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## Review

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M. Phil Faculty and Students

*North Sea Oil: The Application of Development Theories*

IDS Communication 121; 1977; £2.50.

*Michael Posner*

This monograph has five sections. In the first, development theory in its main features is surveyed, and it is argued that North Sea oil is a proper topic for development studies to consider. In the second section, the authors analyse Scottish regional development problems. The third section is about British energy policy generally. The fourth contains a general discussion of the function of the State in oil matters, with particular reference to the British North Sea. And the final section marshals the conclusions of the study.

I have been concerned with this sort of problem since oil was first dreamt of in the British North Sea. The chapter on Scottish Regional Development in particular, and also that on the functions of the State in oil, contain interesting material of which I was not fully aware in the past. Most of us in the Press and in the Universities concerned with this type of problem will find the monograph of interest, and no doubt experts in development economics generally will find this case study of British experience illuminating for the light it throws on development problems.

For the authors to have achieved this degree of success is deserving of praise, and I would particularly note the discussion of the dependency approach to Scottish development, and the section on the role of the British National Oil Corporation, as contributing considerably to the discussion.

But at one or two points the argument is a trifle naive. Although in the first section the authors distinguish carefully (and to this reader most illuminatingly) between different types of approach to economic development problems, suggesting that the neo-classical approach is likely to be of most practical use to governments, in Chapter 5, when they discuss their own policy implications, they seem to jump backwards and forwards from one theoretical standpoint to another in rather a confusing manner. An example is the discussion of British official attitudes to OPEC and the future of the oil price (pages 42-43). A really *practical* approach to this problem (I myself would *not* call it a neo-classical approach, but no doubt this is a question of semantic taste) would proceed

as follows: in the period 1975-78, the UK would have a direct national interest in a low oil price; through the period from 1975 until the mid 1980s, the UK as a member of, and a supplier to, the world market for manufactured goods, has an interest in the continued prosperity of the OECD countries, and recent experience amply demonstrates that the OECD suffers severely from a high oil price; from 1979 onwards, the UK will be self-sufficient or itself an exporter, and would favour a high oil price; and probably from the mid 1980s, any sensible member of a world trading community will be in favour of a high oil price, as the only appropriate neo-classical signal of a growing energy shortage in some sense.

This seems to me a complete enumeration of the relevant arguments. How these arguments should be weighted to produce a recommended policy stance for the UK authorities at any particular point of time between 1975 and the end of the century is a matter of political judgement, including the judgement of Britain's relationship with its allies and trading partners in other fields than the purely economic. Whether or not, in particular, it was sensible for the UK to oppose the indexing of the oil price in the Paris discussions in 1977 is a matter related as much to our wish to gain French support for our policy on European agricultural problems, as to our relationship with the international oil companies.

Again, the authors think it might be useful to have a long term energy plan for the United Kingdom, implying a detailed schedule of annual production and of the building of machinery and equipment for the North Sea. I can quite see the attractions of this suggestion, but having been involved in energy planning in several countries for a number of years, I am quite clear that very little in the way of certainty can be introduced and anybody who ties regional development policy to a programme for the purchase of drilling platforms in the North Sea in 1990 is building industrial prosperity on a very shaky base.

Indeed, at a more general level, I am sceptical about the emphasis placed on the purely technological possibilities for Scottish industry in supplying the North Sea. Essentially the North Sea will bring some money into the UK (equivalent, on favourable assumptions and for around one decade, to up to four or even five per cent of GDP per year), and these additional resources

will doubtless be very welcome, either as beer (present consumption) or seed corn (money for industrial investment or civic improvements of one sort or another). It is unlikely to be in our best interests to make very rigid decisions now about how quickly the money might flow in, or how precisely we might spend it.

But I do not want to be too sceptical about planning. I too believe, with the authors, that peering into the future in energy policy is a necessary process, and control of depletion rates in the national interest an appropriate matter for governments to attempt. I just do not believe that development economics has much to offer in this particular part of the field that is not better provided by we plain man economists (I prefer to be called a plain man than a neo-classic!). Where I think the authors have made a real

contribution is in their discussion of the role of the State in developing the North Sea, and their drawing on the experience of State Oil Companies elsewhere in the world. Simple-minded neo-classical economics can easily sneer at such devices as the British National Oil Corporation, and attempt to show that nothing is changed merely as a result of the exchange of paper agreements between BNOC and International Oil Companies. For no assets change ownership, and no profits are differently appropriated. But there is a somewhat grander—and possibly in the long run more important—sense in which the power of the indigenous population over their own assets is increased when a national corporation has an important part to play in decision making, and it is very helpful to have this spelt out carefully, and in my view convincingly, as in the IDS monograph.

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## Books Received

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Richard Sandbrook and Jack Arn, *The Labouring Poor and Urban Class Formation: The Case of Greater Accra*, Occasional Monograph Series, No. 12, Centre for Developing-Area Studies, McGill University, Montreal, 1977

Tata Institute of Social Sciences, *The Indian Journal of Social Work*, Vol. XXXVIII, No. 2, July 1977

Boudhayan Chattopadhyay, *Water, Cereals and Economic Growth in South and East Asia in the Fifties and Sixties*, People's Publishing House, New Delhi, January 1977

Chai Hon-Chan, *Education and nation-building in plural societies: The West Malaysian experience*, Development Studies Centre, Monograph No. 6, The Australian National University, Canberra, 1977

T. K. Moulik, *Bougainville in Transition*, Development Studies Centre, Monograph No. 7, The Australian National University, Canberra, 1977

A. Bergeret, O. Godard, H. L. Morales, S. Passaris, C. Romanini, *Nourrir en harmonie avec l'environnement, trois études de cas*, Environment et Sciences Sociales, Mouton, Paris and The Hague, 1977

Russell L. Ackoff (et al), *The Scatt Report: Designing a National Scientific and Technological Communication System*, University of Pennsylvania Press, 1976

*Desarrollo Economico, Revista de Ciencias Sociales*, No. 65, Vol. 17, Abril-Junio 1977

*The Social Science Teacher*, Vol. 6, No. 5, June 1977

Diana Howlett (et al), *Chimbu: issues in development*, Development Studies Centre, Monograph No. 4, The Australian National University, Canberra, 1977

*Anthropologica*, N.S. Vol. XIX, No. 1, 1977

*The Greek Review of Social Research*, No. 28, Tetpamhno, 1976