

Foreword

The energy challenges facing the state of California dominated the news in the winter and spring of 2001. Brownouts, rolling blackouts, and uncertain supply leading to a virtual shutdown of the state's economy were on the horizon. The repercussions across the country were incalculable. Later in 2001, however, things changed dramatically. Moderate summer weather greatly reduced anticipated demand, conservation measures were initiated, and new power stations came on-line. Then, the events of September 11 changed our focus.

The underlying situation facing California remains problematic. Now, many citizens are alarmed by the long-term contracts the state established during the electricity crisis and assert that the state power brokers panicked and made bad deals that will have significant long-term consequences for the state's budget and economy.

The research program at the Hoover Institution incorporates nine Institutional Initiatives; one, Accountability of Government to Society, is based on the premise that government works for society, not the reverse. Researchers at Hoover study and monitor government's accountability to its citizens in terms of representation, limitations, and effectiveness; it is hard to think of a better area for study under this initiative than the California electricity

crisis. Could this crisis have been avoided or, at least, anticipated? Did state and federal officials react quickly enough? Was their response appropriate? Were there market failures? These are the kinds of questions that Hoover fellows seek to answer.

The genesis of this project involved Hoover fellows John Cogan, John Shoven, and George P. Shultz and their discussions of an evolving crisis. John Shoven, who as well as being a Hoover fellow is the Wallace R. Hawley Director of the Stanford Institute for Economic Policy Research (SIEPR), suggested that this could be an area of research in which Hoover and SIEPR might combine their talents to address some important policy questions. James Sweeney, a fellow at Hoover and SIEPR and a Stanford professor, was drafted as the person to provide the main impetus for a study and dialogue, supplying the necessary historical perspective to address this issue. He does so graphically and clearly in this volume.

Hoover Institution overseer Thomas Stephenson, concerned about the evolving public policy implications of the energy crisis, encouraged us to pursue it. The financial support of Tom and Barbara Stephenson provided substantial wherewithal to address this issue comprehensively, leading to this book and the related Hoover/SIEPR conference addressing the California electricity questions.

Our partnership with SIEPR worked well; I want to thank John Shoven and Deputy Director Gregory Rosston for their teamwork. Finally, I acknowledge the assistance of my Hoover colleagues Patricia Baker, Marshall Blanchard, Jeffrey Jones, Richard Sousa, and Ann Wood; their contributions to the production of this eloquent volume were invaluable.

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