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BOOK REVIEWS

Economics Made Easy, Revised Edition. By BERT KELLY. (Brolga Books, Adelaide, 1982.) Pp.246, ISBN 0 909912 10 6.

Bert Kelly is an economic rationalist-cum-tariff pundit, polemicist-cum-propagandist, from way back. For about a quarter of a century he has fought the good fight, at times almost Canute-like, against rising tides of protectionism. Adam Smith, whom he is fond of citing, probably got it right, and could have been prophesying the career of Bert Kelly, when he wrote:

The member of Parliament who supports every proposal for strengthening tariff protection is sure to acquire not only the reputation for understanding trade, but also great popularity and influence with an order of men [*sic*] whose number and wealth render them of great importance. If he opposes them, on the contrary, and still more, if he has authority enough to be able to thwart them, neither the most acknowledged probity, not the highest rank, nor the greatest public services, can protect him from the most infamous abuse and detraction arising from the insolent outrage of furious and disappointed monopolists (p. 192).

Kelly may find comfort in the knowledge that the economists who are popular are, like popular tax collectors, not doing their jobs.

Economics Made Easy is a selection of 116 of the hundreds of newspaper columns the energetic, prolific author wrote between 1969 and 1981. The material is divided into groups of related topics: Rural Affairs; Trade Barriers (General); Trade Barriers (Particular); International Implications; Labour and Money; Shipping; Exchange Rates; Money Supply; and Taxation.

The author's concerns, and visions, are broader than just the benefits of freer trade and the costs of protectionism. He hunts keenly with the economic rationalist hounds, doggedly pursuing price-signal-distorting hares wherever they run — through farmers' paddocks, into car makers' factories, up shipbuilders' gangways, into the plush boardroom of the Big Infant, BHP — and is ever ready to snap pieces out of textilers' tweeds. The beauty, for the reader, in this merry chase is as much the way it is said as what is said. There is none of the yoicks and tally-ho of economic jargon here. Many of the rorts and rackets which raise the standard of living of the few at the expense of the many are starkly revealed, whilst the breathtaking hypocrisy and humbug served up by the bloated beneficiaries of high protectionism is cheerfully, cuttngly and convincingly demolished.

The book is riddled with quotable quotes and wry, dry aphorisms — all predicated on the belief that a good deal of economic understanding is straightforward reasoning and common sense. Kelly frequently exhorts readers to tweak firmly the ear of any politician within reach until reason, logic and economic rationality are seen. (This exercise is based on the persuasive principle that if you are pulling someone by any

part of their anatomy which they value, their hearts and minds will follow.) There is plenty in this book about 'the manufacturing sector standing on its own feet, not ours'; the startling 'economic ignorance of many of the captains of industry'; the ability of Country Party politicians such as McEwen and Anthony to 'run with the farmers' hare and at the same time to hunt with the protectionist hounds'; lots about 'snouts and trotters in troughs' of public monies; and a good deal about farmers 'sitting in the smithy on rainy days . . . discussing the special place in heaven of farmers'. A regular theme is that 'tariffs seem to encourage people to say one thing and do the opposite' while governments remain 'gutless wonders about tariffs . . .'

That selection gives a flavour of the style, but does not capture the rigour and the serious intent of the content. As polemicist, the author is freed of the pedantry of fine academic points and puts his case on the basis of the balance of the odds and rough orders of magnitude, underpinned by relentless logic. For example, when discussing the cost of tariff and quota assistance, he observes:

This figure is open to much argument but there is no doubt that the cost is high. Fred says that he is less interested in hearing about the difficulty of measuring the weight of the wagon as he is in the fact that the wagon wheel is crushing his foot (pp. 42-3).

Economists are often accused of relying overly on assumptions which simplify the world they are trying to describe. As Kelly frequently demonstrates, it is the non-economist who abstracts most from reality, while economists attempt to explain what is going on by looking at as many of the causes and effects as they sensibly can. Thus economists' models of the world are usually closer to reality than non-economists' descriptions, which fail to take the interconnected bits into account.

This book is one which can be picked up and put down at will, without losing the thread — like the long-running radio serials which tractor drivers endure at sowing and pick up again at harvest (but infinitely more interesting and educational). Debates about tariff protection and the appropriate roles of markets and governments, and about 'crises' in agriculture, re-emerge regularly. The author knows well, and can spot at a great distance, the difference between fundamentals and fundamentalism. Hence this book is a handy antidote to alarmist media types and politicians who strut the stage in blazes of publicity of their own making, putting up discredited proposals based on simplistic analyses. Of course, Kelly, like any good polemicist, can be accused of being rabid and dogmatic, but he would probably cheerfully plead guilty and regard the charge as a compliment.

A criticism of this collection stems from the author's role as caricaturist of complexities. In this role, Bert Kelly is a bit like the cow which gives a bucket of milk then kicks it over. The dogma of 'the market' has to be tempered with overt recognition that some things are best done by private activities in markets, and other things are properly the realm of the public sector. All economies are a mix of public and private activity, and it is the proportions in that mix which are of interest. What things are done by which sector depends upon the unique case which each economy represents, and the circumstances of particular cases within that economy. The 'correct' mix is not found by

assumption or by extrapolation between economies or between activities of essentially different natures in the same economy. There is a difference between the economic outcome of the operation of competitive firms employing mobile resources, engaged in activities which have no externalities or failures of information, and that of firms engaged in activities with less than freely mobile resources, generating externalities, and with inadequate flows of information (Gruen 1979). In the latter situation, the fact that a regulated industry or government activity is not performing up to some ideal of perfect competition is no longer the point, as the private sector would also fall short of this ideal (Joskow and Noll 1978, cited in Gruen 1979). Kelly's enthusiastic 'rationalism of the right' may tempt some readers to overlook this fact.

The other area where the Modest Member kicks over the bucket of milk concerns taxation. After acknowledging that avoidance is what you do when you aren't caught out, and that it's evasion when you are, he takes the line that 'avoision' is carried out by the entrepreneurial self-employed, because: (a) government will only misspend it on welfare and such; and (b) they're just trying to get a slice of the gross national pie which matches the largesse bestowed on the employed with their superannuation and other rich benefits. This smacks of being a conclusion drawn from having spent too long in Canberra surrounded by federal public servants. As the great majority of employed persons do pay a lot of income tax and aren't into the taxpayer for massive 'super' payouts, this view of the morality of tax 'avoision' by the self-employed seems charitable. Kelly is more perspicacious about the tax debate when he asserts:

You can always tell a man who is dining out on an expense account by the enthusiasm with which he summons the waiter (p. 169).

The creative effort which has gone into churning out these regular articles, in a consistently insightful, witty and readable way, on an unwavering 'line', reflects a work ethic of farm-pioneering proportion. To send up yourself and others, as does Bert Kelly, is a classic national trait, evidenced in any discussion in any pub in any place around the country. Bert Kelly, with the help of farmer Fred, wife Mavis and mentor Eccles, demystifies key aspects of an arcane discipline. In an archetypically-Australian, atypically-economist manner, he makes economics easier.

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Farm Policy in Australia. By R. K. HEFFORD. (University of Queensland Press, St. Lucia, Queensland, 1985.) Pp. 415, ISBN 0 7022 1698 4.

This book contains the most detailed discussion available of agricultural policy in Australia from the end of the Second World War to

the early 1980s. The book has four sections. Background to the Farm Sector, the shortest, deals in seventy odd pages with characteristics of Australian agriculture, risk and uncertainty, supply responses and the role of farm organisations. This section gives a clear explanation of important production economics concepts (except for the definition of risk on page 30) and provides helpful Australian illustrations. Hefford correctly sees an appreciation of the material in this section as important for understanding farm industry responses to changes in markets and in policies.

Section II is appropriately titled Incentives to Farm Production. It covers the period up to 1975, though most emphasis is placed on the 1950s and 1960s when increased agricultural production was an objective. The bulk of this section comprises a discussion of farm credit and tax policies (especially detailed), pricing policies and protection for farm industries.

Section III, titled Farmers in Trouble, is more commodity oriented. There are chapters on the dairy, wheat and wool industries as well as on farm income and farm adjustment. The commodity chapters review developments in the industries from about 1960 until 1975. They should prove useful to students of rural industry policy. The chapter on wool, for example, discusses the Wool Board's proposed reserve price plan of 1964 and the reserve price scheme introduced in 1970. It also includes interesting observations on elasticities of supply in the three wool growing zones and the international buffer stock scheme for tin.

Section IV covers farm policies and performance of the farm sector since 1975. Most of the tables in this section include data up to 1981-82, with discussion for one or occasionally two subsequent years in the text. The section includes a consideration of farm policies in the European Community, the United States, Japan and other export markets, and their implications for Australia.

The big strength of the book is the detailed account of developments in agricultural policy since the Second World War. Changes in the economic and political environment are not neglected. Good use is made of basic economic principles in assessing agricultural policies. The author's preface indicates that a knowledge of elementary theory of the firm and macroeconomics is assumed on the part of readers. However, any interested reader denied these aids to understanding should have little trouble with most of the book.

This reviewer has two reservations about the book. One is that important questions are sometimes neglected or treated inadequately. The distinction between the efficiency and the welfare implications of low farm incomes (examined by Standen 1972) is one example. The unconvincing account of the economic rationale for adjustment assistance is another. The effect of a reserve price scheme, discussed at length, on the position of the supply curve for wool is not considered. The contrasting public interest and private interest explanations of government intervention are not mentioned. The tariff compensation issue is not treated well. Distortion of input prices is emphasised and distortion of output prices is neglected. The argument on the final page that subsidised research and extension is 'an appropriate form of assistance because it is unlikely to have distorting effects on the

allocation of resources between farm industries' is unsatisfactory. The efficiency-based tariff compensation argument is about attracting extra resources into lightly assisted farm (and other) industries but not into heavily assisted ones. However, a more sophisticated treatment which removed this reservation may have made the book more 'advanced' than the author wished it to be. In that case a solution would have been to select references that would lead the reader to other ways of looking at problems in addition to the references on which the author has relied.

The second reservation concerns the organisation of the book. A reader wanting to review post-war wheat industry policy would need to read material on price support and cost of production studies in Section II, a chapter on wheat in Section III and developments since 1975 in Section IV. This will be inconvenient for some. However, there are many pros and cons in choosing between organisational structures. One significant plus of the chosen arrangement is that it facilitates updating.

Hefford has written a useful book. Officials and politicians concerned with farm policy should have a copy close at hand, as should teachers of courses in agricultural policy. The last group may wish to consider promoting it in their classes.

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Standen, B. J. (1972), 'Evaluation of the efficiency of resource use on farms and the welfare of farm people', *Australian Journal of Agricultural Economics* 16(1), 34-44.

Australia and Argentina: On Parallel Paths. By TIM DUNCAN and JOHN FOGARTY. (Melbourne University Press, Carlton, 1985.) Pp. 203, ISBN 0 522 84269 0.

To me as an outsider, and probably to most Australians, the idea of Australia and Argentina being on parallel paths borders on the preposterous, at least initially. Perhaps my 1962 Argentine memories of tanks and soldiers in the streets, gunfire, coups and counter coups (generally bloodless) are misleading. But what of the Peron debacle, the 'dirty war', the South Atlantic war, hyperinflation, continued economic chaos and many other events? Surely Argentina and Australia have only some superficial similarities, largely limited to their agricultural sectors. Duncan and Fogarty's thesis is that Argentina and Australia have been shaped by fundamentally similar circumstances and movements. Because of these similarities, the Argentine experience has lessons which are especially relevant to Australia.

The authors indicate in the preface that the book was written for a wide audience. Footnotes were not used to avoid interrupting the narrative and magnifying selected events; the annotated bibliography by chapter at the end of the book, while helpful, is much less useful than footnotes. Selected events remain selected events. Readability would

have been improved by the use of headings and subheadings. Much of the book is not easy reading, but it is thought provoking.

The five chapters of the book generally trace the political and economic history of the two countries from early settlement to the present. The first chapter provides a partial overview of the two countries through the early 1930s, the period of greatest similarity. Although each country had broad areas of historical uniqueness, there were striking similarities in the structure of the economies. Both also benefited from inflows of British capital for cities, ports and railroads.

The Argentine economy outperformed the Australian economy from the late 1800s until 1930 and experienced more rapid population growth. Australia was more deeply affected by the Depression of the 1890s than was Argentina. Duncan and Fogarty argue that Australia developed an institutional framework to accommodate conflict and to regulate communication and change. The Argentine government took very little action in the economic area during the golden years after 1880. Thus, during the Depression of the 1930s, although severely tested, the democratically elected government in Australia was not overthrown by the military as occurred in Argentina. Traces of xenophobia were present in Australia but did not become persistent as occurred in Argentina.

Duncan and Fogarty contrast the rapid development of the Australian industrial sector during the Second World War with the debilitating effect the war had on Argentina. Although many of the underlying problems of industrialisation were the same, Argentine and Australian solutions were quite different. The push for industrialisation in Argentina was characterised by economic nationalism. As they observe, 'by the end of the 1960s it had become clear that Argentina has mastered the art of becoming poor through industrialisation' (p. 73). The Australian economy's strength during the 1960s reflected integration into the world economy. The economy also received a substantial boost from the mineral boom and heavy foreign investment. During the 1970s, the general consensus regarding the broad directions of economic policy began to break down and the Fraser Government introduced an overtly confrontational style into politics which accentuated social divisions. Argentina continued the tragic descent down the 'slippery slide' into economic and social chaos. Per capita income in Argentina has fallen from sixth to thirty-second in the world and Australia has fallen from third to sixteenth in the past fifty years.

In Chapter 6, Duncan and Fogarty turn to the political cultures of the two countries. After reviewing the three phases of Argentine politics, they conclude that there is no tradition of loyal opposition, political loyalties are based on patronage, politics are of a machine nature and the national executive is of paramount importance. Perhaps most important is that the conflict between interest groups is either very bitter or benign. Australia has mediating institutions which link government and sectional interests. However, as they note, the 'cultural behaviour that minimises the risks of bad mistakes also minimises the chances of enlightened breakthroughs' (p.124).

'Killing the Goose' is the title the authors give to their discussion of the protection provided the Argentine manufacturing sector and the neglect and export taxes imposed on agriculture. Given the urbanised character of Argentina, Duncan and Fogarty summarise the situation: 'it is not politically possible to transfer sufficient resources from the urban sector so as to raise productivity in the rural sector, yet without such a productivity increase Argentina cannot escape from its present state of economic decay' (p. 133). Governments in Argentina, even military governments, have been unable to bring about the necessary changes to restructure the economy, in part because of the size of the industrial sector. Australia has avoided many of the Argentine mistakes. Protectionism was practised, but with moderation, and support was provided for the agricultural sector. The Australian export sector has been able to increase productivity sufficiently to offset the costs imposed by protecting the manufacturing sector. The authors note that the mining industry has been heavily taxed, a testimony to the political strength of the Australian rural sector.

Duncan and Fogarty argue that Argentina can provide Australia with more than a detailed guide of what to avoid. There have been many parallels in the past and there are still many similarities in their economies. Australia has found it difficult to compare itself meaningfully with other economies. Economic stagnation is the standard when Australia is compared with Argentina. Their analysis suggests that the institutional and procedural features of Australian politics are more important than commonly assumed in maintaining living standards. Furthermore, change becomes more difficult the longer mediocre performance is maintained. They conclude that 'the lesson from Argentina is that Australia should conserve and nurture what it does best' (p. 172).

The title, *Australia and Argentina: On Parallel Paths*, could be terminated with a question mark or an exclamation point. Debating this would be as futile as debating how similar Argentina and Australia are. Whether or not one accepts their thesis and analyses, Duncan and Fogarty do not provide answers for Australia. This should be the focus of discussion and debate.

Many agricultural economists concerned with policy will find this book interesting, but probably of limited direct professional usefulness. Reading Chapters 1, 6, 7 and 9 will give much of the thrust and flavour of Duncan and Fogarty's argument.

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The Economics of Production. By BRUCE R. BEATTIE and C. ROBERT TAYLOR. (John Wiley & Sons, New York, 1985.) Pp. 258, ISBN 0471 80810 5.

Teachers of production economics in the 1980s certainly have a wider range of offerings from which to select than in former times when the only texts were by Heady and Baumol. This offering by Beattie and Taylor is highly recommended for any course which takes a rigorous and

extended approach to the study of production economics theory and the theory of the firm. The authors have identified an audience of first year graduate students and advanced undergraduates in economics and agricultural economics. They have successfully produced a very clear and well-ordered exposition of the relevant theory.

The authors commence with pertinent definitions and an enunciation of the assumptions upon which production theory is based. The technical aspects of production are considered in an early chapter, following the desirable example of some other texts in separating, at least initially, technical and economic aspects of production theory. The development of the text proceeds from the case of a single output and single variable factor through five chapters to where multiple output situations are introduced. Chapter 6 presents the economics of production from a duality perspective. The emphasis in all chapters is to present the fundamentals of production economics theory and to cover these fundamentals in considerable detail. Both mathematical and geometric — including three-dimensional — presentations are employed in an effective, complementary manner. Matrix algebra is commonly used. At one point the authors urge readers unfamiliar with matrix algebra to use conventional algebra, while proffering Mark Twain's advice: When angry, count to four! When very angry swear.

Some aspects of the book have particular appeal in clarifying concepts and ideas which are sometimes inadequately understood by students. The classical representations of production functions are used in geometric expositions but the more realistic concept of a yield plateau is also demonstrated. This should disabuse students of the idea that agricultural production functions have slopes akin to those of a McDonald's logo. Such a problem will not arise where students have experience with fitting functions to real response data. A commendable feature is the authors' use of two extended tables to show the forms and properties of both commonly used and less commonly used production functions.

Another problem for the neophyte student of production theory is understanding the rationale of the economic region of a production surface. The authors deduce the economic region of production for five cases where assumptions are varied. The consideration of the symmetry of stages of production is welcome as it does away with the previous necessity of directing students to the relevant journal articles or to one of the very few microeconomic texts which develops this exposition. There is an extended discussion of returns to scale in terms of function coefficients and, again to the benefit of students, a separate consideration of returns to size.

I see some limitations in the book which reflect my own predilections but which may or may not concern other readers. The authors take the classical and most sustainable view of production theory providing the basis of a theory of the firm. Indeed, the links from production theory to supply functions and derived demand functions are clearly expounded. However, for an elegant theory to make a pedagogical impression on the general run of students in an applied or agricultural economics setting, it is generally necessary to show the relevance of analytical finesse with a few judiciously chosen empirical examples. The authors have avoided such an approach. The great attraction of Earl Heady's original text on

the economics of agricultural production, apart from its timeliness in the marketplace, was the linking of production theory to problems of resource allocation in the real world. Certainly, by setting their objectives fairly narrowly, the authors have avoided the difficult problem of making production economics relevant at the individual firm level. They focus on a theory of the firm as used in traditional price theory. The model of the firm in that theory, as Machlup (1967) pointed out, is not designed to explain and predict the behaviour of real firms; rather it is designed to explain and predict changes in observed prices, with the firm being the theoretical link explaining how one gets from the cause to the effect.

As a result of the 'theory of the firm approach', there is another omission that may concern readers who wish to link production theory to management and operations research. There is no consideration of linear production models which in turn would lead to an operational way of using much of the theory empirically in problems of optimising resource allocation within individual firms.

The strength of this book is the clear and ordered presentation of production economics theory. The consideration of duality theory is an added bonus. It is strongly recommended for the few specialised or advanced production economics courses still taught in Australia. It certainly should be on the shelves of most university libraries.

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Reference

Machlup, F. (1967), 'Theories of the firm: marginalist, behavioural, managerial', *The American Economic Review* 57(1), 1-33.

Commodity Models for Forecasting and Policy Analysis. By WALTER C. LABYS and PETER K. POLLOCK. (Croom Helm, London and Sydney, 1984.) Pp. 209, ISBN 0 7099 1616 7.

An indication of the effort devoted to commodity modelling over the past three decades is provided in Chapter 7 where over 400 references covering 81 commodities are listed. Labys has made a distinguished contribution to building and applying commodity models and clearly has the background and experience for reflecting on where we have gone, the successes and failures, and where future work might go.

In the authors' words 'The purpose of this book is to provide an overview of the nature of the different types of commodity models as well as their diverse applications. In non-technical language the reader will be introduced to the underlying modelling methodologies, including their advantages, limitations and commodity specific implications'. That is an enormous task to complete in a book of less than 200 pages, and in my view the objective has not been met. The uninitiated will find the discussion superficial and lacking in detail, some of the material is quite technical, and almost certainly he or she will need to refer to other works for more information. For people with

some knowledge of the topic, the book provides an excellent reference system, it can be used to refresh the memory, and it may provoke new ideas for future work. The greatest disappointment was the absence of an attempt to compare and contrast the different methodologies of commodity modelling.

The book contains seven chapters. Chapter 1 contains some of the basic characteristics of markets for agricultural food products, agricultural raw materials, fuels, and metals and minerals. With exceptions of energy and a few minerals, the authors easily agree with a general competitive model framework. In reality, the interventionist role of government agricultural and trade policies, perceptions of product heterogeneity due to political, risk aversion and other reasons as much as for technical reasons, and the exercise of market power are more important than suggested by the authors. The implications of these distortions for the competitive model have been considered by commodity analysts in recent years, and in my view they warrant more coverage than is provided by Labys and Pollock.

Chapter 2 contains an explanation of the basic methodologies used by commodity market analysts. Models covered include: econometric market models, econometric process models, system dynamic models, spatial equilibrium and programming models, optimisation models, and input-output models. The pace is fast. For example, pages 54 and 55 rush the reader through the structural, reduced form and the final form equations of a simultaneous equations econometric model for the linear case, a task made more difficult by a switch of terminology for equation (3). The solution of a non-linear simultaneous equation model is then handled on page 55. Chapter 7 provides a useful discussion of some of the problems in model specification and estimation which rightly should be in Chapter 2. Just 16 pages are devoted to the important topic of model validation in Chapter 3.

The application of commodity models for forecasting and policy analysis are discussed in Chapters 4 and 5 with the authors concentrating on the analysis of stabilisation schemes in Chapter 5. After reading these two chapters, this reviewer was left in considerable doubt that the authors could support their assertion on page 154 'that commodity modelling has made great strides in reducing the uncertainty that surrounds decision making in commodity forecasting and policy analysis'. Forecasts are subject to wide errors. The discussion of stabilisation schemes left a feeling that there are models which can support contrary positions with little consensus on both theoretical and empirical grounds as to which model is the more believable. Such reservations do not deny the argument that commodity modelling has improved our understanding, but certainly more work awaits us.

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Rural Financial Markets in Developing Countries. By J. D. VON PISCHKE, DALE W. ADAMS and GORDON DONALD, (eds). (Johns Hopkins University Press, Baltimore and London, 1983.) Pp. 441, ISBN 0 8018 3074 5.

The facts and figures about this collection of readings on rural financial markets daunt the reviewer but help to measure the potential value of the book to the reader. The book is composed of seven parts, divided into 12 sub-parts, in which are contained a scene-setting introduction and a prescriptive summary by the editors, and 50 articles by 55 authors. The articles, mainly shortened versions of important papers written over the past 25 years together with some commissioned papers to fill gaps in the literature or to summarise unpublished work, constitute 'the first comprehensive collection of readings on rural finance to be published' (p.xiii).

The editors' selection of material and their approach of shortening, simplifying and concentrating the messages of the articles has produced a compendium which can be, and should be, read by anybody interested in the topic. Also, as Gittinger notes in his foreword, the book brings together a body of literature which otherwise would not be available in many developing countries. Along with graduate students interested in the topic and civil servants involved with agriculture or finance in developing countries, another group of people to whom I would commend the book is foreign agricultural advisors; particularly if they see greater volumes of supervised, cheap credit as a panacea for change and development in agriculture. Such a belief would fall into the editors' classification of what they call the 'conventional views' of rural finance. The editors' purpose for the book is 'to bring together essays on rural finance written by critics of the conventional views' and essays containing observations and analyses which have 'fuelled the debate' (p. 6). As they put it 'the nub of the debate is the difference between viewing finance as a process of intermediation rather than a productive input' (p.4).

In Part 1 (Changing Perceptions of Rural Financial Markets) the editors discuss the full gamut of conventional views as they have been expressed at the local and national levels. They argue that it is more fruitful for development purposes to view farm credit and finance in the broader context of the structure and performance of rural financial markets. These markets are constituted by the set of 'relationships between buyers and sellers of financial assets who are active in rural economies' including informal-sector intermediaries, formal institutions, and private borrowing and lending without intermediaries.

The themes of the next five parts which consider various aspects of rural financial markets, are reflected in their titles, namely; Contributions of Finance to Development; Credit and Finance in Farm Households and Rural Firms; Urban Financial Institutions in Rural Markets; Local Rural Financial Institutions; and Government Policies Toward Rural Finance. The last contains some interesting sections on patronage, interest rates and savings mobilisation. Each of these parts includes a short introduction by the editors to the various sub-parts, recommendations for further reading, and a set of thought-provoking issues for discussion.

Part V, dealing with local rural institutions and various informal intermediaries, was of special interest to this reviewer. The amount of informal financing which takes place through such institutions rivals that of the formal institutions and often the lenders are unjustly maligned. The articles by Adegboye on procuring loans by pledging cocoa trees in Nigeria and by Wilmington on money-lending in northern Sudan also highlight the subtlety of some informal financial arrangements. In this respect it is interesting to note that the World Bank, under whose auspices this book was published, is now devoting research effort to the informal credit markets of Africa.

Throughout the body of the book, the editors stick to their principle of suggesting alternative courses rather than administering 'massive doses of prescription'. Some 'oughts' and 'shoulds' appear, however, in their concluding Summary (Part VII). And so they should! Not only have the editors guided the reader through the lessons contained in 422 pages of absorbing material but their own collective knowledge and experience is such that a modicum of prescription is warranted. Indeed, if their last words are given the attention they deserve then their considerable effort in preparing this interesting and wide-ranging collection will not be wasted:

... the developmental role of rural financial markets is not realized by augmenting the supply of concessionally priced agricultural loans. If policy makers and project designers permit and encourage financial intermediaries to perform a broader role, they can improve income distribution, the efficiency of resource allocation, and the overall vitality of financial markets serving rural people. The specific measures required to improve the quality of rural financial markets in different economies will vary. But it appears that most efforts should contribute toward the integration of these markets, emphasize voluntary savings mobilization by formal financial institutions, and allow interest rates to be determined flexibly by market forces (pp. 429-30).

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