Disaster theories and the crisis: the peak oil case

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Introduction

In the midst of the worst crisis in memory affecting the lower income groups in the “affluent” North (EU, North America), while the “growth bubbles” of the South (China, India, Brazil and the rest) are about to burst (as their rapid growth has always been dependent on their full integration into the internationalized market economy, which is now entering a period of prolonged recession, if not depression of a 1930’s scale), several disorienting approaches about its causes have flourished. Most of them were around for some time, like Naomi Klein’s conspiracy theory (The Shock Doctrine[1], massively promoted by the world media for obvious reasons), according to which neoliberalism is the result of policies designed by ‘bad’ economists (Friedman, Chicago School, etc.) and implemented by the corresponding ‘bad’ politicians (Thatcher, Reagan and the like), resulting in the transformation of a relatively ‘good’ capitalism before into the present ‘monstrous’ neoliberal capitalism. Thus, as Frédéric Lordon recently argued:[2]

“Disaster capitalism” did apply in some cases, especially in southern hemisphere and transition economies. But it was not as universally valid as Klein believed, and the establishment of neoliberalism in developed economies was more a calculated implementation of a systematic and far-reaching agenda. But now Klein may see her analysis confirmed, and spectacularly, by events at the heart of developed capitalism, (my emphasis).

A similar older approach, which came to the surface again with respect to the “Occupy Wall Street” movement, although it does not exactly fit to the disaster kind of theory but similarly sees the causes of the present crisis in terms of an ‘exogenous’ factor, is Chomsky’s approach of ‘corporatization’ of the market economy —i.e. the shift from proprietary (or entrepreneurial) capitalism to the present internationalized market economy, where a few giant corporations control the world economy. This, according to Chomsky was the outcome of ‘a reaction to great market failures of the late nineteenth century.’[3] But, as I attempted to show elsewhere,[4] what Chomsky omitted to mention is that it was competition, which led from simple entrepreneurial firms to the present giant corporations. The market failures he mentions are not a God-given calamity. Excepting the case of monopolies, almost all market failures in history have been directly or indirectly related to competition. This means that corporatization of the market economy, as well as the very neoliberal globalization of today, far from being exogenous phenomena, or just an ideology or a dogma, as the reformist Left suggests, are the inevitable outcome of the dynamics of the system of the capitalist market.
economy that was established, together with its political complement in the form of representative “democracy”, some two centuries ago.

The critical political implication of this kind of approach is that all we need to do in order to overcome the present deep and worsening multidimensional crisis —of which today’s capitalist economic crisis is just a symptom— is to reform the present system of the capitalist market economy and representative ‘democracy’, as all variants of the reformist “Left”, (which, following their stand with respect to the destruction of Libya and the impending similar catastrophe in Syria and Iran, I called the degenerate “Left”) assert. In other words, all we have to do is to elect ‘progressive’ political parties and ‘responsible’ professional politicians, who will be committed to abandon the catastrophic neoliberal ‘ideology’, or to fight “corporate” capitalism and its symptoms (particularly greed), so that we can return to an idyllic proprietary (or entrepreneurial) capitalism.

Finally, there are the various types of ecological approaches, some of which take the form of a disaster theory (climate catastrophe because of the greenhouse effect, or energy crisis because of the growing scarcity of natural resources etc.) to which the ‘growth economy’ inevitably leads. It is the last type of disaster theory that I am going to deal with in this paper, as the political implications of such approaches are equally critical, particularly today. As I am going to show briefly below, such views are also completely disorienting and could potentially do significant harm to the radical popular movements developing all over the world at the moment. In other words, to all those movements, which, in the midst of the worst crisis in living memory, want to know exactly what are the real causes of their problems and how to fight them, and not to be confused further —on top of the systematic confusion they already suffer at the hands of the systemic media— by middle class “theories” of impending ecological disasters due to the greenhouse effect, the energy crisis and so on. It is one thing to stress the ecological dimension of the multidimensional crisis, as one very serious implication of the dynamics of the capitalist market system that cannot be dealt with effectively within the present socio-economic system based on competitiveness and profit, as I have done repeatedly in the past. And it is quite another to see it as the cause itself of the present crisis (as all those theories of impending disaster do), which could be dealt with even within the present socio-economic system, as long as we change our imaginaries, our values etc., within a process in which various life-style anarchism/social economy projects could play a significant educational role.

The Inclusive Democracy approach on the nature of the crisis

The Inclusive Democracy (ID) approach on the multidimensional crisis in general and the present capitalist crisis in particular is an interpretation of the crisis in terms of the interplay between, on the one hand, its systemic causes, (i.e. the main modernity institutions, the capitalist market economy and its by-product the growth economy, and representative “democracy”) and, on the other, the class struggle in broad sense[5] and its outcome in each historical period. Thus, as regards the systemic causes, both these main modernity institutions have shown an inexorable long-term tendency towards concentration of economic and political power respectively, as a result of their built-in dynamic. This
concentration tendency was significantly slowed down only during the statist phase of modernity when, as a result of the class struggle, reflecting also the direct and indirect effects of the Soviet revolution, social democracy prevailed in the advanced capitalist countries. This allowed the creation of a welfare state in each advanced nation-state, as well as of a consumer society. Both contributed significantly to the development of a huge post-war economic boom, during which the capitalist market economy was transformed into a growth economy. The emergence of the growth economy, in turn, was the main contributing factor to the present ecological crisis in terms of the greenhouse effect and its climatic implications, the growing scarcity of energy resources[6] and so on.

However, two phenomena that emerged in the late 70’s and late 80’s correspondingly, which referred to both the objective and the subjective factors, (i.e. the systemic causes and the class struggle respectively), led to a rapid reversal of this slow-down of the concentration of power. The objective factor was the massive expansion of a new phenomenon, the transnational (or multinational) corporation, which marked the shift of modernity to a new phase: the phase of neoliberal globalization.[7] This phase was initiated by the fact that multinationals needed the opening and deregulation of markets (capital, commodities, labour) to work effectively i.e. as profitably as possible. This implied the need for neoliberal policies (privatisations of social goods, dismantling of the welfare state, tax cuts for the rich etc.) i.e. all those measures that characterize neoliberal globalization. The fact that this radical change in the objective conditions was linked also to de-industrialization in the West, (as capital moved to cheaper Eastern paradises) and to the consequent drastic reduction of the proletariat and trade union power, and that all these developments took place at the same time that a cataclysmic change happened in the subjective conditions, (as a result of the collapse of ‘actually existing socialism’ and the corresponding collapse of the socialist project in general), meant that neoliberal globalization defined a New World Order. An Order, to which every country in the world had to be fully integrated into, through either economic means, or, if these did not work effectively to bring about full integration, through wars (Yugoslavia, Afghanistan, Iraq, Libya—and the list is growing!). At the same time, globalization led to a ‘bubble’-kind of growth, particularly in the last decade or so, as the opening and liberalisation of capital markets led to a huge expansion of finance capital, especially in Anglo-Saxon countries. This bubble was bound to blow, as it did, in around 2007-8, risking the collapse of the capitalist banking sector, something that was avoided only through the massive re-capitalization of the banking sector, at the expense of course of the taxpayers at the lower floors of the hierarchical income pyramid.[8]

Inevitably, all this led to a sovereign debt crisis, particularly in Anglo-Saxon countries which had to increase borrowing to meet the needs of recapitalizing banks—something that could explain the present debt crisis in USA, UK, etc. At the same time, the peripheral Eurozone countries (Spain, Italy, Greece, Portugal, Ireland), which, backed by the strong Euro, could borrow easily to finance their own bubbles, found themselves also in the midst of a sovereign debt crisis[9], which has already led to the effective default of Greece, Ireland and Portugal — that have lost in the process any economic sovereignty— with Greece and Italy losing also their political sovereignty at the moment, and Spain likely to follow. The huge problem with
the peripheral countries was created mainly by the enormous discrepancies in competitiveness and productivity that an economic union between highly competitive countries (like Germany, Holland, etc.) and the relative uncompetitive countries of the periphery was bound to reproduce—as both the orthodox and Marxist economic theory can show.

In fact, the spreading of the crisis to the European centers (France and even Germany) makes highly likely now that all Eurozone countries will be forced to lose their economic and political sovereignty, with Brussels (i.e. the EU elites and mainly the German elite through the ECB) determining effectively all their economic decisions and informally, though not necessarily formally, the political process of all dependent countries in the periphery as well. The new fiscal union, which is proposed to complement the monetary union of the Eurozone, aims exactly at the effective elimination of economic sovereignty (and consequently of national sovereignty of the Eurozone countries) and it constitutes an event of tremendous importance, as regards its political implications for antisystemic movements that I am going to explore in a forthcoming article. These implications follow the fact that the new EU emerging at the moment (following similar developments all over the world) rules out e.g. any idea of ID “experiments” (like “shadow” demotic institutions etc.) before the ID project is backed by the majority of the population in a given municipality, an event which obviously can only follow the taking over of power at the local level, either through revolutionary means (in which case however we face the problem of attempting to change values “from above”, as I tried to show elsewhere[10]), or through winning in local elections on an ID platform. Everything else would inevitably be either life-style anarchism, or worse, a kind of social economy, so much encouraged by the system today, in order to disguise the dissolution of the welfare state by it.

The scarcity of energy approach on the causes of the crisis

As it is obvious from the above description of the ID approach on the nature of the crisis, the scarcity of energy in general and of oil in particular does not play any role with respect to its causes. This is because it is neither necessary nor desirable to do so:

- It is not necessary, because the scarcity of resources in general is a consequence of the growth economy, i.e. of the dynamic of the market economy which led to the present crisis—not the cause of it! In other words, the ultimate cause of the crisis is the system of the capitalist market economy itself and its dynamics and therefore anything else is simply disorienting, as it disorients from the real systemic causes of the crisis, and,
- It is not desirable, not only because any explanation of the causes of the crisis in terms of the scarcity of oil etc. is distracting from the systemic causes of the crisis, but also because such an explanation is bound to lead to reformist policy conclusions: e.g. that what is needed is to change our imaginaries or values within the existing system (as e.g. de-growth supporters argue), in order to replace the consumer society with a sustainable one, or to change technology (as mainstream greens argue), with the aim to adopt renewable sources of energy etc.

Ted Trainer is perhaps in best position (for our purposes) to describe the logic behind what we
may call the scarcity of energy approach, as he belongs to radical ecology and therefore rejects the usual technocratic arguments to describe the significance of oil in the growth economy—arguments which are of little use for our analysis. Here is how he summarizes the rationale behind this approach:[11]

In my view the core factor determining the trajectory of Western society in the past hundred years and in the near future is resource scarcity. Consumer society flared after 1945 on abundant cheap oil. We are now probably at the peak of oil availability and headed for rapid decline, which probably means catastrophic breakdown. Some believe 3 billion are likely to die off in coming decades.[12] About 480 million are fed by food irrigated by petrol engines.

Reading this extract one could not avoid drawing the conclusion that attempting to explain the entire trajectory of Western society in terms of resource scarcity, following its promotion to “the core determining factor” of recent western History, is clearly a simplification. Adopting the above interpretation, according to which it was the abundance of cheap oil which made the flourishing of consumer society possible, reduces all the objective and subjective factors mentioned above, (which, to my mind, really determined the recent trajectory of Western society), to resource scarcity. It is obvious that such a conclusion ignores the dynamic itself of the market economy, (as a result of technological and organizational factors, the opening up of new market opportunities, etc.) as well as the importance of ‘subjective’ factors (wars, the outcome of the class struggle in each period of modernity and so on). Furthermore, although oil scarcity and its effect on the price of oil is obviously, in economic terms, a significant cost factor, it is not a determining one, unless we have already reached what is called in the relevant jargon the ‘peak oil’ point, i.e. “the point in time when the maximum rate of global petroleum extraction is reached, after which the rate of production enters terminal decline”. Furthermore, whereas the ‘peak oil’ point is obviously an energy supply factor, the price of oil depends also on its demand for it. This is important because, although the elites can do little to control the supply factors of energy, given that the renewable resources of energy supply are also limited, as Ted Trainer[13] in a significant article has shown, they can do much more to control the demand side of oil. Finally, no one could seriously establish a case of a causal relationship between the abundance of cheap oil and consumer society. Although cheap oil has certainly made easier the emergence of consumer society, it was by no means the determining causal factor of it, as this was a complex economic, social and cultural phenomenon. Abundant cheap oil was, after all, available in the Soviet bloc countries as well, but no consumer society ever developed there. Clearly, the consumer society emerged, and was established first, in the advanced capitalist countries, as a result of the dynamics of the system of capitalist market economy.

Of course, there is a perfectly logical explanation as to why serious green economists like Ted Trainer adopt this unlikely scenario. To my mind, this is because, for them, our supreme problem is scarcity, not democracy and power, whereas for the Inclusive Democracy project exactly the opposite is the case, i.e. it is democracy and power that constitute our supreme problem. In other words, from the ID viewpoint, the sustainability and scarcity problems
could always be ‘sorted out’ somehow by the elites, when they reach a complete cul-de-sac, through the introduction of any kind of authoritarian or even fascist measures and restrictions on the demand side they see necessary, in order to avoid a catastrophic crisis. So, the real issue is not the problem of scarcity or sustainability but, rather, at whose expense these problems are going to be sorted out: are they going to be solved at the expense of the elites and the privileged social classes, or, as usually, at the expense of the working classes and the weaker elements of society? The problem for us, therefore, is whether or not people will establish institutions securing the equal distribution of political, economic and social power (direct, economic and social democracy respectively) which can then create the institutional preconditions (inclusive democracy – i.e. decentralisation in terms of confederated self-reliant demoi), as well as the cultural preconditions (Paideia) for an ecological democracy.

An even worse oversimplification is used by other supporters of this approach, usually relying on pseudo-scientific projections, to derive the exact ‘peak oil point’, based on the Hubert curve, i.e. the curve named after the originator of the concept, who created and first used the models behind peak oil in 1956 in order to “predict” that United States oil production would peak between 1965 and 1970 — predictions that never materialized. This is not of course surprising, as there are so many unpredictable factors involved (technological but also social ones), so that any accurate prediction of the peak oil point, with the existing data, is almost irrelevant, if not a product of rich imagination. This is why there have been widely differing and very contradictory estimates of the peak oil point, even among supporters of the scarcity of oil approach. Thus, pessimistic predictions of future oil production assume either that the peak has already occurred, or that is about to occur, whereas optimistic estimates forecast the global decline will begin by 2020 or later, and assume that major investments in alternatives will occur before a crisis, which will make redundant any major changes in the lifestyle of heavily oil-consuming nations.

No wonder that a serious ecologist, despite the usual vested interest of all ecologists to ‘terrorise’ people about the possible catastrophic effects of present consumption standards, (e.g. according to the catastrophic prediction above mentioned by Trainer, some 3 billion people are likely to die off in coming decades!) raises his hands up after a thorough examination of the relevant evidence and concludes:[14]

There is nothing certain about the hypothesis that global supplies of conventional petroleum might soon stop growing and then go into decline. There is a large body of expert opinion, marshalling impressive statistics, which is convinced that peak oil is imminent. There is also a large body of expert opinion, marshalling impressive statistics, which insists that it’s a long way off. I don’t know who to believe. The key data – the true extent of reserves in the Opec nations – is a state secret.

And Monbiot concludes with the following dire warning for any conspiracy or disaster theorist, or even a naïve ecologist, who uses supposedly ‘accurate’ predictions of the oil scarcity situation in order to draw disaster “theories” necessitating systemic change:
Anyone who tells you that oil supplies will definitely peak by a certain date or definitely won’t peak ever is a fraud: the information required to make these assessments does not exist.\[15\]

Naturally, all this does not deny the possibility that a peak point may indeed happen at some time, but, again, this is so unpredictable that even when the IEA (International Energy Agency) 2008 assessment (based on data before the eruption of the present world crisis), estimated that global oil production in total is not expected to peak before 2030, it was almost immediately challenged by The Uppsala World Energy Outlook\[16\] which concluded that we have already reached the Peak of the Oil Age! However, as I stressed above, even if we assume the worst scenario, i.e. that we have already reached, or we are about to reach, the peak oil point, this does not automatically imply growing scarcity for the near future, as scarcity (and therefore the price of oil) depends —as I stressed above— not just on supply but on demand as well. This is particularly important today when it is expected that the present deep and growing recession, which may easily end up as a Great Depression of 1930s dimension, may yet push the point when a real scarcity of oil develops many years back. In fact, it is clear now, as it was shown by the G20 summit conference of 2010, as well as by the policies implemented at this very moment by almost all EU countries and beyond, that the transnational elite has decided that economic growth is a “right” belonging only to the countries with healthy public finances, whereas the rest should be happy to have a marginally positive, or nil growth rate (i.e. a continuous recession), until balanced budgets are achieved.

This means that, for a long period to come (if not indefinitely), a kind of enforced de-growth\[17\] is going to be imposed by the “New North” (i.e. the elites and the privileged social strata living either in the geographical North or the South), on what I called the “New South” (i.e. the victims of globalization, either they are located in the South or the North). This is inevitable once we take into account that most countries in the world will find impossible to have any kind of significant growth for many years to come, effectively fulfilling the objectives of the de-growth movement, or of supporters of Ted Trainer’s “Simpler Way”. And all this, not through a change of people’s imaginaries (as de-growth people assume) or through changing their values respectively, but just through the elites’ enforcing, for their own financial reasons, of an almost permanent suppression of living standards on the majority of world population resulting in a corresponding huge rise in the incomes of the privileged social groups, for many years to come. However, this does not mean that the present policies implemented in the EU and beyond are just the result of some kind of a conspiracy theory, like the ones I mentioned in the Introduction. For the same reason, even more ridiculous would be any conspiracy theory blaming the present recession on the elites desperately attempting to push back a serious oil scarcity crisis developing! Similarly, any idea that the wars launched by the transnational elite in the New World Order were not aiming, as I tried to show elsewhere,\[18\] at those non-client regimes which were still putting obstacles to their full integration to the internationalized market economy, but were aiming instead at grabbing as much oil stocks as possible in view of the growing scarcity of oil, looks like another science fiction story imagined by the supporters of the scarcity of oil approach! Clearly, with the present deep and possibly very long-lasting recession, which already seems to be affecting the “engines of growth” like
China,[19] scarcity of oil is the last limiting factor of growth!

Yet, some extreme supporters of the scarcity of oil approach do not have any qualms to suggest not only that the Peak Oil point was reached some time in 2008 but that also it was the major cause of the present capitalist crisis which was consequently predictable as well! They were not therefore surprised that the economists, who were unaware of the upcoming oil production decline and its consequences, were also unable to predict the systemic financial crisis which burst in 2008! However, not only the “evidence” brought about to support the case that the peak oil point has already been reached, is flimsy (to say the least) —unless we adopt yet one more conspiracy theory that the true evidence, which is presumably known to a very few chosen people is hidden— but also, even if, for the sake of the argument, we accept the “estimate” that the peak oil point has already been reached, what is the causal relationship with the present economic crisis?

The only possible connection between the two is the price of oil: a significant rise in the price of oil, (as a result of the development of a scarcity of oil state following the reaching of the peak oil point), could indeed be a significant factor leading to a recession and the slow-down, if not the complete stalling, of the growth economy altogether. This is particularly the case when the real price of oil (i.e. its price, after taking into account the rate of inflation, so that the rise in the price of oil could be related to its effects on spending power) shows a significant increase. However, as the existing evidence about variations in the nominal and real price of oil shows, this is hardly the case.

Thus, as the diagram above shows, the long-term fluctuations in the price of oil in the past were due to political and economic factors that had nothing to do with the peak oil point, or a growing energy scarcity crisis in general. Thus, both the nominal and the real price of oil showed a significant sudden burst, first, at the end of 1970s and the beginning of 1980s and, second, at the end of the last decade. The cause for the first burst had clearly to do with political events, i.e. the oil embargoes imposed by Arab countries, in 1967 and then in 1973, against the West for their role in supporting Zionist expansionism in the Six Day War (1967) and then again in 1973 “in response to the U.S. decision to re-supply the Israeli military” during the Yom Kippur war. Also, as regards the even bigger increase in the price of oil at the end of the 1970s, this was clearly due to the 1969 energy crisis, as a result of the overthrow of Shah’s client regime in Iran and the rise of the Islamist regime and the consequent social
unrest in the country, which severely disrupted the Iranian oil sector.

But, what about the latest burst in the price of oil at the end of the last decade? Was it due to the fact that we may have reached the oil peak point in 2008, which then led to a growing scarcity of it? Far from it, as the diagram below shows. First, the 2008 price explosion was due to the financial crisis mentioned above and the speculation it created in its immediate aftermath that this crisis could not be overcome through state action. However, even as early as January 2009, these predictions were proving wrong, as a result of concerted government action in the main capitalist countries, that successfully saved the banking sector, either by temporarily nationalising parts of it, or by simply refinancing other parts of it, at the expense of creating huge budget deficits and corresponding increases in national debts—something that taxpayers and social services had to pay, leading to the present serious recession. In fact, the situation, as a result of the economic crisis but also of the Arab Spring, the criminal war against a rich oil country (Libya) and the Western success in grabbing its oil, have led to an unstable price situation throughout 2011, with the price of oil at the end of 2011 being much lower than at its beginning, but being liable at any moment to explode again, particularly if the promised war against the Islamist regime in Iran materializes.

**Conclusions**

Neither the history of capitalist development since the Industrial Revolution, nor present developments, are consistent with the scarcity of energy approach, as I tried to show in this text. Furthermore, this approach is completely alien to the ID approach on the matter, and this is not just a theoretical issue but a fundamental political issue as well. The ID approach, as a paradigm based on the autonomy/democracy tradition, aims to interpret History in terms of power structures and relations and, ultimately, in terms of the Social struggle and its outcome, at each historical ‘moment’, and not in terms of technocratic peak oil points and possible natural constraints to growth, which are completely irrelevant to the nature of our
approach. Finally, the energy scarcity approach is not only analytically incompatible with the ID project but also politically so, as it leads to reformist implications on the Transitional Strategy, as we saw above.