

Oil bosses rake in record profits as US economy stalls

Patrick Martin
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Exxon-Mobil, the world's biggest and most profitable corporation, raked in a staggering \$10.7 billion in profits during the first quarter of 2011, the company reported Thursday. The figure was a 69 percent increase over the same quarter last year, and the highest quarterly profit since 2008, the last time oil prices topped \$100 a barrel.

The company's total revenues hit \$114 billion in the first quarter, making it likely that in 2011 it will break its 2008 record of \$458 billion, and could become the first oil company to reach half a trillion dollars in revenue. Exxon-Mobil's revenues exceed the Gross Domestic Product of all but 18 of the 194 countries listed by the World Bank.

The profit figure for Exxon-Mobil was only the most obscene of a flood of multi-billion-dollar earnings reports from the major oil companies. Shell's profits rose 22 percent to \$6.9 billion, while the profits of ConocoPhillips rose 44 percent to \$3 billion.

One year after the Gulf oil disaster, BP posted a first-quarter profit of \$7.1 billion, an increase of 17 percent. Occidental Petroleum saw its profits soar 46 percent to \$1.55 billion in the first quarter, while Apache Corporation netted \$1.1 billion, an increase of 51 percent.

Contrary to the free-market mythology embraced by the Obama administration, the Democratic and Republican parties, and the corporate-controlled American media, the record oil profits were not a reward for superior performance in the production of petroleum and its derivatives.

Nearly all the major oil companies actually produced and sold less oil and gas in the first three months of 2011 than in previous quarters, but they charged far higher prices. Exxon-Mobil was the only major firm reporting Thursday whose output actually rose, largely because of its acquisition of the natural gas producer XTO.

Shell's oil and gas output was down 3 percent, output by ConocoPhillips was down 7 percent and BP output down 11 percent. Apache's production remained flat: its 24 percent increase in revenues exactly matched the 24 percent increase in crude oil prices during the same period.

The price of crude oil has risen steadily since the beginning of the year, spurred on by increasing demand from China and other Asian countries, and by the mounting conflicts in the

Middle East, which have cut off oil exports from Libya entirely, and sporadically threatened output at smaller suppliers, including Egypt, Sudan and the Persian Gulf sheikdoms.

An additional factor is the declining value of the dollar, since most oil market transactions are conducted in the US currency. The value of the US currency fell 68 percent during the eight years of the Bush administration. Since Obama took office less than two and a half years ago, it has fallen a further 43 percent. The dollar prices of many commodities are soaring as a result: gold is over \$1,500 an ounce, silver nearly \$48 an ounce, and oil topping \$120 a barrel in the spot market.

Speculation in the oil futures markets is a colossal contributing factor in this price run-up, although one largely downplayed by the US government and media. One recent analysis by the investment bank Goldman Sachs—which knows something about manipulating markets—estimated that speculative bidding had pushed the price of a barrel of oil to a point \$27 above its “natural” market price.

With world oil production nearly 90 million barrels a day, this speculators' “tax” would amount to \$2.4 billion a day skimmed off by the financial swindlers, or a staggering \$876 billion a year. The figure is a useful one to recall, the next time right-wing advocates of austerity budgets claim that there is “no money” to meet social needs like education, healthcare and pensions.

In the United States, the rapid rise in the price of gasoline, now over \$4 a gallon in many areas, acts as an enormous drag on the economy, particularly in slowing down consumer spending. The Energy Information Agency said this week that gas prices across the country averaged \$3.88 a gallon, up 81 cents a gallon since the year began.

Tens of millions of workers have no alternative but to drive long distances to their jobs, given the size of the country and the absence of public transportation. The additional money they must spend on gasoline is not available to provide other necessities for their families.

According to one report, “Rising gas prices are draining most of the extra money that Americans are receiving this year from a Social Security payroll tax cut. That's a major reason why consumer spending cooled off in the January-March quarter. Consumers boosted spending at a 2.7 percent pace, down from

the previous quarter's 4 percent pace and the weakest since last summer."

The US Commerce Department reported Thursday that the economic growth rate fell from 3.1 percent in the fourth quarter of 2010 to 1.8 percent in the first quarter of 2011, the worst result since the financial tremors that accompanied the European debt crisis early last year. High gas prices and extraordinarily bad weather were the leading factors in slowing consumer spending, while both state and federal spending also declined. Investment in housing fell 4.1 percent.

Consumer prices overall rose at a 3.8 percent annual rate. Jobs continue to be scarce. More people signed up for unemployment benefits last week, the second such weekly increase in April. The Labor Department said applications rose 25,000 to 429,000 on a seasonally adjusted basis. The four-week moving average rose to 408,500, the third consecutive weekly increase, bringing that figure back over the 400,000 mark for the first time in two months.

Two new polls showed the vast majority of Americans feel the US economy remains in recession, despite official assurances that the recession ended in June 2009. The Gallup survey found that only 27 percent thought the economy was growing. The McClatchy-Marist poll showed 57 percent disapproval of the economic management of the Obama administration. Some 71 percent said the US was in recession, and 57 percent said they thought the economic crisis would get worse before it improved, up sharply from 39 percent in January.

In the face of rising popular anger over corporate profit-gouging and long-term unemployment, the politicians of both big business parties are engaged in publicity stunts and mutual mudslinging, aimed at disguising their unanimous support for corporate interests.

Speaking at a New York City fundraiser Wednesday—where his audience was heavily drawn from Wall Street—President Obama singled out \$4 billion in oil company tax incentives for attack, saying the subsidies should be rescinded and the money used to develop renewable energy.

"That's profits coming from your pocket into their pocket," he said, a populist flourish that was particularly ludicrous given the well-heeled character of his audience. These investment bankers, hedge fund managers and other big-money Democratic Party contributors rake in more from oil company dividends than they would ever spend on gasoline, even for chauffeured limousines.

Senate Majority Leader Harry Reid pledged to bring up a bill to repeal the tax breaks immediately, although the action was an empty gesture on two counts. First, there is not the slightest chance of a tax increase on oil companies passing the Republican-controlled House of Representatives. Second, the repeal of \$4 billion in tax breaks would be a drop in the bucket—about one month's profits for Exxon-Mobil alone.

Nonetheless, ExxonMobil fired back in an angry press release

declaring, "We understand that it's simply too irresistible for many politicians in times of high oil prices and high earnings—they feel they have to demonize our industry."

Fox News cynically reported this manifesto under the headline, "ExxonMobil Fights Back Against Class Warfare." In the upside-down world of American capitalist politics, it is not "class warfare" when the rich rob the working people; that term is reserved for anyone who would call attention to the robbery, or, even worse, call on the workers to reclaim the stolen goods.

There is no danger of that from either the Democrats or the Republicans. Both parties are obedient servants of corporate America, including the oil giants, their occasional and cynical rhetoric about "excessive" profits and "fairness" notwithstanding.

Even top congressional Republicans felt obligated to join in the charade this week. House Speaker John Boehner, asked about the oil tax incentives by an ABC television interviewer Monday, said, "Certainly I think it's something we ought to be looking at." Boehner later tried to backpedal, with a spokesman explaining, "The speaker made clear in the interview that raising taxes was a nonstarter, and he's told the president that. He simply wasn't going to take the bait and fall into the trap of defending Big Oil companies."

On Thursday, House Budget Committee Chairman Paul Ryan, speaking before a group of constituents in Waterford, Wisconsin, called for an end to oil company subsidies. Ryan has been under fire at constituent meetings for authoring a plan adopted by the House Republicans to phase out Medicare and Medicaid, and tried to deflect this hostility with a demagogic appeal to "get rid of corporate welfare."

Both capitalist parties are deadly serious about the onslaught against social programs like Medicare, Medicaid and Social Security, while making rhetorical sallies against corporate privilege to provide an illusion of "fairness." Such pretenses are worse than threadbare, and working people are increasingly seeing through them and looking for an alternative.

The only serious answer to the profit-gouging of the oil giants and the political maneuvers of their Democratic and Republican apologists is the development of an independent mass political movement of the working class. Workers must demand the expropriation of the oil companies and their transformation into public utilities. Their vast wealth must be turned into a social resource for the entire population, as part of a systematic program of socialist measures to provide jobs, decent living standards and vital social services, while enabling the production of energy that can meet social needs and at the same time protecting the environment.



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