BOOK REVIEWS

Economics of Welfare, Rural Development and Natural Resources in Agriculture. LEE R. MARTIN (ed.). (University of Minnesota Press: Minneapolis, 1981.) Pp. 653, ISBN 0 8166 0801 6.

This is the third volume of a comprehensive four-volume work commissioned by the American Agricultural Economics Association, providing surveys, mostly of U.S. and some Canadian literature, in agricultural economics published from the 1940s to the 1970s. The companion volumes are Volume 1: *Traditional Fields of Agricultural Economics*; Volume 2: *Quantitative Methods in Agricultural Economics*; and Volume 4: *Agriculture in Economic Development.*

The volume under review here consists of four parts: I. The Economics of Rural Poverty; II. Rural People, Communities and Regions; III. Natural Resource Economics; and IV. Organization and Performance of Agricultural Markets. Each part is a survey of from 500 to 1500 papers. Each survey is the result of a comprehensive co-operative effort; each was preceded by 'preparation of outline' by a panel; each was multi-authored, and the result of each was reviewed. At every step separate, independent panels of 'highly regarded members of the profession' (p.xi) were involved.

Clearly the highest standards of academic excellence were sought, as they had to be for fulfilment of the intended purpose of the surveys; namely, to be of (p.xi):

> value to research workers, teachers, extension workers, and graduate students in agricultural economics; teachers, research workers and graduate students in economics and economic statistics, sociology, geography, political science and anthropology; and teachers, research workers, extension workers and graduate students in technical agriculture.

The editor and authors did not constrain themselves, as the general title of the four volumes might suggest, merely to surveying the literature. The results of this can be arid, boring and of little value to most persons. Each survey in fact is substantially a critical review of developments in a particular field of agricultural economics.

Moreover, the reviews are scholarly, constructive and tough. Some examples:

> Much of the prescriptive writing in the field (The Economics of Rural Poverty) has been less than adequately informed by underlying empirical work. Similarly, the empirical work has been too much characterized by descriptive analyses which are tangential to programme formulation and appraisal (p. 74).
>
> The literature on regional organization leaves the question of designing an appropriate organizational structure to facilitate rural development (p. 306).
>
> Further research would be helpful in developing new institutional designs that contribute improved vertical co-ordination and yet ensure

> equitable exchange among the participants in the food marketing system (p. 623).

And finally, concerning natural resource economics:

> The common dichotomy between market and non-market resource allocation is overly simplistic since it fails to recognize that a wide variety of institutional arrangements can be used to define what we consider a 'market'. The market is not a self-evident phenomenon; it is defined only when 'who can do what to whom' is defined by law, custom, or both (pp. 468-9).

There are between 3500 and 4000 references listed in the volume. Surveys and reviews of such magnitude give the book an encyclopaedic dimension, and each of the four parts is the equivalent of a small volume dealing with its respective subject matter in a highly concentrated form.

To say much more than the foregoing in a brief journal review would require a review of the works of panels of surveyors and of reviewers. This reviewer boggles at the pretension implicit in any attempt to do this. However, in my judgment, the vision and its execution manifest in this survey warrants a very strong recommendation for university teachers, researchers and graduate students to consult and to study the fields of agricultural economics of specific relevance to them in this volume, and to read for general enlightenment those of less relevance. This volume has created in me a keen desire to obtain the next and final volume: *Agriculture in Economic Development*.

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Economic Evaluation and the Environment. By CHARLES COOPER. (Hodder and Stoughton: London, 1981.) Pp. 161, ISBN 0 340 26555 8.

Horse and rabbit stew with the 50/50 ratio of ingredients of one horse to one rabbit tends to taste predominantly of horse. Mishan has argued that practitioners of cost-benefit analysis are often guilty of similar imbalance by over-representing the measureable at the expense of the difficult-to-measure in studies which purport to measure the social impact of a project. Cooper's book should help to correct this imbalance by focusing attention on an important but difficult area of evaluation—the environmental impact of projects.

The author's aim is to present a considered rationale for cost-benefit analysis as against other appraisal approaches, such as ranking schemes, to emphasise the present difficulties in incorporating the value of environmental flows in cost-benefit analysis, and to discuss the prerequisites as he sees them for more satisfactorily incorporating them in future. Despite the subtitle 'A methodological discussion with particular reference to developing countries' the author's arguments apply quite generally to the developed countries as well. The book is not oriented specifically towards the specialist, and is not to be thought of as a guide to project evaluation. It does give a clear and concise review of much of the recent literature on cost-benefit analysis, particularly that relating to social choice, externalities and public goods.

Charles Cooper is a former Deputy Director of the Institute of Development Studies (IDS), and when the book was published he was a Professorial Fellow of the IDS and the Science Policy Research Unit at the University of Sussex. The work was sponsored by the United Nations Environment Programme. From the author's acknowledgments it is clear that the book has benefited from comments and advice of many luminaries in the areas of welfare economics, environmental economics and development economics.

In each of the chapters 2 through 8, the body of the book, a major issue is discussed in a well-structured way with frequent enumeration of points. Each chapter ends with a summary of the main points and conclusions. Chapter 2, Is Economic Evaluation Objective?, contains a useful review of the conceptual background to economic evaluation. The title question is answered as it must be with a resounding 'no'.

In Chapter 3 the author traces the reasons for the increased perception of environmental damage from the sixties onward. Cooper sees many current environmental problems as arising out of institutional arrangements which have failed to adapt to changing circumstances. A bait for environmental scientists, the concept of 'the optimum level of pollution', is explained and analysed. The general problems of measuring damage costs are discussed in Chapter 4. Environmental damage which causes changes in material flows is often relatively straightforward to value, but how should the non-material impact on people's welfare be measured? For example, it is much easier to value the reduced productivity of people in rural areas affected by water-borne diseases than the distress of sickness. The problems involved in trying to estimate willingness-to-pay to avoid non-material environmental damage, by analysing either interview responses or revealed preferences, are taken up.

Paradoxes surrounding what and how much information should be collected in making environmental evaluations are discussed in Chapter 5. On the basis of what information should the decision to obtain information be based? The following two chapters deal with two issues which always arouse debate in cost-benefit analysis. The first issue, the subject of Chapter 6, is the social rate of discount. Cooper asks if there are any special theoretical reasons for using a lower-than-normal discount rate for long-run environmental costs, such as the treatment of nuclear wastes. He concludes that in general there are not, but that it may be a satisfactory conservative strategy in cases of long-run uncertainty. The second issue, risk and uncertainty, is the subject of Chapter 7.

In Chapter 8, Cooper considers ranking procedures and input-output models with environmental extensions as alternatives to cost-benefit analysis and finds them inferior. They help in project specification, which is only halfway to project evaluation.

The final chapter, Concluding Remarks, reiterates two important themes in the book. Both are predicated on the espousal of the so-called fundamental rule of welfare economics: that social welfare must be determined by the preferences of all the individuals who live in society. But how are the preferences of individuals for environmental options formed, and how can they be measured? This is the first issue on which conclusions are made in Chapter 9. In earlier chapters the problems of lack of information flow peculiar to environmental matters and the third world have been raised. Recognition of this leads to a plea for more interdisciplinary research on the mechanisms underlying environmental damage, and for better communication and education on environmental matters. The second issue is whether democratic, consultative procedures should be pursued instead of bureaucratic, technical procedures in making policy recommendations. Cooper clearly favours the former. He disapproves of the cult of the expert who is subject to all sorts of social and political pressures.

To better bring public opinion to bear on environmental decisions, what is required are new political organisations for public consultation. Perhaps there should have been more discussion on the extent to which the two procedures would result in different outcomes. A democratic, consultative procedure is still one which relies on information provided by experts, a sampling procedure determined by experts, and questions posed by experts.

Mishan has probably done more than most to develop a coherent philosophical approach to the practice of cost-benefit analysis, so the lack of any reference to his work on cost-benefit analysis is surprising. Otherwise the breadth of reference is impressive. Unfortunately the bibliography is marred by some references being omitted, incomplete or wrongly dated. The strength of the book lies in the quality of the thorough-going discussion of controversial issues in cost-benefit analysis. The discussion is often general enough to give the environmentalist not versed in economics an insight into alternative approaches towards evaluation. Practitioners of cost-benefit analysis will find many of the ideas presented challenging and provocative. An important achievement of the book is to destroy the idea that concern over environmental damage is the preserve of the affluent in affluent countries. A strong case is made that those on subsistence often stand to lose more than the wealthy from projects leading to environmental degradation.

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Equality, the Third World and Economic Delusion. By P. T. BAUER (Weidenfeld and Nicolson: London, 1981.) Pp. 293, ISBN 0 297 77645 2.

This collection of essays continues in the tradition established by the author in his *Dissent on Development* (Weidenfeld and Nicholson, 1971). Peter Bauer has been Professor in Economics (with special reference to underdeveloped countries and economic development) at the London School of Economics since 1960, but he would proudly claim never to have been within the mainstream of post-war development economics. Indeed, much of this book is devoted to a vigorous attack on its teaching and methodology and especially on the policies which it has advocated.

The book, like Gaul, is divided into three parts. The first, Equality, contains two chapters in which the author seeks to establish that the goal of economic equality is a nonsense and that, while there are class distinctions in Britain, 'they are not, and rarely have been, significant barriers to social or economic mobility' (p. 26). In this part, Bauer also argues that the relief of poverty 'has nothing to do with the pursuit of equality' (p. 23) which is, as often as not, merely a reflection of envy and resentment.

The second and largest part of the book, The West and the Third World, contains nine chapters, three specifically devoted to aspects of foreign aid. Bauer equates material progress with development and claims that the relief of poverty and redistribution are unrelated to it. He recognises that 'progress and its conditions and manifestations may not be laudable or conducive to happiness' (p. 205) and argues that '[t]he attitudes, values and beliefs which keep many people poor are often an integral part of their lives. They often also give meaning to their lives, so that attempts forcibly to eradicate them could lead to spiritual collapse' (p. 115). But, says Bauer, this is rarely, if ever, admitted by the proponents of aid, who in their paternalism, often ride roughshod over the poor. He argues that, even if given as part of a most enlightened program, aid can contribute only marginally to development. Usually it contributes nothing other than to establish and entrench repressive and authoritarian regimes. Despite this, the giving of official aid, which involves a process whereby 'part of the income of taxpayers in the developed countries is confiscated and transferred to those who administer and dispense these funds' (p. 116), has become perhaps 'the least questioned form of state spending in the West. It is never questioned in principle' (p. 89). This is because the West has a totally unwarranted sense of guilt that it is somehow responsible for Third World poverty as a result of it having been 'widely canvassed in the universities, the churches and the media the world over' (p. 66). However, Bauer insists that, far from causing the poverty of the Third World, the West has been the principal agent for its material progress. Poverty, he says, is due to a 'lack of skills, ambition and energy, or social beliefs and customs adverse to economic achievement' (pp. 49-50) and not to a lack of physical resources. Thus, if development is to occur in the Third World, it needs not to be given aid but to adopt Western values, and especially those which ensure that resources are allocated according to the unhindered workings of the market.

Bauer asserts that 'social scientists tend to generate social problems rather than to solve them' (p. 8) and that this is well exemplified in the 'myths' about the population explosion. In Chapter 3 he emphasises that children are often not a burden but a boon to the poor, and that there is no clear relationship between the availability of physical resources and population and economic growth. Western economists and sociologists have failed to understand this and have encouraged and supported the forcible sterilisation of 'the North Indian peasant . . . thereby depriving him of children he wanted and creating desperate problems for the supposed beneficiaries' (p. 125).

The final chapter in this part of the book is a blistering critique of the 1979 Reith Lectures given by Professor Ali Mazrui and which Bauer claims have the unifying theme of hostility to the West. Once more he emphasises that 'material progress depends on personal qualities, social institutions and mores, and political arrangements which make for endeavour and achievement, and not physical resources' (pp. 194-195) and that, therefore, the lack of economic achievement in Africa must be attributed to Africans and especially to their leadership.

The four chapters which form the final part of the book, The State of Economics, are devoted to a critique of the methods of contemporary economics. Bauer argues that leading economists have frequently been guilty of lapses in the fundamentals of their study, as has been exemplified by such absurdities as their discussion of supply and demand without mention of price. That such errors should occur is, he believes, due to the rapid post-war expansion of economics, and the fact that, while many economists believe that they are advancing knowledge, they are actually simply pursuing political and personal objectives.

Bauer believes that attempts to derive a general theory of economic history are both sterile and damaging and in the second chapter of this part he discusses Sir John Hicks's *A Theory of Economic History* (Oxford, 1969) as bold but futile. This antagonism to attempts at general theories is in part based upon his belief that 'the search for statistical uniformities is of little use for the explanation and prediction of the general course of history' (p. 235). This critical approach to the use of statistics occurs in other chapters where he emphasises that, whilst many concepts may be clear in theory, their precise measurement is impossible. An example given is that it is often not possible in practice to distinguish between investment and consumption. Even so, 'investment' has become a 'fetish' which dominates much of economic policy (Chapter 14). Measurement problems also abound elsewhere, and Bauer especially deplores the continued 'use made of comparisons of national income estimates for widely different societies two decades after Professor Dan Usher has shown [them to be] worthless' (p. 4).

Bauer insists that economics as a social science differs from the physical sciences because it must consider personal qualities and political arrangements, even though they are impossible to quantify. Mathematical methods are of use in economics, but great care must be taken to ensure that technique is not elevated above substance and form above content. In this regard the increased availability of computers has been a mixed blessing for it has put a premium on the mechanical application of mathematical methods at the same time as it has diverted 'attention from their limitation in economic reasoning and in its applications' (p. 266).

This is a well written and extremely provocative book with which no one will agree entirely. Many of its arguments are by caricature and some of its historical assertions false, for instance the statement on page 194 that before the arrival of Europeans in sub-Saharan Africa there 'was no public security, man-made roads or ports, Western-type science or technology'. Nevertheless, the book will appeal to a wide range of readers. Neo-conservatives and libertarians will find its main thrust and most of its arguments appealing because they are in accord with their own. (Although those with a Chicago School bias may find Bauer's critique of the use of mathematical methods somewhat distasteful.) Liberal egalitarians will find the book of value for a different reason. They will find its arguments abhorrent; but that is not reason to reject them. Indeed, it is only by confronting them head-on that they will learn, some possibly for the first time, the real strength of their own position. Long ago, J. S. Mill in his *Essay on Liberty* warned that 'both teachers and learners go to sleep at their post, as soon as there is no enemy in the field'. The recent re-emergence as a successful political philosophy in Britain, the U.S.A. and Australia of the Hayekian liberalism put forward in Bauer's book is warrant enough for those of us who call ourselves egalitarians to 'stand-to'.

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Food Security for Developing Countries. Edited by ALBERTO VALDES. (Westview: Boulder, Col., 1981). Pp. 351, ISBN 0 86531 071 8.

The term *food security* is a nebulous one. Many papers which include this term in their title seem to be written more from the heart than the mind, and add little to our understanding of the issue being addressed. Happily, the papers in this volume are *not* of this type. Rather, they are on the whole solid analytical pieces written by distinguished agricultural economists. They were first presented to a conference at the Centro Internacional de Mejoramiento de Maiz Y Trigo (International Maize and Wheat Improvement Centre—CIMMYT), Mexico, in November 1978. The aim of the conference, which was organised by the International Food Policy Research Institute (IFPRI) in association with CIMMYT, was to bring together policy advisers and researchers to discuss the nature and magnitude of the food security problem in low-income countries and to assess the likely impact of national and international initiatives on food security in these countries. The resulting 14 papers provide a better-than-average conference proceedings volume in terms of both the balance of topics covered and the uniformity of quality of analysis. Any researcher wishing to become involved in food security and food trade issues in developing countries will find this book a most useful starting point. More importantly, it provides valuable material for those involved in the difficult job of food policy managment in the third world.

As the term *food security* connotes different meanings to different people, the introductory chapter first spells out the sense in which it is discussed in this volume. It is defined as the ability of food-deficit countries, or regions or households within those countries, to meet target (trend) consumption levels on a year-to-year basis. That is, it relates to short-run fluctuations in food availability, leaving aside the more general concerns many developing countries have of 'inadequate' food consumption due to poverty or 'excessive' food import dependence because of a comparative disadvantage in food production.

The first half of the book is about the nature and magnitude of food insecurity in selected developing countries. Valdes and Konandreas provide an overview of the magnitude of the problem based on national aggregates. They show that food production instability varies considerably among developing countries and that imports and stocks have generally not been used very efficiently to stabilise food consumption. Also, they find that variability in the food import bill is due mostly to fluctuations in the volume rather than in the price of imports, from which they conclude that international price stabilisation schemes alone are unlikely to reduce the magnitude of the problem substantially. Other papers in this first half assess food insecurity in the ASEAN region, in East Africa, in Colombia and in Egypt.

The paper by Siamwalla on the security of rice supplies in the ASEAN region is an excellent and succinct account of the evolution of rice policies in South-East Asia insofar as they affect the choice between relying on international trade or on stocks to stabilise consumption. Knowledge of the historical origins of these policies helps one to understand some of the peculiar characteristics of the world rice market. One important characteristic is the 'thinness' of this market: only about three per cent of rice production is traded internationally. While trade remains such a small residual component of the world rice economy, there is little possibility of holding buffer stocks at the interntional level as a means of increasing rice security because such stocks would need to be a huge proportion of world trade. The East African paper by Lele and Candler provides a sober reminder of the complexity of the food security problem in late-developing countries, where domestic transport and storage inadequacies are compounded by an almost total absence of reliable and timely data on the incidence of regional food production and consumption fluctuations.

In the second half of the book, numerous national and international proposals to reduce food insecurity are assessed. Huddleston documents the lack of correspondence between past food aid flows and import needs of developing countries. She shows that, by incorporating a variable component in aid flows, much greater food security would be available to recipient countries. D. Gale Johnson suggests this might take the form of a grain insurance scheme whereby the U.S.A., alone or in co-operation with other donors, would guarantee to supply each developing country's shortfall in excess of a given percentage below their trend production. While it is unrealistic to expect that such schemes would be adopted by grain-exporting countries (because donor countries are unlikely to give up their discretionary power over food aid flows), such analytic exercises are useful in demonstrating the relative smallness of the *global* problem of food security for developing countries.

Leaving aside food aid, governments of developing countries unprepared to rely on market forces can intervene by holding reserves domestically and/or by relying on imports in shortfall years. Reutlinger and Bigman present a simulation model of a hypothetical developing country similar to India to show that relying on trade rather than domestically held reserves is likely to be a much more efficient strategy. While this conclusion will not surprise those economists familiar with the literature in academic journals, it still appears to be contrary to the beliefs of many policy makers and advisers. No doubt some policy makers are concerned with the extent to which relying on trade to stabilise domestic food consumption shifts the adjustment problem from the food market to the foreign exchange market. However, the latter market can cope efficiently with this instability if the government is prepared to borrow internationally in years of abnormally high food import bills. Goreax analyses the prospects for expanding the IMF facility, which to date has been used for financing developing countries' export earnings instability, to include food import fluctuations. He shows that such an expansion could readily be accommodated without expanding the size of the facility greatly, provided the formula involved used imports net of export earnings (since the two tend to be correlated for developing countries as a group).[1]

Overall, a number of clear conclusions emerge from these studies. At the national level, there is much that each developing country can do, particularly through encouraging investment in food distribution systems, in transport and communications and in early warning systems. Although there is often considerable scope for investing more in working stocks, relying mainly on domestic grain reserves to cover year-to-year fluctuations is an expensive solution when trade is a real possibility. At the international level, the consensus is that compensatory financing schemes such as through the IMF facility are likely to provide the most effective approach, far better than international grain reserves. Insofar as these papers are read by advisers in the relevant national and international bureaucracies, they are likely to add substantially to the level of understanding of the nature and magnitude of the problem and of the relative merits of alternative approaches to it.

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The Economics of Agricultural Policy (2nd edition). By G. HALLETT. (Basil Blackwell: Oxford, 1981.) Pp. 365, ISBN 0 631 12503 5.

At the outset this reviewer's opinion on books on agricultural policy should be made explicit. It is that such books are of questionable value as texts for university courses. Agricultural policy courses could largely be replaced by courses in price analysis and/or welfare economics backed by selected examples of economic appraisal of specific policies from the literature. Since the author intends this as a textbook, as indicated in the preface, it is reviewed in that context.

The book is divided into three parts dealing with the theory of supply and demand, its quantification and problems of agricultural policy. Material is presented in an extremely readable style, enhanced by a blend of economic concepts and practical policy examples. It is not enhanced, however, by the high frequency of typographical errors. The author does make his own value judgments and philosophy explicit and these are often contentious. Many agricultural economists would, for example, probably contest the view (p. 202) that 'both an uncorrected market mechanism *and* state intervention have defects; . . . and that it is the task of economists to investigate the most satisfactory "mix" of the two systems'.

This so-called assumption forms the basis of much of the policy discussion of Part III of the book. It seems to imply a role in making value judgments that many economists would eschew. Further, given the author's U.K./E.E.C. background, it is perhaps revealing more of the role agricultural economists have come to see for themselves in a policy environment of publicly managed markets, than of the general

[1] As noted in the September 1981 issue of the IMF/World Bank quarterly publication *Finance and Development* (p. 4), the proposal to expand the IMF facility as in Goreax's analysis has in fact now been adopted by the IMF.

framework appropriate to a textbook on the economics of agricultural policy.

Applications of supply and demand theory to agriculture are dealt with in the first part of the book. After introductory chapters on the background to agricultural price policy and problems of the agricultural industry, there are successive chapters on historical movements in prices, basic forms of supply and demand, market structure and shifts of supply and demand. The economic theory content is comparative static microeconomics readily available in a wide range of textbooks but made more palatable by examples (principally European). A disappointing aspect is that the reader is given no context of broader theoretical issues of welfare economics, general equilibrium, or the second best, which have an important bearing on policy choice.

The quantification of demand and supply and the formation of marketing margins are dealt with in Part II. The chapter on demand includes a review of income and price elasticities and the use of cross-sectional and time-series data, providing empirical estimates (mostly European) of relevance to commodity policy. In Chapter 8, agricultural supply analysis is reviewed with emphasis on cost curves as the basis for supply analysis. While attempts are made to link theory and empirical work, the author's impression (p. 144) that 'statistical studies of supply elasticity are few in number, and obviously less reliable' (than those for demand) may reflect partly an EEC policy environment where agricultural economists see little point in analysing supply response because of the extent of intervention, and partly the author's limited contact with the literature on supply response.

More complex issues of partial equilibrium analysis such as expectations in a risky or uncertain environment, lags and adjustment and simultaneity in price determination are virtually ignored, conveying a false impression of the simplicity of the response in microeconomic terms to policy intervention.

In the chapter on marketing margins the author addresses farmers' views that they are 'too-large', reflecting either inefficiency or excess profits. There are some predictable economist's responses about demand for services added to products, but also some less predictable ones about the need for official intervention in milk collection, the guarantee of competition which the existence of co-operatives can provide and the role governments should have in consumer enlightenment. No substantive case is made for these forms of intervention.

The third part of the book, almost half of the volume, is devoted to problems of agricultural policy, with chapters on price policies, structural policies, world population and food, policy in developing countries, EEC agricultural policy and world trade. This broad range of types of policy is addressed primarily in the context of European and frequently U.K. examples. For the reader with an 'armchair thriller' interest in agricultural policy, with a mostly European perspective, the book is a useful historical overview. The chapter on price policies has a neat classification of policies and ranges through price intervention, production subsidies, buffer stocks and price insurance. Structural policies reviewed include employment in agriculture, land reform, farm size (in terms of acres or hectares!), specialisation and marginal lands and recreational uses of land. The chapter on marketing policies deals primarily with marketing boards in the U.K. and their role in relation to pricing, marketing margins and price discrimination.

Broader issues of agricultural policy are covered in the last four chapters. Chapter 13 is a review of contemporary views and evidence on the Malthusian dilemma, including FAO projections and their implications. A review of development economics (Chapter 14) provides an interesting historical perspective on special problems of agricultural policy in developing countries. In the chapter on the EEC there is a summary of the historical development of the CAP, its problems and political constraints. The final chapter, on problems of world trade, covers the effects of subsidies and levies, GATT, international commodity agreements and the 'new international economic order'.

There seems to be a fairly uncritical acceptance of the need for intervention, with the discussion often relating to the relative merits of particular types of intervention (policy), rather than in relation to a non-intervention (free market policy) situation. Numerous issue which are central to agricultural policy debate in Australia do not rate a mention. These include external balance and exchange rate effects of structural change (although the 'green' currencies used in the EEC is discussed), second-best or n'th-best policies and compensatory protection, the relationship between price and income stability, 'hidden' effects of price stabilisation policies and the impact of agricultural policies in capital asset markets (for example, land and transferrable quotas).

The author seems to be of the view that co-operatives and marketing boards can resolve many problems in agricultural marketing policy. There is no discussion, for example, on the potential for failure of voluntary co-operatives or the element of compulsion involved in monopoly marketing boards. In considering the price raising goal of such boards, attention is focused on whether they can achieve such a goal rather than whether it is an appropriate goal and what its economic implications might be. Symptomatic of this approach is the statement (p. 257) that 'any economies in distribution which could be obtained by a Marketing Board could equally well be obtained by voluntary farmers' organization'.

The book seems to be of limited value as a basis for agricultural policy courses at Australian universities because of its European and U.K. orientation and because it misses many of the key economic arguments relevant to policy debate in Australia. This reader is also left with the impression that the author, perhaps unconsciously, legitimises or implicitly accepts approaches to intervention which agricultural economists in Australia seriously question.

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Options for Farm Policy in the European Community. By T. E. JOSLING, MARK LANGWORTHY and SCOTT PEARSON. Thames Essay No. 27. (Trade Policy Research Centre, London, 1981.) Pp. 84, ISBN 0 900842 52 0.

Despite recent times when it seemed set on a course of disintegration, the EEC seems to be riding out internal and external political storms. It seems set to survive a socialist France, and it now appears more likely that British membership will be succoured by the pro-EEC Social Democratic Party than terminated by a victorious Labour government. Greek membership has extended the EEC's territorial limits to the eastern boundaries of Europe, and Spain and Portugal are knocking on the door for membership. There is a paradox in this apparent success, however. Although the process of harmonisation and cultural unity is proceeding swiftly, there in only one area in which the ten member states are 'one'. This is in agriculture, with the common agricultural policy (CAP) having sway throughout the EEC. Yet the CAP itself is in a constant semi-crisis and, other than for farmers, may be said to be easily the most unpopular joint EEC policy.

Josling, Langworthy and Pearson are 'EEC watchers' based at Stanford University in the U.S.A. Their publication is not intended as a background guide to the CAP, but as a discussion of policy problems, options and solutions. The book is an interesting and useful analysis of some of the pressures for change in the Community, the possible responses to these, and the estimated effects of different policy options, given certain assumptions.

Although the authors have divided the book into eight chapters, these seem more naturally to fall into four main groups. In the first part (Chapters 1 through 3) the authors deal with the various pressures for change which face the CAP. These are seen to be related to the need to support farm incomes, the need to operate a uniform policy, the desire to reduce or restrain total CAP spending, and the wish to take into account the trade interests of other countries.

The pressure to support farm incomes is partly a function of the lobbying of farm organisations and rural voters for a significant increase in target or support prices each year. Consumers' interests do have some influence in restraining price increases, but budgetary limits and trade obligations have more immediate impact in limiting price increases and barriers to imports.

The attainment of unity of policy and prices has sometimes seemed a long way from reality, with commodity prices differing by as much as 40 per cent. The monetary compensatory amount (mca) system was set up to deal with this problem, with mcas acting as border taxes to iron out price differentials caused by currency movements. The mcas have thus prevented the breakdown of the system, but have perpetuated price differentials. The European Monetary System (EMS) should assist the movement towards unity. The continued existence of national agricultural policies has also hampered unity. The power the member states retain in this respect has been held onto dearly, reflecting either political expediency, as in France, or the separate powers of the provincial and local government, as in the case of the Laende in Germany. The method of financing the CAP has also led to pressure for change, since it has tended to lead to a transfer of resources from lower-income countries to higher-income countries.

The most significant pressures for change, however, come from budgetary limitations. The EEC Commission is required to keep expenditure within 'own resources' of levies, duties and one per cent of the Value Added Tax (VAT). Spending has come very close to this limit. In the shorter term, a budget crisis may be avoided by cutting back on non-agricultural spending. The longer-term problem is that the rate of growth of farm support spending has been much greater than that of the revenue from VAT. FEOGA (the guarantee part of the CAP, otherwise known as EAGGF, the European Agricultural Guidance Fund) costs have risen at about 20 per cent per annum in recent years. The budgetary dominance of the CAP also restricts the EEC's ability to make progress in other policy areas, such as social policy. Enlargement of the EEC to include Spain and Portugal will lead to an explosion in farm support costs if existing policies towards commodities such as olive oil, fruit and wine are to be maintained. These countries have a low income per caput, and only a net transfer of income in their favour would be anticipated upon membership. Although 1984 is given as the possible date of accession for Spain and Portugal, this would now appear to be too early.

The main external trade restraints on the CAP are the need to observe GATT restrictions, to stand by agreements with the African, Caribbean and Pacific (ACP) group of developing countries, and not to alienate major trading partners as far as this can be avoided. In the case of the ACP countries, the main constraint is the need to hold down sugar production in the EEC to allow imports of cane sugar. Accession of Spain and Portugal will make it more difficult to honour trading agreements with other Mediterranean countries. As far as major trading partners are concerned, the closing of the EEC market, and the 'dumping' of subsidised exports on third markets, has led to considerable friction with the U.S.A., Canada and Australia, and pressure upon Japan to take more agricultural products.

Non-agricultural influences on the CAP are discussed in Chapter 3. These include internal inflation and currency movements, which have led in the past to the use of 'green currencies' or special agricultural rates of exchange, and mcas as equalising taxes. Income and population growth determine the growth of the consumer market, while higher incomes lead both to demands from farmers for greater price increases, and to more movement of farmers off the land. World agricultural prices determine the actual cost of operating the CAP, as well as the opportunity cost to consumers. They also determine the profitability of the livestock sector, since soya beans and other animal feeds are imported free of duty or at low rates of duty. Institutional influences on the CAP are the result of the different attitudes of the individual member states towards the policy and its operation.

In the next part of the study (Chapters 4 and 5) the authors consider potential changes to the *status quo*. The likely timing of policy changes is discussed in Chapter 4. When the enlargement of the EEC occurs, with the accession of Spain and Portugal, some policy changes are likely to become unavoidable if the new members are to be 'digested'. True, in the case of the U.K. and the Irish Republic, structural changes took place within these states, and not in the CAP, but this would seem to be completely unrealistic if Spain's production of Mediterranean agricultural products is to be absorbed. I disagree with the authors' judgment that January 1984 is a likely date for the accession of these countries—the problems of accession appear too great to be solved in such a short time.

The timing of national elections is also a determinant of the actual timing of potential policy change. However, in the light of hindsight, it now seems less likely that the Labour party will win the next election in the

U.K. and take Britain out of the EEC. Factionalism in the Labour Party seems set to assist the rise of the Social Democratic Party, and this makes a Labour victory less assured.

The different policy options which could be adopted are examined in the following chapter. These may be summarised as follows:

(a) cut spending in non-agricultural policy areas;
(b) raise revenue from the member states directly instead of using the Commission's own funds alone;
(c) increase the VAT;
(d) extend co-responsibility taxes; and
(e) extend supply control or 'quantum' schemes.

With a quantum scheme, a limit is imposed on the amount that may be purchased by intervention authorities at the full price. However, the authors of the study do not seem to take into account the problems that such a scheme would meet with in the context of the EEC. National governments would urge their own producers and intervention authorities to ensure that the quantum was filled as rapidly as possible by their own producers. Even if quanta were set on a national basis, free trade would enable producers in a member state to fill up their own national quantum, then export produce to fill up the quantum of another member state.

It is clear that some moderating action along the lines suggested in this study is needed, and to quote (p. 53): 'Spending on the farm programmes cannot increase at more than about 10 per cent per year without a virtual collapse of other Community policies'.

In the third main part of the study (Chapters 6 and 7), an assessment is made of the effects of adopting different policy options upon the budget, and protection and trade. Projections are made of the likely effects of each of the following: continuing the present set of policies (the basic case); price moderation; co-responsibility levies; a quantum system; and a super-levy. All the alternatives to the basic case are estimated to lead to a lower growth in production compared to the basic case. Price moderation and the quantum system are both shown as involving faster growth in consumption. As far as producer and consumer prices are concerned, the results are mixed, though none of the options are projected to lead to faster price rises than the basic case.

Three possible trends in world prices are used to test for the effect of different developments, these being stability of real prices and a trend of two per cent per year up or down. The budgetary effects of the different policy options vary according to the different price assumptions made. Assuming constant world prices, FEOGA guarantee spending is estimated at 21.9 billion ECUs (European Units of Account or 'u.a.') in the basic case in 1985, reducing to 18.3 billion with a super or co-responsibility levy, 15.0 billion with a quantum system, and 12.0 billion with price moderation. The estimates for 1990 show even greater differences.

Projections are also made of exports of surplus products to third countries under different policy assumptions for 1985 and 1990. The price moderation and quantum options lead to substantially lower exports than the co-responsibility or super levies. The fall is greatest for milk products. As far as the level of protection goes, as would be expected, the projected level falls as world prices rise and rises as they fall. For export measures, the 1985 projections show the quantum system and price moderation as both leading to lower protection levels, of 46 to 49 per cent compared with the 75 to 79 per cent of other policy options. For import measures, the 1985 projections show only price moderation leading to a lower level of protection – 22 per cent as opposed to 44 per cent. The 1990 projections show very much the same pattern, with the differences in rates of protection being more marked.

The main conclusion which the authors draw in the final part of the book (Chapter 8) is that it would appear possible to control budget cost without imposing nominal declines in farm prices. If limitations on FEOGA spending are imposed, then national governments will move to provide greater assistance to their own agriculture. The continuation of current trends in CAP spending is seen as being very destructive.

Overall, the publication provides a good analysis of current policy problems, the options for solving these, and their estimated effects. However, the authors tend to ignore the effect of political factors on how much support the CAP will continue to receive, and the way these will determine the actual options chosen. The interaction between the CAP and social factors such as unemployment, the availability and desirability of migrant workers, and long-term factors such as moves towards the economic re-unification of Germany, are not discussed.

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Regional Economics: An Australian Introduction. By G. J. BUTLER and T. D. MANDEVILLE. (University of Queensland Press: St. Lucia, 1981.) Pp. 139, ISBN 0 7022 1594 5.

When reviewing a book for possible adoption in a teaching context, one is often left wondering about the intent of the author and the 'audience' for whom the book was written. Authors sometimes appear to write for a specific use or audience without specifying this too closely in case the book is found useful for other groups or purposes. This is most certainly not the case with the Butler and Mandeville text. The authors are quite clear about the purpose of the book and have written appropriately to achieve this purpose. It is intended as a simple, non-technical and almost jargon-free introduction to regional economics in an Australian context, for 'non-economists', and for those from various disciplines who seek some understanding of the point of view of the regional/urban economist. Those of a regional bent from the general fields of geography, town planning, engineering, sociology and government will find the book to be this year's best value in light reading.

Two other groups will find this book of value. One group is those whose training in economics is now some years past and who have not been able to keep abreast of the main new developments in economics. Since the teaching of regional/urban economics in Australia is generally about a decade old, many senior people with a background in economics may simply be unaware of the emerging area of interest in regional economics, and of the spatial dimension in economics. To this group, the book will be a relatively painless and very readable refresher course. A second group is those who, although aware of the existence of the regional/urban dimension in economics have not, for some reason, chosen to recognise spatial economics as a legitimate and fruitful area of knowledge. Some of our colleagues see economics as a select set of areas of interest which have been in conventional economics programs for decades, and view every attempt to introduce other aspects of economics (for example, regional/urban economics and agricultural economics) as fringe activity, and not 'real' economics. They should glance through this book to be reminded that there are new areas of learning which deserve some attention.

Although the text is uncomplicated and sometimes a little too brief, the table of contents is impressive. Reference is made to virtually all of the topics of concern to modern regional economists or regional scientists. The authors provide a useful introduction to spatial economics and address, in turn: regional demographic and economic patterns; regional problems in Australia and a selection of other countries; regional planning and accounts; regional growth, decline and stabilisation; location and migration; and methods of regional economic analysis. A useful appendix in the form of an introduction to input-output analysis, particularly in the Australian context, is provided.

It is a difficult task to write a genuine introductory book for students who are not familiar with professional jargon, but Butler and Mandeville have achieved this end commendably. Where previously regional/urban economics courses of any substance for non-economists have required a text which is written on the assumption of a sound prior knowledge of economics, this book will now fill an important gap. Also it is refreshing to see a book which is written for the Australian regional context amid the flush of overseas books on regional/urban topics. Although the Australian content *per se* is sometimes less developed than one might like, it is useful, relevant and imaginative.

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