Diana Davids Hinton

Introduction

This issue brings together five articles on the modern petroleum industry. Two cover the growth of the industry in the early twentieth century: Michael Adamson's study of the development of California's coastal oil region by independent oilman Ralph Lloyd; and the study by Lisa Bud-Frierman, Andrew Godley, and Judith Wale of the British entrepreneur Weetman Pearson's operations in Mexico. Two articles treat the post–World War II period: Nathan Citano looks at the budding interests of U.S. oilmen in the Middle East and Daniele Pozzi traces the transformation of the Italian company ENI into an international oil firm. Finally, Keetie Sluyterman examines the ways in which Royal Dutch Shell handled environmental issues from its inception in 1907 to the present. The issue also contains a survey of recent historiography on the oil industry in Latin America by Marcelo Bucheli and a review essay by James Bamberg on a recent four-volume history of Royal Dutch Shell.

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This special issue on the petroleum industry offers an opportunity not only to look at recent scholarship on the subject, but also to see how this scholarship reflects new directions in business history. In recent years, historians in the field have diverged from early studies, which focused on oil firms, such as Standard Oil and Sun Oil, and on the broader petroleum industry.[1] Like their counterparts who study other types of business enterprise, historians of the petroleum industry today have moved into new areas of research: the heterogeneity of firms and their

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[1] See, for instance, Ralph W. Hidy and Muriel E. Hidy, *Pioneering in Big Business, 1882–1911* (New York, 1955); Arthur M. Johnson, *The Challenge of Change: The Sun Oil Company, 1945–1977* (Columbus, Ohio, 1983); Harold F. Williamson and Arnold R. Daum, *The American Petroleum Industry: The Age of Illumination, 1959-1899* (Evanston, Ill., 1959), and *The American Petroleum Industry, 1899–1959: The Age of Energy* (Evanston, Ill., 1963).

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multifaceted responses to change; the varied interests of stakeholders; and the importance of culture in business, politics, and regulation. They have also returned to the long-established interest in the engagement of firms with politics.[2]

The new directions are visible in the scholarship on the petroleum industry that was published during the past decade—and is surveyed in this introduction. Several emerging themes are reflected in this issue of the *Review*: the industry's long and complicated relationship with the environment; new perspectives on the history of the large, multinational firms; and an emphasis on the interface of business and government at all levels.

The catastrophic undersea blowout in the Gulf of Mexico in 2010 is a reminder of the toll that extractive industries take on the environment. Petroleum in its various forms is not a tidy, easy to manage substance, and its production leaves little margin for human error. Although, by the beginning of the twentieth century, observers and government policymakers were becoming aware of the problems of pollution that were inherent to the industry, they were more concerned about economic wastefulness and threats to property rights than about damage to the ecology.[3] In his meticulous analysis of the petroleum industry's responses to a range of pollution issues, Hugh S. Gorman demonstrates that the industry did not willfully ignore the challenges. He points out that, during the first half of the twentieth century, engineers and technology experts considered pollution to be a problem of waste and economic inefficiency that had to be eliminated in order to protect the industry's bottom line. After 1960, however, petroleum companies became more aware of ecology and began to recognize the importance of environmental quality, in part because their preoccupation with cost had not resolved the issue of pollution. The publication of Rachel Carson's *Silent Spring* in 1962 also prompted a new public awareness of, and sensitivity to, environmental concerns.[4]

Incorporating the subject of the environment into studies of petroleum opens a range of opportunities to the industry's critics. Some

[2] For a most useful overview of the variety of new directions, see Patrick Fridenson, "Business and History," in *The Oxford Handbook of Business History*, ed. Geoffrey Jones and Jonathan Zeitlin (New York, 2007), 9–36.

[3] For example, in 1899, the Texas legislature mandated plugging wells upon abandonment and prohibited wanton gas flaring, but the objective was protection of the correlative rights of nearby lease holders. See Diana Davids Hinton and Roger M. Olien, *Oil in Texas: The Gusher Age, 1895–1945* (Austin, 2002), 9.

[4] Hugh S. Gorman, *Redefining Efficiency: Pollution Concerns, Regulatory Mechanisms, and Technological Change in the U. S. Petroleum Industry* (Akron, Ohio, 2001). In much the same way, early twentieth-century advocates of petroleum conservation pointed to waste as a reason for industry regulation. See Roger M. Olien and Diana Davids Olien, *Oil and Ideology: The Cultural Creation of the American Petroleum Industry* (Chapel Hill, 2000), ch. 6.

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environmentally oriented historians dwell on the persistent theme of industrialization's dark side. Brian Black, for example, opens his study of the early Pennsylvania oilfields with Ida Tarbell's indictment of the petroleum industry as "destructive of beauty, order, and decency." In his book, *Petrolia: The Landscape of America's First Oil Boom*, Black sums up the activities of the oil industry as comprising nothing but greed, damage, and environmental destruction, and he announces an intention "to pick up where the muckrakers left off."[5] Like Black, journalist Peter Maass's recent book *Crude World: The Violent Twilight of Oil* (New York, 2009) presents the industry as a source of violent global social and environmental destruction. With respect to the early industry, however, Paul Lucier introduces a new scholarly perspective in his book on the nascent science of geology and the consultants who were hired to apply it to petroleum, in *Scientists and Swindlers: Consulting on Coal and Oil in America, 1820–1890* (Baltimore, 2008), reviewed in this issue.

Some national oil companies, like Norway's Statoil and Brazil's Petrobras, have pioneered offshore technology in the context of extreme environmental challenges. In his overview of offshore development in the Gulf of Mexico in the journal *Enterprise & Society*, Tyler Priest points out that, as the industry moved offshore, it was forced to adapt to nature, rather than persisting with attempts to conquer it. Exploration and development beyond the sight of land meant having to design new technology capable of meeting challenging environmental conditions. Uncovering oil reserves became more of a compromise with nature, requiring solutions that highlighted the limitations of existing technology and made innovation essential. In describing the history of offshore oil, Priest also emphasizes the role of government subsidies and the politics that are entailed in defining the terms of access to unique environments, such as Santa Barbara, California, and Alaska.[6]

Important scholarship on large, multinational enterprises reflects new directions beyond the earlier studies on Standard and Sun Oil, which focused mainly on internal management strategies and structures. In the second volume of his history of BP, which covers the period from 1950 to 1975, James Bamberg discusses the relations between the company and the British government. While analyzing the firm's strengths, he also unsparingly details its weaknesses. For example, he describes how the firm's corporate culture became more of an impediment than

[5] Brian Black, *Petrolia: The Landscape of America's First Oil Boom* (Baltimore, 2000), 1, 6–7.

[6] Tyler Priest, "Extraction Not Creation: The History of Offshore Petroleum in the Gulf of Mexico," *Enterprise & Society* 8 (June 2007): 227–67.

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an aid in BP's effort to redirect global strategy after the tumultuous loss of control in Iran. He points out some of the uglier features of company policy, such as its discrimination against women and disregard for the welfare of its non-British workers.[7]

In this issue of the *Review*, Bamberg reviews an impressive multivolume history of Royal Dutch Shell by Joost Jonker, Jan Luiten van Zanden, Stephen Howarth, and Keetie Sluyterman. Like his own balanced account of BP, the authors are as forthright about Shell's failures —including most of its attempts to diversify—as they are about its successes, especially in technological innovation. As Sluyterman recounts in her article on Royal Dutch Shell, the firm not only had to collaborate with a host of national governments, but, in later years, it also had to adjust its strategies to conform to public opinion and respond to campaigns launched by nongovernmental pressure groups. Joseph A. Pratt and Tyler Priest have also published studies on the firms: Pratt on Amoco before BP took it over in 1998, and Priest on Shell's successful search for offshore reserves in the Gulf of Mexico.[8]

Several articles appearing in the pages of this issue take up the subject of multinational corporations, and thus, of necessity, explore their negotiations with the governments of host countries. This political context of the oil industry received intense scrutiny from business historians during the 1970s and 1980s, given the importance of concessions in developing countries to the growth of the global industry.[9] It is now attracting a new generation of researchers. Lisa Bud-Frierman, Andrew Godley, and Judith Wale, for example, recount how Weetman Pearson

[7] James Bamberg, *British Petroleum and Global Oil, 1950–1975: The Challenge of Nationalism* (Cambridge, U.K., 2000). Other authors have come forward with pointed criticism of multinationals' relations with indigenous workers. See, for example, Robert Vitalis, *America's Kingdom: Mythmaking on the Saudi Oil Frontier* (Stanford, 2007), on Aramco's poor treatment of blue-collar workers; and Myrna I. Santiago, "Women of the Mexican Oil Fields: Class, Nationality, Economy, Culture, 1900–1938," in *Journal of Women's History* 21 (Spring 2009): 87–112. Geoffrey Jones's *Multinationals and Global Capitalism: From the Nineteenth to the Twenty-first Century* (New York, 2005) is a useful introduction to the petroleum multinational enterprises in the context of their development in other sectors.

[8] Joost Jonker, et al., *A History of Royal Dutch Shell* (Oxford, 2007), reviewed in this issue; Joseph A. Pratt, *Prelude to Merger: A History of the Amoco Corporation, 1973–1998* (Houston, 2000); Tyler Priest, *The Offshore Imperative: Shell's Search for Petroleum in Postwar America* (College Station, Tex., 2007).

[9] For some of this earlier literature, see Noel H. Pugach, "Standard Oil and Petroleum Development in Early Republican China," *Business History Review* (Winter 1971): 452–73; Maurice Pearton, *Oil and the Romanian State* (Oxford, 1971); Mira Wilkins, "Multinational Oil Companies in Latin America in the 1920s: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, and Peru," *Business History Review* (Autumn 1974): 414–46; Geoffrey Jones, *The State and the Emergence of the British Oil Industry* (London, 1981); B. S. McBeth, *Juan Vicente Gomez and the Oil Companies in Venezeula, 1908–1935* (Cambridge, 1983); Fiona Venn, *Oil Diplomacy in the Twentieth Century* (Basingstoke, 1986); George Philip, *The Political Economy of International Oil* (Edinburgh, 1994).

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built an oil empire in Mexico, in part by exploiting its insider status with the Mexican government. Marcelo Bucheli, in an article published in the autumn 2008 issue of this journal, documents how Pearson misread the local politics of Colombia, which led him to underestimate U.S. influence in that country. In an article in the *Journal of Economic History*, Stephen Haber, Noel Maurer, and Armando Razo examine how the Mexican government's attempts to control petroleum multinationals were foiled by the firms' maneuvers to evade Mexican taxation and regulation by, in one instance, enlisting the U.S. government to threaten hostilities if Mexico insisted on imposing these policies.[10]

But American firms could not always count on their subsidiaries' home governments to rescue them, as Alison Frank has shown in her article, in the *American Historical Review*, on Standard Oil's Austrian subsidiary, where she describes how, in 1910, dollar diplomacy was no match for the stalling ploys of Austrian bureaucrats and their defense of local interests. For their part, national oil companies face a daunting set of relations in the global political arena, since they must balance the needs of their firms against the demands of their own governments and the requirements of host countries. Valerie Marcel aptly describes the tightrope these companies must walk, drawing from interviews with executives and officials of national companies in Abu Dhabi, Algeria, Iran, Kuwait, and Saudi Arabia. In the *Asian Development Review*, Andrea Goldstein supplies a useful overview of multinational and national companies, in which she traces the growth of national companies in Asia and compares firms, such as Brazil's Petrobras and Italy's ENI, with each other.[11]

Turning to policymaking and regulation, in our book, *Oil and Ideology*, Roger M. Olien and I identify the cultural sources and values that framed American perceptions of the domestic petroleum industry up to 1945, and we explain how these perceptions helped to shape policies toward antitrust action and conservation. Standard Oil's competitors discovered the political usefulness of encouraging negative images of Standard in the political arena. Eventually, industry critics expanded their attacks to indict the whole petroleum industry, and in this way

[10] Marcelo Bucheli, "Negotiating under the Monroe Doctrine: Weetman Pearson and the Origins of U. S. Control of Colombian Oil," *Business History Review* 82 (Autumn 2008): 529–53; Stephen Haber, Noel Maurer, and Armando Razo, "When the Law Does Not Matter: The Rise and Decline of the Mexican Oil Industry," *Journal of Economic History* 63 (Mar. 2003): 1–32.

[11] Alison Frank, "The Petroleum War of 1910: Standard Oil, Austria, and the Limits of the Multinational Corporation," *American Historical Review* 114 (Feb. 2009): 16–41; Valerie Marcel, with John V. Mitchell, *Oil Titans: Oil Companies in the Middle East* (Washington, D.C., 2006); Andrea Goldstein, "New Multinationals from Emerging Asia: The Case of National Oil Companies," *Asian Development Review* 26 (Spring 2009): 26–57.

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were able to justify its regulation, a policy direction that was encouraged by New Deal Liberals.[12]

As Nathan Citino points out in this issue, however, after World War II, industry apologists deflected Liberal criticism of oil-company expansion in the Middle East by arguing that imported oil would advance the American standard of living. Citino thus brings to the theme of Western oil companies in the Middle East a new focus on how cultural values are used to promote economic and political interests.

Back in the United States, other historians have presented the petroleum industry as an important force in shaping state and federal policies. In his study of the evolution of the Texas Railroad Commission, William R. Childs examines the intersection of state and federal regulation within the federalist context of American politics. He stresses how the convergence of economics, politics, law, and regional culture in Texas contributed to the development of a "civil religion of Texas oil," a distinctive regulatory culture that was accepted by business and regulators alike. This regulatory culture kept the price of oil to the consumer low, but at costs that subsequently were clearly revealed as unfortunate—including a rise in consumption and increasing reliance on foreign oil supplies.[13] In a related vein, Paul Sabin's book *Crude Politics* (2005) analyzes the interactions among business, politics, and law in California, with the objective of showing how government action shaped the development of the petroleum industry in that state. He argues that, as lawmakers and regulators constructed the context in which the industry functioned, they also made decisions that had profound effects on both citizens and the environment—and that kept gasoline cheap, encouraged the building of highways, and, ultimately, damaged the environment.[14]

Oil historians continue to publish articles on new aspects of the industry, including studies of independent, nonvertically integrated,

[12] Roger M. Olien and Diana Olien, *Oil and Ideology: The Cultural Creation of the American Petroleum Industry* (Chapel Hill, 2000).

[13] William R. Childs, *The Texas Railroad Commission: Understanding Regulation in America to the Mid-Twentieth Century* (College Station, Tex., 2005). Regarding regulation in Texas, Jonathan W. Singer studies the political impetus for action against Standard Oil affiliate Waters-Pierce Oil Company, in *Broken Trusts: The Texas Attorney General versus the Oil Industry, 1889–1909* (College Station, Tex., 2002); and Ernest E. Smith and Jacqueline Lang Weaver have seen their *Texas Law of Oil and Gas* (Newark, 2006) go into a second edition. Diana Davids Hinton and Roger M. Olien supply an overview of the petroleum industry in Texas and the evolution of regulation, in *Oil in Texas: The Gusher Age, 1895–1945* (Austin, 2002).

[14] Paul Sabin, *Crude Politics: The California Oil Market, 1900–1940* (Berkeley, 2005). For a study of a specific instance in policy targeting petroleum markets, see Bruce A. Beauboeuf, *The Strategic Petroleum Reserve: U. S. Energy Security and Oil Politics, 1975–2005* (College Station, Tex., 2007). An account of the generation of information for policymakers was written by Joseph A. Pratt, William H. Becker, and William M. McClenahan Jr., in *Voice of the Marketplace: A History of the National Petroleum Council* (College Station, Tex., 2002).

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players in the industry. An important contribution in this area is Michael Adamson's illuminating account, published here, of California's Ralph Lloyd. Yet there remain many areas open for research. For those drawn to the study of larger firms, there are a host of companies, such as Apache, Anadarko, Devon, XTO, and Chesapeake, that are worthy of attention. Some, like Apache and Anadarko, have become significant multinationals. National companies, such as India's ONGC Videsh Ltd., the China National Offshore Oil Corporation, and Petroleos de Venezuela SA, would all reward research. The Venezuelan firm became a major gasoline retailer in the United States after taking full ownership of Citgo in 1990. One area overlooked by scholars is the service sector—geophysical, drilling, and well service firms—which has grown tremendously since 1945, nor has oilfield labor received much scrutiny. Other than the trailblazing work of Christopher Castaneda, little has been written about natural gas, whose importance to domestic energy has grown tremendously.[15] Energy historians will have to address the question of petroleum in the energy industry's future and consider the degree to which belief in impending shortages has shaped its strategy.[16] In short, many areas are available for scholarly wildcatting, as the articles that follow will demonstrate.

[15] See, for example, Christopher James Castaneda, *Regulated Enterprise: Natural Gas Pipelines and Northeastern Markets, 1938–1954* (Columbus, Oh., 1993); Christopher J. Castaneda and Joseph A. Pratt, *From Texas to the East: A Strategic History of Texas Eastern Corporation* (College Station, Tex., 1993); Christopher J. Castaneda, *Invisible Fuel: Manufactured and Natural Gas in America, 1800–2000* (New York, 1999). The dramatic collapse of Enron spawned a veritable cottage industry in the history of the ill-starred firm. Two examples were written by Bethany McLean and Peter Elkind, *The Smartest Guys in the Room: The Amazing Rise and Fall of Enron* (New York, 2003), and Loren Fox, *Enron: The Rise and Fall* (Hoboken, 2003).

[16] A venerable theme in discussions of the American petroleum industry, the fear of running out of oil, began to be revived in 1956, when Shell geologist M. King Hubbert predicted that U.S. oil production would peak in 1970 and thereafter decline. Since Hubbert, many persons have taken positions on the probability of future scarcity. Two authors, both with industry experience, whose works sparked considerable discussion in the industry are Kenneth A. Deffeyes, author of both *Hubbert's Peak: The Impending World Oil Shortage* (Princeton, 2001), and *Beyond Oil: The View from Hubbert's Peak* (New York, 2005); and Matthew Simmons, *Twilight in the Desert: The Coming Saudi Oil Shock and the World Economy* (Hoboken, 2005).

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