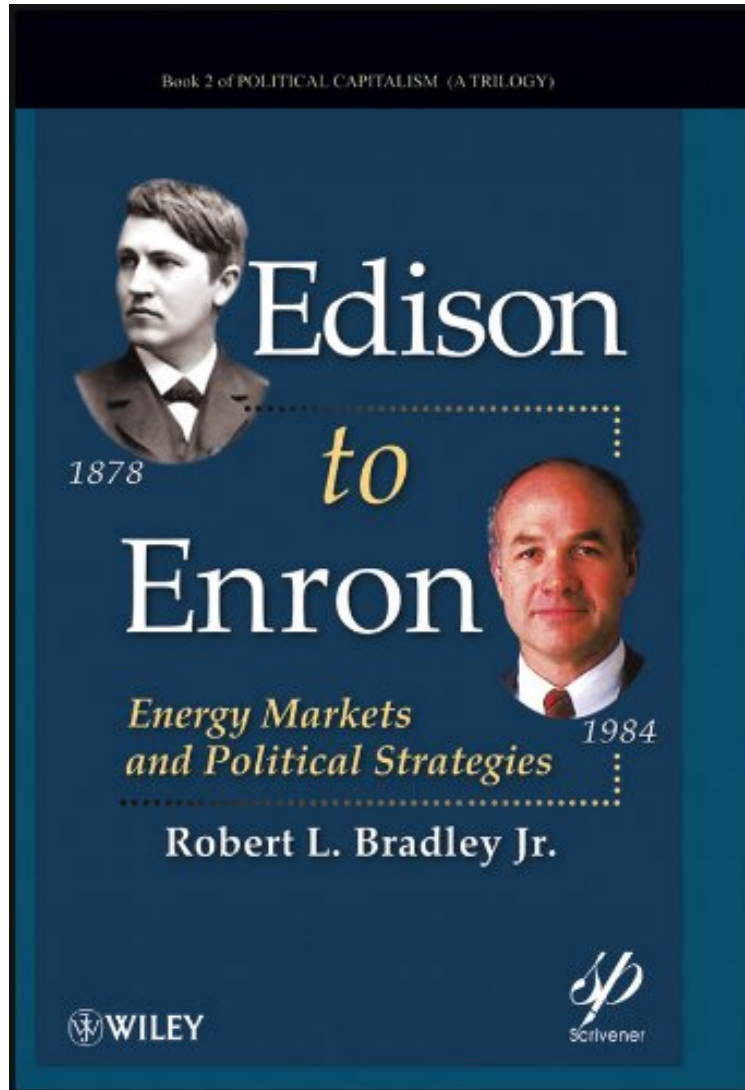


[Download] Edison to Enron: Energy Markets and Political Strategies

Edison to Enron: Energy Markets and Political Strategies

Robert L. Bradley

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Robert L. Bradley : Edison to Enron: Energy Markets and Political Strategies before purchasing it in order to gage whether or not it would be worth my time, and all praised Edison to Enron: Energy Markets and Political Strategies:

1 of 1 people found the following review helpful. Excellent Rendering of Parallel Lives, WorkBy James StrockRobert Bradley Jr. has written a very useful account of two of the great energy industry leadership collapses of the last century: Samuel Insull of Commonwealth Edison of Chicago, and Ken Lay of Enron.The comparison is inspired. Bradley sums up Insull's contribution: "Thomas Edison invented the common use of electricity, but Samuel Insull, more than anyone else, distributed it to the masses....Insull ingeniously developed the business model to affordably

bring electricity into homes, stores, offices, and industry. Thomas Edison was the father of electricity; his protege Insull was the father of the modern electricity industry. "Insull's career ended in disgrace if not tragedy. Ironically, Insull, who had mastered relations with government agencies to create his industry, was to be targeted for prosecution in the wake of his holding companies' collapse in the Great Depression. Insull became one of the prime scapegoats of the era. Ken Lay is recounted by the author as "Mr. Natural Gas" in the latter part of the 20th century. Bradley, who worked for Lay, appropriately acknowledges that Lay's historical place pales beside that of Insull. Unlike Insull, Lay was not an empire builder. Unlike Insull, Lay had foundational expertise not in energy per se, but in the interaction of government and industry through the regulatory process. He was a formally trained economist acting as an unacknowledged financier. Unlike Insull, Lay was not a learned individual; he strove to use knowledge and information in an opportunistic manner. Bradley convincingly argues that this was a defect with consequences, notably in Lay's self-regarding and self-destructive defense against his ultimate prosecution. Reflecting on Insull, seeing his career laid out in parallel to Lay's, has encouraged this reader to follow up with additional research. Forrest McDonald, a renowned historian who strongly endorsed 'From Edison to Enron,' has written a respected biography of Insull. Insull is also mentioned in many histories of the Great Depression, though, as Bradley points out with at least one prominent example, such renderings may be woefully incomplete. Bradley offers this volume as part of his case against what he calls "political capitalism." The term refers to, in Bradley's words, "a variant of the mixed economy in which business interests routinely seek, obtain, and use government intervention for their own advantage, at the expense of consumers, taxpayers, and/or competitors." It's clear that Insull and Lay abused the system in such a manner. It's also clear to this reader that much of the subsequent remedial legislation and regulation may have been distorted in reaction to the wrongdoing of Insull and Lay and their ilk. That said, it would be helpful to have more discussion from Bradley about what a proper regulatory regime would look like. The nature of energy--in its production, distribution and use--ensures that there will be a significant government role. How can that best be set up to protect the public, while encouraging innovation that is aligned with the public interest? Perhaps Mr. Bradley will present his vision in detail in his third volume. If this book is any indicator, his examination will be as thorough and well-presented as his conclusions will be compelling.

1 of 1 people found the following review helpful. Enron in the title kills it. Don't run away. By Robert Johnston Those that hate Enron might hate the book because of the title. Those interested in learning about the energy sector should enjoy the book. Don't buy the book for the Edison content. This book is about the energy market ... that's electricity, petroleum, distribution, application and efficiencies to insure affordability, in a complex supply and demand context. Bradley starts with Edison and his partner Samuel Insull and the 'war of the currents'. Edison's DC dynamo invention and DC currents inherently limited distribution within the confines of a high cost hub and spoke network limited the potential for electrification to the big factory and the very wealthy communities. DC transmission was completely overcome by Westinghouse's AC and the promise of a grid system distribution network across great distances. When the current war victor was apparent, Samuel Insull and Thomas Edison parted ways. Insull had known that DC dynamo generation was not on the strategic path to electrification. Edison understood invention. Insull understood business. Insull headed to Chicago to create his risky, leveraged empire in the time of industrial barons. The Insull story is colossal and worth the price of the book. The story is very nearly beyond our business history reach but it's a story that Bradley effectively frames. Insull created the first vertically integrated conglomerate. Insull's energy conglomerate is quite simply the reason the US became electrified based on the demand Insull created. Insull built or bought the electric generators, established the urban utility infrastructure, bought coal powered railroads and converted them to electric subways and trolleys and manufactured stuff that used electricity. He was fundamental in establishing the radio and radio stations. Chicago's L was Insull's prototype vision of the future America and his legacy of what might have been. The revenues of the utility paid for the inventions and right-of-ways to build the electric streetcar and develop electric automobiles. Insull was not a monopolist but a user of the steady utility cash flows to buy really big things to electrify. His holdings were ridiculously diversified in all manner of the efficiency of electricity. Insull imagined a highly productive and electrified nation. Unfortunately, he became grievously rich. FDR hated the barons and Insull was a perfect scapegoat, but the laws hadn't been written. So, Insull broke no laws and was found not guilty of breaking these unwritten laws. But, Insull was destroyed. Legislation and regulation insured no one might get this wealthy again. However, if someone wonders why street cars died and the automobile triumphed, here's the man and here's the place for the unintended consequence of regulation/legislation that insured electric cars and street cars in every town vanished from the landscape and simply never evolved in technology. The income from the utilities would never invent a better battery, car, trolley or train again. Bradley introduces Boss Jack Bowen. If Sherman insured the south would never rise again, Boss Jack Bowen would insure the Southeast would become the new home to industry fleeing the North. Boss created the energy infra-structure of the Southeast to be the most efficient in the country. Florida might never have evolved into its modern statehood without the genius of the Boss and his great plans and performance delivering affordable energy to an air-conditioning demanding state with no coal mines and industrial opportunity without piped gas and petroleum. Boss's Transco Energy Company was a company regulators loved to hate and so it happens that good intentions combine with regulation to become disasters and bankruptcy. A few new regs in just the right places at just the time preclude the chance of mere accidental financial collapse. The pieces of Boss Jack

Bowen's legacy were picked up cheap by a gent named John Henry Kirby and within a few management generations and some visionary players, Houston Natural Gas Corp emerged a giant. From this, Enron would emerge and we know how that ends. This is a hefty read. I chose it because I was not familiar with the "Energy Market". The 'energy market' is far more than simply oil, gas, electricity and distribution. It is complex and inherently inefficient and cluttered with non-value adding middlemen. Energy consumers pay an enormous premium for this systemic inefficiency. The 'theory' of Enron is startlingly obvious. The greed that we witnessed in Enron has absolutely nothing to do with the energy market theory of operational efficiency. Someone, someday will figure out how to do it and become a national hero reducing raw energy materials and delivering less expensive energy. They will also become very wealthy at which time they might re-read the history. Bradley does a 5-star job. The history is fascinating. The characters are bigger than life. The potential efficiency and productivity of the energy market theory is compelling. Just the very word 'Enron' snake bites the subject, however as horribly as Enron ended ... the tenets of the energy market theory in a hyper-regulated environment should be sorted out for everyone's benefit. It just might be an impossibility in any foreseeable future.

0 of 0 people found the following review helpful. A historical and political journey of energy industry

By Kanishk Rastogi

Very rare one comes across such well written narratives of an entire industry which is the backbone of any economy. Energy industry is one of the foundation, on which any country's economy and development relies upon. For energy professionals who are early in their careers, it is sometimes very important to know the history in order to put current things in right perspective. Robert Bradley Jr. has done a terrific job by documenting the political and industrial developments in a chronological order.

Edison to Enron: Energy Markets and Political Strategies (Political Capitalism) mainly tracks the lives and careers of Samuel Insull, who greatly contributed to creating an integrated electrical infrastructure in US and Jack Bowen, who was mainly in interstate gas pipeline business. Along with these two people, author develops a great storyline by integrating other key figures and parallel happenings in Energy industry.

As an energy professional. I found this book very thoughtful and filled with knowledge enhancing content. The language is very easy, however, due to the nature of the subject, I will not consider it a very casual and recreational read. It has to suit one's taste and intention in order to develop interest in this text. Overall, I highly recommend this book if Energy is your career interest!

The oil industry in the United States has been the subject of innumerable histories. But books on the development of the natural gas industry and the electricity industry in the U.S. are scarce. Edison to Enron is a readable flowing history of two of America's largest and most colorful industries. It begins with the story of Samuel Insull, a poor boy from England, who started his career as Thomas Edison's right-hand man, then went on his own and became one of America's top industrialists. But when Insull's General Electric's energy empire collapsed during the Great Depression, the hitherto Great Man was denounced and prosecuted and died a pauper. Against that backdrop, the book introduces Ken Lay, a poor boy from Missouri who began his career as an aide to the head of Humble oil, now part of Exxon Mobil. Lay went on to become a Washington bureaucrat and energy regulator and then became the wunderkind of the natural gas industry in the 1980s with Enron. To connect the lives of these two energy giants, Edison to Enron takes the reader through the flamboyant history of the American energy industry, from Texas wildcatters to the great pipeline builders to the Washington wheeler-dealers.

From the Reviews...

"This scholarly work fills in much missing history about two of America's most important industries, electricity and natural gas." — Joseph A. Pratt, NEH-Cullen Professor of History and Business, University of Houston

"... a remarkable book on the political inner workings of the U.S. energy industry." — Robert Peltier, PE, Editor-in-Chief, POWER Magazine

"This is a powerful story, brilliantly told." — Forrest McDonald, Historian

Summing Up: Highly recommended. General readers; all levels of undergraduate students.

(Choice, 1 March 2012)

From the Inside Flap

Energy, the master resource, is the world's largest industry and the bedrock of modern life. Without carbon-based energy, in particular, production and consumption as we know it would not exist. For most people, oil, gas, and coal have made life possible, not only pleasant. During the last 150 years, the United States has been at the forefront of energy development. Robert L. Bradley Jr.'s Edison to Enron chronicles important swaths of this history by focusing on the great entrepreneurs of electricity and natural gas: their lives and labors, their faults and failures, their mortal enemies, and their sometimes more deadly friends. Samuel Insull transformed the inventions of Thomas Edison into the modern electricity industry—only to have an Enron/Ken Lay-like fall late in his career. John Henry Kirby helped Texas enter the big leagues with timber, oil, and gas between his two bankruptcies. And Clint Murchison, Ray Fish, Robert Herring, and Jack Bowen, among others chronicled in the book, went through ups and downs in their quest to displace manufactured (coal) gas with cheaper, cleaner natural gas across the United States and in Canada. Bradley's book covers market entrepreneurship, especially resourcefulness in regard to energy minerals. Yet there are also significant instances in which the energy creators engaged in political entrepreneurship, or rent-seeking, by extracting special government favor for pecuniary advantage. The waste and perils of the latter provide a stark contrast to the benefits and prudence of free-market enterprise. Edison to Enron also tracks the career of Kenneth L. Lay, from a minor government bureaucrat to the heir apparent at Transco Energy

Company to the wunderkind CEO of Houston Natural Gas Corporation (HNG). A shooting star of the energy business, Lay would transform HNG into mighty Enron, before meeting his unhappy fate less than two decades later—a story told in this book's sequel. As a rare broad-based history of the American energy industry, *Edison to Enron* fills a critical gap in historiography and takes its place as a classic account of the energy nation par excellence during its most dynamic century. *Edison to Enron* is the second installment of Bradley's trilogy on political capitalism, inspired by the rise and fall of Enron. Book 1, *Capitalism at Work: Business, Government, and Energy*, provides a worldview of market-based versus political business, as well as an interpretation of energy sustainability. Book 3, *Enron and Ken Lay: An American Tragedy*, chronologically describes the rise and fall of Enron and the post-Enron world. From the Back Cover Praise for *Edison to Enron* "This is a powerful story, brilliantly told." —Forrest McDonald, Historian "This scholarly work fills in much missing history about two of America's most important industries, electricity and natural gas." —Joseph A. Pratt, NEH-Cullen Professor of History and Business, University of Houston "... a remarkable book on the political inner workings of the U.S. energy industry." —Robert Peltier, Editor-in-Chief, *POWER Magazine* Previously Published in the Political Capitalism Trilogy Book I: *Capitalism at Work: Business, Government, and Energy* Published 2009 498 pp. ISBN 978-0-9764041-7-0 Capitalism took the blame for Enron although the company was anything but a free-market enterprise, and Ken Lay was hardly a principled capitalist. On the contrary, Enron was a politically dependent company and, in the end, a grotesque outcome of America's mixed economy. That is the central finding of Robert L. Bradley's *Capitalism at Work*: The blame for Enron rests squarely with "political capitalism"—a system in which business firms routinely obtain government intervention to further their own interests at the expense of consumers, taxpayers, and competitors. Although Ken Lay professed allegiance to free markets, he was in fact a consummate politician. Only by manipulating the levers of government was he able to transform Enron from a \$3 billion natural gas company to a \$100 billion chimera, one that went in a matter of months from seventh place on Fortune's 500 list to bankruptcy. But *Capitalism at Work* goes beyond unmasking Enron's sophisticated foray into political capitalism. Employing the timeless insights of Adam Smith, Samuel Smiles, and Ayn Rand, among others, Bradley shows how fashionable anti-capitalist doctrines set the stage for the ultimate business debacle. "Bradley's book is especially timely, and it raises fundamental questions about the business of competition. Given the author's documentation, a wide audience might be served by reading *Capitalism at Work*." —William A. Mogel, *Energy Law Journal* "Fascinating, comprehensive ... far surpassing my own history of political capitalism done in the 1960s." —Gabriel Kolko, Historian "Recommended for public and academic library collections, lower-division undergraduate and up." —CHOICE