'The last hope' from the Corriere della Sera (24 December 1973)

Caption: On 24 December 1973, the Italian daily newspaper Corriere della Sera expresses concern over the repercussions of the oil crisis on the Italian economy.

Source: Corriere della Sera. dir. de publ. Ottone, Piero. 24.12.1973, n° 50; anno 13. Milano: Corriere della Sera. "L'ultima speranza", auteur:Zappulli, Cesare , p. 1.

The final hope

Let us for now set aside the Arab-Israeli conflict where blackmail has envenomed the oil crisis, inducing the oil-producing countries to change tactics in their attempt to fight a battle that they have been unable to win by force. There is no doubt that, even without a war, we would sooner or later have come to this oil deadlock, given that the Western economies, with the exception of the United States, had over-confidently and thoughtlessly founded their development on a rare and precarious resource. The maxim *Deus dementat quos perdere vult* immediately comes to mind. Whom the goods seek to destroy, they first make mad.

The Persian Gulf countries have adopted the solution that anyone else in their situation would also have opted for, aware of both their own market strength and the relatively imminent exhaustion of the oil wells. They have doubled the price of crude oil, disregarding what is termed the reference price. But the worst is yet to come. In the past weeks we have witnessed auction prices of up to 12 dollars per barrel, on occasion even peaking at 14 dollars. A keen observer of the situation has pointed out that if the prices had stabilised at these levels, the daily revenue of the Arab countries would have amounted to 200 000 million lire. This, he added, meant that, with the proceeds from Monday and Tuesday they could have bought the whole of Montedison; with those of Wednesday to Sunday, they could have purchased Fiat; and after six months they could have bought up every one of Italy’s large and medium-sized companies.

Unfortunately — and here is the crux of the matter — the oil-producing countries have no intention whatsoever of buying any companies, or of investing the vast funds they have accumulated into the economic and social development of their national communities, whose power to exert pressure on their Governments is practically nil. A considerable sum has so far been spent on armaments, thus satisfying in equal degree the fanaticism of the leaders and the people. The rest has been used as a battering ram to weaken the international monetary system.

From this arises the problem of how to pay for oil and other raw materials which, either for autonomous reasons or in the wake of oil, have undergone dizzying price rises. What can we offer in exchange? We can accept worsening terms of trade to a certain extent and exchange, for example, a car for 40 tonnes of oil. We can supply machinery, industrial plant and consumer goods; but any exchange will always depend on whether the other contracting parties want these goods and at what price. It is clear, however, that we cannot go beyond a certain point because the devaluation of our own work also has its limits. And could we go as far as putting Italy into liquidation?

Cutbacks in some areas are unavoidable and priority access to oil will be given to thermo-electric plants, factories, heating and the petrochemical industry. For private consumption the tightening of belts is bound to continue alongside fuel rationing or further price increases, or both. Under the circumstances, celebrating any environmental benefit that this may have makes little sense. A production slump in the automobile industry would drag down with it half of Italy’s economy; and the current ‘development model’ cannot be changed from one day to another. The prospect before Italy is that it will go through a difficult period of recession and unemployment before the system can be redesigned to focus on agriculture, livestock-farming, construction and public services.

In this bleak setting, the only hope — as has already been mentioned — is to persuade the oil-producing countries to see reason. We need to convince them that a powerful development effort can benefit them more than MIGs, Mirages or speculating in gold and dollars. Europe will be willing to support them with its industrial and technological resources. Why could the miracle of the Negev Desert not repeat itself in Libya, Egypt or Syria? What we can also offer is to associate all our creditors, from both rich and poor countries, in European enterprises, including those that it now seems ironical to call oil companies, given that they have no oil but just process it at a profit. This is our final option; if it fails, we can only resign ourselves to our fate.

Cesare Zappulli