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BOOK REVIEWS

The Costs of Economic Growth, E. J. Mishan. London: Staples Press, 1967. Pp. xxi, 190. £stg.1 16s. 0d.

Economists are generally not given to scepticism about the relevance of their profession to the realities of everyday life, preferring to accept unquestioningly the framework of dogma they absorbed as undergraduates. One article of the creed to which they subscribe is a belief in the synonymy of "economic growth" and "increasing welfare of society". Dr Mishan sets out in this book to undermine some of the common justifications for economic policies directed relentlessly at raising Gross National Product at x per cent per annum.

A fundamental aspect of his thesis is the question of external diseconomies, those supposedly unmeasurable effects so frequently glossed over by economists and policy-makers alike. Mishan contends that in terms of social welfare the disamenities of technological progress have been vastly underrated. Primarily his arrows are directed at the desecration of the urban environment, the fumes, noise, ugliness, etc., which are a characteristic of modern civilisation.

Such a description might make this book sound like just another emotional tirade. But this is not so, for two reasons. Firstly, Mishan's argument is built on a solid scholarly platform; as a skilled orthodox economist he calls easily on the tools of economic analysis to support his heterodox arguments. Secondly, his treatment of externalities is couched in a system of more general policy observations; for example, since Dr Mishan belongs to that class of economists whose outlook on policy is framed more in terms of economic and social rationality than in terms of political expediency, he does not hesitate to recommend that the British Government should henceforward (a) use monetary rather than fiscal policy as the main weapon of domestic control; (b) be prepared to accept a higher level of unemployment in order to maintain price stability; and (c) adopt a floating exchange rate for sterling in order to free domestic policy from its present plight of being tied to the whims of foreign creditors and currency speculators.

The book falls into three parts. In Part I the scene is set. The author disposes of the myth that an affluent country like Britain has, in these days of "keeping up in the race", no alternative but to pursue a policy of rapid economic growth as the panacea for chronic economic ills. He suggests a shift in emphasis away from growth as a policy objective towards an improvement in the equitability of income distribution and, more importantly, towards a better allocation of national resources. He points to the distortions introduced by failure to account for social costs in any application of the principle of marginal cost pricing to national resource allocation.

This leads directly into Part II which covers the external diseconomies mentioned earlier. Several of the author's *bêtes noires* prowl through these pages: the motor car, the aeroplane, the destruction of natural beauty by the promotion of mass tourism. Perhaps the most important contribution of these chapters is the author's advocacy of an explicit legal recognition of amenity rights, i.e. the individual's rights to enjoy life in his own way undisturbed by others. A system of compensatory payments could be worked out whose operation would improve overall welfare; Mishan shows that such a system could have desirable distributive and allocative effects, too.

Part III deals with factors bearing on social welfare which are beyond the scope of formal analysis, but which are nonetheless important to the general thesis. It is shown that to increase the consumer's range of choice is by no means to increase his welfare; indeed his welfare may well be *reduced* because of costs of advertising, of built-in obsolescence, etc., which accompany the proliferation of wares available to him. Necessarily the style in this Part becomes more discursive and personal, but this is not to deny the validity of the arguments made.

Because the subject matter of this book impinges so directly on the facts of day-to-day life, Mishan has adopted a level of exposition within the scope, for the most part, of the intelligent layman. But the professional economist and the student, too, should be fascinated by this book, not only because they might find some of its views to be unconventional, but also because it provides an object lesson in the presentation of verbal economic reasoning with a remarkable elegance of style. Indeed, there are few works in the current economic literature which are such a delight to read. Examples abound, varying from the quaint (such as the weeding machine whose particular external effect is to blow the weeds into neighbouring gardens) to the wickedly satirical (such as the splendid fantasy of an economy based on pistol production, used to draw some morals about the motor car).

Of course few readers will agree with everything in *The Costs of Economic Growth*. Possibly the most serious shortcoming in many eyes would be the lack of discussion about the *benefits* of technological progress. True, the author confesses frankly that he is presenting a biased view, so perhaps considerations of the other side of the coin would be inappropriate. Nevertheless such considerations would temper the strength of some of Dr Mishan's conclusions, particularly those about the evils of the automobile. The degree to which he advocates the use of import controls might fall harshly on some ears, not the least being those of the British politicians whose welfare would be markedly reduced if they were deprived of their French cognac, Dutch cigars, etc. Also Mishan's diatribe in favour of censorship (or, more accurately, against the anti-censors) strikes a discordant note in a work notable overall for its breadth of social vision.

But these are minor cavils. *In toto* the book must be judged an important contribution. To return to the opening paragraph above, it is the book's challenge to the orthodox doctrines of economics which is, in this reviewer's opinion, its strongest recommendation.

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The Economics of Irrigation, Colin Clark. Oxford: Pergamon Press, 1967. Pp. ix, 116. £stg. 15s. 0d.

Clark has addressed this book "to all those who may have any responsibility for spending money on irrigation." But there are many factors necessary for a consideration of the economics of irrigation which have been ignored. For example, there is no clear indication of how irrigation schemes are planned. The question of the flow of benefits over time and the discount rate, on which Clark has definite ideas, is not discussed. Also there is only a passing reference to the problem of the economics of crop production under different water regimes.

In the chapter on plant water requirements, Clark champions the Penman formula for estimating plant water requirements over the concept of each crop having its own water requirements. Some irrigation scientists would challenge this conclusion. Recent research has shown that, particularly in dry climates, the Penman formula requires modification, and that there is justification for the view that crop water use is a function of crop type.

Clark is critical of the advocates of irrigation who use the "secondary economic benefit" argument to justify irrigation schemes for which the direct costs exceed the expected direct economic returns. Clark says that "this argument may have had some validity in the 1930s", but "its use today reveals a grave intellectual time-lag".

The major part of this book is, however, devoted to the presentation of facts and figures which have been collected from a variety of sources and from most parts of the world. The data cover a fairly wide field, including plant water requirements, costs of and returns to irrigation, water resources, water charges and desalination. While many of these facts and figures are interesting, one must pay particular attention to the terminology used for expressing economic values if an attempt is made to draw conclusions.

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Australia, Britain and the E.E.C., 1961 to 1963, H. G. Gelber. Oxford University Press, 1966. Pp. xii, 296. \$A9.50, £stg.3 5s. 0d.

A recent catalogue from The Economists' Bookshop in London gives a "select" list of books about the European Economic Community which contains no less than 91 titles. The standards contained in this avalanche of literature range from ephemeral journalism up to esoteric academic analysis. But one thing many have in common is that the rapid shifts of events in the Common Market tend to be even more important in dating books before they reach public notice than are normal delays like production holdups and the tardiness of reviewers.

Clearly such rapid obsolescence militates strongly against any books (and there have been many) which are speculative, designed for an immediate trend-conscious readership, forecasting what is around the next political, economic, or cultural corner. This is not the case with the volume under review, despite the fact that it deals with Britain's 1962 application to join the Common Market and is being read at a time when her second application, made five years later, has already met a fate similar to that of the first. Dr Gelber's work is one of contemporary economic and political history; apart from pointing out some lessons to be gained from the whole episode, he keeps firmly within the area of description and analysis of events. Hence whatever the future holds for Australia, Britain, and the E.E.C., either separately or in any combination, this book will remain a useful collation and interpretation of happenings up to 1963.

The first three chapters summarise concisely the immediate background in the Common Market, in Britain and in Australia. Gelber then traces through the parallel sequences of events in Brussels, London, and Canberra over the period of British negotiation. These chapters are adequately supplemented with explanatory material such as accounts of the Common Agricultural Policy of the E.E.C., the lines of political influence in Australia, the electoral position of the British Government, etc. The culmination comes with the deterioration of the talks towards the end of 1962, and finally with President de Gaulle's press conference in January 1963, which made his position plain and led to a speedy shutdown of the negotiations. Australia's reaction to these proceedings is treated in the penultimate chapter, and lastly some conclusions are drawn with particular reference to Australia's evolving position in the world.

This book lays special claim on the attention of Australian readers through its informed and impartial account of events in this country. As Gelber points out, the administration was as unsure of its position in the early stages as the majority of the public was indifferent. At the end, the Government, and to a lesser extent the people, had reached a more realistic appreciation of the true facts of international life. Gelber hopes, in his last sentence, that "when Britain renews her attempts to join . . ., Australia

will surely be more fully prepared". We know now that this hope has been upheld by events. In Australia it is now better understood that the diversification of the economy and the changing of partners in the trade barn-dance have made this country much less vulnerable to change in Britain's fortunes than was the case in 1962; indeed the British and Common Market negotiators have this time been concerned more about sterling and the British balance of payments than about Commonwealth trade.

Dr Gelber's argument is thorough and impressively documented; this book will be of considerable value to the serious student of international relations, of trade policy, or of political affairs generally. In addition the lay reader should find much of interest here, as the style is admirably direct and simple.

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