Faculty of Arts and Sciences
University of Pennsylvania
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FAS reports

New Urgency in Middle East Studies

While the Middle East has become the focus of international attention during the past few years, it has been the subject of scrutiny by Pennsylvania scholars for two centuries.

Today,over 35 Pennsylvania faculty members in ten departments in the Faculty of Arts and Sciences are concerned with various aspects of the Middle East from ancient times to the present, carrying on a tradition of Middle Eastern scholarship which dates from 1780 when the first professorship of Arabic was established at Pennsylvania. Considered to be among the top four or five Middle East studies programs in the country today, the Pennsylvania program is one of six in the nation to hold a National Defense Education area studies grant.

The University's Middle Eastern scholars have long been recognized as leaders in the study of ancient civilizations. The University Museum's first archaeological expedition took Pennsylvania scholars to Nippur at the end of the last century. University scholars have since distinguished themselves in their work with Sumerian tablets and Persian symbols. They have discovered Egyptian temples at Karnak, the golden cup at Hasanlu and the winter palace of Herod the Great at Jericho.

Today this traditional strength in history, language and culture has been coupled with a strong and diverse program of contemporary Middle Eastern studies. Language studies now include Armenian, Turkish, Hebrew, Arabic and Persian as well as such ancient languages as Akkadian and Assyrian. And courses are offered in such departments as economics, history, history of art, sociology, international relations and political science, in addition to those in anthropology, oriental studies and religious studies.

The development of these programs has been encouraged by the Middle East Center where students can receive a Middle East regional specialization to complement their undergraduate major or graduate degree. The Center's programs are built around the University's strong ancient and medieval base in languages and literature, but also include economic, social, political and legal facets of the Middle East from ancient to modern times.

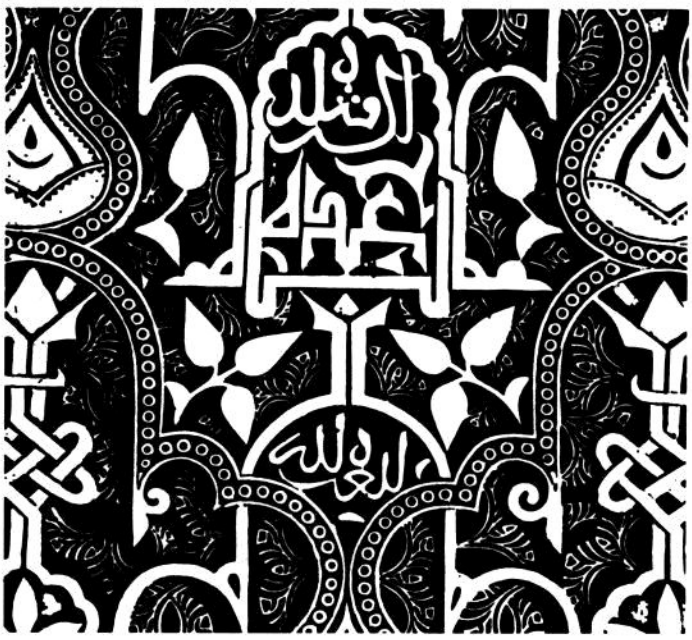
This tradition of strength and the increased importance of the Middle East prompted the Faculty of Arts and Sciences last April to invite its alumni to a day-long conference entitled *Inside the Muslim Middle East: Heritage and Change* in which nine professors offered lectures and discussions. The scope of their presentations vividly demonstrates the diversity of Middle Eastern Studies at Pennsylvania.

Dr. F. Gerard Adams, Director of the Economics Research Unit and Professor of Economics and Finance, discussed the way the Arab states have come to gain control over the prices of oil, why they will maintain it, and how the West must adjust. *The Mystical Vision of Existence in Classical Islam* was the subject of a lecture by Dr. Gerhard Bowering, Assistant Professor of Religious Studies. At a luncheon speech, Provost Vartan Gregorian, Tarzian Professor of Armenian and Caucasian Studies, presented his views on the situation in Afghanistan and its historical roots.

Associate Professor of Art History Renata Holod delivered an illustrated lecture on *Transforming the Traditional Built Environment: Problems of Contemporary Architecture in the Islamic World,* while Professor of Sociology Samuel Z. Klausner, Director of the Center for Research on the Acts of Man, lectured on *Islam: A Religion for Societal Governance.* George Makdisi, Director of the Center for Study of Byzantium, Islam and the Latin West and Professor of Arabic and Islamic Studies, gave alumni a preview of his forthcoming book in a presentation titled *The College in Islam and the West.*

Islamic Law in the Middle East Today was the focus of the presentation by Dr. Ann E. Mayer, Assistant Professor of Legal Studies in the Wharton School. In his lecture, *The Population Problem and the Islamic Tradition,* Basim F. Musallam, Assistant Professor of History, presented his views on the effects of birth control programs in the Middle East. Dr. Donald E. Smith, Professor of Political Science, examined the new Islamic leadership in many countries and their chances for success in a presentation titled *Religion and Politics.*

Excerpts from the lectures by Drs. Smith, Mayer and Adams are included on the following pages. Dr. Holod has selected drawings and photographs to illustrate some key points in her lecture.



The Politics of Islamic Resurgence

by Donald E. Smith, Professor of Political Science

According to Professor Smith the politics of Islamic resurgence can be summarized by one sentence: The Islamic vision of a total divinely ordered society is being revived to heal the split personality of the present-day Muslim world under the aegis of an alternate intellectual and political leadership, but the effort is doomed to failure. *In his talk before the alumni in April, he commented in detail on this summary sentence.*

Let me begin with the first part of my sentence: *The Islamic vision of a total divinely ordered society...* We have to talk a little bit about the essential genius of Islam: it is indeed a vision of a total society. This proceeds from basic assumptions and assertions about the nature of Allah, God. The omnipotence of God, God Almighty, God all-powerful are all words that are common in the Judeo-Christian-Islamic tradition. But in Islam this notion of the sovereignty of God has been taken more seriously and pressed to a far greater extreme than in either Judaism or Christianity. Everything that happened in the universe is subject to the sovereignty of God.

It is interesting to compare religious traditions. In India in the sixth century B.C., a prince named Siddhartha retired from the royal palace, left his parents, wife and child, left the prospect of becoming king within a few years, renounced all that, sat under a tree and meditated. When he had found his answers to the spiritual problem of *individual* salvation, that was the beginning of Buddhism. The history of Islam is almost diametrically opposed. The prophet Mohammed was not just a mystic, a visionary who had a certain revelation. His revelation told him to go out and to create a total human community obedient to the dictates of God. And this is what he did. So, right from the outset, Mohammed was the founder not just of a religion, but of a state, of a total Islamic society. He was the transmitter of law. And in a sense he embodied his vision of that sovereign God who has not left anything unnoticed.

This emphasis on a total divinely ordained society has led Muslims to put the greatest emphasis on law. The *Shari'a,* one of the key words in Islam, is the Islamic law that encompasses everything. It has to because God is sovereign. It includes criminal law, civil law, constitutional law and international law, and it has been applied with such incredible thoroughness that no aspect of life—individual social, political or economic—has been left untouched. In recent decades the Muslim clergy have been asked to issue decrees on such subjects as whether it is forbidden or permitted to listen to the radio, take photographs, or have blood transfusions. Every conceivable act of a human being can be classified as either forbidden or permitted by God.

Now if things that are relatively private and personal come under this will of God, imagine its effect on such basic things as the way society is ordered, the way the economy is set up, and what kind of government to have. The totality of life comes under the sovereignty of God.

The Islamic vision of a total divinely ordered society is being revived to heal the split personality of the present-day Muslim world... Muslim societies, like all third world societies, are divided very sharply into a smaller upper and upper middle class and then the masses. When I refer to the masses, I'm talking about roughly 80 percent of the population at the bottom of the social pyramid. We are all aware that in the Muslim world you have a sharp division between the haves and the have-nots, and we know that you do not have that large middle class that is found in Western societies. At the top we find the landlords, businessmen, professional people, bureaucrats and so forth. At the bottom we find the peasants, artisans and workers in the few factories that exist.

We're aware of this economic gap, but what we in the West so often overlook is that the *cultural* gap between these two segments of society is as important, possibly more important, than the economic gap. The people at the top are the westernized people who speak western languages and have been trained either in the West or in western-type universities in the Middle East. These are people like Bani-Sadr, whose French and English are very fluent, but who has great trouble with Persian. His speeches are very flawed, and some have even said they are delivered in broken Persian. Now, the have-nots do not know English or French. They speak only Persian or Arabic, or, if we want to extend to other parts of the Muslim world, Bengali if they're in Bangladesh, or Javanese in that part of Indonesia. What is the tradition, what is the culture of the masses, of the have-nots? It is the religious culture and the religious tradition which derives from Islam.

Now, the split personality of the Muslim world derives precisely from this cultural cleavage. The people in power, the governing elites, are drawn almost everywhere from these western-oriented segments of the population. But these people do not speak the same language, figuratively and sometimes even literally, as the masses of the people. So on top of a predominantly Muslim society, you have a small group of people who have been powerfully influenced by western, secular values. This means that the governing elites are very vulnerable. How can they not be vulnerable if they are so different, so very different, from the people they are ruling?

Another fact which is closely related to this is that everywhere in the Muslim world you have authoritarian governments. There is not one single functioning democracy. Some of these are military regimes, some are civilian regimes, but all are authoritarian. I should like to suggest that this is not accidental, but partly a reflection of the fact that those who are in power are separated from those whom they rule by this vast gulf. That means that the people at the top have to learn to manipulate the symbols of Islam because Islamic values and ideas are central to the masses of the people. The tendency is to pin the adjective Islamic to everything that is attempted by the government. Therefore, if it is a socialist government, they will call it Islamic socialism. If it is a republic, they will call it an Islamic Republic. They give Islamic names to their political parties. All of this must be understood as efforts by the governing elites to legitimize and justify their ruling over these populations.

We move on to include the third part of my sentence: *The Islamic vision of a total divinely ordered society is being*

revived to heal the split personality of the present-day Muslim world under the aegis of an alternate intellectual and political leadership. Under the aegis of an alternate intellectual and political leadership. Now. who are the indigenous intellectuals in Islam? They are the religious people, the clergy. The generic term in Arabic is the *ulama.* In Iran, the word *mullah* is usually used; and a high-ranking mullah receives the title of *ayatollah.* The Islamic clergy are the indigenous intellectuals. Like the masses, they do not speak English or French, and their thought patterns resonate with the thought patterns, words and symbols of the masses. They are intellectuals in a very real sense. They know the ancient language of classical Islam. They have memorized the Koran in the original Arabic. They have studied the texts and commentaries. And in the final analysis, they do not have to try to seek legitimacy by manipulating things because they are the *embodiment* of this Islamic tradition. And herein lies their particular power, the power to influence *and sometimes* control the masses by their articulation of these Islamic values. They have direct access to the masses. They speak the same language.

Throughout recent history in the Muslim world, the *ulama* have risen from time to time and given leadership to major political movements. If we think of Indonesia, the clergy founded a political party in 1926 which soon became an important political force. They were fighting Dutch imperialism, and the clergy are at their peak of political effectiveness when there is an enemy of Islam who can be clearly identified and fought. So in the whole history of western imperialism, you find again and again the *ulama* coming to the fore as spokesmen of that Muslim society to lead the opposition.

The westernized leaders, of course, produced nationalist movements, but were always embarrassed by the fact that, culturally speaking, they themselves were a product of western imperialism. The Ayatollahs, on the other hand, had never been seduced by western Christians and secular civilization. They had maintained themselves solidly within that tradition of Islam. Ayatollah Khomeini is not an enigma. His rise to leadership of the Iranian revolution can be explained in terms of the foregoing analysis.

The last part of my sentence contains the punch line: *The Islamic vision of a total divinely ordered society is being revived to heal the split personality of the present-day Muslim world under the aegis of an alternate intellectual and political leadership, but the effort is doomed to failure.* The effort is doomed to failure for a number of reasons. By and large the *ulama* are not well organized. It is not anything like the Roman Catholic Church operating in Latin America over a period of centuries, where you have tightly knit hierarchical leadership, an ecclesiastical bureaucracy, and other elements which make for political effectiveness. The present unity of the political Ayatollahs of Iran could be readily fragmented with the death of the charismatic Ayatollah Khomeini.

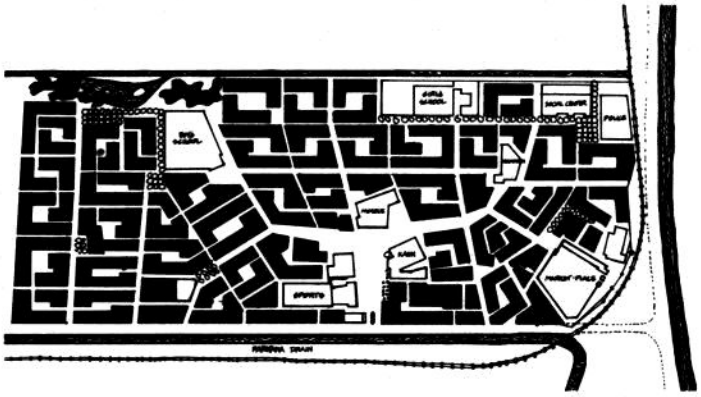
But even more fundamentally, we have to note the irreversibility of the technological revolution. With the technological revolution you get a revolution in communications, so that now virtually anywhere in the third world, you find rickshaw pullers or coolies carrying around little transistor radios as they go about their normal tasks. The revolution in communications surely contributes to a growing pluralism, in the sense that everyone becomes aware that the world is full of all kinds of different ideas and ideologies and values. There is no way that you can halt this process and say, no we are going back to that vision of a society which is characterized by absolute unanimity, where one value system reigns supreme and integrates the totality of life.

This is what the Ayatollah Khomeini is trying to do. Politically, he has been very effective because of these factors I have mentioned, but the effort as a whole is doomed to failure. Even in Iran today, life is enormously more complex than it was 50 years ago. How do you devise a set of Koranic regulations for an oil refinery? How do you begin to implement that grand vision of an integrated religious ideology that will bring everything under the role of Allah? It is not "Satanic America" that will thwart the Ayatollah's Grand Design, but impersonal forces which no man or nation can control.

Islam's Changing Image

Islamic architecture today is drawing inspiration from both the architecture of the traditional Islamic village and from international architectural styles that have been important in the Middle East since the last century, according to Dr. Renata Holod, Associate Professor of History of Art.

At the end of the last century, architects and builders from such European countries as Italy came with crews to



Architect Hasan Fathy developed the master plan for this village of New Gourna from traditional Islamic village plans rather than from planning ideas of Europe. With this project he began to convince the government of Egypt and the architectural community that indigenous forms, and materials like mud brick, could result in economical and beautiful contemporary architecture.

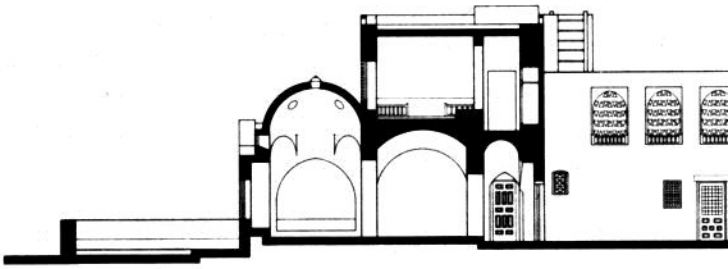
Egypt and other countries of the Middle East to construct new buildings. At the same time, the Middle Eastern countries were establishing engineering and architecture schools, which they patterned on the schools of Germany and France, ignoring traditional Islamic ideas.

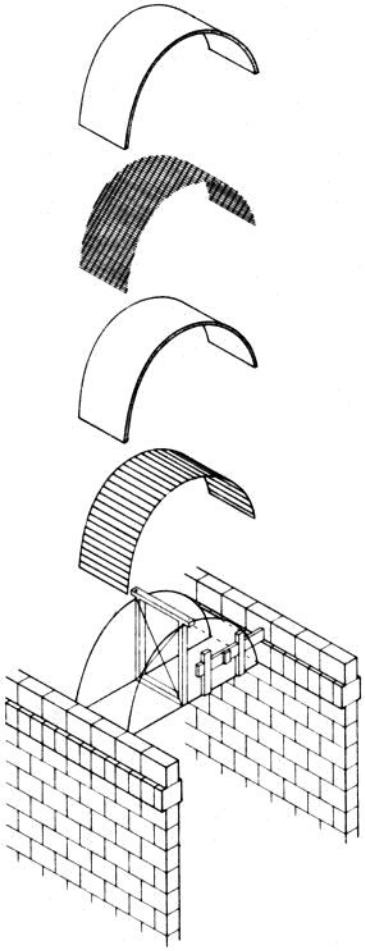
The return to Islamic tradition, according to Dr. Holod, was largely the result of work by architect Hasan Fathy, who as early as the 1940s advocated using the architecture of the villagers as a source of contemporary building. Traditional village materials and design not only offered an Islamic aesthetic, Fathy asserted, but were very successful in controlling the climate and reducing costs. Today many architects are following Fathy's example.

A completely different architecture is evolving in countries like Kuwait and Saudi Arabia, with much new wealth and a small population. These countries are building at unprecedented rates and have imported architects, engineers and sometimes even entire building crews to develop buildings and towns. Yet, in many cases, they are still seeking architectural forms and spaces which are familiar to them.

Dr. Holod has been studying these trends as both a scholar and the convener of the Aga Khan Award for Architecture, which is presented for buildings that creatively combine the best in modern technology with the traditions of Islamic architecture.

Using the traditional vaults and domes of Egyptian domestic architecture, Al-Wakil, a student of Hasan Fathy, worked with local craftsmen to create this private house in Agamy, Egypt. He made use of local materials and designed the house around a courtyard which draws air from the sea into the interior rooms and makes air-conditioning unnecessary.





This construction prototype from Senegal demonstrates that inexpensive local materials can be used for construction in lieu of expensive prefabrication. These units, which were designed by UNESCO architects and engineers, consist of three-meter (10-foot) wide vaults that can be combined in a number of ways to create a building. The walls of concrete block are united with a vault that is formed on a reed base with two layers of cement. Local masons learned the construction methods and then used the prototype to build an agricultural school in Senegal. They have since used the system for several other educational buildings in the country.

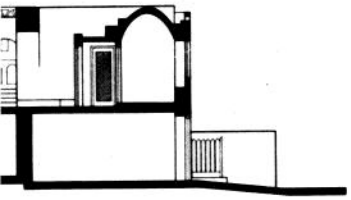
Islamic Law in Iran: An Element of Political Ideology

by Ann Elizabeth Mayer, Assistant Professor of Legal Studies

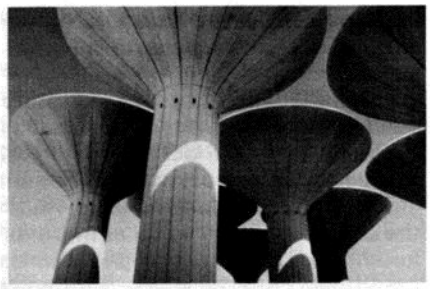
The law in the Middle East, originally based on the shari'a, *or Islamic law, has changed to respond to many influences. Since the 19th century most Middle Eastern countries have adopted Western law but have retained traditional Islamic law to govern their family lives. Today there is a strong movement, spearheaded by the clergy and fueled by such political leaders as Libya's Qadhafi, to return to traditional Islamic law. After outlining these trends, Ms. Mayer offered the following explanation of their impact on Iran today.*

One of the justifications for the overthrow of the Shah and the Islamic revolution in Iran was the reinstatement of Islamic law. Ayatollah Khomeini, a highly regarded legal scholar and an expert in Islamic law, was expected to revive this law, and certainly some steps have been taken in that direction. Much of the Western-influenced legislation that was enacted under the Shah has been abrogated. The secular court system has been dismantled, and newspapers continue to report that people are being executed for such "Islamic" crimes as fornication.

When we look at other aspects of the regime's conduct, however, we find that Islamic law is becoming intimately embroiled in the contemporary political issues and the political crisis facing Iran and that it is now being interpreted and applied according to political exigencies. One of the basic precepts of Islamic law is that the medium of control in a society should be law. Islamic law envisages a divine nomocracy in which people who actually run the state are much less important than the law itself. If any society was intended to be a society of laws, not of men, it was Islamic society under the traditional interpretation of Islamic law.



Engineer Frei Otto and Architect Rolf Gutbrod joined together to design this Islamic Conference Centre and Hotel on the outskirts of Mecca in Saudi Arabia. In the photograph above, the central entrance court is shaded by suspended timber kaffesses, *which recall traditional forms. The aluminum-clad suspension structure behind expresses the volumes of the 1400-seat main auditorium. The complex, which contains a 170-room hotel grouped around a second courtyard, is another expression of the architecture of Islam today.*



The Kuwait Water Towers in Kuwait City are one concept for a new Islamic architecture. The 31 concrete mushroom-shaped towers, which store 3,000 cubic meters of fresh water each, loom above the flat landscape as markers and are viewed as a symbol of Kuwait and its economic development. They were designed by VBB of Sweden.

Another very basic tenet of Islamic law is that a person accused of a crime is presumed innocent until he is proven guilty in court. Diplomatic immunity is also respected in Islamic law. In *Sunni* law anyone who comes into Islamic territory with an *aman,* or a guarantee of security, is entitled to immunity. Many great *Shi'i* legal authorities go further and say that non-Muslims who come into an Islamic country are entitled to protection on Muslim soil and a safe return to a place of security even if they mistakenly understood that they had been granted safe conduct and even if their country is at war with a Muslim country. A Muslim who gives an oath of protection or grants a safe conduct to a non-Muslim and does not honor those terms is a sinner in *Shi'i* law.

Obviously, we have trouble reconciling these well-ingrained precepts of Islamic law with the current treatment of the hostages in the American Embassy. Iranian government spokesmen have designated American hostages as "spies" even though they have never been convicted in a court of law. They are threatening them with harsh treatment or death for "crimes" that the hostages themselves have not committed, as happened when Iranian spokesmen talked of penalizing the hostages because the Canadian Ambassador had smuggled some Americans out of Iran and because Iraq had threatened to attack Iran. It is clear that a political vendetta has taken precedence over Islamic precepts, and it is very clear also that the Ayatollah Khomeini has endorsed this treatment despite the fact that as an eminent legal scholar he is perfectly aware that it contravenes Islamic law.

There are certain aspects of Islamic law and the current situation in Iran that account for this striking discrepancy between the precepts of *Shi'i* law and the current government treatment of the hostages in the American Embassy. Islamic law has concentrated on elaborating a scheme of ethics to guide an individual's behavior as opposed to developing procedural safeguards and a system of administration of justice that would afford people appropriate forums for seeking remedies for legal dilemmas. We see in Iran as elsewhere an illustration of how Islamic law can be "nationalized" and turned into an instrument of state policy where the law has no real autonomy or separate institutional existence as law has in our society through its status as a coequal branch of government.

Islamic law, not just in Iran but elsewhere in the Muslim world, is being used more and more as a political ideology. This is a difficult concept for Westerners because in our society we think of law as a framework for resolving disputes that must arise in any society of men. Islamic law, on the other hand, is now being interpreted in the Muslim Middle East not as a mechanism for resolving disputes, but as an ideology, a system of precepts for ordering society in a way that will eliminate conflicts altogether once it is implemented.

This trend to make Islam a political ideology as opposed to what Westerners consider to be law grows quite logically from the historical circumstances surrounding the development of Islamic law. In our society, law is largely the creation of practitioners—lawyers and judges. Islamic law, on the other hand, was created by scholars working outside the actual system of administration of justice. While the people who created our system were concerned with procedures, procedural fairness, and effecting a just resolution of disputes, the scholars who created Islamic law were thinking in the abstract about ethical guidelines for human conduct and were developing an ideal scheme for ordering the relations of people within society.

The result of a system that historically was not concerned with procedural due process is clear in the hostage situation. The hostages have a substantive right under Islamic law to be released from their imprisonment, but Islamic law has never developed the scheme of legal remedies that would allow them to defend that right. Now to

an American lawyer, a situation where you have a right without a remedy means, in fact, that you do not have the right.

Another aspect of Islamic history that contributes to the current trend toward turning Islamic law into a political ideology lies in the fact that historically, political authorities in the Islamic world have not been subordinate to the law.

In medieval Islam the legal system was completely under the control of the political authorities. The political authorities could appoint and dismiss judges at will. They could designate the scope of jurisdiction of an individual court at will. If there was abuse of authority by the political powers, the legal system provided no scheme of redress. The only way to achieve redress against miscarriages of justice by political authorities was through informal extra-judicial procedures. Finally, the administration of the criminal justice system was left entirely to the police, with judges exercising authority only over the trial phase.

Because of these conditions Islamic scholars operated in an environment not unlike our "ivory tower." When they were called on to serve in the systems that administered justice, many of the great scholars of Islamic law refused. They considered the entire system tainted because it was so subordinate to the whims and control of the political authority of the moment.

The people who spoke on behalf of Islamic law and against oppressive regimes were often these same Islamic legal scholars. But they never developed an institutional basis from which they could check the abuses of power by the central political authorities. They depended on their moral prestige as the spokesmen for Islamic law and justice to win themselves a popular following. However, in Iran the clergy had an independent source of revenue, since according to Iranian Shi'ism, the populace is obliged to support the clergy by a special tax. This and other factors gave Islamic scholars in Iran more power than they enjoyed elsewhere in the Middle East.

For a long time the Iranian clergy played the role of an opposition force, a group of people who periodically challenged the authority of the political leadership of the day on grounds that it was oppressive and failed to comply with the Islamic scheme of ethics and law. The clergy in Iran relied on the development of charismatic political leadership to sustain themselves against the political authorities. Their opposition to oppressive governments and their professional association with Islamic law could give them tremendous popular appeal. Operating outside the system of justice, they had, however, no opportunity to become familiar with the practical problems of administering such a system.

All of this has changed since the Iranian revolution. The country is now in the hands of people who have had no training or historical experience with administering a government or, more particularly, a legal system. Now people like Ayatollah Khomeini are running a government rather than opposing a government, running a legal system rather than criticizing it from the outside as un-Islamic.

These people, who are singularly ill-suited to the task, must now set up a new legal system since they have destroyed the one that the previous regime had designed to insure the orderly disposition of claims and the vindication of rights. Rather than addressing this task, however, the current Iranian religious leadership, now also the political leadership, is continuing to rely on the appeal of charismatic political leadership, showing little concern for devising a well-functioning scheme for administering justice. They talk about the revival of "Islamic law," but this is in the sense of a politicized, ideological version of Islamic law. In the past, Islamic legal thought, if not Islam itself, was able to maintain its integrity and independence from political authorities and political taint.

Ironically, due to the very successes of the religious element in Iran, Islamic law in Iran is being transformed. Instead of being an independent scheme of values for measuring the ethical quality of acts, it is becoming subjugated to the criterion of political power, with the result that Islamic law is, in effect, being nationalized in Iran today.

Oil and Its Price Turmoil

by F. Gerard Adams, Professor of Economics and Finance

The other day, I was involved in a legal proceeding as an expert witness. A man had signed a contract back in the mid-60s that put a ceiling on what he could recover from his tenants for the utility costs of his building and was asking the court to permit him to change the contract since the cost of electricity and oil was already greatly in excess of the ceiling to which he had agreed.

I was asked to tell the court what my expectations were for oil prices back in 1964. I answered that in the 1950s and 60s we had seen a gradual erosion of oil prices. There was a lot of oil in world markets. Many, many more competitive firms had entered the field. The price of oil had dropped from about $2 a barrel in the mid-1950s to about $1.40 in the mid-1960s. It was a world where there was plenty of oil and oil was cheap.

The change from that world in the 1980s is drastic. The price of oil in the Middle East now averages something like $28 a barrel—twenty times what it was in the mid-1960s. In the early 70s, prices began to inch up.In 1973, at the time of the Arab oil embargo, the Arab countries unilaterally set the oil price for the first time without consulting the oil companies, and the price quadrupled from $2 to $8, $9, and $10 a barrel. And then the price sat for awhile at $10 or $12 until 1979-80 when there was another doubling—at least—at the time of the Iranian crisis.

These higher prices were accompanied by the realization that oil is in short supply. Suddenly we realized that we must all be good citizens and conserve. And indeed I think we must. But the real question is: what lies behind this movement of oil prices? I would like to pose to you two alternative explanations.

One is the Malthusian view, which argues that population will always tend to outrun resources, ultimately leading to world shortages and a decline in our living standards.

Well, I'd like to suggest that this notion is only very partially true and is not in itself an explanation for the very sharp increase in oil prices that occurred in the mid-1970s. We haven't really hit this Malthusian limit to our growth and development largely because we have seen significant shifts in technology and have built up capital stocks, which in many ways have taken the place of natural resources. While there is some sense to Malthus's ideas about the pressure of people on available resources, the predicted shortages and decline in living standard haven't materialized because of our technical progress and our ability to do more with what we have. And while there is no denying that in the United States it becomes harder and harder each year to find oil—we have built an economy which has rapidly used up our own oil supplies—if we look at the world as a whole, we find that there are still quite abundant resources of oil in many, many parts of the world, particularly in the Middle East. Thus, I find it very hard to accept the Malthusian view as an explanation for the world oil situation.

What is the alternative explanation? Well, the one that I think has meaning I call post-colonialism. In the 20th century, particularly in the post-World War II period, there has been a drastic change in the position of the less developed countries. During the 19th century it was fashionable for such advanced countries as Britain, France and Belgium to develop colonial empires, largely by military force, sometimes by purchase. They then had safe and plentiful access to such primary resources as copper and nickel, and to such agricultural foodstuffs as coffee and cocoa. In the post-war period these colonial empires dissolved, and all over the world the colonial countries became independent. They nationalized the industries of the previous colonial powers and made it clear that they viewed themselves as able to run their own show.

Now the United States is not a colonial power in the same way Europe was, but I maintain that we have been a colonial power from the perspective of energy and oil. In the mid-1930s and 1940s, our companies—and the British and the Dutch—went to the sheiks of the Middle East and said: look, fellows, we'll develop your oil and market it and give you a silver shilling for every barrel we develop. That sounded attractive to the sheiks. While we like to think that this did not involve governments or armies in the colonial tradition, our companies knew that the U.S. government was willing under most circumstances to protect their companies' interest if necessary. In the 1950s many, many American oil companies, not only the big ones, but the newcomers as they were called, made deals with the Arab countries. In some situations the companies were paying 50 percent to the local government, or about $.70 a barrel, a nice share for everyone and a great deal for the consumer.

During the 60s and the early 70s, the host governments drastically changed their view of the world. After Mr. Qadhafi overthrew the royal family in 1969 and took control of Libya, the first thing he proposed was to expropriate Mr. Nelson Bunker Hunt's oil company. The U.S. government refused to intervene. OPEC, which had been formed in 1961, declared that its members would nationalize the interest of the oil companies in their countries as quickly as possible.

In 1973 during the Israeli war, the countries of the Middle East joined together in an embargo against the United States, breaking off negotiations with the oil companies and unilaterally increasing the price of oil. This was a political event, but it triggered the economic consequences which followed. Since the Arab nationalization of oil companies, the companies have basically been working as contractors. They are allowed to buy the oil at slightly favorable terms and distribute that oil in world markets, but the governments of the Middle East make the decisions about the amount of oil that will be produced. They have established control over their own heritage and resources and plan to use them to advance their own interests rather than the interests of the industrial countries. Now it seems to me that the best way to describe this is post-colonialism.

This is exactly what occurred with the British in the British Empire and the French in the French empire. It's even a little bit worse because oil is now concentrated in the hands of these Middle Eastern countries—and we hadn't even foreseen this possibility. Indeed, we even helped make it possible, because in that critical year—1969—we had fully used our oil production capacity for the first time and simply had to depend on imports from abroad.

The very large increase in oil prices in 1973-1974 shocked the world economy. The U.S. alone had to pay $60 billion to the Arab countries, and the Europeans and the

Japanese paid another $60 billion. The increase in oil prices created inflation and sent a simultaneous shock throughout the world economy which gave us the recession of 1974-1975, the worst recession in the post-war period.

Economists—and governments—originally feared that the Arabs would not be able to use all the money they were receiving, that it would not be recycled into the world economy. Actually, however, they very quickly began to increase their expenditures. They spent the money on building large facilities and roads, on social development, on palaces, and on large European and American cars (gasoline is still cheap over there). The harbors of the Middle East became clogged; you couldn't get the stuff in fast enough. It still means that we had to pay for our oil, but at least they bought our goods and services to make the transfer possible.

Another reason the impact of the oil price increase was not worse was the fact that OPEC really didn't effectively control the oil supplies from 1974 to 1978. As the world economy slowed down, there was some reduction in oil demand. At the same time some large producer countries wanted to expand output. The Arab countries were complaining that since the dollar was declining in value, they were getting less money for oil every year.

What the Arab countries needed to do to improve their situation was to keep the supply of oil tight so that they could keep the price up. The demand for oil is very inelastic; a ten percent increase in price usually only leads to about a one percent decrease in quantity purchases. While the OPEC countries weren't awfully successful in keeping the supply tight, they benefited from the fact that the Saudi Arabs, the largest producers, decided to restrict their output rather than double their production as they had originally planned. This permitted other countries who wanted to sell oil to do so without increasing the supply to the point where the price went down. They were therefore able to stabilize the oil price in nominal terms, but little more than that.

In late 1978 and 1979, when the revolution occurred in Iran and the Shah was overthrown, Iran was producing over six million barrels a day and was expected to sell even more. When this supply was suddenly cut off, it changed the balance in world oil markets so that the demand far exceeded the supply. As companies all over the world began to see that there was a risk of not being able to get gas, they rushed in to buy and stockpile the oil. It was very much like the phenomenon of the gas lines here in the United States.

This increased demand did something that never really happened before. In world markets most of the oil purchased by the large companies is bought at something called the reference price, a long-term, contact price. There is also a marginal amount of spot sales, where the price is much more volatile. In 1979, when all the oil companies began to rush in to fill up their tanks, the spot price suddenly shot way above the posted price. You couldn't get a barrel of oil for less than $40 or $45 unless you had a long-term contract. Well, it didn't take the Arab countries very long to realize that if the posted price was $14 a barrel, they could get $12 or $14 or $18. One immediate result was an increase in oil prices. Libya raised its price, then Nigeria, then Venezuela. Finally this year the Saudi Arabs, who had been holding back, followed with a reference price of $26 a barrel for a light Arabian crude which is the standard oil against which everything is measured. The average price of oil today is $29.60.

What does all this mean? We have seen even over the last two years a profound strengthening of OPEC. The price of oil isn't going to come down because the Middle East countries are now going to cut back on production. They have realized that to control price, they must control quantity, and they have learned how to control the oil supply.

The second thing they have learned is how far they can push the oil price. Here, they learned something that we too need to learn: Even at high oil prices, developed countries are not able to quickly cut back on oil consumption.

Conservation is important but it will take a long time and a great deal of investment. Seven years after the first oil shock, we are only just beginning to see a supply of energy efficient U.S. cars and the first signs of a cutback in gasoline consumption. Moreover, the developing countries have learned that energy supplies from alternate sources are costly and will take a long time to develop, Oil from shale or from coal liquification was originally expected to cost about $9 or $10 a barrel; it now looks like it will cost $50 to $60 a barrel, and many problems of technology, of pollution and of waste disposal remain unresolved.

The third thing they've learned is that all this money may not be as useful to them now as it will be later and it might be better to keep the oil in the ground rather than to develop it and sell it. They realize that they can't develop their economies as rapidly as they want. Building additional plants or airports becomes more and more costly. It creates inflation and domestic problems. Because the Middle East is short of labor, it must develop a large foreign work force, which involves very serious political risks. Moreover if they get their money and don't spend it, what do they do with it? They've been putting it in paper—in U.S. dollars and bonds—at risk of devaluation and inflation, but their attitude on this is changing.

This point was brought home to me last December when I was in Geneva at a seminar held by the United Nations Conference on Trade and Economic Development which represents the less developed countries. In a seminar of about 40 people on the world economic outlook, I was the only person there who was from the developed countries and was asked to talk about the economic outlook in the developing countries. The second day, a very bright, American-trained economist from Kuwait began to talk to the group. He looked straight at me as he said, "What you people have to realize is that unless you give us something durable for our oil—like land or businesses—we're not going to sell it to you anymore. We're going to leave it in the ground." I think you can visualize the implications—it's much too sunny a day to go into that subject. The sooner we come to understand the world situation and the adaptation needed in our domestic economy, the sooner we realize that we cannot afford to be dependent on the world for energy, and the sooner we realize that the cartel is not going to collapse, the better off we'll be.

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