OPEC and the Level Playing Field, or:
Why Should we Care about Venezuelan Oil?
by L. Anne Emerson

Introduction

What, you may ask, does Venezuelan oil have to do with me, and why should *you* care? The simple answer is that Venezuela belongs to OPEC; OPEC manipulates the price of oil; and you should care because there is a fight for global power, and none of us likes a fight, or at least, not one we lose. For a more nuanced answer, please read on.

I do not work with names, dates, people, and places – the usual currency of historians. I do work with grand unifying themes – the usual currency of scientists. Today's grand unifying theme is global inequality.

Preview of the Argument

What is OPEC? What is a Level Playing Field? You may well ask. Starting out with definitions of terms is a sure way to drive off my intended audience, so you will have to check the next to last section of this essay, on OPEC and the Level Playing Field, for answers. You don't need them right away.

I begin with a discussion of my qualifications to discuss equality (and, by implication, inequality) – the "equal" twin relationship. I proceed to offer some background information related to the oil industry, and supply chains. An explanation of the importance of oil in global commerce follows. Finally, there is a summary, conclusions, and some ideas to follow up.

Equality, Inequality, and the U.S.A.

I live in the U.S.A., a country that believes in equality. Yet we all know that it doesn't mean that we are all the same. I have had, through an accident of birth, one of the most equal relationships known to humanity. I am an identical twin. She and I look alike; we think alike; we are wired up, in some way, alike. We fought fiercely as little ones, but neither of us was stronger. We stopped fighting right around puberty. I pushed her; she fell over, and she seemed to be hurt. That was the last time we fought, physically. We WILL raise our voices to each other when we feel strongly, and we are quite comfortable doing that, even as those around us behave as though they fear escalation.

So, I am uniquely situated to discuss inequality, here in the United States of America, where we pay lip service to "equity" and call it "equality of opportunity." People in lower socioeconomic strata know the deck is stacked against them. They don't necessarily know why, or how. People who have "made it" – especially those who have climbed out of poverty, or whose parents did – think that anyone can make it. Annie's economic model suggests that the deck gets stacked against people worse, over time, so that what could have got someone out of poverty 50 years ago won't work today. It's still possible, but the chance gets smaller.

Annie's model is explained in other essays and figures (diagrams) on this website. It illustrates, in a very broad-brush way, how the deck gets stacked against lower socioeconomic strata, in many types of economic situations.

Background Information:

In this essay, I focus on the oil industry. Here are a few preliminary remarks. Some of my readers know more about each of these than I do. I doubt that all my readers know more about all of these than I do. Those who do may skip this section.

1) Oil industry is short for oil and gas industry. Gas in this context is not "gasoline." It is invisible, like air, but it has useful properties.

2) "Oil and gas industry" is popular language for the hydrocarbon industry. Hydrocarbons include coal. Coal is considered more polluting than oil and gas. Some of us use mined gas that is piped into our homes, for heating and cooking. Propane gas is another type of hydrocarbon gas sometimes used in outdoor cooking, or grilling.

3) The hydrocarbon industry, or fossil fuel industry, starts with mining hydrocarbons, and goes on to manufacture many things that many of us use in life today. These include fabrics such as nylon, gasoline, tires, rocket fuel, and plastics, just to name a few. Hydrocarbons are a necessary input to a large proportion of the global energy industry – the industry that gives us electricity and other ways to make machines work properly.

4) According to the U.S. Department of Energy, "Today, fossil fuel industries drill or mine for these energy sources, burn them to produce electricity, or refine them for use as fuel for heating or transportation. Over the past 20 years, nearly three-fourths of human-caused emissions came from the burning of

fossil fuels." This is a U.S. Department of Energy website address, not a link: https://www.energy.gov/energy-sources

5) Oil and gas are pumped across the world in pipelines. These can leak, causing environmental pollution. Oil is also ferried around the world in tankers. Exxon's Valdez tanker is a famous example of an oil tanker that ran aground and leaked. According to Wikipedia, "The Exxon Valdez oil spill was a major environmental disaster that occurred in Alaska's Prince William Sound on March 24, 1989." This type of accident can cost billions to clean up.

6) Hydrocarbons are organic molecules. They are composed mostly of hydrogen atoms ("hydro-") and carbon atoms. Carbon atoms and complex molecules built from them are the building blocks of many living things on this earth. Working with them requires the knowledge that organic chemists are taught. It's technical and challenging.

7) The way that fossil fuel hydrocarbons got into the ground was that trees (and other living things) died, decayed, and were turned into oil or gas over many millennia. This means that deposits of oil and gas are limited. Although not all deposits of fossil fuel hydrocarbons have been found yet, their actual numbers will not increase in our lifetime.

8) It is unwise to use up the earth's wealth more rapidly than it can be replaced. To use a different example, overfishing means that there are not enough fish in the next generation of fish, to replace the original population of fish. Fisher-people lose their livelihood unless they overfish what is left, and this becomes a spiral of effects, resulting in insufficient good quality fish to feed humanity. Fish-eating communities may be decimated, and some of their populations may face "food insecurity," that is, malnourishment or worse.

9) If we use up oil resources more rapidly than they can be replaced, we will eventually run out of them. Some consequences include that finding new oil and gas fields becomes more expensive than using old ones; sooner or later, the countries with the smallest oil reserves will lose this source of wealth; and much later, the whole earth will run out of oil and gas reserves. We will then need new ways to generate energy power.

10) Over-use of resources is happening all over the earth. Because fossil fuel hydrocarbons are so important to the energy industry, in the form of oil, gas, and coal, many resources are devoted to finding and extracting new deposits.

This conveys the *illusion* that the earth will not, eventually, run out of hydrocarbon deposits.

11) In the recent past, I was looking for a map of Algeria's administrative districts. All the maps I found were (expensively produced) geological maps of Algeria, pinpointing likely places to find hydrocarbons. The prevalence of these maps, rather than the ones I was seeking, suggests more international interest in hydrocarbon fossil fuels than in the administration of Algeria.

12) If the earth does, eventually, run out of hydrocarbon fossil fuels, many more earth systems are likely to suffer than humanity. Humanity will suffer, directly, from a lack of cheap energy, but indirectly from the loss of many other things at which we can only guess right now.

13) One thing that I guess may be happening is that, with so much mining on earth – we are mining lithium, uranium, jewels, gold, copper, and water as well as oil, gas, and coal – the earth's center of gravity may be shifting. The earth spins rather like a spinning top, and if its center of gravity changes, the way it spins may change. It's a little like sticking a piece of gum on a child's spinning toy. Another cause of a change in the earth's spin might be melting glaciers, so that the water that was in glaciers at the poles becomes distributed across oceans instead. These changes can affect tides and earth's internal processes, as well as earth's spin. Geophysicists may be able to tell you more about that. Its consequences are beyond the scope of the present essay.

So, those preliminary remarks have set the scene.

Supply Chains and Commodities

A supply chain is all the things that go to make a product, such as microchips to make robots or fruits and vegetables to make pies and potato chips. Commodities are the most basic items in a supply chain. Mined minerals and grown food are the main examples of commodities.

Our energy-hungry world requires oil and gas prices to be low, for similar reasons that it requires food prices to be low. That is, much of the modern world is built upon the following commodity foundations: food (to keep people healthy and energetic) and energy, or power (for running machines). That means that these commodities are at the bottom of almost every supply chain, and we want to keep the inputs at the bottom of the supply chain inexpensive.

If these inputs are costly, then prices will rise throughout the supply chain. This aspect of the structure of our modern economic systems keeps those commodity prices low, and keeps producers of them impoverished. That is, UNLESS someone raises the price of one or more commodities, which enriches producers and makes it harder for businesses using those commodities to sell their products at a price their customers can afford. Now, we can see why raising the price of oil "above market" threatens our modern world. This statement will become clearer in the next section.

Contrary to the nineteenth-century picture of an economy as being comprised of many small businesses or enterprises – specializing; making and doing what their small town or village needs most – our modern world is a system of large inter-related hierarchies which require that the basic inputs be inexpensive, so that they can deliver the final product or service at a price that will sell.

The reason we humans have developed a system of large inter-related hierarchies is that it works for the people at the top of the hierarchies, who make many of the major resource-allocation decisions on behalf of the hierarchies. And the main reason we have done this – in my opinion – is that we believe in both "efficiency" (technical term – doing things faster and better), and technological progress. This has given us much success as life-forms, in comparison with other plants and animals who do not develop machines as we have done.

We have forgotten – or perhaps we do not keep it enough in mind – that too many machines and too many people are in opposition, as regards using the earth's resources. If we grow food, we do not build houses on that land. Then, there are too few houses and housing prices increase. If we mine the components of energy systems, or the components of microchips, we may poison the surrounding farmland. There may be an opportunity cost of applying water to lithium mining – too little water for neighboring farmland. Then, there can be too little food for locals, or they may become ill or malnourished from poisons leaking into the soil.

There is no reason to believe that the people at the top of the hierarchies, whose minds are full of business, economic, and international power strategies, will come out on top. If they continue along the "business first" path, they may find themselves victims of their own machine technologies, just as science fiction suggests they might.

OPEC, the Level Playing Field, and International Relations

i)Definitions of terms:

According to A.I., which agrees with my recollections, "OPEC (Organization of the Petroleum Exporting Countries) currently has 12 member countries: Algeria,

Congo, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, United Arab Emirates, and Venezuela, with founding members including Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela. Other major oil producers like Russia, Kazakhstan, and Mexico are part of the broader OPEC+ group, which coordinates production with OPEC."

Petroleum is another word for oil and gas. These are the raw materials for things like nylon, plastics, and gasoline.

Exports are goods or services sent out of country for sale on international markets.

OPEC is an international organization, specifically a cartel, or group of agents working together. Cartels are illegal within most modern industrial nations, because they can charge "too high" a price for their product. Restricting supply is the main way in which cartels raise prices above market. Circumstances have ensured that Venezuela did not become a major factor in OPEC's manipulation of oil prices. The consequence was that the Middle East, in particular Saudi Arabia with very large oil reserves, has remained instrumental in keeping the price of oil high. But you can't make an international cartel illegal - yet. There are other ways of disciplining them.

Level Playing Field is the idea that everyone, in international trade, should play by the same rules. Annie's model suggests that the rules benefit some more than others. Therefore, if we truly want a level playing field, we need to change the rules. This is done in sports, when people start to "game" the rules, profiting from loopholes to do something that was unanticipated by the people who first devised the game.

For example, in business the Limited Liability Corporation (LLC) was introduced in order to protect managers from the excesses of the corporation – something that was not entirely the managers' fault. Unfortunately, it appears to have kept the link between accountability and mismanagement too loose. The rules around LLCs are candidates for change in business law.

ii)Venezuelan Oil and Inequality:

With definitions of terms now established, here is the nuanced answer to the opening questions, ("What does Venezuelan oil have to do with global inequality, and why should we care about it?") as briefly as I can say it:

The U.S. has had a strategy of energy independence, in order to stop being dependent on foreign oil suppliers. According to USA Facts, "Independence has been a

component of energy policy for every administration since President George W. Bush. He signed the Energy Independence and Security Act of 2007, which laid out a plan to reduce America's dependence on foreign oil and stabilize domestic consumption." This is the source website, not a link: https://usafacts.org/articles/is-the-us-energy-independent/
The strategy uses a mining technique called fracking (short for fracturing), among other ideas. The source (USA Facts) explains it this way, "The growth in energy production is largely due to hydraulic fracturing and horizontal drilling. Increases in production from these techniques allowed the US to increase domestic energy production faster than at any time in its history. This is due to the fact that hydraulic fracturing and horizontal drilling facilitate access to black shale rock, which contains organic materials for oil and natural gas."

Anyone who tells you that the U.S. is "energy-independent" – as though dependence on foreign oil is no longer a problem – probably thinks that fracking is okay. Fracking is expensive, implicated in increasing domestic earthquakes, and it is only cost-effective when oil prices are high.

But, to repeat, fracking (a major source of U.S. domestic energy production) can cause earthquakes, and it's expensive. It's not cost-effective if the price of oil declines. I am guessing that someone has argued that a high price of oil does not work for the wealthier parts of the global economy. Therefore, that someone likely wants to suggest that the price of oil should come down. Putting Venezuelan oil on the market, under U.S. control, might one way to do that. Oil executives think it is not feasible. But that could change.

All of this means that, since we cannot depend on fracking, the U.S. is once again likely to be dependent on foreign oil, for the maintenance of a wealthy lifestyle. As regards other sources of energy, such as wind turbines or solar panels, they too can damage the environment. Or, they can be deemed something to go to war over. There may be little to choose between de-regulation of oil, gas, and coal versus investing in wind farms or solar farms. Investing in any of these industries can have unanticipated, and expensive, consequences.

I will leave it to others to think about what that implies for U.S. foreign policy. But I see a theme here – someone is suggesting that the U.S. fight China and Russia for minerals, including oil, because we can't trust anyone foreign to give them to us as cheaply as we want them to be. This person or people may also be suggesting that South America is of strategic importance, because there are exploitable oil reserves there. If we take control of strategic supplies, we can bring the price down, or ensure that the supplies come to us rather than to our adversaries.

Summary, Conclusions, and Ideas to Follow Up

i)Summary and Conclusions:
U.S. foreign policy may be being driven by an adversarial view of the world, including competition for strategic resources such as oil and gas. This perspective is untenable because long run problems remain, even if we can solve short run challenges.

We may as well deal with it now rather than later, and one way to do that is to stop thinking we need weapons for national security, because weapons need the very minerals that we will be fighting to possess. It's a circular argument. I understand that, if you are accustomed to being the big kid on the block, that's difficult to recognize. My twin sister and I were joint eldest – joint big kids on the block – until we got smaller than our younger brothers. We have seen this from all angles, and I say "Give Peace a Chance." (John Lennon/Yoko Ono song.) But, let's use more than songs to do it!

ii)Ideas to follow up:
If the earth's spin is changing, because of melting polar ice and/or much mining and moving of minerals around the earth, this is a global challenge and requires everyone to help solve it. We need more research and more transparency on this issue.

If both sides of the polarized political debate are ignoring larger issues, we need to vote for politicians who might work for cooperation in what may become an existential battle for the air, soil, and climate that give life to all of us.

The natural world is capable of fighting back. For example, animals have redress, when we encroach on their territories. There is a YouTube video that shows the following: "Colin Yager captured the moment a whale crashed into a boat on video while he and his brother were fishing off the New Hampshire coast." While it is arguable that this was an accident, there are also reports of whales deliberately targeting boats, as in another YouTube video that shows, "Orcas are attacking boats off Portugal. Some scientists say it's not aggression but bored teenage orcas mimicking each other."

If large mammals, in the oceans (whales) or on land (elephants) are starting to gang up against us, we need to pay attention. They have their reasons, and it probably affects the animals we eat as well as the whole ecosystem.