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Book Reviews

Agricultural trade and natural resources

Agricultural Trade and Natural Resources. J.D. Sutton (Editor). Lynne Rienner, Boulder, CO, U.S.A., 1988. xv + 243 pp., hardcover, cloth, US\$30.00. ISBN 1-55587-090-2.

This examination of the linkages between agricultural trade and natural resource use is at once a most important and quite frustrating book. Its 13 chapters by several authors are the fruit of a 1987 workshop held in Washington, and ably edited into book form by John Sutton.

In his introduction, Sutton takes us through the oil shock years, doubling of U.S. fertilizer usage, cropping of marginal and fragile lands, and deforestation. He leads into three chapters which summarize the relevant bodies of trade and resource theory, and the simplifying assumptions each makes for the other. Resource externalities are discussed, along with their impact on export via trade, but the conclusion is reached at a surprisingly early stage (p. 11) that costs of environmental controls are not sufficiently large to alter trade flows substantially!

Chapters 4 to 7 examine U.S. natural resource policies, stemming mostly from the 1985 farm bill. No clear conclusions arise, however, as to the long term impact of prices, subsidies and conservation measures on resource quality. For example, Chapters 4 and 5 present opposing views on the success of the U.S. Conservation Reserve Program in taking fragile lands out of production. Chapter 6 shows that an increase in interest rates will reduce conservation measures and land qualities, but the long-term effect on production is indeterminate. Chapter 7 makes a plea for resource-trade models to be kept simple, and suggests empirical research into trade effects of resource programs.

The last part of the book starts from a trade standpoint in analysing linkages to natural resources. Chapter 8 retraces some theoretical ground before moving on to establish a close correlation between real wheat prices and land prices in the U.S.A. In contrast, French policy has insulated producers, and land prices, from short-term price fluctuations; while Australia and Canada, as price takers, have tried mainly to smooth intra-year prices with little shielding of land prices. Chapter 10 visits some special cases, including the welfare effects of a grains trade war, the effect of R&D, and the irreversibility of land as an input. Lastly, the book lists some ways in which

new technology may affect resource use and substitution, and discusses whether a country should trade the technology itself or the goods it produces.

The book is thus well conceived in structure, but frustrating in execution. Each chapter eloquently restates the initial premise for the workshop, but then skirts tantalizingly around a collection of issues. Some empirical evidence is presented in the tables, but the figures for the most part consist of conceptual supply and demand curves or production possibility frontiers. The main arguments of the book are carried in the longer chapters, especially a seminal chapter by Runge, Houck and Halbach. However the shorter discussion chapters could have been edited down without destroying the sense of the book. At a time when the world rages with controversy over aquifer depletions, deforestation, ozone dimples and acid rain, it is confusing to find views expressed repeatedly in the book that environmental controls do not significantly affect trade, and that modelling of resource-trade linkages may not be a high priority – confusing because parts of the book express so clearly the importance of these linkages!

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Agricultural policies and world markets

Agricultural Policies and World Markets. Alex F. McCalla and Timothy E. Josling. Macmillan, New York, 1985. xviii + 286 pp., hardcover. ISBN 0-02-949840-6.

It is curious to be reviewing a book which has been on the shelves for at least three years and was conceived more than six years ago. However, a lot has happened since the book first appeared, and it is worth assessing the extent to which the book remains relevant and useful as both a course text (which it has certainly become both at the intermediate and graduate level around the world) and as a background manual for the increasing number of people and institutions with an interest in the international aspects of agricultural policy.

The book was written against a background of major expansion, increasing importance and growing volatility of agricultural trade during the 70s

and early 80s. Partly as a consequence of the commodity boom and Russian policy changes in the early 70s, coupled with the enlargement of the EC and the floating of exchange rates, there was a growing realisation the traditional closed economy (even closed sector) approach to agricultural policy analysis was no longer relevant in the U.S.A. while the small-country assumption was too heroic even for the idealists in the European Community. This book, authored by two established, respected and highly productive analysts, solidified this realisation, already established in, for instance, the formation of the International Agricultural Trade Research Consortium in 1976, of which both authors were founder members.

Since its publication, the Uruguay round of GATT negotiations has begun (though at the time of writing, little more), the World Bank has published its 1986 World Development Report, complete with the Tyres and Anderson analysis of the effects of agricultural intervention around the world, the OECD has published its first estimates of protection and support in the form of PSEs and CSEs (originally developed for the FAO by Josling, 1973), accompanied by estimates of the effects of reducing these. Several other bodies, including the USDA, have produced estimates of the consequences of trade liberalisation based on a similar analysis. Josling and McCalla spell out the framework within which these analyses have been done, and their book remains a foundation text for this reason if no other. Is it still satisfactory?

The book is in three parts. The first (jointly authored) following a brief introduction to the whole book, deals with Interdependence in World Agriculture, identifying the major issues (Chapter 1) and detailing the comparative static theoretical tools which can be used to analyse them: first through single commodity analysis (Chapter 2) and then through commodity and policy linkages (Chapter 3). Although some of this analysis is unavoidably tedious, some of the conclusions are important, especially (p. 68) that linkages between commodities and policies may reduce the vulnerability of world markets to exogenous shocks compared with free trade rather than increase it. The question is empirical, not theoretical. The real meat of this part is in the final chapter (4) which illustrates the analysis through examination of three developments: the world wheat market in the 70s and 80s; the cassava/corn gluten interactions; the consequences of monetary turbulence. Apart from minor irritations, this part is well treated.

Part 2, by McCalla, deals with national policy decisions in an interdependent world, and examines the effects of one country's policies on another's. Perhaps not surprisingly, the authors chose to treat the policy process as rather mechanical: given the objectives, what policies most nearly optimize the achievement of these goals. In particular, the role of policy history is implicit in most of the discussion rather than explicit, while the representation

of farmer interests (the major domestic concern in agricultural policies) as the conventional producers surplus area is not discussed at all. Also in this part, the diagrammatic analysis which forms the basis of this text becomes stretched. While Part 1 is difficult to follow without previous exposure to the analytical principles, Part 2 is nearly impossible. However, without reducing the whole analysis to complicated algebra, there is no real alternative and the authors deal with this difficult task very well on the whole. Nevertheless, it may have been better to represent price intervention as a wedge between static supply and demand schedules rather than as shifts in these curves.

Part 3 (Josling) deals with International Policy Decisions and Collective Goals, in terms of increasing efficiency and stability and then addressing questions of distribution and equity, once again with a concluding chapter on international action in practice. It is interesting that the authors categorise technical assistance as a distributional instrument rather than an attempt to achieve planetary efficiency, which suggests that even authors have difficulties in conceiving of global as opposed to national welfare. The classification and brief descriptions of the multiplicity of international organisations and institutions involved in world agriculture is particularly useful to those new to the arena.

Overall, this is still an extremely valuable text. However, it is now becoming slightly outdated, or better requires a supplementary volume dealing with the increasing number of empirical versions of this analysis. Simulations of the relationships and analysis contained in this volume through computer models of the world agricultural system, albeit including the particular idiosyncrasies of the model builders, does provide important insights into the likely magnitudes of the effects discussed here, and occasionally draws one's attention to logical but overlooked implications of the analytical framework. For example, simultaneous elimination of all E.C. market intervention policies could leave the E.C. as a larger net-exporter of cereals than is the case currently, depending on the responsiveness of world animal agriculture to reduced supplies from the E.C. In simplest terms, as this book demonstrates, modelling the world realistically rather than illustratively quickly complicates the problems so much as to render purely analytical solutions infeasible and to require numerical simulation as the only alternative. However, once embedded in this mode, the analyst becomes captured in the particular quirks and specifications of the simulation model employed. Progress then demands collective discussion and revision of these models. This book provides an essential background to this informed discussion and debate.

As a final comment, the literature is beginning to treat policy making as endogenous rather than exogenous (which it largely is in this text). While the

force of the relationships and interactions dealt with in this book are not diminished by this approach, and while the necessity of understanding the principles becomes even more important, they do become even more partial as explanations and possible predictors of international events. The more we learn, the less we know.

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