Oil mergers

Minor majors

"We've happily married and expect lots of children." Thus a defensive Archie Dunham, chairman of Conoco, a mid-sized American oil company. He was responding not to an impertinent question about his personal life, but to doubts raised about an alliance of a different sort: Conoco's merger with Phillips Petroleum, another American oil firm, which was announced this week.

Although the $15 billion tie-up is structured as a "merger of equals", with shared management responsibilities and equal board representation for both partners, Phillips's shareholders will control over 56% of the new ConocoPhillips. If consummated, the deal will create the biggest gasoline retailer in America and the world's sixth-biggest private oil firm, measured by reserves and revenues (see chart)—though it still pales in comparison with state-run giants such as Saudi Arabia's Aramco.

There is undoubtedly some logic behind the merger. Thanks to the rising cost and risk of exploration in ever more remote areas, life has got harder for oil companies. That explains the wave of consolidation of the past three years that has seen Exxon take over Mobil, BP buy Amoco and Arco. Total absorb Petrofina and Elf Aquitaine, and Chevron buy Texaco. As a result, both Conoco and Phillips—one considered oil majors in their own right—are today mere minnows.

For a long time, both companies reacted by arguing that size wasn't everything. But they now seem as convinced as their peers that big companies are better able to weather the increasing volatility in oil markets. Although both companies deny that the recent sharp drop in oil prices was behind their decision to combine, it is surely no coincidence that the previous wave of mergers swelled just as oil prices collapsed to around $30 a barrel. Having a broader portfolio of assets has helped merged companies to cope with price swings better than smaller rivals. So have the savings they have made from cutting costs. Conoco and Phillips expect their union to reduce combined costs by $750m a year.

If they make it to the altar, that is. A bigger predator may still wish to make a meal of one, or both, of them—especially since the merger puts no premium on Conoco's shares over their market value. The two companies' share prices rose after the deal was announced amid speculation that any one of BP, Royal Dutch/Shell, ChevronTexaco, TotalFinaElf or ENI might swoop in with a counterbid. Some even speculate that the deal will set off one more wave of giant mergers.

If the Conoco/Phillips fusion does trigger yet another round of consolidation, however, it is unlikely to be as earth-shattering as the previous one, for one simple reason: the oil industry's premier league is too far ahead. Roll together the half-dozen or so middle-ranking companies just beneath ConocoPhillips, and their combined revenues still do not match those of ExxonMobil. ■
Nathan Pusey

Nathan Pusey, a leader of Harvard, died on November 14th, aged 84

UNTIL the morning of April 9th 1969 Nathan Pusey had enjoyed an outstandingly successful career as president of Harvard University. In the 13 years he had held the job its endowment had grown from $304m to more than $1 billion. As well as being a skilful raiser of money, Mr Pusey was a reformer. He took the view that privately educated students did not have a monopoly of brains, and the majority at Harvard were now from less privileged backgrounds.

On that warm spring morning Mr Pusey could reasonably feel that he had done well for America's foremost centre of higher education. He seems to have been puzzled when he first heard unaccustomed noises within University Hall, the administration building. Someone was shouting in a megaphone, someone was playing "Revolution", a Beatles song. It soon became clear that the turmoil involved a large number of students, and some teachers had been manhandled. Mr Pusey's puzzlement turned to concern. The students were now occupying University Hall, and demanding that "the Harvard corporation" must "yield to our demands". When evening came with the hall still occupied Mr Pusey sent for the police. They arrived along with state troopers who were wearing riot gear and armed with tear gas. With enthusiasm, the forces of law and order, not a Harvard man among them, rapidly cleared the hall, injuring 45 of the 250 students in the sit-in. Next day's newspapers bemoaned the bloody attack on the flower of American culture. Had Nathan Pusey panicked?

Mr Pusey said he had called in the police to defend academic freedom. Student violence should not be allowed to interfere with the normal running of the university. His critics said that the students' demands were modest. One was to end Harvard's military training programme, which was seen as supporting the Vietnam war. Another was to lower the rents of some slum properties owned by the university. Both, it was thought, could have been dealt with by negotiation. In Oxford, it was said, such students would have simply been told not to be silly and sent back to their books. Mr Pusey was affronted when no student was permanently expelled. A few months later he said he was resigning. He left in 1971.

A swot in the jazz age

Nathan Pusey was the first non-Northeasterner to be made head of America's oldest college (founded 1636). He was born in the mid-western state of Iowa. His father died when he was a baby. His mother brought up three children on a pittance she earned as a schoolteacher. Mr Pusey always sought to pay his teachers well. He won a scholarship to Harvard in the 1920s. It was a glamorous time for some Harvard students in Scott Fitzgerald's jazz age, but for Mr Pusey it was all hard grind keeping to the tough terms of his grant.

His uncompromising upbringing may have marked his life. He was a devout Episcopalian (Anglican) and liked to remind his staff, many of whom were non-churchgoers, that Harvard had been founded by a religious group. He deployed the "almost idolatrous" secular society. Politics, he said, should not intrude into university life. When Joe McCarthy, an influential senator, accused Harvard in the 1950s of being a "sanctuary" for communists, Mr Pusey sniffily replied that his students were "above that sort of thing". It was brave at that time to stand up to the populist red-baiter, but the sentiment may have seemed naive.

Since his death his friends have remarked on his "decency", "his firm beliefs", that he was "rich in piety" and other sober qualities, but no tales have been offered of a lighter side. Roger Rosenblatt, a teacher at Harvard in Mr Pusey's time, wrote in his book of memoirs, "Coming Apart", that the majority of the liberal faculty thought their president "a patrician pighead". His face, they said, resembled "an institution".

Perhaps they were jealous. In making money for Harvard Mr Pusey demonstrated to all universities that they need not be paupers. Before running Harvard he was president of Lawrence, a more modest college in Wisconsin. In his nine years there he showed what could be done by doubling the endowment. The lesson has been well learnt by Mr Pusey's successors. Harvard's endowment is now a stupendous $18 billion.

As education is an ever-interesting Aunt Sally, inevitably there are critics of the academic art of money-squeezing. The taunt of the rebels of 1969 that Harvard was a "corporation" has, some believe, come true. In "Making Harvard Modern", by Phyllis and Morton Keller, published in October, the university is seen as having the characteristics of a multinational. Its vast bureaucracy with buckets of money to invest overshadows what was once seen simply as a community of scholars.

Nathan Pusey, for all his financial skills, was at heart a scholar. He said that one of the happiest times of his life was spent at the American School of Classical Study in Athens in the 1930s. Greece of the fifth century was his special interest, and the subject of many of his essays and speeches. He gained a doctorate with a dissertation on Athenian democracy. He would probably prefer to be remembered for that.