

GLOBAL INSECURITY

Edited By

Daniel Yergin and Martin Hillenbrand
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Reviewed by

*Edward J. Grenier, Jr.**

Global Insecurity is a provocative title about a provocative subject — the impact of the energy problem upon world society, or perhaps more appropriately, world societies. Unlike co-editor Daniel Yergin's earlier effort in the energy field (*Energy Future*),¹ the focus here is not so much on the energy situation itself, but rather is on the impact of energy (or lack of it) upon the world, regional, and individual economies, the social fabric within various societies outside the Communist world, and the relative power of nations and groups of nations. The major focus is upon the leading industrial nations, the United States, Japan, and Western Europe, and the oil-importing developing nations.

The book is the result of a four-year multidisciplinary research project. The title of Mr. Yergin's initial chapter (he authored two out of the twelve chapters) signals the theme for the entire book: "Crisis and Adjustment. . . ." The authors postulate that we are in the midst of an energy crisis, which, in today's circumstances, means an oil crisis. *Global Insecurity* examines the political, economic, and social consequences of this crisis and, most particularly, the various potential adjustments to the crisis. The authors considered and flatly rejected the notion that the current oil glut and declining prices mean that the oil crisis (and therefore the energy crisis) is over. Indeed, they believe that the pattern of the 1970's of oil price shock, followed by a price plateau (sloping gently downward in real terms), followed by another oil shock, etc., is itself at the very core of the crisis. They directly relate the escalating economic problems of the world — sharply decreased economic growth, lack of investment, increasing inflationary pressures (at least at certain times) — to the oil problem.

The basic question they raise is whether and to what extent the non-Communist world can adjust to the "oil crisis" during the rest of this decade and to the year 2000. They analyze the basic strengths and weaknesses of individual nations and regions (particularly, the United States, Japan, and Western Europe) in making this adjustment. To some extent, the separate prospects of individual European nations are analyzed, but much of the analysis considers Western Europe as a bloc. An important subtheme is energy as a fundamental issue of national security and an element of national power (in either a positive or negative sense).

As noted, the book is divided into twelve chapters, each separately authored. In addition to Mr. Yergin's initial overview chapter, Chapter 2, by Robert Stobaugh, focuses broadly on the subject. His chapter, entitled "World Energy to the Year 2000," presents Upper Bound and Lower Bound scenarios as setting the boundaries for projected energy supplies to the year 2000. The so-called Upper Bound scenario envisions an annual growth in energy supply of 2 percent for the OECD (*i.e.*, free-world industrial) nations. It assumes that things will go reasonably well on the

*Partner, Sutherland, Asbill & Brenna, Washington, D.C.; B.A. Manhattan College, *summa cum laude* 1954; L.L.B., Harvard Law School, *magna cum laude*, 1959. Member District of Columbia Bar.

¹*Energy Future* was reviewed in 2 Energy L. J. 135 (1981).

supply side, that no major political upheavals will interfere with oil production, and that efficiency gains in the use of energy will continue to be made. The Lower Bound scenario, on the other hand, envisions energy stringency, with zero growth in energy supply for the OECD countries through 2000. It looks for no improvement in the energy supply and pricing pattern of 1973-80, and specifically includes a reduction in oil supplies available from OPEC. Mr. Stobaugh sensibly recognizes that, with good luck, the energy supply picture could be considerably better than even the Upper Bound scenario and that, with bad luck, it could be even worse than the Lower Bound scenario. However, he argues that the event is most likely to fall between the two boundaries. This analysis is of critical importance to the entire book, since the other authors use it as the framework for their own more particularized analyses.

Chapter 3, by Robert Dohner, entitled "The Bedeviled American Economy," traces American economic performance up to and after the 1973 oil embargo, and he projects possible future economic adjustments to the energy situation, particularly as framed by Mr. Stobaugh's scenarios. Chapter 4, by Daniel Yergin, "America in the Strait of Stringency," continues the discussion begun in Chapter 3, but focuses more on structural issues than on the general problems of increased inflation and reduced growth. In particular, the chapter focuses on the potential scenarios for the United States if Stobaugh's Lower Bound supply scenario turns out to be approximately correct.

Chapters 5 and 6, by Teruyasu Murakami and Joji Watanuki, respectively, analyze the Japanese society and economy, Japanese adjustments to the energy situation in the past, and the limits to Japanese adaptability in the future, again using various energy supply and pricing scenarios as frames of reference. Chapters 7 and 8, by G. F. Ray and Jean Saint-Geours, respectively, do the same thing for Western Europe. This is not to imply, however, that the latter two chapters are mere reruns of the earlier two, but with Europe substituted for Japan. Despite an overall common analytical framework, each author brings a certain originality of approach to his own chapter.

Chapter 9, "The Global Poor," by Althea L. Duersten and Arpad von Lazar, examines the unique problems of the developing countries and differentiates among those with potential or actual indigenous energy supplies and those without them, and among those who are industrializing and those who are not. Chapter 10, by Hans-Eckart Scharrer, continues to examine the prospects of the oil-importing developing countries (OIDCs), but expands the discussion to embrace a broad look at the future pattern of world trade. Again, oil is viewed as the potential culprit. A lack of adequate adjustment to oil pricing and supply will exacerbate the growing international debt problem and the increasing trend toward protectionism in trade matters.

Chapters 11 and 12, the final two chapters, examine the impact of the energy (oil) problem on power relationships among nations. Chapter 11, by Robert J. Lieber, looks at "Cohesion and Disruption in the Western Alliance." As the title implies, Mr. Lieber reviews the energy-related factors which tend to bring the Western Alliance members closer together and those which tend to split them apart. Chapter 12, by Ian Smart, looks more broadly at "Energy and the Power of Nations." Mr. Smart examines how energy contributes (affirmatively or negatively) to a nation's power.

The twelve chapters, though separately authored, arise out of a common research project, and they fit together to advance a common thesis: we do have an

energy problem, which will not disappear by our simply wishing it away. At least between now and the year 2000 the "energy problem" means the oil problem." The real problem facing the world is adjustment to the oil situation during the period of transition to more secure long-term energy technologies (the nature of which cannot be predicted with certainty at this time). Poor adjustment will mean recurring cycles of inflation, lack of investment, inadequate economic growth, high unemployment, and high potential for social unrest. Good adjustment, in this context, means that the non-Communist world may hold its own economically (though, even under the more optimistic scenario, the authors do not envision spectacular economic progress).

The general tone of the book is optimistic, however, as indicated by the subtitle they chose for their book, "A Strategy for Energy and Economic Renewal." In the authors' view, the necessary structural changes required to achieve a satisfactory long-term adjustment to the energy situation will take time. The key to a satisfactory adjustment, however, in their view, is basically two-fold: (a) Governments must allow the market mechanism (and thus higher energy prices) to work; and (b) governments must consciously adopt policies to encourage and assure greater efficiency in the use of energy, including promotion of investments to bring about greater efficiency. The authors are confident that, as people and governments in the non-Communist world achieve greater understanding of the problem, they will make the decisions required to achieve a satisfactory adjustment. That peoples and governments can have the will to make the hard choices is illustrated in some respects by the Japanese experience (though the limits to which Japanese society might be pushed are examined in Chapter 6).

Whether or not one agrees with the authors' basic analysis of the energy situation and their prescriptions for economic and social survival, this book is important reading for all who are interested in energy or in the economic, political and social affairs of the nations. One's understanding of the energy situation and its relationship to fundamental economic and social issues is bound to be enhanced by this book.