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Getting Prices Right: The Scope and Limits of Agricultural Price Policy

Reviewed by David Henneberry

C Peter Timmer Ithaca. Cornell University Press, 1987, 160 pp., \$25 00 (\$7 95 paper)

Getting Prices Right by C Peter Timmer is a welcome addition to the vast literature on agricultural price policy in developed and developing areas that has emerged over the past 20 years. The book blends common sense and economic theory in an uncomplicated manner that professionals with overseas experience will appreciate for its applicability in data-scarce environments. It is a short book (160 pages) that introduces the reader to basic concepts in the area of agricultural price policy.

Timmer describes the components of price policy analysis. He sets forth the partial-equilibrium framework for price policy analysis. He analyzes food and agricultural price subsidies, the direct effects of a subsidy, spillover effects, the impact on the volume of trade, foreign exchange, market integration, resource allocation, and the cost of funding the subsidy. He underplays the role of taxation and export tariffs in agricultural price formation. The sheer size of the agricultural economy in many developing countries implies that agriculture is a source of significant government revenues, a topic that would have broadened the scope of the manuscript. Timmer discusses the impact of agricultural price policy on markets and marketing. He relates storage, transportation, and processing of agricultural commodities to Government price policy. He explains the concept of the border price as an efficiency standard, or as the opportunity cost of a commodity on world price, such as location and delivery terms and time, emphasizing their role in the policy formulation process. His explanation of the disaggregated effects of agricultural price policy on consumers and producers is incomplete. He gives scant attention to the impact of these effects on Government revenues, making no real effort to capture the differences among policies (subsidies vs tariffs) and countries (large vs small). Timmer links price from single markets to general equilibrium. He briefly discusses the macroeconomic impact of

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agricultural price changes on Government budget, deficits, inflation, labor markets, investment, and the structure of the economy. Finally, he summarizes markets, policies, and the dynamics of price changes.

Getting Prices Right is oriented to an informed lay audience and junior- or senior-level undergraduate students in land-grant universities. One needs only a basic understanding of graphical analysis to comprehend the material. The book is devoid of quantitative theoretical and methodological discussion. Timmer does use practical examples from the actual experiences of several countries to highlight his main points. These examples enhance his book's readability.

Getting Prices Right has several strong points. It is pragmatic and oriented toward an informed lay audience. It is authoritative and based on years of overseas work experience from which numerous examples are drawn. It focuses on a specific topic. Last, it is well written and easy to understand.

The book's major weakness is its scope. It fails to address adequately the price problems dealt with by the agricultural economics literature over the past two decades. The topics it covers offer only a superficial glimpse into the underlying economic effects. For example, demand elasticities and related coefficients, commodity price stabilization schemes (benefits, costs, alternatives, and determinants of the distributional impact), and the impact of risk-aversion on supply and demand response are either inadequately addressed or ignored. The crucial difference between the case of a large country's ability to influence world market prices through government policy intervention and a small country's inability to do so is nearly overlooked. The reader is essentially uninformed of these critical differences.

The title of the book, *Getting Prices Right*, indicates another shortfall. Although the book focuses on agricultural price policy in developing areas, the solution to many problems must involve far more than simply "getting prices right." Institutional factors such as the structure of markets, the distribution of personal income, and the land tenure system are too

large to be completely ignored. The author does not imply that these factors are unimportant or that they should not be considered, he simply excludes them from his analysis.

In all fairness, one cannot fault a book for not being what its author did not intend. Timmer is a skilled economist who eloquently portrays the accumulation of his experience through practical and theoretical ex-

amples. *Getting Prices Right* would be ideal for a 2-week short course given to policymakers in developing areas. It would not, however, be sufficient as the sole text for an undergraduate or graduate course. Graduate students and working professionals interested in the area should probably read the book for its hand-me-down logic, but they may be frustrated when important topics are raised and analyzed in so elementary a fashion.

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