



Who Will Get Oil in the Mediterranean?

There are countervailing pressures in any nation: power and profit. Power that comes from conflict and agitation — power for the sake of power — and profit that comes from being hospitable to individuals seeking to maximize their own talents and efforts. All too often, pundits laud the first aspect of statehood and mock the second.

Government, to these folks, is about programs, international agencies, and pandering exhortations to support the “oppressed” and grand plans to use taxpayer money to do “good.” These acolytes of government activism respond with hisses and hoots to statements of great American presidents such as Calvin Coolidge, who said “The business of America is business.”



Coolidge not only kept America out of war but kept our nation on good terms with the rest of the world. He viewed tax dollars as money received as a sacred trust to be used only for constitutional purposes. His administration was remarkably free of scandal, not just because Coolidge was impeccably honest, but also because there were almost no opportunities which he allowed for the public trust to be abused and sold. Coolidge understood that the way the free market operates is inherently just and efficient.

Even competitors have a strong interest in cooperating in most of their areas of operation. Ranchers, meat processors, and grocery chains all want meat properly and impartially inspected. Although this function of the Department of Agriculture is one that actually does good, if government were not involved, these private businesses would have a compelling interest in forming a truly impartial and meticulous system of independent inspection of meat products offered to restaurants and private consumers. A few instances of contaminated or impure food cost everyone huge amounts of money and could, if the instances were notorious enough, ruin whole companies.

The same was true of money, when money did not mean the Monopoly money of the Federal Reserve System or the “greenbacks” of the late 19th century. Currency used to mean banknotes, and the “banks” were private firms. Although banks, in theory, could issue currency backed up only by the “full faith and credit” of the bank, what fool would want that? Banknotes, instead, were promises to pay the bearer in species (gold) for a specific weight amount. The term “dollar” meant simply one dollar of gold — which was a physical unit of measurement. Because banking was much less profitable if limited to a particular town or county, private banks developed protocols of exchange, trust, and credit. It was, in the larger picture, wise for a bank in Kansas City to honor drafts from a bank in San Antonio (where a cattle drive might have started) and in turn for a bank in Chicago to honor the Kansas City bank.

The beauty of this system is that it worked even when the economic actors were motivated by wholly mercenary instincts. Nations do not behave that way. Political power is a zero-sum game. The federal government can acquire power only at the expense of state governments or private rights. The United



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Nations acquire power only by the surrender of national sovereignty. Almost surely, the long term-pull of the big and powerful means that civil rights are sucked up by Washington or by international organizations at the expense of individual liberty. Citizens all suffer from this power sickness of government.

An excellent example of this governmental power can be found in the situation along the Mediterranean coastline near Israel and Lebanon. Two giant fields of natural gas, [Tamar and Leviathan](#), have been discovered off the coast of northern Israel. It is estimated that Tamar has about 8.4 trillion cubic feet of gas and Leviathan about 16 trillion cubic feet. That is enough to supply Israel's energy needs for the next 50 years. Even better, Tamar and Leviathan are part of a larger field that stretches across the eastern shores of the Mediterranean including Syria and Cyprus, as well as Israel and Lebanon. This Levant Basin Province is estimated to have 122 trillion cubic feet of gas and also may hold 1.7 billion barrels of oil. This is 2.3 times larger than the gas reserves of Libya and 28 times larger than the oil reserves of Libya. The natural gas alone could supply Israel with energy for about two and a half centuries.

The problem is that these reserves include parts of the territorial waters of Israel, Lebanon, Syria, and Cyprus. Lebanon and Israel are technically still at war. Syria has strong ties with Iran. Cyprus, a nation that is principally Greek but which has a Turkish minority that has felt aggrieved in the past by Greek Cypriots, is another volatile nation with interests in this undersea wealth. Politics and government provide obstacles to the happiness and prosperity of ordinary people.

The current situation in the Middle East compounds the problems of energy resources. Libya's turmoil has caused the price of fossil fuels to skyrocket. Egypt, which had supplied Israel with much of its energy needs, now has a new government. Lebanon has a national debt equal to 147 percent of the nation's GDP — one of the highest in the world. None of the four nations involved — Israel, Lebanon, Syria and Cyprus — has more than tiny domestic sources of fossil fuels.

Israeli companies, in collaboration with American firms, have received concessions to develop and extract energy from the offshore fields, and the Tamar field is expected to begin producing next year, with Leviathan going online in 2015. Lebanon is also moving ahead. In August 2010, the Lebanese Parliament approved a bill on exploration of these resources, and the nation is seeking agreements with Syria and Lebanon. Beirut has also asked the United Nations to help establish a temporary boundary, and the UN has agreed to that. Israel and Lebanon have also begun preparations for war over these oil and gas fields. Israeli Prime Minister Benjamin Netanyahu has said that these offshore fields represent a "strategic objective that Israel's enemies will try to undermine," declaring that "Israel will defend its resources." The Israeli navy is seeking \$40 to \$70 million in extra appropriations to defend Israeli interests in these gas fields. Hezbollah in Lebanon, predictably, has warned that it would "force Israel and the world to respect Lebanon's right."

If politics is taken out of the picture, the situation is win-win. The royalties from these rich deposits could significantly reduce the tax burden in each of the four countries. The commercial activity of drilling and extracting resources could provide local companies as well as neighboring communities with work and trade. The peaceful extraction of these fossil fuels could drive down the price of energy for the four nations and also the rest of the energy-dependent world. Individuals and private companies who grow rich quickly nearly always endow private charities. The collaboration for profit could also do much more than any feel-good diplomatic efforts to reduce tensions and ill will.

Private enterprise, left alone, solves the problems government pretends to help. The Levant Basin



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