INTERNATIONAL BUSINESS DEPARTMENT

COURSE NUMBER: IBUS 4900/IAFF 3190  Spring 2014

COURSE TITLE: Oil: Industry, Economy, Society

PREREQUISITES: Junior or senior status. Familiarity and comfort with economics measures and concepts at the level of ECON 1011 and 1012.

If you are unsure of your econ background, please review to confirm that you are comfortable reading this article assigned for session 3: “World Oil: Market or Mayhem?,” Journal of Economic Perspectives, Summer 2009: 145–164

The course is in part aimed at those pursuing regional studies, but is not organized geographically. Oil plays a significant role in every continent but Antarctica (as of yet). Participants can pursue regional interests through projects.

COURSE DESCRIPTION: Petroleum is one of the fastest-growing industries in the USA, and affects the fortunes of companies and nations. Most of the largest firms in the world are in petroleum.

This course takes a multidisciplinary approach (primarily political economy and management) to oil and its effects on business, nation-states and the world economy. The first half of the course adopts a top-down viewpoint, examining the global oil environment. The second half is more bottom-up, using cases to grapple with industry issues.

The course is conducted in a mixture of seminar and lecture formats. A group proposal, paper, and presentation, as well as active class participation are expected, and constitute over half the assessment.
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LEARNING OBJECTIVES: In addition to the specific objectives below, the course uses oil as a vehicle for applying and deepening understanding of intention-al-business concepts. As by far the largest global industry, oil reflects and influences broader sociopolitical issues and developments, facilitating pedagogy.

1. Understanding of the development of the oil industry in historical context, including key nations and companies.

2. Familiarity with the various roles played by resource-rich states and resource-poor states. Ability to analyze causes and effects of resource nationalism and resource mercantilism.

3. Analysis of political risk, and negotiations between multinational companies and oil-producing countries.

4. Identification of key factors influencing competitiveness in global resource industries.

5. Students will develop perspectives on the roles played by oil in society, including the rentier state, and the resource course.

6. Familiarity with corporate-governance issues that arise in the industry.

7. Understanding of the causes and effects of oil crises.

8. Ability to assess arguments for and against the proposition that oil production has “peaked,” and the claimed consequences of “running out.”

9. Understanding of the relationship between the public and private sectors as manifested in a global industry.

10. Familiarity with resources for research on the oil sector in the global economy, especially the types of data often used.
ASSESSMENT:

exam \( \frac{1}{3} \)
group term paper \( \frac{1}{3} \)
group project proposal \( \frac{1}{6} \)
class participation \( \frac{1}{6} \)
(including group presentation)

**Attendance and participation in the group presentation sessions is mandatory.**

EXAMINATION:

In class, April 9. **Attendance is mandatory.** The exam is open-book, open-notes.

GROUP PROJECT:

A proposal with the names of 4-5 group members is due by Session 4 class meeting. Subject – your choice, with approval of the instructor. Length – 5 pages, plus any charts, tables, and bibliography.

The paper is due by Session 13 class meeting.

Group members are individually and collectively responsible for project work, and will receive a common assessment.

ACADEMIC HONESTY:

Students are responsible for compliance with GW’s policies on academic honesty and integrity. Using words written by others without proper citation, or passing off someone else’s work as your own, constitutes academic dishonesty and is subject to disciplinary action including failure of the course. Please ask if you have questions.

REQUIRED READING:

**This is an experimental course;** additional readings may be assigned as they become available, depending on focus.

No textbook. Articles, book chapters, and some cases are on Bb (depending on your IP address, you may need to log in to Gelman e-journals to get articles). Books are also on reserve in Gelman.

Most HBS and other cases must be purchased here: [https://cb.hbsp.harvard.edu/cbmp/access/23270071](https://cb.hbsp.harvard.edu/cbmp/access/23270071)
Petroleum Intelligence Weekly (PIW) is the industry’s widely-respected newsletter. PIW’s publisher has granted permission to post it to BLACKBOARD each week (Bb > Electronic Reserves); for course use only (circulation and copying not permitted). Read the weekly issue before each meeting; in a topics course, it is especially important to keep up with current developments. Also, general business newspaper of your choice (Financial Times best www.ft.com, WSJ OK)

ON-LINE RESOURCES: Useful websites. No endorsement implied; take cum grano salis

Government
- U.S. Energy Information Administration

Company
- BP Statistical Review of World Energy

IGO
- Extractive Industries Transparency Initiative
- Organization of Petroleum-Exporting Countries (OPEC)

NGO
- Global Witness
- Oxfam America
- Publish What You Pay
- Revenue Watch

Blog
- General
  - http://www.energytrendsinsider.com/
- Peak-Oil
  - http://www.theoildrum.com/ (archived Sept 2013)
  - http://www.themonkeytrap.us/articles-and-blog-posts
  - http://bittooth.blogspot.com/
  - http://euanmearns.com/
  - http://ourfiniteworld.com/about/
  - http://www.resilience.org/stories-list/79716-energy
  - http://www.theoildrums.com/
- Anti-Peak-Oil
  - http://peakoildebunked.blogspot.com/
SPRING 2014 DRAFT SCHEDULE

1. jan 15    Course Overview, Historical Perspectives
2. jan 22    Looking Ahead: Is the World Running Out of Oil?
3. jan 29    The Global Petroleum Market – Players and Prices
4. feb 5     Societal Institutions — (When) is Oil a Resource Curse?
5. feb 12    Political Risk, Resource Nationalism
7. feb 26    Oil Shocks & Energy Security
8. mar 5     Petroleum Industry I – Players, Strategy
              mar 12    Spring Break
9. mar 19    Petroleum Industry II – Ownership, Corporate Governance
10. mar 26   CSR, Societal Impact
11. apr 2    Oil Consumption, Environmental Consequences
12. apr 9    EXAMINATION (open book, notes, etc.) Attendance mandatory
13. apr 16   class presentations Attendance mandatory
14. apr 23   Attendance mandatory
Topics & Readings

**Petroleum Basics** (*BLACKBOARD Session 1* please review and familiarize yourself)


*B P Statistical Review of World Energy* (petroleum section)

1. **Course Overview, Historical Perspectives**

   Antecedents and origin of the industry. Which aspects are familiar today?

   Yergin, *The prize: the epic quest for oil, money & power*, 1991: Ch 1 *SKIM*

   Olien and Olien, *Oil and Ideology*, 2000: Ch 2

   **CASE** *Creating Global Oil, 1900-1935*, HBS 9-804-089, revised 2011

   **MINI-CASE** *Debating the Expropriation of Mexican Oil*, HBS 9-805-011, 2008

2. **Looking Ahead: Is the World Running Out of Oil?**

   *Is the world running out of oil? If so, what are the consequences for the global petroleum oil industry? The auto industry? The world economy? Nation-states? What does running out mean? Should oil prices reflect scarcity? What is the evidence? How is scarcity defined and measured?*

   **Point-Counterpoint**


   **Intro to the Economics of Exhaustible Resources (read at least one of the two)**

Optional Background: The Classic Article on Peak Oil  

Optional Economics Background  

3. The Global Petroleum Market – Players and Prices

Smith, "World Oil: Market or Mayhem?" Journal of Economic Perspectives, Summer 2009: 145–64


CASE  Filling the Empty Quarter: Saudi Aramco and the World Oil Market, HBS, 9-708-048, 2010

Optional Economics Background  

Optional Background on Traders, Derivative Markets, and Speculation


4. Societal Institutions — (When) is Oil a Resource Curse?

Does oil foster authoritarianism, conflict, and corruption? Do oil-exporting countries have a worse growth record? (How) do institutions play a role?


CASE  Angola and the Resource Curse, HBS, N9-711-016, 2010

Optional Regional Articles: Africa


**Optional Literature Surveys**


van der Ploeg, “Natural Resources: Curse or Blessing?, *Journal of Economic Literature*, June 2011.

5. **Political Risk, Resource Nationalism**

*The obsolescing bargain.* To whom does petroleum under the ground belong? Who should receive the benefits of oil? Who does? How important is FDI, and how does political risk affect investment? How can we conceptualize political risk in a systematic fashion? What are the sources of political risk?


**Investor Perspective** Click and Weiner, Resource nationalism meets the market: Political risk and the value of petroleum reserves, *Journal of International Business Studies*, June-July 2010: 783-803


### 7. Oil Shocks & Energy Security


**CASE**  *Unocal Corporation: China’s Unwelcome Bid*, ACRC, University of Hong Kong HKU588, 2006

**Optional Background**

Stobaugh, “The Oil Companies in the Crisis,” *Daedalus*, Fall 1975: 179-202


### 8. Petroleum Industry I – Players, Strategy

**NOTE**  *The Global Oil and Gas Industry–2010*, Thunderbird TB0223, 2010


### 9. Petroleum Industry II – Ownership, Corporate Governance

*Who owns the world’s oil companies? (Why) does it matter? If privatization of national oil companies is the answer, what is the question?*

**Background on Corporate Governance (SKIM if you are familiar with CG):**  Eun
10. **CSR, Societal Impact**

Video of the Niger Delta, Nigeria

Watts, “Righteous oil? Human rights, the oil complex, and CSR,” *Annual Review of Environment and Resources*, 2005


**CASE** *Talisman Energy: The Decision to Enter Iraq*, 9B09M035, Ivey School of Business, Univ. of Western Ontario, 2009


11. **Oil Consumption, Environmental Consequences**

**Climate Change**


**Deepwater Horizon Oil Spill**

**CASE** *BP’s Macondo: Spill and Response*, HBS, 9-711-021, 2011

**Optional Background**

Steffy, *Drowning in Oil: BP & the Reckless Pursuit of Profit*, 2011: Ch 1, 14-16, 20