



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

## BOOK REVIEW

*State and Regional Income Estimation.* By ALEX KERR. (Nedlands: University of Western Australia Press, 1963.) Pp. viii + 96, 35/-.

This small book consolidates the work on the estimation of regional income and expenditure for Western Australia, and of that State's balance of payments, which has been carried out by a series of research workers in the University of Western Australia since 1951. It is in the nature of a sources and methods study; the author makes no attempt to reproduce all the statistical data which have appeared in previous publications but rather brings together the conceptual material and describes the techniques used in the various estimating processes. Chapter I is concerned with regional income concepts and with methods of measuring regional or state income. There is some discussion of the relationship between regional income and regional growth, and of the difficulties of using national and regional income estimates as indexes of growth, but in this regard the significance of income estimates which are not adjusted for the effects of price level changes is by no means clear.

In Chapter II it is shown how two important income aggregates—community or state income at factor cost and personal income—may be derived. The main conceptual problems in this regard concern the treatment of governments, companies and public authority business undertakings. The authors of two of the earlier Western Australian studies had disagreed about the appropriate treatment of the surpluses of public authority business undertakings, one writer suggesting that such surpluses should be treated as indirect taxes which make no contribution to state income, while the other believed that they should be regarded as analogous to the profits of private enterprises and therefore included in state income. Dr. Kerr comes down in favour of the latter approach (which corresponds to the one adopted by the Commonwealth Statistician in compiling the Australian national aggregates) although the reasons for so doing are not altogether clear from the text. The main justification for treating surpluses of public authority business undertakings as income rather than indirect taxes would seem to be that there is no compulsion on consumers to avail themselves of the services of such undertakings, and in fact they can only take advantage of the services if they are prepared to pay the prices charged. Indirect taxes, on the other hand, are compulsory levies which, to the extent that they are imposed on a wide range of goods and services, cannot be easily avoided. The licence fees which are charged by certain non-trading authorities are more in the nature of indirect taxes than charges for services rendered, and this is a reason for omitting income from fees from the relevant income aggregates.

The estimates on expenditure, which are discussed in Chapter III, are restricted to private investment, public investment and consumer expenditure, while the estimates of the Western Australian balance of payments contained in Chapter IV are confined to current account items only. Readers of this *Journal* will be interested in the discussion in Chapter V (which deals with the regional distribution of state income) on methods of measuring farm income on a regional basis. The total farm income for the State is allocated among eight regions by calculating

for each region the gross value of production (the total value of farm production valued at average market prices realized during the period), the local value of production (the gross value of production less marketing costs) and the regional net product (the regional local value less farm costs of production).

One can only admire the painstaking work which has gone into the Western Australian income studies during the last decade or so. This book does a first-class job in illustrating the conceptual problems involved in regional income estimation and, by carefully spelling out the assumptions underlying the various analytical techniques employed, it leaves the reader in no doubt as to the limitations and the significance of the results which are achieved.

R. MATHEWS

*University of Adelaide.*