

## Book reviews

*The Free Trade Adventure: The Uruguay Round and Globalism — A Critique*, by Graham Dunkley. Published by Melbourne University Press, Carlton, Victoria, 1997, pp. xiv + 317, ISBN 0-5228-4680-7.

Graham Dunkley's book is subtitled 'The Uruguay Round and Globalism — A Critique'. However, it is mostly about what's wrong, in his view, with the 'free trade agenda' rather than what happened in the Uruguay Round of (WTO) trade negotiations. His interest is in the WTO as the instrument of 'corporate vested interests in globalisation' (p. 4) and in the Uruguay Round as a manifestation of the extent to which these interests have advanced their view of the world to the detriment of

a strategy of Managed Trade . . . one which incorporates international labour and social standards and which is directed at longer-term self-reliance, along with other less growth-oriented, non-economic goals. An alternative world order centred around non-growth goals, less materialistic values and a reformed, UN-linked WTO could produce a more equitable, sustainable world without the need for 'deep integrated' globalism of the sort which may risk the sovereignty and diversity of societies. (p. 263)

I expect most of the readers of this Journal, raised on Ricardo and what Dunkley calls 'mainstream economics', will stop reading this review about here. So let me warn you now that Graham Dunkley has produced an accessible book that is about as detailed an argument as I have seen made for the 'green-anti-materialist-protectionist' ('GAP'?) agenda. The book is not hard to read, surveys in a one-eyed way a large field of trade economics and will — probably — be much more widely believed and quoted than anything *you* have written lately in defence of any *other* view of the world.

Wake up, you Ricardians! The irreconcilables of the GAP legions are moving on your camp and will be laying about your tents any day now. At the GATT's 50th anniversary last May, they literally rioted around the old Palais in Geneva, wrecking motor vehicles and screaming vengeance against the *ancien régime* like any Jacobin mob.

President Clinton was conciliatory in his 50th anniversary address: the process of opening world trade, he said, must itself be made more open. He wants non-government representatives, labour unions and environmental lobbies to be co-opted into the WTO. He wants public interest

groups whose interests diverge a pretty long way from the trade liberalisation agenda of GATT to have a role, possibly, in setting a new agenda for the WTO's next half-century. Graham Dunkley, as we will see, is ready to answer the call.

If this happens — and it probably will — then the more articulate GAPers could turn up armed with views not too dissimilar to Mr Dunkley's. He's no incendiary. Unlike most critics of the mainstream view of 'free trade', Graham Dunkley has at least done his homework: he is obviously in command of the standard trade theory and his treatment of the Uruguay Round Agreements shows that he understands their provisions and their history. On regional trade agreements, for example (Chapter 5), he accurately, and apparently sympathetically, summarises the 'Free Trader's' objections.

The book is written in an engaging sort of journalistic style that avoids a lot of the jargon (there is a glossary) that clogs most writing on WTO. The book is also relatively brief for the ground it essays: a critique of the entire 'free trade agenda' as well as an evaluation of the Uruguay Round and WTO in the light of this criticism.

Dunkley argues for 'reform' of the WTO whose achievements are too modest, in his view, to warrant it being allowed to prosecute a 'free trade' agenda that is itself deeply flawed. He acknowledges that there may turn out to be some economic gains from the Uruguay Round agreements but, as 'mainstream' models now indicate, they are likely to be small and perhaps badly distributed. He argues that the 'free trade agenda' pays far too little heed to the non-economic consequences of market liberalisation and that its adherents are ignoring 'a rising international tide of opposition, even resistance, to free trade and willy-nilly deepening integration' (p. 5).

Chapter 6 is a sort of 'counterblast' to the doctrine of the Free Traders, mustering twenty theses that — in his view — shake the theoretical foundations of Free Trade. Chapter 7 contains a summary of several studies that deflate the overblown claims that many governments made about the direct gains from trade that the Round would produce.

But Dunkley's ultimate goals are much more than mere reform. He evangelises on behalf of a GAP utopia in whose support he enlists Keynes' totally dotty argument (frontispiece — a quote from a 1932 magazine article) that a 'national protection' policy is needed to secure 'the amenities of life, the old established traditions of a countryside'.<sup>1</sup> Such claims would be laughable if they were not so reminiscent of current arguments for Europe's bloated agricultural protection that, in addition to clipped hedgerows and

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<sup>1</sup> In the end of everything is its beginning: Keynes, of course, fought the Cordell Hull view of post-war trade liberalisation tooth and nail in favour of imperial preference and 'national protection policy'.

ruddy-cheeked sofa-farmers, has delivered such amenities as nitrite-ridden ground-water and such old established traditions as massive entitlement fraud.

By Chapter 12, Dunkley is ready to start developing his vision of a preferred alternative to the tyranny of the Free Traders, multinationals, foreign investors, and materialists. It includes a sort of international manifesto: 'Every country should have the right to a Managed Trade option . . . [because] there is a wide range of feasible theoretical arguments for Managed Trade, while the evidence for a direct link between economic growth and domestic/trade liberalisation is tenuous at best' (pp. 246–50).

Here is an excerpt from Dunkley's description of a more desirable future: it's a mixture of interventionist idealism ('green villages' for the poor and low-growth for everyone else), half-baked internationalism ('world government' and global taxes from an author worried about sovereignty) and a vision of a world standard of cultural 'freedom' that, I suspect, only dictators could grow to love:

I suggest that the WTO be placed under the general supervision of the UN Economic and Social Council . . . rather than escaping the UN social disciplines as the IMF and World Bank have done from the outset. More direct NGO representation could be achieved through extension of the ILO model so that the WTO Ministerial Council, currently representing only governments, might consist of one delegate from each government, employers, unions and NGOs . . .

The system should be supplemented by four other new institutions. The first would be an international central bank, in place of the IMF, which would function much as Keynes had proposed, by providing a world trading currency, partially re-regulating exchange rate, exercising mechanisms for reducing national trade surpluses and perhaps levying an international tax on speculative capital transactions as proposed by Nobel laureate James Tobin. The second would be a development body in place of the World Bank which would provide modest development programmes, encourage alternative 'green village' models . . . and arrange commodity stabilisation schemes as required . . .

The third body would be an environmental authority . . . which would monitor environmental problems, formulate trade sanctions in conjunction with the WTO, advise governments and other international bodies and perhaps levy world-wide environmental taxes where feasible. The fourth body would be a cultural and media regulatory organisation which would supervise all telecommunications and broadcasting, seek to eliminate monopolies, endeavour to prevent direct global transmissions to countries not desiring reception (though governments' motives should be scrutinised

for undue censorial intent) and generally should encourage world-wide cultural diversity, preservation of languages and so forth. (pp. 261–2)

I find Dunkley's (and Keynes') alternative visions of the world are — like many utopian visions — *dirigiste* and dull. Mr Dunkley looks on low-growth greenery and finds it good. That's fine. But he wants to make it more or less compulsory. He wants to replace what he considers the tyranny of the WTO's sovereignty-sapping 'free trade' obligations by a still stronger international regime, with still greater power to intervene in national policies. At this point, his support for greater 'self-determination' and 'democracy' in trade policy (Dunkley thinks that tariff bindings are arguably undemocratic) begins to look pretty thin.

He may also wish to consider some of the company he keeps: Keynes' sentimental protectionism is only a step or two removed from a much nastier form of nationalism. The most strident voices raised, today, against 'globalisation' and 'vagrant international capital' are those of right-wing parties such as the French National Front and Australia's One Nation party whose intolerance and xenophobia border on racism.

Although allowances have to be made for brevity and the accessibility of the style of writing, Graham Dunkley scores his points against 'Free Trade' using a sort of *suggestive* argumentation that is often based on insinuations that remain unexamined (for example, that 'globalisation' has its origins in the self-interested actions of transnational corporations) and co-option of the opposing view (that 'free traders' endorse the 'infant industry' argument for protection) that are unjustified by the facts.

The pity of this is that there are many grounds for legitimate criticism of the WTO and the Uruguay Round agreements and of the trade policies of WTO members. Dunkley's criticism of the Uruguay Round — that it failed to deliver potential benefits or to secure significant benefits for many developing countries — could be the basis for a more serious attack on the failure of leadership in WTO member governments, both developed and developing, in the course of the last negotiations. Also, there is little doubt that the Agreements on Agriculture, Textiles and Services are seriously compromised in ways that limit the benefits for rich and poor countries alike. The TRIPS Agreement is difficult to reconcile with the liberalising objectives of WTO (as Dunkley points out) and its economic benefits may have been seriously overestimated. The Agreement on Anti-dumping and Safeguards could easily be seen as a step backward for 'fairness' in trade.

There are plenty of opportunities, too, to critically evaluate WTO members' trade and economic performance in light of the principles and obligations which WTO members are supposed to endorse. Why do the poorest countries in Africa and the Pacific fail to make headway in trade income even when they

face low border barriers and substantial margins of trade preference in their export markets? What has been the level of developing country representation — as opposed to membership — in WTO and what consequences has this had for their ability to set negotiating agendas?

There is an opportunity — maybe an obligation — to address some of these issues in the next round of WTO negotiations. It's a pity that Graham Dunkley's critique doesn't give much guidance on real problems of economic cooperation and management.

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*A Legacy under Threat?: Family Farming in Australia*, by Jim Lees (ed.). Published by University of New England Press, Armidale, NSW, 1997, pp. xii + 259, ISBN 1-875821-36-8 (paperback).

This book from the University of New England's Rural Development Centre presents a multidisciplinary examination of the family farm in Australia. Eleven chapters by specialists in agricultural economics, farm management, marketing, rural sociology, philosophy, law, history, rural development, historical geography, environmental and social studies, comprehensively examine the influences shaping the structure of agriculture in Australia, how the family farm came to be the dominant form of farming, and how changes in the operational environment have affected its performance and viability. The primary focus is on its capacity to adapt to such changes or whether they presage its substantial displacement by some other type of organisation, such as corporate or contract farming. However, many other issues are addressed.

In an introductory chapter Jim Lees notes the cultural values attached to the family farm in other societies and compares Australian and US experience. He suggests that the family farm is a more prominent cultural icon in the United States and that the Australian ethos owes more to the bush worker. Undoubtedly, however, the icon of the family farm has powerfully affected land policy in Australia. A well-researched chapter by the late Bruce Davidson traces the history of land settlement from colonisation to the present day. The efforts of governments to promote closer settlement, based on the concept of the home maintenance area, have, Davidson felt, often served only to bring into existence suboptimal units unable to withstand subsequent price squeezes or to utilise effectively advances in farm machinery. Some of the ill-fated corporate ventures into

broad-acre agriculture are reviewed and the conclusion reached that it is difficult to imagine the family farm ceasing to be the typical unit in the foreseeable future. Only in the interior and tropical pastoral regions, and more recently in intensive pig and poultry production, have corporations played an important part. In his usual hard-hitting style Davidson defends the abandonment of closer settlement during the last quarter of a century despite the challenges from environmental and conservationist groups, who, he says, mistakenly see government control of land use in agriculture as the only solution to problems of land degradation.

In a chapter on agriculture and the family farm in the economy, Alan Lloyd and Bill Malcolm make a rather over-ambitious attempt to present a potted review of the history of economic thought on land and agriculture in the economy. The result is a succession of bulleted lists purporting to convey the essence of various outmoded or barely relevant economic doctrines. Even single sentences tend to take on the form of bulleted lists without the bullets as the authors seek to internalise in each sentence all the possible factors at work and every conceivable qualification. This makes the going hard for the reader, which is unfortunate in a work intended to reach farmers and the general public as well as those in the academic disciplines represented amongst the contributing authors. More would be achieved if the authors learned to leave something out.

They do rather better describing the position of agriculture in the Australian economy and their explanation of resource fixity and the 'farm problem' is an indispensable component of the picture. Still, the editor must have gagged on one passage: 'The family farm has remained the dominant form of business organisation, though the scale of the businesses has increased markedly. This is where the hoary old query about the future of the family farm is meaningless.' It's a *non sequitur* and the issue clearly remains of great concern to many farm operators, financial institutions and firms servicing agriculture. A further piece of unfortunate phraseology is found in the assertion that 'the massive wool boom of the late 1980s would have more than compensated for high real interest rates for a short time at least'. This presumably refers to the years 1988–89 and 1989–90, when, by imposing a grossly excessive reserve price on its product the wool industry ended up buying almost a year's clip into its stockpile. This appalling blunder, in effect, put supplies of their raw material at bearable prices beyond the reach of specialised wool-committed processors and put many of them out of business. It brought other fibres, including cotton, into some of the end uses of previously wool strongholds. It saw the disappearance forever of many of the product lines, on which wool depended, from the racks and shelves of retail apparel distributors. It requires a lively imagination to see this excursion into the never-never as a massive boom. The industry and the

nation have been paying dearly for it ever since. Several of the contributors to the book refer to the possible perverse effects of price supports on the family farm but this glaring example remains strangely neglected throughout, despite the probability that stresses currently being experienced owe as much to it as to any other factor.

Vic Wright and Geoff Kaine examine the economic and market considerations which bear on farm management, including the high production risk and price variability to which Australian agriculture is exposed. They point out that, while agribusiness firms sometimes resort to vertically integrated farm production or production contracts in order to ensure reliable supply or to satisfy particular quality requirements, they do so only when reliance upon ordinary market procurement would be less assured or more costly. They note that the exploitation of economies of size appears to be a minor factor in such decisions since they are usually reached at a size manageable by a farm family.

Margaret Alston, on the other hand, argues, with the insights of a specialist in rural social studies, that, while socio-cultural factors favouring the continuation of the family farm (which she reviews in detail) will present rapid change in the organisation of agriculture, the financial pressures and uncertainty of the future may tend to bring about far-reaching changes in the pattern of land ownership.

Dick Stayner of UNE's Rural Development Centre provides a detailed examination of the complex mix of family and business objectives which influence farm business decisions and bear on the efficacy of the adjustment process. Even in the absence of shocks and swings from the physical environment and marketplace, he maintains, pressures for continuing adjustment would be endemic. Such pressures result not only from the declining terms of trade for agriculture, commonly associated with economic growth and accentuated in Australia's case by the spillover effects of European and US agricultural price policies upon trading opportunities abroad, but they also reflect the changing income needs of farm families at different stages of their life cycle.

He, too, sees family farms as likely to predominate but continuing adjustments in farm families' command of financial resources will be called for. At the same time, he warns that, in the past, government intervention in farm finance markets has often been unhelpful, with soft credit merely encouraging many to hang on in a chronically marginal condition. To enhance adjustment capacity he suggests that more attention be given by farm management professionals, financial institutions and Rural Adjustment Scheme agencies to the special characteristics of farm household/business units. He also suggests that those families who find ways of strengthening the important human capital resources of the farm business will be the most successful in meeting adjustment challenges.

Roben Elliot, a philosopher, addresses two related questions, first, whether there would be any moral reasons for regret if family farming were displaced by corporate farming, and second, would such reasons justify government intervention to prevent it happening? In a discursive and impressively logical exposition, Elliot demolishes most of the arguments, dear to Australian and overseas farm lobby groups, in favour of state action to preserve the family farm. There are no moral reasons as such, he declares, for regretting its demise, should it come about, although it might well occasion sentimental regrets. He does not see agriculture's contribution to export earnings as sufficient justification for intervention to preserve family farming and rigorously exposes the hollowness of familiar arguments representing middlemen as parasites and the family farm as the best defence against land degradation.

The following chapter by Malcolm Voyce, a lawyer, looks at inheritance practices affecting intergenerational transfer of family farms in the light of the ideology and symbolism surrounding them. He concludes that the desire of farm families to pass on the property to one of the sons remains a powerful factor perpetuating the family farm structure in Australia. However, their ability to achieve this goal is changing rapidly not just as a result of economic stress but also because of emerging cultural attitudes favouring a more equitable sharing of estates amongst children. This, he adds, is not to say the family farm structure of Australian agriculture is at risk.

Joe Powell's historical interpretation reveals the longevity and powerful influence of ideas about land upon rural development in Australia. He traces the evolution of land policy including the superimposing of leasehold upon the agrarian ideal and the various closer settlement programs. He also highlights the ecological damage brought about by land tenure policy. The extent of land degradation, he claims, has been masked by scientific success in enhancing yields but, in recent decades public recognition of its severity has undergone a paradigmatic shift towards environmental imperatives. He also notes that land policy has often reflected a close relationship between governments and primary producer organisations. He sees this interplay between government and people as a distinctive and significant feature of Australian land policy and one potentially of great importance in measures to control land degradation. He fears that any other landholding system, based perhaps on large companies, might weaken this democratic interaction and impair the capacity to learn and adjust to change.

An excellent chapter is provided by two rural sociologists, Jim Bell and Uma Pandey, who review the literature to explain the persistence of the family farm in advanced capitalist countries despite predictions of its demise from both Marxist and neo-classical schools of economics. These prognoses largely rest on the alleged difficulties which the family farm has in meeting the ever-



increasing requirements for capital and sophisticated management. Yet, despite shrinking numbers of family farm establishments, the institution survives. One set of explanations, which they term subjectivist, focuses on the ability of farm families to endure periods of low monetary returns and to tighten their belt. Another, the objectivist set, emphasises the successful adaptation of technological developments for farms of modest scale and the use of contract machinery services and syndicates to share more expensive items.

Bell and Pandey note that in Europe price support policies, rationalised as necessary to preserve the family farm, have often had perverse effects, favouring larger producers and militating against structural reform programs. They suggest that the recent movement towards deregulation of marketing may make it easier in future for agribusiness to undertake integrated farming operations. They conclude by forecasting, however, that although the family farm will not be unaffected by changing conditions, it will continue as the dominant form in the foreseeable future. It has always been flexible enough to respond to change and there is as yet no other viable form of farming to displace it.

Finally, Jim Lees examines the attributes of the family farm, as they relate to the operation of the farm, and the socio-cultural influences upon attitudes and values held by farm families. He considers that those socio-cultural trends affecting attitudes, such as the improved status of women and more equal inheritance for progeny, could ultimately pose the greatest threat to survival of the family farm by working against the traditional process for inter-generation transfer of the farm. At the same time the need for a more businesslike approach, if the economic situation for agriculture becomes more difficult yet, will tend to subordinate lifestyle considerations.

All told, the book is something of which the Rural Development Centre might justly be proud, a comprehensive survey of the family farm's origin, role, importance and capacity to endure, which brings together insights and perspectives from a number of academic disciplines interested in rural affairs in Australia. The editor has reason to be gratified by his decision to give a fairly loose rein to contributors from these various fields. All have contributed scholarly and well-documented essays invaluable to anyone seeking an all-round view of the past, present and future of the family farm. The book will be usefully read by farm families and by all who serve or depend upon agriculture. It loses nothing of professionalism and authority in catering to the needs of this wider clientele.

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