

BOOK REVIEW

Thatcherism and the Fall of Coal by MICHAEL T. PARKER, (Oxford: Oxford University Press for the Oxford Institute for Energy Studies, UK, 2000), 246 pages, 72 tables. ISBN 0-19-730025-1.

Mike Parker, former chief economist for Britain's National Coal Board (later British Coal), has prepared an insider's review of British coal developments from the start of Margaret Thatcher's career as Prime Minister through the 1990s. The title is a deliberate teaser. Parker's thrust is that Mrs. Thatcher's desire to reform coal policy was profound but not translated into a detailed program.

She did not have a systematic plan for dealing with the long-festered problem of coal protectionism. Her desire for reform was tempered by recognition of political barriers that bedeviled her predecessors. Parker adds that the declines in energy prices that undermined the coal industry were not anticipated by any of the major participants in British coal policy. Moreover, it was her successor, John Major, who effected the privatization that was the *coup de gras* to the long-standing effort to maintain substantial coal-producing capacity. Of course, as he adds (p. 218), Labour governments would never have moved similarly but still would acquiesce in lesser but still substantial contraction.

The transformation involved three pivotal events. The first (Chapter 2) was the colossal 1984 miscalculation by National Union of Mineworkers Arthur Scargill. Despite the absence of supporting votes, he effected a strike. The combination of incomplete support by the members and government measures to offset the loss of supplies produced a decisive defeat for the union. Parker argues that while Thatcher certainly reveled in her success, it was Scargill's intransigence that produced the strike. A major result of the successful resistance was introduction of efforts massively to improve the operation of the National Coal Board (Chapter 3).

The second central event was reorganizing and privatizing the British electricity industry (Chapter 4). Parker discusses two major effects of the process. The more obvious was that a privatized electricity sector had lesser tolerance of the purchase of British coal at above market prices. In addition, the much-criticized restructuring of generation produced firms with market power. According to Parker, this produced an uneconomic "dash to gas" by building gas-fired combined cycle plants. While these plants sold electricity for less than that charged by the companies inheriting the coal-fired capacity, Parker believes that this was due to inefficient pricing practices in offering electricity generated

from coal. (However, ultimately (p. 216) he recognizes that competition from imported coal could have had the same effect.)

The third critical event was moving to privatize the coal industry. This inspired both substantial reductions in capacity prior to privatization and further cuts as private owners faced market realities (Chapters 5-7).

Parker throughout refrains from ideology. He displays neither the naïve faith in coal revival that has marred European coal policy nor the vigorous objections that, for example, I have generated for several decades. In fact, Parker deliberately narrows his focus. His citations are dominantly of official documents and memoirs of participants. The book makes no attempt to place the issues in perspective.

He, nevertheless, considers all the critical issues and reaches the correct conclusions. Most importantly, he clearly recognizes that economic realities necessitated reductions in coal output and the "strategic" arguments for preserving coal production lacked substance. At best, a Labour government would have curtailed less. "New" Labour in power did little to stem the decline of coal. Even Labour needed to recognize the pressures of depletion and declining coal use outside of electric power. As Parker stresses, once the back of union pressure was broken, the unfavorable underlying economics became increasingly evident. Thus, T.S. Eliot style, the coal industry managed to end "not with a bang but with a whimper."

More technically, he recognizes the drawbacks of the perennial British coal practice of using the rents from low-cost mines to subsidize losses at higher cost mines. His treatment ignores that such concern is long-standing and applicable far outside British coal. In 1952, welfare economist I.D.M. Little published a monograph that severely criticized these subsidies. Continental European coal industries used the same practice. More critically, the convoluted 1970s U.S. oil and gas price controls were particularly ill-advised efforts to use rents to subsidize other activities (and coexisted with efforts fully to tax the rents).

The one exception to the limited purview is repeated reference to the irony that the much higher cost German coal industry received massive subsidy denied the British industry. Ultimately, he recognizes that the difference relates to political influence. This is the closest he comes to recognizing that he is relating only part of the cautionary tale of a prolonged European (and Japanese) effort to preserve wildly uneconomic coal industries. The problem was evident from at least the 1958 roar back of Middle East oil supplies after the Suez crisis. However, denial prevailed.

This was a standard craven obeisance to political pressures. To be sure, the usual excuses of security benefits and the ultimate need for the coal were trotted out and perhaps, given the capacity for self-delusion, even believed.

This all gives an insider's viewpoint that is refreshingly unmarred by parochial interests. Instead, Parker has provided a full, sound, and thoughtful review of two decades of policymaking in British coal. The value extends to far

more than those who are interested in coal and energy. Parker has provided, as his restraint causes him to ignore, a case study of the true unimportance of declines in industries that intimidate politicians into providing massive protection. The points apply to much else such as 'butter mountains' and 'one more chance for steel.' Thus, the book deserves wide attention among all interested in public policy.

Richard L. Gordon
The Pennsylvania State University