Transforming Traditional Agriculture.


ONE OF THE comparative advantages possessed by Professor Schultz is that he typically addresses himself to important issues and clarifies or illuminates them, if he does not always resolve them. This particular effort is not an exception, though it is, for reasons that will be given later, considerably less convincing than some of his other analytic achievements.

The importance of a highly productive agriculture for economic growth and development is finally gaining recognition. But the problem of how to bring about the great increases in farm output that are necessary is still largely unresolved. What is required is the transformation of traditional agriculture to modern agriculture—the former being defined by Schultz as "farming based wholly upon the kinds of factors of production that have been used by farmers for generations."

What are the reasons for the low productivity of agriculture in areas where traditional methods prevail? Some have emphasized personal traits, particularly lack of industry and thrift. Others have emphasized the need for "more" capital. "Not so," says Schultz. People in traditional agriculture do not work as hard as they might because the marginal product of their labor is very low. They do not save and invest as much as they might because the marginal productivity of capital is also very low. In short, "there are comparatively few significant inefficiencies in the allocation of the factors of production in traditional agriculture." This is indeed a sweeping pronouncement.

What traditional agriculture needs is not "more of the same," whether it be labor or capital, but new factors, including both modern capital inputs and farm people possessing the skills to convert these inputs into profitable income streams. Achievement of this, however, is a complex and time-consuming process. It requires action by the suppliers of new factors (private firms, nonprofit organizations, and governments) "to discover, develop, produce, distribute, and thus make available to the demanders the new set of factors of production." On the other hand, it requires the creation of a new set of demanders who will understand and exploit the profitmaking potential inherent in the new technical factors. But in order to equip these demanders with the requisite knowledge, there is a further requirement of more and better education for farmers, particularly at the elementary and secondary levels.

In the course of developing this general position, Schultz looks into a number of specific topics. He examines and rejects the doctrine that the marginal productivity of agricultural labor in many poor countries is zero, though I think he gives it more attention than it deserves. He rightly challenges the notion that the creation of farms of very large size provides a royal road to economic growth for traditional agriculture, but in so doing largely bypasses the problem of optimal size of farms in areas that are in the process of transition from traditional to modern agriculture. Also, he properly chides economists for hiding their ignorance about new capital formation under the rubric of "technological change."

On the whole, Schultz states his case well and his reasoning is cogent. His use of empirical data is skillful. Why, then, is it not wholly convincing? This is due to the fact that his empirical data are scanty in relation to the important propositions he is trying to establish. His book reminds one of the brief of an able and articulate lawyer who believes that he has a good case, but is rather short on key witnesses and pertinent court decisions.
The case for the allocative efficiency of traditional agriculture is based on Sol Tax's notable study of a Guatemalan Indian economy and a doctoral dissertation by W. David Hopper, which deals with the economic organization of a village in North Central India. These two studies do lend support to Schultz's general thesis, but the sample is woefully small, and I am sure that he would have been much happier if he could have found a few more studies of comparable caliber. The refutation of the theorem about the zero value of agricultural labor is based on skillful interpretation of materials relating to the Indian influenza epidemic of 1918. However, it does seem rather fortuitous that the implicit coefficient of labor in agricultural production derived from very aggregate data in the period 1916-20 should coincide with the coefficient indicated by a few sample surveys made nearly a half a century later.

In making his case for the efficiency of traditional agriculture, Schultz lays great stress on the very low marginal return to capital. But in doing this, he appears to take the position that relatively large outlays for conspicuous consumption in poor agricultural areas are evidence of the low productivity of capital. This seems to ignore the consumer preference side of the matter. After all, examples of "wasteful consumption" are certainly by no means uncommon in countries where returns on investment are relatively high.

I think that the greatest disagreement with Professor Schultz's views will center on his conclusions that the way out for traditional agriculture must be almost entirely a long-run affair in which research and education play the critical roles. These are indeed necessary if a poor country is to realize its ultimate potentials, but many people who have worked in the underdeveloped areas are strongly convinced that very significant advances can be made in agricultural productivity by the introduction of some relatively simple improvements in traditional inputs, such as fertilizer, and by providing various sorts of managerial assistance at the village level. It is true that some efforts to do this have failed, but there is a substantial body of opinion to the effect that the reason lies in such things as inadequate planning, faulty organization, and lack of resources, rather than from any basic conceptual defect. Those who hold these views also believe that there is room for what is known as "adaptive research"—relatively short-run investigations of the more productive use of existing knowledge in the present environment.

In other words, long-time programs focusing on research and education are not inconsistent with very substantial improvements in productivity during the short run. In fact, these two approaches should lend support each other. On this particular issue, however, probably only time will provide the answer.

Despite these reservations about Schultz's analysis, it should be on the reading list of people who are studying, or are engaged in, programs designed to raise the agricultural productivity of poor countries. His book will provide them with many of the questions they should ask, and with clues to the right answers. These contributions are real even if Schultz cannot buttress every point in his analysis with decisive empirical support.

J. P. Cavin

*Federal Aid to Depressed Areas: An Evaluation of the Area Redevelopment Administration.*


IT IS NOT OFTEN that an evaluation of a program is made so early in its history. However, the Area Redevelopment program is an innovation, and probably calls for departing from the usual in its examination. This volume is a fairly detailed and sometimes tedious analysis of the Area Redevelopment Act and subsequent operations as a program. The author served on the staff of the congressional committee that wrote the legislation. He presents in considerable detail some of the early history of area redevelopment legislation.

To a considerable degree the book is concerned with problems and difficulties which have dogged the program from its inception. However, little attention is given to how the Area Redevelopment Administration solved its problems. The book is organized primarily around the various features of the legislation, such as
the designation of area eligibility, industrial and commercial loans, loans and grants for public facilities, training the unemployed for jobs, and community planning.

In Levitan's summary of problems, he devotes considerable attention to how the ARA "set up shop." It is his contention that the major problem surrounding ARA operations has been the "delegate-agency" concept, whereby the program is operated by delegating considerable responsibility to various departments and agencies. One of these was the Department of Agriculture, which was made responsible for various aspects of the program in rural areas. Those who have had experience with the program have encountered problems associated with confusion in administrative channels, delay of decisions, and differing concepts of area development. The author does not suggest that these problems might be due to the delegate-agency concept. The reader is left with the impression that perhaps the problem lies with the agencies themselves rather than with the administrative technique.

On the whole, the Area Redevelopment Act and the Area Redevelopment Administration come off fairly well in Levitan's evaluation. He indicates that 2 years of operations do not provide sufficient experience for such a long-range program. He should have added that one of the difficulties has been the promise of too much too soon. The entire program has been a subject of criticism because there was not common understanding that area development and redevelopment are long-term ventures.

The "worst mistake" committed by ARA according to Levitan was its attempt to assist too many communities. By this, one would have to conclude that the criteria for area designation were drawn too loosely, although Levitan does not say this specifically. The excessive designation of more than 1,000 areas to be assisted was as much the result of legislative definition as of administrative decision by ARA. Part of the problem is laid at the door of the Department of Agriculture. The positive contributions of USDA are not enumerated in this book.

This is a well documented book; it is obvious that the author has searched diligently for pertinent material. In the larger sense, overlooking so much emphasis on problems, the book is fairly objective. As one with some association with the program, this reviewer has to point out that no one in the Department of Agriculture reviewed the manuscript before its publication, or at least such review is not acknowledged. However, in the preface the author states that several of the delegate-agencies did review the manuscript along with many people outside the Government.

The author makes only a passing reference to the great importance of research in policy formulation. His critique of the program dwells too heavily on the problems of administration and not enough on the lack of basic research and policy formulation, though he says that these have been slighted by the program. The program has proceeded on a project-by-project, area-by-area basis, thus precluding the required regional approach.

Those interested in area development and redevelopment will find this book highly interesting in its dealing with the Nation's only declared redevelopment program. Students of administrative techniques will be interested in how the delegate-agency concept has performed in this instance and what it promises or might not promise for other types of program.

John H. Southern


Without a doubt this National Bureau of Economic Research publication by Milton Friedman and Anna Jacobson Schwartz is one of the more significant economic works to be published in recent years. Basically, the authors are concerned with the history of the stock of money from 1867 to 1960. The stock of money consists of currency plus time and demand deposits of commercial banks. The authors have constructed a continuous series of the stock of money for the 1867-1960 period, which is in itself an important contribution. This series, its components, and related series appear in appendices.
The authors start with 1867 because that is the earliest date at which they could begin a continuous series of estimates of the money supply. They trace the money supply, its determinants, and its influences through the periods of: Greenbackism; Silver Politics and Secular Price Decline; Gold Inflation and Banking Reform; Early Years of the Federal Reserve System; The High Tide of the Reserve System; The Great Contraction; New Deal Changes, in the Banking Structure and Monetary Standard; Cyclical Changes, 1933-41; World War II Inflation; Revival of Monetary Policy; and The Postwar Rise in Velocity.

Accompanying the historical narrative is a careful, very detailed analysis of the association of fluctuations in the money stock with other economic variables such as money income and prices. The finding of the authors that in the past money has been an important and often autonomous variable, which can mitigate or eliminate economic fluctuations, is, of course, not new. But the strong empirical evidence that Friedman and Schwartz have accumulated in support of this thesis may win sufficient converts to prevent another policy debacle like that of the 1930's.

Somewhat disconcerting are two footnotes appearing in the first 5 pages. They are: "For a full description of these estimates (of the money supply) and their derivation, see our companion volume, 'Trends and Cycles in the Stock of Money in the United States, 1867-1960,' a National Bureau study, in preparation," and "See our forthcoming volume, 'Trends and Cycles,' for a discussion of the reasons we use the term money to refer to currency plus all deposits in commercial banks."

In the first instance, official estimates of demand deposits and time deposits in commercial banks are different from the Friedman- Schwartz series and it would be helpful if the authors had inserted an appendix explaining the differences. A similar problem occurs with the next footnote. Many economists, including myself, treat time deposits as near-money and define the medium of exchange to include currency plus demand deposits. In view of widespread professional disagreement over the definition of M, the authors might have previewed their forthcoming book by a few more pages in this already large publication.

Money plays a significant role in economic history whether or not the money supply includes time deposits, but in some instances differing degrees of importance would be attached to money. For example, Friedman and Schwartz find their M (including time deposits in commercial banks) declined by 2.6 percent from August 1929 to October 1930 (p. 307). Using the narrower definition (currency plus demand deposits), M fell by 5.9 percent. Also, the authors find that "in October 1930, the stock of money was almost the same as it had been in November 1929 and nearly 2 percent below its level at the end of December 1929." Again using the narrower definition, M, in November 1930, was 2.1 percent below its level of November 1929 and 5.8 percent below its level at the end of December 1929. If the concept of M used by the authors is not the proper one, then their basic thesis, that money is important, would remain intact, but in many instances their historical interpretations would be substantially different.

In conclusion, "A Monetary History" is an important contribution to the literature on monetary economics, It is required reading for monetary economists and economic historians. It is an extremely well written and exceptionally interesting book which will make enjoyable reading for other economists as well. Finally, lest the sight of 700 pages of text frighten away some prospective readers, I would like to point out that the real length of a book is a function of the interest the authors generate in their readers, which makes "A Monetary History of the United States 1867-1960" a very short book.

Gene L. Finn

Agricultural Protection and Trade


THIS LITTLE BOOK resolutely attacks the problem of how "to reconcile national support for agriculture with the need for maintaining agricultural trade." The current conflict in the field of agricultural policy and trade between the United States and the Common
Market (EEC) in the forthcoming Kennedy Round of trade negotiations is taken as an illustrative case study of decisive importance. It provides a survey of the problems involved, a good analysis of the Community's evolving agricultural policy, and some useful suggestions for policymakers and negotiators.

The first two chapters state the now familiar problem of imbalance in agriculture resulting from the combined effects of rapidly advancing technology, increasing output, inelastic demand, unstable prices, government support, and restrictions on trade. Chapter 3 points out the well known weaknesses of GATT for handling agricultural trade and discusses the inability of governments to apply GATT rules to agricultural trade, Dr. Richter chides the GATT contracting parties for having approved, in March 1962, a special code for EEC agriculture which he describes as a far cry from a really international code of conduct for agriculture. Chapters 4 and 5 describe the Common Agricultural Policy of the Common Market and point out how the EEC agricultural developments have suddenly highlighted the whole problem of international agricultural trade and agreements.

Chapter 6 describes the relationship between Community countries and the Associated Overseas countries. In chapter 7, a seminar on trade policy indicates that the United States itself is not entirely blameless with respect to trade barriers. That chapter also contains a somewhat querulous criticism of the famous U.S.-EEC chicken war, asserting that U.S. spokesmen made some serious errors in representing U.S. claims and that the EEC seriously violated its own regulations in its unseemly haste to erect high levels of protection for EEC poultry meat producers.

Chapter 8 moves into the broader area of reconciling national agricultural policies with maintenance of trade. Here the author asserts that the major claims put forward by the United States are neither realistic in terms of prospects nor likely to be profitable if achieved, Chapter 9 neatly points out how the Pisani Plan serves French interests very well but is weak in several important areas, such as proposed levels of farm product prices (too high) and the relation of commercial trade to concessional trade and to supply management.

In chapter 10, the proposal for a common EEC grain price level with adjustment subsidies as offered by Mr. Mansholt is commended as a useful concept, but it is also criticized for having a price level which is too high, and for failing to link deficiency payments under the plan with some effective means of supply control. In chapter 11, the Mansholt Plan for representation of EEC agricultural interests in GATT negotiations is shown to be long on agricultural protection and short on reasonable obligations leading to solution of the agricultural trade problem.

Chapter 12 is the key chapter. In it the author sets forth his ideas as to certain basic needs for successful resolution of the many problems discussed earlier in the book. Three necessary tenets are set forth at the outset: international political and economic cooperation; recognition of the principle of efficient resource utilization and its counterpart, expanding trade; and lastly, recognition of the need for political realism and graduality in adjustment. From these tenets, four derived principles are obtained. These are:
1. Avoidance of further increase in agricultural protection.
2. Avoidance of further impediments to expanded consumption.
3. Exercise of economic common sense.
4. Acceptance of international commitments regarding national agricultural policies.

Possibilities regarding agreement on both international and internal prices, the use of product neutral subsidies in concert with product price support, and the interlocking of demand supplementation with supply control through a concept called commercial output are discussed.

A need is indicated for several international commodity agreements and one overall functional agreement. Grains, butter, nonfat dry milk, and meat are commodities for which international agreements are suggested. In chapter 13, the United Kingdom is complimented for its recent cereal and livestock product plans, which put the U.K. in a position to negotiate with the EEC and other countries on international agricultural agreements.

The book concludes with a chapter in which it is indicated that outsiders must accept some "costs" of EEC integration in agriculture. It is conjectured that EEC agricultural output will probably continue in the near future to
increase faster than the growth of its own demand for the products of agriculture.

Dr. Richter has posed the problem and has suggested the main lines of attack upon it. He has covered the subject well in an easily readable and good survey. Apart from the concept of commercial output, which may prove to be highly useful in negotiations, the book offers little that is new. Government representatives are still faced with the problems of how to move through the swamps and thickets of conflicting interests, politically sensitive issues, and serious differences as to what constitutes both economic common sense and international reasonableness.

P. E. O'Donnell

Proceedings of the Eleventh International Conference of Agricultural Economists.


The theme of this conference, held at Cuernavaca, Mexico, was the role of agriculture in economic development. It dealt with the problem of growth in a general context, including both "rich" and "poor" countries, considering social, cultural, political, and institutional facets sometimes labeled as non-economic, and probing a wide variety of topics such as concepts, theories, measurements, methods, experiences, and policies.

In his presidential address Sherman E. Johnson threw a challenge to members in the form of his guidelines for economic development. Some of these in brief form are: (1) increased supplies of food and other farm products are essential to rapid economic development in any country; (2) there is no moral justification for "plowing under" a generation or more of farm people in order to achieve faster economic growth; (3) improved technology is a key to productive employment and higher output and its most important variable is investment in people who must learn new technical and management skills; (4) a universal system of elementary public education is essential for a successful development program; (5) the potential conflict between needed investment for output expansion and more equitable sharing of the national product must be reconciled; (6) institutional arrangements will need to be modified to encourage voluntary savings and provide more equitable taxation, thus channeling income into public or private investment for continued expansion; (7) the farm sector can contribute at least a proportionate share of its current income for initial investment in development; and (8) economic growth is a means to an end--better living for all people--which should be clearly stated and widely accepted.

Ingvar Svennilson, in his paper on "The Concept of Economic Growth," points out that economic concepts are often defined in ways that seem objective while actually reflecting subjective value judgments, that narrow definitions are often applied to problems of economic policy where broader concepts correspond to actual political attitudes, and that measurable indexes of development necessarily neglect some important growth considerations.

Simon Kuznets, in "Economic Growth and the Contributions of Agriculture," recognizes the element of ambiguity in the title since any sector is part of an interdependent system. He provides some functional model schemes useful in differentiating components of agriculture's contribution and measuring them. S. L. Mansholt focuses inquiry on the increasing importance of regional agreements for agricultural markets, such as the European Economic Community. The structures of agriculture that have evolved over past decades, especially those from a "glasshouse" climate created by national policy, are destined for change as a consequence of the harsher climate they will be subjected to in the regional trade community.

A. K. Cairncross, in "The Use of Foreign and Indigenous Capital in Economic Development," argues that experience is much less relevant to present-day problems than is generally imagined. A review of the role of agriculture in economic development in various countries includes Nigeria, Brazil, Burma, Uzbek S.S.R., Ireland, and the Federal Republic of Germany. He discusses "Developments in Patterns of Farm Units" in terms of new lands and new settlements, the consolidation of agricultural holdings and improvement of their internal structure, and the experience of large-scale collective and state farms of the U.S.S.R.
O. V. Wells acknowledges that lack of any large body of helpful literature dealing with "Market Structure for Economic Development" necessitated his using an a priori approach in discussing the topic. He points out that the relative bargaining power of the various market interests, including political and institutional strengths, is always a real and often a controlling factor retarding or speeding up marketing improvement.

D. G. Karve of India suggests, in "Organizing a Unified Agricultural Development Programme," that "occupational and social reformation must needs be formulated and implemented by democratic methods." Sir John Crawford, discussing the "Use of Surpluses for Economic Development," suggests that where surplus disposals were useful in promoting development, the results were more accidental than due to intelligent national and international planning.

The section concerned with "Environmental Conditions for Agricultural Development" includes papers and discussions of the educational, sociological, institutional, and health and nutrition environments.

Research methods in the development framework are discussed by Earl Heady and extension work by Arthur Jones. Mordecai Ezekiel attacks the formidable problem of using research findings in policy issues, drawing mainly on experiences in the United States and international organizations such as FAO.

A most important feature of the book is the discussions that follow each of the major papers where concepts and theories are challenged and alternative viewpoints are presented. They cover a wide area of current thought concerning agricultural growth and the role it plays in general economic development.

Theodora Mills

**The Managerial Mind.**


**This IS something different.** Most management books stress "how to do it." This is a more reflective volume which approaches the subject from the standpoint of the mind of the manager. Those who wish to learn how to be better managers may get many valuable insights from it.

"The aim of the book is to identify for the manager and the prospective manager certain values and attitudes that distinguish the administrator from men in other callings.
vocations, and professions." This approach centers attention on the things that set the administrator apart, that make his contribution significant.

As the author says, "This volume is not about personality traits but about values, points of view, and ideas; not about executives in general but only about those whose job is primarily to supervise the work of others" (p. xvi).

How does one distinguish the managerial mind from other "minds"? The answer is simple: "The most important feature of the managerial mind is its commitment to the life and growth of the organization" (p. 3).

According to the author, "the manager's sense of commitment to the organization," no matter whether it be a business or a government or other type of institution, "means that he places a high priority on the processes of administering, supervising, and coordinating" (p. 5). Another interesting expression is that "the administrator's commitment to his department or enterprise is sharpened by his fear of what will happen if he does not battle for its survival" (p. 8).

The author uses an interesting analogy. "The manager's way of thinking is not unlike that of the doctor's... It is the life, the organism that counts" (p. 10-11).

The book is filled with epigrammatic comments which keep the reader on the qui vive. The following are random samples:
"The managerial mind stops working when it gives in to pressures to conform" (p. 33),
"To be productive means sometimes, at least, to be very tough" (p. 70),
"Great leaders do not always leave strong organizations, Great managers do" (p. 105).

"Teaching is important to the manager because it underlies the chances for success of almost everything he tries to do for the organization" (p. 141).

While Ewing states that the book is one of reflections and not of research findings, the reflections are based on broad knowledge of the pertinent literature gained by him as Associate Editor of the Harvard Business Review. He draws heavily on reported research and Harvard case studies, and thus the book is much more than one man's opinions.

The chapter titles are lively and enticing: "Dilemmas of the Managerial Mind," "The Importance of Nonconformity," "Tensions and the Managerial Environment," "The Managerial Zest for Problems," "The Impact of the Managerial Mind," and "Is the Managerial Mind Creative?"

The concept "value added to distribution" has proved useful to marketing men. The author has neatly adapted this idea to the field of management by using the phrase, "value added by administration." He says, "A productive organization consists of more than the number of people in it, their skills, their motivations, their equipment. A productive organization is made up of the right people at the right places at the right times with the right purposes and equipment... Value added by administration is what keeps things moving" (p. 15).

This book has many merits. It will encourage self-analysis by managers. It provides an understanding of the manager's role in an organization. It is an antidote to stereotyped thinking which underestimates the complexities of good administration. This book will help young men know better whether management is their dish and it will help organizations know better what kind of managers they need.

This reviewer has found "The Managerial Mind" a refreshing book. It is interestingly written and free of cant. The style of the prose is easy and communicative and the organization of the book carries the reader logically to a final analytical chapter.

Joseph G. Knapp

The Conduct of Inquiry: Methodology for Behavioral Science.


THE METHODOLOGY of the behavioral sciences has rightly occasioned considerable attention from scientists and philosophers of science. This volume by Professor Kaplan certainly represents one of the most comprehensive treatments of behavioral science methodology known to this reviewer. As a philosopher
of science, Kaplan accomplishes the difficult task of taking a "bird's eye view" of the nature and scope of methodology as it relates to the behavioral sciences in general. In doing so, he has emphasized the unity of the various behavioral sciences rather than the qualities that distinguish one from the other.

Professor Kaplan's philosophy is reflected in the following quotation: "I believe that the most important contribution methodology can make to science is ... to help unblock the roads of inquiry."

Although his focus is primarily on the nature, scope, and contributions of methodology—potential as well as current—he recognizes the fallacy of the "myth of methodology." This is a recurring theme in this volume—the "myth" that methodology can, by itself, ensure progress in the discovery of truth. Appropriately, and sometimes dramatically, Kaplan spells out the dangers of confusing means and ends.

The book is organized into 10 chapters, each of them appropriately subdivided into meaningful content areas. In general, the topics discussed include methodology per se, concepts, laws, theories, experimentation, measurement, statistics, models and model-building, and values.

Certain topics deserve special mention here, because this reviewer believes them to have particular relevance to the behavioral sciences. The author's discussions of experimentation and observation seem especially meaningful and lucid.

He identifies many of the problems confronting the behavioral scientist while "observing" a subject; and he describes various ways of controlling or adjusting for errors of observation, Kaplan insists that "the argument that the behavioral scientist cannot experiment because his subject matter does not lend itself to manipulation is embarrassingly superficial."

In discussing some of the problems of measuring human behavior, Kaplan takes special note of the tendency on the part of some researchers to practice the "mystique of quantity." He points out that statistics is never really the source of knowledge; rather it is observation that is the true source. Statistics is appropriately treated as an analytical tool. "The magic of numbers cannot produce cognitive rabbits out of truly empty hats."

The discussion of "models" and "model-building" is meaningful and timely. Kaplan points out the potential contributions of models to scientific analysis. However, he is equally perceptive in distinguishing limitations, citing "oversimplification" as possibly the major failing of model-building.

The chapter on theories rightfully emphasizes the great practicability of theory. Here again, however, the author is quick to note problems associated with theorizing in the behavioral sciences.

In the opinion of the reviewer, Professor Kaplan renders a real service in probing the place of values in science. He recognizes that values per se are appropriate subject matter for investigation. He also discusses their role in providing a basis for a professional code of ethics, and in influencing the selection of problems to be investigated.

In conclusion, Professor Kaplan's depth of knowledge of science generally, and the behavioral sciences in particular, is very apparent. This volume is certainly consistent with his view of the philosopher as one who "must be willing to stand apart from the fashions in science, art, politics, or religion, and to say, 'However .... '"

This would make an excellent text for a graduate course in the philosophy of science. It should also attract favorable attention from behavioral scientists, both those in training as well as those already functioning in a professional capacity.

Ward F. Porter