

The Decline of the West?

After the world energy conference here in Washington, it is probably too late to ask whether the decline of the West has begun. Instead, the real questions now appear to be how far the West's decline has advanced already and whether that decline can be halted or reversed.

This way of stating the case may sound extreme and Jeremiah-like. Yet only consider the hard facts of the case. You then conclude that extreme language is amply justified.

To begin with, the great industrial nations of the non-Communist world have met in conclave. The meeting was called to consider a common problem so vast and urgent that it can lead to common ruin. Yet the leaders of the West have been unable to unite.

To go on with, there is the intractable character of the common problem. The immense growth in productivity of these same industrial nations has required corresponding growth in their energy consumption, in the end—in fact well over a year ago, long before the Yom Kippur war—the vast increase in energy consumption produced a radical change in the supply-demand position.

The oil producing nations thus found themselves in a strong sellers' market. The result has been what we call the "energy crisis." The phrase is misleading, for the real essence of the crisis is not the fuel shortages that everyone talks about. Instead, the true essence of the crisis is the enormous rise in the price of oil, which the oil producers have been able to secure because they are in a sellers' market.

Unfortunately, however, the immense economic growth of the industrial nations has had another feature that is now of great significance. The economies of all these nations are intricately dependent, not only on freely available oil, but also on oil at relatively reasonable prices.

This dependency of the great industrial economies is at least half way to our own dependency on the oxygen in the air we breathe. So much has become more and more clear, as the bankers and economists of the United States, Western Europe and Japan have begun asking themselves how

their countries are going to pay for the oil they need at the new prices. The answer is that they cannot hope to pay for it, even if oil prices drift downward a bit.

Thus you have the forecast that no later than the end of the present year, higher oil prices will leave every major industrial nation with a huge deficit in its balance of payments. That is just another way of saying that these nations will have been unable to pay for their much more expensive oil imports. In consequence, they will be incurring mountainous debts.

As noted in the last report in this space, no past experience offers guidance about the consequences of such a situation. The leading industrial nations are also the leading banking nations. In effect, they largely own the world's financial system.

There has never been a case, in the past, when every one of these nations was simultaneously going into debt to the tune of billions of dollars per annum. Thus, no one can quite predict the effect on the world's financial system. But it must be perfectly clear to any common-sense person that the financial system will be in the gravest danger, when all the nations that largely own the system are in deep trouble together.

That is not the end of the problem, either. As anyone can see, the mountainous debts incurred by the leading industrial nations will take the form of transfers of mountainous capital sums from these nations to the oil producing nations. But what, then, will the oil producing nations do with the tens upon tens of billions of capital which they thus acquire?

The fashionable answer is that the oil producers will then right matters by investing their new wealth in the industrial nations.

But if anyone should be able to judge this kind of problem, that man is the head of the Chase Manhattan Bank, in fact the leader of the U.S. financial system's greatest single stronghold, David Rockefeller. And Mr. Rockefeller is known to have told a recent meeting of the Council on Foreign Relations that the financial system will not even be strong enough to stand the pressure, of the tens upon tens of billions of oil-producers' dollars in search of investment.

In short, you have here a situation that is an obvious recipe for the kind of universal plunge into misfortune the industrial nations experienced in the Great Depression. The fashion in this town, meanwhile, is to blame the Western Allies for the failure to unite against this common danger.

But the larger fashion in this town is also to talk of nothing but the Watergate mess. And with such dangers hanging over us, we may well blame ourselves for our failure to move to other topics.

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