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Book Reviews

Production and Welfare of Agriculture. By THEODORE W. SCHULTZ. The Macmillan Company, New York. 1949. 225 pages.

THIS IS A SERIES of studies of American agricultural policy, based mainly on earlier writings of the author, in which the concepts and analytical tools of the economist are used in an attempt both "to untangle the economic strands of that policy" and to formulate criteria for the evaluation of specific lines of public action. The framework within which agricultural policy is examined is in terms of generally accepted objectives for the national economy as a whole: (1) maximizing production through efficient allocation of resources, (2) maintaining the degree of economic stability needed to permit the economy to perform efficiently on the production side, and (3) reducing inequality in the distribution of income. The series of studies are grouped into four major parts: Objectives of Policy; Efficiency, Stability and Progress; Economic Development and Policy; and International Economic Relations. Although certain basic ideas permeate the entire volume, most of the studies can be read independently.

The number and range of topics discussed precludes a systematic review. Only a few of the basic ideas can be indicated. Emphasis throughout is on the need to consider separately the problems of resource allocation and those relating to level and distribution of income. Important factors making for inefficiency of agriculture are an excess of labor and a deficiency of capital in this sector of the economy. Production control by administrative action, the author says, is appropriate neither to improve resource allocation nor to raise farm income. Price policy should be directed mainly to the regulation of production; other measures should be used to deal with the income problem. Compensatory payments to farmers should be tied to the general level of economic activity so they would have a counter-cyclical influence. He further states that the 1939-48 parity base, in the Brannan Plan, tends to overvalue farm products in terms of their equilibrium relationship to other products, and

that the organized commodity markets do not provide a system of prices that is appropriate to regulate the flow of resources into different fields of agricultural production.

Critical comment on this book might be addressed either to the concepts and analytical tools used or to the implications drawn for agricultural policy. The former would seem to be the more basic, because any defects in that respect are likely to carry over into and color the policy applications. For example, is the concept of *allocative* efficiency the most appropriate one when the purpose is to compare the efficiency of agriculture with that of other sectors of the economy? When inefficiency in agriculture is described in terms of too much labor and too little capital, does this not mean, by definition, that other sectors of the economy are inefficient because of too little labor and too much capital?

The concept of "capital rationing" needs close watching. As capital is a scarce resource, it is necessarily rationed among uses. But the term is used here to connote improper or uneconomic rationing. Why is capital unduly restricted in its flow into agriculture? A main reason given is the dampening influence of uncertainty of prices and yields. But is not uncertainty bearing also a production service with a supply price? Is it *economic* to allocate capital without regard to uncertainty as to the outcome of the production process in which the investment is made? Would not a benevolent economic dictator feel obliged to take uncertainty into account in deciding between alternative uses of capital? Perhaps the term "*uneconomic* capital rationing" would be less open to question. It would put the burden on the user of this concept to show that the resource cost involved in removing the obstacles to the flow of capital is less than the added productivity to be achieved by using more capital.

Is it not asking too much that spot and future prices should serve well as guides to resource

allocations in either the distant or the near future? If the future is truly uncertain, then there is little reason to expect the current market to reflect future demand and supply situations. The apparent failure of the market to provide a good guide for resource allocation may mean that the use of forward prices set by Government for this purpose may also face real difficulties.

But questions of the character raised in this review should not detract from the contribution that a book of this kind can make to clearer

thinking on agricultural policy. The forthright way in which the important economic issues agricultural policy are discussed is bound to stimulate further discussion and lively controversy. Areas for needed research are indicated and issues are brought into the open, so that implicit value judgments must be made more explicit. These are real services regardless of whether Professor Schultz makes many or few converts to his own views on agricultural policy.

Donald C. Horton

Statistical Techniques in Market Research. By ROBERT FERBER. McGraw-Hill Book Co., Inc., 1949. 542 pages.

PURPORTING "to make available to marketing students and analysts the best and most modern statistical techniques . . ." this book does indeed succeed in bringing together a number of techniques which are presented, probably for the first time, in such a way that they may become the tools of any marketing researcher. It presents clearly for nontechnical readers several basic statistical concepts with examples of their application in marketing research. Moreover, some developments and uses of formulae, most of the necessary tables, and an excellent bibliography are found in the appendices.

It seems regrettable, however, that the author devotes so little attention to the analysis of variance and to experimental design, for both are increasing in importance in their applications to marketing problems; in addition, numerous errors render the text unsatisfactory for its intended audience. Some of these errors arise through faulty terminology, others from an attempt to simplify the presentation which in itself would have been praiseworthy if successfully done.

A few words of caution are in order: On page 72 the term "quota sampling" is used in a way contrary to its usual connotation, and later formulae are given for the sampling error involved. As such formulae do not apply, and there are none that do apply to the usually defined quota sample, that part of the book needs revision. This reviewer sees no distinction between the author's concept of a quota sample and a stratified random sample, as customarily defined. Nowhere does

he find a correct definition of a simple random sample (that is, one that requires that every subset of population elements have the same probability of selection as any other subset having the same number of elements). Also not all stratified samples will yield greater precision than simple random samples of comparable size as is implied.

Nontechnical readers should be warned that contrary to the author's repeated implications no statistical test ever confirms a null hypothesis with any degree of probability. Nor does a confidence interval establish limits within which a population value can be asserted to lie with known probability (see pages 137 and 192). The discussion of multiple and partial correlation in terms of "net effects" is misleading, for a negative "net effect" for any independent variable, contrary to the inference, does not imply that improved correlation will result from elimination of the variable in question.

In summary, it is only fair to say that much can be gleaned from this text by the marketing researcher, though the techniques included are not necessarily "best" or "most modern." Chapters VIII and IX are among the best; in particular, in pages 197-216 is an excellent approach to the problem of selecting a sample design, and in pages 217-254 enough instances and sources of bias are given to warn any researcher to seek competent assistance when working with problems of sample design.

Glenn L. Burrows