

MOMMER, Bernard; **Global Oil and the Nation State**, Oxford University Press, Oxford, UK (2002), pp. 232 + xiii, £29.50, ISBN 0-19-730028-6.

Natural resources which produce energy generate enormous riches. With this book Bernard Mommer makes a major contribution to understanding the political economy of the distribution of those riches between the classes and groups which attempt to appropriate them. He puts the question of natural resources back into the central position in political economy which it occupied at the beginning of the nineteenth century and from which it has been removed by post-Ricardian economics. Adam Smith, with whom Marx later concurred, argued that ground-rent (or royalty) was a category of payment which derived from the contribution made by land to the value of production and which therefore had an effect on the price of the commodity. Ricardo, however, replied that the price of the commodity was determined by market demand and supply and that rents to productive factors simply reflected what are now known as market imperfections. This view has prevailed in modern economics which has come to regard natural resources as merely a gift of nature. Land is no longer regarded as a separate factor of production and has been absorbed into the category of capital.

The two-factor model based on capital and labour, linked to the political right and political left, is, in Mommer's view too simple. He not only argues that the history and present of the oil industry cannot be understood without a three-factor model but also introduces even more dimensions and distinctions relevant to analysing extractive industries: that between surface dwellers and those who benefit from the riches beneath the surface; and, in the governance of oil, the four parties which struggle over the distribution of power and gains – landowners, producers, consumers and national governments. This makes for a quite complex implicit theoretical model but one which produces important insights. It allows the author to see the development of governance and distribution in the oil industry as a set of complex overlapping struggles which are sometimes between classes, sometimes between nations and sometimes between groups defined in other ways.

The kernel of the book is the question of the form of governance of oil resources: is it based on public or private ownership of the resource, and is the regime a proprietorial one (in which the proprietor charges some rent or royalty per unit of production) or non-proprietorial in which the proprietor participates in a share of the profits of exploitation? The first of these two issues is now effectively dead. Everywhere natural resources are regarded as public property. Even in Britain it has

been industries not resources which have been privatised over the last twenty years. In the USA, oil production comes increasingly from public not private land. And elsewhere in the world, public ownership of natural resources has always been the rule. The first half of the book applies the theoretical tools to the analysis of these various regimes and details a number of historical case studies, concentrating on coal in Britain and oil in the USA and Mexico.

Against this theoretical and historical background the second half of the book examines in great detail the shifts in forms of governance in the international oil industry during the last fifty years. It puts special emphasis on the institutional arrangements which govern the sharing of oil revenues between contending groups – royalties, profit sharing and taxation. The climax of the book recounts the story of the growth of discontent with and eventual breakdown of the old concessions system imposed by rich consuming countries on poor producing ones, the rise of the idea of the rights of landlord countries, the formation of OPEC and the monumental struggle over the distribution of the gains from oil which broke out with the rise in oil prices secured by OPEC in 1973.

Mommer sees this as an attempt on the part of the oil-rich countries to assert their property rights as sovereign landlords. For a brief moment it succeeded but was at least temporarily overturned once again not primarily, as many claim, by the natural competitive forces of the free market but rather by the conscious counter-strategy of the oil-consuming countries centred on the creation of the International Energy Authority. The latest round in this battle is taking place in the new oil-producing countries of the ex-Soviet Union where the oil companies, with the help of the governments of importing countries, are imposing a new non-proprietary form of governance through one-sided investment treaties. In Mommer's view, oil-producing countries by agreeing to adopt non-proprietary regimes, an essential feature of the neo-liberalism which erupted in the 1980s, give undue power to foreign companies which can only too easily lead to national impoverishment. Nonetheless he does not see these struggles as settled but as ones which will stretch out into the future with many changes in the balance of forces. A penultimate chapter assesses in detail the differences between forms of governance using the three case studies of the UK which in the North Sea has been dogmatically non-proprietary, the USA or rather Alaska where a public proprietary regime has emerged and Venezuela which has under international pressure moved from a proprietary to a non-proprietary regime.

The book is a stimulating application of an unfashionable and in some ways idiosyncratic theoretical perspective on a burning issue in today's international economy. It should be of particular interest to energy and development economists and to anyone interested in the question of international relations. The author's long experience in oil both in Venezuela and internationally gives authority to his views which will be controversial but not easy to dismiss.

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