next decade with minimum damage to economies, currencies, and foreign relations? A few governments seem certain. Western governments must take the place of the independent oil companies in negotiations with the oil nations about prices and output. The oil business is too important to be left to the oil firms, which have become tax collectors and lobbyists for the Arabs, offering little protection to the consumer. The Common Market would like to turn Europe's oil firms into glorified public utilities. That trend probably will grow.

Another casualty will be the philosophy of waste expounded by President Nixon when he said: "There are only seven percent of the people of the world living in the United States, and we use thirty percent of all the energy. That isn't bad. That is good. That means we are the richest, strongest people in the world, and that we have the highest standard of living in the world. That is why we need so much energy, and may it always be that way." In fact, Americans use so much energy because they waste half of it. The average American uses two-and-a-half times as much energy as does the average European to support a standard of living only marginally higher. If China alone consumed energy with the per capita profligacy that Americans display, it would use up every watt, gallon, and BTU in the world.

Beyond that, many long-range policies have been proposed. U.S. oil expert Walter J. Levy has urged the United States, with its relatively small dependence on Arab oil, to protect its allies against extreme shortages. In return, Japan and Europe must "forego the temptation of looking only at their immediate self-interest." If that much trust can be built—and, on present evidence, the possibility is doubtful—the industrial nations, Levy says, could "avoid bidding against each other or being played against each other with ever-escalating political and economic demands being made upon them." A "countervailing power" to the oil-producing nations would emerge, and "the extraordinary political, strategic, and economic power of the Atlantic-Japanese group of nations" would restore balance to the oil picture.

Yet "Long-Term Projections of Political and Military Power," an authoritative study compiled for the U.S. Navy by a Princeton team, doubts the allies can find enough unity to make such pressure effective. It also discounts economic pressures, because the Arabs need nothing so badly as we need the oil. Nor, it adds dryly, "in view of their past experience with Western powers, would they be especially susceptible to moral and political arguments."

Some Westerners still see the Arab as an unlettered desert warrior, swapping his camels for Cadillacs as the oil gushes in. But the warrior's sons are in charge now. They have been to Harvard and Wharton and would rather invest in computers than Caddies.

"British strategist Neville Brown warns that the West 'may face the choice of capitulating or going in physically to get the oil.'"

A Western cartel for negotiating with the Arabs or for allocating supplies will probably be necessary. But unity must be assured in advance, since the Arabs say they would use a boycott to break up any "hostile" cartel. Everyone agrees on the need to develop nuclear and solar energy. In the long run, those plus coal will provide the answer. But only the White House believes they will be functioning effectively by 1980.

King Faisal appears to worry less about Israel (except for Jerusalem) than about Mideastern rivalries involving Saudi Arabia, Iran, Iraq, Kuwait, the two Yemens, and the seven sheikhdoms in the United Arab Emirates. The country that armed Faisal against these threats, as we have begun to do, might cash his gratitude in for oil. That could be an effective policy despite the moral and practical objections, not the least of which is that it is playing with fire.

But for all our futures, the best strategy is cooperation. The oil nations do need Western technology, finance, political support, and imports, and they will pay in oil to get them. An example is the recent deal between Germany and Iran, with Bonn getting oil and Tehran getting two steel mills, a refinery, and a petrochemical plant.

The wise use of such long-term cooperation could, if we are lucky, produce the best answer of all—international commodity agreements ensuring a steady oil supply to the benefit of both producer and consumer. Joseph Yager of the Brookings Institution urges the formation of an "international oil organization . . . stabilizing the production and marketing of oil." Both Arabia's Sheikh Yamani and Iran's Jahangir Amuzegar suggest that the oil nations invest their immense profits in refineries, pipelines, and other energy projects that the industrialized nations, by themselves, will be hard pressed to finance.

But before that can happen, the Arabs must realize they can gain nothing by playing the Western allies off against each other, by tying politics to oil, by imposing leapfrog price demands, and by cutting output to drought levels—whether out of self-interest or to fulfill the threat by Libya's Qaddafi to "ruin your industries." That realization, in turn, will not happen so long as Japan, America, and Europe undercut each other for every drop of Arab oil. In a world of "Nixon shokkus" and aborted "years of Europe," that unity is elusive. But on that issue, at least, the allies' interests are identical.

The alternative to cooperation has been clearly stated. British strategist Neville Brown warns that the West "may face the choice of capitulating or going in physically to get the oil." Sen. J. William Fulbright says Washington may "come to the conclusion that military action is required to secure the oil resources of the Middle East, to secure our exposed jugular." Sheikh Yamani says the Arabs would blow up their oil fields if that happened. But the study for the U.S. Navy says the Western powers, if they "became very desperate," could marshal overwhelming military strength.

These men are no warmongers. Brown says an invasion of Araby "is a possibility that I quite frankly regard as horrendous." Yet the possibility exists. Skeptical? Ask yourself this: Would the Western nations accept—*should* they accept—an oil-supply situation that undermines their currencies, economics, foreign policies, alliances, and standards of living? If the search for alternatives begins now, that question need never be asked. ☐

FRASER YOUNG LITERARY CRYPT NO. 2

A cryptogram is writing in cipher. Every letter is part of a code that remains constant throughout the puzzle. Answer on page 64.

UYILO CYI XI RIU VOOP MGER LOPXIH UYERZ UYGU EU EL VOPU.

XS. NIYRLIR

Letter From Paris

by Clyde Farnsworth

Following is a letter from Tom Pinstripe, European financial director of Universal Multiabstractions, Inc., a multinational American company, to his friend of many years and business colleague in New York, Sam Flannel. Mr. Pinstripe is a composite personality whose thoughts and feelings represent those of many American financial officers in Europe.

Paris
8 January 1974

Dear Sam:

Sorry to be so long in replying to your letter of last month, but honestly, with these back-to-back crises—the dollar, the mark, the yen, gold, and now Arab money and oil—well, there just aren't enough hours in the day. I'm not telling you anything, I know. Maybe it even looks worse from 30 Rock Plaza. It's a leadership crisis in the States—I mean in Washington.

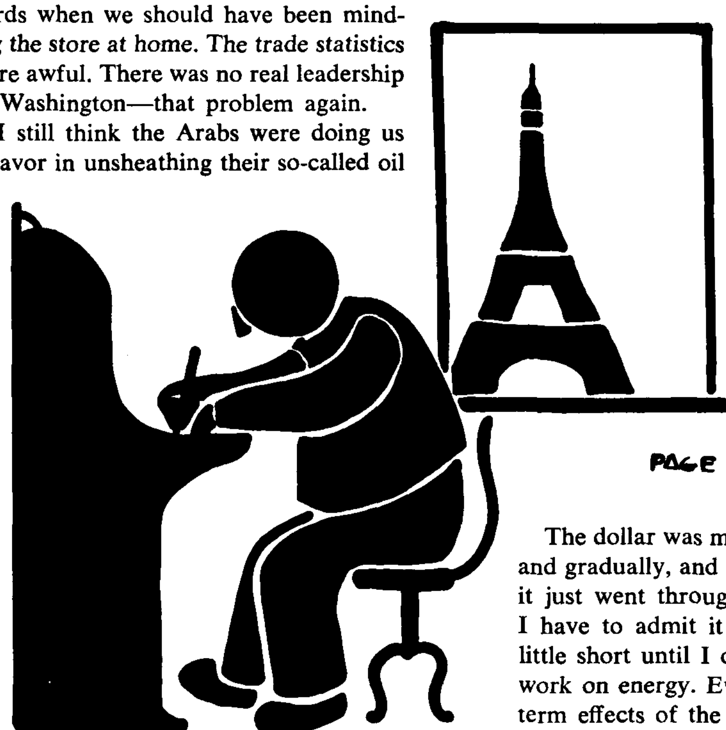
The problems are increasingly serious because everything seems to be breaking up. All the old relationships. If you'll forgive my pontificating for a moment, we're in a dangerous transition phase of history.

At any rate, I hope you've been observing the operations of the international division, and especially the financial operations, because we haven't been doing at all badly in defending our position and making a few bucks on the side—and have certainly more than made up for the fiasco last February when we didn't see the second devaluation of the dollar coming. Even after the second devaluation there was no confidence. That was clear. We were still in Vietnam, screwing around in other people's backyards when we should have been minding the store at home. The trade statistics were awful. There was no real leadership in Washington—that problem again.

I still think the Arabs were doing us a favor in unsheathing their so-called oil weapon because it was obvious that the cost of energy had to rise and that as soon as oil prices got up high enough, it would become commercial for the United States to use its ample coal and shale-oil reserves and become self-sufficient in energy. We were living in a dream world when Middle Eastern oil was only costing two dollars a barrel. And, of course, it wasn't helping the United States at all because we were paying four dollars a barrel for our own production, while Europe and Japan were getting the cheap Middle Eastern supplies. If you want my opinion, this was one of the reasons why our dollar was so overvalued in the 1960s. European industry was more competitive because it was paying less for energy. Now the situation is reversing. It won't help the subsidiaries in Europe, and that's why I think it would be foolish to make any more capital expenditures over here. But in the long run it should make domestic industry in the United States stronger, vis-à-vis Europe and Japan.

I had lunch with Ian MacGregor of American Metal Climax the other day. He told me that the coal reserves of Wyoming alone, coal that lies within 300 feet of the surface, are equivalent in BTUs to two-thirds of the oil reserves of Saudi Arabia. And then there's all that shale.

Well, as you can see, I've had to become something of an energy expert because the monetary implications are so enormous.



Anita Page

The dollar was moving up nice and gradually, and then suddenly it just went through the ceiling. I have to admit it caught me a little short until I did my homework on energy. Even the short-term effects of the Arab oil cutback are more favorable for the U.S. than for Europe or Japan because they really need the stuff, while we can tighten our belts a little and get by with our own and non-Mideast supplies. And it's good all this happened before we got too damned dependent on the Saudis. Because then we'd be in the same boat as Europe and Japan are in now.

So my problem is to pilot the finances here through a recession. I have to admit it helps my native pride to ask the Germans to pay us a little faster, because I don't like their currency so much anymore. I just hope the dollar doesn't get too strong too fast. What everybody's worried about is competitive devaluations, and I tell you that's a real danger unless they get some ground rules in this monetary system. I really can't see the Germans or the French, or anybody over here, taking a high rate of unemployment before devaluing first.

Let's hope it doesn't come to that. Meanwhile, we're putting our spare cash in dollars and, yes—why not?—Kuwaiti dinars. There's a currency that's solid, convertible, partially backed by gold, and dammit, sitting on all that oil.

All the best,
Tom

Clyde Farnsworth is a Paris-based economic correspondent for The New York Times.