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Energy Resources Development: Politics and Policies

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BOOK REVIEWS
ENERGY RESOURCES DEVELOPMENT:
POLITICS AND POLICIES

R. L. ENDER & J. CHOON KIM, eds.
Westport, Connecticut: Quorum Press, 1987. H.b.

This volume, made up of an editors' introduction and fifteen short chapters, does not provide a connected or coherent collection of writings on the politics and policies of energy resources development. While some of the individual chapters do make contributions to the literature on energy policy (at least one has been published elsewhere), others appear to be incomplete and poorly developed. The selection of topics of the chapters seems almost random, and—since it lacks any kind of concluding chapter—the book does very little to draw together the wide array of often conflictory “lessons” to be drawn from the past decades of energy policy.

The editors' introduction provides a reasonable overview of some of the main themes of energy policy under the Nixon, Ford, Carter and (early) Reagan administrations. The editors' intent is to draw lessons from energy policy in light of the apparent lack of consensus across administrations regarding the nature of the energy problem and the policies with which it should be addressed.

The first section of the book looks at energy policy in the “global and national political context.” The first chapter (E. Wilson) argues that energy markets are subject to cycles, driven primarily by supply and demand (the “tightness” of the market), that affect the level of “politicization” of energy markets. While one might quibble about the inevitability of the cycles (oil prices were remarkably stable from the 1940s through the 1960s), this chapter serves to remind the reader of the important interactions among market forces, the organization of international energy owners, producers and consumers, and political forces.

Chapters two and three—concerning the effects of energy policy on the economy (J. Carmichael) and the role of the U.S. Congress in energy policy (H. Kenski and M. Mecham)—add little to what we know and, what is worse, fail to address the extensive existing literature on their topics. The former pays little attention to the effects of energy price (de)control, and none to the fantastic growth of energy spot markets and futures trading, or the general increase of “arms-length” energy market transactions. Chapter three tells us that ideology and party identification are important predictors of votes on energy policy. Surprised? What *is* surprising is that the authors of this piece did not attempt to integrate their conclusions with those of M. Ahrari in chapter four. Ahrari provides an enlightening analysis of Congressional voting patterns on synfuels

policy, showing how unstable policies can be when passed by an "ambivalent majority" in time of crisis. Unfortunately, Ahrari makes no attempt to draw conclusions from his case study—are we doomed to unstable energy policy? Or by what strategy might energy policy anticipate crises, thereby mitigating the (costly) effects of ambivalent majorities?

Part two on energy policy in the economic context is perhaps the weakest of the book. Chapter five (F. Hoole and J. Hart) is an exercise in the analysis of the effect of oil price decontrol on U.S. petroleum "dependency"—defined as the percentage of U.S. petroleum consumption that is supplied by imports. The authors construct a time series analysis that attempts to relate price decontrol to dependency, and—for reasons unclear to this reader—did not include oil prices in the model. Examining two "price decontrol actions" (Carter's initiation of decontrol in 1979 and Reagan's coup de grace in 1981), the authors conclude that the effects of decontrol on dependency are mixed: dependency was reduced in 1979, but not in 1981. Should we be surprised? Oil prices were rising rapidly in 1979, and leveling off (and falling in real terms) by 1981. In general, extensive research has confirmed that demand for energy, like other commodities, is responsive to the prices faced by consumers. Thus the effect of oil price decontrol on demand, and hence imports, is dependent on the effect of decontrol on consumer prices. Surely the authors know this, but it is not evident in their analysis. Equally troubling is the fact that not a single reference is made to other research done on the security effects of energy price controls (see, for example, D. Weimer and G. Horwich, *Oil Price Shocks: Market Response and Contingency Planning*.)

The sixth chapter (A. Danielson and P. Cartwright) provides a general, readable overview of severance taxes. The authors use a straight-forward, non-technical application of microeconomic theory to discuss the factors that affect how (and on whom) the burden of severance taxes is likely to fall. There is, however, nothing new here. Coupled with chapter five, this part of the book provides very little breadth *or* depth of analysis of the "economic context" of energy policy.

The third part of the book, concerning energy policy and intergovernmental relations, has more to offer. Chapter seven (G. Jones) provides a very general overview of the primary legal framework governing the U.S. outer continental shelf (OCS) oil and gas leasing. While almost entirely descriptive, the chapter does give the reader a feel for the complex of overlapping and interconnected laws within which OCS exploration and development must take place, and of the competing values that underlie those laws. Chapter eight (C. Cnudde) uses the federal energy leasing policy within states as a prescriptive model for "normal" intergovern-

mental relations. He argues from both theory and empirical evidence that states are more efficient decisionmakers (because they are smaller units and can more readily permit variance to match local circumstances), while the federal government is more efficient at implementation of policies (due to economies of scale). Thus a mix of roles—with the federal government responsible for implementing policies made by states—will provide the most efficient policy. Chapter nine, by the editors of the volume, provides a catalog of the availability, ownership, legal framework and constraints on development of Alaskan energy resources.

Part four of the book, concerning the “alternative energy debate,” is unbalanced. Chapter ten (R. Solo) provides a call for extensive government control over energy exploration, development and pricing. Furthermore, rather than encourage development of U.S. hydrocarbon resources, we should pursue a “drain America last” policy by relying on imports and husbanding our own reserves. That, it is argued, will save us from future oil price shocks better than the current strategic petroleum reserve (SPR) policy. (The author neglects to note that efficient drainage of oil fields severely limits the rate at which oil can be withdrawn, while no such limit constrains the SPR.) Price and allocation controls are added to the list of needed reforms.

Chapter ten would not be so troubling were it balanced by a less contentiously pro-regulation point of view. But in fact the only other contribution to the “alternative energy debate” takes the same tone, if not content, and argues that the “free-market” policy of the Reagan administration has left us “subject to the same kinds of energy supply interruption concerns” as those prevalent in the early 1970s. (Do the authors really believe that the *same* concerns should prevail now that most price controls have been removed and the SPR contains over 500 million barrels of oil?) Instead of providing a counter-point to chapter ten, chapter eleven (V. Johnston and M. Kurtz) contains a catalog of the benefits and costs of a range of energy sources—from traditional sources to such alternatives as solar, geothermal and wind power. The authors list the prospects for significant development of each of the alternative energy sources, and conclude that significant development of energy alternatives awaits a technological breakthrough. The authors offer little policy direction for fostering such breakthroughs (should we rely on market incentives or beef-up public investment in energy R&D?)

Part five of the book, on the nuclear power debate, contains only one chapter—but it is one of the best in the book. Chapter twelve (L. Wenner) examines the transition of nuclear policy making from extreme centralization in the 1940s to the fractured decentralization that characterizes it today. The author analyzes state referenda on nuclear moratoria, which

since the mid-1970s have proved increasingly likely to pass. Furthermore, according to the author, voters have been shown to become increasingly opposed to nuclear power plant construction in their states as they become more knowledgeable about the issue. If true, that is yet another nail in the coffin of commercial nuclear power generation in this country. While the substantive results are interesting, the real contribution of this piece is in the area of intergovernmental relations: the move to decentralized decisionmaking, ardently espoused by the Reagan administration as a means to reduce the overall role of government, has in fact increased the role of (state level) governments in the nuclear power "marketplace."

Part six brings the concept of "consumer behavior" to bear on energy policy. Chapter thirteen (R. Pitts) argues persuasively that policy that attempts to alter energy consumers' behavior must rely on consumer behavior theory—particularly consumer psychology—and concludes (predictably) that the government should sponsor more research on this area. Chapter fourteen (D. Hyman, M. Wadsworth, and D. Alexander) argues, on the basis of consumer perceptions, that energy should be considered a "public good" (defined as a necessity of life that should not be allocated on strictly economic grounds). Therefore private utilities should be regulated so as to include consumer interests in allocation (and presumably price) decisions. Like part four of the book, this one would have benefited from a degree of balance imparted by including more than one point of view.

The final part of the book, concerning implementation of energy policies, contains one short chapter (D. Menzel) dealing with the implementation of federal coal policy in West Virginia. The intent of the author is to examine the effects of the attitudes of "street-level" bureaucrats on the implementation of public policy. He discovers significant attitudinal differences among state and federal inspectors and the regulated (target) coal operators. He argues that such attitudinal differences should be anticipated, and that policy procedures (e.g., including state inspectors in federal decisionmaking processes) should be designed to minimize such differences.

To conclude, one must keep in mind that most edited volumes are a mixed bag, and this one is no exception. Generally, the coverage of the book is highly uneven, and its content suffers from a significant lack of balance. Despite these problems, there are a few gems worth mining from this book.

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