What's behind latest oil price tumble?

By Bill Del Vecchio

OCTOBER 22—If someone had predicted ten years ago that the world markets would be flooded with an oversupply of oil and that oil-producing countries would be staring financial collapse in the face, he would have been branded a lunatic.

But that's exactly what has happened. For a full three years, world energy markets, and particularly oil markets, have been badly glutted, turning what had been oil's Midas touch into the kiss of death for the oil industry. The giant U.S. oil companies, which were loaded with cash and buying up all kinds of companies, suddenly found that they had to desperately cut back and gobble up each other to survive.

Mexico, Nigeria and Indonesia, whose basically poor economies were buoyed by the high oil prices, were devastated by the price turnaround and totter on the brink of default on their massive loans from U.S. and other Western banks.

The oil producing countries of the Middle East, who during the height of the "energy crisis" were made scapegoats by the U.S. media by exaggerating Mideast wealth, have also been forced to sharply cut back and scrap all sorts of industrial projects.

The abandonment of billions of dollars worth of investments fueled by oil money is a major factor now in the banking crisis. It has driven down such banks as the giant Continental Illinois and burned First Chicago, Chase Manhattan and Manufacturer's Hanover.

Turn for the worse

The oil companies hoped this situation would ease up by itself by now, especially with all the talk about an economic recovery. But instead, in the past few days, the world price of oil has just started a new, dramatic tumble.

The price drop was started by England on Thursday, followed on Friday by Nigeria which lowered its price by $2 a barrel and thus undermined the price structure of the Organization of Petroleum Exporting Countries (OPEC). No one knows how long the crude oil price might continue to tumble in the coming weeks.

This price drop pulls the rug out from under Mexico and Nigeria in the struggle to keep the U.S. banks from trying to foreclose on their nations. And it is sure to push the U.S. banks, already shaky and in crisis from bad energy loans, into a major new crisis.

How did the super-powerful U.S. oil monopolies, and the even more powerful U.S. banks that financed them, go from profit bonanza to bankruptcy court in just ten years?

In 1974 and 1975 it appeared that the oil companies were able to dictate prices and manipulate supplies. Today oil seems to be setting its own price and supplies are completely out of control. It appears that oil has a life of its own.

What determines oil prices?

But what determines the price of oil? Is it a case of simply supply and demand?

A century ago, Karl Marx determined that the exchange value of a commodity is determined roughly by the amount of labor time that went into producing it under the generally prevailing conditions of the time. Aluminum during Napoleon's age was considered precious and on a par with platinum today. Today because of greatly improved refining techniques which require much less labor, aluminum is so cheap we wrap leftover food in it and throw it away when we're done.

Marx noted that supply and demand does indeed play a role in determining the price of a commodity, but he showed that the scarcity or abundance of something only causes its price to fluctuate above or below its real price.

For decades the U.S. oil monopolies were able to keep crude oil below its real price by super-exploiting the countries of the Middle East and other oppressed countries. The entire U.S. economy was fueled by oil virtually stolen from the poor peoples of the oil producing countries.

The creation of OPEC was an attempt by these exploited countries to get a fairer price for their oil. But instead of surrendering some of their fantastic profits, the U.S. oil companies used OPEC's oil price rise to push all oil prices through the roof and rip off the oil consumers of the world.

By creating phony shortages and general hysteria, the U.S. oil monopolies were able to engineer an oil price that was far above its real value. We are feeling the after-effects of this today.

The artificial price of oil caused industries worldwide to cut back production because of increased costs. Because oil is so central to all industrial economies, all prices were driven up inducing the recession of the mid-1970's and the off-again, on-again recession that has lasted ever since. Meanwhile the high price of oil and the instant profits it seemed to reap caused big business and banks to invest billions all over the world to boost oil production.

And so the real price of oil reasserted itself with a vengeance. Shortages and high prices produced their own oversupply and price crash, bursting the bubble and prosperity for those who had gambled everything on continued high prices.

The new drop in oil prices is both a sign that a severe world-wide capitalist economic downturn is continuing, and a factor in worsening that crisis.

It is also modern-day proof of Marx's observations about the nature of commodities and the capitalist economy of which they are the basic components.

El Diario target of gestapo-type INS raid

By Rafael Ramos

NEW YORK, Oct. 23 — On Oct. 12, the notorious Immigration and Naturalization Service (INS) staged a raid on the Spanish daily El Diario.

El Diario, the largest Spanish language daily in the city, had been criticizing the Simpson-Mazzoli "Immigration Control Bill" in a series of articles ever since this past June, when the bill was passed in the House of Representatives.

The INS or "La Migra" as it is called by Spanish-speaking undocumented workers, entered the offices of El Diario, demanded personnel records, and shut the paper down for an entire day!

The U.S. government claims that "freedom of the press" is a sacred, inviolate freedom. Yet, the "Migra" entered the newspaper's offices without a judge's order, according to the Oct. 14 issue of El Diario.

The paper is owned by the Gannett newspaper chain. While Gannett is no friend of the Latin community, the protests aroused by the Simpson-Mazzoli bill were so great, the paper printed the series, terming the bill racist.

The agents of the INS attempted to interrogate several journalists on the staff whom they alleged were in the country illegally, according to the paper. "We do not believe that it is a coincidence that three of our four reporters they wanted to question have been investigating the subhuman conditions in which Hispanics are being held by the Immigration authorities," the paper stated in an editorial.

Overall attack on working class

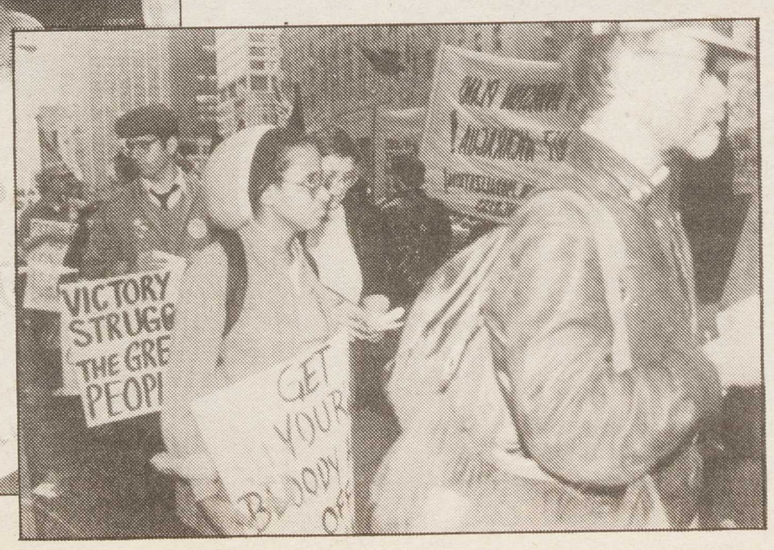
Even though the Simpson-Mazzoli bill has been stalled in Congress, it represents part of an overall attack on the working class. Its strategy is to try and divide the most oppressed workers from the labor movement and to scapegoat undocumented workers for the unemployment which the capitalist crisis has wrought in the U.S.

Under the bill, all immigrant workers would have to carry identification cards, much the same way Black people in South Africa are forced to carry the hated "passes." The bill proposes, among other things, to make it a mandatory requirement to study English in order to become a citizen. It would also provide a special condition for workers to enter the country for 72 hours to work — a measure which would amount to virtual slavery, with no guarantees at all of working conditions, health or wages.

The undocumented workers whom this bill is aimed against are those workers who are forced to flee their homelands, whether it is Mexico, the Dominican Republic, Haiti, El Salvador, etc., precisely because the giant multinational corporations, with help from the Pentagon, make their homelands too poor for the people to survive.

The INS (Migra) has been instructed to conduct "a dirty war," states El Diario. The U.S. Congress okayed the budget of $576.4 million to be raised. Of the 7,754 persons employed by the INS, some 3,715 of these carry on anti-undocumented worker patrols along the 2,000-mile border with Mexico. La Migra has staged raids in factories, restaurants, fields and homes, rounding up people indiscriminately, including children.

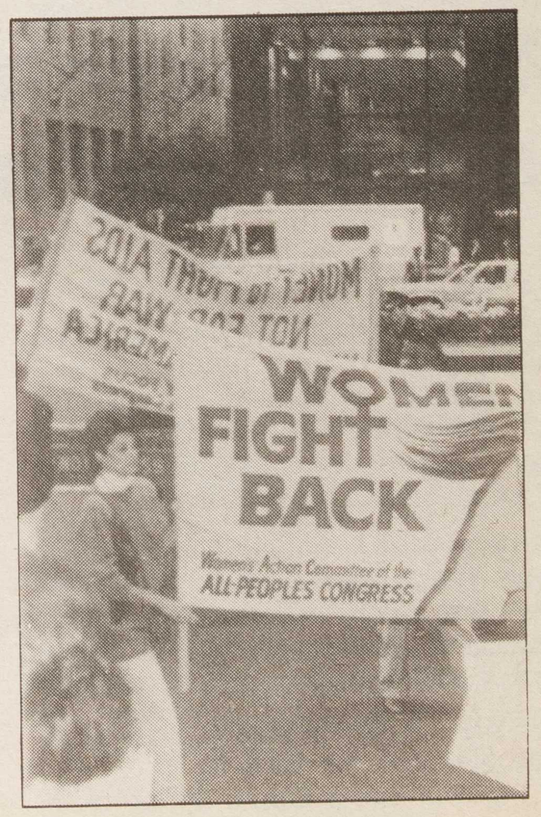
The racism of the attack on El Diario is evident. Newspapers such as the New York Post, Daily News and the Times are owned privately and are the mouthpieces for the right-wing, anti-worker ruling class. Whether they are owned by a "foreigner" from Australia or by the home grown wealthy, they spew forth racism, support for war, and discrimination on a daily basis. And this is what is meant by "freedom of the press."



WW PHOTOS: SUSAN ROTGARD

Reagan visit protested in NYC

By Ann O'Malley

NEW YORK CITY, Oct. 18—The All-Peoples Congress and the People's Anti-War Mobilization held a militant demonstration this evening at the Waldorf Astoria Hotel here. Over 125 people protested the presence of Ronald Reagan at the Alfred E. Smith Memorial Dinner, sponsored by the Roman Catholic Archdiocese of New York. It is an annual event which takes on added significance during the Presidential election years because both candidates usually attend the event. This year, however, Walter Mondale declined the invitation.

The protesters carried banners raising the issues of "Jobs, not wars" and demanding the U.S. stop intervening in oppressed countries like Grenada, El Salvador, South Africa and Lebanon.