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## Rostow: A NATIONAL POLICY FOR THE OIL INDUSTRY.

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A NATIONAL POLICY FOR THE OIL INDUSTRY. By *Eugene V. Rostow*. New Haven: Yale University Press. 1948. Pp. xvi, 173. \$2.50.

In the first of a series of Studies in National Policy, Mr. Rostow has set out to survey the forces or "dynamics" which are dominant in this controversial field and to suggest a possible policy for legislative and judicial action. The editorial committee for the series is drawn from the Department of Economics and Political Science and the School of Law of Yale University; the author is a professor of economics as well as of law. While the ultimate objective is a revision of "public law," the basic analysis of this essay is economic and it is written in the language of an economist.<sup>1</sup> The oil industry is depicted as being controlled as to price and production by a small group of integrated major companies, largely derived from the old Standard Oil Company. Government regulation of the industry is complicated and inhibited by acceptance of the premise ("no longer tenable") that mining is not interstate commerce. As one result, the various petroleum producing states have devised a system of prorationing production, designed to fix prices rather than to conserve resources. (Mr. Rostow sees little danger of a lack of "low-cost oil within the significant future.") Marketing by independent producers is subject to control of transportation facilities by the "majors." The author feels that a return of competition would be socially and economically desirable and can be furthered by two means: (1) a compulsory "unitization" of the oil fields and elimination of the prorationing system, by means of federal legislation (production to be handled in the least wasteful manner by a cooperative in which all surface owners would share) and (2) breaking the integration of the majors by dividing them into separate units for their four chief functions (production, transportation, refining, distribution) and perhaps paring them down as to size. Professor Rostow invites the Department of Justice to do this by means of anti-trust suits and suggests an approach based on recent successes in the aluminum and tobacco industries. Whether or not these solutions would be

<sup>1</sup>The following is an extreme, and perhaps unfair example: "In the market for crude oil, the majors are monopsonistic or oligopsonistic buyers; in the markets for refined products they are oligopolists." P. 66.

adequate may be a subject for conjecture, in view of previous failures to force competition by dissection of existing monopolies. The book is not designed for general reading, but will be of interest to those who are associated with this and related fields.