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Crude Power: Politics and the Oil Market, by Oystein Noreng

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invaluable. The manufacturer may be asked to produce a number of different designs, or a batch of a proven design. It is important that the manufacturer understands its role from the start and is paid adequately. Training of manufacturers on both technical and business matters can be of great benefit. It is difficult for small manufacturers to keep abreast of the technical developments and new products. General courses on the benefits/constraints of wind energy, as well as courses covering design and construction, should be considered.

The best help for manufacturers would be a healthy market for wind generators. Although this might exist in theory, which means there are sufficient wind resources, low electrification rates, current use of car batteries, sufficient resources or credit available to buy generators, and a lack of feasible alternatives, not much will happen unless the consumer is aware of the product and the manufacturer is aware of the market. Marketing is usually low on a small manufacturer's list of priorities. Help with marketing can come in several forms, such as help with market research, production of marketing literature, securing advertising space, improving the company image, and better product design. Some marketing can be coordinated through trade associations to keep costs down or focused on individual manufacturers with the marketing experts. For any small wind system, the sharing and disseminating of information is crucial.

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Crude Power: Politics and the Oil Market. By Øystein Noreng. London: I.B. Tauris & Co. Ltd., 2002. Pp. 1254. $65.00 cloth.

Crude Power: Politics and the Oil Market, by Norwegian Øystein Noreng, is an ambitious book. Noreng openly reveals his scholarly intentions: to prepare a comprehensive examination of the interaction of economic and political forces in the world oil market. The functioning of the world oil market remains unexplained and unpredictable, largely because of the shortcomings of applying traditional economic theories to the complexities of oil. Economic theories typically make assumptions about markets without adequate consideration of institutions, politics, ideologies, and social conditions. These factors, says Noreng, must be considered, or international relations surrounding the production and use of oil will continue to be marked by volatility, unpredictability, and violence.

The importance of oil to world politics and economics cannot be overstated. Oil is prized and needed by all governments, yet, by accidents of geology, oil is produced in large quantities by a relatively

small number of countries. In terms of market value, oil is the world's most important traded commodity. Oil is the only commodity capable of causing worldwide macroeconomic effects; oil price fluctuations reverberate throughout the world economy, with devastating consequences for countries large and small, developed and underdeveloped areas, oil exporters and importers. Furthermore, oil is too important to national security for even the most devoted of neo-liberal governments to entrust supply and price to the open market. Conflicts over oil routinely cause wars, and access to oil can alter the outcomes of wars in progress.

Noreng concludes that to analyze such a complex issue he must draw upon a wide range of theories, both economic and political. However, his attempt at comprehensiveness is at once a strength and weakness of his book. The strength lies in the book's impressive scope and descriptiveness. There are few important issues and actors that Noreng does not at least touch upon. The book exposes layer upon layer of complexity. Reductionist impulses, such as viewing oil conflicts primarily in terms of oil exporters versus oil consumers, are not easy to justify after reading this book. Noreng illustrates the distinctly individual interests that different states have in oil politics and economics. These interests combine, multiply, and conflict in a dizzying multitude of ways. The United States and France maneuver for influence over Iraq's reemerging oil production. Iran and Iraq have large oil reserves, matched by large, needy, increasingly restless populations. Saudi Arabia relies on the United States as a marketplace and for military security, yet American presence there foments domestic disturbance and threatens the legitimacy of the ruling monarchy. Russia is self-sufficient in oil, yet is involved in affairs of Middle East oil exporters, and intends to exert influence over the impending development of vast reserves in former Soviet republics of the Caspian region. Noreng discusses all of these contentious arenas and numerous others.

At times, such wide focus results in analytical sprawl. *Crude Power* is enormously descriptive, but Noreng's explanations fail to cohere under a theory that has much explanatory power. Indeed, though the book is timely, published in 2002, it is also instantly dated—some of its predictions have already been revealed to be mistaken. For example, Noreng predicts that unilateral military action against Iraq will not happen, because such an action would be excessively risky. As we now know, the current U.S. administration either underestimated the risk or determined that U.S. interests outweighed the risk and decided to proceed with an essentially unilateral war. *Crude Power* suffers from a lack of clarity regarding the theoretical underpinnings of the work.

Noreng draws on elements of Realism, Institutionalism, Liberalism, and rationalist economics such as game theory and competitive theory. Unfortunately, various theories and infinite observations do not necessarily lead to reliable generalizations or accurate predictions.

Noreng's economic theory is stronger and more illuminating than his political theory. In a particularly interesting section of the book, he analyzes strategies of cooperation and conflict among oil exporters, especially within the Organization of Petroleum Exporting Countries (OPEC). Several qualities of the oil market, he says, provide strong incentives for cooperation among oil exporters. First, oil exporters operate in a context of oligopoly, where a few producers can control the market, competition is imperfect, and opportunities for collusion abound. Second, oil demand is, at least in the short term, price inelastic—that is, consumer need for oil is so acute that demand does not respond quickly to price increases. Third, the cost of lifting oil from the ground is much lower than the added productivity oil provides in the form of reduced labor costs and development potential. This allows substantial opportunity for collection of economic rent, defined as profit in excess of cost of production.

These three factors produce ideal conditions for what economists refer to as a "prisoner's dilemma." In the classic prisoners dilemma, two prisoners may receive reduced sentences if they both agree to confess to a crime. However, if, after agreeing, one cheats and allows the other to take full blame, the first goes free and the second receives a stiffer penalty. Thus, cooperation improves the outcome for both parties, whereas reneging on the bargain results in an optimal outcome for the cheater—a "free ride"—and a worse outcome for the party who is faithful to the agreement—the "fool's reward."

The peculiarities of the oil market and the oligopolistic structure of OPEC present the classic prisoner's dilemma, with additional complexities arising from the existence of multiple players who repeat the game over time and can learn of each other's strategies. OPEC nations often agree to limit oil production below capacity, causing the price of oil to rise, maximizing profit (economic rent) in relation to volume sold. If OPEC countries are faithful to the bargain, a positive outcome results for all. However, cheating is common. A country that breaks the OPEC agreement sells more oil at high prices protected by cooperating countries, benefiting from the cooperation of others while maximizing profits and gaining market share for itself.

The stakes are high and the consequences can be tremendous. Lack of cooperation causes oil price volatility and disastrous consequences for the economies of oil importing countries. Also, tension and mistrust between the players of the game can easily erupt into

violence. Indeed, this occurred in the early 1990s when Kuwait cheated on an OPEC agreement, producing above quota, at a time when neighboring Iraq faced a large currency crisis and needed oil revenues to pay high external debts and to support a growing population. Saddam Hussein responded aggressively. Not content to reap the fool's reward, Iraq invaded and occupied Kuwait, an action only undone by massive international diplomacy, cooperation, and finally war.

Ultimately, *Crude Power* is a fascinating foray into one of the most intriguing and problematic issues of our times. Noreng openly acknowledges the problem he faces in writing this book: no coherent theory links important variables involved in the interaction of economic and political forces in the world oil market in such a way as to yield reliable predictive results. That he does not fully accomplish this monumental task is only a mild criticism of an otherwise excellent book of more descriptive than theoretical or predictive value.

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