

GETTYSBURG COLLEGE | DEPARTMENT OF ECONOMICS

ECON 216 | POLITICAL ECONOMY OF OIL
Fall 2007 | TuTh 10:00-11:15 AM | Glatfelter 104

YAHYA M. MADRA | Glatfelter Hall 111C | X6678 | ymadra@gettysburg.edu | Office Hours:
Tu 2:00-4:00 or by appointment.

THE OBJECTIVE OF THE COURSE

There is a near universal agreement in the general public that the US economy is heavily addicted to oil and oil products. But some important matters still remain disputed. For instance, while some scholars argue that we are soon to reach “peak oil,” others claim that we will be able to develop the requisite technologies to locate new reserves and extract the existing ones more efficiently. While some claim that the price of oil is determined in the future markets and therefore reflect the true value of oil, others argue that at the current price multinational corporations and oil producing countries are enjoying monopoly profits. While some argue that the US occupation of Iraq is about bringing to this oil rich country democracy and freedom, others claim that it is about gaining direct access to oil.

This course will try to approach to these debates by systematically studying the various facets of the extraction of oil and the production, distribution, and consumption of oil products. The following is a sample of the “oil” related issues that the course aims to explore: the geography of oil and the economics of oil extraction, the evolution of the political economy of international oil market from the colonial to the post-colonial times, the oligopolistic structure of the oil industry, the history of the auto industry in the United States and the effects of the introduction of cheap and fuel efficient foreign cars to the US markets in the aftermath of the two oil shocks of the 1970s, the role of US\$ as reserve currency in the oil markets, the potential effects of the changes in the price of gasoline on other markets, the dependency of the consumption patterns of the US suburbia, the environmental costs of fossil fuels.

REQUIRED TEXTBOOKS

Samuel Bowles, Richard Edwards, and Frank Roosevelt, 2005. *Understanding Capitalism: Competition, Command, and Change*. New York and Oxford: Oxford University Press. **(UC)**

Kenneth S. Deffeyes, 2006. *Beyond Oil: The View from Hubbert's Peak*. The paperback edition. New York: Hill and Wang. **(DEFFEYES)**

Klare, Michael T., 2004. *Blood and Oil: The Dangers and Consequences of America's Growing Dependency on Imported Petroleum*. New York: Metropolitan Books. **(KLARE)**

Harvey, David, 2005. *The New Imperialism*. New York: Oxford University Press. **(HARVEY)**

ADDITIONAL REQUIRED READINGS listed in the syllabus are available through eReserve on C-NAV. **(RESERVES)**

REQUIREMENTS

Takehome midterm	30 points	Oct. 11 – Oct. 18
Takehome final exam	25 points	Dec. 6 – Dec. 15, noon.
Term paper	25 points	December 7, noon.
Presentations	20 points	(Throughout the semester)

PRESENTATION requirement is intended to give structure and facilitate your classroom participation. Each student is responsible to produce two (2) presentations throughout the semester. The structure of these presentations will be as follows:

1. Adopt a country: Throughout the semester every one will do a **10 minute** classroom presentation on the political economy of an oil producing country. Who gets what country and the dates for these presentations will be set in the first week of classes. You will need to submit a 2-3 page outline of your presentation in **3** days advance—so that I can review and, if necessary, suggest revisions. Successful completion of this project will earn you a 10 points. This presentation will also serve as preliminary work towards your term paper (see below).

2. Lead a classroom discussion on a reading: A second presentation project is leading the classroom discussion pertaining a particular reading. Everyone is required to do the readings, but one or two of you is required to prepare a **strictly 10 minute** presentation (with discussion questions **submitted to me electronically the night before**, which I will then distribute to the class) to facilitate classroom discussion. Successful completion of this project will earn you a 10 points.

TERM PAPER will be a 10-page country report that will offer a political economy analysis of your chosen oil producing country. Note that the term paper is due before the final week on December 7, noon. A detailed check-list sheet will be provided in the coming weeks.

REGULAR ATTENDANCE, both physical and intellectual, is required. Attendance may be taken randomly.

And finally, I will assume that you will uphold the **Gettysburg College Honor Code**. Practically speaking, this will mean the following: While you are most welcome to work together in discussion groups, it is your responsibility to make sure that when you are preparing your projects and term papers and while you are taking exams you will work on your own. You should, of course, refer to your notes, textbooks, and additional readings (with accurate citation) in preparing your projects and term papers. If you have any additional questions, please don't hesitate to contact me.

COURSE OUTLINE

1. Introduction: Politics, economy, and oil (Aug. 28-30)

- a. Nature and culture; economics and politics (Aug. 28)

UC: C1; DEFFEYES: C1; KLARE: C1, HARVEY: C1

- b. Difference in economics and difference in economy (Aug. 30)

UC: C3, C4, C14

2. The natural: Oil as a natural resource (Sept. 4-11)

- a. The geography of oil (Sept. 4-6)

DEFFEYES: C2; KLARE: C4, C5;

- b. Understanding the “Hubbert’s peak” (Sept. 11)

DEFFEYES: C3

3. The cultural: Oil as a condition of existence of a particular lifestyle (Sept. 13-20)

- a. Interrelated markets. The tastes and the budget line, supply and demand, substitutes and complements, the elasticity of demand (Sept. 13)

UC: C8, C9

- b. Do tastes change? What does endogenous preferences mean for neoclassical economics? (Sept. 18-20)

UC: C2

WATCH: Gregory Greene, dir., 2004. *The end of suburbia: Oil depletion and the collapse of the American dream*. Toronto : Electric Wallpaper Co. [Available at the Library in DVD format.]

4. The economic: Oil as a commodity (Sept. 25-Oct. 16)

- a. A theoretical introduction to the political economy (surplus/circuit of capital) approach (Sept. 25 and 27, Oct. 2)

UC: C5, C10, C11, C12, C13; HARVEY: C3

- b. How is the price of a barrel of crude oil is determined? (Oct. 4, 11, and 16)

RESERVES: Allesandro Roncaglia, 2003. “Energy and market power: an alternative approach to the economics of oil.” *Journal of Post Keynesian Economics*. Vol. 25, No. 4, pp. 641-659.

RESERVES: Pelin Berkmen, Sam Ouliaris, and Hossein Samiei, 2005. “The Structure of the Oil Market and Causes of High Prices.” International Monetary Fund Report. (<http://www.imf.org/external/np/pp/eng/2005/092105o.htm>).

MIDTERM DUE ON OCT. 18. TURN IN YOUR EXAM AT THE BEGINNING OF THE HOUR AND ENJOY A SELECTION FROM THE PBS DOCUMENTARY THE PRIZE.

WATCH: William Cran, 1992. *The Prize: The Epic Quest for Oil, Money and Power*. Chicago: Public Media Video.

5. The global political economy of oil: a historical perspective (Oct. 23-Nov. 27)

- a. From imperialism to the Cold War (from the early 1900s to the 1970s) (Oct. 23, 25, and 30)

UC: C6, C7; KLARE: C2; HARVEY: C2

RESERVES: Timothy Mitchell, 2002. "McJihad: Islam in the US Global Order." *Social Text*. Vol. 20, No. 4, pp. 1-18

RESERVES: Jonathan Nitzan and Shimshon Bichler, 2002. "The Weapondollar-Petrodollar Coalition." In *The Global Political Economy of Israel*. London and Sterling, VA: Pluto Press, pp. 198-273.

- b.** The oil shocks of the 1970s, stagflation, and the end of the "Golden Age" of capitalism (Nov. 1, 6, and 8)

UC: C16, C17, C18

RESERVES: Mancur Olson, 1988. "the Productivity Slowdown, The Oil Shocks, and the Real Cycle." *Journal of Economic Perspectives*, Vol. 2, No. 4, pp. 43-69.

RESERVES: Robert B. Barsky and Lutz Kilian, 2004. "Oil and the Macroeconomy Since the 1970s." *Journal of Economic Perspectives*, Vol. 18, No. 4, pp. 115-134.

- c.** Neoliberalism in 1980s and its effects on the US households (Nov. 13)

RESERVES: Stephen Resnick and Richard Wolff, 1994. "The Reagan-Bush Strategy: Shifting Crises from Enterprises to Households." In *Bringing It All Back Home: Class, Gender, and Power in the Modern Household*, edited by Harriet Fraad, Steve Resnick and Richard Wolff. London and New York: Pluto Press: 88-111.

- d.** A new imperialism or EMPIRE? (post-Clinton era) (Nov. 15)

RESERVES: National Energy Policy Development Group, 2001. "Overview" and "Strengthening Global Alliances." In *National Energy Policy*. Washington, DC: US Government Printing Office, pp. viii-xv and 8/1-8/21.

HARVEY: C4, C5; KLARE: C3, C6

- e.** The political economy of the oil producing economies (Nov. 20 and 27)

RESERVES: Mike Davis, 2006. "Fear and Money in Dubai." *New Left Review*, 41, pp.46-68.

RESERVES: Midnight Notes Collective, 1992. "To Saudi with Love: Working Class Composition in the Mideast." In *Midnight Oil: Work, Energy, War, 1973-1992*, edited by Midnight Notes Collective. Brooklyn, NY: Autonomedia, 23-37.

RESERVES: Michael Watts, 2006. "Empire of Oil: Capitalist Dispossession and the Scramble for Africa." *Monthly Review*, Vol. 58, No. 4, 1-17.

RESERVES: Silvia Federici, 1992. "Development and Underdevelopment in Nigeria." In *Midnight Oil: Work, Energy, War, 1973-1992*, edited by Midnight Notes Collective. Brooklyn, NY: Autonomedia, pp. 87-89.

RESERVES: Julius O. Ihonvbere, 1992. "Resistance and Hidden Forms of Protest Amongst the Petroleum Proletariat in Nigeria." In *Midnight Oil: Work, Energy, War, 1973-1992*, edited by Midnight Notes Collective. Brooklyn, NY: Autonomedia, pp. 91-105.

KLARE: C4, C5

6. Political ecology: Oil as an environmental liability (Nov. 29)

RESERVES: Joan Martinez-Alier, 1995. "Political Ecology, Distributional Conflicts, and Economic Incommensurability." *New Left Review*, 211:70-88.

WATCH: David Guggenheim, dir., 2006. *An Inconvenient Truth*. Hollywood, CA: Paramount. [Available at the Library in DVD format.]

7. Beyond oil (Dec. 4)

UC: C20; KLARE: 7; DEFFEYES: C4-10