

Highway Robbery

*An Analysis of
the Gasoline Crisis*

**By Fred C. Allvine and
James M. Patterson**

The years 1970 to 1973 saw the end of an era of "oil colonialism" as foreign petroleum exporting countries raised prices, reduced quotas, and triggered staggering changes in the American economy. The giant oil companies, who had made their chief profits through tax-sheltered crude oil operations, responded by exerting a "squeeze" on independent low cost marketers and refiners. The results are painfully familiar to American consumers: shortages in fuel oil and gasoline and soaring prices of petroleum products. This study, written by two nationally known authorities, exposes the operations whereby the major oil companies have destroyed the healthy competition of a free and open market by using their control of crude oil to force independent marketers to raise prices or to cease operating. Meanwhile the Nixon administration (influenced perhaps by large campaign donations) has watched from the sidelines and failed to act.

The authors examine the factors leading up to the petroleum product shortages and describe their consequences. Their findings confirm the public suspicion that certain large companies played a significant role in creating the shortages—aided and abetted by inept management of the Oil Import Program by the executive branch of the

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federal government. While the initial shortage was created intentionally by a programmed under-utilization of refinery capacity in order to pressure certain changes in government policy and competitive conditions, by late 1973 the shortage was due to inadequate refining capacity. It was obviously deepened and made more severe by the Arab oil embargo.

Meanwhile, in the wake of galloping increases in the earnings of the major oil companies, the highly competitive independent marketing segment of the gasoline industry has been left in ruins. For this situation, the authors blame the vertically integrated structures of the big oil companies (their ownership or control of crude oil operations, refineries, and marketing facilities); they show that these structures prevent otherwise competitive markets from adjusting efficiently to changes in demand and supply. Authoritative and specific, this book names names and cites facts and figures to expose the actual operation of the oil giants and concludes with concrete recommendations for much-needed legislation in this area.

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