

THE OIL FOLLIES OF 1970-1980:
HOW THE PETROLEUM INDUSTRY STOLE THE SHOW
(AND MUCH MORE BESIDES)

By

Robert Sherrill

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Reviewed by

*Joseph P. Tomain**

Robert Sherrill's book should be of interest to readers of the *Journal* for two reasons. First, it is a sweeping and readable account of over a decade of oil politics. Second, you are probably in the book. In the fashion of an expert journalist Sherrill seems to not have missed a name, place, or date. The journalistic nature and the sweep of the book constitute both the book's strengths and weaknesses.

Its sweep gives the book its strength because it places myriad political, financial, and economic circumstances in a context during an important decade for energy law and policy. In a particularly useful appendix and introductory chapter Sherrill provides background information on historical events, personages and legal institutions which help set the stage for the drama, or from his viewpoint the tragedy, which unfolds over the decade of the 1970's. During this period, the country witnessed the rise and demise of the federal regulation of crude oil pricing and allocation. The federal intrusion into the oil industry is played against a backdrop of world politics and global finance that Sherrill also canvasses.

This trait of sweeping journalism is also the book's major weakness. From a purely academic standpoint, the book lacks adequate references which makes much of the information difficult to verify and assess. However, this is a minor quibble. The major weakness is Sherrill's adamant desire to stick to his theme. The book engages in a monopathic search for an identifiable conspiracy. The single-minded attempt to identify and label the co-conspirators results in a book that is more rhetorical than analytical. This results in a book which fails to provide any specific type of guidance for reform.

The subtitle of the book would better be the "The Great Betrayal." Sherrill's repeated and sometimes tiring assertion of a conspiracy detracts from a more serious analysis of the deeper problems involved. Sherrill sees conspirators all over. Every President he mentions is co-opted by political contributors. State and federal legislators are fatally corrupted by lobbyists. Executive and administrative advisors cavort with industry officials. Oil companies are incestuously involved with foreign governments. The only group that is seemly exempted from indictment is consumers.

Curiously, this devotion to a conspiracy theory has reenforced two apparently conflicting ideas: First, there is more competition in the oil industry than I suspected when I began reading the book; and second, the power of the oil industry is greater than I thought. There is more competition because there are so many more actors involved. Yet, the power of the industry is significant since so many of the actors are reading from the same script.

Sherrill's book goes a long way in resuscitating and extending a theory of government regulation that has gone out of favor lately — the theory of the captured agency. This theory holds that an agency becomes captured by a regulated firm or

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industry through various inelegant political influences that subvert the public interest in order to move the regulator to favor the regulatee.

Under Sherrill's account the entire decade of the 70's was captured by Big Oil. In part, Sherrill is captured by his own characterization. Consequently, his analysis suffers from his unremitting desire to prove his case. For example, he discusses the role of the United States Synthetic Fuels Corporation in the development of oil shale. In his mode of thinking, if the Synfuels Corporation granted Exxon loan guarantees or financial assistance of any nature, then, according to Sherrill, the federal government has handed over precious plums to a major integrated firm. However, if Exxon drops out of the Colony Oil shale project, as it has, and temporarily chooses to not develop that resource, then under Sherrill's analysis it is merely a question of time before Exxon does develop shale to their own financial advantage. Either position, develop or wait, favors the industry.

Oil Follies, raises issues such as these which generally remain submerged in talks about energy policy. Even though the book does so unsystematically and uncritically it attempts to talk about oil politics in ways that people more directly involved generally do not do. He talks about oil industry market power, ties with financial institutions, and the weakness of government enforcement efforts. If one can get passed the polemics, the book does raise questions about the position of large industries in our political economy that are *apropos* given the current mood of merger in the oil industry.