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Book Reviews

Commodity Models for Forecasting and Policy Analysis, Walter C. Labys and Peter K. Pollack, Croom Helm Commodity Series, Croom Helm, Sydney, 1984. Pp.x + 209. £19.95 net in U.K. only.

This is the fourth volume in the Croom Helm Commodity Series, the overall aim of which is to "advance the understanding of issues relating to the production and marketing of primary commodities". The authors state that the purpose of this contribution to the series is to "provide an overview of the nature of the different types of commodity models as well as their diverse application". The book is written in non-technical language and is intended to be of interest to a wide audience in commodity-related areas and as a supplementary text in a variety of university courses. It is not designed to be a rigorous exposition of the subject.

The book contains six main chapters. Chapter 1, "Commodity Markets and Models", focuses on "the nature of commodity markets and the kinds of commodity analysis that can be performed with a modeling approach". The characteristics of commodity markets are considered including the definition of primary commodities, the geographic distribution of major commodity exporters and importers, the structure of the market for primary commodities, the relative instability of commodity prices and the influential role played by commodities in world trade and economic development. Traditional approaches to market analysis are discussed briefly, and the increased requirement for, and use of, commodity models is touched on. In this chapter there are some illuminating tables of the distribution of the dominant exporters and importers of the major primary commodities, and of the variability of primary commodity prices over the period 1950-1982. The terms of trade for primary commodities are also of interest. For an aggregate of 22 agricultural commodities, the price index (in base 1977-79=100) fell from over 150 in the early 1950s to a low of around 80 in the early 1980s.

Chapter 2, "Commodity Modeling Methodologies", "presents the basic theory and methods of constructing commodity models". A brief history of the evolution of

commodity modelling is given, followed by an overview of model types and modelling approaches. The major components of a commodity model (supply, demand, inventory, price) are examined, and the alternative methods of integrating the components and solving the resultant system are described, for example econometric, programming, input-output, and system dynamics models. A substantial reference list provides the interested reader with more detail on the theoretical background and relevant applications. This chapter summarizes material which has appeared in previous, more technical books by Labys, but in this form it provides a reasonable introduction to a lay audience of the processes and methods, if not the art, of modelling.

The short Chapter 3, "Validation of Commodity Models", is "concerned with the process of validating and judging the performance of commodity models". The validation problem is noted, a number of parametric and non-parametric techniques are defined, and the relevance of these criteria for the alternative methodologies is discussed.

Chapters 4 and 5 deal with applications of commodity models to particular problems. Chapter 4 is titled Policy Analysis and Forecasting but is primarily about forecasting with econometric commodity models. The various forecasting techniques are discussed and then a "desirable" approach to formal model forecasting is outlined. This includes the need to update and review data, models and forecasts; to spell out assumptions about exogenous variables and the degree of certainty associated with them; to continually assess the reliability of the forecasts provided; and to attempt to systematically "learn from past errors" in refining models and forecasts. This discussion should provide some good background reading for analysts getting into forecasting.

Chapter 5 deals entirely with "Market Stabilization Analysis". The theoretical literature is reviewed and empirical results are summarized. Finally, suggestions are made as to what an appropriate stabilization analysis should include. Most of the issues are well-covered and the chapter illustrates the complexities of policy analysis in general and

stabilization analysis in particular.

Chapter 6, "Future Model Developments and Applications", "examines new directions that commodity modeling can take". Possible improvements in the theoretical aspects of modelling are suggested for the areas of model specification, estimation, simulation and application. Under future developments in model application, the following receive attention: parameter updating; the inclusion of monetary, speculative and climatic factors; alternative market structures; endogenous political influences; and linking commodity models to the broader economic environment. Most of these suggestions have been around for some time now and the authors perhaps do not give enough credit to the advances that have been made.

Chapter 7, "Commodity Models Bibliography", is one of the bonuses of books by Labys. Here an attempt is made to compile a listing of models for some 80 commodities and a wide range of methodologies. The list runs to 37 pages, and should provide a starting point for anyone contemplating the construction and/or application of a commodity model.

The book achieves its stated objective reasonably well. For the non-technical reader it is a neat blend of the purpose, methods and uses of commodity modelling. Model users in particular should gain a better understanding of how models are built and tested, and how they can be applied to best advantage. For the seasoned modeller, the information is available in more complete form elsewhere.

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On the Land: a photographic history of farming in Australia, Paul Ashton with Kate Blackmore, Kangaroo Press, Sydney, 1987.

Ashton and Blackmore use over 330 contemporary photographs to illustrate "the historical process of agricultural industrialisation, a changing way of rural life and the interactions between the country and urban centres of power". They warn, however, that "Readers should be alert to the ideological and methodological problems of photographic usage . . ." The contexts in which photographs were taken include squatters choosing "to perpetuate their success and social standing

via the photograph"; "Guide books to the more polite parts of late Victorian and Edwardian society . . ."; "stoic pioneers . . . Panoramic views, shearing scenes, harvest times, recently occupied areas and new promising industries were also popularised . . ."; "Commercialisation [of photography] in particular fostered the construction of an image of country life which passed quickly into tradition" depicting an idealised rural society for picture postcards *inter alia*; and government propaganda to encourage immigration and modernise farming practices. Further, until materials developed so that action photography was possible, photographs were unavoidably "posed" (as is still much of the photography that adorns the modern print media).

When the photographs reproduced in *On the Land* are considered with the preceding warnings, they provide fascinating insights into the development of rural Australia. Each of the six chapters—Beginnings; Problems, Promoters and Prophets; Circulation (*i.e.* the movement of rural commodities); Irrigation; Settler, Soldier and Scientist; and Boom and Bust—commences with a short essay outlining the context of each theme. Some of the photographs have mini-essays as captions, highlighting a particular point. It would be pointless to emphasise particular photographs; each tells a story, particularly if the viewer considers the context in which the photograph was taken and its relationship to other photographs in the collection (*e.g.* using the journalist's "what, when, where, who, whose, why?").

Some criticisms are, however, inevitable. There is an irritating number of minor typos—sometimes important, such as the mislabelling of the Dethridge Meter (p. 117). There are also some important minor errors—an apparent mistranslation of "maize" for "corn" when the illustration is obviously of "wheat" (p. 19); two somewhat inconsistent stories of the introduction of camels into Australia (pp. 72, 152); a claim for the "eradication" of prickly pear (p. 168) when sufficient remains to maintain a precautionary cactoblastis population; an incorrect dating of the 1970s beef bust (1972 instead of 1974, p. 172); and reference to a basic wage of £6.9.0 per year in 1949, instead of per *week* (p. 178).

Three other more general criticisms may also be noted. Firstly, there are many instances

where the date and/or precise location of a photograph is not shown, probably because these details were not known. In some cases, however, such detail is crucial. For example, the farmyard scene with many implements (p. 14), a harvesting scene with at least eleven harvesting machines (p. 55), and land preparation in apparently very large paddocks with large machinery or large numbers of machines (pp. 150, 151, 153) were unlikely to have been typical, and more precise detail as to the context is highly desirable.

Secondly, references to non-Anglo-Saxon Australians are occasionally crass. The caption "Chinese market gardeners at Richmond, New South Wales, around 1890. The identity of the European on the left is unknown" (p. 50), and references to a gardener of Chinese origin as "This particular gentleman . . ." (p. 107), are unacceptable.

Thirdly, there is some unresolved ambivalence in the text. For example, the N.S.W. Government "continued to ponder the problems [of irrigation]" and maintained "a tradition of procrastination" over the first MIA scheme. Yet, in contrast to Victoria's helter-skelter rush into irrigation disasters, N.S.W.'s procrastination was clearly justified by the failure of the first MIA scheme (pp. 104-106). A further indication of the authors' ambivalence is suggested by the implied approval of the capitalist agriculturalist McCaughey, juxtaposed with the acknowledgement that one reason for the failure of the first MIA scheme was that "land purchased has been overpriced and of poorer quality than alternative adjacent land" (p. 106). Thirty per cent of the land in this first MIA scheme had been bought from McCaughey.

These criticisms detract only marginally, however, from the overall value of Ashton and Blackmore's work. *On the Land* is much more than a coffee table picture book. To the thinking economist it provides the opportunity for developing a new dimension of insights into how and why Australian agriculture changed in the century after 1850.

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