Book Reviews

Samuels, Richard J., *The Business of the Japanese State: Energy Markets in Comparative and Historical Perspective*. Ithaca: Cornell University Press, 1987, 359 pp.

This book compares the ways public and private actors have sought to organize the economies of industrial democracies. The central question is why the Japanese state is not a producer in energy markets. The author answers this question by looking at energy "market transformations" in historical and comparative context.

What emerges from the detailed, careful probing is an image of Japanese energy policy management that will surprise many readers. The result is to focus attention on the tortuous, uneven path of Japanese energy politics, highlighting the failures and frustrations of policymakers and the conflicts that condition state intervention.

The first chapter sets the stage by foreshadowing the conclusions: "The Japanese state is a market-conforming player not because it is strong enough to control by other means, nor because it is smart enough to appreciate the efficiency of the market, but because in the development of Japanese commerce and industry powerful and stable actors emerged who established enduring alliances with politicans and bureaucrats." Private actors "surrender jurisdisction to retain control" in a politics of "reciprocal consent" that is constantly under negotiation. The author proposes that the politics of reciprocal consent is conditioned by six factors: market structure, centralization, developmental timing, openness, ruling coalitions, and administrative tradition.

The second chapter analyzes state ownership in European energy markets and provides ample evidence that state ownership has been the norm rather than the exception. The role of labor and leftist parties is striking, as seen in the debate over nationalization of coal in Great Britain. In oil, where markets were always international, state interventions have been designed to displace foreign market participants and to bolster war efforts. This review of European policies serves to highlight what is unique about Japan: the Japanese state became a partner and guarantor of private industry rather than a rival producer of competitor.

The next four chapters trace the history of Japanese market transformations in coal, oil, electric power and alternative energies in order to "map the politics of reciprocal consent." These chapters comprise the meat of the book and are rich with historical detail. We learn of the "dual harness" system where men and women were tied together in the mines, political scandals involving key figures in the Electric Power Development Corporation, secret oil deals with Moscow in the early 1930s, and tensions between scientists anxious to develop indigenous nuclear technology and industrialists pushing for rapid commercialization. But these chapters provide much more than fascinating historical detail. They document constant bargaining among bureaucrats, politicians and businessmen, and the weakening of proposals for state control in favor of other, less direct forms of intervention.

The final chapter revisits initial arguments and suggests a reinterpretation of Japan Inc.—rather than state power, autonomy and coordination, Samuels highlights bureaucratic negotiation, interdependence of state and market, divisions between state and local governments, among ministries and even within the Ministry of International Trade and Industry (MITI). The author criticizes a heavy-handed "statist" approach, but in the end suggests that Japan, Inc. may still be the most elegant characterization of the Japanese political economy, provided that it can be disaggregated and can accommodate diversity and conflict.

Energy economists will find in this book much to challenge traditional assumptions. The primary explanations of market transformation are political. Although Samuels confirms Chalmers Johnson's earlier conclusions that Japaneses state interventions have been "market-conforming," some readers may conclude that they are better described as negotiated to confirm with the interests of key industrial sectors. The author could have defined "market-conforming," a phrase used to mean something other than smoothly following market shifts. While we are told, for example, that the Japanese state is a partner and supporter (rather than a rival or producer), we also hear that the state has assumed the initiative in market transformations over 90 percent of the time. Readers may likewise find it confusing that transformations in energy markets have always preceded state intervention, but that neither the Japanese government nor capital trusts the market. If the business of the Japanese state is to intervene in market-conforming ways, the markets are political arenas where actors attempt to skew supply and demand curves to their own benefit.

The book deserves the attention of the wider audience of policymakers who will find that it also challengers standard assumptions about Japanese industrial policy. Samuels has made an important contribution to studies of Japan's political economy, pointing to the key role of ruling coalitions. Others will hopefully pursue this line of analysis further to examine how changes in the composition of such coalitions or in the political and market context affect (and in some cases redirect) policy outcomes.

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Helge Ole Bergesen, Arild Moe, and Willy Østreng, *Soviet Oil and Security Interests in the Barents Sea*. London: Frances Pinter Publishers, 1987, 144 pages; includes index.

This book begins with a very brief survey of the current energy supply and use situation in the USSR, emphasizing the role of oil in Sovient hard currency exports and picking out the Barents Sea as a potential energy option for the Soviet Union. The second chapter describes in detail Soviet exploration efforts in the Barents Sea and compares them with parallel activities on the northern Norwegian shelf. About a quarter of the book is devoted to an analysis of military interests in the Barents Sea, and the last chapter presents concluding remarks on Soviet options in this area.

Although Bergesen, Moe and Østreng finished their book in late 1986 to early 1987, when radical changes proclaimed by the 27th Communist Party Congress were already gaining momentum in the USSR, their analysis of Soviet energy production and consumption policies seems dated; the authors seem to underestimate the importance of the recent shift of Soviet economic, social and foreign policies. (It must surely be the only book about the USSR published in 1987 that does not mention 'perestroika'.) Aside from the military aspects of the book (which are outside my competence as an energy economist), it seems appropriate to point out some omissions of important new factors affecting the Soviet energy scene.

First, both the introduction of new regulations for Soviet enterprises and the forthcoming change in the energy pricing systems will contribute to a much more efficient use of fuels. As enterprises begin to operate on the self-financing principle, it becomes very important for their managers to seek energy-serving technologies. Naturally, one cannot expect immediate progress in energy conservation, but significant energy savings should surely be reached by the end of the present five-year planning period in 1990.

Second, the process of natural gas substitution for oil in power generation has been under way since the early 1980s. In 1980–1985 the gas share in this market sector increased from 24.2 to 31.5 percent, while the share of oil products decreased from 35.7 to 25.9 percent. In the present planning period natural gas continues to free considerable amounts of oil in power plants.

Third, some time in 1988 or early 1989, natural gas will surpass oil as the Soviet Union's major fuel and will then represent almost 40 percent of Soviet primary energy production. Moreover, by the year 2000 gas production will increase by about 25 percent from its present level to some $1050–1150 \times 10^9$ cubic meters per year. This, together with other energy supplies, will cover all energy demands even in the least probable case of the continuation of the economic growth strategy of the 1960s and 1970s. Thus Soviet energy supply prospects, relative to reasonable expectations of demand, are not as bleak as may be understood from this book, which overstates the 'need' of the Soviet Union for additions to its oil resources from presently difficult areas such as the Barents Sea.

There are other factors of great importance, such as more flexible economic and foreign policies, changes in the planning system, the multi-billion (19^{10}) dollar decline in hard currency revenues in 1985–1987 (following the decline in oil prices), forthcoming changes in the energy pricing system, etc. that will also affect the Soviet energy situation in material ways over the next fifteen years. Unfortunately, these new elements of the current Soviet reality have not been recognized by the authors.

Finally, it is necessary to add that the concept of marginal costs is not "rejected in principle," as stated on p. 13. The concept is well known and long respected by Soviet economists, although in the Soviet Union, as in all other countries (including Norway), accepted principles of economics simply are not always used by policymakers as the basis for their decisions.

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Kline, Harvey F., *The Coal of El Cerrejón, Dependent Bargaining and Colombian Policy Making*. University Park: The Pennsylvania State University Press, 1987, 216 pages.

Kline's book is a deliberately limited survey of a single aspect of the development of Colombia's El Cerrejón coalfield. Kline, a political scientist from the University of Alabama, is only concerned with the political process of negotiation by which various agreements were made and broken. While he includes quotations from various major economists who have studied comparable problems, his discussion has almost no economic content. The book is largely a report on material gathered on a visit to Colombia in 1980 to 1981; while it suffers in many ways from this failure to add other material, much of interest is provided.

Kline asserts that his framework is the widely accepted dependency model of negotiations with countries such as Colombia and large foreign companies dubbed transnational enterprises (TNE). He recasts the theory in so flexible a form that it is capable of encompassing almost any form of nation-TNE relationship. This allows the book to reach a reasonable conclusion but loads the discussion down with much superfluity.

As an epitomization of dependence, Kline uses a quotation from Wouter Tim's 1975 appraisal (in the Brookings book, *Higher Oil Prices and the World Economy*) of the impact on developing countries of higher oil prices. However, Kline fails to note that the Tims definition consists of indicators of the absence of monopoly power.

Where Kline leads himself astray most is in treatment of the other half of a simple dependence theory—that the TNEs possess monopsony power. He alternates positions. He recognizes such offsetting influences as the competition among rival TNEs for El Cerrejón concessions and the advice Colombia received from other foreign companies. He also continually expresses concern over the administrative weaknesses of the Colombian negotiating process. Kline is particularly worried about the conflicts among Colombian decision makers. In the end, he still manages to stumble to a reasonable conclusion that Colombia did as well as it could have given the economic realities. Had he been more economically literate, Kline could have reached the conclusion more directly by noting that in the presence of sufficient competition for concessions, the best possible offer will be received whatever the competence of the sellers.

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