

The 1973 Oil Crisis

By Sarah Horton

In October of 1973 Middle-eastern OPEC nations stopped exports to the US and other western nations. They meant to punish the western nations that supported Israel, their foe, in the Yom Kippur War, but they also realized the strong influence that they had on the world through oil. One of the many results of the embargo was higher oil prices all throughout the western world, particularly in America. The embargo forced America to consider many things about energy, such as the cost and supply, which up to 1973 no one had worried about (Spiegelman).

In order to understand the main cause of the oil crisis one must first know the history of the region and the Arab-Israeli conflict. World War II a Zionist state, known as Israel, was created on 56% of the land that was formerly known as Palestine. This state served as a homeland for Jews. The local Arabs were enraged by the fact that the Palestinian land had been taken to create this state. They refused to acknowledge Israel as an independent state. The Arabs began to launch efforts to recapture the land that they felt was rightfully theirs. This created the Suez-Sinai War. The British and the French sided with the Israelis in order to punish Nasser for nationalizing the Suez Canal. The strong Israeli military forces quickly defeated the Arabs. The Arabs responded to this defeat by uniting. In 1967 Israel launched the Six-Day War, claiming much land. In 1973 Arab forces retaliated. On Yom Kippur, the holiest Jewish holiday, Arab forces attacked, backed by Soviet technology (The Mid-east Oil Crisis). Saudi Arabia's King Faisal swayed other oil supporting countries into placing an embargo on crude oil to Western nations, in late October. This was meant to punish the Western states that had supplies weapons and aid to Israel (The Arab oil embargo of 1973-74). Arab oil-producing countries wished to pressure the Western countries, specifically America into demanding that Israel withdraw their troops from the Arab territories that they had occupied since 1967. This included the ones that the Israelis had recently conquered (Palmer, p.871). They used the embargo in this way as a political tactic. They were also able to use the embargo for economic means. Once they had placed the embargo on the west, the world's largest consumer of oil, the Arabs realized the power that they had over the world through oil. Once they had resumed shipments of oil they were able to keep the prices high and make a larger profit. Panicking investors and oil companies added to the surge in oil prices in the U.S. These causes plunged a nation where everything seemed to revolve around cars into desolation and insecurity. America found that it could no longer afford to thoughtlessly consume oil. Philosopher E.F. Schumacher said of the crisis, "The party's over." (Spiegelman).

The immediate results of the Oil Crisis were dramatic. Prices of gasoline quadrupled, rising from just 25 cents to over a dollar in just a few months. The American Automobile Association recorded that up to twenty percent of the country's gas stations had no fuel one week during the crisis. In some places drivers were forced to wait in line for two to three hours to get gas (Frum, p.320). The total consumption of oil in the U.S. dropped twenty percent. This was due to the effort of the public to conserve oil and money. There was an instant drop in the number of homes created with gas heat, because other forms of energy were more affordable at this time (Arab Oil Embargo of 1973-74).

The U.S. government went to desperate measures to improve the situation that America found itself in. Congress issued a 55mph speed limit on highways. This was a good thing. Not only did oil consumption go down, but fatalities decreased overnight. Today's fuel economy stickers come from the effort to preserve oil in the 70's. Daylight savings time was issued year round in an effort to reduce electrical use. These changes were made in hopes of preserving oil. Tax credits were offered to those who developed and used alternative sources for energy (The Arab Oil Embargo of 1973-74). These included solar and wind power. Nixon, who was president at that time, ordered the department of defense to create a stockpile of oil in case the country needed the military to carry it through a time of chaos. There was a large cutback in oil consumption. Emergency rationing books were printed although they were never necessary due to the end of the embargo. Nixon formed the Energy Department and it became a cabinet office. It developed the national energy policy. They made plans to make the U.S. energy independent (The Arab Oil Embargo of 1973-74).

Gasoline companies and stations also did all that they could to preserve oil. Nixon had issued a voluntary cutback on the consumption of gasoline. Gas stations would voluntarily close on Sundays. They refused to sell to customers who weren't "regulars." Gas stations also wouldn't sell more than ten gallons of gasoline to a customer at a time. They felt that these efforts would help the public to become more fuel-efficient (The Arab Oil Embargo of 1973-74).

The public helped to retain energy as well. Families turned their thermostats down to sixty-five degrees. The rise in oil prices also caused the public to be more fuel-efficient. Companies and industries switched their energy source to coal (The Arab Oil Embargo of 1973-74). People searched for alternative energy sources. People traded their mammoth cars that had thoughtlessly been speeded down highways to over-heated homes in the suburbs for smaller more fuel-efficient models (Spiegelman).

The Arabs began to ship oil to Western nations again, but this time at inflated prices. One of the long-term effects of the embargo was an economic recession throughout the world. Inflation remained above ten percent and unemployment was at its record high. The era of economic growth which had been in effect since World War II had now ended. It also ended the common belief that economic prosperity reflected oil consumption statistics (The Arab Oil Embargo of 1973-74). The long-term effects still remain even today. Today's appliances or the good ones at least, require less than half the energy that they required three decades ago (Mastio). Speed limits and fuel economy stickers are a result of the government's efforts to preserve oil. Exploration and development of resources within the U.S. increased dramatically. The government was very concerned about the dependency of the U.S. on foreign oil. The Corporate Average Fuel Economy (CAFE) eventually raised its standards up to 27.5 miles per gallon. Oil heat was slowly replaced by electric heat. The number of homes using oil heat fell about twenty-three percent. The decline would have been even more rapid were it not for the new homes with natural gas heat in northern regions. This was helped by a slight population growth in the south and west United States where electric heat is more popular. Electric heat is also more readily available to the suburbs. Heating systems now are twenty percent more efficient than they were in 1973.

One of the biggest long-term effects was the massive change in cars due to the oil embargo. In Detroit the production of giant, gas guzzling cars was halted. Cars with big engines and large heavy bodies were no longer made in order to preserve oil and boost the economy. Detroit was forced to increase the fuel efficiency of all its cars. Today's models like the Geo Metro and the Ford Escort are modeled after the 1970's Chevy Vega and Ford Pinto (The Arab Oil Embargo of 1973-74). The sale of Japanese cars increased, because they met the efficiency standards that American cars did not. The American Auto industry was forced to meet these standards and reformulate its cars (Spiegelman).

Although the embargo ended only a year after it began in 1973, the OPEC nations had quadrupled the price of oil in the West. The embargo opened a new era in international relations. It was a political and economical achievement for the Middle East (Palmer, p.890). Third World states discovered that their natural resources, on which they depended upon, specifically oil, could be used as a weapon in both political and economical situations. The Rising oil prices continued to be a threat to not only America's economy, but also that of the world. President Jimmy Carter would later call the oil situation in the 70's "the moral equivalent of war." (Speigelman). Never had the price of an essential commodity risen so quickly and dramatically. The vulnerability of the Western world had truly been revealed (Palmer, p. 932)

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