Book Reviews

Economics of Employment. By Abba P. Lerner. McGraw-Hill Book Co., New York. 397 pages. 1951.

IN ADDITION to his reputation as an original penetrating economic analyst, Professor Lerner is widely known as an indefatigable and persuasive expositor of the economics of John Maynard Keynes. Although this book, one of the Economics Handbook Series edited by Seymour E. Harris, deals with a number of problems not treated explicitly by Lord Keynes, it is essentially, as the editor states, "a lucid and elementary account of Keynsian economics."

The book has seven parts. Part I discusses the meaning and importance of full employment, and advances the central thesis that "depression and inflation can be prevented by regulating the rate of spending." Part II explains fluctuations in the level of employment in terms of the Keynsian mechanism. Here one will find an extremely simple and nontechnical explanation of the relationships among income, spending, consumption, saving, investment, interest, and money. The last chapter in Part II, Functional Finance, explains how the government can regulate the level of employment and income through its powers to buy and sell goods, to subsidize and tax, and to borrow and lend.

As the whole matter seems simple and obvious, why are not the principles and practices of Functional Finance readily adopted as a means of ensuring continuous full employment? Professor Lerner thinks this is due to deep-seated intellectual and emotional resistances, which he analyses in Part III. Although his analysis is penetrating, it will hardly be convincing to the skeptics, but he finds it "necessary to remind almost everyone that the human race is not noted for the promptness with which it acts collectively to adopt reasonable methods of dealing with its problems."

Part IV faces up to the fact that, even if a full employment economy can be created through Functional Finance, this economy is constantly threatened by inflation, which Lerner ascribes primarily to excessive rises in money wage rates brought about by the disproportionate bargaining power of labor. The theoretical answer to this problem would be perfect wage and price flexibility combined with Functional Finance.

But since this flexibility appears to be practically unattainable, he proposes a wage policy that would permit most money wages to rise with average national increases in labor productivity, would prohibit increases where wages are higher than necessary to attract adequate supplies of labor, and would permit larger increases where wages were not sufficiently high. I think Lerner's proposals contain some flaws, but space does not permit appraisal of their soundness or practicability. They merit consideration as concrete proposals designed to cope with a real problem which few economists have attempted to grapple with in specific terms.

Part V returns to some of the problems raised in Part II. The topics include the national debt, the business cycle, and the relation of Functional Finance to socialism and capitalism. I believe the best chapter in this part is that dealing with the interrelations of saving, thrift, and the multiplier, which form the most difficult part of the Keynsian system to explain satisfactorily, particularly to students who are studying it for the first time. Part IV brings the problems of international trade, capital movements and exchange rates into the picture; Part VII consists of a single chapter, Economics, Politics and Administration.

It is my opinion that Professor Lerner has been unusually successful in producing a simple and nontechnical, but essentially complete, statement of the Keynsian system, together with an equally simple and nontechnical analysis of the main problems involved in maintaining full employment. The book is addressed to the intelligent general reader without previous economic training, but I am inclined to think that it is somewhat too long and formal to attract this elusive citizen in very large numbers. Probably its greatest appeal will be to economists who have not yet got around to taking a serious look at Keynsian economics, and to instructors who would like to introduce their students to

Keynes through a less difficult medium than the *General Theory,* but who find many of the textbook statements to be incomplete.

Finally, Lerner's book may be of more interest to agricultural economists than might appear at first glance. It is now evident, or should be, that the problem of maintaining agricultural prices and incomes involves more than the simple question of whether or not parity is being achieved. Spending for agriculture has implications for total income and employment, and the level of prices received by farmers and wages received by workers are more than casually connected. The attempt to develop a satisfactory wage and price stabilization program since the Korean hostilities certainly bears this out.

James P. Cavin

Econometrics. By J. Tinbergen. The Blakiston Company, New York. 258 pages. c. 1951.

ECONOMETRICS made easy. This is the subject discussed by Dr. Tinbergen, of the Netherlands School of Economics. Parts of this small book, particularly Appendix A on The Use of Correlation Analysis in Economic Research, are excellent. Others, such as Part III on Results of Econometric Research, are disappointing. At the end of Part III, the author says, "In this book we have tried to make the reader acquainted with the way of thinking, the methods, and the results of econometric research. We have made it our task to do this without calling into use what is sometimes called higher mathematics. It goes without saying, therefore, that only the contours of econometrics could be indicated. We have only gone very briefly into the most important investigations; insofar as possible only the principle has been discussed in every instance, together with the most important results." The use of mathematics *has* been held to a minimum. Unfortunately, this has meant that many of the more interesting aspects of econometrics have been left untouched.

Tinbergen defines econometrics as both the mathematical formulation of economic hypotheses with a view toward their statistical testing and the actual process of subjecting these hypotheses to a statistical test. This definition gives equal emphasis to the theory and the practice of measurement, and is, in this reviewer's judgment, a wholesome orientation. Rightly or wrongly, most economists in this country think of econometrics as being concerned mainly with mathematical formulations. It is perhaps for this reason that many of the examples cited here seem overly simplified. Many of these, as described, are not up to the current level of practice among agricultural price analysts in this country.

Many valuable ideas are presented and many statistical-economic concepts are defined and clarified in simple language. The importance of cooperation between statisticians and economists is emphasized. An economist should formulate his theories so as to permit measurement, and the statistician should develop "a desire to measure relevant things." The analysis of the four ways in which time-concepts enter into an economic study, of complete economic systems, of stable and unstable equilibria, and of the principle of "repeated samples" as applied to time series are of particular interest. Distinctions between macro- and microeconomic relationships, static and dynamic studies, and simultaneous-versus single-equation approaches (including the use of reduced form equations) are covered simply yet adequately. Appendix A contains an interesting discussion of the differences in basic assumptions made by R. A. Fisher, R. Frisch, and T. Koopmans in developing their respective methods of handling multiple correlation. References to the European literature, in addition to that in the United States, are given.

Mention is made of a number of cases in which equations involving a single independent variable may give satisfactory results. It is stated that with agricultural products "an income index only rarely has to be included among the explanatory variables." Price and consumption analyses made in this country indicate that these statements are rarely justified (see, for example, the paper by Fox in the July 1951 issue of this publication).

In summary, the reader will find much of interest in this book. The reading of it alone, however, will not make him an econometrician.

R. J. Foote

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Scientific Research: Its Administration and Organization. Edited by GEORGE P. BUSH and LOWELL H. HATTERY. American University Press, Washington, D. C. 190 pages. 1950.

THE opening sentence sets the theme: "Science can no longer be romantically defensive about the lone-wolf researcher to the neglect of organized, cooperative research and development." Throughout, this theme is played over and over, with variations; that science and scientific research is now big business, so those administering it and those conducting it must recognize that the principles of administration have a degree of applicability to research which must be carefully considered by all concerned.

When deciding whether to read the book, the last chapter or the last five pages will help. Bush summarizes the contents of the preceding chapters in easily understood form, and at the same time clarifies the relationship of the principles of administration to the conduct of scientific research. There are a few instances in which the early chapters do not seem to have the same emphasis as the conclusions drawn by Bush, but this difference could be the result of the development in discussion of attitudes which differed from the initial presentation or it could result from the very nature of the volume.

The book is a report on the initial Institute on the Administration of Scientific Research, held at American University. The papers were delivered by outstanding authorities in the field of scientific research. These men represented both industry and Government, and were representative of administrators, scientists, and those with responsibilities of management. Books of this kind can easily be disjointed and may appear to have no central theme. This is not the case in this instance because, to a surprising extent, the authors have presented related aspects of a single problem with many facets. The papers are well written and rather easy to read.

The challenge which large-scale scientific research presents to administration, as set forth by Hattery in the opening chapter, is organized into five major subject areas: (1) Research organization, (2) administrative process, (3) research personnel, (4) aids to research, and (5) research product. The summarizing chapter by Bush applies the principles of administration in the research environment.

Some of the interesting and at times controversial opinions set forth would, if adopted, change the time-honored attitudes of both the scientists and those administering research programs. For example: Replication of effort is mandatory because, unlike duplication, it can be an economy—is not necessarily wasteful; the unilateral attitude that Government procedures and policies transcend those of a contracting agency is unhealthy; it is desirable for the creative minds to be protected from the buffeting that comes from the overuse of red-tape but they are being buffeted by administrative problems of their own creation. Other opinions include: The scientist is not above accounting for the way he spends his time; scheduling is not feasible in pure research but it is very useful in applied research; it is possible to develop estimating standards for research in terms of total costs per man; some kind of accounting for time spent on projects is a necessity if cost estimates and statements are to mean anything.

The primary function this book will serve, in my opinion, is to help bridge the gap between the thinking of the scientist, the administrator, and the administrative technician. Since all must have the same aims, a book that will demonstrate to all concerned that the principles each holds to are not incompatible, will help toward solving the problems here set forth. It should help the administrative technician to understand the researcher's viewpoint better, and it should help him if the scientist does as the book suggests—use in the administration of research the scientific methods he uses in research work. It should help the administrator to get the problems of administering research in better focus. It should help the scientist to understand that the others are trying to help him do his job. The book is well worth reading.

William T. Wolfrey, Jr.

The American Cigarette Industry. A Study in Economic Analysis and Public Policy. By RICHARD B. TENNANT. Yale University Press, New Haven. 411 pages. 1950.

VOLUME I of the Yale Studies in Economics gives the series a good beginning. The dual purposes cited for the volume are "to evaluate present public policy and to suggest possible new lines of approach" and "to contribute to the development of economic theory." Dr. Tennant's contribution to the theory of oligopoly may appear less impressive as rewritten for publication than as presented as a doctoral dissertation in 1948 but obviously the available material on the industry has been examined and a wealth of valuable information has been condensed and analyzed.

As a background for evaluation of public policy, the author traces the development of the industry and endeavors to determine the basis for its institutional peculiarities and to explain "historical accidents" that have affected it. The survey of the development of the industry and its present status, market policy, competitive relationships, and profits, serves as a frame of reference for investigations of aspects of structure and behavior.

Professor Tennant concludes that advertising is the most significant influence on market structure and the principal instrument in market tactics. Sales volume is not a simple function of advertising and its tendency to shift the demand curve to the right is offset to some extent by opposing advertising. The study indicates that the conditions of supply and method of sale of leaf-tobacco do not afford a substantial advantage to the large manufacturer over the small. Interesting is the lack of association found between production costs and size. The position of the large firm depends primarily on its ability to dominate the market through selling pressure; the author considers the effects of other efficiencies to be minor and uncertain compared with those of large-scale advertising. Interesting but unexamined is the fact that despite more thorough and extravagant advertising in this country than in any other, people here adopted cigarettes more slowly than did those in other countries though we had lower prices for them and a higher average income.

In general, price has been significant in its effect upon competition only as it affected a firm's ability to advertise. But the author concludes that the very high level of profits over so long a period suggests that prices have been adjusted to the manufacturers' benefit; during the prewar period "the greater part of these profits represented monopoly control and monopoly pricing." But he finds that rigid prices cannot be regarded as evidence of collusion, because the market situation is such that there would be identical prices even in the absence of agreement among competitors. He finds little evidence of agreement and finds no difficulty in explaining observed behavior in noncollusive terms. Although relatively unconcerned as a social observer about the effects of the practices of the industry, he finds the economic results of its behavior are the same whether explained on collusive or noncollusive grounds. This behavior brought a 1946 decision by the Supreme Court that three major cigarette companies, one subsidiary, and numerous officers, were in criminal violation of the Sherman Act. He reasons from the conviction that "not only may rational oligopoly behavior and explicit collusion yield the same market results but both may be equally subject to the law." In examining the possibility of reform he concludes that although the major companies constitute an effective monopoly, the political and social objections normally associated with a monopoly do not apply to this industry. Specifically he finds a flat rather than a U-shaped cost curve and little evidence of excess capacity or misallocation of resources.

An evaluation of the present situation in view of the continuing threat of further action by the Department of Justice indicates possible reforms and the limits of effective Government intervention. Two proposals are made: (1) prevention of future bonanza earnings and (2) a limitation on advertising which "would strike directly at the principal waste of the industry." The conclusion that an excise tax graduated on the basis of price would not have a significant net effect upon the industry's structure seems questionable.

Some readers will be disappointed that the author did not calculate the elasticity of demand for cigarettes and give a fuller discussion of the problems of developing such a demand analysis. But this is a fully documented, well-indexed book, written in readable style.

George L. Robbins

Economic Resources and Policies of the South. By CALVIN B. HOOVER and B. U. RATCHFORD. The Macmillan Company, New York. 464 pages c. 1951.

THESE AUTHORS discuss in detail the adjustments and improvements that must be made in the use, development, and conservation of the South's natural resources and the adjustments that must be made in the population, by migration out of agriculture into industry and out of the South, and by improvement in technical competence. Its nearest approach to doctrine is that there must be an increase in the factors of land, capital, and management per man working unit, if higher incomes and levels of living are to be obtained.

Readers who are well acquainted with the South, or with the scientific or popular literature on the South, will find that the first nine chapters which deal with economic factors and conditions do not contribute greatly to his knowledge. Even so, he reads these descriptive chapters in order to appraise the chapters on policy.

Because low productivity in the South is chiefly due to the low ratio of economic resources, and possibly the low level of management efficiency to man work units, the changing industrial pattern tends "to give the region a better balanced industrial structure with higher wage levels." This is of major importance because of the increasing part industry is destined to play in the South's economy. But more capital resources are also essential to improvement in both agriculture and industry. The point is made that this capital cannot be mobilized wholly from personal savings and their reinvestment. Considerable must come from outside, from wholly new industries to be established in the South, from branch industries and other establishments, from Southern located central banks, and from insurance companies.

Concerning the human factor, agriculture at least needs to lose some of its population. Efficiency of the people can be improved by Federal aid for education and by offering better education in technology and science in Southern institutions of higher learning.

Because panacea solutions have been so often proposed, the authors consider them carefully, though they give little credence to most of them. They say the policies "must operate to overcome the causes of low income, namely, poor terms of trade and the more basic pattern of higher ratios of land and capital." Improvement in farm income is being made by enlargement of farms, substitution of other farm enterprises for cotton, higher yields, increased mechanization, and migration of labor out of agriculture. The authors doubt that the use of Government power to raise agricultural income hastens these trends. Increased industrialization will hasten them by increasing the jobs for displaced farm workers. Furthermore, it will increase total income by making available more capital equipment per worker.

For increased industrialization to accomplish the major role it should play in the South, industrial development must be in those types of industry "which carry further the processing of goods." This requires the development of skilled workmen, technical training, and research. Financial and credit institutions must be tuned to industrial operation and some State laws changed. Labor and wage policy should be part of the program but wages should be increased by increased productivity of laborers rather than by the arbitrary abolition of wage differentials. Southern wages have increased whenever and wherever major industrial output per man has been made possible by superior industrial equipment, which means adequate working capital per wage worker. In all of this it is clear that the South's economic development depends on the relationship of the Southern economy to the national economy, including its international trade.

If one were to attempt to state briefly what the authors' conclusions are in terms of the title of this treatise, he would say that a successfully functioning and efficient economy consists of its natural resources and the people who use them; that per capita income and therefore levels of living are resultants of the ratio between these two factors. This ratio can be changed in the long run only by producing economically more valuable products of resident natural resources and dividing the income from them among fewer people. This is not an exciting prescription but is probably a sound one.

Carl C. Taylor

Forests and Men. By WILLIAM B. GREELEY. Doubleday and Company, Inc., Garden City, N. Y. 255 pages. c. 1951.

AN INTERESTING STORY from a forester's viewpoint of how leaders among men—foresters, lumbermen, politicians, and others—have influenced the policies and practices affecting the use, protection, and management of our forests.

Emphasis is placed upon those phases with which the author has had closest association—public interest during the first part and private interest in the latter part of the first half of the twentieth century. Western examples predominate as case illustrations. Ideologically, it presents the ''anti'' side of the forest-regulation issue.

Beginning with accounts of historic holocaust fires he sets the stage for his stated conviction that ''smoke in the woods'' is the yardstick of progress in American forestry, that fire prevention is job No. 1, that effective fire-control legislation is fundamental to accomplishment of acceptable results.

The nomad lumber industry is traced in its trek from one virgin forest to another, ''like a threshing machine from one ripe wheat field to the next,'' as the per-capita consumption of wood mounted to a 1907 peak exceeding 500 board feet per year.

The influence of economics is shown on the actions of early owners of the woods. Taxes and carrying charges, mill investments to be liquidated, and stockholders' demands for dividends, were the competitive ruthless economic gears of the liquidation approach in which the forests and the industry seemed caught in ''devastation'' days.

A development of a concern by all the people in what is done with the Nation's forest resource, regardless of ownership, is outlined. The lasting influence of Theodore Roosevelt and Gifford Pinchot as dynamic and forest-minded men of idealism and action is brought out by recounting of anecdote and deed. Secretary of Agriculture James Wilson's aim ''to serve the greatest good of the greatest number in the long run'' as the policy for administration of the National Forests is cited as reflecting the Forest Service philosophy of use for all forest lands.

The Forest Service is portrayed as a realistic and sincere organization, with a field viewpoint, searching for new ideas. Its approach to a problem is a demand for the facts. Information and leadership it has furnished lumbermen have widely and deeply influenced the trend toward applied forestry on private lands.

Recognition is given to the important and growing role of the States in cooperative forestry endeavors and in control of forest-cutting practices in the public interest; the stabilizing and protective role of public forests—National, State and community; the contribution from the forest schools, the research stations, centers, and laboratories; and the efforts of the lumber and pulpwood industry to apply forestry in the woods and plants.

The CCC is credited with a volume of forest conservation work that stands above all else in this domain, the world over, and the Prairie States Forestry Project and WPA with extensive establishment of shelterbelts and farm woodlots.

The author admits that as a nation we are still supplying our needs for wood in part by deficit spending from the capital account of virgin timber but he points out that the rate of replacement has more than doubled since 1920 and that total drain now exceeds total growth by only 2 percent. He sees a bright future with adequate supplies of wood. He believes that probably the most important of all factors in the long-range productivity of our forests is the economic incentive to grow trees—that it is now good business to grow timber.

The book brings out the advocacy by the Forest Service of a strong system of National Forests and of public cooperative efforts to encourage application of good forest-management practices on private forest lands and emphasizes the author's, industry's and public's support of them. It tells of the advocacy by Forest Service Chiefs Pinchot, Graves, Silcox, Clapp, and Watts of public controls over cutting practices on private lands to assure their maintenance in productive condition and of the opposition of the lumber industry and the author to this approach. He acknowledges the toughness of the job of getting full timber crops from small woodlands and that the management of many larger holdings leaves much room for betterment, but he is convinced ''that more trees will be grown by working with the forces and incentives indigenous to the United States than by copying the police controls of other countries.''

The factual statements in the book will raise few questions, except in interpretation, but there are bound to be diverse reactions to its ideological contentions.

George R. Phillips

Index Numbers. By BRUCE D. MUDGETT. John Wiley and Sons, Inc., New York. 135 pages. c. 1950.

PROFESSOR MUDGETT has clearly and concisely restated his views of long standing on the index-number problem. Those who are engaged in constructing index numbers, particularly index numbers representing average price changes for fairly long periods, will find his views provocative for at some points he departs from the general practices of index-number construction as we know them in our major price and production indexes. Chapter 7 on long-distance comparisons is particularly in point.

To the users of price indexes the book will bring an appreciation of the limitations of index numbers as portrayers of changes in price levels through the years. Chapter 6, on the components of error in index numbers, is especially well done.

All readers might well refer to the publication, *Research in Agricultural Index Numbers,* issued by the Social Science Research Council in March 1938, which contained the views of Professor Mudgett substantially as they are today and the opposing views of some "giants" in index-number literature.

The major dilemma in index numbers is encountered in measuring price level (or production) changes over a long period. There are two extreme views on how this should be done. On one hand are the proponents of a fixed-base weighting system for all the years covered by the index. The concept of a fixed bill of goods or market basket is simple and easily explainable, and the index itself is generally computed with a minimum of effort. Some major Government indexes are computed on this basis. Before January 1950, the Bureau of Agricultural Economics computed its indexes of prices received and prices paid by farmers with fixed weighting systems that reflected farmers' sales and purchases in 1924-29. The major weakness of this type of index is that, with the passage of years, it becomes outmoded. Patterns of production and consumption change as technology advances. The fixed bill of goods that represents a production or consumption pattern some 15 or 20 years ago becomes less and less representative of current patterns and less and less reliable as a measure of over-all price movements. But this weakness can be largely overcome by revising periodically the weighting structure and the weight base period so that they are more representative of the current pattern.[1]

At the other extreme is Mudgett's proposal for shifting weights to a current basis each year and maintaining continuity with the base period by chaining together the year-to-year changes in average prices. In theory, his method of reweighting continuously would tend to give more accurate approximations of changes in the price level from one year to the next. He agrees that no price index, no matter how constructed, would give an accurate measurement of the "pure" price change over the longer period, say between 1910 and 1950. But he argues that the chain method applied to year-to-year price changes provides a better approximation of the direction of change between two periods that are far apart than does the fixed weighting system.

The weaknesses in this proposal are primarily practical considerations, but not entirely. First, current weights are rarely available. In some instances they may be very expensive to obtain, as the data on expenditures necessary for weighting the Consumer Price Index and the Index of Prices Paid By Farmers. In the case of the latter, funds are not yet available to provide weights for any period since World War II.

Second, Mudgett's proposal for determining the price change from one year to the next involves the use of the weighting pattern of the previous year for both years. Because of the lag in collecting data and preparing weights, it seems more likely that the latest weighting data for current price changes might be for 2 years previous. Even if weights could be obtained for the previous year, it is conceivable that they might not be representative for the current year. That would depend on the phase of the business cycle, on whether the economy is moving from war to peace, or vice versa. Last year's weights may be just as unrepresentative for the current year as the fixed-base weight period.

Third, annual weights may not be necessary. Some tests have indicated that over a fairly substantial number of years, when there have been no marked disturbances in the economy, changes in

[1] (For example, note the construction of the new indexes of prices received and paid by farmers in Agricultural Economics Research, Vol. 2, No. 2, April 1950.)

weighting patterns have had a negligible effect on the index.

Finally, the author underrates the importance of being able to "explain" an index to those who are not technicians. He underrates economy in computation and this is particularly in point when the index is involved in legislation and when the budget is slim.

In three chapters Professor Mudgett describes the evolution of the Bureau of Labor Statistics' indexes of wholesale and consumer prices. His appraisal is that they are good indexes but not good enough.

Nathan M. Koffsky

Subsidies for Farmers. Compiled by ROBERT E. SUMMERS. The H. W. Wilson Company, New York. 208 pages. 1951.

THE WHOLE BROAD FIELD of direct Federal aid to agriculture rather than the narrower field of subsidies as such is covered by this compilation. According to the publisher's announcement it is "a compilation of interesting arguments expressed by authorities with widely differing beliefs."

Material used in the compilation has been selected from newspapers, magazines, books, and other sources. The selected material has been divided into major sections: The Farm Problem, The Role of Prices, Price Supports, The Parity Concept, The Subsidy Question, The Brannan Plan, Looking Ahead at Farm Policy, and The Current Crisis. Each section is introduced with brief comments by the editor.

Direct Federal aid to agriculture has been a part of our national policy since the passage of the Agricultural Marketing Act of 1929 which, among other things, brought the Federal Farm Board into being. The great depression brought further efforts to assist farmers as a part of a general program of economic recovery. Since then, the people of this country through their Government have been accepting an increasing responsibility for the protection of all the people from the harsh winds of economic adversity. Farmers have shared in the protection as have other groups.

I think it unfortunate that the editor chose "Subsidies for Farmers" as his title. The Farm problem would have been a more accurate title and to me at least would seem more objective. A brief quotation from Webster will illustrate the point: ". . . in ordinary usage subsidy is the more general term and often carries a derogatory implication."

In the introduction to the section on The Subsidy Question, the editor points out that apparently no two people think alike on what is meant by subsidies or the desirability of their use for any purpose.

In discussing wartime food subsidies he raises the question of whether cash payments to food processors to keep consumer prices down were *farm* subsidies. With equal appropriateness he might have raised the question whether these payments as well as other payments made directly to farmers were subsidies to consumers generally, rather than subsidies to farmers.

The editor's definition, which indicates that any measure that permits farmers to receive a price higher than that which would result from the operations of supply and demand in the open market involves a subsidy, leaves troublesome questions unsolved. Over what length of time is the comparison to be made? One month, one season, or several seasons? Further than that, if operations of the Government result in farmers receiving less than they could have obtained in a free market, as usually happens in periods of price control, is this a subsidy from farmers to the rest of the economy?

I shall look forward to any similar compilations on subsidies in other segments of the economy which the publishers of this volume may decide to issue.

C. Kyle Randall

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In the introduction to the section on The Subsidy Question, the editor points out that apparently no two people think alike on what is meant by subsidies or the desirability of their use for any purpose.

In discussing wartime food subsidies he raises the question of whether cash payments to food processors to keep consumer prices down were *farm* subsidies. With equal appropriateness he might have raised the question whether these payments as well as other payments made directly to farmers were subsidies to consumers generally, rather than subsidies to farmers.

The editor's definition, which indicates that any measure that permits farmers to receive a price higher than that which would result from the operations of supply and demand in the open market involves a subsidy, leaves troublesome questions unsolved. Over what length of time is the comparison to be made? One month, one season, or several seasons? Further than that, if operations of the Government result in farmers receiving less than they could have obtained in a free market, as usually happens in periods of price control, is this a subsidy from farmers to the rest of the economy?

I shall look forward to any similar compilations on subsidies in other segments of the economy which the publishers of this volume may decide to issue.

C. Kyle Randall

The Foundations of Economics. History and Theory in the Analysis of Economic Reality. By WALTER EUCKEN. University of Chicago Press, Chicago, Ill. 358 pages. 1951.

EVER SINCE the Physiocrats — 1756-76 — declared that there were natural laws which governed the operation of the economic system, economists have sought to discover what these laws were. We have seen a procession of theoretical systems — classical, Austrian, neoclassical, imperfect competition, Keynesian — each having its day and then yielding to another. Some of these schools had hoped to create permanent systems of economic thought that would have universal validity.

The historical school denied the existence of economic laws; the relativists declared it was impossible to construct a body of theory universally true in both time and space. Each system of thought, they held, was valid only for a particular and definite economic order. As one result of all this, today, economic theory is in a chaotic state—the despair of the professional economist and the laughing stock of the market place.

Eucken steps into this breach with a basic contribution—an entirely new approach and concept—to the subject. The task he sets himself is to resolve the "Great Antinomy" between facts discovered by "individual-historical" research and the necessity of formulating the "general-theoretical" problems which govern the relationships existing in an economic system.

Eucken maintains that the problem has not been, and cannot be, solved, as the historical school has attempted, by recourse to "stages" and "styles" of economic development which give a kaleidoscopic economic theory, shifting with each change in the economic order. It is possible, he argues, to construct a type of theory which is universal in both time and space. Further, the classification of economic systems into stages and styles is based on an oversimplification of economic history.

To resolve the problem, Eucken has recourse to the methods employed in some of the natural sciences; his approach is morphological. These sciences are based, in part, upon a rational classification of their elements and forces and upon an analysis of structure or the way in which these elements hang together and operate.

According to Eucken, economic life generates data and empirical rules and may be divided into "pure types." The data are stocks of already produced consumers' and producers' goods, land and natural resources including labor, technical knowledge, legal and social organization. The empirical rules include Gossen's first law of diminishing utility, the law of diminishing returns, the "roundabout process of production" or the division of resources between the production of consumers' and capital goods.

These data and empirical rules operate in different "pure types" of economic systems such as the centrally directed economy which is either totally centralized or centrally directed with free exchange of goods or the exchange economy with either "open" or "closed" forms of supply and demand including, in varying degrees, competition, oligopoly or oligopsony, monopoly or monopsony. In addition, the two main forms of monetary economy—where money and the unit of account are separate and where money is both a medium of exchange and a standard of value—as well as the types of monetary system employed, constitute other elements of the economic structure.

According to Eucken, these elements of economics, like those of the natural sciences, are universal in both time and space. In different combinations, in different relationship one to the other, these constitute the basic structure of the economic systems and institutions of all times and places. Analyses of the nature and properties of these elements, the ways in which they combine, the relationship they bear to other forms and to one another, provide the organizational framework in which economic theory may be fruitfully constructed.

Eucken sketches in rather broad outlines the application of his method to various types of economies, modern Japan, Germany in 1930 and in 1940, the Jesuit Community in Paraguay, 1609-1767, several systems of the Middle Ages, to cite but a few. He leaves to others the detailed task of preparing the morphology of specific events and situations so that, in the end, we do not know just what type of economics Eucken's system would yield.

To those who are appalled by the mountainous volume of economic data and the molehill of theory it has yielded, by the fact that economic theory is not systematic and that it virtually fails to explain economic relationships, Eucken's thesis holds a bright ray of hope.

The book does not attempt to answer these questions: Are these elements of the problems homogeneous? Is a centrally directed farm in the Middle Ages comparable with a centrally directed farm today? Are the banking institutions of the Fuggers comparable to banking systems today? If these elements are essentially the same at all times and places, we can borrow the methods of the natural sciences whose elements do possess homogeneity—if not, we cannot copy the methods. The validity of Eucken's system must stand or fall on the truth of that hypothesis.

To test this validity, much analytical work, applying his proposed methods, must be done. And the promise that his program holds out should make this effort well worth the trouble.

Max J. Wasserman

Wartime Food Procurement and Production. By Benjamin Baker. King's Crown Press, Columbia University, New York. 219 pages. 1951.

A DESCRIPTION of the administrative procedures and techniques used by the War Food Administration and predecessor agencies in the administration of food procurement and production programs during World War II is the author's major objective. He also outlines organizational changes and gives other background information relative to the procedures described.

Dr. Baker's work in the Department of Agriculture and the War Food Administration gave him first-hand knowledge of the administrative problems here discussed. The book is carefully documented by extensive references to published and unpublished sources.

The author concludes that, despite necessary shifts in objectives to meet wartime demands, the underlying administrative practices, with a few refinements, remained the same as those that had been used before the war to handle crop-control and surplus-disposal programs. The competent staff acquired and the extensive knowledge of production and distribution gained during the prewar period enabled the Government to meet successfully the wartime administrative problems. This experience with surplus problems although providing the necessary knowledge for handling war problems had the unfortunate effect of tending to deaden the sensitivity of the administrative machine to the need to gear production for something approaching all-out effort once the war had begun. But the author concludes that, despite this psychological handicap, "the Department of Agriculture and the War Food Administration played a signal part in coordinating the forces that made possible the maximum utilization of available production resources."

The criteria for evaluation of the success of Government programs and for the major "difficulties" are not clearly defined. The complexity of the administrative organization and the reasons for organization change are at times oversimplified. The author's major concern, however, is to describe. This description, not provided in previous books, should prove valuable to Government officials, political scientists, and historians.

Gladys L. Baker

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