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Book Reviews

Economic Policies Toward Less Developed Countries

By Harry G. Johnson. Brookings Institution, Washington, D.C. 279 pages. 1967. \$6.75.

THE KENNEDY ROUND of trade negotiations under the General Agreement on Tariffs and Trade (GATT) has come to an eleventh-hour conclusion in Geneva. However, the tumult and the shouting over international trade policies are not going to die. In Geneva the main contenders were the developed countries, especially the United States and the European Economic Community (EEC) countries. The next major contest will take place at the second United Nations Conference on Trade and Development (UNCTAD), now scheduled to take place early in 1968, and the less developed countries will be in the spotlight.

Although the results of the Kennedy Round were still not generally available at the time this review was written, it appears that the less developed countries did get some substantial benefits from the negotiations. However, it is also clear that they remain unsatisfied with the present rules of international trade. In a post-Kennedy Round interview, Raul Prebisch, head of UNCTAD, said that the result has fallen short of the hopes of the underdeveloped countries.

Policymakers, economists, and anyone else interested in a sound discussion of the problems of United States economic relations with the less developed countries should read Harry G. Johnson's book. Johnson discusses the political and economic setting of these issues, the performance of the United States at the first UNCTAD meeting in 1964, and the various policy choices facing the United States with regard to trade and aid issues. He discusses them lucidly, from the viewpoint of an informed, competent economist.

The purpose of Johnson's study is to survey "the major issues raised by UNCTAD for United States policy toward the less developed

countries and to explore the various policy alternatives open to the United States..." Johnson says that there is "a real issue, in both political and economic terms." He says that at the first UNCTAD meeting in 1964 the United States appeared to be negative and isolated in its response to the demands of the less developed countries. He emphasizes that, "politically, as the leaders of the Western world, the United States cannot ignore the grievances of the less developed countries or the fact that other developed Western nations do not share its attitude toward those countries' demands. If the United States is to maintain its leadership and fulfill the responsibilities it has assumed to both the developed and the less developed countries, it must evolve some prospective new approach to the problem aired at UNCTAD."

Johnson discusses the alternatives open to the United States in developing a "new approach." He concludes that, whatever is done about trade policy, there probably will be need for increased aid, at least in the short run. He points out that the transfer of real resources from developed to less developed countries could be substantially increased if the existing level of aid were given in the form of untied grants. Although he recognizes the balance-of-payments problem (he has a chapter on International Monetary Reform), he suggests that "...the United States could commit itself to a policy of untying aid as it relaxes its present intervention in international transactions in response to the expected rectification of its balance-of-payments deficit in the next few years." Alternatively, he suggests that the United States might retain aid tying but provide the difference between the cost of aid goods in the United States and on the world market as a grant rather than as a loan.

The author discusses two main alternatives for United States trade policy. One would be a further move toward free trade along the traditional GATT lines of multilateral negotiations, and nondiscrimination among most favored nations, but with particular attention to the problems of the less developed countries. He sees

difficult problems with this approach. Agreement has already been reached in GATT that the developed countries do not expect reciprocity from the less developed countries in reducing trade barriers. But GATT reductions in barriers to exports of the less developed countries still require bargaining on the basis of nondiscrimination and reciprocity among the developed countries. Johnson sees this as "the rock on which the current effort to assist the development through trade of the less developed countries is most likely to founder."

The other alternative discussed by Johnson is to follow the lines of policies proposed by the less developed countries at the first UNCTAD. These involve extension of price-fixing agreements for primary commodities and introduction of preference for exports of manufactured products of the less developed countries. He discusses the arguments for and against both alternatives. He suggests that the administration should appoint "a review committee of economic experts to make a comprehensive study of the economic effects of the United States tariff and the consistency or otherwise of these effects with the domestic and international policy objectives of the United States, including the objective of promoting the economic growth of the less developed countries of the world."

For economists, Johnson suggests a series of problems needing further research, including measurements of the restrictive impact of barriers to international trade, the effective level of protection in processing primary products, the waste involved in aid tying, the elasticity of supply of exports from the less developed countries, the value of trade preference to the less developed countries, and the real value to the less developed countries of price-raising commodity agreements.

Joseph W. Willett

The Economics of African Development

By Andrew M. Kamarck, Frederick A. Praeger, New York.
294 pages. \$7.50.

HERE IS A PRAGMATIC book on Africa that makes most books in its field seem obsolete. The author presents a detailed examination of Africa's economic situation with special emphasis on the area south of the Sahara. The role

of geographical constraints, climatological aspects, and natural resource development is stressed. The central purpose of this book is to determine what can be done to bring about economic development in Africa. The economic analysis focuses on the following pertinent questions: Why has the economic development of Africa been delayed? Why have the underdeveloped countries remained in a subsistence state until now? How can the geographic, economic, and institutional barriers to economic growth and transformation be overcome?

In a major chapter devoted to agriculture, Kamarck provides a complete reevaluation of the various programs that have been initiated to increase output. Other chapters deal with the importance of mining, the problems of growing industrialization, and Africa's infrastructure needs--in transportation, electric power, communications, and education.

In his evaluation of railway transport in Africa, Kamarck states: "Africa is the only continent in the world where large investments in the construction of new railways are still needed...."

"Modern economic development of Africa, then, had to await the coming of the 'iron horse' immune to the tsetse fly and other natural enemies. The bulk of the African resources lay inland and their development could not begin until the railroads made it possible.

"...Africa continues to be the only region in the world, where there is actually a justifiable reason for a large-scale building of railways ... Tropical Africa in 1964 had about 28,000 miles of railway--this for an area of more than 6 million square miles."

In the past, too much attention has been focused on the peripheral problems of economic development and not enough attention on solving and defining basic problems. Kamarck cites Ethiopia as a case in point where reform of the feudal land-tenure system would give farmers the incentive to improve agricultural practices and thus increase the national income more rapidly than various power and road projects that are now under construction.

The author underplays the role and impact of socioeconomic factors in his analysis. The influence of tribalism, the passive attitude of

Africans toward development, and the creation of an incentive for people to work are pressing problems facing Africa today.

Kamarck does not favor marketing boards as a vehicle for economic development in Africa. He states that the entrepreneurial system is a better way of doing things, but unfortunately the developing countries in Africa do not have the entrepreneurial know-how to perform adequately. In all developing countries there should be some type of "regulatory" control of marketing either by statutory marketing boards or by the Ministry of Commerce.

An example of such regulatory action is the Agricultural Products Act in Tanzania under which marketing boards can be established for any agricultural product. These boards have the power to set standards of quality, determine price, and control the flow of commodities to be marketed.

The author distinguishes a type of quasi-rent arising from the wide differences which exist between the superior technological know-how and capital equipment of foreign firms in developed economies and the less advanced techniques and obsolete equipment of local entrepreneurs in underdeveloped countries of the world. He states that "...the degree of difference in the levels of techniques between the foreign firms and that of the indigenous economy helps to determine how long it will take before the catching up occurs and the quasi-rents are wiped out."

Kamarck points out that education and on-the-job training to meet the specific needs of developing countries are vital elements for economic growth and development in Africa. The author's final chapters are devoted to an examination of how Africa's development needs and economic structures affect its domestic and foreign policies. Although this study offers no final answers, it provides some realistic forecasts of how successful Africa will be in meeting its "growth targets." The study also makes some concrete suggestions that could enable Africa to achieve the economic prosperity necessary to become one of the developed areas of the world.

Carey B. Singleton, Jr.

The Economics of Agricultural Development

By John W. Mellor. Cornell University Press, Ithaca, New York. 1966. 403 pages, \$10.

PROFESSOR MELLOR has written a much needed book on agricultural development. It should be a useful text for undergraduate courses in this important field.

Professor Mellor describes the general nature of his treatise on agricultural development as follows:

"The book attempts rigor and precision in dealing with the economic development of agriculture, but within a constraint which allows it to be used by both the teacher and the practitioner of agricultural development. The choice of items for coverage and the extent to which the treatment is technical have been dictated by the state of knowledge and by the importance of the subject. The result is of necessity a certain lack of uniformity in regard to coverage and treatment."

The author's comment about the unevenness of coverage is instructive because it reflects to a great extent the lack of economic studies on agricultural development for large areas of the world. It follows that the reader should be cautious in generalizing about all developing nations from the examples contained in this book.

The book is divided into three sections: (1) The role of agriculture in economic development; (2) the nature of traditional agriculture; and (3) the modernization of agriculture. Rather comprehensive treatment is given to each section.

There are several specific points that many readers would take issue with. I do not intend to enumerate the points that bothered me because this would merely detract from the greater significance of the book--the fairly complete and readily understandable treatment of the economics of agricultural development. Nevertheless, the reader should be alert to these debatable portions of the text.

There are two major shortcomings to Professor Mellor's book. First, although he treats well the economics of traditional and developing

agriculture, it is not clear to the reader how a nation gets from one stage to another. The dynamics of agricultural development is missing. The reader is left to figure out for himself how a country goes about putting together in an efficient way the various ingredients (economic policies, physical inputs, institutions, technology, etc.) necessary to develop agriculture. There is no guide to the strategy of agricultural development, or to the business of deciding investment priorities and resource allocations at any point in time and through time as development takes place.

The second shortcoming--and this is related to the first one--is the weak treatment of planning agricultural development, which is the subject of the last chapter. Professor Mellor gives us an oversimplified description of the very difficult process required to plan the growth of large and complex agricultural sectors in developing economies.

Despite these criticisms, this is a good and much needed book.

Martin E. Abel

Agricultural Insurance

By P. K. Ray. Pergamon Press, Inc., Long Island City, N.Y. 299 pages, 1967. \$15.50.

RAY IS ONE OF a relatively small number of economists who are authorities in the field of agricultural insurance. His Oxford Ph.D. thesis in 1951 was on this subject and his active interest has continued. For many years he has been a crop and livestock insurance specialist with the Food and Agriculture Organization of the United Nations and has served as adviser to several countries, including Ceylon, Cyprus, Greece, and India.

His new book is a revision of an earlier one, published in 1958, entitled *Principles and Practices of Agricultural Insurance*. An important objective of the revision as stated in the Preface is to consider "how and in what ways forms of agricultural insurance could benefit developing countries in their urgent need for increasing food and agricultural production." Another aim is to provide "a textbook on the principles of insurance applied to agriculture."

Part I does a good job of presenting the basic principles of risk and insurance. Ray

describes the various types of agricultural risks, lists different ways of dealing with them, and explains the nature and function of insurance.

Parts II to V discuss crop insurance, livestock insurance, property insurance, and personal and liability insurance, respectively. Insurance in the United States and the United Kingdom predominates in the discussion, although mention is made of systems in Canada, Japan, and Ceylon.

More space is devoted to hail and all-risk insurance on growing crops than to the other types of insurance. Many readers, especially in the United States, may not be much interested in the detailed discussion of the insurance company's operating procedures and regulations. Perhaps the author believes that rather complete information will be helpful to developing countries if they are to establish similar crop insurance systems. In his final chapter Ray points out that more and more countries are looking to crop insurance as a tool to provide a minimum security to farmers at the production stage.

The discussion of livestock insurance is based mainly on the systems in the United Kingdom and other European countries. Insurance of animals against disease and accidents is apparently more prevalent in those countries than in the United States. Livestock insurance in the United States, which consists primarily of protection against fire and lightning, is mentioned briefly.

The book reflects a thorough understanding of fire insurance used to protect farm buildings and personal property. Ray describes different types of policies, shows how premium rates vary, and discusses some insurance problems such as under- and over-insurance. Special attention is given to the development of farmers' mutual insurance companies in the United States.

Other types of insurance covered in the book are accident and sickness insurance, personal liability, employers' liability, and workmen's compensation. The different types of insurance associated with the ownership and operation of automobiles are not included in the discussion. Although automobile insurance has become widespread in the United States, it apparently is relatively unimportant in most other countries, especially in less developed countries.

A shortcoming of Ray's new book is that some sections are not fully up-to-date, particularly with respect to late developments in the United States. For example, the deductible feature which is being used more and more with windstorm and fire insurance policies in the United States was not discussed, nor was the rapidly spreading package policy for farmowners which combines a number of coverages in one contract. This weakness, however, is not a serious one. Most readers will look at the insurance picture in broad terms and not be concerned with omissions or errors of detail.

Parts VI and VII may prove of greatest value for countries desiring to improve their insurance systems. Different types of private insurance organizations are described and evaluated, with special attention given to mutual and cooperative associations. One chapter is devoted to public-governmental insurance and its advantages and disadvantages. Next the book shows how to measure agricultural risks for the purpose of setting premium rates. The chapter on reinsurance provides a good discussion of the spreading of risks among insurance companies and the possibilities of reinsurance between countries.

The book's final chapter deals specifically with agricultural insurance in newly developing countries. Insurance on crops and livestock is considered to be most needed in such countries because farm loss severely affects financing of future production. Ray says that all-risk crop insurance is by far the most important kind of insurance but the limited financial capacity of new countries and the skepticism as to its feasibility in many quarters hinder its progress. Ray indicates that realization of the need for crop insurance by appropriate authorities hinges largely on current experiments going on in several countries.

"Agricultural Insurance" constitutes a welcome addition to a field in which there is a dearth of literature. It will have value as a textbook and as a reference for those concerned with the practical problems of establishing or improving an agricultural insurance system. Assembling and analyzing insurance information for so many countries was a sizable undertaking. Ray is to be commended on a job well done.

Lawrence F. Jones

Environmental Quality in a Growing Economy

Edited by Henry Jarrett. The Johns Hopkins Press, Baltimore, Md. 173 pages. 1966. \$3.50.

TRADITIONALLY, ECONOMIC scholars devoted their talents to solving quantitative problems of natural resources. This is understandable in a developing economy where efforts are directed toward increasing supply to satisfy a perennially expanding demand. Currently, however, there appears to be a shift in emphasis. Although quantitative problems are still very much with us, and no doubt will continue to be for some time, the solution of qualitative environmental problems, such as water and air pollution and rural and urban blight, is becoming of increasing concern.

This book consists of 12 essays, delivered in 1965 at a forum arranged by Resources for the Future to explore problems associated with environmental quality.

Kenneth Boulding and Harold J. Barnett give a comprehensive glimpse of the current and future effects of the development of natural resources on the environment. Boulding questions whether increasing production and consumption are desirable, since they lead to diminishing sources of new material and create problems with regard to disposal of wastes without necessarily adding to total welfare. Barnett doubts whether a competitive, self-regulatory market will be as useful in the future as it was in the past. If their fears are valid, one is led to doubt whether efficiency--an attribute of a free market system--is an unmixed blessing and whether the native ingenuity which caused the increased production and consumption, and overcame so many technical problems in the past, can devise techniques to substitute new resources for depleted ones and to offset the ill effects of waste disposal.

The effects of environment on physical and mental health are discussed by Renee Dubos and Leonard J. Duhl. Even though man appears to have withstood some of the deleterious effects of urban living, Dubos declares that it is still too early to tell whether this is true. Both authors contend that a comprehensive attack on the problem, rather than the piecemeal approach

currently in vogue, is the only solution. However, in this reviewer's judgment, this approach would necessitate massive support including the almost impossible job of coordination. Although the authors fail to mention it, rural areas no doubt have mental health problems caused by the nature of rurality, and the problems are important enough to have warranted some discussion by one of these scholars.

The market mechanism cannot produce the best allocation of resources unless all the side effects--externalities--in the use of natural resources are taken into account. Ralph Turvey and Roland N. McKean explore the characteristics of environmental quality which go beyond the control of the market mechanism. Turvey suggests one of the best methods in dealing with external diseconomies would be a tax. Both economists agree that in the interest of fairness the tax should be applied with caution and only when the gains are believed to exceed the costs.

Allan V. Knesse and M. Mason Gaffney review the state of economic research into problems of the environment. They consider one of the objectives of research to be the illumination of difficult aspects of environmental problems. They review studies of the progress made towards solving the environmental problems and specify the problems that remain to be solved. Gaffney specifically examines these problems in the context of welfare economics. Collective action is recommended, though inherent operational problems are not enumerated.

What are the values involved and the objectives desired in our society? What costs would the public be willing to endure to preserve the values and achieve the goals, and what hinders efforts to change the public attitudes when they obstruct steps necessary to improve the livability of the environment? Gilbert F. White and David Lowenthal discuss the public attitudes on environmental quality. Lowenthal's basic criticism is that man and environmental units are viewed in black and white, without regard to interrelationships, and are thus at the mercy of planners who give the units priority classification. There is some feeling that to analyze environmental preferences in this fashion is wrong. Public attitude towards the environment is largely subjective and is to be enjoyed and not analyzed.

Norton E. Long and Jacob H. Beuscher examine the improvements needed in policies and institutions to enhance the environment. They review the difficulties in the operations of national, State, and local governments, particularly when interaction is involved. Beuscher suggests some new kinds of governmental machinery that might be used, such as joint boards and compacts for interstate action. Beuscher believes that the larger the governmental body, the more effective it would be in solving problems. For example, State governments should be made substitutes for regional governments in handling environmental problems in metropolitan regions because any one regional unit cannot handle the problems effectively. A question worth asking is why the regional government, despite the virtue of being closer to the problem and more familiar with the environment, is unable to solve the problem more effectively than the State government.

The book is a varied assortment of research findings and recommendations on the current and future state of national resources in the United States. Although by no means definitive, the collection gives the reader a comprehensive orientation on environmental quality by which he can form better ideas as to how to make this land a better place in which to live.

Jack Ben-Rubin

The Grain Trade in the Old Northwest

By John G. Clark. University of Illinois Press, Urbana and London. 324 pages. 1966. \$7.50.

BASED ON THE AUTHOR'S doctoral dissertation, this volume represents exhaustive research in contemporary documents and publications, as well as a thorough review of secondary sources related to the subject. It covers the period between the War of 1812 and the Civil War. In the early period, practically all grain went to market by river and canal as products--flour, "provisions" (salted meat), and whiskey. Even earlier, livestock was driven to market, often over long distances. Skillful use has been made of scattered records, often fragmentary, to describe all the factors in the development of the area made up of Ohio, Illinois, Indiana, Michigan, and Wisconsin in a

time of great and rapid change. By the end of the era most of the grain was going to Eastern markets and ports by rail or lake boats.

The book contains much detail as well as a lucid analysis of the picture as a whole. It was the selection for the 1965 Book Award of the Agricultural History Society.

Helen H. Edwards

*Reference Manual to Reports of the
National Commission on Food
Marketing*

By Wendell Earle, Gene German, and John Sheehan. National Association of Food Chains, Washington, D.C. 58 pages. 1966. \$5.

THIS MANUAL CONTAINS a listing of and indexes to the 10 Technical Studies and the Summary Report of the National Commission on Food Marketing. A total of 2,856 pages making up the studies and report are indexed.

*The Sugar Cane: Botany, Cultivation,
and Utilization*

By A. C. Barnes. Leonard Hill, London, and Interscience Publishers, New York. 456 pages. 1964. \$15.

AN ACCOUNT of sugarcane as a major world crop of great economic importance is presented. The first chapter is devoted to the history of the origin of sugarcane and the early development of the industry. While the emphasis is on agricultural aspects of the subject, the importance of organized research, processing of the cane, and use of byproducts receives considerable attention. The author also discusses organization and control of the industry as well as systems of payment to growers by processors. The author's experience with sugar in British colonial countries, most recently Jamaica, is reflected in his treatment of the subject.