The final chapter of the book poses the question, "What are the rules of the game?" According to the author, the very nature of economics is rooted in nationalism. This is the ". . . one solid unchanging lump of ideology that we take so much for granted that it is rarely noticed." Behind this facade, according to the author, capitalistic nations have boosted trade and production, conquered territories, and adapted institutions to the advantage of their citizens. Nationalism continues a major world force influencing economic policy and economic institutions.

Rex F. Daly

Price Theory, A Provisional Text

By Milton Friedman. Aldine Publishing Company, Chicago. 285 pages. 1962.

VALUE AND DISTRIBUTION theories, treated separately by early economists, are merged into a unified theory in this provisional text. The theory of value concerned itself with prices of final products; that of distribution with prices of productive factors. General equilibrium theory merges these inquiries into a simultaneous determination of both sets of prices.

The view taken by Milton Friedman of equilibrium is not the one of microeconomics which seeks to explain behavior in individual consumers or firms. Nor is it the view of macroeconomics which seeks to explain general levels in an economy of business activity, employment, income, and money. Rather, Professor Friedman usually takes an intermediate view of an industry composed of many firms but operating in an economy of many industries. Most of the treatment concerns timeless equilibrium under perfect knowledge, but notable exceptions include discussions of the role of risk in utility theory and in size distribution of income and a discussion of time in relating income flows to resource stocks.

From his industry view, Professor Friedman develops the theory of consumer demand and of product supplies. His conception of demand and supply functions as boundaries of feasible areas is especially revealing in price theory. From the final product markets, factor demands are derived to be matched against factor supply curves leading to theories of distribution among resources as well as distribution among individuals. A final chapter relates flows of equilibrium analysis to the stocks of resources listed on the balance sheet of the industry and leads to theories of saving and investment and of equilibrium stocks of capital.

This price theory paperback will prove useful to those engaged in agricultural economics research. The treatment of the longrun supply of labor includes an interesting analysis of the net migration to the city from the country in terms of the comparative advantage of rural areas in the production of human capital. In the discussion of the factors of production are two schemes for classification of resources: One is according to the demand interests in the factor market and is in terms of substitutability of resources in production. The other is in terms of factor supply functions.

In the discussion of Euler's theorem, the author explains that it may be well to consider homogeneous production functions when taking the broad view. On the other hand, it is better to take the subproduction function approach, with diminishing returns to all factors under immediate control of the entrepreneur, when considering one firm at a time. The operational definition of length of run used by Friedman is practical in agricultural economics research, because it confines itself to deciding which factors are fixed and which are variable during the production period under consideration rather than attempting to span several time periods.

The chapters on industry supply functions for products and demand functions for factors demonstrate clearly the kinds of composition rules needed to aggregate firm responses into industry relationships in a timeless world of perfect knowledge. For example, the levels at which firms would regard average revenues and average factor costs as fixed would be set by the action of the industry.

In his discussion of distributive justice, the author shows that two ethical propositions postulated in Western societies are independent of marginal productivity analysis. The two propositions are: That each man should get what he produces, and that each man deserves what is produced by the resources that he owns. In separating the ethics from the economics, Friedman indicated that Karl Marx accepted capitalistic ethics but not marginal analysis in his theory of exploitation. On the other hand, in our own society, we sometimes use marginal productivity analysis of income distribution in our welfare economics while changing the underlying ethic. Marginal productivity analysis of the determination of the rate of returns to resources does not, of itself, have ethical implications.

The easy-to-follow illustrations developed by Professor Friedman to clarify his text usually serve his purpose well, as when he uses a linear programming framework to develop the salient features of functional income distribution. Occasionally the illustrations are so limited as to be misleading, especially to graduate students treading the ground for the first time.

For example, in applying the law of variable proportions to the production function of a firm, the assertion is made that "the region of increasing average returns to one factor coincides with negative marginal returns to the other factor." (Page 130.) This may be valid for the simple illustration of two factors used in the production of one commodity with a homogeneous production function of degree one. But the example confines itself to but three of nine possible ways to combine three things two at a time. An example with three or more variables in a homogeneous production function would have led to a more complete explication of the law of variable proportions. For a pair of such variables, if one is in a stage of increasing average returns, decreasing average returns and positive marginal returns, or negative marginal returns, it is entirely possible that the other may be in any of the three stages of production.

In the preface, this publication is said to be more nearly a set of "scrappy class notes" than a bona fide textbook. Perhaps this explains why several errors creep into such an important contribution to price theory literature. Some may be there simply to see if the reader is awake, such as the pronouncement that society consists of four sectors, which is followed by a list of only three. Other minor difficulties include the assertion that determining the least-cost way of building a steam engine (or of reaching any single end with limited resources) is *not* an economic problem (page 6); that the decision to build a steam engine of maximum efficiency does not involve a value judgment (page 6); and elasticity is (loosely) slope (page 19).

This long-awaited, though provisional, price theory paperback is likely to prove durable. Another is not likely to come along unless Milton Friedman writes it. According to the publisher, Friedman's book has already been adopted as a text in several universities. Students across the country will benefit from the discussions, the problems, and the reading lists. But this book is also an opportunity for readers other than university students to benefit from Friedman's insights into price theory.

Clark Edwards

Agricultural Policy Under Economic Development

By Earl O. Heady. Iowa State University Press, Ames. 682 pages. 1962. $10.50.

EARL HEADY has made a major contribution by thoroughly reviewing U.S. agricultural policy against the long-run economic development trends of the agricultural sector. In pursuing a major thesis, he clearly demonstrates that some U.S. agricultural programs have resulted in less than a "Pareto-better" position because they have attempted short-run solutions to long-term problems.

The title is somewhat misleading as "the main focus of the analysis is on agriculture in the highly developed economy of the United States. However, the analysis of the basic interrelationships of agriculture and the total economy under economic growth is relevant regardless of the stage of development." A major theme of the work is the search for policy which will answer the question, "How can agriculture continue to contribute to national economic growth and consumer welfare without being penalized in income for doing so?"

After considering some of the underlying changes which have occurred, and are expected, in the demand and supply picture for agriculture, Heady turns to consider the trends in the performance of the agricultural sector compared with the performance of the rest of the economy. He examines the competitive structure of agriculture which, coupled with inelastic demand for agricultural products, results in great gains for the consumer but not for agriculture. The author deepens the analyses through consideration of the supply of resources used in agriculture and how the inflexibility of labor, land, and capital lead to inelastic supply responses. Study of expenditure patterns and demand potential demonstrates that in the United States there is little possibility in the next few decades that demand increases alone