Book Reviews

Unemployment, Idle Capacity, and the Evaluation of Public Expenditures: National and Regional Analyses

By Robert H. Haveman and John V. Krutilla. Published for Resources for the Future, Inc., by the Johns Hopkins Press, Baltimore, Md. 1968. $6.50.

AGGREGATIVE ANALYSIS OF THE economy is becoming more disaggregated. For example, in this study impacts of public programs are assessed not in terms of changes in gross national product and total employment; rather, changes in each of 12 policies are traced through 82 industries, 156 occupations, and 10 geographic areas. The application is made to impacts of public water development projects such as building dams and dredging. The general results are succinctly summarized in the book and will be of value to those responsible for public water development projects. However, some specific findings might be more safely left in the hands of economists and mathematicians who are aware of the limitations of the analysis. To many readers of this journal, the book will be important as an example of method in aggregative analysis.

The approach is an interesting extension of input/output analysis. The authors used the 82-sector matrix available for the economy as of 1958:

$$Y = (I-A)X$$

where Y is a vector of final demands, X is an industry vector of gross outputs, and A is the production function. Adjusting for differences in years and dimensions, the authors drew upon the recently available industry/occupation matrix from the Bureau of Labor Statistics. With this matrix they could define:

$$E = BX$$

where E is a vector of employment by occupation and B is the matrix of occupational requirements by industry. By combining, it follows that:

$$E = B(I-A)^{-1} Y$$

so that small changes in final demands (ΔY) can be related to changes in labor requirements by occupation (ΔE).

The technique allows direct labor requirements needed at each project site to be compared with indirect labor requirements associated with purchases of goods and services needed to complete the project.

A further, enlightening extension provides a comparison of value added by the projects, including the distribution of value added among its several components such as wages and salaries, interest, taxes, and depreciation expense.

Insofar as the authors use water development project data for the ΔY's and trace impacts among industrial and occupational requirements, one can find little fault with the contributions of Haveman and Krutilla. However, as they proceed to compare changes in demand for labor with assumed labor supplies, and as they regionalize the model, they find themselves confronted with a need to make some additional assumptions. The assumptions are not realistic representations of the real world but at least they make the logical system operational and consequently are probably useful assumptions.

On the labor supply response, the authors assume that labor force participation rates and unemployment rates are known constants and apply an absorption model for using unemployed workers by occupation and region. This overlooks the important fact that labor force participation rates vary in elasticity, both by region and by occupation. Thus, they suppose that construction workers will respond with increased employment rather than demands for higher wages because they have relatively high rates of unemployment, and they suppose that real estate salesmen will respond with higher earnings rather than increased labor force participation because their rate of unemployment is relatively low. On these premises, the authors base their estimates of opportunity cost for each project.

On the regional distribution of impacts, assumptions are made that production functions in each region are the same as the national average, and that distribution coefficients among regions for each industry are known constants. It considerably improves the analysis to have the distribution coefficients vary among industrial

sectors according to whether demands originating in a specific region are assumed likely to be met from within the region or from the national market, or from some combination thereof. Even so, it is on these assumptions that the authors base their appraisals of regional impacts of each project.

While these two unrealistic sets of assumptions are likely to result in wrong answers to some details of the analysis, they may not undermine general conclusions at the more aggregative level: Which project tends to have a higher opportunity cost; and, which regions tend to benefit from projects. The authors compare impacts of water development projects with impacts of additions to GNP. The comparison suggests something about opportunity costs of water projects relative to uniform increases in aggregate demand for all final goods and services. They assess gains in flows of return relative to flows of cost without identifying the investment required in establishing stocks of services from which the gains are expected to flow.

The authors probably carried the study as far as they could and the book is well worth reading. The shortcomings in the book point to a shortage not of the analytic competence of these researchers or of the profession as a whole, but rather of available data for meaningful analysis of operational models for detailed public policy appraisal.

Clark Edwards

Rural Poverty in the United States

President's National Advisory Commission on Rural Poverty. U.S. Government Printing Office. 601 pages. 1968. $5.75.

READERS MAY RECALL Elizabeth B. Drew's stimulating article entitled "On Giving Oneself a Hotfoot: Government by Commission" in the May 1968 issue of the *Atlantic Monthly.* If not, a perusal of it would be a timely preparation for reading this report that contains papers prepared for the National Advisory Commission. These and other papers and testimony provided background information for the Commission in arriving at the recommendations submitted to the President in its report, *The People Left Behind.* (The Commission Report was reviewed by John H. Southern in the January 1968 issue.) These papers are grouped under five headings that relate rather unevenly to the 14 chapters of *The People Left Behind.* The five headings are: (1) Rural People and Their Communities; (2) Mobility and Migration; (3) Health and Family Planning; (4) Agriculture and Natural Resources; and (5) Economics of Poverty.

The 601 pages of 32 papers by many more authors plus 18 listed papers not published by the Commission represent a large effort by the Commission staff to obtain adequate technical briefing for the Commission. Economists and sociologists, in particular, will be interested in specific papers that attempt to capsule present knowledge on facets of rural poverty. Overall, the volume illustrates the complexity of rural poverty and the considerable scope remaining for defining and analyzing rural poverty and alternative remedies.

Subject matter ranges from "The Negro Population of the South" (chapter 2) through "Patterns of Urban Growth and Growth Nodes" (chapter 8), "Acceptance of a Family Planning Program by the Rural Poor: Summary of an Experiment in Alabama" (chapter 22), to "Negative Income Taxation as a Method of Income Maintenance" (chapter 32). Treatment of the subject matter likewise varies through general or global to local or case studies, and through analytical, descriptive, historical, and projective approaches. The format is quite variable. Perhaps significantly, as working materials for the Commission the summaries vary in scope and position; some papers lack summaries.

Economists and others may wish to develop needed case studies and other research suggested by the assertions and hypotheses in chapter 5, "Rural Community Institutions and Poverty, With Special Reference to Health and Education," by Thomas R. Ford (a Commission member and well-known student of Appalachia) and George A. Hillery, Jr. These writers advocate accelerated development of congruent service areas for rural people. An example of further laudably provocative commentary is:

"The current practice of some Federal agencies . . . of encouraging small, independent, and often uneconomical programs should be reviewed in the light of long-range objectives. There is no intrinsic reason why some of the more praiseworthy features of such programs, including the participation of the poor in self-help activities, cannot be incorporated within a more comprehensive and better coordinated framework of social action."

Wilbur R. Maki's survey in chapter 6, entitled "Infrastructure in Rural Areas," lists 207 references that provide economists with promising points of entry into broad economic questions of concern to rural people. Chapter 7, "Local Government and Poverty in Rural Areas" by Morton Lustig and Janet S. Rainer, extends the discussion of the previous two chapters and includes specific assertions, for example, Nesmith's reported findings that a "reasonable school system can be

supported by a total population of a little over 6,000; a supermarket needs almost 7,000 people and other types of business vary from 1,300 for a grocery, to 2,700 for a men's clothing store, and 6,700 for a hardware store; 5,000 population is a reasonable figure to support a library and five churches."

George H. Borts explores the role of "growth centers" in alleviating rural poverty and complementary upgrading of cities in chapter 9, "Patterns of Regional Economic Development in the United States, and Their Relation to Rural Poverty."

The massive chapter 13, "Occupational Mobility and Migration from Agriculture," is by Dale E. Hathaway and Brian E. Perkins. "This report covers what the authors believe to be the most extensive and comprehensive analysis done on occupational mobility and earnings experience through time." In view of this authorial statement and the acknowledged variance of several conclusions with "conventional theory and wisdom," a much more searching evaluation is warranted than this review can accommodate. The special characteristics of the data in relation to the definitions used and the conclusions drawn are fitting candidates for continued scrutiny by competent professionals.

Another Commission member, James T. Bonnen, wrote the highly numerical chapter 26 entitled "The Distribution of Benefits from Selected U.S. Farm Programs." The findings of chapter 27 ("Measuring the Effects of U.S. Department of Agriculture Programs on Income Distribution" by Vernon C. McKee and Lee M. Day) are suggestive of differences with those of Bonnen. Authors of both papers are careful to limit the scope of their findings, and the severity of the limits apparently needed is a sobering indictment of the extent of our present knowledge of programs commonly thought to be of central continuing importance.

Timely research by William McD. Herr is reported in chapter 28, "Credit and Farm Poverty." This conscientious analysis provides needed perspective on the extent of Federal involvement in programs to combat poverty. "Over half of the (400,000) younger farmers with chronically low incomes had outstanding debts in 1960. However, of those with debts, less than 5 percent were using FHA credit."

Who are the poor? The Commission and the papers published in this volume are obtusely passive, even apologetic on this question. The Commission accepted the poverty income levels developed by the Social Security Administration which modified the basic $3,000 income level according to family size and farm-nonfarm residence, except that the Commission called a farm family "poor" if it had less than 85 percent of the corresponding nonfarm family income, compared with 70 percent used by the Social Security Administration. The related staff paper by J. Patrick Madden, Jean L. Pennock, and Carol M. Jaegar is chapter 29, entitled "Equivalent Levels of Living: A New Approach to Scaling the Poverty Line to Different Family Characteristics and Place of Residence." Excerpts from a section on "Results of the Analysis" are: "1. Farm families in general, particularly renters, may require more than 70 percent–perhaps 80 or 85 percent–as much income as comparable urban families. 2. The farm-urban ratio varies from one region to another.... 3. Owners and renters may require a different ratio.... 4. The ratio may vary from one family size and type to another...." Not surprisingly, the last section is entitled "Conclusions: Further Refinements Needed."

The "new approach" to defining poverty income levels implies a myopic and retrogressive perception of poverty. The "new approach" apparently accepts the assertion that it "costs less" to live on a farm and ignores the possibility that such apparent saving is likely to be an indication of at least commensurate lack of access to adequate community services and facilities and alternative training, income, and other employment and social opportunities. Moreover, higher nonfarm "poverty lines" can be thought to be an added inducement to off-farm migration at a time when the needs for neutralization of some perverse farm to city migration and for positive urbanization and settlement policies are widely espoused. Mechanically, the suggested refinements imply an infeasible level of accuracy in current income estimates.

Chapter 30, "Poverty Projections in Relation to Aggregate Demand, Economic Growth, and Unemployment," uses the "crude poverty line $3,000 family income" to reach this productive finding: "By the year 1975, even with a consistently favorable economic environment, including 3 percent unemployment, 4½ percent GNP growth rate, and 2 percent annual rise in price level, the Nation's poor families would still number about 6 million. About a fourth of these would be nonwhite."

Who are rural people? The Commission and its consultants are generally content to accept the 1910 Census definition whereby "rural" persons are those living in towns or communities with 2,500 people or less, or in open country. No central attention is given to needed potentially productive alternatives. What would the country look like when rural poverty (however defined) is eliminated? What are the feasible alternative settlement patterns and ways of living and working? And what are the implied costs of likely effective alternative

programs? The Commission could be expected to need briefings on such questions. The papers in this volume do not provide a sufficient basis for such briefings.

These Commission papers have opened Pandora's Box most aptly. If the lid had just been raised a little, professionals could have gathered great strength from the implied increases in scope and need for further research. Removing the lid has posed the potentially more productive question: Given the absurdly infinite scope for research implied by present programs, what novelties in program design and implementation will facilitate productive research support?

Alan R. Bird

Bargaining Power for Farmers

By National Farm Institute. The Iowa State University Press, Ames. 132 pages. 1968. $3.95.

CONTRIBUTORS TO THIS BOOK include well-known agricultural economists, representatives of general farm organizations and trade associations, Embassy officials of foreign countries, a newspaperman, a Senator, and the then Secretary of Agriculture. The book is the 1968 Proceedings Issue of the National Farm Institute. It comprises a series of 17 articles grouped into five major headings: (1) Can Farmers Control Prices and Production? (2) Farm Bargaining–How It Works, (3) Special Address, (4) Farm Bargaining and Its Effect on World Markets, and (5) Bargaining and World Markets.

The wide differences in the philosophies of general farm organizations are shown in statements of their spokesmen.

Oren Lee Staley, President of the National Farmers Organization, said that "producers must organize to solve their own problems" and that the best bargaining results are achieved when they have "the support of producers with courage, determination, and willingness to make sacrifices and achieve gains."

He believes strength must be demonstrated through withholding actions. While NFO supports legislative action to increase farm income, Staley does not believe new legislation is necessarily essential. He indicates a willingness, however, to ". . .advise NFO members to seal every bushel of grain that is eligible for loan to back up our all-commodity holding action. . . ."

Charles B. Shuman, President of the American Farm Bureau Federation, stated that "there are two ways to organize farmers to gain greater bargaining power–voluntary and involuntary." He then goes on to point out that the Farm Bureau advises the voluntary approach, an approach that he would also substitute for government–"the relatively free operation of the forces of supply and demand in the competitive market will result in higher prices than a politically managed market, providing we discontinue attempts to sell what we want to produce and are willing to produce what we can sell."

In contrast, Tony T. Dechant, President of the National Farmers Union, asked: "How can farmers, for example, strengthen their position in the market-place unless they are willing to participate fully in supply management?" To achieve this management he calls for legislative changes to strengthen the Sherman-Clayton Acts, as well as antitrust legislation. He stated further that "the Farmers Union is taking the back seat to no one in seeking a workable and effective and legal approach to greater farm bargaining power. . . . We want farmers to do the bargaining, with the government's role limited to guaranteeing their ability to do it."

Along somewhat the same lines, Harry L. Graham of The National Grange stated: "In any relationship that would develop in terms of bargaining association, the government has a place." He calls for supply management and outlines in detail an 11-point agreement program that he says represents the views of general farm organizations and the U.S. Department of Agriculture on the issues of bargaining.

The presentations by Professors Brandow, Babb, and Hoos help to bring basic issues into focus. These can be summarized as follows:

1. Is it possible to seek higher prices and at the same time permit unrestricted production?
2. What are the implications of a voluntary versus a compulsory approach to bargaining, particularly from the standpoint of influences on price, on production, and on foreign markets?
3. To what extent is "market mind" necessary to supplement "market muscle," if effective bargaining is to be achieved?
4. What are the relationships of marketing orders and marketing boards to bargaining and what is the role of cooperatives in making the use of these techniques effective?
5. Should bargaining be on a commodity-by-commodity basis or can it be "across the board" and on a national basis?
6. Are new types of cooperatives needed for bargaining or can this function be provided by existing cooperatives, alerted to the impacts of change and willing to adjust operations to new developments?

The section on Farm Bargaining is disappointing insofar as it relates to the impacts of world markets on bargaining activities. It contains a series of articles that describe the specific problems of various commodities. Except for the discussion by Senator Jack Miller of Iowa, who points out the relationship of Federal policy to bargaining, particularly as it concerns import and export policies, no identification is made of problems of foreign trade with bargaining. The discussion of bargaining and world markets varies in scope from considering the contributions of traditional cooperatives to marketing boards and commissions as instruments of achieving a national policy.

Students of bargaining agree that given effective leadership and realistic understanding of economic and political forces, bargaining can be a useful technique for farmers in improving (within reasonable limits) farm prices and market structure and performance. They emphasize that it is unrealistic to look on bargaining as a panacea for all farm problems. Rather, bargaining can be a useful tool for farmers when leadership is competent, economic conditions are favorable, and adequate governmental support is achieved and utilized.

Martin A. Abrahamsen

The Suburban Apartment Boom

By Max Nuetze. Published for Resources for the Future, Inc., by the Johns Hopkins Press, Baltimore, Md. 170 pages. 1968. $5.

THE PHENOMENON of skyrocketing suburban apartment construction in the 1960's after a downward trend in the 1950's is the subject of this research study. Max Nuetze, a senior lecturer on sabbatical leave from the Australian National University, analyzed the phenomenon and evaluated the significance of the trend in terms of land use.

The study finds out that the general boom cannot be entirely explained by activity in the limited urban land market which presumably increases residential density, or the high cost of building in central cities, or changes in taste of individuals. It concludes that the boom is due mainly to the increase in the proportion of the population in age groups who prefer the lower expenditure outlay for apartment living rather than single-family dwellings. The long-run trend toward one- and two-person households in both rural and urban areas was instrumental in the flight to the suburbs and in the correspondingly slow rate of inner city redevelopment. What is impressive is the magnitude of the boom rather than the nature of the construction. Apparently, apartment residents are simply following house-owners in demanding low-density living and the easier mobility which is possible in the suburbs.

This reviewer is puzzled about the statement as to the influence of land speculators on land use. The author states that land use in most cities has been influenced by speculation more than by public planning. However, he pointed out that speculators have found central cities to be relatively unfavorable for business ventures and seek more profitable areas in suburbia. Public planners in central cities through their jurisdictional powers and municipal support have potentially the greatest influence in construction by initiating and supervising housing and zoning regulations. The most important influence of land speculation results from the fact that one's own land becomes most valuable by enhancing the value of other people's land.

With regard to whether private or public decisions are more important to land development, the author examines the role business and Government should play in urban land markets. It is impossible for any fairly large city to have its land market operate under the mechanism of pure competition. Out of necessity the public sector must provide roads, water supply, and utilities such as transportation and electricity. Unfortunately, Government agencies sometimes operate as though they were competing firms by not taking advantage of their natural monopoly positions. Nevertheless, since Government operations can be done on a massive orderly scale, there is wisdom in permitting metropolitan areas to be essentially structured by Government investment rather than by unrestrained operations of land speculations.

The national breadth of suburban apartment construction is traced by means of an examination of the Washington metropolitan area—particularly Montgomery County, Md.—and through a comparison of 41 other large metropolitan areas. The author is astute in his use of statistical data, and his discussion of a theoretical model of land use is an honest attempt to determine the extent and character of suburban construction. He is considerate in cautioning the reader that the Washington metropolitan area is by no means typical of other parts of the country and that the theoretical arguments advanced require a great deal more empirical testing before they can be used with confidence.

Jack Ben-Rubin

The Economics of Foreign Aid

By Raymond F. Mikesell. Aldine Publishing Company, Chicago. 300 pages. 1968. $7.95.

THIS IS A MOST informative book about the economics (and some politics) of foreign aid. Mikesell has chosen a broad approach to the issues and problems of foreign aid. This, of course, will leave some readers unsatisfied with the lack of rigor with which some topics are treated. But on the other hand one gains a wide perspective of the many complex economic and political issues of foreign aid faced by both donor and recipient countries.

The author states the objectives of foreign aid in chapter 1. The most important are national security, humanitarian considerations, and national economic benefit. In discussing the relative weights given these objectives, Professor Mikesell realistically states that "... aid must be extended through governments and institutions reflecting the will of governments and it is at this point that political and security considerations become predominant." He goes on to say: "Just as it is difficult to prove that foreign aid can save the world for democracy it is also difficult to prove that it will *not* make a contribution to world stability and security. A decision to provide foreign economic assistance like most foreign-policy decisions, must be made on something other than the kind of evidence which constitutes acceptable proof of a hypothesis for the social scientists."

The author points out that whereas the developed countries increasingly view foreign aid as a joint responsibility, reflecting a common interest in world stability and an opportunity for the poor people of the world to enjoy the fruits of economic progress, the developing nations have come to regard foreign aid as an unconditional right. The developing countries hold a similar view with respect to improved trade opportunities.

Mikesell notes that views in developing countries on approaches to economic development are changing away from overemphasis on industrialization toward a more broadly based economic development, including more emphasis on agricultural development. "But changes in objectives are not enough; they must be accompanied by national policies designed to realize them."

The theories and strategies of economic development are reviewed in chapter 2 as a foundation for discussing foreign-aid theories and policies. Brief treatment is given to the classical and neoclassical economics of growth. The main thrust of the chapter, however, starts with a review of the Cobb-Douglas production function and the Harrod-Domar model. Mikesell is not fully satisfied with models of these types. "One of the disturbing things about modern growth theories for the economic planner or the foreign-aid policy maker is that economists have formulated a bewildering number of highly abstract models on the basis of stylized variables and assumptions regarding economic behavior and organization while at the same time readily admitting that the character and evolution of the noneconomic framework may be the major determinant of growth."

Historical stage theories of growth as well as social and cultural approaches are also reviewed.

In addition to general theories of growth, the author pays special attention to a number of specific development theories and strategies which have had a great impact on foreign aid policy and administration. These include (a) the critical rate of growth or minimum effort thesis; (b) the balanced growth or "big push" thesis; (c) the absorption of surplus labor approach; (d) theories emphasizing external trade and capital imports; and (e) theories of investment criteria.

Chapter 3 deals with the macroeconomics of aid and foreign aid theories. The author discusses three basic approaches to estimating foreign-aid requirements for developing countries: (1) the savings-investment gap approach; (2) the foreign-exchange earnings-expenditure gap approach; and (3) the capital-absorption approach. Several estimates of foreign aid requirements prepared by others are presented and discussed.

In chapter 4 the microeconomics of aid, including debt service models, debt service capacity, and loan terms, are discussed.

Different aid strategies are presented in chapter 5. Both project and program aid are discussed, with particular attention given to how program assistance can be used to support or achieve desired policy changes in the recipient country. Mikesell makes the point that "foreign aid is closely associated with economic performance in two basic ways. First, various types of aid may provide a means for *inducing* policies and programs which lead to improved economic performance. Second, aid may *facilitate* the implementation of policy measures for promoting improved performance necessary to achieve development goals.... Thus, the function of *concessionary* aid is not *primarily* to *supplement* the resources of the recipient but rather to help the recipient mobilize its own resources and perhaps to attract private and public nonconcessionary external capital for achieving its development goals." According to Mikesell, this view of foreign aid requires a disaggregated approach to assistance for overcoming strategic shortages which

appear in the process of domestic resource mobilization and redirection.

Chapters 6 and 7 deal with a number of key issues related to the types of development assistance. These include (a) project vs. program assistance; (b) agricultural commodity assistance; (c) aid through trade; (d) government guarantees of loans and direct investment, and (e) short-term balance of payments assistance.

In chapter 8 the burden of foreign aid on donor countries, including multilateral assistance efforts and tying of aid, are discussed.

Mikesell concludes that although most economic aid will be provided on a bilateral basis, efforts should be made to better coordinate various aid efforts—both bilateral and multilateral—to avoid duplication of efforts and to make economic assistance more effective in bringing about the desired policy and program changes in the recipient countries.

Professor Mikesell has written a valuable book on foreign aid. He clearly distinguishes between the important economic considerations and forces on the one hand, and the political and social factors on the other, involved in foreign aid and economic development. He does not reject the relevant economic theory, but clearly recognizes its shortcomings in the development of foreign aid policies and programs. This book should be a useful reference on the subject of foreign economic assistance.

Martin E. Abel

Agriculture's Import Saving Role: A Report by the Economic Development Committee for the the Agricultural Industry

By National Economic Development Office, London. Available from British Information Services, New York. 130 pages. 1968. $3.60.

AS THE UNITED KINGDOM is the world's largest importer of agricultural products, and a major market for U.S. tobacco, cereals, fruits, and vegetables (both fresh and processed), British agricultural import and export policies are of considerable concern to the United States. This is particularly true today, since official U.K. policy for the coming years envisions a selective expansion of British agriculture with the aim of reducing imports—a development which undoubtedly will create difficulties for U.S. efforts to increase certain agricultural exports.

A study which has a direct bearing and influence on current U.K. agricultural policy is the report prepared by the British Economic Development Committee (EDC). This committee is composed of representatives of government, management, and trade unions, and of independent members. In December 1966, it undertook a detailed study of the possible role of agriculture during 1972-73 and of its potential contribution to British import savings and the British economy as a whole. The Committee appointed working groups composed of representatives drawn from the constituent bodies of the EDC, as well as independent experts. The principal agricultural and food manufacturing organizations, individual firms and persons connected with the agricultural industry provided information and data.

The EDC study is based on two broad assumptions: that (1) "all import saving possibilities should be considered, whether or not they might conflict with Britains's present international commitments," and that (2) "over the next five years, the industry would not become subject to the common agricultural policy of the European Economic Community." The study examines the range of agricultural products grown in the United Kingdom, concentrating on those that appear to offer particular scope for import saving. Demand projections for 1972-73 for each of the main foodstuffs were made, taking into account rising population and possible changes in personal disposable incomes. Possibilities of expanding home production within the ceiling imposed by total demand were considered, first in terms of the upper limits of technical possibility and then scaled down in the light of practical considerations, to reach what the group regarded as a sound level of production at which to aim in 1972-73.

For each of the three sectors of agriculture—arable farming (cereals, flour, sugar, potatoes, peas, and beans), livestock, and horticulture (fruits and vegetables)—part I of the study sets forth the current situation on home production and imports and includes general observations on the outlook for each sector. It outlines the possible pattern of British agriculture by 1972-73 and the contribution it could make to import saving, and concludes with a statement about the conditions necessary for the implementation of the proposals for expansion. Part II presents detailed reports on individual products.

When the EDC submitted its report to the Ministries concerned in 1968, it expressed the hope that the report would provide a guide in determining longer-term policy for the British agricultural industry. On November 12, 1968, the U.K. Minister of Agriculture, Fisheries and Food discussed the report in his speech before the House

of Commons, outlining the United Kingdom's plan for agricultural expansion. He indicated that although the British Government will follow a more moderate policy than that recommended by the EDC, in certain areas it has welcomed and endorsed the EDC assessments. For example, while the U.K. Government favors broad expansion of cereal production, as does the EDC report, it considers the EDC estimates for achievement by 1972-73 as too optimistic. Moreover, while the report proposes a net import saving by 1972-73 of $543.2 million, the government has set the net import saving goal by that time at the lower figure of around $384 million. With regard to beef and milk production, however, the government has accepted the EDC proposals, as well as its proposals for the continued expansion of beef output from both beef and dairy herds.

The report prepared by the EDC is a significant and useful study, not only from the point of view of the U.K. Government to which it is addressed, but from that of U.S. agricultural economists, exporters, and farmers, who are concerned about the future of U.S. agricultural markets in Great Britain. The report is also useful for its individual commodity summaries which, taken together, contribute to an overall picture of present British agricultural production.

Marion M. Montague

Developing Rural India, Plan and Practice

By John W. Mellor, Thomas F. Weaver, Uma J. Lele, and Sheldon R. Simon. Cornell University Press, Ithaca, N.Y. 411 pages. 1968. $10.

INDIA'S EXPERIENCE IN PURSUIT of agricultural development deserves to be understood because India is intrinsically interesting, and because the pursuit has been more rationally managed and consistently maintained than anywhere else in the developing world. If the results have not all been up to expectation, the shortcomings themselves show the way to more effective efforts—in India and elsewhere.

Mellor describes with sympathy and understanding the evolution of rural development policy from Independence to the Fourth Plan. In his words, "By the standards of production increase, or of what is now known of the means of agricultural development, India's approach to agriculture is not very advanced. But viewed as a pragmatic process, that is, considering the knowledge upon which decisions were based, it comes out well. There has been an impressive capacity to change, to evolve policy in desirable directions, and thereby to set the stage for future increases in production." The standard, "what is now known of the means of agricultural development," excuses Indian planners for some of their mistakes since a good bit of what we know now, and our confidence in that knowledge, itself comes out of India's experience and the work of the students, Indian and foreign, who have been probing about on the scene of the action. Mellor argues "that Indian leaders had the capacity to learn from experience and hence have reaped benefits from all programs." No doubt, old writings could be found to demonstrate that somebody already knew at the start of Indian agricultural development, or even during colonial days, "what is now known." By now, however, some ideas that were wrong have been found out, there is greater unanimity about what "we" know rightly, and some imperatives have changed.

How Indian agricultural development efforts evolved is the subject of part I, by Mellor. With a broad brush (his own words) he simplifies, generalizes, and concludes on political and economic democracy, employment, food supply, irrigation, removal of exploitation, moneylenders, credit cooperatives, traders and service cooperatives, land tenure, farm structure, the Package Program, bad weather (1965-66), fertilizers, research, water, education of farmers, prices and marketing policy, and Indian planning procedures. Finally, he sets the stage for three brilliant case studies of farm production, marketing, and a village economy; fine examples of the kind of work that is gradually uprooting mistaken ideas about agricultural development.

Tom Weaver was sent to find out how the farmers of Raipur might most profitably allocate irrigation water between rice in one season and wheat in another. Analyzing physical production functions with a fine appreciation for biologically and economically significant features of the environment, he finds persuasive explanations for the refusal of Raipur farmers to adopt, extensively, long-standing recommendations of farm advisers to replace broadcast with transplanting methods of establishing paddy fields, and to grow a winter crop of wheat. He adds another impressive documentation of the crucial importance of technological bottlenecks; and more evidence undermining the myths that substantial agricultural progress is attainable in the less-developed world simply by using technical knowledge already on hand, and that failure of farmers to use the available knowledge is merely subservience to tradition and obtuseness in the face of promised progress. His chapter on social and economic change at work in the

Chhatisgarh region, Raipur District and Town, and the Kurmi caste is as interesting and significant as his analysis of technology.

Uma Lele worked in another part of India, curious and doubtful of the view prevalent in India and other underdeveloped countries that trade is unproductive, and traders mere exploiters of the rest of the community. The traders of Sholapur, she finds, were not averse to profits, but encountered definite limits to purely predatory tactics. Competition was a fact. Entry was not unencumbered, yet free enough to limit exploitation. Collusion was inhibited by the numbers of traders, the complexity of marketing channels, and the irresistible opportunity for the individual trader to make quick and sizable profits by making use of private information. Prices in Sholapur, neighboring district markets, and terminal markets were highly correlated. Deviations from the efficient model frequently were traced to breakdown of transport services, or to government bans on shipments. Seasonal price rises, also, were found to be far from a certain source of fat profits.

Sheldon Simon describes income, consumption, savings, and investment in Village Senapur, measuring the situation in 1964 against the benchmark provided by W. David Hopper 10 years earlier. The study illustrates intricate interrelationships among factors in the development process, and finds frequent contradictions of established views and generalizations with respect to monetization, indebtedness, sharecropping, and storage of agricultural commodities.

In the final chapter Mellor writes about prospects, problems, and lessons of Indian agricultural development. He thinks agricultural output can grow at a rate of 4.5 percent during the Fourth Plan. Two main potential sources of failure would be insufficient production of fertilizer, and inadequate expansion of the irrigation system. He warns of the need for a major research effort to provide an indispensable continuous flow of profitable innovation, but thinks that this is now sufficiently appreciated in India, and unlikely to be neglected. With respect to water, he is less optimistic. He finds a great need for research which will raise returns to investments under control of individual farmers, and which will improve larger decisions where lack of public knowledge may stifle development.

Reading this book will profit both newcomers and old hands to India. It is a good example of the manner and extent to which empiricism is making theory and policy of agricultural development increasingly relevant and useful throughout the developing world.

Louis F. Herrmann

Economic Development of Tropical Agriculture

Edited by W. W. McPherson. University of Florida Press, Gainesville. 328 pages. 1968. $8.50.

THIS BOOK, the first of a series of publications to be sponsored by the Center for Tropical Agriculture of the University of Florida, is a compilation of 15 seminars given at the University of Florida in 1966 by widely recognized authorities. Each seminar constitutes a chapter; a wide variety of topics are dealt with.

The introduction by the editor provides a summary of some of the main features in the present status of agriculture in the developing world as related to economic development. J. C. H. Fei and A. C. Chiang present a formal analysis to buttress their contention that either a steady improvement in technology or population control, or both, is required for economic progress. Gaitskell adeptly presents the case for complementary development of agriculture and industry. E. O. Heady contends that the mysteries of agricultural development are small in that farmers are universally responsive to prices of factors and products. More complex are the "outside" planning, policy, political, and cultural processes which provide restraints to agricultural growth. In discussing the world food problem, Heady emphasizes that producing farm products in the developed countries and sending them as gifts to the developing countries is not the long-run answer. Rather, it is essential that developing countries develop their own agriculture.

A chapter by R. A. King contends that the improvement of product markets should be an important component in any plan which seeks to accelerate the rate of economic growth in a region. Glenn Johnson's interesting discussion on factor markets draws heavily on his experiences in Nigeria. He states that the biggest problem in the operation of existing markets in Nigeria is government policies, especially the heavy rates of taxation which keep farm incomes low and distort investment in agriculture. Harry Johnson discusses the topic of trade preferences and developing countries. Particular attention is given to the proposal that temporary trade preferences in industrial products be granted by the advanced countries. M. R. Langham illustrates the use and discusses the potential and limitations of a dynamic linear programming model for development planning and analysis at the farm level. V. W. Ruttan discusses strategy for increasing rice production in the Philippines and Thailand. He concludes that both the yield increases and yield differences in the different regions of these two countries primarily reflect

variations in the environmental factors under which rice is grown rather than differences from variety planted or cultural practices. He goes on to state that if the investment devoted to development of new varieties is to achieve a reasonably high return, heavy investments in irrigation and in the fertilizer and insecticide industries plus increases in trained manpower will be required.

A. Gaitskell presents two area-oriented studies: one covering the Indus Basin of West Pakistan and the other dealing with Africa south of the Sahara. Gaitskell reviews these areas in terms of physical, political, social, and economic problems and potentials with emphasis on development policies. These chapters will be especially interesting to those who have limited acquaintance with these regions. J. P. Gittinger covers distinctive features of agriculture in low-income countries as related to problems of development planning and policies. J. W. Green compares and contrasts types of organizations which have been utilized for development in Pakistan, Rhodesia, and the Dominican Republic. In a following chapter, Green makes rather general statements with respect to advising someone who is going abroad to advise on local development organization in low-income countries. Finally, A. J. Coutu suggests some reasons for greater U.S. university involvement abroad.

The title of this book, and its cover containing an oil palm and a cassava plant, are misleading in that few of the topics discussed are primarily concerned with tropical agriculture per se. Rather the topics are primarily concerned with agriculture and economic development in general. However, the book is informative, thought-provoking, and well worth reading.

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U.S. GOVERNMENT PRINTING OFFICE : 1969 O - 347-706