BOOK NOTES.

Agriculture and Economic Progress. E. M. OJALA, Oxford University Press (Geoffrey Cumberlege) London, 1952, Pp. vi, 220, 47s. od. (Aust.).

In this book Dr. Ojala examines the effects of economic progress on agriculture in three countries, the United States, the United Kingdom and Sweden. In all three countries the relative contribution of agriculture to total consumption has been declining since the relevant data were first collected. The movement of labour from agriculture to other sectors of the economy has not normally proceeded rapidly enough in these countries to give the agricultural populations incomes comparable with those obtained in the rest of the respective economies. Dr. Ojala presents evidence which has been accumulated from many budget studies in recent years, to the effect that the proportion of total expenditure spent on farm products declines fairly rapidly as income increases. All these propositions have been fairly well established by earliers writers but Dr. Ojala has made a more thorough quantitative study than has been attempted previously, especially for the United Kingdom for which he has prepared new estimates of net farm output for groups of years from 1867 to 1943.

Considerable stress is laid on the discrepancy between agricultural and industrial incomes. It is suggested that "over the long period of general economic progress from 1860 to 1930 the . . . effect on agricultural incomes has been a deterioration in their respective position . . ." (p. 159). Yet the relevant data (Table LIA) do not support this conclusion. Comparisons of agricultural and manufacturing wage rates for the three countries (Charts XXIII-XXV) suggest that the discrepancy between the two has remained relatively constant during the last sixty years. It seems that, on the average, a balance between agriculture and industry was achieved in the United States and the United Kingdom when returns from agriculture were forty to sixty per cent. below those obtainable in industry. This persistent discrepancy may be explained in terms of a threshold of incentive, necessary to induce long-distance movements. A similar phenomenon has been observed for urban workers. Another explanation may be that the labour force in agriculture is willing to forego some economic gain for the non-material satisfaction of farm life.

Dr. Ojala attempts to examine in some detail the manner in which the price mechanism operates to induce the movement of labour out of agriculture. It might be expected, under conditions of economic progress, that the purchasing power of agricultural products would fall gradually and that the resultant decline of agricultural incomes would induce the movement of labour out of agriculture. However, the general trend of farm product prices between 1870 and 1930 for the three countries in question shows a long run tendency for the wholesale prices of farm products to rise relative to other wholesale prices. This tendency is somewhat surprising at first glance. The paradox is that agriculture's share of the total labour force is diminishing constantly through migration while agriculture is apparently becoming more profitable. To explain the apparent paradox, Dr. Ojala argues that productivity per head in agriculture increased in all three countries at a much smaller rate than in industry. As a result of this differential rate of growth in productivity in these two sections of the economies discussed wholesale prices have moved somewhat in favour of agriculture, though not sufficiently to reduce the incentive to move out of agriculture.

An attempt has been made above to reproduce the main current of Dr. Ojala's argument. It must be stressed that this is a very bare outline which does not do justice either to the detailed discussion of individual periods where movements of prices and incomes have been reversed, or to his account of the selection of his data and the complex adjustments which he has had to make on many occasions.

The comparisons of wholesale prices and those of productivity must be interpreted with some caution. An index of wholesale prices must necessarily neglect the prices in a large and growing section of the economy. Similarly the productivity comparisons are restricted to agriculture, manufacturing and mining.

It is probably true of most economies that increases in the productivity per head in tertiary industries has been at a much lower rate than increases in the productivity per head in agriculture, manufacturing and mining. Thus Black and Kiefer make the following observation regarding the United States' economy. "In the whole period from 1870 to 1940, the output per worker measured in goods gained at the average rate of about one per cent. per year. Manufacturing gained at four times this rate and agriculture at twice this rate. But, of course, these two lines of production represent less than half of the present economy. The gains in goods handled per worker in trade appear to have been almost nil, although the services furnished with the goods sold have increased. As for personal services, including not only housekeeping, but education, medical care, music, recreation and travel, and all forms of public services that mostly do not appear in totals of commodity production, one cannot even guess whether or not they have increased per capita at a faster rate than one per cent. a year". (*Future Food and Agriculture Policy,* McGraw-Hill Book Company Inc., New York, 1948, p. 121.) Hence the comparisons made by Dr. Ojala should not be extended to cover the economies as a whole, as is sometimes implied in his discussion (*e.g.,* pp. 159-160).

Another minor criticism is that the author maintains that a small absolute decline in the labour force in agriculture must result in an actual transfer of adult workers out of agriculture which in turn results in considerable hardship. He cites the declines in the agricultural labour force in Sweden since 1875 and in the United States since 1910. In both countries the decline in the agricultural labour force has been at a rate considerably less than one-half of one per cent. per annum, while the decline in the labour force in agriculture from deaths alone was probably about one per cent. per annum.

PUBLICATIONS OF THE UNITED NATIONS.

(United Nations publications may be obtained in Australia from Messrs. H. A. Goddard Pty. Ltd., 255A George Street, Sydney.)

Review of International Commodity Problems, Interim Co-ordinating Committee for International Commodity Arrangements, United Nations, New York, February, 1952. Pp. viii, 54, 5s. 9d. (Aust.).

Prepared by the Interim Co-ordinating Committee for International Commodity Agreements, this annual review is the fifth in a series. In this report, however, the Committee has not confined itself to a description of the events of a particular year, but has analysed developments which have occurred throughout the post-war period, particularly in 1951 and especially in the agricultural sector of the world economy. It is pointed out that fluctuations in the prices of wool and tin during 1951 were the highest ever recorded—the price of one grade of wool declined by fifty-seven per cent. in five months and the price of tin by fifty per cent. in six months.

Many will agree with the Committee's view that fluctuations in the future will be no less frequent and no less wide than in the past. Whilst this is largely conjectural, it seems a distinct possibility that the pattern of world affairs in recent years will be repeated in the future, with the "cold war" flaring into intermittent crises such as the Korean incident. If this proves to be the case it is inevitable that agricultural prices will be subject to distinct short-term variations in a direction contrary to the long-term trend. Intermittent and unpredictable stock-piling, followed by the opposite forces set in play when stocks are released, could cause a great deal of economic instability and uncertainty, bringing with it waste, inefficiency and hardship for those affected.

In this situation Australia and the world at large are faced with three alternatives. In the first place the shocks could be absorbed by allowing the level of economic activity to fluctuate, with consequent periods of severe unemployment. Presumably this is the least popular choice. Secondly, exchange rates could be allowed to fluctuate—a course not without supporters, but which cuts across the Bretton Woods Agreement and a great deal of economic thought associated therewith. The third alternative is the one put forward in the publication being reviewed. Here it is suggested that the time is now more than ever appropriate for the implementation of measures designed to reduce economic instability through international commodity agreements. Australia is already heavily committed to such a policy, in so far as all of our important rural exports, except wool, are sold under long-term contracts, mostly of a bilateral nature.

The Committee puts forward the view, somewhat controversial in Australia at the moment, that there should be "greater emphasis in future inter-governmental commodity discussions on the desirability of measures to counteract price fluctuations and less emphasis on the securing of immediate price advantages".

The remainder of the *Review* is concerned with a discussion of principles and procedures for dealing with commodity problems in this fashion, and with a discussion of what has been achieved in this field.

Details of the international agreements covering wheat, tea, cotton, rubber, sugar, tin and wool are briefly summarized, and in an appendix there is a survey of the current market situation of most of the important commodities entering world trade.

Statistical Yearbook, 1951. Statistical Office of the United Nations, Department of Economic Affairs, New York, 1951. Pp. 617, 68s. 9d. (Aust.), cloth-bound.

This is the third issue of the Yearbook, which is prepared by the Statistical Office of the United Nations, in co-operation with national statistical offices and specialized agencies of the United Nations. With minor extensions all the tables in the previous issue are maintained. A good many have been enlarged to cover more countries or more detail. There is a new chapter presenting consumption figures. Figures from nearly 250 countries and territories are listed in the 178 charts contained in the book. Tables are presented in French and English.

Demographic Yearbook, 1951. Statistical Office of the United Nations, Department of Economic Affairs, New York, 1951. Pp. 617, 68s. 9d. (Aust.), cloth bound.

This, the third issue of the Yearbook, contains more than 450 pages of statistical tables with special emphasis on mortality trends. These generally have been showing a decided downward trend in the last two decades. The statistical tables are grouped under seven major headings, namely: population, births, still-births, deaths, marriages and divorces, life tables and migration. Current and retrospective data on population, vital statistics and migration, for every country or geographical unit of the world for which such figures are available, will be found in the Yearbook.

There are three interesting chapters of text which cover thirty pages and deal with—

(i) recent mortality trends;

(ii) development of statistics of causes of deaths;

(iii) technical notes on the statistical tables presented.

Also included are seven maps which constitute a useful reference as to national boundaries.

World Economic Report, 1950-51. United Nations, Department of Economic Affairs, New York, April, 1952, Pp. ix, 140, 13s. 9d. (Aust.) 1952, Pp. ix, 140, 13s. 9d. (Aust.)

The *World Economic Report* is prepared annually by United Nations' economists to inform the Economic and Social Council of the United Nations of changing economic conditions and to aid the Council in its deliberations on types of international action required in the economic field. The latest report is sub-divided into two parts: Part I deals with major national economic changes such as trends in output, employment, wages and prices, while Part II is devoted to a discussion of the course of international trade and payments for 1950-51.

In Part I an analysis is made of the domestic situation in highly developed private enterprise economies, in centrally planned economies and in under-developed economies. The first months of 1950 were characterized by rising production levels in most countries though unemployment was a serious problem in some western European countries. This expansion was accompanied by a growth in the volume of international trade and a lessening in the dependence of several areas on an abnormal level of imports from the United States.

The outbreak of hostilities in Korea and the subsequent rearmament programmes embarked on by many nations gave rise to far-reaching effects on national economic conditions and international trade. A sharp rise in raw material prices took place in the second half of 1950, based largely on anticipatory and spectulatory buying in the face of expectations of widespread raw-material shortages in 1951. These shortages did not eventuate partly because raw material supplies were sufficient to allow a greater expansion of industrial output in 1951 than had taken place earlier, but mainly because rearmament did not proceed at the rates originally planned.

Increase in industrial production tended to slow down in the second half of 1951 or early in 1952 in mature private-enterprise economies. In most of these countries increased taxation, deterioration in the terms of trade or other factors led to relative declines of consumption while pockets of unemployment made their appearance in consumer goods industries. In the centrally-planned economies increases in industrial production in 1951 were generally in line with economic plans. The structure of production in these countries was changed considerably to cope wtih the deterioration in trade relations between East and West.

Under-developed economies made relatively small improvements in productivity partly because of difficulties experienced by some of their manufacturing industries—which had grown up during World War II—in competing with a growing volume of imports from industrial countries.

Industrialized countries as a group suffered a deterioration in their terms of trade of about ten per cent. between the first half of 1950 and the first half of 1951 as a result of the relatively more rapid rise of raw material prices. Some small improvement in the terms of trade occurred in the latter half of 1951. The raw material exporters made corresponding gains during this period. Both gains and losses were unevenly distributed depending on the relative importance of a few key materials in the economy's external trade. It is interesting to note that out of a group of fifteen widely differing countries listed, Australia's terms of trade deteriorated to the greatest extent between the first half of 1950 and the second half of 1951.

The report draws attention to the fact that recent years have tended to widen still further the production gap to be bridged by under-developed countries. Technical obstacles to expanded production in industrialized countries were rapidly overcome in 1951 and are of diminishing concern in 1952. Supplies of capital goods available for export should be at least as large in 1952 as in 1951 and could, of course, be very much increased by an easing in political tensions and a consequent reduction in armament expenditure. These developments, it is maintained, emphasize the need for some kind of international action to increase the flow of capital to under-developed countries.

Recent Economic Developments in the Middle East.

Pp. iv, 99. 9s. 6d. (Aust.)

Recent Economic Developments in Africa.

Pp. iv, 49. 4s. 9d. (Aust.)

Recent Changes in Production.

Pp. v, 120. 9s. 6d. (Aust.)

Supplements to **World Economic Report, 1950-51,** United Nations, Department of Economic Affairs, New York, April, 1952.

The report on *Recent Economic Developments in the Middle East* deals at length with petroleum production and the foreign trade of the area. In addition, the most important developments in the larger countries of the region are described in some detail. Most countries in the Middle East reduced their foreign trade deficits in 1950-51 as a result of impoved terms of trade and an expansion of trade with Germany and the U.S.S.R. Some inflationary pressure was felt in the region as a result of the improved balance of payments. This pressure was accentuated by local factors such as the very high levels of investment in Israel and Turkey, budgetary deficits in Iran and rapidly expanding oil royalties in other countries.

Slow progress was made in agricultural production, but industrial output increased at a more rapid rate. Nearly all countries in the region have benefited from technical assistance programmes of the United Nations and its specialized agencies, such as the Food and Agriculture Organization. Technical assistance was also given in many cases by the United States.

There are considerable differences in the rate of progress between the various Middle Eastern countries, but these may be lessened in the future by increasing revenues from oil which go mostly to the least-developed economies in the area.

The report on *Recent Economic Developments in Africa* describes the various forms of technical assistance recently given to Libya, Ethiopia, Liberia and Somaliland. In another chapter the progress of development plans in the Belgian, French, British and Portuguese Department Territories is discussed. Special attention is given to inter-governmental co-operation in Africa. Detailed tables on agricultural and mineral production and foreign trade, together with cost of living indexes for many African countries are also given.

Of the supplements reviewed here that dealing with *Recent Changes in Production* is probably of most interest to the Australian reader. The introductory chapter describes changes in industrial production, under four headings: United States, Western Europe, Eastern Europe and the U.S.S.R., and under-developed countries. This section is to a large extent a reiteration—with somewhat more detail—of material already presented in the *World Economic Report.* It should be possible to reduce such duplication.

The remaining chapters discuss world production trends for food, fuel, power and raw materials. The world harvest of food crops (excluding the U.S.S.R.) was three per cent. higher in 1950-51 than in the previous year, thus regaining the level of 1948-49. Meat production increased by five per cent. in 1950, while the fish catch rose by ten per cent. Nevertheless, food output per person did not reach pre-war levels, food crops being down five per cent. and meat output by seven per cent., while fish consumption per head had increased by one per cent. over the pre-war average.

Food output in the Soviet Union reached a new post-war high, but the populous areas of Asia continued to show deficencies in caloric intake per head. Since these countries did not provide effective demands for a large-scale expansion of imports, international markets were not materially affected by these shortages in supplies of many important foodstuffs.

As regards wool, the statistical position as seen by the authors looks none too hopeful for Australia:

> "Synthetics have supplanted cotton to a significant extent and are used increasingly for mixture with both wool and cotton. Consumption of wool has also been held down in recent years by increasing mixture with other fibres. In 1950 re-used wool, synthetic fibres, cotton, silk and hair combined, accounted for fully one-third of the total weight of the 'woollen' textile output of the major producing countries. In 1951 the consumption of wool declined sharply while the quantity of other fibres mixed with wool continued to increase, accounting for forty per cent. of the total weight of 'woollen' textiles . . . (During 1951) for the first time in post-war years, wool consumption was lower than production and stocks increased. Estimates for the crop year 1951-52 indicate a further expansion of production, while no rise in wool consumption is foreseen."

Sydney: A. H. Pettifer, Government Printer—1952