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Special Forum on Oil, *Security Studies* 25:2 (May 2016)

- **Rosemary A. Kelanic, "The Petroleum Paradox: Oil, Coercive Vulnerability, and Great Power Behavior,"** *Security Studies* 25:2 (May 2016): 181-213. DOI: https://doi.org/10.1080/09636412.2016.1171966
- **Roger J. Stern, "Oil Scarcity Ideology in US Foreign Policy, 1908-97,"** *Security Studies* 25:2 (May 2016): 214-257. DOI: https://doi.org/10.1080/09636412.2016.1171967
- **Emily Meierding, "Dismantling the Oil Wars Myth,"** *Security Studies* 25:2 (May 2016): 258-288. DOI: https://doi.org/10.1080/09636412.2016.1171968

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What do states do when faced with the threat of oil scarcity? The three articles under review address different aspects of a single problem: what they might do; what they have done; and whether they should believe that there is any scarcity. As befits students of international relations, the authors view this problem primarily as one of mercantilist politics for government policy makers. Taken together, these essays provide an excellent antidote to the feverish claims that have been made repeatedly over at least the last century that oil is an increasingly scarce resource over which wars are necessary. They also raise important issues about how foreign policy is made, whether high-level policy makers really understand the issues they address, and whether scholars suffer from a suffocating mix of naïveté and self-importance when they think about foreign policy.

In "The Petroleum Paradox," Rosemary Kelanic asks why great powers fear oil coercion and discusses the strategies they adopt in response. Because states need oil to fight wars and because their access to oil might be cut off during war, they need to find ways to assure supply. This assurance could include going to war to secure their access to oil. The paradox whereof she speaks is that what she calls coercive vulnerability spurs states to take action that makes oil coercion less likely. Kelanic notes three ways in which states can reduce their vulnerability to oil coercion: annexation of foreign oil, ensure that oil remains in what she calls "friendly" hands, or simple reduction of reliance on externally produced oil. Rand economist Harold Lubell was thinking along just these lines when he recommended that Western Europe consider a slower pace of North African decolonization and more autarchic policies toward energy, especially the maintenance of coal production in the face of the challenge from cheaper oil, in a 1961 article.[1]

In fact, the states of Western Europe seem not to have pursued the strategies outlined by Lubell, nor does Western Europe figure into Kelanic's case studies. One strategy that they employed that she does not mention is diversification of market supply. The case studies Kelanic deploys to validate her argument are drawn from an earlier period of European history. Her first account is of the British decision to gain control of Mesopotamia (Iraq) after World War I and Nazi decisions in three periods before and during World War TwoII about meeting anticipated oil needs.

Kelanic notes that in World War One,I Britain was vulnerable to supply disruption because it relied on sea-borne American oil. Middle Eastern oil also had to arrive by ship and thus was equally subject to interdiction by submarine warfare. What ultimately mattered was military strategy, not control of the raw resource: the shift to the convoy system. Kelanic's article recognizes this but only in passing. Any serious investigation of the effect of energy shortages on Britain during that war should consider the timing and size of its energy shortfalls if naval strategy is to be scanted.

Kelanic is not wrong to consider control of energy an important aspect of war between 1914 and 1918, but petroleum was only one part of the picture. Strikes by hundreds of thousands of miners in 1916 jeopardized the war economy. So too the difficulty for private industry of producing sufficient coal and its unwillingness to raise wages led the government to nationalize the mines. In regard to Britain the article puts forward the right idea but in regard to the wrong fuel and the wrong rationale.

Kelanic's argument that Hitler's decision in late 1941 to seek control of the oil fields around Soviet Azerbaijan was motivated by oil seems sound. Yet one must wonder why a country that, on her telling, until June 1941 had only a moderate oil deficit for its war machine thanks to the Nazi-Soviet non-aggression pact of 1939 should have so suddenly attacked its major supplier and have sent a significant fraction of its military to besiege Leningrad in the far north.

Perhaps oil has not been an important reason for war even if petroleum is necessary for modern industry and modern warfare. In "Dismantling the Oil Wars Myth" Emily Meierding proposes that there have, in fact, been no wars for oil. Given the popularity of slogans such as "No Blood for Oil" in recent years this is an important and, for many, a counter-intuitive conclusion.

[1] Harold Lubell, "Security of Supply and Energy Policy in Western Europe," *World Politics* 13:3 (April 1961): 400-422.

Meierding writes in response to a strand in the literature on international relations arguing that governments might initiate wars to gain control of valuable oil resources. What Meierding calls the "oil war hypothesis" differs slightly from Kelanic's concern with war and oil. Kelanic discusses war as one possible strategy for securing oil to fight more war. Meierding explores whether the conquest of oil-rich territories is rational simply because the benefits outweigh the costs. She discusses the costs of invading countries, and producing and marketing oil, and argues that they are too high to make conquest worthwhile. She is likely right, but without quantifying these costs it is impossible to know whether an oil war would pay.

Her discussion of the Iran-Iraq war is sound. Iraq's war aims were certainly focused on re-drawing the border in the Shatt al-Arab waterway from the mid-channel back to the eastern shore. The point of that exercise, however, was not to safeguard Iraqi oil shipping so much as to assert control over Iran's. She too easily dismisses the idea that Iraq sought control of Iran's oil-rich and largely Arabic-speaking Khuzistan province and relies on a limited selection of descriptive sources. In *Arabs At War* Kenneth Pollack argues persuasively that Saddam Hussein hoped to capture a significant portion but that his generals and his army were incapable of doing so. [2] She also dismisses the Chaco War (1932-1935) as being for oil because it appears both Bolivia and Paraguay understood there was no oil to be found. Her explanation that the Iraqi invasion of Kuwait was more about debt than oil is certainly correct.

Rejecting Japan's capture of the Dutch East Indies as an example of an oil war because it was undertaken for perceived existential reasons rather than pecuniary ones does not show that states will not war for oil. It suggests that the Japanese action provides a *reductio ad absurdum* of the argument she contests. Meierding's references suggest that John Mearsheimer and Michael Klare argue that contemporary states would fight oil wars as a kind of buccaneering enterprise, a bizarre argument indeed.[3] Governments may go to war over oil (or anything else) when leaders believe the existence of the state is jeopardized. Meierding's account raises a more important and more interesting question: why did Japanese leaders in 1940 believe that their national existence was at stake when they do not appear to have had similar beliefs during the oil crisis of 1973? Are we looking at the democratic transformation of Japan, a dramatic change in the architecture of the global economy, both, or something else entirely?

Roger Stern's denial that there have really been any oil shortages challenges all the arguments about wars, war-making, and oil. His account of what he calls "oil scarcity ideology" as an excuse is convincing. As former Saudi Oil Minister Zaki Yamani, pungently but possibly apocryphally, put it, the Oil Age would not end because the world ran out of oil any more than the Stone Age ended because the world ran out of stones. So, too, despite recurrent fears that the world would run out of coal someday, it is apparent that much of the world's coal will never be mined. Stern describes three incidents of what he calls "scarcity ideology" and panics that need never have happened. It is something of an open question whether the first panic, just after World War I, really reflects ideology. It may have reflected the still uninformed understanding of the dynamics of oil production and the structure of property rights in the U.S. (then the overwhelmingly dominant producer in the world). What was poorly understood at the time was that oil production is primarily a problem of managing pressure in the field. The "law of capture" gave every producer a reason to produce as much oil as quickly as possible, which drained the pressure (but not the oil) from the field and left

[2] Kenneth M. Pollack, *Arabs at War* (Lincoln: University of Nebraska Press, 2002) 183.

[3] See Meierding's footnotes 2 and 15 for her citations to Klare and Mearsheimer.

it 'dry'.[4] By the 1930s, however, the dynamics of oil production were well understood and scarcity ideology seems like an appropriate concept.

Stern is also correct to connect this concept to a simple and powerful model that has nonetheless proven to be consistently misleading. Statistics professor Harold Hotelling (in the 1930s) and the rock group Tower of Power (in the 1980s) both understood that '"there is only so much oil in the ground.'[5]" Knowing that the supply is finite differs from knowing how large the supply is. It has always been clear to people who worked in the oil industry that the Hoteling model was misleading because it assumed price and technology would remain constant. MIT economics professor Morris Adelman argued that oil is like other commodities: only enough is produced to satisfy demand in the reasonably foreseeable future.[6] Supermarkets keep enough bread on the shelves to last until the next bakery delivery; oil producers keep just enough spare capacity on line to last for several years.

'Proved reserves' is not the total amount of the physical resource in an oil reservoir; it is the amount available at current prices and current technology. It is what is currently available for re-stocking and it is unlikely that we will ever know its actual size. In 1940, seven years before a memorandum by military strategist Bernard Brodie cited by Stern makes the same point, Chase National Bank Vice President Joseph Pogue noted in a volume edited by E. DeGolyer, that

"there are few subjects that have been more widely misconstrued than the reported size of the crude oil reserve….the true nature of the proven reserve…which is merely that of a working stock in advance of production….The size of the proven reserve gives no clue to, and logically cannot be expected to reveal, the imminence or remoteness of scarcity."[7]

The Kern River Field in California, which had been producing continuously since its discovery in 1899, offers an example of how little either past production or 'proven reserves' tells us. In 1942 its reserves were estimated at 54 million barrels, but by 1982 it had produced 736 million barrels and was estimated to have another 970 remaining.

[4] See Bruce M. Kramer and Owen L. Anderson, "The Rule of Capture—An Oil and Gas Perspective" in *Environmental Law* 35: 899-954 for a review of the relevant issues.

[5] Harold Hotelling, "The Economics of Exhaustible Resources" in the *Journal of Political Economy 39:2* (April 1931): 137-175, 138; http://www.lyricsfreak.com/t/tower+of+power/theres+only+so+much+oil+on+the+ground_20601586.html accessed 18 August 2016: There's only so much oil in the ground/Sooner or later there won't be none around"

[6] Morris Albert Adelman, *The World Petroleum Market* (Baltimore: The Johns Hopkins University Press, 1972). See also "The World Oil Outlook" in M. Clawson (ed.) *Natural Resources and International Development* (Baltimore: Resources for the Future 1964) p. 66.

[7] Joseph E. Pogue "Economics of the Petroleum Industry" in E. DeGolyer (ed.) *Elements of the Petroleum Industry* (New York: The American Institute of Mining and Metallurgical Engineers, 1940), 462-463. Everette DeGolyer, a prominent oil man, was assistant deputy of the Petroleum Administration for War in 1943-4, a director of the American Petroleum Institute, and worked with the Office of Strategic Services.

As Stern notes, oil scarcity has often been used as an ideological tool to promote aggressive foreign policies. This includes the nonsensical idea that the Soviet Union could dominate the Persian Gulf in the 1970s and 1980s or that the states that had just become the owners of producing properties that provided almost all their income would be willing to let them sit unused for prolonged periods.

It is a peculiar feature of Stern's account that he points out that "all commodity prices, not just oil's, rose in inflationary periods" (255). He is correct that nothing can be divined about oil reserves during periods of general, especially war-induced, inflation. Nevertheless as Stern is aware, economists think of prices as conveying, however imperfectly, information rather than simply responding to vaguely described inflationary waves. Thus high prices evoke more investment and lower demand which leads to lower prices which entail less investment and higher demand. To write of the oil industry as if prices played no role in relaying information seemed bizarre to MIT economics professor Morris Adelman and to me as well.[8] It is perhaps the reason that so few economists pay attention to the writings of international relations specialists. Static prices convey no information except perhaps that a monopolist is in charge. The ability of domestic oil producers in the 1950s and 1960s to restrict the U.S. market to themselves through import controls (and keep prices higher than they otherwise would have been) is certainly one of the ideologies of oil as a strategic good that has been so potent in allowing domestic interests to shape foreign policy.[9]

There is another, even more unfortunate, aspect to the unwillingness of students of international relations to pay any attention to economics as a discipline. At the time of Stern's third scarcity scare in the 1980s, former national security advisers Zbigniew Brzezinski and Henry Kissinger (as well as many others) were frightened by the nationalizations of oil industry properties throughout the Third World. Their belief that private ownership of a capital investment (especially by European or American corporations) was more important than market competition was a peculiar way to understand those events. Why should sovereign states be less likely to compete than private enterprises? The nationalizations destroyed the older non-market structure of the international oil economy and replaced it with a more competitive structure in which countries acting as firms became more like price-takers than price-makers. In this newly more competitive global market the sudden emergence of a large and efficient market in the financial derivatives of oil also created far more transparency in pricing than had ever previously existed.

Taken together, these essays provide valuable, if occasionally limited, reasons to doubt those who proclaim the imminent scarcity of oil and the wisdom or necessity of war to prevent that scarcity from threatening American security. They also suggest that, despite their claims to expertise and knowledge, policymakers who make the decision to go to war to preserve access to oil are either ignorant or deceitful. Last, they suggest that any academics who believe that their expertise alone will entitle them to a hearing by the powerful when

[8] See Morris Adelman, *The World Petroleum Market* (New York: Resources for the Future, 1971), 2-6. Writing in 1971 Adelman was more concerned with a complementary and equally misleading ideology, namely that the oil industry was one of decreasing costs and required vertical integration (3). See also "The World Oil Outlook" in M. Clawson (ed.) *Natural Resources and International Development* (Baltimore: Resources for the Future, 1964) 44-45.

[9] See Jeffrey P. Bialos, "Oil Imports and National Security: The Legal and Policy Framework for Ensuring United States Access to Strategic Resources" in *University of Pennsylvania Journal of International Business* 11:2 (1989): 235-300.

war is on the agenda are fooling themselves. Policymakers, to paraphrase former Secretary of State Donald Rumsfeld, go to war with the advisers they choose rather than the advisers they need.

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