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Crisis of Leadership

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A strong President would have taken strong steps to cope with the energy crisis. But Mr. Nixon is a weak President, desperately clinging to his office. As a result, the nation is being ill-served by half-baked measures which not only will not solve the problem, but doubtless will make it worse.

At the same time, American industry has shown that it, too, has been wearing blinders. In Detroit, where the chief executives haul down anywhere from $440,000 a year (Chrysler's Lynn Townsend) to $875,000 (Henry Ford II) for their efforts, the auto companies have been caught flat footed, with huge inventories of gas-guzzling monsters.

As a result, auto stocks are plunging and thousands of workers are facing layoffs that needn't have come if the top men had really earned their plush salaries.

Michael Evans of Chase Econometric Associates, Inc. puts this latter point as well and as bluntly as anyone:

"The market share of standard-size cars fell 7 per cent last year, which is as much as it had fallen during the previous seven years. These facts simply could not have been a secret from executives in an industry which has more daily and weekly data than any other.

"I personally know of several instances where middle management argued strenuously last year that production lines should be reoriented toward smaller cars. Yet this argument fell mostly on deaf ears at the top executive level. John deLorean's abrupt departure from GM was based on more than long boring staff meetings."

To come back to Mr. Nixon's poor performance: The President is doing his best to make it appear the energy crisis is temporary, one that can be handled with relatively soft measures.

He told the Seafarers' Union that the crisis would not last much more than a year, the direct opposite of what his own chief energy experts have been telling him and telling reporters.

The blunt truth is that even if the Arab oil embargo were to be lifted in a matter of months, this country will face both a shortage and shockingly high prices for what supplies are available until new resources are developed.

By his own count, the President's new program—a 50-mile speed limit, Sunday gas station closings, etc.—will reduce fuel consumption this winter by only 10 per cent, while the shortfall will be 17 per cent.

It is obvious that gasoline supplies must be reduced so that more home heating and industrial oils can be produced. And a formal rationing system is the only logical way to distribute whatever gasoline remains available. As cumbersome as it is, rationing would be better than throwing short supplies on the market and letting everyone hustle for what he can get.

But an even more serious consideration is the President's bland insistence that give it a year or so, and it will be business as usual. Lurking behind such a statement must be the desperate hope that the Arab nations can be pushed into shipping oil once again.

American policy should be based, as Treasury Secretary Shultz said the other day, on the assumption that Arab oil sales will never be resumed.

"If we don't take a lesson from this, and pay the price it takes to become self-sufficient, we're just crazy," says Shultz. He's right, but his boss hasn't got the message.

Mideast oil, it must be remembered, costs less than 15 cents per barrel to produce. But ever since 1971, the cartel of oil-producing nations has been hiking the price to astronomical levels by raising the tax on oil exports. Thus, even if a real Arab-Israeli peace were somehow achieved, the oil producers' monopoly could still maintain an artificial scarcity and drive the prices up at will.

Thus, the U.S. needs a crash program to develop oil from shale and coal, to explore off-shore, to stimulate energy production from solar and nuclear sources, and to strenghten ties with the non-Arab oil-exporting nations. It needs the kind of government management that will direct the domestic oil industry, rather than let it call the shots—as it did five years ago when it successfully lobbied Nixon away from Shultz' recommendation that oil import quotas be lifted in favor of a tariff system.

The nation also needs to re-develop strong ties with the rest of the Western World and Japan so that together they can blunt the heady new economic power of the Persian Gulf nations.

But all of this takes the leadership of a respected, courageous President—which suggests that we won't cope with the major dimensions of the energy crisis until Mr. Nixon is persuaded to leave, or is pushed out of his high office.