Book Reviews

Asian Drama: An Inquiry Into the Poverty of Nations

By Gunnar Myrdal. Pantheon, New York. Paper, 3 vols. 2,284 pages. 1968. $8.50.

GUNNAR MYRDAL, the famous Swedish statesman, economist, and author of An American Dilemma, with the collaboration of six principal assistants, needed 10 years to produce this book. The "Asia" referred to is South Asia; that is, Pakistan, India, Ceylon, Burma, Malaysia, Thailand, Indonesia, and the Philippines, with some discussion of South Viet-nam, Cambodia, and Laos. However, the book is mainly about India, with comparisons with the other countries.

The book is probably the most highly publicized serious economic work of recent years. It has certainly been more widely reviewed, in more popular nonspecialized publications than any comparable work on development economics. It has generally been well received. A number of reviewers have praised it extravagantly, saying that the author "has launched a massive attack on the economic shibboleths," has provided a "tour de force," has produced one of the "massive peaks of interpretive political economy (which) tower over the arid flat plain inhabited by the conventional modern economist," has provided a "gloomy dissent," has written a book "capable of changing history," and so forth. The Twentieth Century Fund, which financed it, refers to it as an "epic work."

These are exaggerations of the study's importance and contribution to the literature on development. It did not involve any new primary research. There is much useful descriptive background material and some original statistical estimates, but the main concern of the author "was methodological--how to cleanse concepts and discard theories and then state problems in a logical and realistic way." He tries hard to say brave and controversial things, but the controversies which he wants to stir are generally commonplace or he doesn't really have a coherent alternative approach to offer. He makes strenuous pleas for a more "realistic" analysis and consideration of "noneconomic factors." But who is against that?

Myrdal concedes that a new framework of theories can't be constructed until much more solidly based empirical work has been done. While he makes many broad generalizations about conditions in the region and about the mechanism of causal relations between them, he admits that his generalizations are tentative and can't be supported with solid facts. He insists, however, that he is demonstrating the inadequacy of inherited economic theory and that the effort is worthwhile.

Myrdal says that his approach is "institutionalist." Strangely (for an institutionalist), he concedes that conventional economic analysis works very well for looking at Western countries today. However, he contends that such is not the case for South Asian conditions, particularly because economic development in the region calls for "induced changes" in the social and institutional structure.

He is highly critical of the "Gradualist" approach to development. He characterizes as "soft states" those countries which are reluctant to place obligations on people. He says that rapid development will be exceedingly difficult to engender without an increase in social discipline in all strata and even in villages. His concern for social discipline is apparently related to his view that economic policies are easier to carry out, but often less important, than are social policies that challenge established interests, inhibitions, traditions, and beliefs.

Myrdal is pessimistic about the prospects for development in South Asia. He says that intellectuals and planners in the region have been misled and confirmed in their natural tendencies to optimism by optimistic biases among the Western economists who have taught them. The biases of Western economists are said to arise from their tendencies to use familiar theories and also from the world conflict, which influences Westerners to be diplomatically kind and tolerant.

Myrdal severely criticizes many elements of "modern" or "Western" economic theory. For example, he says that the concepts and theory of unemployment and underemployment are unrealistic when applied to the underdeveloped countries. He says that the division of income into consumption and savings, while realistic in Western societies, is not useful for analysis of the underdeveloped countries. He is highly critical of the modern approach which he says "tends to interpret development as too simply a function of capital scarcity plus a low level of technology." He says that the new approach to investment in man offers no guidance to "the real planning problem (which) is how to squeeze and twist consumption in such a way as to speed up development."

Myrdal discusses most of the other important issues in development economies. He emphasizes the importance of population growth, but criticizes analyses which have been made of its economic effects. He emphasizes the importance of agriculture, but contends that price policies have little potential for stimulating an increase in agricultural production as a whole. He contends that "the approaches to agricultural policy presently being followed, and the alternative courses most prominently discussed, are not likely to produce the type of transformation so urgently needed." He contends that the "spontaneous growth-inducing stimulus of a relatively free and expanding international trade is no longer present." He says that greater reliance should be placed on multilateral rather than bilateral economic aid.

The state of the art of development economics is such that these and most of the other issues discussed by Myrdal are indeed controversial, but they were widely discussed before the appearance of this book. The contention of some of Myrdal's reviewers that he is bringing down an edifice of established doctrine is a great overstatement. There is plenty of room for honest and serious disagreements over theories and policies in economic development, but many of the methodological issues at which Myrdal tilts so valiantly look a lot like windmills to th[e] reviewer.

Joseph W. Willett

Studies in Indian Agriculture: The Art of the Possible

By Gilbert Etienne. University of California Press, Berkeley. 343 pages. 1968. $7.95.

PROFESSOR ETIENNE is a long-time student of India and Indian agriculture. This book is the product of a 2-year (1963-64) investigation of Indian agriculture, primarily at the village level.

Because India is such a large and heterogeneous society it is difficult to generalize about it with any reasonable degree of accuracy. The author rejected approaches to the study of Indian agriculture that would have involved either a superficial analysis of the whole subject, or an intensive study of only one area. Rather he "tried to reach a compromise, beginning with a study as comprehensive as possible of a village where [he] stayed for five months (September, 1963, to February, 1964) followed by anothe[r] visit in August, 1964. Thus, [he] was able t[o] analyse in depth the mechanisms that determine the economic evolution of one limited region. Having completed this task, [he] undertook three briefer investigations of contrasting regions in order to underline their differences and similarities" (p. 5).

The author selected the village of Khandoi in western Uttar Pradesh for intensive study. The three villages of Nahiyan in eastern Uttar Pradesh, Kila Ular in Madras, and Eksal in Maharashtra were studied in less detail.

Professor Etienne's analysis deals mainly with the socioeconomic structure and political and administrative organization. Life at the village level is also related to the larger administrative units of the block, district, and state.

The author reaches the not too startling conclusion that the village social, economic, and political structure has been changing for a long time and that some progress has been made to increase agricultural output and income. But, he is uncertain about future prospects for Indian agriculture. He states:

"A close look at the facts leads us to less pessimistic, and also less definite, conclusion. . . . . In one place, for example, old, established habits may tend to give way to new ideas; elsewhere they remain entrenched, creating insuperable barriers. Important regions have become involved--some have been so for a long time--in a broad progress of economic growth, while others have remained dormant, seemingly unable to rouse themselves from their torpor."

Thus, the reader can pay his price and take his choice as to where Indian agriculture is going.

One final note. Professor Etienne did this study before the new agricultural development strategy that emphasizes incentive prices, fertilizers, improved seed, pesticides, and irrigation came into being in 1965. The reader does not know how this new strategy has affected the four villages covered in this study.

Martin E. Abel

The Teaching of Development Economics

By Kurt Martin and John Knapp. Aldine Publishing Company, Chicago. 238 pages. 1967. $7.95.

THE STUDY OF ECONOMICS is becoming increasingly specialized. Applying the techniques of economics to help solve problems of foreign and domestic development is becoming a field of its own. This book, which comprises a number of viewpoints by noted economists about the problems of understanding and teaching economic development, is a product of a conference held in Manchester, England, during 1964. The proceedings of the conference were divided into two sessions. The first session was concerned with the state of knowledge; the second was concerned with teaching the discipline.

The discussion on the state of knowledge of development economics largely centered on the question of the adequacy and usefulness of our present-day economics in resolving development problems. H. Myint contended that current development theories are unable to explain the variation in the wealth of nations. E. E. Hagen tried to clarify the limitation by explaining that the failure of economic theory to account for variations in the wealth of nations lies in differences in the amounts of creative energy which feed into technological progress and involve to a great extent noneconomic factors. This position is tantamount to saying that conventional economics is all right, but largely useless for development purposes. Paul Steeten was more optimistic than the others in his belief that while current development economics is far from being adequate and relevant, the field has not reached a permanent impasse. Thomas Balogh illustrated a number of the types of misuse of economic analysis.

The discussion on teaching was based on three papers submitted to the conference. Myint recognized a need to develop a new dynamic approach to the underdeveloped countries although he strongly defends the orthodox static theory of allocation of scarce resources. P. Ady, however, stated that even though there are uses to which one can suit certain parts of orthodox economic theory, the issues so much in dispute as to the workings of the allocative mechanism remain open. Dudly Seers talked about how it might be possible to incorporate important noneconomic variables into development models. However, all the economists cautioned that this kind of extension of frontiers of the subject must not be made into an excuse, or a substitute for improving on the conceptual relevance of strictly economic models.

The members of the conference generally concluded that there is a lack of uniformity of curriculum and that training in the discipline is largely in an experimental stage.

Jack Ben-Rubin

Policy Directions for U.S. Agriculture

By Marion Clawson. The Johns Hopkins Press, Baltimore. 398 pages. 1968. $10.

AGRICULTURE IS broadly defined to include rural towns and institutions as well as farming. The first 15 of the 21 chapters are devoted to an examination of trends and developments in rural living conditions, the rural population, and farming operations. This sets the stage for a comparison of two agricultures in the year 2000.

The first of these, the likely-change pattern, is viewed as the agriculture that will probably emerge, assuming public programs and private activities continue in the future about as they have in the past. The second agriculture, the no friction-no lag pattern, is a conceptualization depicting a rapidly adjusting agriculture, fully integrated into the rest of the economy. Contrasting the two highlights the areas where past agricultural programs have been deficient or nonexistent, and serves as the basis for suggesting measures that will assist in moving away from the likely-change pattern and toward the no friction-no lag pattern.

Under the likely-change pattern, even though rural living conditions probably will improve, agriculture will continue to lag behind the nonagricultural sector. Output will expand to fully meet demand, but farming will increasingly be a business of high fixed costs and continued low labor returns due mainly to rising land prices. Rural communities increasingly will be confronted with problems associated with outmigration and adverse age distribution so that the difficulties of developing effective social institutions in predominantly rural areas will be particularly severe.

By definition, under the no friction-no lag pattern, returns to productive factors would be equal to returns in alternative nonagricultural uses. Compared to the likely-change pattern, rural settlement patterns would be changed greatly. Farming would be composed of fewer but larger units using less labor inputs and more working capital. But to obtain returns comparable to the nonagricultural sector, land prices will need to be no higher than present levels and perhaps much lower.

Policy alternatives focus on measures which will reduce impediments to more rapid adjustment of agricultural resources, aid residents of rural small towns, restructure rural settlement patterns, and resist rising land prices.

As a means of dramatizing the longer run consequences of present, well established trends in farming and rural communities, the portraying of the two agricultures in the year 2000 is no doubt effective. However, some readers may feel somewhat uneasy about the conclusions reached in a view of the numerous assumptions and projections required. Nevertheless, this book should help focus attention to the long-run policy significance of fundamental developments and changes in agriculture.

Martin K. Christiansen

Agricultural Finance

By Aaron G. Nelson and William G. Murray. 5th ed. Iowa State University Press, Ames. 561 pages. 1967. $8.50.

TRADITIONALLY, agricultural economists have viewed agricultural finance as a rather narrow subject or subdiscipline. Research and teaching in this area have centered pretty much around credit or the supply and demand for borrowed funds. These have included, at the micro level, study of how much credit to use and, at the aggregate level, the supply of funds and the processes and institutions of intermediation. Perhaps this view was sufficient as long as economists, farmers, and policymakers were preoccupied with technological change and production efficiency.

But new and innovative changes are taking place outside as well as inside the domain of institutional credit and these changes are reshaping the financial structure of the farm sector. Technology has paved the way for innovation in the way financial resources are used to command the services of production resources. Possibilities for separation of resource ownership from use of resource services point to likely changes in patterns of asset ownership; in farmers' methods of acquiring access to services of resources such as land, machinery, and livestock; and in the allocation of income within the farm sector as well as between the farm and nonfarm sectors. New sources of financing production have emerged, some of which involve changes in the financial, business, or even legal organization of the farm firm. These are but a few examples of some important phenomena which are properly within the scope of agricultural finance. Unfortunately, in their new edition of Agricultural Finance, Nelson and Murray fail to deal effectively with these broader issues.

The book contains much that makes it useful both as a classroom text and as a handy reference for the economist's library. For example, the concepts, terminology, and definitions related to the use of credit are included. There are useful explanations of "discounting" and "present value" as well as all the standard formulas one needs for discounting returns over time, calculating effective rates of interest, etc. In addition, there are explanations and examples of cash flow analyses and budgeting aids for planning the use of credit. Part 2 of the book is devoted to a thorough description of the major lending institutions which serve agriculture. The authors have also sought to update the text and have added a chapter on basic economic principles and a new chapter on farm financial management. These tend to broaden the book's perspective and enhance its value as a text for a first course in agricultural finance.

However, there are some shortcomings. The first is the very narrow focus on the use of and the markets for borrowed funds. "Agricultural Credit" would be a more appropriate title for the book. To wit: Part 1 is built around the development of guidelines for the use of credit by farmers; part 2 is a description of credit institutions. In chapter 4, the authors list seven alternative means of acquiring capital to farm and discuss each briefly. Number 7 is "borrowing." Numbers 1 through 6 are essentially ignored for the remainder of the book.

A second shortcoming is that farm financial management is viewed in terms of income maximization and efficiency of resource use via marginal analysis. This fails to distinguish an important new area of finance research from traditional production economics. Farm financial management includes the problems of acquiring and using the services of financial resources to achieve firm goals, whatever they may be.

Even the discussion of credit has its shortcomings. Part 1 opens with a quotation from Thomas Nixon Carver warning the reader that credit is something to be used judiciously. Throughout the text the authors never let the reader forget the dangers of overuse of credit. A positive approach, building on the use of debt as a powerful tool for expanding the leverage of a farmer's own financial resources, would have been more refreshing.

A more serious flaw in part 1 is its failure to deliver what is promised: Effective guidelines for the use of credit. Chapters 5 through 13 are built around the 3 R's of credit use: (1) Returns, (2) Repayment capacity, and (3) Risk-bearing ability. The chapters on Returns as a Guide in the Use of Credit focus on the use of marginal analysis as a guide to allocating dollars to alternative enterprises and selecting least-cost production practices. This is appropriate for a production economics text but is relatively trivial as a guide for use of credit. Other chapters describe various measures of returns, descriptions of factors affecting interest rates, and explanations of alternative measures of interest rates. But after three chapters on the subject, one still wonders how he should use returns as a guide to use of credit. Similarly, the chapters dealing with repayment capacity and risk-bearing ability contain much useful information, but fail to establish a complete decision framework for the use of credit.

What is missing in the micro section is the development of a system of analysis that has management of financial resources to achieve alternative financial goals as the central theme, and analyses of alternative ways of acquiring financial resources as integral parts of the system. In short, farm financial management rather than credit use should be the central thrust of micro agricultural finance. It naturally follows that what is missing from the macro section is some evaluation of the implications of opportunities and changes at the micro level for the financial structure of the farm sector.

The shortcomings of the book are not so much a criticism of the authors as a reflection of the state of the arts in agricultural finance research and teaching. The authors have made a commendable attempt to update the text and to acknowledge new areas of interest; but like most revision of texts, the book suffers from the natural temptation to use earlier editions as a starting point. What is needed is a fresh start.

John E. Lee, Jr.

The Agricultural Research Service

By Ernest G. Moore. Frederick A. Praeger, New York. 244 pages. 1967. $5.95.

ONE OF THE first volumes in the new Praeger Library of U.S. Government Departments and Agencies, this lively book will be of interest to agricultural economists who remember that major parts of what is now the Economic Research Service were in the Agricultural Research Service from 1953 to 1961. While this is not mentioned in the brief historical section, the discussions of research problems have broad implications for economists and statisticians.

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