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## BOOK REVIEWS

**Principles of Economics: Micro and Principles of Economics: Macro**, “twin” volumes by W. L. Peterson. Homewood, Illinois: Irwin, 1971. Pp. 256 and 257 respectively. Both \$U.S.3.75.

The author very clearly establishes the basis for these twin texts in the preface to each by a quotation from A. N. Whitehead’s *The Aims of Education and Other Essays*—“The really useful training yields a comprehension of a few general principles with a thorough grounding in the way they apply to a variety of concrete details. In subsequent practice the men will have forgotten your particular details; but they will remember by an unconscious common sense how to apply principles to immediate circumstances”.

Dr Peterson has prepared these texts with three main objectives in mind for the student reader—to help him improve his understanding of how a market economy operates, acquire an understanding of the major tools or principles that have proved useful in making economic decisions or solving economic problems, and finally, acquire a skill in using these tools or principles to conduct economic analysis.

There can be no question that Dr Peterson has paid homage to Whitehead’s philosophy and also accomplished his objectives in good measure.

Incorrect spelling of “affects” on page 1 of the micro text and other subsequent grammatical constructions, characteristically North American in the main, may arouse adverse comment for use by secondary school or junior students in Australia, but this would not negate the author’s objectives and philosophy, or the value of the texts as a primer in economics.

Dr Peterson effectively consolidates his teachings by a “Summary of Main Points” and “Questions for Thought and Discussion” at the end of each chapter.

As economics texts these two books are basic in their approach, effective in fulfilling the author’s objectives and philosophy and the requirements of students commencing a study of economics. They are also very readable, and would be useful as an inexpensive introductory “crash course” in the subject.

KENNETH W. RHODES

*Hawkesbury Agricultural College, Richmond*

**Readings in the Economics of Agriculture**, Karl A. Fox and D. Gale Johnson (editors). Homewood, Illinois: Irwin, 1969. Pp. xxiv, 517. \$U.S.9.50.

This book is volume XIII in the *Series of Republished Articles on Economics* sponsored by the American Economic Association. It comprises twenty-seven contributions by twenty-eight authors and forms an appropriate memorial to the deeds of erstwhile colleagues (particularly Henry C. Taylor, to whom the book is dedicated). The policy of the selection committee meant that only contributions to the literature between 1945 and 1966 were considered. Moreover, limitations imposed on total length excluded worthwhile technical bulletins and, of course, books. It is equally obvious that by no means all of the outstanding articles could have been included.

Besides their selection of material, Professors Fox and Johnson have performed two additional and useful functions. First, they have sketched the history of the agricultural economics profession since the early days, paying particular attention to the areas of economics research where the work of agricultural economists has been of a pioneering nature. This historical sketch, though it concentrates exclusively on the United States, is useful background reading for all concerned with the economics of agriculture. Second, they have provided readers with a broad selection of references primarily published prior to 1945—that is, outside the scope of the present collection of readings.

Specific chapters do not lend themselves readily to critical analysis in a review of this nature as they were published in their original form a number of years ago. However, as the merit of the volume lies in the contributions of the individual authors, it is worth indicating just what is included. Part 1 is “Some Special Characteristics of Agriculture” and contains “The Machine Process in Agriculture and Industry” (Brewster) and “The Three Economies of Agriculture” (Breimyer).

Part 2: “Econometric Analysis of Demand and Supply”: “Factors Affecting Farm Income, Farm Prices and Food Consumption” (Fox); “Estimates of the Elasticities of Supply of Selected Agricultural Commodities” (Nerlove); “Farm Supply Response in India-Pakistan” (Krishna); “Cobweb Models” (Waugh); “Recursive Programming and Supply Prediction” (Day).

Part 3: “Methodology in the Marketing and Farm Supply Sectors”: “The Minimum-Cost Dairy Feed” (Waugh); “Economic Aspects of Broiler Production Density” (Henry and Seagraves); “Estimating Assembly Cost Functions” (French); “Co-operative Enterprise as a Structural Dimension of Farm Markets” (Helmberger).

Part 4: “Methodology in Production Economics”: “Elementary Models in Farm Production Economics Research” (Heady); “Stress on Production Economics” (Glenn Johnson); “Hybrid Corn: an Exploration in the Economics of Technological Change” (Griliches).

Part 5: "Aggregate Analysis of Production and Supply": "The Nature of the Supply Function for Agricultural Products" (Gale Johnson); "Reflections on Agricultural Production; Output and Supply" (Schultz); "Optimum Resource Allocation in U.S. Agriculture" (Tyner and Tweeten).

Part 6: "Economic Development": "Effects of Increased Productivity Upon the Ratio of Urban to Rural Population" (Simon); "Reflections on Poverty Within Agriculture" (Schultz); "The Impact of Urban-Industrial Development on Agriculture" (Ruttan); "The Role of Agricultural Surplus as a Factor in Economic Development" (Nicholls).

Part 7: "Agricultural Policy": "The Bureau of Agricultural Economics Under Fire" (Hardin); "Agricultural Policy and Farmers Freedom: a Suggested Framework" (Hathaway); "Economic Preconceptions and the Farm Policy" (Galbraith); "Some Observations of an Ex-Economic Advisor: or What I Learnt in Washington" (Cochrane); "The Decline of the Agricultural Establishment" (Bonnen).

The Chapters were drawn from a number of sources, principally the *Journal of Farm Economics* (sixteen of the twenty-seven). The *Australian Journal of Agricultural Economics* was also favourably considered, via Professor Glenn Johnson's commissioned article commemorating ten years of *The Economics of Agricultural Production and Resource Use* (Earl Heady).

Reviewers of "Volumes of Readings" can resort to literary elegance fairly easily to belittle their subject from one of a number of possible viewpoints—doubtful inclusions, blatant omissions, overall justification of the book—to name a few, but such claims are often themselves questionable. This reviewer is quite happy to place *Readings in the Economics of Agriculture* on his shelves, and can recommend other economists who have more than a passing interest in agriculture to do the same.

DAVID B. TREBECK

*Department of Agriculture, Sydney*

**Systems Simulation for Regional Analysis. An Application to River-Basin Planning.** H. R. Hamilton, *et. al.* Cambridge, Massachusetts: M.I.T. Press, 1968. Pp. xii, 407. \$15.

The central theme of this book is that simulation procedures have a greater role to play in regional analysis than they have to date. The authors set out to explore how systems simulation may be applied to regional analysis and they illustrate their discussion with examples drawn from their research in the Susquehanna River Basin.

#### BOOK REVIEWS

The exploration of regional model simulation provides the reader with brief surveys of the main subject areas involved. Firstly, the role of mathematical models in the social sciences is reviewed briefly and some of the problems faced in the formulation of mathematical models in economic research are discussed. Then follows a discussion of the interrelationship between regional analysis and river basin planning. An indication of the state of the arts in regional analysis is given by a concise discussion of six previously constructed models. Finally, the reader is given the opportunity to sample the philosophy and methodology of the simulation approach to research.

The Susquehanna River Basin, the region used to illustrate the simulation procedures was divided into eight subregional models designed to minimize their economic interdependence. Three sectors representing the important classes of variables in the model are the components of the subregional models. These sectors are the demographic sector, the employment sector, and the water or technical sector. The demographic and employment sectors are bound together within each subregional model but, between subregional models, they are independent. The water sector provides the thread which ties the eight subregional models together. These sectoral models are introduced independently and gradually built up from simple models, thus making the reader's task a relatively easy one.

An important component of research which draws on the expertise of a variety of disciplines is the management of such research projects. This is an area which has tended to be ignored. The authors in an appendix present some ideas and discuss some problems associated with the management of multidisciplinary research projects.

The authors have certainly achieved the goal they set themselves in the preparation of this book, that is, to demonstrate how systems simulation can be applied in a useful way in regional research. The book is well-suited as a starting point for researchers wanting to utilize the systems simulation approach.

D. R. GALLAGHER

*Wollongong University College*

**The Economics of the Common Market**, D. Swann. Penguin Modern Economics Texts, Penguin Books, 1970. Pp. 200. \$1.35.

This monograph is part of the series "Penguin Modern Economics" published by Penguin Education, and is edited by B. S. McCormick, Senior Lecturer in Economics, University of Sheffield.

Swann picks up the underlying concept of the Common Market, that of supranationality, and threads it as the dominant theme of his book. He realistically accepts and continually stresses the inextricable nature

of the economic and political aspects involved, and it is this refreshing quality which gives Swann's treatment of a complex subject its individuality. It is an approach which is unfortunately often neglected by economists writing on the subject who find it more convenient to treat these aspects independently or to ignore the political with the rationale of professional disdain.

The issues one would expect discussed—movement of trade, movement of factors of production and common policies—are dealt with clearly and succinctly and this gives confidence in editorial claims for Swann's depth of knowledge and competent understanding of the many factors involved. The less conspicuous and more complex, but equally important, regional and social policy issues, are also clarified. It is interesting to learn here that anomalies in state-regional aid as administered to the depressed sectors of some economies in the community are presenting similar difficulties, and embarrassments, to those being experienced in Australia.

Swann discusses macro-economic, medium-term and industrial policies. The basic tenet is that economic integration implies increased interdependence and sensitivity and that this can only be achieved by a co-ordination of laws and rules with which member-states control their activities. He concludes his discourse in an interesting chapter ranging over the potentialities of and for association and membership, Common Market pros and cons, and the existing alternatives for Britain.

The structure of the book follows a logical sequence, it reads easily and has a minimum of digression. It makes an excellent addendum to the few good contemporary works on the subject.

R. J. BURGMAN

*Department of Agriculture, Sydney*

**Marketing and Economic Development: Readings in Agribusiness Research**, C. J. Miller (editor). Lincoln: University of Nebraska Press, 1967. Pp. xi, 422. \$U.S.3.25 (paper), \$U.S.7.95 (cloth).

This anthology of twenty-two papers explores the role of marketing in the development of foreign economies, as well as its changing role in the economy of the United States. Although most of the examples are concerned with food and fibre products, the implications of the conclusions made are not limited to these products. The papers selected are of a generally fair standard, with an emphasis on the topics of pricing, demand and supply, firm location, managerial decision theory, research and foreign economic development. With one exception the papers included have previously been published, nine of them in the *Journal of Farm Economics*. The book itself is aimed at the usual gamut of those possibly interested—student, inquiring layman, administrator and researcher. It achieves this aim by dint of its wide scope.

The papers have been arranged into a grouping as follows:

- (1) Foreign marketing and economic development.  
The papers contained in this section discuss the importance of improvements in the marketing system which aid general economic development, the relation of marketing to economic growth, and the foreign distribution of export products by domestic firms.
- (2) Market power and prices.  
There are three main concepts explained in this section: *market power*—the strength that a firm or an industry has inherently because of the market structure that prevails; *bargaining*—the possibility that a group can through certain procedures and strategy obtain a larger market share (of the final price paid by consumers) than it had previously; and *prices*—how they are formed and how they behave.
- (3) Transport and plant location.  
The area of transportation and plant location have a long history in agricultural economics literature. Recent techniques of computation have enabled researchers to take a new look at the possibilities of approximating reality with spatial models and transportation matrices. Papers representing both the earlier and later models are included. The economic implications of rates and the physical aspects of transportation are also treated.
- (4) Demand, supply and consumption.  
The interests of researchers are divided into two categories; on one side, an interest in grouped data, usually of a positivistic nature, which has resulted in studies of demand or supply or both, and on the other side, the approach from the viewpoint of the individual consumer, which has resulted in insights into changes in demand. Both approaches are illustrated.
- (5) Firm decision-making and competition.  
This section covers two main topics: decisionmaking by the firm under a multitude of real or simulated conditions, including various competitive situations; and firm competition, including firm theory, but not the method by which management makes its decisions.
- (6) Market research.  
The selections here are concerned primarily with the various approaches which are useful when the broad field of marketing research is considered.

R. J. BURGMAN

*Department of Agriculture, Sydney*

**Financing the Small States in Australian Federalism**, R. J. May. Melbourne: Oxford University Press, 1971. Pp. xiii, 235. \$9.75.

Political federation has many far-reaching effects, not the least being a redistribution of revenues between the parties comprising the new federation. The financial problems that developed in Australia after 1901 led to some dramatic and at times heated discussions between the States (especially the less wealthy States) and the Commonwealth. Many and varied were the proposals made by the States in their demands for new financial arrangements.

These matters are well covered by Dr May, and his book should be welcomed by those interested in Australian history since 1901, particularly the financial aspects of Federal-State relationships in this country.

The book's main concern is with the special financial grants paid by the Commonwealth Government to the less wealthy "claimant" States (Tasmania, Western Australia, and South Australia) since federation. As well the study points up the inevitable but understandable conflict of interests that has arisen over the distribution of financial resources between all parties in such a federation. It explains the *ad hoc* bargaining for financial aid in the three decades prior to the establishment in 1933 of the Commonwealth Grants Commission and examines the way in which the grants have been distributed through the agency of the Commission since then.

The book covers the period up to the end of the 1960's and concludes with a discussion of the decline in the special grants which has taken place as a result of the improving viability of the claimant States in recent years, and the increase in other types of revenue transfers to the States, including the use of special purpose grants.

The continuing dissensions between the Commonwealth and the States, especially over the former's dominance in sources of revenue and the weaknesses becoming apparent in the present financial arrangements, are considered by many to be of much the same type as those which in 1933 the Commission was created to overcome. Dr May indicates the relevance of the suggestion repeated in recent years that the scope of the Grant Commission's work be expanded to include recommendations on the allocation of a large part of Commonwealth payments to States. Though naturally the proposal has not been accepted by the Commonwealth, Dr May appears convinced that it could exercise a useful influence from the viewpoints both of resource allocation and political harmony.

The three appendices cover the main financial provisions of the Australian Constitution, the principles and methods used by the Commission to determine its recommendations to the Commonwealth Government, and finally, some relevant statistics which provide a background to the study. There is also an extensive bibliography and an index.



This book, which developed from a thesis undertaken by the author in the Sydney University's Department of Government, is a welcome addition to the documentation of federal financial relationships in Australia.

B. K. COMPTON

*Department of Agriculture, Sydney*

**Rural Industrialization: The Impact of Industrialization on Two Rural Communities in Western Ireland**, Denis I. F. Lucey and Donald R. Kaldor. London: Chapman, 1969. Pp. 208. £U.K. 1.75p.

With the current interest in the decentralization of secondary industries within Australia, this description *in minutia*, of the impact of industrialization on two small and distinct rural communities (Scarriff and Tubbercurry) in Western Ireland, provides the reader with an insight into another communities' experiences in this field. The approach to, and depth of planning necessary in this sphere of research is specified, unfortunately however, the results of this aspect have not been pursued into the final analysis.

Lucey and Kaldor provide a comprehensive description of the areas, the new plants, the work force and the attitudes of the participants. It is essentially a verbal picture of two areas, with a running commentary on the developments or changes that eventuate with the advent of a single factory in the respective communities. While this information may have little direct relevance to the Australian reader, the depth and method of approach will be quite interesting. To the casual reader, the tedious detail and endless statistics will be a source of annoyance.

The book has a surprising lack of any real economic analysis or interpretation of direct and indirect economic parameters. The authors tend to dwell upon the personal aspects and social implications of rural industrialization, ignoring any benefit-cost analysis or evaluation of indirect multiplier effects. From an economist's point of view, the book provides a largely inconclusive study.

The information that proved most interesting was of a sociological nature. The farm operators who obtained employment at the factories reported an increase in farm output due largely to labour substitution on the farm. This shift was from labour-intensive to labour-extensive enterprises, from grain and root crops to an increased acreage under grassland, resulting in increased store cattle numbers. There were also strong farm investment affects (i.e. additional livestock, extra rented land) from an increased household income.

#### REVIEW OF MARKETING AND AGRICULTURAL ECONOMICS

The study demonstrated that in the two areas considered, industrialization had led to increases in employment, population and incomes. Industrialization had also led to the acceptance of non-farm employment by some farm people. The farm operators who obtained employment found that they could also successfully manage the family farm.

The study indicated that there were important employment selectivity factors at work which will be of interest to rural educationalists and to people fearing a "brain drain" in rural areas. Farm operators employed at the plants were more likely to be younger than average and were more likely to have had some post-primary education. This trend was common to both urban and farm sectors, where the plant required high levels of skill.

However, caution is required when viewing the results in this book, as they only indicate the magnitude and spatial incidence of the direct effects of *small-sized* industrial establishments located in predominantly rural areas. Hopefully this is not what decentralisation of industries will mean in Australia.

G. M. MOHR

*Department of Agriculture, Sydney*