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"Jumped on the boat of a territorialist organization": State and capital at the origins of oil imperialism

Résumé
Modern imperialism springs from the interaction of the geopolitical and economic logics. The international oil industry offers an ideal case study of this connection. The links between nation states and multinational oil companies have been close and mutually advantageous. The oil majors took advantage of the expansion of the U.S. hegemony, both in terms of access to crude and profitable markets; the U.S. profited from the control of a key energy source. This chapter sketches the consolidation of this relationship throughout the first half of the 20th century. This will retell a familiar story, but from a different perspective. How does the capitalist logic of imperialism interact with the geopolitical imperative?

Plan de l'article
→ Introduction: Imperialism in the Age of Capitalism
→ Empires of profit
→ Forging oil imperialism
→ Harold Ickes and the search for a new oil imperialism
→ The postwar petroleum order
→ The shock
→ Epilogue

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INTRODUCTION: IMPERIALISM IN THE AGE OF CAPITALISM

1 In his 1939 essay 'The Jews and Europe', Max Horkheimer wrote that "whoever is not willing to talk about capitalism should also keep quiet about fascism".[1] As Alex Callinicos comments, "I think Horkheimer was right about fascism, but his remark could be applied to imperialism: modern imperialism is capitalist imperialism".[2]

2 Imperialism – a process of territorial expansion, through coercive and/or hegemonic means, of a political entity characterized by asymmetric power relations between a centre and a periphery – dates back to the dawn of political history and it has been driven by a multitude of factors, including human nature and, first and foremost, power politics. Yet there is a specificity of modern imperialism that cannot be ignored: imperialism in the modern era, say at least since the 1870s but we might maybe go back to 17th-century Holland, is understandable only in close connection with the development of capitalism. This does not deny the importance of geopolitics. Yet, at the same time, it is impossible to understand imperialism – and international relations– without considering the interaction of geopolitical and socioeconomic factors.[3]

3 As Alex Callinicos writes: "capitalist imperialism is constituted by the intersection of two forms of competition, namely economic and geopolitical".[4]

1 Max Horkheimer, "Die Juden und Europa", *Zeitschrift für Sozialforschung* vol. VII/1939 (New York: Institute of Social Research, 1940), 115. English translation available at: https://thecharnelhouse.org/2015/03/20/the-jews-and-europe/ (accessed 09/06/2020).

2 Alex Callinicos, *Imperialism and Global Political Economy* (Cambridge: Polity Press, 2009), 10.

3 This is the argument put forward by Peter Gowan in his review of John J. Mearsheimer *The Tragedy of Great Power Politics*: Peter Gowan, "A Calculus of Power", New Left Review, n° 16, 2002. The intersection of the social and the geopolitical as crucial in understanding international relations, is at the foundation of the "uneven and combined development" approach; for an introduction see Justin Rosenberg, "Isaac Deutscher and the Lost History of International Relations", *New Left Review*, n° 215, 1996.

4 Callinicos, *Imperialism*, 15 (cf. note 2).

From this perspective, modern (capitalist) imperialism is the result of two mutually influencing forces. One is the continuation of Great power military and territorial competition that had characterized Europe since the 15th century. The other is capitalist logic: the inherently expansionist and competitive nature of capitalism which fuels inter-capitalist rivalries and those between the owners of capital and the wage earners. The latter conflict sometimes is diverted into aggressive foreign policy (social imperialism).[5] 4

Giovanni Arrighi and David Harvey have delved into the dialectical relationship between the "territorial" and the "capitalist" logic of power. As Harvey wrote: 5

> The fundamental point is to see the territorial and the capitalist logics of power as distinct from each other. Yet it is also undeniable that the two logics intertwine in complex and sometimes contradictory ways. [...] The relation between these two logics should be seen, therefore, as problematic and often contradictory (that is, dialectical) rather than as functional or one-sided. This dialectical relation sets the stage for an analysis of capitalist imperialism in terms of the intersection of these two distinctive but intertwined logics of power. The difficulty for concrete analyses of actual situations is to keep the two sides of this dialectic simultaneously in motion and not to lapse into either a solely political or a predominantly economic mode of argumentation.[6]

It follows that, to understand imperialism, it is essential to investigate the relation between political power and big business, the sphere of relations that Braudel identified with capitalism *tout court*.[7] In this domain, one walks a 6

5 Geoff Eley, "Defining social imperialism: use and abuse of an idea", *Social History*, vol. 1, 1976.

6 David Harvey, *The New Imperialism* (Oxford: Oxford UP, 2003), 29-30.

7 "Capitalism only triumphs when it becomes identified with the State, when it is the State". The zone in which big business meet the power of the State is – Braudel adds – "the zone of the anti-market, where the great predators roam and law of the jungle operates. This – today and in the past, before and after the industrial revolution – is the

fine line between two binary views. In one, cultivated in some corners of the Marxist tradition, the government is seen as the executor of the will of the ruling class, an instrument manipulated by the bourgeoisie. This conception denies any autonomy of the state with regards to the dominant social forces, reducing the motivations behind public policy to direct economic interests.[8] But, as Callinicos notes, even the Bush-Cheney administration – "memorably described by Mike Davis as the executive committee of the American Petroleum Institute" – cannot be portrayed as exclusively driven by the demands of Halliburton.[9]

7 At the other pole is the liberal view of the state as a neutral ground, mediating between civil society and the national community,[10] a view marred by a blindness to the conflictual nature of politics and social relations.[11] For this reason, such an approach cannot stand the test of the empirical reality.

8 This raises the need for a more nuanced point of view.

9 The international oil industry offers an ideal case study. As we shall see, the links between the nation state and multinational oil companies have been close. The relationship is summarised by the title of this chapter, drawn from Giovanni Arrighi's *Long 20th Century*, from a paragraph which discusses the role of Genoese merchant bankers in the late 16th century (*nobili vecchi*) and the Rothschilds during the 19th. He describes the reciprocity between politics and business during the capitalist era, leaving space for the autonomy of both.

> They [the *nobili vecchi* and the Rothschilds] were business cliques who, in view of a profit and by means of the cosmopolitan business network which they controlled, acted as the 'invisible hand' of an imperial organization – Imperial Britain and Imperial Spain, respectively. Thanks to this "invisible hand", both imperial organizations could reach and control a greater number and variety of power and credit networks than they would have ever been able to do just by deploying the 'visible hand' of their state- and war-making apparatuses.
>
> Instrumentality ran both ways. Neither the Rothschilds nor the *nobili vecchi* were mere instruments of the imperial organizations which they 'serviced'. Both cliques belonged to a wider circle of merchant bankers who had jumped on the boat of a territorialist organization and had skillfully turned the expansion of the latter into a powerful engine of the self-expansion of the commercial and financial networks which they themselves controlled.[12]

What if one replaces the Rothschilds with the Rockefellers, finance with energy, and Britain with the United States? Wouldn't this still be an accurate description of the interaction between the big oil companies and their parent governments in the 20th century? The oil majors jumped on the boat of expanding U.S. hegemony and gained access to immensely profitable resources, while the U.S. as an international power profited from the control of a key energy source. The rest of this chapter sketches the consolidation of this relationship throughout the first half of the 20th century as the main driver 10

real home of capitalism." (Fernand Braudel, *Afterthoughts on Material civilization and Capitalism* (Baltimore: The Johns Hopkins UP, 1977), 64; Idem, *Civilization and Capitalism, 15th-18th Century: Vol. II. The Wheels of Commerce* (London: Collins, 1982), 230, italics added).

8 "The literature on imperialism and empire too often assumes an easy accord between them: that political-economic processes are guided by the strategies of state and empire and that states and empires always operate out of capitalistic motivations". Harvey, *The New Imperialism*, 29 (cf. note 6).

9 Callinicos, *Imperialism*, 15 (cf. note 2). Halliburton is a U.S.-based multinational company, active in the oil field service sector.

10 For a critique of this point of view see Ralph Miliband, *The State in Capitalist Society* (New York: Basic Books, 1969), chapter 4.

11 As McCormick has written, it is "the American Dream" view which sees decision-making as "the end product of numerous private, voluntary, democratic groups competing with each other in a relatively coequal way", thus substituting "the mystification of self-evident truths [...] for systematic exploration". (Thomas J. McCormick, "Drift or Mastery? A Corporatist Synthesis for American Diplomatic History", *Reviews in American History*, n° 4, 1982, 321).

12 Giovanni Arrighi, *The Long 20th Century: Money, Power and the Origins of Our Times* (London: Verso, 2009), 172.

of oil imperialism. This will retell a familiar story, but from a different perspective. How does the capitalist logic of imperialism interact with the geopolitical imperative? The next section will retrace the history of the international oil industry, from the aftermath of WWI to the 1970s. The Epilogue will highlight some conclusions.

EMPIRES OF PROFIT

11 In many ways, the oil industry is emblematic of capitalism. On the one hand, it is marked by harsh competition, a constant threat of overproduction and of collapse of profitability. On the other, it tends to stifle competition. The industry's history has been punctuated by cycles of boom and bust, "frequent market crises and often uncontrollable price fluctuations".[13] Hence the tendency to build an oligopolistic system of governance of the business, to prevent phases of "excessive competition" and falling prices.[14] The landmark agreement signed in 1928 by the three biggest oil companies of the time – Anglo-Persian Oil Company (later BP), Standard Oil of New Jersey and Royal Dutch-Shell – acknowledged the instability of the oil business:

> Excessive competition has resulted in the tremendous overproduction of today, when over the world the shut-in production amounts to approximately 60% of the production actually going into consumption. […] The petroleum industry has not of late years earned a return on investment sufficient to enable it to continue to carry in the future the burden and responsibilities placed upon it in the public's interest […]. Recognizing this, economies must be effected, waste must be eliminated, the expensive duplication of facilities curtailed […].[15]

FORGING OIL IMPERIALISM

The instability of the oil business drew the public powers into the industry. The year 1914, with the acquisition by the UK government of the majority of the Anglo-Persian Oil Co., marks the beginning of a century of entanglement between public powers and the private oil business. The "fateful plunge" – to use Churchill's words[16] – of the liberal British government into the procellous sea of the oil business was dictated as much by strategic considerations about the availability of fuel for the Royal Navy, as by the skillful maneuvering of sir Charles Greenway and the top management of the Anglo-Persian, a company on the verge of bankruptcy unless it found a huge and solvent customer for its Persian crude.[17] It was not the triumph of state interventionism over *laissez-faire*, what would have constituted quite an anachronistic feat in the pre-World War I epoch.[18] Instead, it was the beginning of an intricate and asymmetrical partnership between public powers and private companies which has been at the heart of oil imperialism. 12

As international hegemony began shifting westward across the Atlantic, the compact between state and business in the oil sector assumed 13

13 Leonardo Maugeri, *The age of oil* (Westport: Praeger, 2006), XI.

14 On the political economy of the oil industry during the 20th century see Paul H. Frankel, *Essentials of Petroleum* (London: Frank Cass, 1969); Jack E. Hartshorn, *Oil Companies and Governments: An Account of the International Oil Industry in Its Political Environment* (London: Faber and Faber, 1962); Edith Penrose, *The Growth of Firms, Middle East Oil and Other Essays* (London: Frank Cass, 1971).

15 U.S.'s Government's Exhibits in the International Petroleum Case, Exhibit 1, Pool Association, 17/9/1928, in 93rd Congress, Hearings Before the Subcommittee on Multinational Corporations of the Committee on Foreign Relations of the U.S. Senate (Washington: U.S. Government Printing Office, 1975) (from now on Hearings), part 8, 35.

16 Churchill referred to his own decision, as First Lord of the Admiralty, of shifting the Royal Navy from coal- to oil-fueled battleships. Geoffrey Jones, *The State and the Emergence of the British Oil Industry* (London: Macmillan, 1981), 27.

17 *Ibid*., chapter 6.

18 Even though the State held a majority share until the 1980s, Anglo-Persian (in 1935 Anglo Iranian, in 1954 BP) always acted as a purely private company. The two representatives of the government in the board never exercised an effective conditioning role. As reported in a 1951 memo for the Foreign Secretary Herbert Morrison: "[…] HMG hold 51% of the shares and nominate two directors. […] Directorships have normally been used to give rewards to superannuated public servants, and once appointed they have not been expected to take a very active part in the affairs of the company. Indeed, had they done so, it would have been regarded as undue interference with a business operation". Anthony Sampson, *The Seven Sisters. The Great Oil Companies and the World They Made* (Sevenoaks: Hodder and Stoughton, 1975), 135.

more discrete forms, more compatible with the social realities of the New World. Thus, instead of a direct entry of the state into the business, in the U.S. public and private built a partnership, which eventually installed the business in the driver's seat.

14 In the United States after 1918, the first of a series of recurrent "oil fright campaigns"– to use Robert Sherill's expression[19] – set the stage for a redefinition of the partnership between the government and the oil majors in the frame of an "aggressive oil policy".[20] The U.S. debate on oil matters hinged upon a widespread concern for the alleged exhaustion of the domestic crude reserves – a concern that was largely unfounded – which coupled with a deep-seated resentment towards Britain and other European countries, accused by U.S. business and political circles of carving up exclusive zones of influence for their oil companies to the detriment of the U.S. interests.[21] As a consequence, both in the government circles and in the industry a consensus was forming around the idea that the United States should develop a vigorous overseas oil policy to defend its interests abroad. As early as 1916, Mark L. Requa, a consulting engineer of the Bureau of Mines,[22] produced a report for the Senate describing the depletion of the U.S. domestic oil reserves. As a response to the allegedly impending threat of exhaustion of the national oil resources, Requa called for "an aggressive economic imperialism,"[23] directed at acquiring oil reserves abroad, especially in Mexico. If the United States did not act soon, Requa wrote, "when it is too late we will awake to the fact that the oil resources of the world are in foreign hands, and that, so far as its lubricants are concerned, the United States has become the vassal of some foreign power."[24]

Requa's oil imperialism fits well with the attitude of some important sections of the U.S. oil industry. Standard Oil of New Jersey, the biggest company issued from the dismantling of the Rockefeller empire decreed by the Supreme Court in 1911, was particularly interested in acquiring new oil reserves. The 1911 sentence had left Jersey with less crude than its worldwide refinery and marketing activities required. In 1912, Jersey Standard's own production of crude met only 8% of the needs of its refineries.[25] Not surprisingly, Jersey's top executives were among the most active in arguing for government support in the search for oil reserves abroad. In January 1919, the industry journal *Oil and Gas Review* reported the declarations of Jersey's Chairman of the Board Alfred C. Bedford and President Walter C. Teagle. Citing the government estimate that more than 40 percent of U.S. oil reserves had already been exhausted, Bedford said: "Our position in this most essential industry is not nearly so secure as it ought to be". Teagle too stressed the "conservationist" argument, saying that the United States was spending its petroleum wealth for the world's benefit. Both lamented that Americans were treated unfairly overseas: foreigners were free to exploit American oil fields, but they barred Americans from sharing foreign supplies in their hands. Thus, to conserve domestic oil, they insisted 15

19 Robert Sherrill, *The Oil Follies of the 1970-1980. How the Petroleum Industry Stole the Show (and Much More Besides)* (New York: Anchor Press, 1983), 6 and 529-533.

20 John DeNovo, "The Movement for an Aggressive American Oil Policy Abroad, 1918-1920", *The American Historical Review*, n° 4, 1956.

21 Gerald D. Nash, *United States Oil Policy, 1890-1964* (Pittsburgh: University of Pittsburgh Press, 1968), chap. 3; Gaetano Di Tommaso, *America's Energy Transition, the Evolution of the National Interest, and the Middle Eastern Connection at the Dawn of the Twentieth Century* (PhD diss., University of Bologna, 2017), 247 and ff.

22 Requa then became, in January 1918, head of the Oil Division of the Federal Fuel Administration, the agency created by President Wilson in August 1917 to coordinate the production and distribution of American coal and oil resources during wartime. On Requa's conceptions and action see Di Tommaso, *America's Energy*, 233-247 (cf. note 21).

23 Roger M. Olien, Diana Davids, *Oil and Ideology: The Cultural Creation of the American Petroleum Industry* (Chapel Hill: The University of North Carolina Press, 2000), 133.

24 *Id*.

25 George S. Gibb and Evelyn H. Knowlton, *History of Standard Oil Company (New Jersey), vol. II: The Resurgent Years 1911-1927* (New York: Harper & Brothers, 1956), 44. By the end of the war the oil extracted by Jersey Standard accounted for only about 15% of its refineries' needs. Daniel Yergin, *The Prize: The Epic Quest for Oil, Money & Power* (New York: Simon & Schuster, 1993); 199.

on acquiring reserves abroad. As Bedford concluded, "I particularly hope that public opinion will demand cooperative effort [of government and business] looking to the extension of our holdings of oil lest we be caught in the position of a petitioner for oil in foreign markets."[26] But which form should this cooperative effort between business and government take?

16 Soon it became clear that the direct involvement of the U.S. government in industry, with the establishment of some kind of state company in the wake of the British initiative, a hypothesis raised in the immediate postwar period by some political quarters, was out of the question. In September 1919 the board of directors of the American Petroleum Institute[27] approved a report of its Foreign Relations Committee, chaired by Teagle, with the ominous title *The Menace of Foreign State Monopolies to the American Industry*. The report, sent to Secretary of State Robert Lansing, drew attention to the restrictive policies of countries like Great Britain, the Netherlands, Japan, and Argentina.[28] However, they did not demand direct entry of the government into the oil business, a fact that they stated would undermine the "individual initiative and efficiency" that had allowed the petroleum industry to prosper. Still worse, government's intervention would substitute "a condition of government rivalries" for "fair and open commercial competition", "thus transforming what had hitherto been commercial questions" into "questions essentially political."[29] This was a crucial point, upon which hinged, over the following decades, the companies' claim of primacy in the international oil negotiations. In the interwar period they allegedly acted as a "depoliticizing cushion" between the Great Powers; after 1945 they played an analogous function in relations with the producing countries. So, instead of a direct intervention of politics into business, they demanded diplomatic backing in negotiations with the British, to establish reciprocity and defend the principles of free enterprise and the Open Door.

The administration agreed with the companies' stance. As Lansing's successor, Bainbridge Colby, pointed out, state management of an international oil company risked creating "international friction embarrassing to the business itself."[30] 17

This convergence over the refusal of direct State intervention didn't mean the triumph of *laissez-faire*. Instead, it inaugurated a phase of private-public co-operation, founded on the identification between national interest and private interest. In his 1919 *Report on International Policies Affecting the World's Petroleum Industry*, Van H. Manning, director of the U.S. Bureau of Mines, –"a self-appointed liaison agent between the United States government and the American petroleum industry"[31] explicitly theorized the coincidence between national and private interest, stating that there was no greater service to the United States than assisting American citizens in their participation in developing the world's oil resources.[32] The identification of the national interest with that of the companies has been key in legitimizing the compact between state power and private interests at the root of oil imperialism. As noted by Gregory Nowell in his pathbreaking study of oil politics in the interwar period: 18

> Firms cannot justify a privileged relationship with the State because it enriches them as well as the President or Prime Minister. Numerous excluded groups would protest. The norm has shifted to keeping the State away from favoritism, unless that favoritism can be justified as the "national interest."[33]

26 Olien and Davids, *Oil*, 138 (cf. note 23).
27 Founded in March 1919 as the industry body representing the interests of the oil business in the public arena. Leonard M. Fanning, *The Story of the American Petroleum Institute; a Study and Report* (New York: World Petroleum Policies, 1959).
28 Stephen J. Randall, *United States Foreign Oil Policy Since World War I. For Profits and Security* (Montreal & Kingston: McGill-Queen's UP, 2005), 17.
29 Michael J. Hogan, *Informal Entente, The Private Structure of Cooperation in Anglo-American Diplomacy 1918-1928* (Columbia: University of Missouri Press, 1977), 161.
30 *Ibid.*, 161.
31 De Novo, "The Movement", 862 (cf. note 20).
32 *Id.*
33 Gregory Nowell, *Mercantile States and the World Oil Cartel, 1900-1939* (Ithaca: Cornell UP, 1994), 11.

19 This public-private partnership found its first application during the negotiations over Mesopotamian oil.[34] These were, from an American point of view, an attempt at opening up the enclosed reservoir which the European companies (Anglo-Persian and Royal Dutch-Shell) had carved out for themselves with the San Remo Pact of 1920, in a region that promised to contain vast crude reserves.[35] The Harding administration, with Secretary of Commerce Herbert Hoover at the forefront, and the oil companies acted in close collaboration. At Hoover's request the companies interested in the Mesopotamian affair established a consortium, the American Group,[36] that soon occupied centre stage. In fact, the negotiations, begun as a classic diplomatic game, soon changed into a transnational dialogue between oil companies. On the ground that "they knew better" and that limiting the talks to the companies cleared the way from inter-state rivalries (the usual depoliticization argument), the companies installed themselves at the head of foreign oil policy, relegating the governments to a supporting role. The result was that the sacred principle of the Open Door, that at the start of the negotiations the U.S. administration had asserted against the imperialist Europeans, was quietly buried and replaced by an oligopolistic agreement that split up the resources and locked out the outsiders.[37] Needless to say the control of the oil (quantity to produce, price at which to sell, marketing) rested entirely in the hands of the U.S. and European companies.

20 The year 1928 seemed to carry out the definitive postwar stabilization for the oil industry, with the birth of the Euro-American consortium controlling Iraqi oil, the conclusion of the Red Line Agreement among the same companies constituting the consortium and the setting up of a global system of governance of the oil markets agreed upon by the majors through the Achnacarry agreement.[38] The spectre of overproduction and calamitous competition seemed to have been held at bay by the establishment of a grandiose world cartel.

HAROLD ICKES AND THE SEARCH FOR A NEW OIL IMPERIALISM

21 The Great Crisis, the collapse of the international trade system, the war and the discovery of the Saudi oil riches shattered the newfound stabilization and threw the oil industry into turmoil. Furthermore, the weakening of colonial relations and the discontentment of the producing countries with their share of the oil profits created a rising tide of "resource nationalism": first in Iran, with demands for a renegotiation of the concessionary terms of the Anglo-Persian,[39] and then in Bolivia (1937) and Mexico (1938) with the nationalization of the oil industry.[40] Around the same time, in Saudi Arabia the joint venture created by Standard Oil of California and Texaco was put under pressure by the local government in search of additional resources to consolidate its power. In Venezuela, the main crude production centre outside the USA, the disruption caused to the oil trade by German submarine warfare pushed the local government to demand a renegotiation of the concessionary terms. Thus, at the beginning of the 1940s the companies faced two great questions: How would they manage the huge productive capacity of the Middle East without causing a collapse of price? How would they respond to

34 John DeNovo, *American Interests and Policy in the Middle East 1900-1939* (Minneapolis: The University of Minnesota Press, 1963), 176-202; Fiona Venn, *Oil Diplomacy in the Twentieth Century* (New York: St. Martin's Press, 1986), 54-62; Nowell, *Mercantile States*, 183-191 (cf. note 33).

35 Fiona Venn, "Anglo-American Relations and Middle East Oil, 1918–34", *Diplomacy and Statecraft*, n° 1, 1990.

36 This was originally composed of seven companies: Atlantic, Gulf, Jersey, Mexican Petroleum, Sinclair, Socony and Texaco.

37 Nowell, *Mercantile States*, 186 (cf. note 33) and the primary documentation contained in 82nd Congress, Staff Report to the Federal Trade Commission, The International Petroleum Cartel, 22/8/1952, U.S. Government Printing Office, Washington, 1952.

38 On the international oil cartel in the interwar years see John M. Blair, *The Control of Oil* (New York: Vintage Books, 1976), 50 and ff.

39 James Bamberg, *The History of the British Petroleum Company. Volume 2: The Anglo-Iranian Years, 1928-1954* (Cambridge: Cambridge UP, 1994), 27-50.

40 Jesús Silva Herzog, *Historia de la expropiación de las empresas petroleras* (Ciudad de México: Instituto Mexicano de Investigaciones, 1973).

producers' demands for a greater portion of the pie? The two problems were strictly connected: an increase in production was necessary to meet the producers' demands but how could this be reconciled with global overproduction? In any case the circumstances required a reconsideration of the private/public partnership. The reaction to Mexican nationalization highlighted the strains in the relationship between the companies and the Roosevelt administration that was accused of "plucking daisies" while the industry was conducting tough negotiations with the Mexican government.[41]

22 This situation opened up new possibilities for those who pleaded for a clearer demarcation between the national and the private interest and for a more interventionist stance of the government in oil affairs. Harold Ickes, for thirteen years secretary of the Interior in the Roosevelt administration, was the main advocate of this position.[42]

23 Ickes, described by a biographer as the "aggressive progressive", acknowledged the centrality of big companies in modern capitalism, while being firmly convinced that a strong public hand was necessary to make the system function properly. In the early 1930s, in the wake of plunging oil prices caused by the recession, Ickes tried to strengthen the role of the government in oil matters, especially in price setting, but his attempts were rebuffed by the industry as soon as it recovered some confidence.[43] The U.S. entry into the Second World War disclosed new possibilities to Ickes' interventionism, as he was summoned by the president to head the Petroleum Administration for War (PAW).[44] Writing to Roosevelt in December 1941, Ickes complained that the United States had "no adequate national policy with respect to petroleum, and no international policy I know of except to protect the interests of our nationals."[45] He believed that the interest of the nation not always, indeed rarely, coincided with that of the companies. So it was time for the U.S. government to approach the problem of foreign oil "from a nationalistic point of view" and begin to formulate a "national" oil policy. In this view, Ickes presented two controversial proposals. The first was the purchase by the government of 100% of the U.S.-owned consortium which had in concession the Saudi oil resources;[46] the second was the construction of an oil pipeline from Saudi Arabia to the Mediterranean, owned and managed by the U.S. government.[47] Both proposals cast a dark shadow on the survival of the oligopolistic system of governance the companies were strenuously trying to defend. However, Ickes' approach, as disruptive as it was of the equilibrium between public and private, was not so innovative in the relations with the oil-producing countries. The U.S. grip on foreign oil resources was not in question. For example, in relation to the Mexican dispute, Ickes proposed that the U.S. government buy the nationalized oilfields and hold them as a strategic reserve. To this proposal, President Roosevelt replied that it was inconceivable that the Mexicans, who had gone to so much trouble to gain control of their oil, would agree to such a plan.[48]

41 Randall, *United States*, 101 (cf. note 28).

42 On Ickes' life see Linda J. Lear, *Harold L. Ickes: the Aggressive Progressive, 1874-1933* (New York: Garland Publishing, 1981).

43 On Ickes' role during the New Deal years cf. Jeanne Nienaber Clarke, *Roosevelt's Warrior: Harold L. Ickes and the New Deal* (Baltimore: Johns Hopkins UP, 1996). On the New Deal era oil policies see Ellis W. Hawley, *The New Deal and the Problem of Monopoly: A Study in Economic Ambivalence* (New York: Fordham UP, 1995), 212 and ff.; Donald R. Brand, "Corporatism, the Nra, and the Oil Industry", *Political Science Quarterly*, n° 1, 1983.

44 Created in May 1941, originally denominated Office of Petroleum Coordinator, to help organize the allocation of fuels. A useful source of information on the composition and activities of the agency is: John W. Frey, H. Chandler Ide, *A History of the Petroleum Administration for War, 1941-1945* (Washington: U.S. Government Printing Office, 1946).

45 David Painter, *Oil and the American Century: The Political Economy of U.S. Foreign Oil Policy, 1941–1954* (Baltimore: Johns Hopkins UP, 1986), 25.

46 The consortium, composed by Standard Oil of California and Texaco, struck oil in 1938. By the early 1940s it had become clear that Saudi Arabia contained huge oil reserves. Irvine Anderson, *Aramco, the United States and Saudi Arabia. A Study of the Dynamics of Foreign Oil Policy, 1933-1950* (Princeton: Princeton UP, 1981).

47 Cf. Painter, *Oil*, 32-74 (cf. note 45).

48 *Ibid.*, p. 25.

24 Ickes' interventionism was met by the strong opposition of the oil companies. Since 1941 representatives of the consortium operating in Saudi Arabia had lobbied President Roosevelt to get the Lend Lease Program extended to that remote country to counter British influence.[49] But they did not want any direct involvement of the government in their business. A long memorandum presented in November 1943 by the Foreign Operations Committee of the Petroleum Industry War Council (PIWC)– the body representing the industry within the PAW – stated forcefully the U.S. interest in foreign oil: "the national security of the United States is dependent upon adequate world oil development". At the same time they reaffirmed the centrality of private initiative: "Oil development can best be handled by private initiative". What the governments should do was to support the efforts of private companies to acquire control of foreign oil: "Action is needed to enlarge the reserves under the stewardship of nationals of the United States [...]. Nationals of the United States should not be in a position of inferiority in acquiring and developing petroleum reserves within the territories or spheres of influence of other nations."[50] The allusion to the British grip on Mideast oil was patent. In 1943-44, with the Saudi reserves still underdeveloped, 80% of Mideast production was in the hands of British companies.[51] In sum, the industry was asking the administration to renounce its more interventionist stance and to put its weight at the service of the private companies' efforts to acquire and develop foreign oil reserves. The assumption was, as always, that what was good for the oil companies was good for the United States. As the 1943 PIWC memorandum argued:

> The American petroleum industry should be encouraged to expand its plans for developing the world's oil resources. This encouragement requires assurance that nationals of the United States will receive the cooperation of our Government in securing a position of equal opportunity with the nationals of other countries and that the Government itself will not enter into competition with its own nationals.[52]

The form this cooperation should take was made clear in March 1944 by the Oil Policy Committee of the PIWC: 25

> The varying and conflicting oil policies of the various nations need to be brought into harmony with the objective of orderly and efficient world oil development. To this end, international machinery is necessary. The government of the United States should take the lead in bringing about this necessary coordination.

In a concretization of Karl Kautsky's ultra-imperialism, the companies demanded the collaboration of the government in establishing an agreement with the British to manage the vast reserves of the region that increasingly seemed bound to become the pivot of the oil production. As indicated by the geological mission sent by the U.S. government to Middle East in 1943: "For the next 10 to 15 years at least, the Middle East area is likely to develop and maintain productive capacity of as much as four times its probable market outlet."[53] This was a development that if not properly managed – by means of what the companies usually "termed orderly marketing", an euphemism to avoid the rigours of the U.S. anti-trust legislation – threatened to precipitate another crisis. 26

49 Michael B. Stoff, *Oil, War, and American Security. The Search for a National Policy on Foreign Oil, 1941-1947* (New Haven: Yale UP, 1980), chapter 2.

50 Petroleum Industry War Council (PIWC), *A Foreign Oil Policy for the United States*, 5/11/1943, in 93rd Congress, Subcommittee on Multinational Corporations of the Committee on Foreign Relations of the United States Senate, *A Documentary History of Petroleum Reserves Corporation 1943-1944* (Washington: U.S. Government Printing Office, 1974) (from now on DHPRC), 60-68, 61 and 65.

51 Army Service Forces, *Memorandum: Oil Situation in the Middle East*, 9/2/1944, in *DHPRC*, 49-58, 49.

52 PIWC, *A Foreign Oil Policy for the United States, 5/11/1943* (cf. note 50), 65.

53 93rd Congress, Report to the Committee on Foreign Relations of the U.S. Senate, Multinational Oil Corporations and U.S. Foreign Policy, 2/1/1975 (Washington: U.S. Government Printing Office, 1975) (from now on MNOC), 43.

THE POSTWAR PETROLEUM ORDER

27 The initial solution was the stipulation of a bilateral oil agreement between the powers controlling Mideast oil. The talks between the British and U.S. governments, attended also by representatives of the industry, went on from 1944 to 1946.[54] An agreement was signed but its ratification was shelved by the U.S. Congress due to the vociferous opposition of the domestic oil industry to what it saw, not without reason, as a cartel of the multinationals to develop production abroad at the expense of the U.S. one.[55] Anyway, at the moment of its demise, the Anglo-American oil agreement had been abandoned also by its main sponsors, the majors, which had lost interest when it became clear they would not get the wide-ranging anti-trust waiver they demanded.[56]

28 The answer to the dual problem of resource nationalism and overproduction that loomed over the oil industry was found not in a direct government-to-government accord, even less in the interventionist positions defended by Ickes. The rising tide of "resource nationalism" was met with a policy of concession that gave to the producing countries a portion of the oil wealth, while ensuring the companies' hold on the oil production and distribution. The 50-50 profit-sharing system between the companies and the producing countries, inaugurated in Venezuela in 1943, was generalized to the main Mideast producing countries in the early 1950s.[57] In return, the companies obtained what they wanted: stable access to the oil resources and the preservation of the concessionary system that guaranteed them absolute control over the industry in the developing world. The generalization of the 50-50 system was facilitated by the granting on the part of the U.S. government of the possibility of deducting the entire sum paid to the foreign governments from U.S. income taxes. In this way, in practice, the U.S. fiscal coffers financed the aid to oil-producing governments to allow a bunch of private companies to retain their hold on extremely lucrative oil concessions. As State Department officials acknowledged, this "in effect would amount to a subsidy of Aramco's position in Saudi Arabia by the U.S. taxpayers."[58] One can get an idea of how much the unaware taxpayer (the measure was never discussed by Congress before the 1970s) was called to contribute to the good fortune of the multinational oil companies by considering that the amount paid by Aramco to the U.S. fiscal authorities passed from \$50 million in 1950, to six million in 1951, to one in 1952. Since that year onward, Aramco's tax credit exceeded the payments it owed to the U.S. Treasury.[59] This act of generosity was justified on the ground that it was in the national interest of the United States to maintain control of the key oil-producing regions and that this objective was best guaranteed by the U.S. private companies. This syllogism was most clearly articulated by James Forrestal, Secretary of the Navy and then of Defense in the Roosevelt and Truman administrations, with a past as a commercial banker with strong links to the oil industry:[60]

> The largest known oil reserves outside of the Western Hemisphere are located in the Mesopotamian Basin in the area of the Persian Gulf. These reserves are largely undeveloped. It is distinctly in the strategic interest of the United States to encourage industry to promote the orderly development of petroleum reserves in the more remote areas such as the Persian Gulf, thereby supplementing the Western Hemisphere sources and protecting against their early exhaustion at inefficient rates of production. [...] The prestige and hence the

54 On the negotiations for the Anglo-American oil treaty see Stoff, *Oil*, 151-177 (cf. note 49).

55 Randall, *United States*, 199 (cf. note 28).

56 Anderson, *Aramco*, 91 (cf. note 46).

57 Sampson, *Seven Sisters*, 123-126 (cf. note 18).

58 Foreign Relations of the United States (Frus), 1950, The Near East, South Asia, and Africa, vol. V, Doc. 42, Memorandum of Conversation, by Mr. Richard Funkhouser, 2/11/1950, 106-108, 107.

59 See Hearings, part 4, 13 and the testimony of George Mc Ghee, 95.

60 Prior to his political career, Forrestal had worked for the New York based merchant bank Dillon, Read & Co. In that capacity, in 1936 he promoted the partnership between Socal and Texaco at the origins of the Saudi consortium. Yergin, *The Prize*, 299 (cf. note 25).

> influence of the United States is in part related to the wealth of the Government and its nationals in terms of oil resources, foreign as well as domestic. [...] The good offices of the State Department should be used to the greatest possible extent to promote the expansion of United States oil holdings abroad, and to protect such holdings as already exist, i.e., those in the Persian Gulf area.[61]

29 The quote shows the rationale that justified the identification of the national interest with the defense of the role of oil companies abroad. As the control of the key oil-producing regions was a vital instrument for the U.S. ascendance on the world stage, it was imperative for the U.S. government to defend the U.S. oil companies who controlled those resources and to support their expansion.

30 A dense transnational network of joint ventures, consortia and commercial ententes which complemented the already established Iraq Petroleum Company (IPC) provided the oligopolistic architecture necessary to solve the problem of potential overproduction. In 1947, Jersey Standard and Standard Oil of New York (Socony), after an intricate negotiation with their partners within the IPC, freed themselves from the restrictions of the Red Line Agreement and joined Standard Oil of California and Texaco in exploiting the Saudi resources.[62] Thus, as Matthieu Auzanneau writes: "Transposée, transfigurée et accrue la puissance du vieil empire de John D. Rockefeller va désormais se perpétuer à travers la matrice du pétrole saoudien, comme un dragon change de peau, étendu sur un nouveau trésor fabuleux."[63]

31 The companies were well aware of the anti-trust implications of this development. As pointed out by George V. Holton, Vice President and General Counsel of Socony, the threat of an antitrust action was real, but in the end the decision was political:

> The arrangement would place practical control of crude reserves in the Eastern Hemisphere in the hands of seven companies. Five of them would be American owned and all of the latter have substantial reserves in the Western Hemisphere also. [...] I cannot believe that a comparatively few companies for any great length of time are going to be permitted to control world oil resources without some sort of regulation. This is a political question.[64]

And indeed the question was answered on the basis of political considerations. The Antitrust Division issued a report recommending that the Attorney General take no action for national security and foreign policy reasons: 32

> International oil is a matter of grave concern to many branches of the Government. The State Department interest in the problem is both historic and current [...]. The Department of the Interior, Department of National Defense and National Security Resources Board are also concerned with the shortage of oil reserves in this country. It is doubtful that they would look with favor upon any antitrust case which might affect American positions in foreign oil. [...] Obviously, antitrust policy must be consistent with overall Government policy and with foreign policy and the promotion of national security. For these reasons, it is recommended that no action be taken at this time.[65]

The resurgence of Standard Oil in the sands of Saudi Arabia was complemented by the creation of a system of commercial agreements among the majors, which actually replaced the aborted Anglo-American Oil Agreement in providing for the "orderly development" of Mideast production. Thus, at the end of 1946 Jersey and Socony, 33

61 Doc. 824, The Secretary of the Navy (Forrestal) to the Secretary of State, 11/12/1944, in Frus 1944, The Near East, South Asia, and Africa, the Far East, vol. V, 755-756, 756.
62 Sampson, *The Seven Sisters*, 114-119 (cf. note 18). A rich primary documentation can be found in Hearings, part 8, 89-169.
63 Matthieu Auzanneau, *Or noir. La grande histoire du pétrole* (Paris: La Découverte, 2015), 223.
64 G.V. Holton to Brewster Jennings, 28/10/1946, Hearings, Part 8, 116-117. See also: Socony-Vacuum, *Board of Directors*, 5/3/1947, Hearings, Part 8, 156-159.
65 MNOC, 49-50.

to allay British fears of overproduction, signed a twenty-year supply agreement with the Anglo-Iranian that guaranteed the latter an outlet West of Suez for its Iranian (and Kuwaiti) crude.[66] Shell entered into a similar agreement on Kuwaiti oil with Gulf, a founding member of the IPC and since 1934 a 50-50 partner of Anglo-Iranian in Kuwait, whose reserves were at the time estimated to be greater than the Saudis'.

34 The geopolitical consolidation of the U.S. hegemony over Western Europe, after 1945, offered the market outlet for the quickly growing Mideast production, making this development compatible with the preservation of the interests of the U.S. domestic producers. The Marshall Plan played a key role in smoothing the transition to a new structure of the oil markets. As indicated by David Painter, between April 1948 and December 1951, 56% of the oil supplied by U.S. companies to Western Europe was financed by the Marshall Plan. Most of this oil was provided by the five U.S. majors producing in the Middle East: 48.8% from Jersey; 14% from Socal and Texaco; and 9.2% from Socony. As he writes: "This aid not only helped provide Europe with the energy it needed for recovery; it also served to maintain markets for U.S. oil companies at a time when their potential customers would otherwise have been unable to obtain the necessary dollars."[67] The Marshall Plan financed a radical transformation of the geographical pattern of European oil supplies. While in 1946 70% of Western Europe's oil imports came from the Western Hemisphere and only 30% from the Middle East, in 1950 Middle East oil accounted for 75% of those imports.[68]

35 At the same time, the availability of abundant and cheap Mideastern oil was crucial in making possible the "economic miracles" in Western Europe throughout the 1950s and 1960s, thus permitting the successful application of the U.S. hegemonic recipe based on the spread of the system of mass production for mass consumption:

> The open, nondiscriminatory monetary and trade system that the United States sought depended on growth and prosperity in other capitalist countries, which in turn depended on readily available, reasonably priced imports of petroleum, principally from the Middle East. In a material sense, oil was at the center of the redistributive system of American hegemony.[69]

The last bastion of exclusive British influence on the Mideast oil, Iran, was penetrated by the U.S. oil firms in the aftermath of the 1951 nationalization, when the five U.S. majors, Shell and Compagnie Française des Pétroles (CFP) joined Anglo-Iranian in exploiting the local oil resources. The creation of the Iranian consortium in 1954 seemed to definitively consolidate the imperium of Western capitalism over the key oil region of the world. The successful boycott of Iranian oil after the 1951 nationalization and the 1953 coup against Mossadegh that put to rest Iranian nationalization, once again highlighted the importance for the oil multinationals of jumping on the boat of a powerful territorial organization. Backed by U.S. power, the concessionary system guaranteed the seven companies (plus the eighth sister, the CFP), seemingly absolute control over immensely lucrative resources. As calculated by Charles Issawi and Mohammed Yeganeh, the ratio of net income to total net assets amounted, for the period 1948-60, to 21% for the oil operations in Venezuela and to an astonishing 67% for those in the Middle East. To get an idea, the corresponding figure for the U.S. domestic oil industry was 10,8% and for the U.S. manufacturing industry was 13,7%.[70] 36

Keeping control of the oil of the "free world" in U.S. hands was crucial in the consolidation of U.S. 37

66 Bamberg, *The History*, 305-307 (cf. note 39).

67 Furthermore, more than 10% of the Marshall aid was spent on oil, more than any other single commodity, see: David Painter, "Oil and the Marshall Plan", *Business History Review*, n° 3, 1984, 362.

68 See Charles Issawi, Mohammed Yeganeh, *The Economics of Middle Eastern Oil*, (New York: Praeger, 1962), 18; Middle East Oil, State Department Policy Paper, 10/9/1950, in Hearings, Part 7, 122-134, 124.

69 Robert O. Keohane, *After Hegemony. Cooperation and Discord in the World Political Economy* (Princeton: Princeton UP, 1984), 140.

70 Issawi, Yeganeh, *The Economics*, 112 (cf. note 68).

hegemony. In early 1953 a debate raged within the outgoing Truman administration about the advisability of an antitrust legal action against the seven majors, accused by the attorney general and the Department of Justice of having established a world cartel since 1928 (what they actually did). The Departments of State, Defense and the Interior replied to the Department of Justice's allegations in a long, top secret position paper jointly presented to the National Security Council in early January.[71] The document reaffirmed the usual syllogism.

38 First, controlling the main oil production regions was vital to assure the prosperity of the free world:

> Since Venezuela and the Middle East are the only sources from which the free world's import requirements for petroleum can be supplied, these sources are necessary to continue the present economic and military efforts of the free world. It therefore follows that nothing can be allowed to interfere substantially with the availability of oil from those sources to the free world.

39 Second, only American and British oil companies were capable of guaranteeing an adequate development of the oil resources. The previous experiences with nationalization had demonstrated that the producing countries lacked the requisite expertise and capital.

> These nationals [the U.S. and British companies] have provided the ingenuity, capital, and technology to bring forth production from those areas on the tremendous scale required to fulfill world requirements. As matters now stand, they alone are capable of maintaining and expanding the production of those areas to meet the rising demand for petroleum of the free world. If United States and United Kingdom companies were for any reason expelled from Venezuela and the Middle East, the oil from those areas would to a serious extent be lost to the free world.

Consequently, the document concluded, as Forrestal had ten years earlier, it was in the highest interest of the U.S. government to protect these companies and their concessions: 40

> American and British oil companies thus play a vital role in supplying one of the free world's most essential commodities. The maintenance of, and avoiding harmful interference with, an activity so crucial to the well-being and security of the United States and the rest of the free world must be a major objective of United States Government policy.

On 11 January, President Truman announced the termination of the grand jury investigation for national security reasons.[72] The majors were thus given a green light to continue untroubled their collusive market practices and to consolidate their hold on the industry by establishing the Iranian consortium, the only one in which the "Seven Sisters" were jointly represented. 41

Occasionally the economic and the geopolitical logics constitutive of imperialism seemed to be at variance. This happened more evidently in the 1940s with Ickes' interventionism and his search for a clearer demarcation of the public and the private spheres of interest in oil affairs. It happened again in the 1970s, in the aftermath of the first oil crisis, as we shall see. But even in the heyday of the Seven Sisters' dominance some strains emerged. The clearest case was arguably offered by the Shah's pressing requests for a rise in Iranian oil production during the 1960s.[73] The U.S. State Department supported the demands of a key regional ally in 42

71 Frus 1952–1954, General: Economic and Political Matters, Volume I, Part 2, Doc. 159, Nsc 138/1, National Security Problems Concerning Free World Petroleum Demands and Potential Supplies, Top Secret, Washington, 6/1/1953, 1317-1329.

72 As reported in MNOC, 64, Truman "emphasized, however, that he wished the case to be pursued vigorously in the civil courts". The civil case went on for ten years with no decision made in the end. The text of Truman's letter is in Hearings, part 7, 102.

73 An overview of Iranian requests can be found in John J. McCloy Papers, Amherst College (JMP), Box 36, Folder 33, Oil General 1966, Memo: Current Iranian Situation, 2/11/1966.

search of additional resources to fund its programs of economic and military development. Notwithstanding the State's efforts, the companies resisted a rise in Iran's oil output lest it jeopardize the delicate balance of global oil trade[74]. In the end some form of compromise had to be devised. But on the whole, the companies were successful in circumventing the State's pressures and the compromise reached was much nearer to their positions than to government's.

43 The fact was that they held the whip hand in an asymmetrical relationship. This was due to several factors. First, once the preservation of companies' positions in the producing countries was assumed as a matter of national interest, diplomats and high ranking politicians had to bow to the needs of big business and prioritize the defence of profit over the demands of allies. Second, information on the oil markets was a monopoly of the companies. Even in the U.S. and the UK, the state apparatuses lacked the knowledge and expertise to comprehend the realities of international oil trade.[75] Finally, the oil companies could boast about their role as energy suppliers for the industrial societies and as an intermediary in the relationship with producing countries. As stated by Socony's chairman, Albert Nickerson: "As long as the privately owned international oil companies continue to act as a bridge and a buffer between governments [...] it will be possible to reconcile and accommodate the conflicting interests of the producing countries and the consuming countries."[76]

74 For a vivid illustration of this dialectic between diplomacy and business see for ex. Memorandum to file, Meeting in Washington with State Department, Iranian Problems, 28/3/1968, in Hearings, Part 7, 274-275, which reports a meeting between State's representatives, headed by the Undersecretary for Political Affairs Eugene Rostow and some top executives of American oil companies.

75 On the UK situation see Jonathan Kuiken, "Caught in Transition: Britain's Oil Policy in the Face of Impending Crisis, 1967-1973", *Historical Social Research*, n° 4, 2014, 272-290; on the U.S. cf. MNOC, 15-16.

76 JMP; Box 36, Folder 15, Oil General 1963, How International Oil Companies Serve the Free World, A talk by Albert L. Nickerson, Chairman of the Board, Socony Mobil Oil Co., San Francisco, 14/9/1962.

THE SHOCK

During the 1960s, the change in the oil market, with the entry of many independent actors undercutting the grip of the majors on the international oil trade and the increasingly autonomous and combative stance of the producing governments, fatally undermined the foundations of the system.[77] The quadrupling of the oil price in the early 1970s, a consequence of the developments of the preceding decade, brought many in the consuming countries to question the wisdom of delegating the pursuit of the national interest to the action of private companies. The negotiations on the oil price preceding the shock of 1973 represented the last instance of the system inaugurated in Mesopotamia fifty years earlier in which the companies sat directly at the table while the consumers' governments stood backstage.[78] 44

In the wake of these dismal results, from the consumer's perspective, of the oil negotiations of the early 1970s, there was a wide public backlash against multinationals. In the U.S. the Senate held a comprehensive investigation, that lasted several months and filled a few volumes, on the activities of the oil multinationals since the 1930s. Its findings and conclusions were summed up by Senator Ted Kennedy: 45

> The exhaustive hearings conducted by Senator Frank Church before the Senate Subcommittee on Multinational Corporations conclusively demonstrated that for most of the postwar era the US Government viewed the multinational oil companies as instruments of US foreign policy, especially in the Middle East, and that the US Government also considered the interests of the companies basically identical with the US national interest. Out of these two assumptions evolved the system of oil allocation

77 Steven A. Schneider, *The Oil Price Revolution* (Baltimore: The Johns Hopkins UP, 1983).

78 Francesco Petrini, "Eight Squeezed Sisters. The Oil Majors and the Coming of the 1973 Oil Crisis", in Elisabetta Bini, Giuliano Garavini, Federico Romero (eds), *Oil Shock: The Crisis of 1973 and its Economic Legacy* (London: I.B. Tauris, 2016).

> administered by the majors and relied upon by the consumer nations. This system has now collapsed. As a consequence, the policy assumptions on which the system was founded can no longer be relied upon.[79]

46 As a reaction to the crisis and to the ambiguous role played by the companies in it, criticisms of the identification of the national interest with that of the companies and proposals for a more autonomous profile of the public action in the energy domain flowed throughout the Western world.[80]

47 In the U.S., the Senate Subcommittee on Multinational Corporations pleaded for a democratization of the process of definition of the national interest:

> In a sense, this is the overriding lesson of the petroleum crisis: in a democracy, important questions of policy with respect to a vital commodity like oil, the life blood of an industrial society, cannot be left to private companies acting in accord with private interests and a closed circle of government officials. They must be surfaced for public debate and education so that a coherent policy can be evolved with a firm base of public support.[81]

48 In the UK, the wisdom of delegating the oil policy to the companies was put in doubt. As a report on British oil policy concluded: "up to now HMG has been able, in the main, to achieve [...] secure oil supplies at reasonable prices with a basically *laissez-faire* policy", yet the recent developments in the oil markets "suggest that, despite the hazards of interfering in such a complex industry, HMG will have to play a more positive role than hitherto, in co-operation with other major consumer governments [...]."[82] The companies, had spent almost all their credibility at the negotiating table with OPEC. As Nicholas Fenn, Deputy Head of the Foreign Office Energy Department wrote in June 1973: "The companies themselves have reached the end of the road. They can no longer guarantee oil delivery, let alone at reasonable prices. They will continue to resist OPEC demands as skilfully as possible, but we must be under no illusion – they will surrender every time in the end."[83]

In the effervescent political climate of the time, many predicted the end of the oil imperialism. A British backbencher declared: "the era of [...] Western oil imperialism in the Middle East [had come] to an end".[84] His name was Winston Churchill, the nephew of the man we can consider the founding father of oil imperialism in the Middle East. 49

EPILOGUE

Actually things didn't change as radically as the young Churchill predicted. The neo-liberal revolution brought about the shelving of the proposals directed at breaking off, or at least at loosening, the connection between state power and big business. In the "actual pragmatics of neoliberalism", in David Harvey's words,[85] the dose of state support to capitalist interests might be obfuscated by an omnipresent *laissez-faire* rhetoric but it is actually heavy and crucial in supporting the level of profitability. In the oil industry the need for a strong public boat on which to jump became even more pressing after the Western companies found themselves facing states and public companies that were 50

79 94th Congress, *Hearings Before the Subcommittee on Energy of the Joint Economic Committee of the United States Congress, Multinational Oil Companies and OPEC: Implications for U.S. Policy, June 2, 3 and 8, 1976* (Washington: U.S. Government Printing Office, 1977), 3-4.

80 Francesco Petrini, "Oil: Too Important to be Left to the Oilmen? Britain and the First Oil Crisis, 1970-3", in John Fisher, Effie Pedaliu, Richard Smith (eds), *The Foreign Office, Commerce and British Foreign Policy since 1900: Volume II: 1945-to date* (London: Palgrave, 2016).

81 MNOC, 17-18.

82 Documents on British Policy Overseas, S. III, vol. IV, The year of Europe: America, Europe and the energy crisis, 1972-1974, edited by Keith Hamilton and Patrick Salmon (London: Routledge, 2006), CAB 134/3606, Memo by P. E. Walker, 8 February 1973.

83 The National Archives of the United Kingdom, Kew Gardens (TNA), FCO 55/1057, Fenn, Oil Talks with the Companies, 29 June 1973.

84 TNA/FCO 55/1059, Note for the record, Energy, 31/1/1973.

85 David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford UP, 2005), 21.

no longer the weak semi-sovereign entities of the immediate postcolonial past.

51 In the aftermath of the oil crises of the 1970s, the majors lost their role as sole intermediary between consumers and producers and their absolute control over international oil, but this development only slightly diminished their wealth and their political clout. During the 1980s, they acted to curb the role of OPEC as the main price-setting entity for international oil. New areas of production in politically safe regions (North Sea, Alaska) were quickly developed while spot prices and future contracts were replacing posted prices and intergovernmental contracts.[86] Since the early 1990s, Middle East wars have played a key role in producing a condition of "scarcity", thus helping to keep the oil supply and offer in balance. Once again, as already happened in the 1950s and 1960s, Iraqi oil production (and then Iran) was penalized by the needs of the "market". The imperative of the "creation of scarcity"[87] has become even more pressing after the boom of oil shale production within the USA.

52 In all of this the cooperation with the power of the U.S. state was crucial. Politicians and state officials nurtured a geopolitical agenda of their own and maintained as a key objective of U.S. foreign policy the conservation of a form of direct or indirect control of the main sources of oil.[88] As Harvey put it:

> Not only does [the invasion of Iraq] constitute an attempt to control the global oil spigot and hence the global economy through domination over the Middle East. It also constitutes a powerful U.S. military bridgehead on the Eurasian land mass which, when taken together with its gathering alliances from Poland down through the Balkans, yields it a powerful geostrategic position in Eurasia with at least the potential to disrupt any consolidation of a Eurasian power.[89]

However, the preliminary impression is that, as in the past, in a clash between the logic of capitalism and that of geopolitics, the former prevails. From the history we have reviewed, we have evidence that, once the national interest is assumed as coincident with that of private companies, the result is the defence of the companies' aims and objectives at all costs. As Keynes said, a firm "has no object in the world except to end up with more money than it started with."[90] In other words, the protection of private profit ends up prevailing over political and diplomatic considerations. *Still, government officials could consider themselves – as Ralph Miliband wrote –* "above the battles of civil society, as classless, as concerned above all to serve the whole nation, the national interest."[91] 53

Finally, one fundamental change occurred in the last decades: the weakening of the hegemonic capacity of the United States and the emergence of new rivals on the global energy scene has made oil imperialism deadlier with a more frequent recourse to force. To paraphrase Karl Polanyi, to maintain the sway of the Western imperialism on some of the key world oil reserves it has become increasingly necessary to have recourse to the ominous poise of a heavy ship's cannon rather than to the timely pull of a thread in the international energy network.[92] 54

86 Francesco Petrini, "Counter-shocked? The oil majors and the price slump of the 1980s", in Duccio Basosi, Giuliano Garavini, Massimiliano Trentin (eds), *Countershock: The Oil Counter-Revolution of the 1980s* (London: I.B. Tauris, 2018), 76-96.
87 On the centrality of this concept in the oil industry's history see Timothy Mitchell, Carbon Democracy. Political Power in the Age of Oil (London: Verso, 2011), 39-42.
88 See for example, as an influential statement of the goals of U.S. foreign policy in the post-Cold War world which explicitly affirms this objective, the "Defence Planning Guidance" circulated within the George H.W. Bush administration in 1991/92 (https://nsarchive2.gwu.edu//nukevault/ebb245/index.htm, accessed 18/02/2020).
89 Harvey, The New Imperialism, 85 (cf. note 6).
90 John M. Keynes, *The Collected Writings*, vol. 29 (London: Macmillan Press, 1971), 89.
91 Miliband, *The State*, 72 (cf. note 10).
92 Karl Polanyi, *The Great Transformation. The Political and Economic Origins of Our Time* (Boston: Beacon Press, 2001), 14.

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