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Fourth International

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This is it

By John Fredericks

August 1948

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The patriotic wave today sweeps everyone lacking the principles of international communism off his feet. Revolutionary activity at this juncture requires patience, persistence and far-sightedness. It is a way full of danger and difficulties. But it is the only way out of this patriotic mire. Well may we remember the words of Lenin which, spoken in a similar situation, apply also to ours:

"We are not charlatans. . . We must base ourselves on the consciousness of the masses. Even if it is necessary to remain in a minority, be it so. We must not be afraid to be in a minority. We will carry on the work of criticism in order to free the masses from deceit. . . Our line will prove right. . . All the oppressed will come to us. They have no other way out."

OIL AND LABOR

By John Fredericks

World politics and the economic conditions that lead to new world wars cannot be discussed today without an analysis of the tremendous role played by the struggle among the great powers for the possession of oil. The value of oil as a motor fuel, as a lubricant, as the primary motor force in the machinery of war was strikingly brought home during the recent imperialist war. A single bomber required 3000 gal. of high octane gasoline to complete a single mission. A fleet of 1000 bombers on a single mission required more fuel than was used by all the armies for 6 months in World War I.

The supply of the 500 oil products used by the army and the mastery of the world's limited sources of oil became a key to victory on the battle field. Much of Japanese and German strategy was based upon the struggle to obtain new sources of oil, the vital product necessary to propel the machines of war as well as to feed the process of production at home. The Japanese conquest of Indonesia, the German campaign in the Caucasus as well as Rommel's drive through Africa toward Saudi Arabia, all had as their objective the acquisition of new oil supplies.

Wars have been fought and "revolutions" sponsored by capitalist interests seeking the black gold that is the life-blood of a modern industrial nation. British imperialist interests have long sought oil fields outside their home islands, which are devoid of any appreciable supply of oil. The Near East has been the reservoir from which the British have drawn the bulk of their oil. Many struggles, both open and concealed, are constantly taking place with governments occupying the role formerly reserved for private oil companies. The Gran Chaco War was a classic example of the concealed struggle taking place between two rival imperialist interests with an oil field as the prize.

American oil companies and the US State Department, working as a team, have caused the active intervention of the U.S. Government in the internal affairs of half a dozen South American countries. Every major U.S. embassy or consulate employs an oil expert, invariably the agent of the oil industry. Mexico, which was a battleground between the British-sponsored forces of Huerta and the U.S.-supported Carranza in the struggle for the Tuxam oil fields, is again becoming a focal point for the American oil industry.

From the time the first gusher brought forth its black gold in Titusville, Penn. in 1859, men have fought and died by the thousands for its possession. In the period of 1800-90, word of an oil discovery brought oil rushes that rivaled the famous gold rushes of early American history.

Great American fortunes, the influence of which is felt today in every branch of industry, were built in this period by people like Rockefeller, who in the period of growth acquired oil lands, rights of way, pipelines, refineries and distribution points, through methods of bloodshed and bribery.

It is not the purpose of this article to repeat the well-known gory details of the beginning of these fortunes but rather to show the present role of oil in international relations, to trace the changing production relations resulting from the technological revolution and the changing social conceptions that have permeated the working class as the logical result. The latest revolution in the productive process did more than change the technology, it also changed the relationship between the man and his machine.

The Process of Production

The production of oil has passed through three major stages, each the result of a specific technological revolution in the industry or conditioned by the technical development of another industry. For example: the first, or kerosene stage, is related to lighting for the home; the second, or gasoline stage, to the invention of the automobile; the third, or fluid catalytic cracking stage, made possible the supply of motor power for the American air fleet during World War II.

The kerosene stage lasted from the discovery of oil in 1859 to the day of the automobile around 1910. It was during this first stage that Rockefeller established his complete monopoly over the industry.

Before the advent of the automobile and its demand for special fuels and lubricants, the more explosive fuel, gasoline, had been thrown away since no market existed for it. Once the need for gasoline had been established a further technological revolution resulted in the refining process, with the aim of obtaining more gasoline and less kerosene from crude oil. World War I and the subsequent develop-

ment of mass production methods expanded production at a rapid rate. Production of crude oil rose from 69 million barrels in 1901 to 1,006 million barrels in 1929.

Fluid catalytic cracking increased the yield of gasoline per barrel of crude oil from 26% in 1920 to 46% in 1939. While the process was known earlier it was only with World War II and the fleets of heavy bombers using huge supplies of high octane fuel, that it became profitable and the application of the process to the entire industry became general.

The new refining process does more than provide fuel for aircraft. The flexible nature of the process allows the refiner to change the quantity and quality of the product at will, in response to changing demands. The products enter into every phase of all industries, often changing the nature of labor within another industry. For example: diesel engines, using low grade diesel fuel, a by-product, are replacing steam locomotives at the rate of one per day. Diesel-powered trucks and buses provide more efficient transportation to thousands of communities, making branch line railroads obsolete. All new ships are oil-burning rather than coal-burning. Over a million oil burners have been installed in homes since the end of the war. A thousand different oil products flow into American industry. Oil is the very life-blood of the entire national economy.

Once an oil well is brought into production the amount of labor necessary to keep the well producing is relatively small in comparison to the mining of coal or ores. One man or several working in shifts, use high pressure pumps which carry the oil from the well to storage tanks through a series of pipelines. These pipelines have long ago replaced tankcars and railroads as primary carriers of oil. They cover 150,000 miles as they crisscross America. The addition of the Big Inch and the Little Inch pipelines, built by the government at a cost of $155,000,000, enabled oil to be sent from Texas to Philadelphia during the war with infinitely less human labor involved than by any other means of transportation.

At the refinery oil is the raw material from which over 1200 different commodities will be produced. It is now possible through chemistry to produce, aside from the well known gasoline and fuel oil, such products as rubber, alcohol, toluene for T.N.T. and products ranging from fine perfume to tar.

The refining process itself, stripped of technical phraseology, consists of heating and condensing the crude oil or cracking it into its various chemical components. The modern refinery unit consists of a capital investment of 50 to 100 million dollars. The machinery itself represents the finest example of semi-automatic production to be found in any industry. Since the technical problem involved consists of controlling the flow of fluids and control of their temperature, automatic devices such as electrical regulators, automatic air-operated valves, etc., have appreciably lessened the need for men to stand constantly on guard over production. The real control of the process takes place in a central control room, with the rate of production governed by the machine rather than by the few men who operate the plant.

1. The Laborer

The life of the early oil workers was similar in many ways to life in a gold camp. The frontier spirit prevailed. The migratory character of the workers who followed an oil discovery is still seen today in certain sections of the country and will continue to remain true for certain job classifications such as drilling crews, pipeline gangs, and field construction men, who, though their skills have increased, must still work and live on a migratory basis.

Work in the early oil refineries was properly classified as a hazardous occupation. The equipment was of the most primitive type and little was known of oil chemistry. The lives of the workers and the capital investment were risked every time a fire was built under the old-time still. The danger of explosion was great and the product that resulted was never of a uniform quality. Success in distilling a batch of crude oil depended entirely on the skill and judgment of the workers who operated the plant.

The "good old days" for a refinery worker consisted of 10 hours of hard dangerous work for which he received 17 cents per hour. His recreation consisted of a couple of "boilermakers with helpers" at a local bar. Men were hired off the streets by a foreman who tested them for the size of their muscles. Husky, rugged "foreigners" who could "stand the gaff" took jobs as stillmen and worked 24 hours straight when a batch of oil was being processed. The penalty for falling asleep was to be fired.

Petroleum refining in those days was hardly more exact than making bathtub gin. You dumped crude oil into a vat, or still, and built a fire under it. The first vapor to come off it as it boiled was gasoline, which was thrown away as a waste product. Kerosene, the payoff product, was trapped and condensed, and then the lubricating oils. The muck that was left was scraped out of the still and another batch started.

The activity of a stillman is vividly described in a novel of the oil industry called "Danger, Keep Out," by Edward J. Nichols. I quote a few lines:

> **"If you fired on the new pressures you had 6 stills, and there was a nervous breakdown in each one. Use your bar on Number 1; keep it out of Number 3; 5 and 6 are dropping off half a point; throw more coal on Number 2; keep your eye on the peepholes; you got a hot bottom on Number 3; Number 4 is boosting; watch for a change in the wind that will knock you off balance on every still; above all keep your eye on Number 3... Otherwise there is nothing to it except throwing in your 15 to 20 tons of coal for 10 hours on the day shift and even more on the 14 hour night shift. 'Almost anything could happen... and did."**

As the productive process improved and pressure stills were introduced, the batch process gave way to the continuous stream process. Steam was introduced as a heating element in

place of direct fired vessels and the result was a refinery that produced a uniform series of products with less danger to the men.

The catalytic cracking process, employing a bead or fluid catalytic agent to produce even greater temperatures than could be produced by the use of steam alone, required even greater pressures in the vessels and in turn more exact instruments for controlling temperature and pressure. More mechanical and electrical semi-automatic devices to replace the human factor were introduced. The new refining process changed the role of the worker in the process of production, substituting men of greater technical skill for those with huge strong bodies. With this process changes also took place in the thinking of the worker involved.

The modern refinery is designed along lines that make it the closest thing to automatic production that exists anywhere today. Through this process it is possible for the operator to sit in a control room, push buttons and control the entire refining process. Automatic electric pumps move the crude oil from storage tanks, pump it through the various towers of the refinery from which it emerges broken up into various products, gasoline, light oil, heavy oil, kerosene, etc. From this point it is distributed by more automatic pumps to storage tanks or through pipelines, tankcars or tankers to the consumers.

The other workers around a refinery are engaged in such tasks as reading meters, repairing equipment in adjacent shops, painting and cleaning the equipment, etc. A large staff of highly trained men are always present, ready to step into the breach in case of a breakdown of production. Yet these men are not the factor that sets the rate of production. They may sit "idle" at full pay with plenty of time to think, but when they are needed they must jump to the job and set the machine back in operation. Here it is the machine that controls the activity of the man.

The capitalist has long sought a factory free of its troublesome workers and thinks of the automatic process of production as the answer. Yet the modern oil refinery, the closest reality to the capitalist dream, shows that with an automatic productive process there is little or no actual decrease in the number of workers required. Since automatic production as exemplified in the oil industry today is symbolic of all industry tomorrow, it must be studied with great care for lessons from which the working class can benefit.

True automatic production does not mean the elimination of the worker from the process of production as the capitalist thinks it does, but rather the elimination of the automatistic nature of the labor of the work. Automatic production requires the fully developed individual, knowing and understanding every and all steps in the productive process, not just his own specialized operation. Men will be chosen for work in plants of this type on the basis of their scientific knowledge of the productive process. It is not difficult to convince these men that the plants can operate without their capitalist owners.

However, since capitalism has transformed the worker into nothing but an appendage to a machine, the capitalist is caught in a contradiction. He tries to solve this capitalistically, by employing specialists, men who will stand by the machines, be idle for weeks or months, but always ready to spring into action to repair the faulty machine that threatens to interrupt the even flow of the entire process. It is true that an operator may not do anything for several years, but a few minutes' work at the right time will save the company enough to "pay his salary for 30 years." The contradiction lies in the unfortunate division between mental and manual labor, making it necessary for the capitalist to employ so many specialists and laborers that there has been little decrease in the number of workers employed despite the semi-automatic nature of the process of production. Moreover the capitalist further aggravates the contradictory nature of his problem by placing in the hands of a single worker the equivalent of 20 million dollars worth of machinery. The automaticity of the productive process and the role of the laborer are so closely linked to capital investments that it is impossible to draw any conclusions without examining the question of capital investment.

2. *Capital Investment and the Rate of Profit*

The outstanding difference between capital invested in the petroleum industry and that invested in other industries is the comparatively short life of oil capital. All investment in refineries is written off the books after a five-year period, as compared with a ten-year period for other basic industries. The oil industry allows nearly twice the normal rate of obsolescence and depreciation over that allowed by the manufacturing industries. In part, this can be explained by the semi-automatic, continuous nature of the productive process in the oil industry which operates on a 24-hour basis. However, the more basic reason is the method of production which requires that every six months the entire refinery be shut down for a period of one to three weeks, the process lines and vessels tested, renewed or replaced, new innovations in the process introduced, plant capacity enlarged or changed and the plant returned to operation on a 24-hour basis.

By contrast, other industries tend to make repairs on equipment overnight, to introduce new equipment gradually or to introduce new models on an annual basis so that the productive process is interfered with as little as possible. The fact that the costs of this method are charged up to current production as a part of operation expense, rather than to investment in capital equipment is a convenient bookkeeping trick, especially since such a shutdown costs millions of dollars. But it does not change the contradictory nature of capitalist production as it pertains to the investments in labor on the one hand and those in capital on the other.

The net worth of the petroleum industry is $20 billion. This makes it the second largest industry in the United States. The concentration and centralization of capital, on the one hand, and, on the other hand, the small number of workers employed in this industry compared to other basic industries, seems to contradict the Marxist postulate that surplus value is extracted only from living labor. The superficial observer points to the disproportionately high profit per employee, thus:

Company	Number of Employees	Total Assets	Operating Profit	Profit per Employee
Standard Oil of N. J.	52,879	$2,059,987,000	$273,099,000	$5,195
United States Steel	279,274	2,003,517,000	90,251,000	362
Standard Oil of Ind.	36,332	1,065,901,000	57,173,000	1,058
General Motors	354,940	1,982,692,000	188,000,000	643
Gulf Oil Co.	33,622	652,811,000	71,843,000	2,132
General Electric Co.	166,000	837,890,000	56,540,000	353
The Texas Co.	32,641	917,301,940	70,982,000	2,179

Precisely because production is semi-automatic, capital investments are enormous. From the above table we learn also that the oil industry employs one worker for every five employed by other industries with comparable assets. The key to the situation can be found in a dual relationship. While there are fewer workers in the industry, there is more capital invested per employee. This, in turn, causes a decline in the rate of profit. Precisely because the number of workers employed is relatively small, the rate of profit in this industry is actually smaller than in manufacturing industry as a whole:

RATE OF RETURN ON NET WORTH

	Petroleum	Manufacturing	All Industry
1945	8.9	9.3	7.6
1944	9.9	9.8	8.3
1943	8.3	9.9	8.7
1942	6.7	10.1	9.0
1941	8.9	12.3	9.4
1940	6.6	10.3	7.4
1939	5.4	8.4	7.0
Average for the period, 1939-45	7.8	10.0	8.2

Compare the lush war years with and you get the following results: the prosperity of the pre-war period,

RATE OF RETURN ON NET WORTH

	Petroleum	Manufacturing	All Industry
1929	9.67	12.	10.7
1928	9.37	10.7	10.1
1927	5.01	8.8	8.5
1926	10.63	11.0	9.3
1925	10.81	10.7	9.1
1924	7.39	8.9	7.3
1923	6.28	10.0	7.7
Average for the period, 1923-29	8.45	10.4	8.95

The above table reveals that the reverse of the superficial appearance is the truth. Furthermore, the method of computing the rate of profit on the basis of net worth is a capitalist device which gives a wholly inadequate picture of capitalist production since net worth is merely the book value of original cost. Were we to compute the rate of profit on the basis of investments in fixed capital, and consider true replacement cost rather than original cost, we would get a radically different view. However, so organic is the general movement that it peers through even this type of computation, and even in a period when *mass* profits are phenomenal!

As against the disproportionately high profit *per employee*, let us consider the very real investment per *every* employee. In the oil industry in 1937 the overall investment for every worker employed was $20,000, compared with $11,000 for the steel industry and $4,000 for the rubber industry. A further breakdown of these figures is necessary since no other industry includes transportation and marketing employees in basing its figures on the total number employed whereas the oil industry does.

In an analysis called "Economics of the Petroleum Industry," Joseph E. Pogue, vice-president of the Chase National Bank, contrasts the investment in the two branches of the petroleum industry:

> **"The marketing division has an investment of $6,000 per worker and an annual wage of $1,055 per worker. Because of its high degree of mechanization, the ratio of capital to the number of employees is large, the entire industry relationship being about $18,400 per worker for the entire industry. The amount of capital per worker is, however, much larger in production, transportation and refining where it averages $43,600 per worker."**
> **(1937 figures; emphasis mine—JF)**

The current estimates of the total investment per producing worker is much higher than these. Since the real technological revolution in the industry has taken place after 1937, and the investment in the new type of equipment is five times greater than

the old type of refinery, while the number of employees is no greater than before, the total investment per producing worker is no less than $250,000!

Thus it is that the oil industry is not only plagued with the same general disease — the decline in the rate of profit—which afflicts all of capitalist production. The gargantuan investment of capital on the one hand, and the relatively few production workers on the other hand, so sharpens the tendency of profits to decline as to call into question the whole expansion program in the hands of private industry. This, again, seems to contradict the actual picture since the oil industry is planning in the next few years to spend no less than $13 billion for capital expansion. But a closer look at the expansion program will reveal its weakness.

3. *Capital Expansion and Government 'Interference'*

Let us take the largest company in the industry, Standard Oil of N. J., and analyze its capital expansion program. This will give us an excellent view of the masses of capital needed to keep production expanding. In the 24 months which will end December 31, 1948 the Jersey Standard will have expanded by one billion dollars! Appropriations of like size are in prospect for 1949. In the seven-year period, 1940-46, capital expenditures of this company and its affiliates reached a total of $1,244,000,000, or an average of $178,000,000 annually. The over-all expansion program includes hundreds of projects from new laboratories in New Jersey to modern refineries in Venezuela; the purchase of large-capacity oil tankers and development of Canadian oil fields.

In addition to this expansion, private industry "inherited" a billion dollars' worth of new refinery equipment built by the government at the expense of the taxpayers, and then turned over to the big monopolists. However, even this gift of the state to the industry helps private monopolists care only for normal expansion needs.

But there is, besides, the relationship of the whole industry to the extractive industries and to transportation. And, above that, rises the question for a synthetic oil industry. According to Secretary of the Interior Krug that would require no less than $9 billion. Here private industry does not even venture forth, but hides behind the argument that since such an industry would be predicated not upon world resources of crude oil, but only those at home (which may be the only ones available to the United States Government in the event of war), this becomes a matter of "national welfare," and is no longer a problem of private capital. It is not mere selfishness, however, that pushes the monopolists toward such an attitude. There is a lack of capital "venturesome enough" to be worthy of the new scientific age in which we live.

There was a time in the development of capitalism when it would have been impossible to build railroads, if society had to wait for private capital to accumulate sufficient means. The state magnanimously stepped in as the true executive committee of capital. In this age, atomic energy would never have been explored if it were up to private capital to finance that technological revolution. The government had to build the atomic project at the expense of the people and for the needs of war because there was not enough "risk capital" found to start such a development.

If it was entirely beyond the capacity of private industry to launch this $2 billion project, how much more is it true of a synthetic oil industry which requires no less than a $9 billion investment. We see that in this age of decadent capitalism, private enterprise is neither enterprising nor private. The only thing that is private is the profits which the government allowed the private managers of the atomic project to coin from the sweat and toil of its workers. We need not doubt it will do as much for the oil industry.

Book Review

Bury the Dead

By Paul Shapiro

Kaputt* is a vivid picture of the ruination of Europe by the war and the Nazi occupation, of the appalling decline in the cultural level, and of the hideous bestiality and decadence of the fascist regimes, drawn by a fascist journalist who was well placed to observe all of these phenomena. The author, Curzio Malaparte, a supreme opportunist, wrote the book to ingratiate himself with the bourgeois-democratic victors. He has only succeeded, however, in demonstrating that fascism is the gangrenous encrustment on the mortally infected body of capitalism and that he himself is among the most nauseating of the excrescences of fascism.

Malaparte prefixes to Kaputt an account of "the secret history of the manuscript," which he says, "is the most appropriate preface to the book." In this preface and throughout the book he carefully remains quiet about his position in Mussolini's state and depicts himself as a contributor to "the cause of liberty." The most appropriate preface to a review of his book, therefore, is a sketch of Malaparte's career, for that career gives the lie to his pretensions and helps us better to understand a work which is evidently a compound of fact and fiction.

In Mussolini's Service

A participant in Mussolini's "march on Rome" and the only talented intellectual in the fascist movement, Malaparte was acclaimed as its "strongest pen" by a regime which felt the need to clothe its naked brutality with a little cultural adornment. His Coup d'Etat: The Technique of Revolution, which

*KAPUTT, by Curzio Malaparte, E. P. Dutton and Company, 1940, 407 pp., $3.75.

Oil and Labor

By JOHN FREDERICKS

II. Economic Structure of the Oil Industry

Study of any one industry is bound to reveal certain trends common to all industry, trends that lay bare the insoluble problems of capitalism as a whole. This study of the petroleum industry, technologically the most advanced, brings into sharp focus the scientific advances which clash with the production relations. Part I, which was published in the May issue of our magazine, analyzed the process of production. It dealt with the three major stages in the development of oil refining —kerosene, gasoline, and catalytic cracking—and traced the changing role of the worker. Part I concluded with a study of capital investment and the rate of profit as well as with capital expansion and government interference. Part II, published below, analyzes the economic structure of the oil industry.—Ed.

* * *

The economic structure of the oil industry is comparable to other basic American industries: steel, auto or electrical manufacturing. Only the giant or dominating company in the field controls the manufacturing process, the source of raw materials, transportation and distribution to the consumer. Such companies are known as wholly integrated companies.

The oil industry contains more wholly integrated companies than any other industry. Yet many of these seemingly independent companies are linked together by secret agreements, patent control, market agreements, etc., in such a manner that 20 major companies, acting as a unit, control nearly two-thirds of the assets of the entire industry and collectively determine its basic policies.

Although there are 13,000 oil companies in the United States, the 20 major companies own 89% of the pipeline mileage; produce 60% of the crude oil; own 87% of the tanker tonnage; hold title to 96% of the stocks of refined petroleum; own 80% of the daily crude capacity, 85% of the cracking capacity, 93% of the finished stocks of gasoline and lubricant; own 96% of gasoline pipeline mileage, and control 80% of domestic gasoline sales. Ten of these companies own over half the proven oil reserves of the nation.

The growing concentration in this industry can best be seen in the decade prior to 1938, when the control of the 20 companies over crude production increased from 46 to 53%, finished products from 76 to 94%, refining capacity from 66 to 76%, gasoline production from 71 to 84%. The war and postwar years have accelerated this process at a tremendous rate. The Standard Oil empire is the fullest embodiment of this growing centralization of capital.

1. Standard Oil and Monopolization

Standard Oil Company of New Jersey is the largest single unit in the oil industry. The history of this company is the story of John D. Rockefeller, too lengthy to repeat here. But even in bare outline his story is that of big capital, unscrupulously wielding power over labor and small capital. Rockefeller entered the infant industry about three years after its birth. At that time he was a modest commission merchant with no more than $20,000 capital. Within eight years he and his partners formed Standard Oil with $1,000,000 capital. *No additional capital has ever been added to the company since!* The record of capital accumulation follows:

1862	$ 1,000,000
1870	2,500,000
1875	3,500,000
1882	70,000,000
1887	90,000,000

Even these figures are underestimates of the true capital accumulation of Standard Oil in that period. The president of the company testified before the N. Y. State legislature in 1888 that "the company is worth not less than $148,000,000."

The process through which the expansion and consolidation of this capital took place was through the destruction of competing capital, rather than through consolidations and absorption of competing companies. Through price wars, terrorism, discriminatory rail rates and shipping rebates this company was able to smash thousands of weaker companies, amassing billions in the process.

Technological improvements in every branch of the industry—exploration, drilling, transportation and refining—made it possible to undersell competitors and ruin them. The elimination of serious competition in the early days made later high prices and the resulting huge mass of profit possible. The consolidation of capital that followed has ensured the present position of leadership enjoyed by Standard Oil.

Early rates of profit were phenomenal. The company earned 15% on invested capital in the decade 1882-92; then jumped to 21% in the year 1892-1900; then rose again to 25% for 1900-6. The earnings from 1876 to 1881 were $55 million. In the next six years $50 million was paid in dividends alone. 1903 profits were $81 million; 1904 profits, $61 million; 1905 profits, $57 million.

Rockefeller was the first individual to establish a complete monopoly over a segment of American industry. His monopoly by 1885 was complete and remained unchallenged until 1911, when the parent company was dissolved by Supreme Court decree. At that time Standard Oil owned 33 corporations and the court order split it into 33 parts. It is clear today that the court order had little meaning, since Standard Oil of N. J. owns 255 corporations and has a controlling interest in 300 others today! Before dissolution its shares were worth $663,793,000, while a month after the dissolution they were worth $885,044,000. Rockefeller's personal share had increased in value by $56 million through the court decision.

Considering that the entire capital structure started with an investment of only $1 million, that "philanthropies" have consumed over $700 million, the Rockefeller interests

are wor[illegible] day no less than $6.6 billion! The rate of ac[illegible] becomes more clear. It was in the early years [illegible] rate of profit made the monopoly flourish; [illegible] in turn assured consolidation and continuation [illegible] great profits.

2. *Monopolization, Profits and the Government*

The Texas Co., which was organized as late as 1926, has grown into fourth place among the major companies, but only at the expense of obtaining constant new capital from outside the company. Its growth is linked with the Standard Empire. Standard Oil of California and the Texas Co. jointly own Aramco, the company which operates the rich Saudi Arabian oil fields.

The position of the major oil companies, in relation to the smaller producers and refiners, has improved enormously during the war. A study of the process of monopolization in the oil industry in 1938 reported that "through the practical denial of the use of pipe lines, through the operation of the proration system, through practical denial of the use of patented processes, through the refinery price squeeze and through practical denial of the use of compounds and products necessary to bring his run of refinery gasoline up to standards fixed by the major oil companies the smaller producer has been squeezed out" (TNEC report).

The government, having greatly accelerated this process of monopolization and profiteering during the war, turned about after the war and "exposed" the concentration and centralization of capital prevailing. (See, Report of the Smaller War Plants Corporation: *Economic Concentration and World War II*, p. 169.) On October 21, 1947 twenty leading oil companies were charged before the Senate War Investigating Committee with rolling up $59,856,000 excess war profits. Roland Larrabbee, chief administrator for the Reconstruction Finance Corporation, told the committee that these companies had made $259,943,000 total profits on their war contracts with the government. He demanded the return of a mere $59 million as "excess profit." But even this modest demand has been ignored.

Profits for the first postwar year, 1946, show that every oil company has increased its mass of profit over even the lush war year:

	1945	*1946*
The Texas Co.	$51,856,928	$71,089,267
Standard Oil (Calif.), (9 mos.)	48,990,458	66,544,580
Socony Vacuum (9 mos.)	36,000,000	66,000,000
Gulf Oil Co. (6 mos.)	26,746,013	42,510,375
Continental Oil Co.	15,142,870	27,607,645
Tide Water Oil (6 mos.)	7,683,663	10,013,899
Richfield Oil Co. (6 mos.)	2,458,339	5,453,708

1947 saw the still greater accumulation of profits. A study by the National City Bank of New York, covering the 21 largest oil companies, shows a rise in total profits of 69.1%, after payment of all taxes, for 1947, over total profits for 1946. At the same time the authoritative *Petroleum Refiner* (May 1948) reports that *production* for 1947 increased only 6.9% over 1946.

Despite the charges before the Senate War Investigating Committee of super-profits in the industry, the industry has little to fear from the government. On the contrary, the green light provided by Public Law 395 assures them immunity from prosecution under the Sherman Anti-Trust Laws.

Not only that, but foreign operations have netted them super-profits. With the help of the American government, the industry is assured that this will continue. For example, Aramco offered to sell to the Navy oil at 40 cents a barrel, on condition that the financial demands being made on them by King Ibn-Saud be satisfied by the United States government. First the government refused, whereupon Aramco raised its oil price to $1.05 per barrel. (It should not be forgotten that they were selling to the Japanese government for only 70 cents a barrel!) Then it turned out that the wartime demands of King Ibn-Saud were such that the government paid him $81 million, while it continued to pay the premium price for its Navy oil!

Aramco, which owns and operates the Saudi Arabian fields, was organized in 1933 with a capital investment of $80 million. It was owned, 50% by Texaco and 50% by Standard Oil of Calif. In 1946 a deal was made that permitted two other American companies to buy a 40% interest in Aramco. Standard Oil of N. J. bought 30% and Standard Vacuum the remaining 10%. The purchase price was $200 million. Of this, $85 million was in cash, $50 million in 10-year notes, and the remainder in oil produced from the field at 12 cents a barrel. And here lies another tale: Today's market price for crude oil is as exorbitant as $2.50 a barrel, but the 12 cents per barrel stipulated in that agreement reflects the true production cost! Since 1933 Aramco paid no dividends, using all income for capital expansion. Its first dividend in 1947, however, amounted to $22 million. Its underground oil reserves are conservatively estimated to be worth no less than $20 *billion*!

In 1948-49 these fields will absorb $375 million of American capital; in 1947 more than $138 million was invested in Saudi Arabia and in 1946 it was over $73 million. While American production of crude oil increased only 6.9% in 1947, the Saudi Arabian field increased its production by 30%.

Finally, the American companies who control these fields have elaborated still one other device by which to coin profits. They set up "foreign" oil companies to sell the product. They thus avoid payment of any taxes whatever to the United States government. Thus, the Bahrein Petroleum Co., organized as a Canadian corporation, is owned by the same firms as Aramco. On an investment of $100,000 it has reaped profits of $92,186,107. On these fabulous profits they paid not a cent in taxes. Another "foreign" firm, Caltex (California Texas Co.), owned entirely by Texaco, is organized as a Bahama Islands corporation. The total investment of $1 million has paid off profits of $25,386,573. Again, these patriotic Americans paid not a cent in taxes to the United States government. Although these facts were brought to the attention of senatorial committees, the lucrative fraud is still in operation and no attempt is being made by the powers that be to end the lush untaxed profits of the oil monopolists. On the contrary, the collaboration between the oil monopoly and the government grows closer with each passing day.

3. *The State and the Oil Industry*

a. INTERNATIONAL RELATION

Ever since World War I the struggle for control of the world's supply of oil has become the province of governments rather than the exclusive business of rival oil monopolies. The individual capitalist was supplanted by his government in the process of striking bargains for a share of the world's oil pools and markets. The oil fields of Iran and Iraq, for instance, were taken over by the British Admiralty.

As a bourgeois paper expresses it: "There is no country which is so thoroughly geared to the power supplied by petroleum. Yet, thanks to the mixture of unsupported argument, official reticence and sheer hypocrisy which befog the subject, there can be few peoples so poorly informed of the global implications of oil production and distribution as the American." (*The New York Herald Tribune*, March 23, 1948.)

In World War II Iran was occupied by England, Russia and the United States as a supply line for lend-lease. At the end of the war Soviet Russia sought oil concessions in Northern Iran that reached from Afghanistan to Turkey, close to the Baku fields. This act was necessary to the Soviet Union since oil production had fallen from 31 million tons in 1940 to 23 million tons when the devastation of war was over. Although Premier Ghavam made the concession asked for, it was rejected by the Iranian Majlis (parliament). Raymond Daniels writes: "There is no known source from which Russia can obtain additional oil except from the Middle East." (*New York Times*, Dec. 14, 1947.) The Iranian dispute only draws into sharp focus the pressing need for Russia to obtain oil for normal industrial production.

The estimated needs of the USSR are 60 million tons annually. Since Stakhanovite methods are quickly depleting not only the Baku fields, but also the Zisterdorf fields of Austria, and the war-ruined Polesti fields of Roumania, and since the projected target for the Fourth Five-Year Plan is only 35 million tons annually, oil will remain of pivotal importance. The most notable field to be discovered in the last decade is the Saudi Arabian field, which is the world's richest and contains 40.9% of the world's known oil reserves. These fields are the exclusive property of American capital, however. The nation which controls their future production holds the key to future industrial and war production.

Nothing so clearly brings out the key importance of oil as the present stepping-up of the preparations for World War III. It caused the quick reversal of the United States government on the question of Palestine partition. Before this, the United States had met the earlier objection of the Arabs to the American pipe line terminating in Haifa, Palestine, by changing its plans so that the pipe line is now to be located in all-Arab territory, and terminate in Sidon, Lebanon. Now its own imperialist state interests demand a more rapid completion of its plan, since the above pipe line to carry oil from Saudi Arabia to Sidon would take about two years to complete. Therefore it has now been decided to rush to completion a branch of this line at Ras Tanura on the Persian Gulf, which can be done in only four months. This means that there is no [illegible] bargain with the Arabs. It is more advantageous to [illegible] render" since this is in accord with American imperialist interests.

b. GOVERNMENTAL "RESPONSIBILITY"

A great many "oil experts" went into the government during the war. The 20 monopolistic companies, which were "regulated" by a self-appointed board before the war, succeeded in having their own board appointed as a government regulating board for the duration of the war. In this way they were able to secure the abrogation of the anti-trust laws for the duration. Numerous handpicked individuals, whose first loyalty is to the oil industry, were placed in key war posts. Charles Rayner, long an oil company man, was appointed Petroleum Adviser to the State Department. Max Thornburg, an official of the Standard Oil Co. of Calif., received $29,000 per year from 1941 to 1943 from his company, while holding down the post of Petroleum Adviser to the State Department.

The most notorious oil "expert" on the government payroll is Edwin Pauley, friend of General Marshall. His posts during the war included those of Assistant Secretary of the Navy, and Assistant Secretary of War. When he was nominated for Assistant Secretary of State, Congress had had to balk, and rejected the nomination after his oil deals had been exposed. He is now treasurer of the Democratic Party and chief lobbyist for the oil interests in the Tidelands Oil Bill. His presence with General Marshall in Bogota, Colombia is not accidental. "Oil experts" are an essential part of every diplomatic mission abroad. Needless to say, these men were selected from, and owe their prime loyalty to, the oil companies from which they were "borrowed."

A man who has not received such notoriety, Bruce K. Brown, is of greater importance. A vice-president of Standard Oil of Indiana, he holds the post of Chairman of the Military Advisory Board on Petroleum.

Oil deposits in Saudi Arabia are of such importance that the government dare not leave their direction in private hands. On Jan. 29, 1948 Secretary of Defense James Forrestal stated before the Senate War Investigating Committee that "Some arrangement should be made to be certain that in times of emergency our armed forces could depend on the Middle East depot, even though this would doubtless bring upon the United States a hostile propaganda clamor charging imperialism." When Senator Brewster asked how this ideal condition could be brought about, Forrestal declared, "The Government could simply buy into the private companies, although this would be a question of high national policy which would have to be determined in Congress and would immediately raise strong objections against government in business."

Previous precedents exist. All the oil deposits in the Middle East, Iraq, Iran, etc., with the exception of the American fields in Saudi Arabia are owned by the British government. American oil companies participate with the British government in the Anglo-Iranian Oil Co. (Standard Oil 40%, British Admiralty 60%) and in the Iraq Petro-

[illegible] where Standard Oil owns 23%. The American [illegible] fields was obtained for Standard Oil through [illegible] negotiated in 1927 between the British government and the American government!

At the beginning of the war the American government sent a special economic mission to the Middle East. The report of the commission recommended that "In the Middle East *governments* are competing for the control of the production and distribution of oil. It is therefore amateurish, as well as ineffective, for the American Government to allow private American companies to compete with each other for the same concession or to expect a private company to get on with only the traditional good offices support from our local diplomatic representatives." The government was equally realistic in its policy on the home front.

Responsibility for determining the combined military and civilian needs, supplies and methods of producing oil rested primarily with the government, not with private companies, as we can see from the following: "For it was always the role of government to determine the plans and policies, to direct and supervise operations requisite to their fulfillment, and to assume over-all governmental responsibility for all aspects of the oil program." (*A History of the Petroleum Administration for War*, p. 2. US Government Printing Office.) Since 65% of the total overseas tonnage during the war was oil, it is easy to see that oil was *the* indispensable material.

Ties between the government, as represented by the State Department, the Army and Navy, and the monopolistic 20 companies who own the oil industry are so close it is difficult to find where the one ends and the other begins. While industry spokesmen are constantly concerned with their "independence" from governmental controls, they would at the same time like an even closer understanding with the government that would permit the abrogation of the anti-trust laws. Public Law 395 has been passed to accommodate them in this respect and Attorney General Clark has assured the industry of immunity from prosecution.

At the same time the industry fears outright nationalization. M. J. Rathbone, president of Standard Oil of N. J., stated on Oct. 14, 1947 before an industry group that "Those who urge legislation upon the oil industry would see that the result would be the ending of private industry in the petroleum industry. . . . Modest and apparently harmless in its infancy, it develops into partial statism or government control in its adolescence, and into full nationalization in its adulthood. We see its grown-up stage evidenced on all sides of us in the Western Hemisphere—in Mexico and Bolivia and in some Canadian provinces. Familiar to you also is the situation in Europe, where the industry is wholly or in part nationalized in Spain and in Portugal, in France, Italy, and elsewhere." He continued that "the same situation could develop in this country," and warned against the "approaching dangers of nationalization."

The House Interstate Commerce Committee began hearings on March 4, 1948 on legislation that states "It is the government's responsibility to see that a synthetic oil industry is created in this country. . . . First step as spelled out in the bill—Authorize R.F.C. to lend up to $400 million for private industry construction of commercial size plants to produce synthetic oil from coal and shale by three specified processes. If industry does not take up the option within four months, R.F.C. is to build the plants itself and hire operators to run them. Krug and Forrestal are sponsoring the program. Their argument: Government cannot sit idle and permit industry to pass up development of vital natural resources just because there isn't a profit in sight." (*Business Week*, Feb. 28, 1948.)

This bill, H.R. 5475, introduced by Rep. Wolverton (R.-N. J.) would build three plants of a capacity of 10,000 barrels each on the following lines:

1. Hydrogenation of coal.
2. Synthesis of liquid hydrocarbons from coal gas.
3. Oil from shale deposits.

The more profitable Fischer-Tropsch process, captured from the Germans, has been turned over to Texaco and improved so that the yield is increased by one-third and the cost of production reduced to one-quarter. Synthetic oil produced by this process is able to compete favorably today with natural oil, at today's crude prices.

The interlocking relationship between the state and industry was, of course, most conspicuously demonstrated in the atom bomb project and the atomic energy plants. What is not so well known is the fact that the government built a billion-dollar synthetic rubber industry during the war and turned it over to the oil industry, which now owns it.

The $9 billion synthetic oil proposal therefore is not without precedent, but is the most ambitious project in government-financed industry ever undertaken. The effect on labor can be gauged only by studying the role of the union in this industry, and the social conceptions of the workers in the industry.

Part III of "Oil and Labor" will analyze the role of the trade unions—the Oil Workers International Union (CIO), and the so-called Independent Union of Standard Oil—and the social conceptions of workers engaged in a semi-automatic industry. At the same time, the concluding section of Comrade Fredericks' study will draw some parallels between the worker living at the time the COMMUNIST MANIFESTO was published and the worker of today.—Ed.

Socialism or Barbarism

"The present slaughter shows that Europe has reached the point of capitalist saturation, that it can no longer live and grow on the basis of the private ownership of the means of production. This chaos of blood and ruin is a savage insurrection of the mute and sullen powers of production, it is the mutiny of iron and steel against the dominion of profit, against wage slavery, against the miserable deadlock of our human relations. Capitalism, enveloped in the flames of a war of its own making, shouts from the mouths of its cannons to humanity: 'Either conquer over me, or I will bury you in my ruins when I fall!'

"All the evolution of the past, the thousands of years of human history, of class struggle, of cultural accumulations, are concentrated now in the sole problem of the proletarian revolution. There is no other answer and no other escape."

—Leon Trotsky, Sept. 1917

Oil and Labor

By JOHN FREDERICKS

III. Role of the Trade Union

The article below, dealing with the role of the trade union in the oil industry, concludes the study of the oil industry. Part II, published last month, analyzed the economic structure of this industry, setting forth the case of Standard Oil Co. as a classic example of monopolization, with its concentration of capital and swollen profits. Especially noteworthy is the close alliance of Government and private industry in the formulation of oil policy. Part I of this study, published last May, was devoted to an analysis of the process of production in the oil industry.—Ed.

The centralization of the means of production is but one side of the coin; the other is the socialization of labor. In analyzing the role of the trade union we are confronted with three facets of the problem: 1. the Oil Workers International Union, CIO; 2. the "independent" union, and 3. the social conceptions of the oil worker.

1. OWIU-CIO

The history of the OWIU has yet to be recorded in all its stormy detail. From the facts available, the earliest efforts to organize the oil workers took place under IWW leadership through the Marine Transport Workers in Galveston, Texas. In the East, various crafts had been organized from the birth of the industry, such as carpenters, teamsters and construction workers, but there seems to have been no attempt to organize oil workers on an industrial scale until 1917.

At that time spontaneous action by oil workers in coastal gulf cities and in the new fields in California led to the establishment of the International Association of Oil Field, Gas, Well and Refinery Workers of America, AFL (1918). At their first convention in El Paso, Texas (1918), the union had five locals in Texas and 16 others scattered through California, Louisiana and Oklahoma. The union reached a peak of membership in 1921 with 24,800 members as a result of organizing drives during and following World War I. However the anti-union wave that followed the war, and the inability of the AFL bureaucracy to combat it, reduced the union to a total membership of only 300 in 1933.

The CIO, only 2 years after the failure of the AFL, organized 42,800 workers. Following the general pattern of other CIO unions in the Rooseveltian era, the growth of the OWIU was rapid and in many respects haphazard. Its first constitution shows traces of radicalism as evidenced by numerous references to "class solidarity," "labor is entitled to the full product of its toil," and so on. But there is no doubt that in building the entire International union from raw material, untrained in the traditions of unionism, Rooseveltian conceptions gained great headway.

Contrary to legends of the backwardness of Southern workers, the oil workers in the South and the Mid-West showed little hesitancy in joining the union. One after another the big oil companies were brought to their knees and forced to sign union contracts.

The days of the Roosevelt administration, when a union election could be obtained at the drop of a hat, and easy victories were possible under the Wagner Act, led the new union leadership to become soft and overconfident of government support in contract negotiations. Moreover, it is not unusual to find today's union president becoming tomorrow's plant superintendent, and vice versa.

The top International leadership is composed of "old timers" who have built a solid bureaucracy. The average union official and the hired hands of the International are usually "Johnny-come-lately's" in the union. These people understand nothing of the class forces behind a trade union. Inability to readily obtain company consent to a union election or to obtain formal recognition from the government and the operators is a signal for them to abandon the struggle and move elsewhere. The union leadership simply has no stomach for militant economic action, even with the unanimous backing of the rank and file.

Yet it was the "54-40 strike" of 60,000 workers in the oil industry after V-J Day that set the postwar strike ball rolling and established the 18½ cent wage pattern which was accepted by the rest of the CIO. Again in 1948, this time without a strike, the oil union has attempted to set a wage pattern lower than the goal set by the CIO, settling for 8%.

The union leadership inserted into its 1946 contract a provision for a sliding scale of wages to meet the increased cost of living, but the effect has been to use this clause to prevent strikes. The industry has been periodically granting increased wages to union and non-union employes indiscriminately, every three or six months.

2. The "Independent" Union

A notable exception to the organized shop—Standard Oil of N. J.—has been widely discussed in leading capitalist journals, such as *Fortune*, as the outstanding example of "industrial harmony." ("Thirty Years of Industrial Peace," *Fortune*, Nov. 1946.) It represents a curious anomaly and is in seeming contradiction to the value of unionism. Let us have a closer look.

The history of labor relations at Standard Oil stems back to the infamous Ludlow Massacre, which scared Rockefeller, Sr. into an attempt to prevent similar outbreaks. As the result of the experience in the Colorado Fuel and Iron Co. plan of employe representation, Rockefeller set up an employe representation plan at his Bayonne, N. J. refinery in 1918. The object was to prevent unionization of the workers by a real union. Whenever the bona-fide union in the field obtained better wages or conditions, the company union of Standard Oil met them and sometimes gave the workers even better conditions. This company union continued successfully from 1918 to 1934, when such company unions were declared illegal.

With the advent of the Wagner Act, the "unions" of Standard Oil were ordered to dissolve. After several quick changes in their constitutions and the holding of democratic elections, the Standard Oil unions passed muster as a genuine bargaining agency with the NLRB. However, each

[illegible] company had its own union and in no two [illegible] the workers affiliated with each other. The following is a picture of the situation in 1946:

55	"Independent" Unions	35,884 members
6	CIO locals	353 "
4	AFL locals	455 "
1	Railroad Brotherhood	30 "

The CIO locals operate in Montana refineries, in a coke plant in West Virginia and a bulk plant in Detroit. The AFL operates in the Baton Rouge plant but, as can be seen from the foregoing figures, almost all the workers voted for the "independent" union. The industrialists brag about this state of affairs as clear proof of the superiority of their type of "worker benefits" over "high dues" of the established trade unions. To believe the explanations and record in *Fortune*, they would seem to have an unbeatable plan. That 93% of their veterans returned to the company after military service is claimed by them as proof of the superiority of their system. Yet the hopes they nurse are illusory.

The attitude of the workers in the plants is of prime importance. They know that without the existence of the OWIU their standard of living would fall far below the average for the rest of industry.

Still, the very existence of the "independent" unions is a challenge to the trade union bureaucracy that they have as yet been unable to solve.

3. *Social Conceptions of the Worker*

A worker who has spent many years in the Texas oil fields and who is familiar with the industry in everyday life reports:

Working conditions in the oil refineries today are probably the best in the nation. This is caused by a number of things:

1) The refineries are almost completely automatic, not because the companies are interested in making things easier for the men, but because temperature control is of primary importance in making good petroleum products. Automatic instruments are the best means for doing this. The installation of instruments did not replace men but on the contrary created a need for more men with technical knowledge. Instruments fail quite frequently, especially during rain or electrical storms, and at such times it is of great importance to have plenty of trained men on the job who can detect the trouble immediately and correct it. An operator may not do anything for several years, but a moment's work at the right time will save the company enough money to pay his salary for thirty years. . . . With the new refineries comes the utilization of by-products, formerly considered waste. Increased knowledge of hydrocarbons and the utilization of butylene, formerly a nuisance, for synthetic rubber has greatly increased company profits.

2) The percentage of income going to the worker is the lowest in any industry—about 6%—while in the auto industry it is 45%.

3) The present tendency is to keep on hand a large "technical force." In many cases the refiners have a larger technical supervisory and foreman force than they have workers. There are many reasons for this. The company believes that a "title" will inspire the oil worker to think he is better than other workers and therefore "part of management." This lessens the interest of such workers in the problems of their class. The company can also maintain that these workers do not come under the collective bargaining agreement. Since oil refineries entail such technical work as is connected with automatic production, it is easy for management to maintain this fiction. The most recent trend has been to make stillmen* a part of management. Stillmen were for many years the backbone of the union and leaders of the community. Now as technical men and part of management they have no voice in the union, are on a monthly salary, and work many extra hours overtime without pay. The union leadership has failed to put up a real fight for these men or to counteract this type of union-busting upgrading.

4) Maintenance crews are much smaller than before. With increased technical knowledge the companies are going in for what is called preventive maintenance. Maintenance crews have been greatly reduced. The company is assisted in this process by the reactionary AFL craft union leadership. It has become the practice to hire AFL construction men to replace CIO maintenance men. The oil workers see their jobs being abolished with no protest by the CIO leadership and are consequently transferring to the AFL to keep their jobs. The AFL maintains closed-shop conditions for their men and hiring halls for building-trades workers. These circumstances divide the workers in the plants and impair their bargaining strength.

5) The unions maintain no educational system of any kind. The companies take advantage of this by having excellent propaganda departments of their own which point out the "advantages" of "free enterprise," and do their best to destroy the union.

6) It should be noted that the oil industry operates on a 24-hour basis. The bosses are notoriously averse to spending the wee hours on the job. Even among the lowest brackets of lieutenancy of the boss class this aversion to night work is evident. As a result, during the best part of two shifts (16 hours) the control of the plant rests largely in the hands of its operators, "assisted" by supervisors who succumb to the general aversion and spend as much time as possible doing nothing. Since shift workers rotate, it thus comes to pass that practically all of the workers of a typical plant are used to the idea of operating the multimillion dollar plant without the tender ministrations of "supervisory personnel." The typical refinery (and the typical chemical plant) goes blithely on its way under the care of the workers regardless of the presence of bosses. Often the individual oil worker is quick to realize that both the supervisor and the absentee owner are of no practical value in the process of production, and he is not averse to making this observation out loud in more heated moments. It would be no trick at all to continue operation without the bosses and owners. The workers in the refineries and chemical plants of the South are aware of their power and I, for one, wouldn't be surprised to find them among the leaders in the establishment of workers' councils at the proper moment.

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* The work of an old-time stillman is described by Stuart Chase as follows:

A pressure still operated for 48 hours and then had to be cleaned out for the next run of product. When the temperature dropped to about 250°F a workman crawled inside, padded like an Eskimo, and with a big iron bar began to chip and scrape the tarry residue left on the bottom. A few hours later the still would have been cool enough for anyone to do the job, but empty stills make no money.

It is little wonder that those men who risked their lives every day inhaling poisonous fumes were the most oppressed, the most militant and the first to strike for more humane conditions of work.

Since most of the oil refineries are located in the South it is natural to expect that a large percentage of the workers in these plants would be Negroes. The Negro workers in this industry are subjected to the same degrading, discriminatory practices that are to be found in most other plants, plus those special discriminatory Jim-Crow practices that are reserved for Southern Negroes. Generally speaking they are relegated to the dirtiest, most menial tasks in the plant. Nevertheless the Negro worker is the most militant and best union member to be found in the plant. The union itself does not tolerate Jim-Crow practices.

As regards the stupid legends that gain wide circulation concerning the "backward character of Negroes" and the alleged likelihood of Negroes becoming strikebreakers, a white Southern oil worker makes the following comments:

> I know of case after case wherein not only did the Negro not need white leadership, but actually led white workers in militant strike action. I can refer you to the organizing campaign of the Steelworkers at the American Rolling Mills in 1946, when the AFL crafts took over completely, except for the Negro group in the plant who held firm and eventually carried the plant for USA-CIO. Again, in the organizing drive of "Operation Dixie" at the Southern Acid and Sulphur Plant early in 1947, the unshakable bloc of CIO-committed Negroes broke the AFL counter-offensive to bits. In the defeat of the Steelworkers at the Hughes Tool Co. two years ago, the Negroes were the last hold-outs. Again in the creosote plants, now entering the OWIU fold in Houston, Texas, the Negroes were their own inspirers.

Two contradictory manifestations stand out in the foregoing reports. One, the reactionary conceptions of the labor bureaucracy, which, in this case, parallel those of the "independent" company-union men. The other—and of greater importance—is the advanced social conceptions with which the workers in a semi-automatic industry become imbued. As our worker-reporter revealingly puts it: *"Often the individual oil worker is quick to realize that both the supervisor and the absentee owner are of no practical value in the process of production, and he is not averse to making this observation out loud in more heated moments."*

In a critical situation this awareness of their power will readily lead to revolutionary action by the oil workers. What is going to be decisive in a big forward movement is not the backward section, but the most advanced group in this industry. Those who after V-J Day set the pattern for the entire labor movement will not buckle to the paternalistically-minded. On the contrary, it is they who will lead, while the latter will be those who follow in the general stream.

CONCLUSIONS

The discoveries in the oil industry point inescapably to vast changes in the social organization of labor. To give an example: As a small part of the problem of refining, the petroleum engineer was forced to develop an automatic oiling device which feeds any amount of oil to moving parts of machines. If this device, plus automatic oil controls already developed, were to be applied to the boiler room of an ocean-going liner, the need to employ a black gang would be almost eliminated. There is no engineering reason why a gang of men should have to work [illegible] decks in the heat of the boiler room, oiling, wiping, [illegible] boilers and such work. When oil industry machines [illegible] controllers are applied to the maritime industry, the black gang will be either forced out of the industry or shifted to fill a new role aboard ship. The lives of many thousands of workers will be involved.

The integration of separate industries, and with this the integration of the worker as a highly developed scientist of technology, is now concretely posed in the sphere of the relations between oil and the coal industries.

The known reserves of oil are limited. The industry has therefore constantly sought a substitute for crude oil. The desperate search of the Germans led them to develop a process for making gasoline and oil from coal. During World War II the Fischer-Tropsch process and the IG hydrogenation process were developed which successfully convert coal into gasoline and oil. These processes can utilize any type of coal, some of which were formerly of no commercial value. It also makes mechanical mining machines, that have heretofore been of little value, again profitable to operate. It makes possible the conversion of coal into powder at the mine face and blowing it to the surface through pneumatic tubes into a refinery located at the mine-mouth. The coal worker would then become an oil worker, or vice versa. The two would become interchangeable.

Yet the interchangeable relationships of coal and oil remain pipe-dreams. That is not because many millions of dollars' worth of new plants employing these ideas are not now on drafting boards. They are. The practical processes are already known and patented. A $300,000 plant of this type based on the Fischer-Tropsch process is being constructed now by Standard Oil Co. $40,000,000 are invested in the IG hydrogenation processes. The relationships of production, the role of the millions of workers in oil, coal, electric power, railroads are yet to be developed. Yet when these relationships do take form, it will be as the result of the form assumed by the process of production. What is needed to realize automatic production is well developed and all-rounded individuals who understand the science of this process of production.

The most finished expression of this technological movement so far is the unleashing of atomic energy. The profound technological revolution embodied in these chemical industries is sufficiently, though not by any means completely, indicated in the fact that they are taking place in the basic sphere of the production of power. Synthetic though these industries are, raw materials, such as the oil itself, or uranium in the production of atomic energy, assume an importance which does not lessen but greatly intensifies the struggle for control of the world. At the same time, as oil indicates with extreme clarity, the role the proletariat will have to play in these industries, the insoluble class conflicts in the coal industry, for example, in the United States and in reality all over the world, show that the reorganization of this industry in harmony with the new discoveries, while offering one way out for the growing revolt against wage labor in the mines, is utterly beyond bourgeois society. The threat of disruption by oil hangs over the coal industry. To the limited extent that

[illegible] does attempt reorganization or coordination is compelled to sharpen the differentiation among the strata of labor in the industry, creating privileged technological castes, while the state intervenes more and more to enclose the masses of the workers in a totalitarian vise.

The labor struggles in the atomic energy plants are sufficient evidence of this. Tomorrow, as the social crisis and the war crisis deepen, the workers in the all-important oil industry will be threatened with a similar regimentation. Precisely because the structure of the coal industry does not permit the regimentation inherent in the capitalistic control of oil and atomic energy, great battles in the coal industry between the proletariat and the state continue. Meanwhile even within the limited reorganizations possible to the bourgeoisie, the workers are continually faced with new problems as old job classifications are abolished, new ones established.

"The bourgeoisie cannot exist," wrote Marx and Engels a century ago, "without constantly revolutionizing the instruments of production, and thereby the relations of production, and with them the whole relations of society. Conservation of the old modes of production in unaltered form, was, on the contrary, the first condition of existence for all earlier industrial classes. Constant revolutionizing of production, uninterrupted disturbances of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses his real conditions of life and his relations with his kind."

Marx attached great importance to this passage which first appeared in the *Communist Manifesto* and which he quoted in one of the most important sections of *Capital*. The oil industry, as one of the most advanced industries of the modern world, illustrates with unusual richness and concreteness this characteristic of bourgeois society at the stage of the immense antagonisms and contradictions which mark the ripeness for transition to socialist society. The old struggle for "higher wages" and "improved working conditions" tend to assume a new quality from within the very process of production itself. Like the problem of inflation, they become insoluble in the purely economic field of wage and price discussions and demands. The workers face either a desperate attempt of the bourgeoisie to solve these problems and discipline labor by the police-state and the machine gun in the factory or an effort by themselves to organize the proletarian state and the proletarian control and management of industry. The one method leads to barbarism, the other to socialism.

April 15, 1948.