

Contents

1. Overview	<i>Edward R. Fried and Charles L. Schultze</i>	1
The Nature of the Adjustment Process	3	
Working Assumptions	6	
The Industrial Countries	16	
The Developing Countries	33	
The International Financial System	38	
Long-Run Costs of Higher Oil Prices: The Final Phase of Adjustment	43	
Policy Conclusions	56	
2. The United States	<i>George L. Perry</i>	71
Short-Run Problems, Actions, and Impacts	72	
Macroeconomic Effects of Oil Prices	88	
Model Projections	95	
Conclusion	103	
3. Western Europe	<i>Giorgio Basevi</i>	105
The Impact on Demand and Output during the Adjustment Period	106	
Results	111	
Policy Reactions in Western Europe: An Assessment	125	
Long-Run Effects and Issues	133	
Appendix: Derivation of Multipliers for Western Europe	141	
4. Japan	<i>Tsunehiko Watanabe</i>	143
First Reactions to the Oil Embargo	145	
The Effect of Rising Oil Prices on the Japanese Economy: October 1973 to March 1975	149	
The Impact of Oil Supply Reductions: A Hypothetical Case	155	
Impact on the Structure of Prices	158	
Balance of Trade between Japan and Members of OPEC	162	
Conclusions	164	
Appendix: Methodology and Assumptions	166	

5. The Developing Countries	<i>Wouter Tims</i>	169
Basic Assumptions	170	
The Short-Term Impact (1974 and 1975)	175	
Long-Term Prospects	183	
Capital Requirements	190	
Conclusions	194	
6. The International Financial System	<i>John Williamson</i>	197
The Impact	197	
The Problems	199	
The Responses of International Policy	218	
7. Trends in the International Oil Market	<i>Joseph A. Yager and Eleanor B. Steinberg</i>	227
Review of Past Developments	227	
Prewar Energy Trends and Prospects	230	
The October War and Its Aftermath	230	
Developments during 1974 and Early 1975	232	
The Demand for Energy in the Oil-Importing Countries, 1975-77	245	
Possible Future Developments	262	
Conclusions	274	
Index		277