

The 1970s Oil and Energy Crises

Explain the cause(s) or the story behind the recession.

Throughout the 1970s it was a time when the world faced two consecutive crashes of oil prices: the first in 1973 and the second in 1979, the oil shock. Yom Kippur (1973) is a conflict between the Arab state forces unexpectedly attacked Israel. In this war America's support for Israel and the Soviets which are beside the Arab states, support their allies in term of resources, supplies and equipment. In retaliation for the US who is a major supporter of Israel, Arab countries oil exporter OPEC has resolved to boycott cease trading crude oil with us and other nation such as Canada, Japan, Netherland and UK. Including reducing the amount of crude oil production. As a result, the price of oil has increased a time from US \$ 3 a barrel to \$ 12 or \$ 70 per barrel compared to the current currency. The sanction are also intended to pressure the US into some 'considerate' Arab policy. But this response to Arab nation using crude oil has not change their mind to us and other country. The oil crisis as a result, US has suffered a major oil shortage, in some petrol station don't have oil. Iran Revolution 1979, the revolution over Iran's Pahlavi dynasty by Ayatollah Khomeini has disrupted Iranian crude production and shocking reduction in daily production than ever before. Produced up to 5 million barrels per day. Reduced to only 3 million and 1 million more barrels per day in 2 years so 4% of the world's oil was lost with concerns that the oil crisis that would repeat in 1973, oil prices rose to a record from \$ 70 per barrel to \$ 120-130 per barrel compared to the current currency.

What happened to GDP (or growth rate), unemployment, and inflation of affected countries?

stagflation → high inflation economic downturn and high unemployment rate.

oil crisis caused a decline in GDP of 4.7% in US, 2.9% in Europe and 7% in Japan and in 1979 world GDP drop by 3%. Unemployment rate in 1960-1973 in US is 3.2 but in 1973-1975 increase to 7.1%. Country that the most effect inflation in 1960-1973 is Japan (5.5) next is UK (5.2) then Japan (4.9) US (3.4)