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Resources and Energy: An Economic Analysis, F. E. Banks

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RESOURCES AND ENERGY: AN ECONOMIC ANALYSIS

F. E. BANKS

Lexington: Lexington Books. 1982. Pp. 332.

In this book Professor Banks offers a personal view of recent developments in international markets for petroleum and other non-fuel minerals. The reader will find brief descriptions of institutional arrangements and tendencies that characterize these markets; extensive criticisms of natural resource policies (past and present) and economic analyses that have led to them; and desultory expositions of selected aspects of the economic theory of natural resources. Much of the material has been drawn from Professor Banks' previous books and published articles. An experienced reader will find little that is new.

The book's main weakness is that there is no general theme to carry the reader from beginning to end. The book opens with an introductory chapter that, rather than stating the author's purpose and objectives, instead tabulates miscellaneous energy conversion factors and reconciles alternative units of measurement. Chapter 2 consists of a long discussion of the world oil market that touches on many of the microeconomic and macroeconomic problems associated with recent oil market disruptions. This chapter alone constitutes one-third of the entire text. Natural gas is treated separately and relegated to a secondary position in Chapter 3, half of which is devoted to future mineral prospects of the Soviet Union. Chapter 4 provides an account of the world coal industry, with special emphasis on Australia. The first half of Chapter 5 identifies the main national suppliers of uranium to the world's nuclear power industry, and the geographical location of installed nuclear generating capacity. The latter half of the chapter is given over to a numerical example illustrating how lump-sum investments in nuclear generating capacity can be translated into annualized capital costs by using amortization schedules. Apart from the numbers used in the illustrative example, no capital cost data are presented in the chapter. Chapter 6 is the second longest chapter in the book and consists of an introduction to markets for non-fuel minerals in general, and overviews of the markets for copper and tin in particular. There is also a subsection devoted to a discussion of the historical reasons for the decline of the U.S. iron and steel industry and the rise of the Japanese (and perhaps Brazilians). Chapter 7 seems most out of place in the scheme of things. It sketches, in some detail, analytical and statistical methods for estimating simple Koyck-type distributed lag models of commodity markets. The level of mathematical sophistication used in this chapter is at the same time much higher than that found elsewhere in the book and too low to avoid overly simplistic and incomplete presentation of the problems encountered in this type of empirical research.

The most striking aspect of Professor Banks' book is its underlying tone—which is unmistakably anti-academic. Professor Banks openly disparages (p. 303) the "so-called learned journals" as being "irrelevant for the education of economists." Few, if any, citations to the leading economic journals will be found in the bibliography. I do not regard this aspect of the book as a major strength. Professor Banks also eschews the conventional academic practice of providing references and citations to support his facts and figures. Taking just one example, we are informed that the data presented in Table 5-4 (p. 167) are taken from "OECD documents." No sources whatsoever are provided for the data presented in many additional tables throughout the book. There are also many unsupported assertions that draw the reader's attention. Examples include the claim (p. 22) that the appropriate global reserve/production ratio for oil "should be higher than 10, perhaps as much as 15," and the blanket assertion (p. 259) that "it also happens to be generally true in econometrics that *more means less*."

I am quite uncomfortable with Professor Banks' practice of verbal dueling with invisible opponents. If Banks would argue with "some econometric evidence" published by Paul MacAvoy (p. 114), we are entitled to a reference that identifies the specific work in question. If Banks disagrees with "conjecture like that of Professor Peter Odell," (p. 95) we (and Professor Odell) are entitled to a citation that places the original remarks in context. Where the "so-called crustal abundance base cited by Julian Simon and others" is in question (p. 177), we are again entitled to know the original source materials to which Banks refers.

For those who would be entertained by reading about "certain public servants" who would apply "the crackpot rituals of monetarist economics to real life dilemmas," (p. 305) the book will make good reading. It does seem very much a book intended to persuade, rather than educate.

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