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Book Reviews

- E. NEVILLE-ROLFE, *The Politics of Agriculture in the European Community*, Policy Studies Institute, London, 1984, pp. ix, 547, £9.50 (paperbound).
- F. DUCHÊNE, E. SZCZEPANIK and W. LEGG, *New Limits on European Agriculture: politics and the Common Agricultural Policy*, Croom Helm, London and Sydney, 1986, pp. xiv, 287, \$A62.50 (hard cover).
- R. W. HOWARTH, *Farming for Farmers? A critique of agricultural support policy*, Institute of Economic Affairs, London, 1985, pp. xvi, 143, £4.00 (paperbound).
- A. MATTHEWS, *The Common Agricultural Policy and the Less Developed Countries*, Gill and Macmillan, Dublin, 1985, pp. xiii, 268.

The Common Agricultural Policy (CAP) not only provides income support to farmers and the Eurocrats of the European Commission, but also to the agricultural economics profession. In the late 1970s — presumably once the English had learned the continental languages in which the business of the European Community (EC) had been conducted until 1973 — there began a flood of English-language literature explaining, analysing and castigating the CAP and proposing policies for reform. The four books reviewed below share not only an EC/CAP theme, but were all supported by think-tanks (of various political or religious persuasions).

Neville-Rolfe's objective was to write "essentially about national political attitudes and their influence on the CAP's development" (p. vi). The structure by which he attempted this objective is unfortunately complex, although no doubt partly reflecting the complexity of the CAP itself. In an introductory chapter "What kind of policy?" he introduces various elements which constitute contentious aspects of the CAP — the three pillars (community preference, common prices, common financing), CAP costs, direct income aids, co-responsibility (variously 2-price schemes, price clawbacks, quotas), trade policy, production quotas, agricultural structure and national financing. In the next four chapters, the author surveys views of the CAP from London, Bonn, Paris and Rome (regrettably, an Anglo-Saxon insistence

on commencing with the view from London necessitates considerable inclusion of non-British material which could have been avoided by reporting the London view last). The "outside-in" structure continues with the following three chapters which detail the historical development of the CAP in the periods 1953–58, 1958–66 and 1967–80 respectively. Three particular problems of the CAP — the CAP in the context of the need for the structural reform of EC agriculture, milk marketing, and the problem of the EC budget — are dealt with in individual chapters. Two final chapters on the CAP and its increasingly difficult problems in the early 1980s conclude the book.

Neville-Rolfe's book is useful for dispelling many misleading views about the EC and CAP held outside Western Europe (and, indeed, possibly inside!). One is that the broad structural problems of the CAP are not recognised within the EC. Compare this widely-held view with the author's quotation from a 1978 European Commission document:

First, the imbalance between supply and demand in several major agricultural markets is worsening. Secondly, income disparities within the agricultural sector remain substantial. Thirdly, monetary upheavals have disrupted the common agricultural market. By itself the CAP cannot solve the agri-monetary problem. It can only partially help to eliminate income disparities. But it must accept the overall responsibility for restoring market equilibrium (p. 351).

Indeed, these problems were recognised a decade earlier in the Mansholt plan (*cf.* Duchêne *et al.*, p. 192). A second problem is the structure of the EC itself:

The attempt to create and maintain conditions of undistorted internal free trade in agriculture against a background of competing national interests has obliged the Commission's services to devise legislation that is often of byzantine complexity — a palimpsest of regulation laid upon regulation and amendment upon amendment to deal with every new turn of event and device of the trade. This has tended in turn to fuel the energy of national bureaucracies, each determined to defend national and sectional interests, or simply bureaucratic ones. New legislation, or the amendment of existing regulations and directives, proposed by the Commission may be delayed for months, even years, by the dogged resistance of national civil servants in the SCA [Special Committee for Agriculture] and its ad hoc working groups. Irreconcilable issues, often of

detail rather than principle, shuttle to and fro between SCA and Council, where ministers may have little choice but to speak to briefs setting out positions which their advisors have been defending at the lower level. On the broader issues ministers, as has been rightly remarked, seem often to be addressing their national press rather than their colleagues in the Council (pp. 487–88).

This outcome should hardly surprise Australian observers of domestic agricultural policy since similar federalist problems inhabit many Australian agricultural policy issues (*e.g.* milk). The possible intractability of the EC situation — particularly in view of the EC's progressive enlargement since 1973 — and some reformers' zealous concentration on monetary rather than resource consequences (p. 411) provide a gloomy outlook.

New Limits on European Agriculture is a useful complement to Neville-Rolfe's book. Whereas the latter concentrates on the detail of the CAP's development and operation, Duchêne *et al* emphasise broad trends in a rather more systematic way. Their opening chapter on the CAP notes broad agricultural trends in the EC and then places these developments within the context of the individual countries' national political imperatives as they have evolved since the mid-nineteenth century, and the growing pressure of these trends on intra-EC consumption and (supra-national) financing.

Chapter 2 locates these changes within the international setting. Chapter 3 comprises summaries of the national agricultural policy setting in the EC-10 (excluding Luxembourg) in terms of major issues, policy approaches and critical factors. The tensions inherent within the EC between different types of European agriculture — importing and exporting countries; rich and poor countries; Northern and Southern Europe; cereals, livestock and horticulture; small and large farms — are outlined in Chapter 4, and the consequences of these tensions explored. The consequences of European agriculture now being close to the limits of its expansion are examined in Chapter 5.

The primary theme of Duchêne *et al* "is that the CAP is the symptom rather than the cause of the problems which assail it" (p. 242). The cause of the problem of EC agriculture is identified as the complex suite of policies favouring agriculture which *pre-date the CAP* and which have been maintained and extended both within the CAP and by independent national action. On this analysis, therefore, reform of the CAP should not be a primary

objective but rather a *consequence* of more fundamental changes in European socio-political attitudes with accompanying major economic effects. In viewing this daunting prospect through, for example, Australian or American eyes, we should remember that similar attitudes characterize our own societies' perceptions of our own agricultures. If we then add to these attitudes, multi-cultural layers and a pre-federalist political structure with no strong power centre, we should cease to be surprised at the EC's failure to effect fundamental agricultural changes without all-round agricultural expansion. Nor should we be surprised at the EC's failure to effect reforms involving the economic contraction of agriculture unless confronted by imminent catastrophe (although the EC has displayed remarkable energy and ingenuity in postponing "imminent catastrophes" in the last decade).

Howarth's *Farming for Farmers?* has much in common with earlier tracts such as Joan Pearce's *The Common Agricultural Policy* (Routledge and Kegan Paul, London, 1981) and Richard Body's *Agriculture: the triumph and the shame* (Temple Smith, London, 1982). The tractarian nature of the book is hardly surprising. What is depressing is its Anglo-centricity in discussing a European problem in which Britain's is only one (albeit strident) voice in twelve. This irritating Anglo-centricity merely compounds the problem of Britain being seen as *non-communitaire* and, in France, of any neoclassical analysis of the CAP — even by French analysts — as being "tinged with anglo-saxon prejudice" (Neville-Rolfe, p. 137). The book's chapters comprise a brief background on the "Great Debate" about the CAP of the early 1980s; a brief survey on the growth of agricultural policy (with a proper footnote to Michael Tracy's *Agriculture in Western Europe*, Second Edition, Granada, London, 1982; also relied on by Neville-Rolfe, p. vii); a brief catalogue of agricultural support measures; economic arguments for support (including a description of the effect of technological change as shifting "the agricultural supply curve upwards and to the right" (p. 46)); the case against support; the (English!) politics of agriculture; and future politics (including a section on Britain and the CAP which betrays no sign of the complexities as outlined by Neville-Rolfe or Duchêne *et al*). Not recommended.

The effects of the CAP on the Third World were noted by Howarth (pp. 94–96). These

arguments are discussed in detail in Matthews' *The Common Agricultural Policy and the Less Developed Countries*. Given the pressures for changes to CAP, Matthews' stated purpose was "to assess the implications of the EC's agricultural policy and possible changes . . . for those living in the less developed countries" (p. xii). In Part I, Matthews' chapters describe the food and agricultural trade situations of the LDCs and the CAP and the EC's resulting trade policies. In an analytical Part II, the author reviews varying modelling approaches to estimating the effects of trade barriers and protection; presents estimates of a partial equilibrium model following Valdés and Zietz's earlier work; and examines some consequences of attempting to relax the partial equilibrium methodology. In Part III, Matthews extends the discussion of relaxation of partial equilibrium to involve dynamic aspects of reduced EC protection on LDC agriculture and food security.

Matthews' analysis highlights three related dilemmas. The first is the difficulty of specifying a model which is sufficiently adequate to analyse the *global* consequences of a policy such as the EC's CAP when so many diverse groups of countries, and indeed groups *within* individual countries, are differentially affected by it. The second dilemma is that, even if an adequate comparative static model could be specified, our fundamental interest in terms of Third World development is in *dynamic* not static consequences. Third, in focussing on the consequences of the CAP for the Third World, Matthews reminds us that equity issues loom large. While neoclassical economics may adequately cope with the production sector, the consumption sector is frequently dominated by subsistence, where failure to achieve subsistence levels has death as the archetypal "corner solution".

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Hal R. Varian, *Intermediate Microeconomics: a modern approach*, Norton and Co., New York, 1986. \$US31.95.

Comprehensive, well-written and appropriately-pitched microeconomic theory texts are difficult to find. Rare perhaps as the

proverbial hen's teeth. In Varian's book *Intermediate Microeconomics*, a text written for undergraduates, (although possibly a book of interest for masters students), we have a possible remedy for this perplexing scarcity.

Comprehensive? Certainly. The book contains 32 relatively short chapters, in the order of 10 to 20 pages. Each chapter deals with a different issue in microeconomics, is relatively self-contained, and is intended to provide material sufficient for a lecture. For reviewers, the brevity of each chapter, and the crispness of the text allows easy digestion of the issues, chapter-by-chapter, sermon-by-sermon. For undergraduates, this book may be the answer to their prayers (although they may not recognize it as such). Students, faced with the age-old dilemma of pursuing an education and the desire to engage in those activities normally associated with undergraduate life (the latter events tend to be mutually exclusive of the former), will welcome a text which is both concise and readable.

Varian deals with familiar topics such as demand, utility, consumer surplus, market equilibrium, profit maximisation, cost minimization, market imperfections, and firm and industry supply. However, each of these topics is underpinned by a framework of relatively advanced concepts. For example, utility and demand topics are based on the concepts of consumer preferences and the "axioms" of consumer theory.

Other "advanced" topics include the notion of a money metric for unambiguous welfare measures, revealed preference theory, the welfare theorems and game theory. Not all of these topics are, however, pursued in significant detail. For example, in the discussion of consumer surplus in Chapter 15, the approximate nature of Marshallian measures of consumer surplus is raised. Unfortunately, there is no reference to the specific nature of this approximation and no reference to Willig's (1976) article which established the result. In fact, a noticeable feature of this book is the absence of references and additional reading suggestions. This omission is consistent with many other texts of this level and possibly reflects the author's understanding of undergraduates' zeal (or lack thereof) to pursue topics beyond prescribed reading. Whilst I defer to the author's better position to judge this issue, I regret the decision to do away entirely with references. I believe that the few deficiencies in

the text, created by the need to provide a readable (non-technical) book, could be partially remedied by a list of suggested readings.

In general, the book is well-written in a conversational style that makes easy reading. This contrasts with the terse, mathematical language of Varian's graduate text *Microeconomic Analysis*. However, in both cases, the style is appropriate given each book's intended audience. There are, however, some cases in *Intermediate Microeconomics* where this conversational style is somewhat cumbersome and unwieldy. In these instances, the style of the graduate text is at a comparative advantage. As an example of this problem, the discussion of the principle of revealed preference is confusing and dangerously circular. The problem is, however, not all due to Varian. As Varian points out, the term "revealed preference" is itself misleading, having nothing inherently to do with preferences.

The questions that accompany each chapter and their answers, provide another indication that this book is for undergraduates and offers another contrast to *Microeconomic Analysis*. In the latter text, graduate students who struggle with the end-of-chapter questions (the number of students who voluntarily attempt these questions remains a mystery), and who seek refuge

in the back of the book, may be humbled by answers such as "obvious" or "easy", (these answers are the text book equivalent of "it can easily be shown that . . ." or "with some difficulty it can be shown . . ." offered in academic journals¹). In *Intermediate Microeconomics* undergraduates fare much better, with illuminating and encouraging answers to all problems.

Notwithstanding the absence of references, and the occasional problems of making difficult topics tractable, this book probably represents one of the best microeconomic theory textbooks available today. The diagrams are excellent, and the intuition and examples provided throughout the book provide a firm foundation for learning both the principles of microeconomics and their application.

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References

- WILLIG, R. (1976), "Consumer's surplus without apology", *American Economic Review*, 66, 589-97.
VARIAN, H. (1984), *Microeconomic Analysis*, 2nd Edition, W. W. Norton & Co., New York.

1. Meaning of course, "I can do it" and "I can't do it" respectively.