BOOK REVIEWS

Electricity and Energy Policy in Britain, France and the United States since 1945, by Martin Chick. (Cheltenham and Northampton: Edward Elgar, 2007) 205 pages. Hardcover, ISBN 978-1-84542-111-3.

A glaring disparity prevails between what the book's title promises and the book's size. The author obviously chose to be selective but still deals with topics that each is broader than any one short book can handle. Indeed, all his five topics have been the subject of multiple separate books. He covers the displacement of coal by oil, the European Coal and Steel Community, electricity pricing, electricity investment, and electricity restructuring. A further limitation is that except in the last case, he stresses coverage of the years for which the British and French thirty-year archive-disclosure restrictions have ended. Curiously, the thirty-year limit is more strictly applied to the readily updatable realm of data than to the actual developments. The effort to cover so much in so little space unsurprisingly produces breathlessness that makes the book of limited interest. Choppy organization aggravates the problems. In each chapter, he jumps too rapidly among topics. Too many inadequate treatments of details arise.

The book starts with an introduction stressing an overview of the electric power industries in the three countries. He gets off to a bad start by not making clear that the U.S. organization was well established well before 1945 in contrast to Britain and France, which were about to nationalize. His overall take on the most complicated of the cases, the United States, misses too much. In particular, his discussion of municipals fails to note that most are distribution companies buying from others, particularly various entities of higher levels of government such as the Tennessee Valley Authority. The existence of cooperatives is ignored.

Chapter 2– Moving from Coal to Oil: What Price Security?–starts with review of the rapid substitution of oil for coal in the three countries, turns to the rise of Middle Eastern oil, and then summarizes the policy response in the three countries. On the last, he sees France as more willing to accept imported energy, perhaps because it had less domestic energy demanding protection. The bulk of the chapter deals with security. The discussion begins and ends with recognition that supply-disruption dangers were used as an excuse for protectionism. In between, he leafs through numerous supply crises and policy initiatives in the three countries.

Chapter 3 deals with the European Coal and Steel Community (ECSC). It starts off with a clear discussion of the French motives for promoting the Community and the British reasons for resistance. The characteristic jumpiness then returns. He moves among the later initial rejected British effort to join ECSC and the two newer Communities and the inability of the Communities to agree on an energy policy in the face of the vigorous competitive pressures on ECSC coal industries. He never gets to eventual British membership or the death of ECSC.

Chapter 4 deals with marginal-cost pricing of electricity. It starts with review of the development of the germane theories, moves to the contrast between French embrace and British rejection of the ideas, and then reviews U.S. developments.

Chapter 5 turns to investment decisions in the electric-power sectors of the three countries. The fullest attention is given to British efforts. Discussions of the other two countries are strewn about the chapter.

Chapter 6 contrasts among the three countries in their approach since 1978 to electric-industry organization. As is amply discussed elsewhere, Britain privatized, some U.S. states restructured, and France was unchanged. The U.S. case gets by far the most attention, but the results are problematic. He relates the familiar story of how a provision of the 1978 U.S. Public Utility Regulatory Policies Act (PURPA) encourage electric companies to purchase electricity from specified types of independently-owned facilities led to concerns about electric-utility industry organization. He moves on to a sketch of how some states responded by imposing reorganization plans on the states' utilities and notes federal initiatives. He ends with review of how the California fiasco discouraged further changes. While he gets the broad picture right, he stumbles on the details. An overriding problem is failure to deal with the efficacy of decentralized solutions. He seems to consider the decentralized development of the U.S. grid as inherently inferior to the fully centralized U.K. and French systems and barely aware of the U.S. reliability council approach to coordination. His treatment of PURPA implementation simultaneously stresses efforts to encouraging environmentally friendly technologies and the actual dominance of cogeneration. Worse, he talks of use of small-scale conventional plants instead of the gas turbines either as separate units or combined with boilers (combined cycle) that actually dominated. (Since combined cycles are discussed later in the book, the problem is inadequate editing rather than ignorance.) He repeatedly assigns a further key role to the 1992 Energy Policy Act. By the time, he gets to noting the key provisions of that Act he botches the description of one; he talks of encouraging independent generators without mentioning that the act was focused on permitting existing utilities to act as independent generators in other regions.

His treatment of U.K. privatization appears as two interruptions of his review of the U.S. The first comes between an initial treatment of PURPA and review of the longer-term problems. Additional material appears as discussion of new institutions that U.S. restructuring necessitated. The French situation appears a discrete conclusion to the chapter.

His final chapter is not a clear summing up but a mélange of further thoughts. He does start with reiteration of the major conclusions of the prior chapter but quickly moves on to other points, many extensions of prior chapters. Thus, he discusses the relevant French traditions in public-utility economics, the effects of British privatization, and further aspects of supply security. With the last, he expands to encompass depletion, disruption, adequacy of electricity investment, and global warming.

The result then is a collection of largely unsatisfactory recapitulations of part of a vast literature. Curiously, he does provide an extensive and generally well selected bibliography.

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The Strategic Petroleum Reserve: U. S. Energy Security and Oil Politics, 1975-2005, by Bruce A. Beaubouef. (College Station, Texas: Texas A & M Press, 2007) Hardcover, ISBN 978-1-58544-600-1, $49.95.

Of the major policy responses to the first oil shock of 1973-74, the only one still in existence is the Strategic Petroleum Reserve. Unlike other consuming countries, which imposed storage requirements on industry, the U.S. instead chose to maintain supply reserves exclusively in publicly owned and funded storage facilities (underground hollowed-out salt domes).

This timely book supplies a definitive chronological history of the reserve from early discussions in white papers in the Nixon administration to the present. The early years were filled with extreme political pressures to fill the reserve and a series of technical and management setbacks that prevented the political goals from being realized. The Iran-Iraq war occurred too soon for the reserve to be used. In fact, filling the reserve was suspended in 1979 to ease pressure on world markets and prices.

While Beaubouef supplies all the details of interest to energy professionals, he also demonstrates how the reserve becomes part of the political struggles of each era. Thus in the 1980s when deficits were a source of political dispute and spending for the reserve was the largest component of the Department of Energy budget, the spending for the reserve was put off budget and borrowed without explicit on-budget appropriations. When spending constraints were in vogue under rules created by Senators Gramm, Rudman, and Hollings, the Reserve was placed back on budget.

The first real test of the Reserve occurred after the Iraqi invasion of Kuwait and the subsequent brief war in 1991. President Bush ordered a drawdown of the SPR on the same day he ordered the invasion of Iraq. Over the next two days, the price of oil dropped immediately from $32 to around $19. Because the war was short and successful, isolating the effect of the reserve announcement isn't possible scientifically. But many economists are sceptical of any effect. Beaubouef quotes Phil Verleger as saying that that the SPR release announcement had nothing to do with the price decrease, but for the public and politicians, the SPR had done its job.

The Energy Policy Conservation Act of 1990 amendments gave the President more explicit authority to use the SPR, and both the Congress and the President took advantage. They proposed oil sales to raise revenues and lower the deficit. In 1999 Congress wanted to refill what was sold in 1996. The explicit goal was oil security, but their implicit goal was to raise oil prices (remember when low prices were a problem). They wanted to assist oil producers without explicitly raising taxes so they changed the royalty payments from offshore wells from cash to in-kind oil contributions to the SPR. Finally, in the heat of the close 2000 Presidential election, Vice President Gore explicitly called for the use of the SPR to lower oil prices even though earlier in the same year, he had opposed such use. President Clinton ordered the exchange of 30 million barrels in an attempt to lower heating oil prices. The SPR had been transformed from an emergency device for use during war to a politicized price smoother.

The author is a historian and journalist and not an economist. Thus the reader will not find an extensive welfare-economic analysis of the SPR. Instead he repeats the conventional view that the economic costs associated with oil supply disruptions are large and that public stockpiling is necessary policy response. For an analysis of the generic problem of optimal inventories and the experience with government stockpiles of other (strategic) commodities, the reader will have to look elsewhere.

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A Handbook of Primary Commodities in the Global Economy, by Marian Radetzki (Cambridge University Press: 2008), 233 pages, ISBN 978-0-521-88020-6 hardback.

A handbook often signifies a book of guidance. In reading the book of widely esteemed Professor of Economics Marian Radetzki, from the Lulea University of Technology in Sweden, readers are guided through the turbulent global markets of primary commodities.

The current global commodity boom has become a source of interest, and concern, more than any boom in history. It is therefore hard to think of a better time for this sort of work to emerge. Other books have been written to address some of the issues. I would say that some are lacking in substance and seem to have been written by authors hoping to somehow benefit suddenly from the turmoil. By contrast, Radetzki's book is based on four decades of research and experience. In fact, the antecedent to this new book is entitled *A Guide to Primary*

Commodities in the World Economy (Radetzki, 1990). The topics from the older book have been completely rewritten, with several new topics covered.

A wide audience with interest in mineral and energy issues is the audience for this book which includes students, executives, government officials, and members of the general public who are concerned about high energy prices and the depletion of exhaustible resources. He is successful in writing to this readership, thanks in part to the clear and concise nature of the exposition. Despite some of the complexities of commodity markets, he effectively communicates his findings by kindly avoiding the use of overly technical language.

Chapter 1, the historical framework, deals with the important role of primary commodities in economic development, the decline of transport costs that has dramatically increased world trade, and the history of resource nationalism (which has started to resurge this decade). The chapter is concise, which is pleasant considering there are already many books adequately covering the history of primary commodities. Chapter 2, which covers the geography of commodity production and trade, efficiently highlights major geographical issues.

Chapter 3, comparative advantage and trade policy distortions, discusses public policies used by nations in commodity production and trade. The reasons for the establishment of such policies are also explored. There is a useful section in the chapter that provides numerical measures of trade restriction in global trade. Readers will find that the final section on the effects of tariff escalation in commodity processing is interesting and well-explained.

Chapter 4 explains price formation and price trends in commodities with a practical and basic lesson in microeconomics. An area related to prices that falls outside of traditional economic fundamentals and has received vast attention this decade, is the role of commodity exchanges, investments, and speculation. Chapter 5 does a good job of explaining these complex subjects and their effects on commodity markets.

Chapter 6, the economics of exhaustible resource depletion, provides persuasive arguments countering the fears of many concerned experts who fear depletion is near. As the name of the chapter implies, depletion is discussed from an economic rather than physical point of view. Therefore, in spite of the appropriateness of dealing with depletion economically, the argument may do little to relieve the pessimists' worries.

Chapter 7, fears of and measures to assure supply security, provides an informative review of the consequences of supply disruptions and the response measures designed to mitigate the negative effects. The chapter leaves us thinking that the response measures, although costly and not often used, resemble an insurance policy that is probably worth having.

Chapter 8, producer cartels in international commodity markets, discusses the principles of cartels and why they have usually failed. OPEC is the exception, with evidence provided that the cartel has been mostly successful for over thirty years. The assertion of OPEC's effectiveness is different from most experts' views, but I believe Radetzki's arguments will leave the reader convinced.

Chapter 9, public ownership in primary commodity production, discusses the presently relevant topic of national oil companies and state mining enterprises. The chapter correctly suggests that in general these corporations are not well run. Still, there are a number of exceptions in the energy and metal industries, so it is nice that Radetzki does not completely discount public ownership.

Chapter 10, the monoeconomies (issues raised by heavy dependence on commodity production and exports), discusses the important mineral/energy economic topics of commodity instability, generation of public revenue, the Dutch disease, the resource curse, and exchange rate policies. Diversification is the usual solution offered by many to the problems raised by heavy dependence on a few commodities. However, Radetzki provides several arguments in concluding that a country like Venezuela, for instance, which is heavily dependent on the export of essentially one commodity, may not benefit by reducing this dependence and increasing the contribution of the manufacturing industry.

In writing this book, Radetzki provides several valuable contributions related to primary commodities in international markets. To reiterate, the book comes at an opportune point in time, provides a wealth of information, and is useful as a guide to really understanding the themes addressed.

REFERENCES

Radetzki, M. (1990), *A Guide to Primary Commodities in the World Economy*, Blackwell, Oxford.

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