Price-gouging drives record profits at US energy giants

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US energy giant ExxonMobil posted an annual profit of $55.7 billion Tuesday—the largest ever for any US energy company.

ExxonMobil's profit figure was $10 billion more than its previous high of $45 billion in 2008 and its return on capital was an extraordinary 25 percent. ExxonMobil share prices rose 80 percent last year. Only tech giants Apple and Microsoft have reported higher profits so far.

Chevron reported record 2022 profits of $35.5 billion. ConocoPhillips, Marathon Petroleum and other major energy companies are also expected to report record or near record profits.

These record profits are the result of both price gouging by the oil companies and the slashing of costs, including the suppression of wage increases to below the rate of inflation.

Oil prices have surged over the past year with the eruption of the NATO war with Russia in Ukraine, fueled by the imposition of sanctions on Russian energy exports.

The report on oil company profits follows the publication of a report by UK-based charity Oxfam showing that during the pandemic the super wealthy became even richer, corralling two-thirds of new wealth created, as much as the bottom 99 percent of the world's population. Food and energy companies more than doubled their profits in 2022 amid expanding poverty and hunger worldwide.

Following the pattern of other large corporations, ExxonMobil is using its windfall to further enrich investors. ExxonMobil launched a $50 billion share buyback program in December and is increasing dividends. Last week Chevron announced a $75 billion stock buyback program.

In response to public indignation over the report of record oil company profits, a White House spokesman issued a demagogic statement professing surprise and outrage while Biden sent out a tweet Tuesday night criticizing "Big Oil" for paying "shareholders billions instead of reinvesting profits."

However, far from an isolated case of corporate excess, the bonanza for the oil giants is the inevitable consequence of the anti-working class and pro-big business policies being pursued by the Biden administration. This has included the stoking of inflation by shoveling unlimited amounts of essentially free government cash into the coffers of Wall Street, vast increases in military spending to pursue conflict with Russia and China and the disastrous impact of economic disruption caused by the refusal of governments to implement the public health measures needed to halt the ongoing pandemic, now in its fourth year.

The Biden administration has, meanwhile, enlisted the trade union bureaucracy to suppress strikes and hold down pay increases well below the rate of inflation to make the working class pay the cost of its reckless policies. This included the imposition of a miserable well-below-inflation wage settlement on the backs of 30,000 oil workers in the name of "national unity," coinciding with the launching of the US-NATO proxy war against Russia in Ukraine last year. This was followed in November by Biden's sponsorship of strikebreaking legislation imposing a management-dictated contract on the back of more than 100,000 US railroad workers.

The White House has supported the US Federal Reserve Board program of raising interest rates in order to drive up unemployment to beat back workers' wage demands. At a press conference Wednesday, Fed Chairman Jerome Powell said the US central bank would continue with its policy of interest rate increases, announcing a further 0.25 percent rise in its benchmark rate. He restated the Fed's intention to keep raising rates for the foreseeable future, citing a "strong labor market" and "elevated" wage growth.

Wall Street has blamed the surge in inflation on "excessive" wage gains by workers resulting from the relative availability of jobs. Nothing could be further from the truth. In fact, price increases have significantly outpaced whatever minimal wage gains workers have been able to wring from employers. According to the US Bureau of Labor Statistics, wages overall increased 5.1 percent in 2022 while the Consumer Price Index rose 6.5 percent, down from 9 percent last summer. However, the prices of basic items have risen in excess of that. Food prices are up 10 percent over the year and egg prices alone have gone up 60 percent. Butter is up 31 percent and lettuce 25 percent. The average price of gasoline is down since highs last year of $5 per gallon but still stands at $3.50 per gallon, having risen 30 cents per gallon in the last month. Gas prices are set to rise further when an EU ban on gas imports from Russia takes effect February 5.

A large portion of the rise in oil company profits is due to the artificial driving up of oil prices by the energy conglomerates. A study published by liberal think tank Economic Policy Institute in April found that 54 percent of the recent overall growth in prices can be attributed to higher profits, while only 8 percent was attributable to higher unit labor costs.

Not only are ExxonMobil and other large corporations profiting off, and in fact stoking, inflation, they are avoiding paying most taxes on their windfall. The Center for American Progress reported that ExxonMobil's effective tax rate was just 2.8 percent despite a nominal 21 percent federal corporate income tax rate. Chevron paid only $174 million in federal income taxes despite earning $9.5 billion last year, an effective rate of 1.8 percent.

The top rate was lowered to 21 percent from 35 percent under the Trump administration and left at that level while Democrats controlled the White House and both branches of Congress.

Other large corporations paid little or no taxes in 2021 including Amazon (6.1 percent), Ford (1 percent), General Motors (0.2 percent), Bank of America (3.5 percent) and FedEx (4.2 percent).

Some paid no taxes, like AT&T, which had no tax liability in 2021 despite $29.6 billion in earnings, claiming instead a refund or credit of $1.2 billion.

The mock indignation of Biden and various capitalist politicians aside, the massive profits reaped by the oil companies at the expense of the living standards of workers show the incompatibility of the private ownership of the energy industry with the well-being of broad masses of the population. The conflict between the public interest and private profit is being further brought to the fore by the existential challenge posed by climate change and implacable corporate opposition to a globally coordinated program to reorient away from fossil fuels.

To oppose the program of war and austerity pursued by all sections of the ruling class, workers must advance their own program, based on reorganizing energy, food, transportation and other vital sectors of the economy on the basis of social need, not profit.

The living standards and very survival of masses of people cannot be held hostage to the profit drive of massive corporations like ExxonMobil and Chevron. These and similar multinational giants must be placed under the democratic public ownership of the working class to meet social need, not the accumulation of ever-greater private wealth.