



ENERGY

AND THE POLITICS OF THE NORTH ATLANTIC

George A. Gonzalez

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P R E S S

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Published by State University of New York Press, Albany

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Printed in the United States of America

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For information, contact State University of New York Press, Albany, NY
www.sunypress.edu

Production by Diane Ganeles

Marketing by Kate McDonnell

Library of Congress Cataloging-in-Publication Data

Gonzalez, George A., 1969–

Energy and the politics of the North Atlantic / George A. Gonzalez.
pages cm

Includes bibliographical references and index.

ISBN 978-1-4384-4795-7 (hbk. : alk. paper)

1. Power resources—Europe. 2. Power resources—United States. 3. Cities and towns—Growth. 4. United States—Foreign relations. 5. Geopolitics—United States. 6. North Atlantic Treaty Organization. I. Title.

HD9502.E82G66 2013

333.7909182'1—dc23

2012043677

10 9 8 7 6 5 4 3 2 1

For Ileana and Alana

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Introduction

Beginning with the early nineteenth-century political economist David Ricardo, labor and capital have been viewed as key drivers of economies.¹ Their relative abundance or scarcity are held to determine productivity and technological advancement. More recently, some economists and historians have come to see natural resources, and their abundance or scarcity, as central factors in economic development and activity. So-called ecological economists have explicitly sought to assign a monetary value to the contribution natural resources make toward ecosystem viability and economic stability—apart from the market derived price of these resources.² A subfield of history has developed describing how societies over time have been politically and economically affected by stocks of natural resources.³ In perhaps the most well-known article in this line of thinking, Alfred Chandler, Jr., explains that the second industrial revolution surged forward in the United States because of its abundant amounts of coal. Coal allows for the generation of the heat necessary for economies of scale.⁴

Of course, not all countries have copious amounts of coal, or other fossil fuels, and those without these resources can economically and technologically stagnate compared to those that do. Additionally, in the course of developing their economies nations have depleted their domestic supplies of natural resources (including energy) and looked to fill this gap by drawing on the supplies of other countries—even doing so by force. The fields of international relations and international political economy have taken resource conflict (especially over energy) and the global raw materials trade into account.⁵

Even with this robust social science literature on the relationship between natural resources and societies, it is my contention that scholars have yet to fully grasp the political centrality of energy to the

modern world system,⁶ and, in particular, to the politics of the North Atlantic (i.e., the United States and Western/Central Europe). Ellen Meiksins Wood writes of the “Empire of Capital.” Borrowing heavily from Karl Marx, Wood explains that the global political/economic system is profoundly shaped by capital’s control of society’s means of production (e.g., factories; transportation and information networks; agricultural production). Through their control/ownership of the means of production capitalists are able to “exploit” the labor of workers to generate/capture surplus value (i.e., capital).⁷

Just as important as managing labor for the stability/advancement of the capitalist economy is the control of energy. The most successful capitalist economy of the twentieth century, the United States, possessed copious amounts of fossil fuels.⁸ As noted above, the second industrial revolution was powered in the U.S. by its super abundant and cheap domestic coal.⁹ The U.S.’s automobile revolution, in full throttle by the 1920s, was predicated on huge sums of domestic petroleum—with America being the largest producer of oil throughout the late nineteenth and early twentieth centuries.¹⁰ Investors in the United States could finance ever technologically advancing and expanding automotive production with the knowledge that there was ample, inexpensive gasoline to power a growing automobile fleet. The result was that the U.S. in the 1920s produced 85 percent of all automobiles.¹¹

Automotive production in the United States had broad implications for its entire economy. Automobiles require the input of glass, steel, and rubber, so growing automotive production meant an expanding industrial base. Perhaps more importantly, the sophisticated manufacturing techniques developed to produce automobiles spread throughout the industrial sector. This made the U.S. industrial base in the 1920s the most advanced in the world; moreover, by the 1920s the U.S. economy accounted for fully 25 percent of the world’s GDP (gross domestic product); also, the U.S. became the globe’s largest creditor nation, with European countries, in particular, heavily indebted to the United States.¹²

Again consistent with Marx’s ideas, Wood holds that the prime role of the state in capitalism is to ensure capitalists maintain control of the means of production. In the history of the twentieth and the early twenty-first centuries, however, the state in modern capitalism has played the equally important role of solidifying access to sources

of energy (especially oil, but also nuclear). In the aftermath of the oil shocks of the 1970s, the U.S. government made dominating the Middle East a political and military priority. This region of the world contains the majority of the world's proven petroleum reserves.¹³

Indeed, because energy is seemingly more of a zero sum resource than either capital or labor (markets, technology), energy has arguably been a greater source of international conflict in the twentieth and twenty-first centuries. One issue prompting World War I was France's desire to regain control of the Lorraine region, a coal producing area.¹⁴ It can be argued that World War II was caused primarily by energy concerns. Japan's attack against Pearl Harbor was directly precipitated by the oil embargo imposed against it by the United States.¹⁵ In the European theater, Germany's effort to replicate the U.S.'s automobile-centered approach to economic growth and development was handicapped by its dearth of domestic petroleum (Chapter 4 of this book). With no clear path on how to stabilize/expand its economy, Germany turned to war to resolve its economic difficulties (with capturing the oil fields in the Soviet Union being one of the Nazi's primary military goals).¹⁶ The 2011 NATO (North Atlantic Treaty Organization) military intervention in Libya is ostensibly intended to result in this country's significant petroleum reserves being at the disposal of Western oil firms.¹⁷

Zbigniew Brzezinski (National Security Adviser during the Carter Administration)¹⁸ in *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives* holds that Eurasia is central to Great Power politics. Arguably the most strategically important aspects of Eurasia are its huge petroleum reserves.¹⁹ This is confirmed by the U.S.'s invasion of oil rich Iraq.²⁰ The same can be said of the U.S.'s invasion of Afghanistan—with Afghanistan strategically located among central Asian countries possessing large amounts of petroleum and natural gas.²¹

Energy has been at the center of the single most important political reorganization of the modern era—European integration. As described in the following chapters, energy politics plays a key force in North Atlantic affairs.

Chapter 1

Energy and Europe

Since early in the modern era (beginning in the late nineteenth century), Western/Central Europe's relative lack of domestic sources of energy has been an economic and geopolitical limitation, and a significant source of intra-European strife. As already alluded to, Europe's dearth of petroleum put it at a severe disadvantage relative to the United States.

In the immediate post-World War II period energy continued to be a source of instability on the continent as France sought to indefinitely maintain Germany as an international protectorate, with France in control of Germany's coal fields. The French government expressly feared that Germany would direct its coal toward producing steel for its military (i.e., rearmament).¹ It was only after the countries of the continent decided to coordinate energy policy could they economically/politically integrate.

Exogenous Energy Factors in European Integration

In explaining European integration, scholars surprisingly tend to ignore the issue of energy. This in spite of the fact that the European integration project was baptized, in 1951, the European *Coal* and Steel Community (ECSC)—with the countries of Germany, France, Italy, Belgium, Netherlands, and Luxemburg joining. Also, as part of the early integration initiative was EURATOM (the European Atomic Energy Community)—an agreement in 1957 among European Economic

Community (EEC) members to share civilian nuclear power technology/knowledge. The current European Union Commission President José Manuel Barroso famously declared that for Europe “energy and climate are today’s coal and steel.”²

In explaining the early steps toward European integration, scholars focus on the role of the United States. The U.S. rejected France’s objective of stunting Germany’s political and economic development. Especially after the start of the Korean War, the United States was concerned that the Soviet bloc would make a military move to unify Germany under communist auspices. Thus, the U.S. committed to making West Germany a “normal” country, fully capable of contributing to protecting Western/Central Europe against military aggression from the East Bloc. (The United States was particularly concerned that its own military capabilities would be insufficient if wars were simultaneously initiated in both Europe and East Asia.) Therefore, the U.S. viewed European political integration as a way to rehabilitate West Germany in order to make it an effect military ally, as well as to politically and economically tie West Germany to the rest of “free” Europe—thereby making an independent (and aggressive) German foreign/military policy less likely. Once a militarily, politically, and geographically dismembered Germany was no longer possible (due to U.S. policy), France came to embrace the European integration idea in part to prevent an “aggressive” Germany from reemerging.³

Historian Geir Lundestad, in *“Empire” by Integration: The United States and European Integration, 1945–1997*, argues that the U.S.’s sponsorship of European integration made America a rather usual and somewhat benign imperial overseer. Lundestad holds that:

Throughout history empires have been ruled from an imperial center. This imperial center has almost always tried to guard its special position and if there was one development it feared, it was the emergence of anything that looked even remotely like an alternative center. Divide-and-rule was an important imperial technique in keeping the empire’s subjects in their place. Among modern empires, this description can be applied to relatively loose empires, such as the Austrian and British ones, and to more centralized ones such as the French and particularly the Soviet empire. For Vienna, London, Paris, and Moscow it was entirely out of the question

to promote an alternative center, since this might come to weaken the position of the imperial capital. Therefore, in promoting the integration of Western Europe the United States was clearly different from other Great Powers.

Geir does acknowledge, however, that the United States “wanted to exercise some form of control over Western Europe.” Nevertheless, “the way in which the U.S. defined its control and the methods it used to maintain this control were indeed rather different from those of other Great Powers.”⁴

What are these methods of control? (Geir does not explain, except to note that the U.S. militarily intervened twice in Europe [i.e., both World Wars] to prevent another power [i.e., Germany] from dominating the continent.) The United States has historically used energy as a lever over its European allies.

This is most obviously evident with the U.S. dominance of the Middle East.⁵ The Suez Canal crisis both demonstrates the importance of this region’s energy supplies to Western/Central Europe, and how in the 1950s and early 1960s (when the U.S. was most vocal in championing European integration⁶) America was the only hegemonic authority in the region. The crisis occurred in 1956 when Great Britain, France, and Israel responded to Egypt’s nationalization of the Suez Canal by taking military possession of it. (Oil for Europe from the Persian Gulf is shipped through this canal.) The U.S. was not consulted by its allies on their Suez Canal invasion, and publicly told the occupiers of Suez Canal to withdraw. They did. (One of the threats the Eisenhower Administration made against Great Britain and France is that the United States would enact an oil embargo against them.)⁷

During the 1950s, 1960s, and 1970s, the U.S. developed and deployed civilian nuclear energy as a way to maintain political/economic leverage over Western Europe. President Eisenhower himself (as well as his State Department) thought that the promise and lure of nuclear energy could be used to push Europeans toward integration. (This agenda was reflected in Eisenhower’s Atoms for Peace program.) The U.S. government selected nuclear reactor technology that would necessitate the enrichment of nuclear fuel in order to give America maximum leverage over European nuclear power systems.⁸ After the United States lost the enrichment monopoly among its Western allies

in the mid- to late-1970s, America abandoned the capacity to build nuclear reactors.⁹

Urban sprawl is a less obvious means energy is used by the United States as an instrument of hegemony. In the post-World War II period the U.S. accelerated the sprawling of its urban zones through the Federal Housing Authority (the unofficial name of the Federal Housing Administration).¹⁰ At the center of the U.S.'s post-war economic boom was urban sprawl—greatly expanding demand for consumer durables (retail items expected to last at least three years) like automobiles. Urban sprawl also expands demand for the consumer durables of furniture, appliances, and electronics (as the spacious detached single-family houses characteristic of low-density urban development [i.e., urban sprawl] increases demand for these latter items).¹¹ Therefore, urban sprawl has been a center of gravity for the American-led world system (i.e., the American Empire¹²)—drawing in allies with access to the economic demand created by urban sprawl¹³ and punishing/destroying adversaries by denying access.¹⁴

Of course, the system of bolstering consumption that is urban sprawl in the United States is maintained through huge energy inputs.¹⁵ For example, with less than 5 percent of the world's population, the United States consumes roughly 25 percent of global petroleum production. Thus, U.S. efforts to dominate world petroleum reserves (e.g., Iraq) do not solely represent an effort to maintain its hegemony through control of a vital resource,¹⁶ but it also is a tactic to maintain enough petroleum on the world market to sustain the U.S. system of urban sprawl—a key “carrot” in the American imperial system.¹⁷

Endogenous Energy Factors in European Integration

Hence, the United States used its control of energy (and other hegemonic attributes) to forward European unification. Energy, however, has played an equally important role as an internal impetus toward European integration. Put differently, not only did the United States encourage integration during the crucial period of the 1950s and early 1960s through energy politics, but the governments of Western/Central Europe have pursued integration as a means to effectively deal with energy issues.

Political scientist Andrew Moravcsik, in *The Choice for Europe: Social Purpose & State Power from Messina to Masstricht*, argues that European industrial trade associations, led by Germany's BDI, decisively pushed for European integration.¹⁸ As explained by Moravcsik, industrial concerns held that the continent's economic stability could only be maintained by the creation of a single European market. There are two problems with Moravcsik's argument. Firstly, economic integration does not necessitate political integration—as has occurred with the European Union (EU).¹⁹ A free trade zone, like the North American Free Trade Agreement zone, would seemingly suffice. Secondly, while an economic power such as Germany would logically embrace a single economic market, why would the other countries of Europe?—which would ostensibly run a trade deficit with the likes of Germany.²⁰ In the late nineteenth and early twentieth centuries, the countries of Europe used protectionist measures to manage their trade balances.²¹

What virtually all thinkers (including Moravcsik) fail to contemplate when pondering the factors underlying the creation of the European single market is that this market would not be worth much without the energy to power it. Particularly in an age where consumer durables are an economic mainstay, the European Union economy would be hopelessly degraded without the energy for such consumption items as automobiles, televisions, radios, kitchen appliances, computers, etc.²² Due to the very limited fossil fuels domestically available in Western/Central Europe, a coordinated energy policy was/is required to help sustain economic stability and growth.

Sebastian Rosato in his 2011 book, *Europe United: Power Politics and the Making of the European Community*, expressly holds that scholars must try to specifically identify the internal factors prompting Europe toward political integration, and notes that economic and political integration are two different phenomena and must be analytically treated as such.²³ Rather implausibly, however, Rosato posits that the internal driver of European integration was the Cold War, and, more precisely, the Soviet military threat.²⁴ If fear over the Soviet military was the prime factor prompting the political unification of Europe, why did the ECSC, leading with France, reject the proposed European Defense Community in 1954 (during the height of Cold War tensions)? The proposed defense community would have integrated all the militaries of the ECSC into one. Also, since the end of the

Cold War, far from disappearing the EU has greatly expanded its membership—particularly with former East Bloc members joining.

Perhaps more damaging for Rosato's position is the fact that the most significant step toward European political integration took place with the adoption of the euro by most countries of the European Union (17 of 27) in 2003—long after the Cold War was over. Rosato tries to argue that the adoption of the euro is not a significant step toward political integration—holding that it is not substantively different from currency coordination agreements. Thus, the adoption of the single currency does not represent a significant compromise of EU member states' sovereignty. Of course, this is not the case.²⁵ The adoption of the euro necessitated budget agreements by all members of the Euro zone (i.e., deficits could not exceed 3 percent of total national economies nor could overall national debt equal more than 60 percent of member states' economies).²⁶ These agreements were for a long time honored in the breach, but the 2008 Global Recession and the ensuing public debt crisis of such EU members as Greece, Italy, and Ireland has seen greater political/budgetary authority exercised by the EU center—strongly backed by Germany and France.²⁷

European integration was/is not prompted by military concerns, but by ones related to energy. The ECSC was formed in 1951 because it represented a political guarantee that other member countries would have unencumbered access to German coal. This was especially important for France. A free trade treaty among sovereign states would not have imparted such a guarantee.

It is generally believed that the 1957 transition to the EEC was initiated by the 1956 Suez Canal crisis.²⁸ The role of this crisis in bringing about the creation of EURATOM (also in 1957) is even more intuitive and evident.²⁹ The EEC and EURATOM allowed greater coordination among member nations on energy. Under the auspices of the Organization for European Economic Co-operation (OEEC), a Commission for Energy had been formed. (The OEEC included the British.) France, Britain, and Israel withdrew from Suez on November 6, 1956, and on November 23rd of the same year the Council of the OEEC adopted the OEEC's Commission for Energy report (known as the Hartley report). The authors of the report (as outlined in Chapter 5) recommended that the countries of Europe rely on domestic sources of energy, especially its coal supplies. Such

policies would enhance the autonomy of the EEC and insulate it from the vagaries of the world oil market.

A reliance on domestic coal, which was limited and expensive (particularly compared to U.S. coal),³⁰ however, would place Western/Central Europe in a competitive disadvantage.³¹ Thus, in 1960 the OEEC's Energy Advisory Commission recommended a greater reliance on cheaper supplies of foreign oil (the Robinson Report). By 1960 this was a less risky strategy because the African Mediterranean nations of Algeria and Libya were significant producers of petroleum.³² Noted in the Robinson report is that "there have been a number of significant changes in the general economic environment in which the European energy industries operate." "First, the establishment of the European Economic Community" which created "added opportunities for the development for the countries immediately concerned [i.e., EEC members] (sic)." The authors of the report also noted: "the competitiveness of the prices of different fuels has become a matter of much greater significance."³³

Leading into the 1970s, the EEC did rely on oil for the production of electricity. (In 1973 Great Britain joined the EEC.) As a way, however, to minimize its exposure to the world energy market, in the aftermath of the 1970s oil shocks, Europe greatly expanded its civilian nuclear energy capacity. While this expansion took place largely in France and under the auspices of the French government, nuclear electricity produced in France is used in other EU countries. France is the largest exporter of electricity in the world.³⁴

In the first decade of the 2000s, as world energy prices were rising,³⁵ the EU in 2007 adopted the 20/20/20 policy.³⁶ One goal of this policy is for the region to derive 20 percent of its energy from "clean" renewable sources by 2020 (about 34 percent of electricity). In an effort to promote solar power in particular, countries in the EU have instituted "feed-in" tariff programs, where power companies pay high rates for electricity generated from photovoltaic cells. These cells, placed on the rooftops of homes, directly convert sunlight into electricity.³⁷ There are also plans for the EU to draw solar and wind generated electricity from North Africa.³⁸ Another goal is a 20 percent reduction of energy consumption in the EU by 2020 (through efficiency gains).³⁹ The EU's 20/20/20 policy is cast as an effort to combat global warming (with one goal being a 20 percent reduction