

The Oil Oligarchy

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One of the interesting learning experiences of the current economic crisis is how high oil prices – and gas prices – have remained regardless of drop in demand. Popular complaint rises along with the cost of fueling one's car and heating one's home, yet few are willing to come to terms with the blatant theft of their personal wealth.

According the Department of Energy, the average cost of a barrel of oil produced in the U. S. is \$33 – about \$25 for oil from abroad. 60% of your out-of-pocket expense comes from commodity futures speculation. In the U. S. the Commodity Futures Trading Commission is supposed to keep futures prices in line with supply and demand. Of course, it does no such things. The laws for such regulation are riddled with loopholes. Worldwide there are 'regulated' and 'unregulated' futures exchanges.

Apologists for commodity futures trading often cite as a benefit of such a practice the small farmer having some sound information on what he will receive for his product, and thus being better able to allocate his resources. That has no relevance for the oil market. Oil producers are nations and giant corporations. Their product has such intrinsic demand that they are in no risk of losing money (I'm referring to the liquid form of oil – not shale, tar sands, etc.). The producers have no need for future knowledge, and insofar as there is stability (obscene profits) for them, it means instability (price gouging) for the consumer.

There is clearly no need for such a thing as oil futures, or commodity trading in general, as a benefit to the general public. Its only purpose is to enrich the rich, but to be fair the capitalist system requires places of investment for surplus capital. It's not a planned world economy; that capital must be moved so that it makes more capital. Thus, commodity markets exist for the same purpose as other financial markets and exchanges. The vast majority of Americans would have benefited by the collapse and liquidation of banks and other financial institutions at the outset of the current depression. The loss of jobs in those industries would have meant an increase in real productive jobs since the former does nothing but attract speculative wealth which is used in non-productive ways such as mergers and acquisitions, stock buy-backs, etc. Cut out the easy money and business will have to provide something useful and hire the people necessary to provide it in order to earn a profit.

But there is absolutely no chance that these practices will be altered. There is such a desperate need to find investment markets that basic public services are being privatized – schools, hospitals, medical insurance, social security, water, sanitation, etc. The production side of capitalism is saturated – supply vastly exceeds demand. But waste has no limit. Like Keynes said, a perfect world for the capitalist is building railroads to nowhere because there is no limit to nowhere. And that is why we are going nowhere fast.
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