers into near-bankruptcy, while the auto and airline industries have carried out mass layoffs due to rising fuel prices.

The conditions in the US are part of an international phenomenon. Protests by truckers, farmers and fisherman facing ruin from rising fuel costs are spreading across Spain, France, Italy, Britain and other European countries. Anger has also erupted in Asia, with strikes and demonstrations in Hong Kong, India, Nepal, Indonesia and South Korea.

There are several factors contributing to the current spike in oil prices, which have risen from \$25 a barrel in 2003 to over \$140 today—more than doubling in the last year alone. One major factor is the declining value of the US dollar, which has led oil-producing nations to raise prices to compensate for the falling value of the dollar-denominated payments they receive.

The wars and occupations in Iraq and Afghanistan, growing US threats against Iran and geo-political tensions in the Middle East, Africa, Russia and other oil producing regions have also generated fears of sudden supply disruptions. On top of this there is a growing consensus that world petroleum resources are dwindling and cannot keep up with global demand, particularly from the fast-rising economies in China and India.

At the heart of the crisis is the breakdown of the global economic system. For decades, politicians, corporate leaders and the media have subjected the world's people to the self-serving claim that the capitalist market is the most rational means of allocating society's resources. What is now being revealed is the basic conflict between the needs of a modern mass society and the anarchy of the profit system.

It is impossible to ascertain any truthful estimates of remaining global supplies, because the oil producing countries and energy conglomerates have vested interests in concealing their "business secrets" from the people. Entrenched corporate and political opposition has also largely squelched large-scale development of environmentally safe and

sustainable alternatives, although the technology has existed, in some cases, for decades.

Supposed solutions produced within the framework of the capitalist system have only worsened the crisis. The development of bio-fuels is a case in point. Even if one were to accept the widely disputed claims that bio-fuels are a means of reducing carbon emissions, their production has only led to a massive increase in the price of corn and other crops, wreaking havoc throughout the world. The entire project has been tied to the interests of agri-business monopolies, such as ADM and Cargill, which have an overriding concern, not in ending global warming, but boosting their bottom lines.

The rational use of remaining petroleum resources and the development of genuine alternatives require an unprecedented level of international cooperation and the marshalling of the world's technological, material and human resources. This is not possible as long as capitalism divides the globe into competing nation states, each vying for advantage over the other.

The mad scramble to control the world's remaining oil supplies has led to a violent struggle, in which the bloody US invasion and occupation of Iraq is but one episode. All of the major powers—from the US, to China, Europe, and Japan—are vying for control of the Middle East, the Caspian region, the Arctic and Antarctica and even the sea-beds of the world's oceans. The struggle for resources is once again threatening the world with the eruption of a new round of imperialist wars, which could threaten the very survival of humanity.

Another major aspect in the rise of global oil prices is the speculative frenzy that has erupted on the New York Mercantile Exchange and other commodity markets. The growing global financial instability of the last five years—the plunging dollar, the bursting of the dot-com stock market boom, the collapse of the sub-prime mortgage and housing bubble, etc—has led wealthy investors to shift their money into the commodity market, where they have engaged in the buying and selling of futures in oil, corn and gold, essentially betting on the continuing rise of prices.

With little regulation from the US government's Commodity Futures Trading Commission (CFTC), investors increased their purchases of commodity futures twenty-fold over the last five years, from \$13 billion in 2003 to \$290 billion in 2008. This speculative flow has now created yet another bubble, with the prices of the top 25 commodities rising nearly 200 percent during the same period.

In most cases the speculators never take delivery of the oil they purchased. Instead, they are engaged in an elaborate scheme of trading contracts—with very little money down—whose cumulative impact is to drive up prices and guarantee huge returns for hedge funds, institutional investors and others. By some estimates, speculation has added as much as \$50 to the current price of a barrel of oil.

Signaling the Bush administration's support for such profiteering, US Treasury Secretary Henry Paulson told CNN June 10, "I don't believe financial investors are responsible to any significant degree to this price

movement. This is supply and demand.”

Such comments only underscore the subservience of the American political system to the financial aristocracy. The capitalist market is not an impartial arbiter of economic relations. It can and has been manipulated by the most powerful corporate and financial interests in order to serve their profit interests.

Last year British Petroleum agreed to pay \$373 million to end a US Justice Department investigation into price-fixing by BP in the heating oil market, while Enron’s manipulation of the electricity supplies, including the deliberate provoking of rolling blackouts in California, is infamous.

In the case of the oil bubble, hedge funds and major finance houses, such as Goldman Sachs, Morgan Stanley and JP Morgan, have reaped up to 200 percent returns on their investments. Kenneth Griffin, head of energy trader Citadel Investment Group, made \$1.5 billion in 2007. Steven Cohen of SAC Capital Advisors made \$900 million.

In addition the rise in prices has produced a windfall for Big Oil, with ExxonMobil, Chevron and the other top five corporations raking in \$36 billion in profits during the first quarter of this year and rewarding their corporate CEOs with multi-million-dollar pay packages.

Just like every other social problem confronting working people—from home foreclosures, to the massive loss of jobs, the growth of social inequality and the danger of war—capitalist political parties around the world have no solution for the staggering rise in fuel prices, whether they call themselves, conservative, labor, Green or socialist. Instead, they all agree working people must accept a massive reduction in consumption to pay for the crisis of the world capitalist system.

In the US neither the Republican nor the Democratic candidate for president has anything to offer. John McCain has called for a \$300 million reward for the design of an electrical car, the suspension of the 18-cent federal gas tax for the summer months and lifting environmental restrictions on offshore drilling.

McCain’s top advisors, including campaign co-chair Phil Gramm, a former senator from Texas, are responsible for the deregulation of energy trading pushed by Enron that paved the way for the current explosion of speculation.

In an effort to pose as a populist opponent of the oil companies and speculators, Barack Obama has called for energy corporations to pay a windfall profit tax and for the closing of the so-called “Enron Loophole.” This will go nowhere, however, since large sections of Democrats, particularly from oil states, oppose any tax on the energy conglomerates, and Wall Street—which has thrown the bulk of its money behind the Obama campaign—opposes any serious regulation on speculation.

Obama himself has close ties to the bio-fuel industry and counts among his top advisors a former lobbyist from the American Petroleum Institute and ex-officials in the Clinton administration officials who played key roles in deregulating the financial markets. In order to win the approval of his corporate and financial paymasters, Obama has repeatedly insisted he will take no measures that undermine their profit interests. The Democratic candidate’s web site declares, “Barack Obama recognizes that it is critical that oil companies and shareholders have strong incentives to run well managed businesses that invest in efficiency and innovation.”

Far from creating efficiency and innovation, the profit system now threatens tens of millions of people around the globe with hunger and malnutrition and rising costs for fuel. Workers are not responsible for the crisis of the capitalist system and should not pay for it.

Emergency measures must be taken to defend the living standards of working people. These should include the implementation of a sliding scale of wages, which would protect the purchasing power of workers’ wages by automatically raising them to compensate for rising prices.

Decades ago, unions such as the United Auto Workers fought for and attained Cost of Living Adjustments (COLA) or Escalator Clauses that

automatically increased wages in accordance with the rise in living expenses. The unions long ago abandoned such demands and today are demanding that workers accept huge pay cuts in order to defend the profitability of the corporations. They insist, along with the capitalist parties, that workers adjust to rising prices by tightening their belts and accepting a permanent reduction in their living standards.

The Socialist Equality Party calls for a sliding scale of wages and other emergency measures to provide relief from crushing fuel costs. These include:

- * The launching of investigations into the practices of the energy conglomerates and speculators, along with those the government agencies that have sanctioned the looting of society.

- * The expropriation of the ill-gotten gains of the commodity investors and corporate CEOs and their deposit into a publicly controlled fund to provide relief to the public.

These immediate measures, can be fought for and won only through the emergence of a new mass political movement of the working class in opposition to the profit system.

They are, however, only a first step. What is needed is a fundamental reorganization of the energy industry and the financial system in the US and around the world, which places the needs of society first, not capitalist profit.

In order to break the stranglehold of the energy conglomerates ExxonMobil, Chevron, ConocoPhillips, British Petroleum, Shell and the other multinational corporations must be converted into publicly-owned and democratically-controlled utilities, as part of the establishment of planned socialist economy.

The vast energy resources of the Middle East and other oil producing countries—which are now held in the hands of the Saudi royal family and other elites, whose rule are in many cases defended by US force of arms—must be placed under the democratic control of the working people of those countries.

In this way, the exploration, development and use of energy supplies can be guided by a rational international plan that is publicly debated and democratically approved by the working class, based on a fair and equitable distribution to meet the needs of the entire world’s population.

At the same time vast resources must be allocated to develop low-cost, renewable and environmentally safe energy.

The decades-long effort by the energy monopolies, the auto industry and government in the US to prevent the development of reliable public transportation must be answered by pouring hundreds of billions of dollars into urban mass transit and light-rail systems, as well as the development of fuel-efficient vehicles. This is crucial, not just for the US, but India and China, where the rapidly expanding use of fossil-fuel burning vehicles threatens to produce an ecological disaster.

The problems facing humanity are not primarily due to the lack of resources but the irrational character of the capitalist system, which squanders vast amounts of human labor and creative potential in order to enrich an already fabulously wealthy elite. The world’s productive and natural resources must be freed from the constraints of capitalist private ownership and the nation state system and marshaled in a scientifically planned, rational and democratic fashion to meet the challenges of the 21st century.

The fight for this requires a struggle against the world’s governments, which represent the corporate and financial elite, not ordinary people. In the US, this means a political break with the Democratic Party and the building of a new political party of the working class based on a socialist and internationalist program.

This is the perspective fought for by the Socialist Equality Party in the US and its sister parties throughout the world.



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