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BOOK REVIEWS

Economic Foundations of Political Power, Randall Bartlett. New York: Free Press, 1973. Pp. xiii, 206. \$8.95.

This book argues forcefully, that many economists have for a long time been asking the wrong questions. Bartlett is interested in analysing the real world and the connections between economic and political power. He shows (yet again) how the concepts of perfect competition and its variants fail so lamentably to describe the real world. By tracing the recent contributions of Arrow, Musgrave, Buchanan, Tulloch, Downs and others, Bartlett shows how the competitive model of economics must be radically altered to yield a model of the economic system which even remotely resembles reality.

Bartlett's proposed model of economic behaviour to adequately describe the real world focuses on four groups—producers, consumers, government and bureaucrats—pursuing four types of behaviour—profit, utility, vote and security maximization, respectively. All actors in each group are assumed to rationally pursue self-interest in a world of uncertainty. The thesis of the book is that this simple model can be very powerful in qualitatively describing decision-making and, more importantly, the consequences of decision-making in the real world. As illustrations of its power, the model is used to analyse government purchasing activities, tax behaviour, forms of non-voting influence, and the long-run structure of society.

The conclusions to each section of analysis are revealing. Concerning government purchasing decisions, Bartlett concludes that while there are barriers to economic efficiency without government, the introduction of collective action means that Pareto optimality is unattainable in an economic system where government operates, and further, that Pareto optimality loses its meaning where government operates. For those spared the rigours of modern, elegant, welfare economics his conclusion may be restated thus: “. . . when we turn our self-interested, rational individuals loose in a world of uncertainty their behaviour will impart a degree of partial paralysis to Adam Smith's famed invisible hand’.

In assessing his model in the world of taxation, Bartlett begins by examining efficiency and ability to pay as principles of taxation. He finds both wanting, and after subjecting each of his four groups of actors to analysis, concludes that the principles of efficiency and ability to pay are matters of mere intellectual curiosity. “Taxes in reality, must be determined by the positive ‘ability-to-influence’ principle”.

The third area examined is the role that “influence” plays in the determination of government policies. This brief analysis supplements earlier discussions of the way in which particular actors of Bartlett's system affect the behaviour of other actors. His conclusions, which are

startling and discouraging, are that the outcome of decisions in the political realm will reflect the allocation of resources by the market economy—that is big economic units will have large political power.

Moreover, the more complex the society becomes and the more advanced technology increases the isolation of agents from information relevant to the decisions they must make, the greater will be the potential for influence and hence the greater the advantage enjoyed by these large agents.

Lastly, Bartlett examines future trends in terms of his behaviour model. His main concern is with ideology, and one of his conclusions is that the importance of ideology (free world *v.* communism; capitalism *v.* socialism) is to justify the currently-existing power structure of economic and political elites.

It may seem that the author has strayed far from traditional economics. If he has done so while retaining the interest of traditional economists, he would doubtless consider his time well-spent. It seems to this reviewer that what Bartlett says is at least as relevant to economics as an exhaustive and exhausting study of traditional “macro-” and “micro-” economic concepts. Furthermore, it is refreshing to find a thesis maintained with less than a dozen mathematical representations of ideas!

Two things irritate a little. The first is something not peculiar to this book and seems to have gained some professional acceptance, particularly in cost-benefit analyses of nuclear energy projects. If a cost schedule f relates the cost per unit of some variable in the presence of state X (e.g. no information on event A) and cost schedule g represents the cost per unit of the same variable where state X is changed (e.g. information is gained about A), an analytical technique has been developed which designates the minimum point of the cost schedule $h = (f + g)$ as the optimum production point. Since the same point can be found by marginal analysis, the roundabout method of curve summation has little to recommend it.

A second irritation is Bartlett's delineation of his area of study as “positive” economics. He obediently follows the Friedman-Keynes line that “Positive economics is in principle independent of any particular ethical position or normative judgements”. Since “positive” here clearly means “indicative”, it is simple to show that at least some apparently indicative statements are *not* ethically neutral. For example, “John is good” is clearly indicative, but obviously not ethically neutral. What writers of the Friedman-Keynes-Bartlett school regrettably have not yet shown satisfactorily, is that all indicative (positive) statements in *economics* are ethically neutral.

These minor irritations are superfluous to the thesis developed in *Economic Foundations of Political Power*. Bartlett's concern is only with economics and power structures outside ivory towers. For practitioners, dilettantes and students labouring in formal economics courses, this book provides invaluable insights into a theory of economics which can both describe and analyse the *real* world.

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Linear Programming Applications to Agriculture, Raymond R. Beneke and Ronald Winterboer. Ames, Iowa: Iowa State University Press, 1973. Pp. viii, 244. U.S. \$9.95.

The use of journal articles is at present the major source of information on matrix construction and applications of linear programming techniques relevant to agriculture. This, however, can cause problems for the newcomer to L.P. due to poorly conceived models and misinterpreted analyses encountered in some reported work. This book by Beneke and Winterboer, based on 6 years of experimenting with various methods of teaching farm planning, provides a useful introduction to the practical application of L.P. to agriculture and will also assist the beginner to make more effective use of reported L.P. studies.

The emphasis throughout is to give the reader a working knowledge of L.P. without exploring all the theoretical ramifications. Apart from an introductory chapter on the advantages and limitations of L.P., a short chapter on simplex solution, and an appendix on matrix algebra, the book is entirely concerned with practical applications of the technique to agricultural situations.

A chapter on matrix construction, in which twenty-six partial models are used as examples, is extremely well handled. The authors adopt the procedure of first explaining the ideas they wish to raise, then constructing a partial model as illustration, and finally presenting a point form discussion of the important aspects of the model.

Five chapters deal with the various procedures of processing L.P. models. An extensive discussion is given in these chapters on the preparation of a card deck specifically for an IBM 360 installation. This complicates the text and distracts from an otherwise good outline of such procedures as bounding, multiple C rows and B columns, ranging parametric routines, and revise modifications. These chapters would have been improved by the presentation used in the chapter on matrix construction, with the detail of card deck preparation being left to an appendix.

The treatment of specific programming problems in the remaining five chapters could have been developed further to expand the scope of the book. This applies particularly to the chapters dealing with capital restraints, simulating from programming models, and partial optimization. Also, an omission which proved the most disappointing feature of the book, was the lack of any references to reported studies for examples of the ideas expounded.

In general, this book provides a good basic grounding in, and appreciation of the range of applications of L.P. to problems in agriculture. With more detailed discussion of specific programming problems and references for further reading the book could have been more useful as a basic reference for the more advanced student.

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The Value of Agricultural Land, Colin Clark. Oxford: Pergamon Press, 1973. Pp. viii, 117. \$9.90.

Economists hold that a factor of production has value because it can earn a reward for its possessor. Clark is interested in demonstrating that the value of agricultural land is directly related to the rent earned by such land. He collects evidence from many areas over a long-time period to substantiate this thesis. The wide ranging scope of his data collection shows the depth of practical scholarship, sadly lacking in much modern economics. However, Clark encounters some problems in attempting to use this data to substantiate his thesis.

Part of Clark's problem is his preface. Here he states that the value of land is determined solely by its economic rent, and that other factors, for example political changes in the form of land ownership, "will not (other circumstances remaining the same) alter the value of agricultural land" (p. vii). However, the *ceteris paribus* is patently superfluous, since a change of legal ownership, for example, at least implies a change in the ownership of the rents of the land, and a change in the privileges concomitant with that ownership. Hence Clark's difficulty in explaining the difference in rents and land prices between Scotland, England, and Wales—"these differences appear to arise largely out of differences in Scots law and custom" (p. 94)—is only a difficulty because he has defined land value solely in terms of economic rent. Consequently most of Clark's analysis ignores the "non-economic" components of land value (which, curiously, he does draw out in his article concerning the value of urban land in the *Catholic Weekly* 9th May, 1974). Indeed it is ironic that he basically ignores the non-rent component of land value, given his approving reference of a nineteenth century investigation of land value which states in part "The rent is not the full measure of the benefits of land holding" (p. 96). The preface therefore places the author in the unenviable position of attempting to empirically establish a thesis which he has made *a priori* indefensible.

The analytic section of the book begins with a discussion of the value of factors of production. Clark distinguishes between the economic rent of land as a residual, and land values as determined by the value of the marginal product of land. In opting for the latter, Clark fails to draw out, or even mention, the serious objections that have been levelled at the marginal productivity theory of value. This is most serious, since his principal chapters, "Land values from production functions" and "Land values from programming", depend on the marginal productivity theory. In this connection, it is worth noting the author's serious misinterpretation of the marginal theory. In places, Clark argues for the obligatory "should"—e.g. the value of land *should* depend on its marginal product (p. 14)—whereas the marginal theory of value is couched in indicative terms—given constant returns to scale, if payments to factors are made according to their marginal products, total product is *as a matter of fact* exhausted.

In attempting to demonstrate the principle that land value derives from rent, Clark is forced on occasions to rely on unscientific methods to

prove his thesis. For example, in the discussions concerning the relation between rural population densities and the price of land (pp. 15–19) Clark omits to explain his data (figures 1–5) statistically, nor does he attempt to use other factors—e.g. land quality, or non-agricultural, non-material production—to explain obvious deviations from the population density—land price relationship he is seeking to establish.

While Clark's compendium of data relating land values to the marginal product of land is invaluable, his analyses in later chapters of this book do serious injustice to his data. His chapters "Actual agricultural rents" and "Actual land prices" are little more than a noting of peculiarities of his data and cannot be seen as adequate explanations.

Two problems of presentation add to the reader's difficulties. The first of these concerns the basic text. For example there is a widespread but inconsistent use of jargon—if the book was aimed at non-economists, why the economics jargon?—if it was written for the profession, why the obscure explanation of simple facts such as the form of the Cobb-Douglas production function? Additionally there is a failure to include appropriate standard errors with regressions; the use of a multiplicity of algebraic forms for similar Cobb-Douglas production functions; an irritating aside to the author's acquaintances with Cobb and Douglas, and; a rather obscure (and I am assured, unhistorical) reason for Gladstone's winning the 1880 election in the U.K.—none of which assists in the reading of the text.

Added to these textual problems are some problems of formal logic. One such error is the assertion on page 1 that the supply of land is "virtually fixed" while conceding much later (p. 96) that an increased supply of land in the U.K. in the 1880's contributed to a fall in land prices. (Indeed, one could add that Clark fails to see that an absolutely fixed *stock* of land is not necessarily incompatible with an upward sloping supply *schedule* for land). A more serious formal error is that Clark uses his data to suggest that an increasing population density on agricultural land raises the marginal product of the land and thus increases rents, whilst simultaneously maintaining the reverse implication that the level of rents is good circumstantial evidence of a particular level of population density (p. 86). A second similar formal error is that, having suggested that the sole determinant of land price is the rent that land owners can appropriate, Clark is sometimes forced into relying on unusual social or political advantages (p. 103) to explain anomalies in his data.

This book provides a valuable source of data for the economic historian in the field of land prices and agricultural rents. It cannot be seen however, as establishing Clark's thesis that the value of agricultural land is determined solely by its economic rent.

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