“War is Good for Business”: Big Oil, Wall Street and the Pentagon’s “New Cold War” Against Russia

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Global Research, May 08, 2014

Region: Russia and FSU
Theme: Global Economy, Oil and Energy, US NATO War Agenda

The Soviet Union no longer exists. The Russian Federation is not a socialist state. But the U.S. military and political establishment still seek to destroy Russia. That’s the object of the crisis the Pentagon, State Department and CIA are orchestrating in Ukraine.

What drives this seemingly irrational course of action?

The same thing that drove the George W. Bush regime to invade Iraq in 2003. The same thing that’s driving the violent anti-China rhetoric from the Pentagon and the White House: financial need and cold economic calculation.

Not the financial need of the hungry and homeless, of the millions who need jobs at living wages, of those who can’t pay their rent or mortgages or who must choose between heating and eating.

It’s the need of Wall Street bankers and corporate CEOs to pump up their profits, stock prices and rates of return on their invested capital amid a global economic slowdown caused by capitalist overproduction.

The U.S. Energy Information Administration projects that the United States will replace Russia this year as the world’s top hydrocarbon energy producer. It says the U.S. will replace Saudi Arabia as the world’s No. 1 oil producer by 2015.

This is the result of the U.S. capitalist class investing hundreds of billions of dollars over the past 10 years in fracking — the hydraulic fracturing of oil and natural gas from shale rock. ExxonMobil, the world’s most profitable company, spent $41 billion in 2010 to buy fracking giant XTO Energy. ExxonMobil is now the largest U.S. natural gas producer.

Chevron, Phillips 66, Valero, Berkshire Hathaway and General Electric are other top 10 Fortune 500 companies betting billions on the superprofits they hope fracking will bring. Some of them have ascended to the top 10 based on these investments. Halliburton, the Koch brothers and hedge funds like KKR are heavily invested. So is every major bank.

But these environment-destroying investments would not be profitable without the triple-digit oil prices of the past decade. These record prices were made possible by the violent suppression of Middle East and North African energy production by the Pentagon through war and sanctions.

Iraq War a bonanza for Big Oil

The U.S. invasion of Iraq devastated that country. And it hit hard at working class and oppressed communities in the United States. For Big Oil and Wall Street it was a bonanza.

In 2002, before U.S. invaders destroyed Iraq's state-owned oil industry, the price of West Texas Intermediate crude, a benchmark used by the oil industry, hovered around $20 a barrel. By April 2003, when U.S. tanks rolled into Baghdad, WTI crude was over $40 a barrel. ExxonMobil and Chevron, the biggest U.S. oil companies, saw their profits rise nearly 300 percent.

By mid-2008, war threats and sanctions against Iran combined with the continued wars in Iraq and Afghanistan to drive oil up to $147 a barrel. It was ExxonMobil's most profitable year ever.

War in the Middle East made profitable the plunder of Canada's tar sands, the proposed Keystone XL pipeline and new mountaintop removal projects in Appalachia. It enabled the building of the Anglo-U.S.-owned Baku-Tbilisi-Ceyhan pipeline from former Soviet Central Asia to the Mediterranean and new U.S. energy investments in Africa.

But capitalists will do what capitalists do. When profits and prices are booming, they will produce "more than the market can bear." The third quarter of 2008 saw a global capitalist economic crisis and oil prices began to fall. Sanctions against Iran and Sudan, the 2011 U.S./NATO bombing of Libya and the CIA-orchestrated war in Syria, which blocks a potential Iranian oil pipeline to the Mediterranean, have slowed the decline but not reversed it.

Some analysts predict prices as low as $50 a barrel by 2015. Oil and natural gas prices tend to move in tandem, and oil prices of $60 to $80 a barrel are needed for most fracking projects to break even. Shale reserves with a value of $26 trillion at today's prices could become worthless.

A crisis that disrupts the flow of Russian energy to Europe would change the picture radically. On April 14, CNBC announced "oil hovers near $108 as Ukrainian crisis worsens."

'Cold War' chained Western Europe to U.S.

In the 1970s the Soviet Union was the world's top energy producer. Much of its production was consumed domestically or provided to other socialist countries in barter arrangements. Western Europe relied on Arab and Iranian oil and gas sold by U.S. and British monopolies.

In the early 1980s, German and French banks financed a massive Soviet pipeline project, called Urengoi 6, to bring Siberian natural gas to Western Europe. The Reagan regime launched an overt and covert campaign to sabotage the project. ("A Tale of Two Pipelines," Workers World, June 10, 2005) Washington wanted to hurt the Soviet economy, of course. It also wanted to keep Western Europe dependent on U.S. energy monopolies. The project was completed, however, and Soviet natural gas poured into Europe.

In 1998, Russia, now capitalist, responded to a speculative attack on its currency by devaluing the ruble. Oil fell below $11 a barrel, throwing the Western oil industry into a panic.

The U.S. responded with missiles and bombs. The target was not Russia but Iraq. Within three months the Clinton regime came up with an excuse for a massive bombing campaign against Iraq, which was already suffering from U.S.-orchestrated sanctions. Two years earlier, U.S. Secretary of State Madeleine Albright had admitted that sanctions had killed 567,000 Iraqi children. She said the “price was worth it.”

As bombs rained on Iraq, Energy Secretary William Richardson was begging U.S. oil executives to build oil and gas pipelines to former Soviet Central Asia to cement U.S. influence there. They told him it would not be worth it unless he could guarantee oil prices above $40 a barrel for a sustained period. It took the 2003 invasion of Iraq to do that.

War to restrict production

Energy is the world’s most profitable commodity. But other interests are at stake. The Pentagon needs to protect and expand its bloated budget, which faces “mandatory” cuts in 2016. The generals want to expand NATO to the east and put U.S. troops in the former Soviet Union. The military-industrial complex wants more arms sales to Eastern Europe, with Ukraine as a customer.

Then there is the heart of the system — Wall Street itself. Bankers and politicians know that war and crisis abroad drive capital into the United States, cutting the deficit, propping up the dollar and helping keep U.S. banks at the center of the world economy. Wall Street analysts hope and predict that capital flight from Russia alone could reach $150 billion this year, more than twice what it was in 2013.

The monopoly-dominated world capitalist market is saturated with commodities and capital. It is in a permanent battle because of a crisis that is unique to the capitalist system: overproduction. Bankers sit on trillions of dollars they cannot reinvest at an “acceptable” rate of profit.

The world imperialist system cannot absorb the productive capacity of the vast industrial-technological-scientific apparatus that exists in the former Soviet Union — just as it cannot absorb the labor power, the minds and capabilities of hundreds of millions of people around the world.

The imperialist market has no room for the Eurasian Union, the Commonwealth of Independent States, the Shanghai Economic Cooperation Organization or the rising bloc of BRICS nations (Brazil, Russia, India, China and South Africa), which Iran seeks to join. It has no room for the African Union or the Bolivarian Alliance of the Peoples of Our America.

The dominant mode of production in the above-mentioned blocs Is capitalist. But an important factor in their economic growth is the state-powered economy of the People’s Republic of China, a product of the great socialist revolution of 1949. Moreover, the state-owned sector of Russia’s economy has risen to 60 percent under the Putin administration.

The “Cold War” did not end with the fall of the Soviet Union, because it was driven not only by hostility to socialism but by the internal contradictions of capitalism itself.

In the “Cleveland massacre” of 1872, John D. Rockefeller drove hundreds of independent drillers out of business to create the Standard Oil trust. Apologists for capitalism have justified such practices as “creative destruction.” In its time of decay, the U.S. monopoly capitalist class and its state apparatus must destroy in order to survive.

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