The 1979 Energy Crisis: US Foreign Policy and Public Consciousness

Nevin Power

School of History, UCC

Introduction

It is 1979. Cars wait for hours to get gasoline and fistfights erupt in the long queues. A riot over a lack of diesel fuel for truckers takes place in the centre of a model American middle-class suburb in Pennsylvania. Two years earlier President Jimmy Carter had appeared on national television explaining America's first comprehensive energy policy before submitting it to Congress. Framing the need to reduce dependence on foreign oil as being the "moral equivalent of war", Carter advocated conservation and the development of renewable sources of energy. This research proposes that, despite his efforts, between 1977 and 1979 Carter was unable to produce a grand strategy on energy because of foreign policy developments in the Middle East and their impacts on interconnected US domestic issues in the state of the economy, access to oil, and the public's perception of limits to US power. The foreign policy developments in the Middle East, which included the Iranian Revolution of 1979 and the Soviet invasion of Afghanistan at the end of that same year, affected world oil supplies with the knock on effect of affecting the strength of the US dollar. Without a way of controlling these foreign policy developments, the US was perceived as weak and the President ineffective. Essentially events thousands of miles away held consequences for domestic policies and thus ordinary Americans watched gasoline prices rise through the summer of 1979.

> "Our trade and current account positions have moved into heavy deficit. There are doubts that we will solve our energy problem or control inflation" — Under Secretary for Monetary Affairs to Secretary of the Treasury, July 26, 1977.

While events thousands of miles away influenced US domestic policies, the state of the US economy itself did not exist in a vacuum. With inflation running high OPEC oil producers were receiving less value for their product leading to some pressing for an oil price increase to recover some of that lost value. This was worrying for the US as a higher oil price would feed inflation, creating a vicious circle of continuing price rises and continuing inflation. As shown in the quotation above, the issues of inflation and America's need for oil were very closely linked. Months earlier, on April 18, 1977, President Carter had linked both when announcing the submission of his National Energy Plan (NEP) to Congress. His televised speech began, "tonight I want to have an unpleasant talk with you about a problem unprecedented in our history", before then announcing that the energy problem was the "moral equivalent of war". He cited the economic and inflationary impacts of a failure to conserve energy, strongly linking his plan with the health of the economy. The NEP, developed over a period of 90 days, was to be Carter's grand strategy to defeat the energy problem. However, how would it solve the issue of inflation? By stemming demand for more energy, prices would stabilise and inflation would drop. In doing so, OPEC were less likely to raise their prices. The promised changes would not occur overnight though as the NEP was submitted to Congress for debate and subsequent approval, modification, or disapproval. In the meantime the US energy problem, and its relationship with inflation and foreign policy, remained very real.

As the NEP was debated within Congress, the Carter Administration concentrated efforts on improving relations with Saudi Arabia and Iran, the two most important OPEC producers. Knowing that the NEP would take some time to go through Congress, it was important that Carter reassure these key producers that inflation was a key concern of his Administration. In turn he would seek assurances that both nations would not pursue an oil price increase in the coming year. To this end Carter and Saudi Prince Fahd met in late May 1977 where they discussed oil prices , amongst other issues, with Carter attempting to add a key additional block to his grand strategy on energy by gaining a commitment from Fahd not to support a price increase in the coming year. While he did not gain such a commitment, his energy plan, still being debated in Congress, was paying some international dividends. In May an Indonesian oil official stated that Carter's proposed plan had influenced the OPEC nations, Indonesia one of them, to defer a planned July 1977 price increase. However, the positions of Saudi Arabia, Iran, and US inflation, were still liquid. This was shown in an October 1977 briefing memorandum to the Secretary of State which cited continuing US inflation as a key motivator for some OPEC members to seek a price increase for 1978. As testament to this the Treasury Secretary was given the task of explaining how the US planned on combating inflation when he visited Iran in October. In doing so, he would be attempting to convince the Shah of Iran to press for an OPEC price freeze. The final building block in the grand strategy was for Carter himself to meet the Shah and confirm such a freeze. If he could do so, other OPEC nations would follow the Iranian lead and allow the NEP time to get through Congress, and for US inflation to fall. When the Shah visited Carter in November he reminded him that US goods which Iran purchased had quintupled since 1973. Carter was forced to note that this inflation did indeed hurt Iran. Would the Shah freeze Iranian oil prices despite this? Citing Carter's fight against inflation, he did. Saudi Arabia did likewise and OPEC prices were frozen for 1978. Carter's grand strategy on energy was working, a price freeze would assist his fight against inflation and allow time for his domestic energy programs to work. However, events in the Middle East would demolish his project.

> "Continuation of Iranian curtailments beyond the next several months could turn an already tight gasoline market into one of spot shortages this summer" — Secretary of

Energy, James Schlesinger, January 4, 1979.

In September 1978 oil workers in Iran downed tools. Throughout 1978 protests against the rule of the Shah were growing and the oil workers became part of this. By December 1978 Iranian oil production had ceased as the Shah's regime crumbled. This would have profound effects on Carter's energy strategy. Just as he had tentatively constructed his strategy through 1977, he would now see it collapse. In an effort to shore up the remains of his strategy Carter militarised it, linking national security to Middle East oil, through a closer relationship with Saudi Arabia. With the above mentioned spot shortages seeing fuel stations temporarily close throughout the US in the summer of 1979 domestic discontent grew and Carter was blamed. The man who announced the idea of a grand energy strategy would have to take the fall as developments in the Middle East impacted on the US.

As the Iranian Revolution continued, the US saw world oil stocks plunge. The Energy Secretary wrote to Carter on January 4 1979 to explain that if Iranian production did not resume, the normal stock build up that took place to cover the summer and winter months, would not take place. The only nation that could feasibly make up the Iranian shortfall was Saudi Arabia and while it did cover the immediate shortfall no one was sure for how long this would last. Now that Iran was "lost" Washington knew it had to do all it could to bolster Saudi Arabia as the largest oil producer. A US Navy carrier group and jet fighter group was despatched to the Persian Gulf as a show of US resolve. Even still the general uncertainty drove up prices, led to hoarding, shortages and, skyrocketing inflation. Individual OPEC nations were now ignoring official OPEC prices, selling to whoever would buy. It all uncovered how dependent the US was on foreign oil. On January 27 1979 Defence Secretary Harold Brown wrote that the "deteriorating situation in Iran has magnified the serious question of continuing availability of oil from the Persian Gulf in the future...". He was right but Carter's NEP, although passed by Congress in a highly stripped-down form in November 1978, gave the US no immediate alternative. Therefore it had to bolster Saudi Arabia.

Within the US gasoline shortages began to bite. After the embarrassment of Vietnam and the tribulations of Watergate it seemed like this was the final straw, one more sign that the US was no longer omnipotent. The shortages were leading to long queues at filling stations which did have supplies and led to a weekend-long riot in middle-class Pennsylvania suburb. The riot was one result of a trucker's strike over the price of diesel and its effect on the trucking business. It was a perfect example of Carter's failed energy strategy and the effects of foreign policy developments in the Middle East on US domestic issues. With the rioters shouting "cheaper crude or no more food" (aimed at the Middle Eastern nations) it was clear that conservation and the "moral equivalent of war" that Carter had proclaimed in April 1977 was now far from their mindset. Inflation, still high, was frustrating Americans and the lack of access to cheap oil was doing likewise. However this frustration was not just economic, it was also psychological. The US seemed weak, unable to stem the rising prices and shortages, and the grand strategy offered by Carter had seemed to fail, marking another failure on the dismal score-card of American achievements in the 1970s.

> "An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America" — President Jimmy Carter, January 23 1980.

With no way to solve the energy issue, Washington pressured Saudi Arabia to keep pumping oil. More important still was making sure Saudi Arabia was secure. The Iranian Revolution had shown that even strong monarchies were vulnerable. Would it only be a matter of time before a similar fate awaited the al-Saud family ruling Saudi Arabia? Notwithstanding internal threats there were also perceived external ones. The USSR seemed to be watching events in Iran closely, was actively involved in wars on the Horn of Africa and, according to the Saudis, was looking to gain influence in the Persian Gulf to garner oil supplies there. National Security Advisor Zbigniew Brzezinski, quoted by Time magazine in January 1979, spoke of an "arc of crisis" extending from the Horn of Africa to the Indian Ocean. Both saw the arc as a prime target area for Moscow with the Persian Gulf, from where most of the world's oil was shipped, as a choking point Moscow might someday grip. The careful diplomacy with OPEC members alá 1977 was shelved as Cold War rhetoric heated up throughout 1979 and in December the Soviets invaded Afghanistan, bordering the oil fields of Iran. Energy was now a national security issue under the Cold War umbrella, the grand strategy finished and on January 23 1980 Carter exclaimed the above quotation at an address to Congress in response to the Afghanistan invasion. Clearly the ideas of conservation were no longer to the forefront as oil and the Cold War mixed. Afghanistan was yet another development that scuppered Carter's chances of constructing that planned grand strategy.

However, perhaps Carter was naïve in thinking that such a strategy could ever work, dependent as the US was on resources from such an unstable region. While his goals were admirable, they did not frame the idea of an America without limits and were scuppered by Cold War realities come the end of 1979. Casting our minds to recent years the Persian Gulf region is still one of great interest to the US, the Carter Doctrine (above quote) laying the basis for US involvement in the region ever since the first Gulf War. As such, while this research has yet to reach its conclusions, it is relevant to current realities regarding US relations with energy-rich nations in the region.

Research for this project has taken place at the Jimmy Carter Presidential Library in Atlanta, Georgia, with further research to take place at the US National Archives. The author wishes to thanks his supervisors, Prof David Ryan and Dr David Fitzgerald, for their support.