

Oil Prices Fuelling the Bubble

The price at the pump is subsidizing a dying global financial system.

Why do the prices of crude oil and gasoline rise so sharply? The first line of defense for the high prices is supply and demand, but that argument is easily demolished by comparing the relationship between world oil consumption and oil prices. Consumption rises steadily, while prices spike dramatically. The next line of defense is that “the market” is responding to perceived potential problems, such as turmoil in oil-producing regions, bad weather, good weather, or any number of other alleged situations. This is where it starts to get interesting, since blaming the market explains both nothing and everything.

It explains nothing, because there is no such thing as “the market,” in the way that it is portrayed, namely the “Invisible Hand” of Adam Smith, which in some mysterious and independent way determines what the price ought to be. They might as well say the tooth fairy sets the price.

It explains everything, because the hand behind “the market”—the one you feel rummaging around in your pocket looking for your wallet—is neither invisible, nor mysterious, nor independent. It does exactly what the bankers and the oil cartel set it up to do, which is to allow the financial markets to manipulate the price of oil ever upward, with occasional drops to loot the non-insider speculators (remember Amaranth?), or to forestall political moves against this rape of the public. The price is what “the market” says it is, period.

Running up the price of oil has many advantages, if you are a member of the oil cartel or an international

banker. One need look no further than the record \$40 billion in profits reported by ExxonMobil last year, and the stellar profits reported by its sisters, to see the benefits to the cartel, but that is only part of the story. The banks, the hedge funds, and other financial institutions are also major players in the oil markets. A few years ago, an *EIR* investigation showed that the average barrel of oil traded on the New York Mercantile Exchange (Nymex) changed hands some 500 times between the time it was pumped out of the ground, and the time it was sold to its final buyer.

Given the explosion in energy futures trading on the Nymex in recent years, that 500 times may be “the good old days.” The volume of energy futures contracts traded on the Nymex has doubled since 2003, from 88 million that year, to 192 million in 2006. During that same period, the average price of oil has also doubled, from \$31 a barrel in 2003, to \$66 a barrel in 2006, according to the U.S. Department of Energy. Anyone see a pattern there?

The rise in the price of oil is also good for the dollar, since the dollar is the currency of the oil markets. The higher the price goes, the more dollars needed, which in turn, supports the value of the dollar on international markets. That certainly pleases the U.S. Treasury and Federal Reserve.

The market-based approach to oil pricing is an outgrowth of the oil “crisis” hoaxes of the 1970s, which used Iran as the excuse for restructuring the global oil business, setting up the euro-dollar market, and replacement of

stable oil prices with a market-based system, much more amenable to manipulation by the imperial geopolitical forces behind the changes. Royal Dutch/Shell, and its bankers Rothschild and Lazard, played key roles in this scam, as did their agent Marc Rich. Not surprisingly, it was also Rothschild and Lazard that were the powers behind Enron, as the oligarchy attempted to do for our electricity prices what they had already done for oil.

By turning the price of oil into something set by financial markets rather than the physical economy of the petroleum business, oil has become a financial commodity more than a physical one, from the standpoint of the financial system. In that respect, sharp jumps in the price of oil could be considered indicators of the state of the bubble. When liquidity is badly needed, the price of oil is manipulated sharply upward, providing an influx of cash to the financial system. This functions as a sort of hidden tax, taking money from the public to bail out the bankers. When the crisis passes, the price of oil can be dropped a little, to give the consumers a chance to pay their mortgages and their credit cards, to keep consumer debt payments flowing.

The quick pace of the gasoline-price increases in recent weeks—with daily hikes and sometimes multiple hikes per day—reflects the hyperinflationary process under way in the financial markets, with ever-increasing demands for cash to plug the holes. This is not an oil issue, but a financial one, and the price at the pump is but a small part of the price we pay for tolerating this predatory system. That system is now collapsing, and what the bankers have planned to replace it will be much worse, unless we stop them. Otherwise, today will be the good old days.