The Economic Journal, 105 (*September*), 1347–1369. © Royal Economic Society 1995. Published by Blackwell Publishers, 108 Cowley Road, Oxford OX4 1JF, UK and 238 Main Street, Cambridge, MA 02142, USA.

BOOK NOTES

The system of classification given below is derived from the one devised by the American Economic Association and used in the *Journal of Economic Literature* since March 1991. It will be appreciated that assigning some books to a single category is somewhat arbitrary.

A. General economics and teaching
B. Methodology and history of economic thought
C. Mathematical and quantitative methods
D. Microeconomics
E. Macroeconomics and monetary economics
F. International economics
G. Financial economics
H. Public economics
I. Health, education and welfare
J. Labour and demographic economics
K. Law and economics
L. Industrial organisation
M. Business administration and business economics; marketing; accounting
N. Economic history
O. Economic development
P. Economic systems
Q. Agricultural and natural resource economics
R. Urban, rural and regional economics
Z. Cultural economics

A. *General economics and teaching*

GLICK, (MARK A.), (Ed). Competition, Technology and Money: Classical and Post-Keynesian Perspectives. Aldershot and Brookfield, VT: Edward Elgar, 1994. Pp. xxii+256. £55.00 hardback. ISBN 1 85278 837 2.

This book arose out of a conference on 'A Comparison of Post Keynesian and Marxist Economic Theories' held in Utah in 1993. The aim of the conference, as Mark Glick highlights in the introduction to the volume, was to 'provide a general understanding of both the common ground and the differences between classical and post-Keynesian analysis' (p. xiv). The book is organised into 5 topic areas – competition, technological change, money and finance, macroeconomic modelling, and international perspectives. Glick points out that each approach has been thoroughly contrasted with neoclassical economics but there has been little effort to explore points of contact and disagreement between classical and post-Keynesian perspectives. The objective of promoting a dialogue and debate between two schools of thought united in their 'difference' from the orthodox neoclassical approach is to be welcomed. Needless to say, the most successful contributions to the volume are those which take the editor's brief seriously. Worthy of particular mention in this regard are the attempts by Malcolm Sawyer and Amitava Dutt to synthesise post-Keynesian and Marxian notions of competition, Robert Pollin's chapter on money, credit, and finance and David Gordon's comparison of post-Keynesian, Marxian, and social structuralist macroeconometric models of the post-war US economy. This book performs a useful function for economists of a heterodox persuasion by bringing together recent theoretical developments in the two approaches, thereby identifying the tensions and agreements both between and within the respective schools. JOHN HILLARD

ROUND (JEFFERY I.), (Ed). The European Economy in Perspective: Essays in Honour of Edward Nevin. Cardiff: University of Wales Press, 1994. Pp. xii+348. £35.00 hardback. ISBN 0 7083 1240 3.

This is a collection of essays which tries to reflect the main elements of Nevin's (broad) interests. Consequently, much of it is devoted to European Union matters but with rather more than a nod to Welsh affairs. The book really lacks a unifying theme except in a very broad sense. Nevertheless, it remains a useful collection of essays on various aspects of European integration and, though clearly not intended as a text, it will make useful additional reading for students on final year and postgraduate courses. Indeed, the range of the contributions is such that a number of chapters might well plug some awkward gaps on reading lists. For example, the following areas are included: a critical analysis of the Walters critique of monetary union, two chapters on regional aspects of Europe – one looking at the problems, the other at UK and EU policies (with some reference to Wales), two chapters on agriculture from less usual perspectives (macroeconomic and Welsh), a succinct study of the operations of the European Investment Bank, and a critique of the minimalist free market approach to European integration. There is more – essays on consumer credit in Europe, the EU's common transport policy, labour market flexibility, and VERs – and incongruous contributions are kept to a minimum. All in all this is a useful and instructive collection of essays. JOHN REDMOND

SJOSTRAND (SVEN-ERIK), (Ed). Institutional Change: Theory and Empirical Findings. Armonk, New York and London: M. E. Sharpe, 1993. Pp. xi+428. US $64.95 hardback. ISBN 1 56324 080 7.

This book, as it is claimed in the title, attempts to provide theoretical and empirical contributions to the study of institutional change. In terms of its theoretical contribution, the book does not really live up to its promise. Its theoretical chapters are more on institutional 'typology' than on institutional 'change', except the chapter by North (which unfortunately is too sketchy to underpin a volume of this size and coverage), and have rather few links with the empirical chapters. In contrast, many of the empirical chapters make some very interesting contributions. They explore the interaction between institutions, policy, and national economic performance, and some of them do this really well. These are particularly welcome, as the empirical application of recent theoretical developments in institutional economics has been, for understandable reasons, excessively concentrated on corporate governance and inter-corporate relationships, to the neglect of issues pertaining to the national economy. The empirical chapters also bring out one very important issue that has hitherto been ignored by most economists, namely, the institutional diversity across the advanced capitalist countries – or what the editor calls, in the concluding chapter, the 'many faces of capitalism'. This, in my opinion, is the most important contribution of the volume, and this should be further developed in future studies. All these important contributions, nevertheless, fail fully to compensate for the lack of coherence, which is the most disappointing feature of the volume. This is inevitable to an extent in a conference volume of this size and coverage, but it is also because there is no unifying theoretical framework that can bind the contributions to the volume together. Despite this problem, however, this is on the whole an interesting book which deserves attention.

HA-JOON CHANG

TSURU (SHIGETO). Economic Theory and Capitalist Society: The Selected Essays of Shigeto Tsuru, Volume I. Aldershot and Brookfield, VT: Edward Elgar, 1994. Pp. xxxi+390. £49.95 hardback. ISBN 1 85898 022 4.

This volume is the first of a two-volume edition of Tsuru's economic writings, which is appearing in Edward Elgar's series *Economists of the Twentieth Century*. It is divided into 5 parts each dealing with a specialist subject such as development, Marxian, and environmental economics. These parts are preceded by a long foreword by Tsuru himself, detailing significant events in his long life and outstanding career. Tsuru is unique among Japanese economists. His career as an economist spans 60 years and his work shows both breadth and depth. He moves easily and confidently from pure to applied and empirical economics and between some of the major economic traditions of this century, such as Keynesian and Marxian economics. In this volume alone significant aspects of Keynesian, Marxian, and institutionalist economics are covered. It also contains contributions to development theory, environmental economics, and the history of economic thought. His work on the environment (he is a leading founder of the environmental movement in Japan), particularly one concerning North–South perspectives on the environment, is striking in the light of recent controversies on environment and development. His work on Marxian economics includes an early essay concerning the significance of 'the fetishism of commodities' for Marx's analysis of capitalist economy, that represents a highly original work of scholarship and which will be immensely appreciated by Marxian economists. In fact for all economists who are critical of the neo-classical tradition, this is a most welcome and timely publication.

ALI SHAMSAVARI

B. *Methodology and history of economic thought*

BACKHOUSE (ROGER E.), (Ed). New Directions in Economic Methodology. London and New York: Routledge, 1994. Pp. x+394. £50.00 hardback, £15.99 paperback. ISBN 0 415 09637 7, 0 415 09637 5.

The aim of the volume, the contributors to which are Mark Blaug, Laurence A. Boland, Vivienne Brown, Bruce J. Caldwell, David Colander, D. Wade Hands, Daniel M. Hausman, Willie Henderson, Kevin B. Hoover, Terence W. Hutchison, Tony Lawson, Donald N. McCloskey, Uskali Maki, Philip Mirowski and Alexander Rosenberg, is to provide a 'broad perspective on recent work' in economic methodology. Rather than making a collection of recent papers to compile an anthology, Backhouse explains in his preface, he decided to ask protagonists in the field to prepare a special paper, which would be readable for students, but also of interest to specialists in the field. The attempt is successful: indeed, many of the main figures featuring in present-day economic research workers' and economics students' methodology discussions agreed to contribute, and the majority of them adhered faithfully to the respective images they have in this most emotionally and widely debated field of economics. Many of them have long-standing, well-known and articulated positions that made them incarnations of the various types of argumentation adopted in different currents in methodology. An informative demarcation can be made here between those in the volume whose positions and perspectives on useful methodological endeavour have, and have not recently changed. Among those who uphold well-known, long-standing positions, Mirowski, Blaug, Caldwell, Boland, Rosenberg and McCloskey can be distinguished. Reputations like theirs, which originated from seizure of the informal intellectual leadership of a current in economic methodology are, for those who acquired them, hard to abandon. Scholars in such a position can hardly be envied, but their presence should be appreciated, for they are the vehicles of a large part of academic discourse. Being a master in writing convincingly has been one of the necessary conditions of their success, and they all show that they have lost none of their capacities. Others in the volume, whose work is, or has always been, characterised by empirical interest and curiosity without either *a priori* commitments or the urge to convey big messages, show that their thought is still developing. Hutchison is concerned with how status and prestige in post-war economics became less and less associated with economic policy problems. Wade Hands is, like Hutchison, now also concerned with the empirical analysis of what economists desire and has an exciting paper on how other disciplines, such as sociology and perhaps even economics (!) can shed light on science and economics where philosophy failed. Hausman convinces those of us still doubting, that Kuhn's and Lakatos's theories add little to the understanding of what economic theories are, and pleads for an approach along the lines of Mill's inexact deductive method. Maki and Lawson address the important issue of realism in economic theories, arguing successfully that the well-known Friedman discussion has left the subject largely obscure. Kevin Hoover probes Peirce's pragmatist philosophy as a tool for analysing the truth value of economic theories. Henderson explores the use of metaphor by economists in formulating their theories. Vivienne Brown shows she is on her way thoroughly to professionalise the endeavour to subject economic texts to analysis in terms of discourse in the technical sense of literary theory. Backhouse smoothly and effectively brings the outsider up to date in an introduction that contains both an historical survey and a summary of the content of the contributions to the volume. An almost 1000-word index provides effective help for the selective reader. This is a splendid volume to read if one wishes to be informed about the state of the art in economic methodology.

BERT HAMMINGA

KEPPLER (JAN). Monopolistic Competition Theory: Origins, Results, and Implications. Baltimore and London: Johns Hopkins University Press, 1994. Pp. x+220. £31.00 hardback. ISBN 0 8018 4813 X.

The author's theme as stated in the preface is that monopolistic competition theory (which here incorporates imperfect competition) emerged to bridge the gap between theoretical rigour and empirical reality, but then failed to meet the demand for the even more stringent analytical standards that it helped to create. He therefore takes a broad view of the international environment and of the community of academic economists, which is very welcome. He gives proper credit to the contributions of Hicks, Kahn, Kaldor, Shove, Stackleberg, and, above all, Harrod; he displays the presumptions and preoccupations of the time, and shows how a change in these led to a loss of interest in this kind of theory. However, despite noting (p. 87) 'the implicit bias...towards equilibrium models', and even apparently questioning (p. 188) the identification of economic theorising with mathematical analysis, he does not examine the methodological issues which are implicit in his account. The persistence of the structure–conduct–performance tradition in industrial economics is not explained, or even mentioned. The focus is on the course of theory; but it is distorted because the author, like many of the economists whose work he surveys, has failed to comprehend Marshall's purposes and methods. He cites nothing by Denis O'Brien, and is apparently unaware of O'Brien's arguments – for example, that Marshall did not accept 'perfect competition', and did not 'offer a closed system of value' (p. 50) because, as he plainly stated, any such theory must be false. Though Keppler recognises that Allyn Young's research programme was very different from Sraffa's, he does not discuss it, and he denies the distinctive vision of Chamberlin, Young's pupil. The section of the book of most current interest is the account of the 'failed synthesis' with Keynes's theory of unemployment, in which the author reveals another purpose (p. 134) – to demonstrate that such a synthesis is 'logically inevitable'. That something other than a Walrasian model without transaction costs is required may be accepted; but whether what Keppler would call 'monopolistic competition' is necessary raises questions that he is unwilling to discuss. But his book may persuade others to discuss them.

BRIAN J. LOASBY

LAVOIE (DON), (Ed). Expectations and the Meaning of Institutions: Essays in Economics by Ludwig Lachmann. London and New York: Routledge, 1994. Pp. viii+331. £45.00 hardback. ISBN 0 415 10712 1.

This is a selection of the most important of Ludwig Lachmann's essays that were published in English over the period 1936–91, but which appeared only in diverse places. In addition, two previously unpublished essays, 'Reflections on Austrian capital theory' and 'Vicissitudes of subjectivism and the dilemma of theory and choice', are included. My old mentor George Shackle always tried to convince me that Lachmann was an economist whose rare insights into the nature of the economic process were underestimated by the profession at large. Lachmann was a member, but also a dissenting member, of the Austrian School. Accordingly, he and Shackle had much in common. To Lachmann expectations were key factors in the shaping of economic affairs; but so too were institutions. He emphasises the role of social institutions in a world that is subject to unpredictable change; stable and quantifiable relationships are not the determinants of economic events. Market processes in reality are regarded as complex processes, but Lachmann does not espouse the nihilist position. For someone of my persuasion, this is a splendid anthology; well-written, stimulating, and realistic. It makes it easy to appreciate Shackle's admiration for Lachmann. J. L. FORD

ROSENBERG (NATHAN). The Emergence of Economic Ideas: Essays in the History of Economics. Aldershot and Brookfield, VT: Edward Elgar, 1994. Pp. xiii + 188. £39.95 hardback. ISBN 1 85898 047 X.

In Rosenberg's own words the uniting theme of this collection of previously-published essays is 'a concern with the emergence and diffusion of new ideas' in economics. The selected essays, covering authors from Mandeville to Stigler, testify that his interests are many and diverse, and that he has been thinking about these issues for a long period of time (the oldest essay came out in 1960, the most recent one in 1994). Adam Smith is clearly Rosenberg's favourite, since 6 out of the 12 essays deal directly with Smith's writings. In these essays Rosenberg analyses different aspects of the idea of the self-regulating nature of a market economy, thereby focusing on the *Wealth of Nations* as well as on the *Theory of Moral Sentiments*. The papers on Babbage, Marx, and Schumpeter, which tend to be more recent than the papers on Smith, examine the role of technology and technological change in economic growth. In the last essay Rosenberg concentrates on George Stigler's contributions to the history of economic thought. As with other collections of the same type, it is nice to see the author's essays being brought together, but it may be doubted whether the book will make the material more widely accessible. All the papers have been published before, and most of them in high-rated journals. GUIDO ERREYGERS

SAMUELS (WARREN J.). Essays on the Methodology and Discourse of Economics. London and Basingstoke: Macmillan, 1992. Pp. x + 332. £50.00 hardback. ISBN 0 333 55173 7.

This book is one of 5 volumes of Warren Samuels's collected papers. The 16 journal articles and 4 book chapters included in it cover a wide range of material, of which the following is a selection: truth and discourse; Fritz Machlup on knowledge; the idea of the corporation as a person; free trade as an illustration of the relation between science and policy; deriving 'ought' from 'is'; the Pareto principle; a discussion of correspondence between Frank Knight and Clarence Ayres on the relation of knowledge to social action; correspondence with James Buchanan over the nature of political economy; the attribution of causality and responsibility in macroeconomics; similarities between economics and theology. From these numerous topics, however, some very clear themes emerge. (1) Samuels's commitment to methodological pluralism, of which he is one of the main advocates, is very clear. This is founded on a view of truth as socially constructed and relativist (unusually, he is happy to describe himself as a relativist), which results in an inexorable tension between believing one's own analysis is in some sense 'correct' and recognising that it is one story amongst many that could be told. (2) Economics should be seen as a system of belief rather than as a science. (3) Positive and normative issues cannot be separated – ideology cannot be removed from economics. (4) Institutions (in a sense that includes political and legal processes) matter – thus where others would, for example, explain resource allocation in terms of supply and demand, he sees it as dependent on the power structure, rights, and the use of government. Samuels's position on many of these issues is unorthodox, and his arguments are not always made with the degree of precision (it is arguable whether this should be called rigour) that is usually expected nowadays (equations and simple models are completely absent from the book), and outsiders to the traditions from which his work stems may find it hard to get to grips with some of the material, but he is continually raising profound questions about the nature of modern economics. For this the book deserves to be read. ROGER E. BACKHOUSE

YANG (HONG-SEOK). The Political Economy of Trade and Growth: An Analytical Interpretation of Sir James Steuart's Inquiry. Aldershot and Brookfield, VT: Edward Elgar, 1994. Pp. x + 323. £49.95 hardback. ISBN 1 85898 093 3.

Dr Yang's study represents a serious attempt to treat Steuart's *Principles* as an important work in its own right; to unravel its complex logic while rejecting the common view that he is best described as a mercantilist. In the opinion of this reviewer, one of the keys to the understanding of Steuart's work lies in the nature of his experience. The Foreign Tour (1735–40) allied to exile (1745–63) as a result of his commitment to the Jacobite Rebellion meant that he acquired a unique knowledge of economic conditions in Europe, not to mention the mastery of 4 languages. Steuart went to some lengths to explain the difficulties of 'composition' which faced him while seeking to establish a system of thought developed in accordance with the discipline of an appropriate methodology. The work owes much to Hume and to Mirabeau's *Friend of Man* (1756). But the first two books were completed in the isolation of Tübingen in 1759, so that the analysis is essentialy pre-physiocratic although it does feature an account of the 'circular flow' as Yang properly points out. The organisation of the work taken as a whole is controlled by the historical approach which was common in the 18th century. It is surprising therefore to find the historical analysis relegated to the penultimate chapter and to note that Steuart's treatment of methodology is to be found in a relatively brief appendix. Nor are Steuart's interests in the problems of undeveloped economies or the rich country/poor country thesis given marked attention. The Euro-centric (as distinct from Anglo-centric) perspective adopted by Steuart is not a major feature of his book, although it is important. That being said, Yang, in following a different and defensible route, has made an elaborate and successful effort to create a 'rational reconstruction' of Steuart's system in a manner which is faithful to the original text. The argument carries the reader from Steuart's treatment of the basic conception of the exchange economy to the analysis of value and distribution and hence to his examination of macro-economic issues where due attention is given to the preoccupation with growth and international trade. The chapters on money (including international money) and public finance which follow are useful commentaries on areas of Steuart's thought which have not always attracted the attention which they deserve. Yang's study will be welcomed by students of Sir James Steuart and may attract a wider audience to his works. ANDREW S. SKINNER

C. *Mathematical and quantitative methods*

DARNELL (ADRIAN C.). A Dictionary of Econometrics. Aldershot and Brookfield, VT: Edward Elgar, 1994. Pp. xii+458. £75.00 hardback. ISBN 1 85278 389 3.

This is a collection of short articles on topics in econometric theory, alphabetically arranged in a style not dissimilar to the recent New Palgrave volumes. The term 'dictionary' is really a misnomer, since one would not use this book to look up definitions of econometric terms. There are 127 entries, not all on strictly econometric topics, and most too lengthy to be absorbed at a glance. As the author explains in his preface it is based on a collection of course hand-outs, although the coverage is extensive enough to make it in effect a textbook with the sections arranged alphabetically instead of by topic. As such, it's most obvious function seems to be as a 'bluffer's guide' for students preparing for examinations. Some of the entries are excellent summaries of the material, and many others seem perfectly adequate. But to my mind, the exposition is too often clumsy and disdainful of rigour, and there are a number of serious technical bloopers. In the entry on the method of scoring (p. 254) the inverse of the 'information matrix' I is written as $1/I$, a bizarrely elementary error. In the same entry, vital details such as the role of the true parameters and the distinction between expected and sample values are fudged, and the reader is told that 'to evaluate the information matrix, only the first partial derivatives of the log-likelihood function are required'. This account might possibly serve the interests of the bluffing examinee, but not the student seeking understanding. On the other hand, the entry on the Jarque-Bera test (p. 279) is so totally at variance with the facts that it could help nobody. The author appears unaware, either that the normal distribution is symmetric (!), or of what symmetry implies. Then, on page 269 we are told that the Wald, LM and LR tests are asymptotically equivalent, on account of the fact that plim(LR) = plim(W) = plim(LM) (sic). One could easily go on. There is a point of view that rigour in econometrics is wasted on undergraduates, who will never penetrate the subject deeply enough to appreciate it. This may be a practical reality, but I think students are entitled to the truth if they care to seek it, and deserve reasonable care to be taken over technical material, especially when committing it to print. If we cannot always tell the whole truth, it may better to say nothing than to attempt a half-baked treatment. It is because too much of the material in this book appears half-baked that it cannot be recommended to students with any enthusiasm. JAMES DAVIDSON

OSBORNE (MARTIN J.) and RUBINSTEIN (ARIEL). A Course in Game Theory. Cambridge, Mass. and London: MIT Press, 1994. Pp. xv+352. £35.95 hardback, US $40.00 hardback, £15.95 paperback, US $18.95 paperback. ISBN 0 262 15041 7, 0 262 65040 1.

This is a textbook for graduate students that will also be widely used as a work of reference. The choice of topics in cooperative and noncooperative game theory is judicious, both in what is included and what is excluded. The authors write clearly and succinctly, and their choice of simple but illuminating examples is superlative. The same goes for their exercises. Instead of the routine technical tasks required by most textbooks, students are invited to think a little about how best to model simple game-theoretic problems. My only reservation lies in the fact that the authors' distaste for ambiguity and loose ends sometimes leads them to offer definitions that are overly formal. When I used the book to teach M.Sc. students, I therefore found it necessary to spend considerable time translating the definitions from the mathematics in which they are framed into English and then back again. However, graduate students at a more advanced stage will not need such assistance. Nor will those who use game theory in their research. For such researchers, this reasonably priced book is essential equipment.

KEN BINMORE

SIMS (CHRISTOPHER A.), (Ed). Advances in Econometrics: Sixth World Congress, Volume I. Cambridge and New York: Cambridge University Press, 1994. Pp. 322. £35.00 hardback, US $54.95 hardback. ISBN 0 521 44459 4.

The book contains 7 commissioned articles presented at the Sixth World Congress of the Econometric Society which capture the state of research in various areas of theoretical and empirical econometrics in 1990. Given the speed of development in the unit root literature, the theoretical component on the unit root test proposed by Fukushige *et al.* appears somewhat dated. However, the application of the test in the foreign exchange market provides a good empirical insight into the technique of cointegration. The two other articles in the time series section, by Robinson on strong dependence and by Hansen and Sargent on dynamic recursive linear models, provide an agenda for future research. In the microeconometric section the article by Manski is a technical exposition of the selection problem in econometrics. Chamberlain's paper provides an investigation into the labour market using quartile regression techniques to analyse the change in the returns to schooling from 1979 to 1987 in the US and to assess union returns versus non-union returns. Miron presents a thorough discussion of the economics of seasonal cycles but the challenging comments by Hylleberg make the reader reconsider the issues. The theme of seasonality is continued with Ghysels' survey article 'On the economics and econometrics of seasonality'. The flavour of the Congress is captured by Osborn's thoughtful discussion of the paper. The coverage of the volume is so wide that there is an article to interest most practising econometricians whatever their focus of research.

N. J. HORSEWOOD

SIMS (CHRISTOPHER A.), (Ed). Advances in Econometrics: Sixth World Congress, Volume II. Cambridge and New York: Cambridge University Press, 1994. Pp. x+420. £40.00 hardback, US $59.95 hardback. ISBN 0 521 44460 8.

This is the second of two volumes of econometrics papers arising from the Sixth World Congress of the Econometric Society held in Barcelona in 1990. The volume, edited by Christopher Sims, contains 9 chapters arranged in 4 main sections. The first section, 'Labour supply', contains 2 papers written by Richard Blundell and David Card, and which address structural microeconometric models and intertemporal decisions respectively. The next 3 chapters are grouped under the heading 'Computation for stochastic equilibrium', and are contributions relating to dynamic structural models by Albert Marcet (simulation), John Rust (estimation), and Ariel Pakes (mixed continuous discrete models). There is also a comment on these 3 chapters by Kenneth Judd. This is followed by 2 chapters on the 'Econometrics of finance' by Kenneth Singleton (intertemporal asset pricing models), and Angelo Melino (continuous time models). The concluding articles in the book relate to 'Development economics' and are by Sebastian Edwards and Guido Tabellini (politics and inflation) and Guillermo Calvo and Carlos Végh (credibility and stabilisation). The articles in this volume provide interesting reviews of their relevant subject areas and are ideal for gaining some insight into the issues and methods used by researchers at the forefront of the subject. The main disappointment is in the length of time that has elapsed between the conference (August 1990) and publication (late 1994), the danger being that the articles are now more dated than they otherwise need have been.

MARCUS J. CHAMBERS

D. *Microeconomics*

TAKAYAMA (AKIRA). Analytical Methods in Economics. Hemel Hempstead: Harvester Wheatsheaf, 1994. Pp. xix+672. £17.95 paperback. ISBN 0 7450 1035 0, 0 7450 1036 9.

This volume provides an excellent introduction to the mathematical approach to economics. Its target readership includes advanced undergraduate and post-graduate students of economics as well as professional economists. Prerequisites are a good grounding in economic theory and a basic knowledge of calculus and linear algebra. The book is divided into 5 parts. The first part (chapter 1) gives a concise account of the mathematical material which is necessary for understanding the rest of the book. The second part (chapters 2, 3, and 4) covers non-linear programming, and many applications in (predominantly micro) economics are discussed. The third part (chapter 5) is concerned with uncertainty in economics. It covers the expected utility hypothesis and several applications including insurance and portfolio choice. Part four (consisting of chapters 6, 7, and 8) introduces the reader to (ordinary) differential equations and contains numerous economic applications including neoclassical growth, the Phillips curve, and stability of equilibrium. Finally, part five (chapters 9, 10, and 11) provides an introduction to optimal control theory and its applications in economics. The book is concluded with 3 appendices. Appendix A covers those topics in linear algebra which are employed in the book; Appendix B gives an introduction to concavity and quasi-concave programming and appendix C gives a treatment of consumer's surplus. The mathematical style falls somewhere between the 'tool kit' approach favoured by many authors of 'engineering mathematics' texts and the formal 'theorem and proof' approach. This is a sensible compromise which keeps the mathematical prerequisites for understanding the book to a minimum and thus makes the book accessible to a fairly wide audience.

David Chappell

E. *Macroeconomics and monetary economics*

Ando (Albert), Guiso (Luigi) and Visco (Ignazio), (Eds). Saving and the Accumulation of Wealth: Essays on Italian Household and Government Saving Behavior. Cambridge and New York: Cambridge University Press, 1994. Pp. xiv+408. £30.00 hardback, US $44.95 hardback. ISBN 0 521 45208 2.

The saving rates of most OECD countries declined significantly after the early 1970s. For example, the Italian saving rate fell from 38·2% in 1970 to 22·7% in 1988. To some extent these falls may just reflect cyclical factors, but there appears to have been a secular decline in saving as well. This book represents the results of a research programme on saving carried out by researchers at the Bank of Italy and economists from other institutions. The book aims to answer 3 important questions about saving behaviour. First, why did saving rates experience a secular decline? Second, why is the Italian saving rate so high relative to that of other industrialised economies? Third, why has the life-cycle theory of saving produced such mixed results when confronted with micro data? The book has 3 parts. The first, 'Saving trends, government deficit and demographic changes', deals with various explanations of Italy's high saving rate, such as poorly developed credit markets, the effect of the government deficit and demographics. According to the life-cycle theory, differences in saving rates should mainly be explained by differences in productivity growth and demographics. This does not appear to be the explanation for Italy, given the small differences between the growth rates of Italy and other major countries, compared with the differences in their saving rates. Instead, the papers argue that capital market imperfections are important. Italian consumer credit and insurance markets are the least developed of all the major industrial economies, and an economy with credit-constrained households is likely to have a higher saving rate than one without credit-constraints. The second part of the book, 'Life-cycle saving and precautionary motives', examines whether the predictions of the life-cycle theory of saving can be supported by Italian data. Young households in Italy save a significant fraction of their income and accumulate substantial assets, while older families draw down their wealth rather more slowly than predicted. The third part of the book, 'Borrowing constraints, intergenerational transfers and bequests', deals mainly with measuring the effect of borrowing constraints on saving behaviour. Overall, this is a very interesting book, with a great deal of information about the various causes and consequences of the Italian saving rate. Of particular interest are the conclusions on the effect of credit markets, the government deficit, and social security benefits on saving.

Gavin Cameron

Azariadis (Costas). Intertemporal Macroeconomics. Oxford and Cambridge, MA: Basil Blackwell, 1993. Pp. xix+504. £30.00 hardback. ISBN 1 55786 366 0.

This book is designed to be a graduate macroeonomics text with a special emphasis on the dynamic general equilibrium model. It uses the overlapping generations (OLG) model as the framework for most of the analysis, addressing a wide range of issues such as economic growth, budget deficits, inflation and asset market volatility. Results related to OLG models are to be found throughout the book. For those who prefer to have a systematic understanding of the OLG model but do not want to spend too much time on the maths or the original articles, this book is highly recommended. There are usually two ways to write a graduate macroeconomics text book: (1) one can focus on topics, different topics using different models. Models are just used to highlight the underlying stories or insights (e.g. Blanchard and Fischer, 1989); or (2) one can focus on methodology, a single technique or a unified model to address all the topics (e.g. Lucas and Stokey, 1992, and this book). The first part of the discrete dynamical system is very clear. In particular it links the maths with the applications. Dynamic inefficiency and endogenous growth are discussed quite thoroughly in the part on intertemporal allocation, which distinguishes this from other texts. The part on fiscal policy and national debt covers many topics in public economics that fit in the development of modern macroeconomics. However I do feel that it might be useful to concentrate on fewer topics and explain things more deeply. The last part about money and asset prices focuses on the theory and problems of expectations. It provides a clear picture of recent development of theory of rational expectations and the monetary dynamic equilibrium model. It is the best part of the book. Overall the book can compete with other advanced textbooks (e.g. Sargent, 1990). Although it is good to emphasise the intuitions behind the models, however, the book leaves out too many of the derivations. With some inconsistent notation and typing mistakes, it may be hard for students to use it as a textbook. VICTOR HUNG

DAVIDSON (PAUL) and KREGEL (J. A.), (Eds). Employment, Growth and Finance: Economic Reality and Economic Growth. Aldershot and Brookfield, VT: Edward Elgar, 1994. Pp. xiv+241. £49.95 hardback. ISBN 1 85898 061 5.

This volume contains a selection of papers presented to the third University of Tennessee International Post-Keynesian workshop. It reflects recent views of post-Keynesian economists on the issues of employment, economic growth, and international finance. The book is structured into 3 parts the first of which deals with the recurring problem of unemployment. Papers in the first part include the restoration of long-run full employment (M. Sawyer), the effect of unemployment on the distribution of income and on aggregate savings (D. Bunting), and the impact of wage reduction on unemployment (T. Mott and E. Slattery). Papers by N. Shapiro and E. Matarazzo Suplicy and S. Cury examine the role of firm ownership and management and of minimum wages on employment. There is also a paper by A. Goldsmith, J. Veum, and W. Darity Jr. which discusses the influence of unemployment on psychic well-being. The second part is basically a post-Keynesian criticism of the new theories of growth. The first two papers by W. Darity Jr. and M. Setterfield argue that the basis of the new theories of growth can be traced to the writings of A. Smith and N. Kaldor. The final paper of the second part is by J. and W. Cornwall which, after a discussion of the decomposition of productivity growth, focuses on the importance of policy and institutions for achieving higher productivity. The impact of international finance on growth and employment is the main theme of the third part. The first two papers by H. Minsky and J. Kregel discuss the problem of financial instability and its impact on domestic economic variables and policies. In the same spirit, A. Cornford's paper suggests measures to counter the instability caused by the international financial system. The last two papers by A. Terzi and E. Zajicek deal with the technical analysis of the stock market and with the role of monetary factors on Poland's economic reform. I found the first part the most interesting one since it provides some challenges to the established thinking about the nature of unemployment. In general, the book would be of interest to anyone who would like a sample of post-Keynesian views on some important economic issues. S. DRAKOPOULOS

DE BEAUFORT WIJNHOLDS (J. ONNO), EIJFFINGER (SYLVESTER C. W.) and HOOGDUIN (LEX H.), (Eds). A Framework for Monetary Stability: Papers and Proceedings of an International Conference organised by De Nederlandsche Bank and the Centre for Economic Research at Amsterdam. Dordrecht and London: Kluwer Academic Publishers, 1994. Pp. xii+388. £76.00 hardback, US $112.00 hardback. ISBN 0 7923 2667 9.

This book contains the papers and proceedings of an international conference organised by De Nederlandsche Bank and the Center for Economic Research of Tilburg University held in October 1993. The aim of the conference was 'to discuss various aspects of monetary policy within a limited circle of high-ranking central bankers and prominent monetary economists from universities and research institutes from all over the world'. The book includes 12 papers with discussants' comments and a 22-page 'executive summary' of the conference. The papers are evenly spread across 6 aspects of monetary policy: the final objective of monetary policy, the position of the central bank, the application of monetary policy, the relationship between monetary policy and exchange rate regimes, and the consequences of financial reforms in Central and Eastern Europe and Latin America. The general theme is monetary stability – fertile ground for any group of monetary policy-makers and monetary academics. Amongst the group of contributors here are prominent academics: Alex Cukierman, Marcello de Cecco, Rudiger Dornbusch, Stanley Fischer, Benjamin Friedman, Francesco Giavazzi, and Richard Layard. Also, key contributors included reputed policy-makers: Onno de Beaufort Wijnholds (DNB), Andrew Crockett (Bank of England), Charles Freedman (Bank of Canada), Manuel Guitián (IMF), Lex Hoogduin (DNB), André Icard (Banque de France), and Otmar Issing (Deutsche Bundesbank). Given the topicality and importance of many of the issues discussed, the collection is high priority reading for anyone who is professionally involved with monetary policy and central banking. LYNNE EVANS

HOLLY (S.), (Ed). Money, Inflation and Employment: Essays in Honour of James Ball. Aldershot and Brookfield, VT: Edward Elgar, 1994. Pp. xi+226. £49.95 hardback. ISBN 1 85278 711 2.

This interesting volume consists of a set of 10 essays written by distinguished economists as a tribute to the contribution to economics of Sir James Ball. They relate to two major areas of Ball's influence: economic policy and macroeconomic modelling and forecasting. In Part One, leading policy-makers focus primarily on the UK economy, with papers by Jeremy Bray discussing the application of optimal control methods to economic policy-making, Alan Budd illustrating the role played by Ball and Burns in exchange rate policy during the 1970s and 1980s, Terence Burns addressing the Treasury's responsibilities and character, Robert Coen and Bert Hickman investigating the relative importance of real wage rigidity and effective demand as determinants of excess unemployment during 1966–89, Bill Robinson examining the effects of North Sea oil, and by Harold Rose studying the possible implications for risk of cross-border banking. Part Two addresses some technical questions, with contributions by David Currie and Stephan Hall on the role of expectations in empirical macroeconometric models, David Hendry and Michael Clements on a theory of intercept corrections in macroeconometric forecasting, Laurence Klein on economic forecasting and decision-making under uncertainty, and Keith Church and Kenneth Wallis on long-run price homogeneity and the supply side in 5 current large-scale models of the UK economy. Overall, this volume is a valuable collection that will provide much of interest to both policy-makers and academics. SIMON SOSVILLA-RIVERO

KRUGMAN (PAUL). Peddling Prosperity: Economic Sense and Nonsense in the Age of Diminished Expectations. New York and London: W. W. Norton, 1994. Pp. xv+303. £16.95 hardback. ISBN 0 393 03602 2.

This book is about economic developments in the US over the last 20 years, and is written to be accessible to non-economists. Nevertheless, economists outside the US will find it well worth reading for 3 reasons. First developments in US economic policy obviously influence us all, yet only the most well-informed outsider will be familiar with the complete picture painted here. Second the story is extremely well told: it is rare to find a book about economics which is hard to stop reading. Third and most important, the book raises important questions about the relationship between academic ideas, academics, and policy-makers which should be food for thought for all economists. Krugman considers two types of economists: the academics and a group he calls the 'policy entrepreneurs'. The latter group may have few academic credentials or connections, yet their simplistic policy proposals are the ones that all too often catch the eye of politicians and find their way into economic policy. In Krugman's story these are the bad guys who often win. They are exemplified for Krugman by the supply-siders who helped formulate Reaganomics. However, Krugman also argues that a number of economists who have influenced the Clinton administration, a group he terms the 'strategic traders', share the same characteristics even though their political outlook is very different. In both cases the ideas the policy entrepreneurs preach began their life in mainstream academia. The supply-siders drew inspiration from the work of Feldstein, but they took Feldstein's ideas way beyond anything that he intended or that made economic sense. Some of the economic ideas that have had a strong influence on Clinton had their origins in the new theories of international trade put forward in part by Krugman himself. However, he argues that they have been distorted and abused by the strategic traders. In particular, the strategic traders have drawn erroneous parallels between the corporation and the nation which disregard basic principles from trade theory. Krugman's own involvement in part of the story he tells combines with an easy style to present an intriguing read, even though some elements of the plot are quite familiar. Although personalities are important, Krugman in the main concentrates on the economic ideas, and economics students would probably absorb much more economics from reading this than many textbooks. While there are no exact parallels between policy developments in the US and the UK, it is nevertheless the case that UK economic policy often seems to be based on ideas that at best command minority support among UK academics. Krugman speculates on why academic economists have so little influence, but it is only speculation he provides, as his main concern is to debunk questionable economic theories. It would be good if this book provoked others into further analysis of the relationship between academic economists and economic policy. SIMON WREN-LEWIS

MILLER (PRESTON J.), (Ed). The Rational Expectations Revolution: Readings from the Front Line. Cambridge, Mass. and London: MIT Press, 1994. Pp. xvii+512. £35.95 hardback, US $53.95 hardback, £17.95 paperback, US $26.95 paperback. ISBN 0 262 13297 4, 0 262 63155 5.

This book is a collection of papers published in the last 16 years by the Federal Reserve Bank of Minneapolis, generally in its Quarterly Review, although two of the papers appeared in its Annual Report. The papers are collected into 5 sections, to each of which the editor has contributed an introduction; in addition, there is an overall introduction to the volume. It seems that a fair amount of effort has gone into preparing the volume. The placing of references in one section at the end (rather than at the end of each chapter) is to be applauded, and I could find virtually no typos. The first section is on 'The rational expectations approach to macroeconomic management' and contains papers on time consistency and the Lucas critique. The second section is on 'Monetary and budget policy analysis in closed economies' and contains Sargent and Wallace's celebrated 'Some unpleasant monetarist arithmetic', together with Darby's criticism, and Miller and Sargent's reply to Darby. The next section is titled 'Monetary and budget policy analysis in open economies' and this is followed by the fourth section, 'Business cycle analysis', which contains Prescott's 'Theory ahead of business cycle measurement', Summers's 'Some skeptical observations on real business cycle theory', and Prescott's response to Summers. The final section, 'Empirical macroeconomics', contains 2 papers by Christiano. This volume makes a number of important papers much more accessible than they otherwise would be. Together, they constitute a powerful statement of the views of an important and influential, albeit controversial, school of macroeconomics. The book will be a useful addition to many advanced undergraduate and graduate reading lists, and to most macroeconomists' bookshelves.

JOHN FENDER

PARKIN (MICHAEL), (Ed). The Theory of Inflation. Aldershot and Brookfield, VT: Edward Elgar, 1994. Pp. xvi+655. £125.00 hardback. ISBN 1 85278 299 4.

This collection should be entitled 'The Monetarist Theory of Inflation'. In the Introduction a section headed 'What we know and don't know: a summary', begins 'Taken as a whole, the papers in this volume point to the following conclusions: Inflation occurs when the quantity of money grows at a pace more rapid than the growth rate of real GDP...' No time is lost in pressing the message home. Part I, mildly entitled 'The phenomenon to be explained', has only one paper, by Phelps Brown and Hopkins, which sticks to the historical facts about inflation itself; it is sandwiched between papers by Schwartz and Duck which explain the phenomenon, in terms of money supply growth, of course. Schwartz even mentions some non-monetarist explanations, and brusquely dismisses them. The Laidler and Parkin 'Inflation: a survey', from 1975 (ch. 4) gives them more space, with the same verdict. Chapter 5, a survey by McCallum from 1990, 'would suggest...that there is in fact little professional disagreement with Friedman's position [that "Inflation is always and everywhere a monetary phenomenon"] when the latter is properly interpreted' (p. 134). With that settled, it is possible to focus on the serious business of debate among monetarists, which take up Parts III, V, and VI with Part IV devoted to 'The cost of inflation'. In the spirit of pluralism, this reviewer has no objection to the publication of lengthy collections of monetarist discussions of inflation – though he finds it hard to judge their quality. In the same spirit, he would beg them to acknowledge – at least in passing – that there are serious professional economists who disagree with their position, root and branch. If they do not care to give space to these dissenting positions, they should not give their collections such general titles as *The Theory of Inflation.*

ANDREW TYLECOTE

F. *International economics*

CLAESSENS (STIJN) and DUNCAN (RONALD C.), (Eds). Managing Commodity Price Risk in Developing Countries. Baltimore and London: Johns Hopkins University Press for World Bank, 1993. Pp. xiv+466. £39.95 hardback. ISBN 0 8018 4662 5.

This volume contains 16 essays which address the question of managing commodity price risk in the context of developing countries. The book begins with an extremely useful and carefully crafted overview of the field by the editors, which is followed by a further 4 essays which explore both the theoretical and empirical issues. The second part of the book consists of some 11 case studies. These case studies, which are extremely valuable, range in scope from strategies for managing coffee price risks in Costa Rica through to an optimal external debt portfolio approach to managing financial risks in Papua New Guinea. These case studies provide a wealth of information of interest to both commodity market analysts and practitioners alike. The editors of this volume are to be congratulated for their careful and balanced choice of material. I have no doubts that this book will become a central element on the reading lists for advanced courses both in international and development economics. A valuable contribution to the literature.

DAVID SAPSFORD

CORDEN (W. MAX). Economic Policy, Exchange Rates, and the International System. Oxford: Oxford University Press, 1994. Pp. viii+323. £40.00 hardback, £14.95 paperback. ISBN 0 19 877408 7, 0 19 877409 5.

This book is a substantially revised version of the third edition of Corden's well-known *Inflation, Exchange Rates, and the World Economy* from 1985. The major differences are the addition of new material on selected topics of recent interest in the field of international macroeconomics, including discussions of the most recent crises in the European Monetary System (EMS), as well as a re-write of various chapters of the text. Part I focuses on exchange rate policy, the current account, and the external effects of fiscal policy. Corden analyses expenditure switching versus expenditure reduction in a Keynesian small-country model. Extensions include terms-of-trade effects, income distribution considerations, real-wage rigidity, monetary policy issues, and the relationship between inflation, current account imbalances, and the exchange rate. Part II deals with the EMS, monetary integration, and the European proposals to move to monetary union. Part III examines the international transmission of monetary disturbances and the determination of exchange rates in the international macro-system that has emerged since the breakdown of Bretton Woods, and discusses the theory, practice, and possibilities of macroeconomic policy coordination. Part IV, on protection and competitiveness, integrates trade policy with exchange rate policy and discusses the highly topical international competitiveness problem. The final chapter, part V, examines what kinds of exchange rate regime are feasible and desirable in the near future. Corden's conclusion is that due to increasing international capital mobility, loose fixed-rate regimes will not be feasible any more and that the choice is between managed floating, and a solid regime in the form of monetary union or a currency board.

PATRICK A. GROENENDIJK

FRANKEL (JEFFREY A.) and KAHLER (MILES), (Eds). Regionalism and Rivalry: Japan and the United States in Pacific Asia. Chicago and London: University of Chicago Press, 1993. Pp. x+472. £50.00 hardback, US $72.50 hardback. ISBN 0 226 25999 4.

This volume follows from a conference held by the National Bureau of Economic Research in 1992. Eleven papers by economists and political scientists are included, in 3 groups, which consider respectively the evidence on Pacific Asia as a regional bloc, the role of foreign investment in the grouping, and the leadership of Japan. The editors contribute a full and admirably clear summary chapter. The conference aim was to discover how far Pacific Asia was becoming a regional grouping based on Japan, comparable with existing blocs such as the EU. Little evidence is found by the conference contributors of discrimination by Pacific Asia against countries outside the region. Japanese foreign direct investment has been important in developing an Asian division of labour in industries such as textiles, automobiles, and electronics, particularly since the appreciation of the yen in the late 1980s, but overseas Chinese investment (from Taiwan and Hong Kong) has also played a major role in establishing the manufacturing export industries of the ASEAN countries, and has acted as a counterbalance to Japanese influence. Only a 'soft' investment-based regionalism has emerged, without political institutions except in ASEAN, and the region remains heavily dependent on the US as an export market.

JOHN THOBURN

SIEBERT (HORST). Die Zweifache Integration: Deutschland und Europa. J. C. B. Mohr (Paul Siebeck), Tübingen, 1993. Pp. ix+162. ISBN 3 16 146170 3.

The economic policies of Germany have never had more importance than today, when they both exercise an enormous influence on immediate macroeconomic conditions and play a key role in determining the speed and direction of European economic developments in the longer term. This short collection of papers is therefore valuable as an indication of the policy debates which are taking place in Germany. It contains 4 papers on the European Union and 4 on the problems of economic transition in the new Bundesländer. It is significant that the first 2 papers take a sceptical view of federalist tendencies in the EU, on political and economic grounds respectively. The third examines the new limits on national economic policy which result from alliances among companies and the fourth looks at the EU's controls on national industrial subsidies in the German context. A particularly interesting paper by Manfred Neumann opens the second section. Neumann asks how far the collapse of employment in Eastern Germany can be attributed to policy errors. He does identify such errors, such as the excessively generous conversion of financial assets during monetary unification and the ambition to achieve a very rapid convergence of Eastern wage levels on those in the West. He does not feel, however, that the Bundesbank should have been more accommodating of the inflationary pressures which arose and suggests that, overall, errors were relatively minor aspects of an inevitable adjustment crisis. He also contests the fashionable prescription of wage subsidies to maintain Eastern employment. The remaining, very informative, papers examine barriers to industrial regeneration in the East, the privatisation strategies of the Treuhandanstalt and labour market developments. Germany is usually seen as a strong force for further political integration in Europe. This collection indicates that such an orientation is challenged within Germany itself.

JOHN GRAHL

G. *Financial economics*

BLUME (MARSHALL E.), SIEGEL (JEREMY J.) and ROTTENBERG (DAN). Revolution on Wall Street: The Rise and Decline of the New York Stock Exchange. New York and London: W. W. Norton, 1994. Pp. 320. £19.95 hardback, US $27.50 hardback. ISBN 0 393 03526 3.

This book is a brave attempt by Marshall E. Blume, Jeremy J. Siegel, and Dan Rottenberg at niche marketing. The team of authors comprises two well-known academics and a popular journalist. There are many books written about financial topics (usually scandals) by journalists. Even more trees have been sacrificed to the production of academic tomes on financial markets. The authors rightly believe that there is an important role for books which straddle the two. 'Adam Smith's' *The Money Game* is the obvious example. The three authors have managed to produce a worthy successor to 'Adam Smith'. Their volume is an exceptionally lively and readable history of the New York Stock Exchange including much detailed institutional and micro-structure material. It could certainly be recommended as preliminary reading to any student about to embark on a course in many aspects of finance. It would also prove the perfect tonic for any jaded specialist about to undertake a long train journey. The volume also contains an interesting well-argued review of the recent development of parallel trading systems and other putative threats to the New York Stock Exchange. None of this material is, of course, original, but it is extremely useful to have it collated and assessed. Personally, I feel that the authors over-estimate the extent of the challenge faced by New York (and implicitly London). Tradition, inertia, and entrenched expertise have seen off many threats from technology and new players without the drastic organisational changes suggested in the book's last chapter. Futurology is attractive. However, it is far better undertaken by students and specialists alike, with adequate information. Blume *et al.* provide the information necessary to turn guessing into informed speculation in an extremely user-friendly fashion. DAVID GOWLAND

H. *Public economics*

QUIGLEY (JOHN M.) and SMOLENSKY (EUGENE), (Eds). Modern Public Finance. Cambridge, Mass. and London: Harvard University Press, 1994. Pp. viii + 352. £31.95 hardback, US $47.95 hardback. ISBN 0 674 58054 0.

This volume contains an introduction by the editors, and 9 other papers which review developments in modern public finance in the period since the publication of Richard Musgrave's *Theory of Public Finance* in 1959. Some of the papers are accompanied by comments. The papers are grouped into 4 parts. Part I, under the heading of 'Distribution, stabilization, dynamics', contains papers by Atkinson on tax incidence, and Auerbach on dynamic and intertemporal issues arising in public sector economics. Part II, headed 'Public goods, federalism', has papers by Scotchmer on the theory of clubs and local public goods, and Oates on various aspects of the economic analysis of federalism. Part III contains a single paper, by McLure and Zodrow, on the relationship between economic analysis and federal income tax policies in the USA. Part IV, under the heading of 'Optimal taxation and extensions', has 4 papers. Mirrlees considers the relationship between optimal taxation and the finance of government expenditure. Diamond provides an analysis which links stabilisation policy to the allocative issues which have been considered by optimal tax theory. Haveman gives a critical discussion of the policy lessons which emerge from the optimal tax literature. Finally Arnott addresses two technical issues raised by Mirrlees's paper, as well as responding to Haveman's criticisms of the contributions of optimal tax theory to policy. The standard of the papers, and of the comments, is consistently high, and I very much enjoyed reading them. The papers are not simply surveys of recent developments: they also make new contributions. Specialists in public economics will find this volume invaluable, and it also provides an excellent account of the current state of play in the subject for non-specialists. J. EDWARDS

ROSE (RICHARD) and DAVIES (PHILIPP L.). Inheritance in Public Policy: Change without choice in Britain. New Haven and London: Yale University Press, 1994. Pp. xii + 257. £19.95 hardback. ISBN 0 300 05877 2.

The theme of this book is that the dominant factor in explaining public policy at any specific time is the inertia associated with policies and programmes inherited from the past rather than the contemporaneous decisions made within government. Current policy, on this view, is less a matter of choice – and less subject to current political control – than is often supposed. This theme is illustrated by a broad empirical account of the evolution of policies and programmes in the UK, and a parallel account of the evolution of expenditure levels (together with a less detailed discussion of parallel issues in the US context). The authors argue that the inheritance effect results in both short-term stability and long-term instability – the long-term instability since the accumulation of policies and programmes often leads to unanticipated outcomes which may eventually prompt policy shifts. The detailed argument and evidence are clearly presented but are not always fully convincing; there are difficulties in identifying choice with change and stability with inertia that are not really resolved, and the empirical account is at the broad brush level. Nevertheless, the general thrust of the book is both interesting and thought-provoking. ALAN HAMLIN

I. *Health, education and welfare*

AARTS (LEO J. M.) and DE JONG (PHILIP R.). Economic Aspects of Disability Behavior. Amsterdam, New York and Oxford: North-Holland, 1992. Pp. xviii + 376. Dfl.180.000 hardback, US $75.00 hardback. ISBN 0 444 89462 4.

The Netherlands provides the most striking example of the widely experienced increase in disability insurance (DI) claims. This book reports the methods and findings of the Dutch Disability Study, which was established to improve understanding of DI enrolment. A basic hypothesis is that DI enrolment is not determined by medical conditions alone, but is influenced by financial incentives, employment opportunities, and employers' reactions to impairment. This behavioural approach underlies the development of a structural model of DI enrolment (chapter 3). Subsequent chapters construct instruments to be used in estimation of this structural model. Chapter 6 deals with a recurrent problem in the field – the potential endogeneity of self-reported disability. The following chapter uses retrospective labour market histories to estimate unemployment and re-employment hazards. Subsequently, these instrument employment opportunities. In chapter 8, data on the incidence of DI across firms is used to model firm specific DI risk and so predict individually varying DI enrolment propensities, given employers' characteristics. Chapter 9 estimates lifetime income streams in the DI and work options. Chapter 10 is the core of the study; the instruments constructed in chapters 6–9 are employed in the estimation of the structural DI enrolment model using 1980 cross-section data. The results support the behavioural interpretation of DI enrolment. While the coherence and carefulness of the research is admirable, inevitably, potential weaknesses remain (e.g. the cross-sectional nature of the data is restrictive in places, some sub-models are estimated from select samples, standard errors do not appear to have been corrected for instrumented regressors, few diagnostics are given). Even given these caveats, the study is more comprehensive and as careful as any other in the field and represents an important reference point for future work on DI. OWEN O'DONNELL

CREEDY (JOHN), (Ed). Taxation, Poverty and Income Distribution. Aldershot and Brookfield, VT: Edward Elgar, 1994. Pp. ix+255. £49.95 hardback. ISBN 1 85278 913 1.

This book brings together 12 pieces in the general area of income distribution. They cover assessing the redistributive effects of income tax (two papers by Lambert), the impact of evasion on its redistributive impact (Bishop, Chow, Formby, and Ho), statistical tests for povery measures (Kakwani), the impact of intra-household transfers (Borooah and McKee) and equivalence scales (Coulter, Cowell, and Jenkins) on poverty and inequality measures, lifetime income (Harding) and how taxation redistributes it (Cameron and Creedy), funding pensions (Bateman, Kingston, and Piggott), capabilities and earnings (Ryu and Slottje), survey respondents' views on inequality and social welfare (Amiel and Cowell), and measuring occupational segregation and its impact on income differentials (Neuman and Silber). Two of the papers have been published as journal articles (Kakwani & Coulter, Cowell and Jenkins). Given the diversity of topics the value added by bringing the papers together is primarily convenience for the reader interested in the area. Among the many knotty conceptual and measurement issues raised in the various contributions, two may be picked out. The first, sharing within the household and its implications for poverty and inequality, is by now familiar as a potential problem. Here Borooah and McKee usefully explore how different sharing practices might actually affect measured poverty and inequality, particularly the poverty risk of women versus men. The second issue, less familiar but no less difficult, is how to assess progressivity when needs and tax treatment differ across units. Lambert, who has been worrying away at this for some time, here provides a valuable review. BRIAN NOLAN

TOLLEY (GEORGE), KENKEL (DONALD) and FABIAN (ROBERT), (Eds). Valuing Health for Policy: An Economic Approach. Chicago and London: University of Chicago Press, 1994. Pp. xiv+422. £43.95 hardback, US $63.25 hardback. ISBN 0 226 80713 4.

The purpose of this edited collection is to contribute to the emerging debate on how much should be spent on health, an issue of increasing importance on both sides of the Atlantic. Though there are some studies of this topic, the extant literature focuses primarily on the valuation of lost life, that is mortality. This stimulating book consolidates and extends this literature in several ways. First, it begins with a comparative analysis of different approaches to valuing health. These include the cost of illness approach, the household production approach and QUALY (quality-adjusted life years) analysis. Second, it extends the existing literature to the problems of valuing light-symptom illness and life-threatening illnesses. Third, it illustrates how these measures can be applied to a diverse set of policy problems including the benefits of reducing air pollution, health cost containment, medical research, and the setting of compensation levels within the tort liability system. Despite being a collection of papers – 16 different authors are contributors or co-contributors – it has been tightly edited and logically structured. Though not everyone will agree with the authors' extensive use of contingent valuation techniques, these are carefully developed with particular attention paid to both theoretical and methodological issues. *Valuing Health for Policy* is likely to become a standard reference; it should also provide a welcome stimulus to further research in this field in the UK.

JOHN HODDINOTT

J. *Labour and demographic economics*

Cohn (Elchanan) and Johnes (Geraint), (Eds). Recent Developments in the Economics of Education. Aldershot and Brookfield, VT: Edward Elgar, 1994. Pp. xx+653. £125.00 hardback. ISBN 1 85278 828 3.

This volume comprises some 34 significant papers on different aspects of the economics of education plus an introductory commentary by the editors. The papers are grouped in 6 sections, namely: Issues of efficiency and equity; Externalities and the role of government subsidies; Economics of school choice; The costs of providing educational services; Links between education and the labour market; and The market for educators. The growth of interest in this area is signified by about two thirds of the papers having been published since 1990, the earliest dating from 1984. With this growth there has been a development of interest in wider issues than whether or not education pays off and how it contributes to growth, questions which preoccupied attention in the 1960s. This volume will be of interest to any seeking to know what issues are currently deemed important and what gaps (and there are very many) remain to be explored. Although most of the papers deal with issues directly concerned with educational policy, there are those in which the definition of education is widened to include research and development policies, research portfolios, and optimal investment. There are many thought-provoking contributions, not least Kenneth Arrow's, which opens the volume, where he advances the view that whereas all social groups should enjoy equal access to education, open access to all ability groups should be avoided since this would reduce efficiency through its detrimental effect on standards – a thought which university teachers in particular might wish to ponder at the present time.

Roy Wilkinson

Rubery (Jill) and Wilkinson (Frank), (Eds). Employer Strategy and the Labour Market. Oxford and New York: Clarendon Press, 1994. Pp. xv+385. £40.00 hardback. ISBN 0 19 827894 2.

This book is one of several to have emerged from the Social Change and Economic Life Initiative (SCELI) of the Economic and Social Research Council. It is an edited collection of 10 papers, all of which concern firms' employment policies. An institutionalist approach is adopted throughout, the focus being on internal labour markets, industrial networks, subcontracting, labour flexibility, and industrial relations. Despite this common thread, the range of analytical tools used detracts somewhat from the cohesion of the volume. The chapter on paternalism by Bob Morris and Jim Smyth – while interesting and illuminating – adopts historical methods of analysis and does not fit comfortably with the other papers in the volume. In many other chapters case studies are employed. The more rigorous statistical analyses, notably the chapter on individual life chances by Michael White and Duncan Gallie, are most likely to be of general interest to mainstream economists. The editors claim that 'perhaps the most important institutional forces structuring the labour market are the employment strategies of employers'. Perhaps, perhaps not. Their book no doubt provides some interesting glimpses inside the black box which constitutes the demand side of the labour market. But without a coincident and equally thorough analysis of the supply side – including the effects of fiscal policy and changes in the gender and skill mix of labour supply – such statements might appear cavalier to the uncommitted observer.

Geraint Johnes

L. *Industrial organisation*

Barlow (Colin), Jayasuriya (Sisira) and Tan (C. Suan). The World Rubber Industry. London and New York: Routledge, 1994. Pp. xiii+364. £47.50 hardback. ISBN 0 415 02369 6.

The rubber industry has been characterised since the Second World War by competition between a small number of oligopolistic firms producing synthetic rubber, and a longer-established natural rubber industry whose production is located in LDCs, where substantial proportions of output come from smallholders. Synthetic rubber producers are often vertically integrated with petrochemicals or with rubber-using industries. Natural rubber has sustained its competitive position with a long history of technical innovation, often initiated by government institutes such as the Rubber Research Institute of Malaysia. Synthetic rubber produced from petrochemical products was damaged by the rising oil prices of the 1970s, though natural rubber production costs have been raised by labour shortages and rising wages in some south-east Asian producers. Barlow, Jayasuriya, and Tan trace these changes and provide a survey of the history, structure, and technology not only of natural and synthetic rubber production, but also of trends in rubber consumption, the production of rubber goods, price formation, and market regulation. The book contains some simple economic commentary, but little sustained economic analysis. Its main contribution is to document in more detail what is already known of the industry. It will be useful as a work of reference.

JOHN THOBURN

ROGERS HOLLINGSWORTH (J.), SCHMITTER (PHILIPPE C.) and STREECK (WOLFGANG), (Eds). Governing Capitalist Economies: Performance and Control of Economic Sectors. Oxford and New York: Oxford University Press/OUP USA, 1994. Pp. 316. £32.50 hardback. ISBN 0 19 507968 X.

This book is the first product of an international study group on 'comparative capitalism' whose contributors include political scientists, sociologists, historians, and economists. The defining capitalist economic institutions of private property and free markets are embedded in sets of particular social and political institutions which are seen as sources of difference between empirical capitalist economies. Like Marxists, functionalist neoclassical economists in the 1950s and 1960s took a 'convergence' view of capitalist economies. Competitive pressures would squeeze out institutional interferences, and the more backward economies of Europe and south-east Asia would have to adopt the market-driven corporate model of the leading economy, the USA. The subsequent success of Japan and Germany in a more globalised economy has raised awareness of their institutional differences and cast considerable doubts about the credibility of the 'convergence' thesis. Institutional diversity persists and is increasingly widely seen to be associated with differences in economic performance. In comparing advanced capitalist industrial economies in North America, Japan, and western Europe through a set of 9 sectoral case studies, this volume sets out to explore 4 themes: the notion of capitalism as an institutional order; governance at the sectoral level; the relationship between social institutions and economic performance; and the issue of 'convergence'. The case studies illuminate 'modes of regulation' in a range of sectors from steel and shipbuilding to electronics and the securities industry. As with all such collections the contributions are variable, especially in the degree to which they support the general themes developed by the editors in their stimulating introductory and concluding chapters. In general, however, the book does provide support for another challenge to the presumptions of mainstream economics about the efficaciousness of market mechanisms for the enhancement of economic performance in capitalist industrial economies.

ALAN HUTTON

N. *Economic history*

GRANTHAM (GEORGE) and MACKINNON (MARY), (Eds). Labour Market Evolution: The Economic History of Market Integration, Wage Flexibility and the Employment Relation. London and New York: Routledge, 1994. Pp. xiv+321. £45.00 hardback. ISBN 0 415 10865 9.

This is a good collection of essays which stems from a conference held at McGill University, Montreal in February 1991. The book brings together work by historically minded economists and economically minded historians. The papers range from consideration of pre-industrial labour markets to separate studies of inter-war Britain, Germany, and Canada. As well as these countries, there are contributions on French and Irish history as well as several on the USA. A valuable, lucid introductory essay by George Grantham, 'Economic history and the history of labour markets', is paired with one by David A. Green, 'Bridging the gap between labour economics and economic history: a labour economist's perspective'. Two of the most interesting essays deal with inter-war Germany and Britain. David Corbett, while warning of the shortcomings of the available data, provides an econometric study of Weimar Germany in which he shows that rising unit labour costs coincided with a profit squeeze and a slowdown in capital accumulation. He concludes that higher real labour costs and incomes between 1928 and 1930 were responsible for part of the rise in unemployment and that the later moderation of wage increases contributed to the Nazi economic recovery. Mark Thomas, in his essay on 'Wage behaviour in inter-war Britain', highlights the extent to which the current debates on the subject are data dependent. He discusses the extent to which wage data have been overloaded on the shrinking trade union sector and also considers variations both for different industries and for men and women. This provides a more complex and more convincing picture, but he concludes that 'the evident dispersion in wage rate behaviour across industries during the 1920s and 1930s should not be confused with wage flexibility' (p. 265).

CHRIS WRIGLEY

KOTZ (DAVID M.), McDONOUGH (TERRENCE) and REICH (MICHAEL), (Eds). Social Structures of Accumulation: The Political Economy of Growth and Crisis. Cambridge and New York: Cambridge University Press, 1994. Pp. ix+326. £35.00 hardback, US $54.95 hardback, £14.95 paperback, US $18.95 paperback. ISBN 0 521 44250 8, 0 521 45904 4.

This volume aims to define, elaborate, and apply the 'social structures of accumulation' (SSA) approach to the long-term growth of capitalist economies. The key feature of this approach – which combines Marxian, Keynesian, and Institutionalist elements – is the claim that 'the alternation between long periods of rapid economic expansion and long periods of stagnation in capitalist history can be explained by the successive creation and then collapse of sets of growth-promoting institutions' (David Kotz, p. 50). Such a set of institutions – known as a social structure of accumulation – comprises elements ranging from labour-management relations and the organisation of the work process, to the structure of money and banking, to the character of the dominant culture and ideology. According to the theory, the process of accumulation tends eventually to undermine any given SSA. This leads to a crisis, the resolution of which depends on the abandonment of the old SSA and the construction of a new one, which in turn depends on either the decisive victory of one class in the class struggle or the negotiation of a specific accommodation between classes. Either way, the construction of a new SSA may be a lengthy process, and a substantial period of stagnation may ensue before rapid accumulation resumes. A notable strength of this approach is that it gives equal weight to growth and stagnation as features to be explained, unlike some Marxist arguments (Sweezy, Mandel) – in which stagnation is seen as the norm and expansion depends on specific, contingent factors – and neoclassical orthodoxy, in which successful growth is the norm and stagnation anomalous. The volume gives a clear overview of SSA theory as well as offering case studies from Clinton's industrial policy to the Apartheid system. David Kotz's sympathetic but searching reflections on the theory are particularly useful.

ALLIN COTTRELL

SCHENK (CATHERINE R.). Britain and the Sterling Area: From Devaluation to Convertibility in the 1950s. London and New York: Routledge, 1994. Pp. x+165. £37.50 hardback. ISBN 0 415 09772 X.

This book will be of considerable value to economists with an interest in British post-war economic policy and deserves to provoke a wide debate. Based on detailed research in government records and those of the Bank of England, Schenk's work challenges the standard view – largely handed down from contemporary economists – that the Sterling Area was a central concern of British policy and that upholding it had strongly adverse effects on British economic growth. In the first place, her evidence indicates that the sterling balances were nowhere near as volatile and unpredictable as was believed and cannot be held responsible for Britain's frequent balance of payments crises. That apart, she argues that the Area did not provide a featherbed for uncompetitive exports or prevent the authorities from an early recognition of the importance of European economic dynamism. She also scouts the idea that the Area drained Britain of investment funds which would have been better employed in the home market. Nor, according to her evidence, was the Sterling Area at the centre of policy-making. The British government became enthusiastically committed to free trade and to full convertibility for sterling as early as 1952, abandoning regionalism and restriction for cosmopolitanism. Schenk's work opens up the post-war policy debate again on a number of important issues but it also has a wider significance. For example, it provides ammunition for those who argue that the British have always favoured globalism over imperialism in economic policy. They retreated into the latter in times of crisis, such as the Great Depression and World War II, but abandoned it readily once a stable international economy was recreated. This is an important book written in an easy and accessible style.

PETER CAIN

STEARNS (PETER N.). The Industrial Revolution in World History. Boulder, San Francisco, Oxford: Westview Press, 1993. Pp. xiii+234. £8.95 paperback. ISBN 0 8133 8597 0.

It is a challenge to describe 233 years of global industrialisation from scratch in 234 pages. Presentation is crucial and Peter Stearns, a distinguished social historian, has chosen narrative. Starting with the core in Britain, Western Europe, and the USA, he moves forward to the 'second' and 'third' technological waves, and outwards to subsequent industrialisers beyond Europe, coming right up to the present. With so little space the story is inevitably superficial, but what could be informative and gripping, feels rather thin. Good balance is difficult to achieve on such a scale and more recent times appear sketchy and disorganised. There are no conceptual lenses to focus the story, little sense of its intellectual vitality: causes are not pondered, the author rarely asks 'Why?', large factors are barely mentioned, among them the dynamics of technological change and diffusion; capital, money, finance; trade, and tariffs. Policy depiction is sketchy, war a faint shadow, immigrant an afterthought. There are no tables, just 4 arbitrary figures. Some peripheral stories are given more substance, the author's special knowledge sometimes shines through, a vignette of Turkish rug-making sticks in the mind. The bibliography is good, and so are the maps (apart from misalignment). Editing appears rushed: there are factual errors (e.g. 'the Federal Reserve Board coordinated fiscal policy in the interest of economic growth') and some picture captions are enigmatic; 1930 is an odd year to compare industrial output. Who could use this volume? It is not sufficiently challenging for British university students in economics or history; perhaps a student in some other discipline, a complete beginner with time for just one book.

AVNER OFFER

USHER (DAN). National Accounting and Economic Theory: The Collected Papers of Dan Usher, Volume I. Welfare Economics and Public Finance: The Collected Papers of Dan Usher, Volume II. Aldershot and Brookfield, VT: Edward Elgar, 1994. Pp. xxv+361. £99.95 hardback. ISBN 1 85278 993 X.

These two volumes contain 36 papers by Dan Usher written over the period 1961–91. The range of topics of the papers is very wide but is well described by the titles of two volumes. There is an interesting introduction in which he explains how his interests evolved from his graduate student days at Chicago. From there he 'escaped' to the 'real world' (where he found markets as active in Thailand as in the Chicago School of Economics) and developed an interest in national accounts and the problems involved in making comparisons of living standards both international and intertemporal. There are interesting and important papers here, some based on research in Thailand. After 10 years of important contributions in this area his interests moved into public finance and welfare and here his Chicago background comes to the fore in papers expressing concern about firm-specific investment grants and dangers of cost-benefit analysis expanding the role of the state by using imperfect data. There is a final section of papers on theft, anarchy, and despotism – perhaps a throwback to his student days at McGill which he notes was one of the last universities to teach economics and political science in the same department. Perhaps we should encourage a return to such practices which have given us an author of a range of papers on a variety of topics which show an ability to look at familiar problems in a clear analytical way but with an angle on things which is challenging to some aspects of conventional wisdom. One may quibble at some of the names included in the publisher's list of 'Economists of the Twentieth Century' but not at the inclusion of Usher who has produced perceptive and interesting papers in a variety of fields.

ALAN ARMSTRONG

O. *Economic development*

CHITRAKAR (RAMESH C.). Foreign Investment and Technology Transfer in Developing Countries: Motivating Factors and Financial and Economic Performance in Nepal. Aldershot and Brookfield, VT: Avebury, 1994. Pp. xviii+241. £35.00 hardback. ISBN 1 85628 690 8.

This is the first study on foreign direct investment in Nepal. Nepal is one of the least developed countries in Asia; its landlocked position, rough geographical terrain, poor resource base (apart from scenic beauty), and location next to a large poor country with a protectionist development strategy have been major structural handicaps to its growth. The inflow of FDI reflects these handicaps. Till 1988 there were only 58 foreign projects, mostly from India, with a total value of investments of under $100 million, mostly in the extraction and processing of marble. In view of the tiny universe, this study is able to cover the bulk of foreign investors in Nepal. It provides useful and interesting data on various aspects of their operations and perceptions of the host economy, and compares Nepalese FDI policies with other South Asian countries. Unfortunately, the analysis leaves much to be desired. The main tool is tables with percentages of responses under various qualitative categories: this is not very meaningful, not least because most categories contain one or two firms. The categories themselves are not clear; for instance, under 'motives for investing' there is a separate category for 'to make profit'. The author makes no attempt to assess independently the various factors that affect FDI. The analysis of social rates of return is peculiar, and does not take the value of exports or output (at shadow prices) into account. The main contribution of the book is to describe a previously unstudied phenomenon, but it would be of little interest to the development community at large.

SANJAYA LALL

DORIAN (JAMES P.). Minerals, Energy, and Economic Development in China. Oxford and New York: Clarendon Press, 1994. Pp. xv+288. £40.00 hardback. ISBN 0 19 828744 5.

This book provides a comparison of China's mineral and energy sectors before and after the economic reforms of the late 1970s. Since the reforms, China has moved from a policy of self-reliance in minerals and

and energy towards more involvement in the international economy. Although it is a major player in some mineral markets, such as tin, China's own demands resulting from its rapid economic expansion in the 1980s and 1990s make it unlikely to become a large net exporter of minerals. Net exports of petroleum, its largest mineral/energy export, may fall as domestic demand rises. Chinese mineral production appears to suffer from most of the same problems as the state industrial sector more generally. These problems include multiple pricing (with prices mainly set at levels lower than world prices) and enterprise objectives which stress the maximisation of employment and local revenues rather than profit or national economic efficiency. Foreign investors have been reluctant to enter the sector, about which reliable economic information has been lacking. The mineral and energy sectors have been constrained by China's rail transport bottlenecks, since many deposits are located in remote areas. In turn, energy shortages have resulted in undercapacity utilisation in Chinese industry and in mining itself. Dorian's work usefully fills a gap in our information about China's minerals and energy industry. However, the analysis is conducted at such a high level of generality that anyone interested in mineral developments in any but the most important items (oil, coal, and iron and steel) may find the book disappointing. JOHN THOBURN

FISCHER (STANLEY), HAUSMAN (LEONARD J.) and KARASIK (ANNA D.), (Eds). Securing Peace in the Middle East: Project on Economic Transition. Cambridge, Mass. and London: MIT Press, 1994. Pp. xxxv+166. £17.95 hardback, US $26.95 hardback. ISBN 0 262 06168 6.

This book summarises the results of a project initiated early in 1992 by the Institute for Social and Economic Policy in the Middle East, Harvard University. The unique feature of the project was not so much its content but the fact that the work was carried out by a joint team of Israeli, Jordanian, and Palestinian economists, with the additional participation of economists from Harvard and MIT. The purpose of the project was to review possible economic links between Israel, Jordan, and a self-governing Palestinian entity in the transitional period before full Palestinian statehood. It was expected or assumed that Palestinian self-government, however limited in scope, would cover Gaza and the West Bank (the project was completed in the middle of 1993); the much more limited territorial authority of the Palestinian 'entity', along with other discouraging political events in the region, must qualify many of the (generally optimistic) prognostications and recommendations contained in the book. Joint Israeli–Jordanian–Palestinian teams, with an American chair, examined 6 key areas; agriculture, industry, and services; labour; economic institutions; fiscal policy; monetary and financial arrangements; management of foreign aid, and separate chapters report the main findings and recommendations for each. A synthesising chapter draws together the principal recommendations. There is a strong emphasis on encouraging free trade between the 3 economies, on encouraging cooperation in trade policies, on the importance of foreign aid in supporting Palestinian development, and on the role of the private sector. On the institutional side, two major recommendations include the establishment of a regional development bank, and of a Palestinian Interim Monetary and Financial Authority. The peace process has soured since this book was completed, but if as one hopes there is a resumption of progress, the work of this project will provide a useful reference for those involved in the economic development of the region. JAMES MCGILVRAY

FRANCKS (PENELOPE). Japanese Economic Development: Theory and Practice. London and New York: Routledge, 1991. Pp. x+288. £12.99 paperback. ISBN 0 415 04101 5.

Writers of varying ideological persuasions have drawn very different lessons from Japan's experience of economic development. This book does not advance a particular model, and points out deficiencies in both neoclassical and developmental state interpretations. It also shows that the passive role assigned to the 'traditional' sectors by dual economy models (whether of the critical or laudatory variety) seriously underestimates their vitality in Japan. In doing so it provides a more balanced account than many others, based on recent reappraisals of Japan's economic development. The material is organised around 3 subject areas; development strategy and the role of the state, agriculture and economic development, and industrialisation. Japan's historical experience is assessed in the light of broader debates in development economics in each of these areas. The trade-off for this selectivity is a lively and highly readable account which both students of Japan and students of economic development, the intended audiences, will appreciate. D. H. WHITTAKER

KAKAZU (HIROSHI). Sustainable Development of Small Island Economies. Boulder, San Francisco, Oxford: Westview Press, 1994. Pp. xii+228. £37.00 hardback, £11.50 paperback. ISBN 0 8133 8854 6, 0 8133 8855 4.

This volume consists of 8 papers first published in various journals or in the form of reports over the last 10 years. Two papers are of a general nature, one dealing with the common characteristics and problems of 'small' island economies, and the other with their 'aid-dependency' dilemma. The other papers range widely in geographical terms and with respect to the issues covered – from the problem of water conservation in Saipan to the role of agriculture in the development of Hawaii, the economic performance of the Ryukyus and the growth experience of the Singapore economy. The book includes a large volume of data on the economies covered, though in many cases the data do not go beyond the early 1980s. Despite its lack of focus the volume should be of interest to general students of small island economies. ERIC RAHIM

KING (JOHN E.), (Ed). Economic Growth in Theory and Practice: A Kaldorian Perspective. Aldershot and Brookfield, VT: Edward Elgar, 1994. Pp. xxvii+616. £125.00 hardback. ISBN 1 85278 955 7.

The publication of this volume reinforces the recent trend towards an increasing interest in economic growth. John King has edited a collection of 51 papers which have as their main theme the Kaldorian approach to economic growth. The book consists of 4 parts, the first of which provides a general view of N. Kaldor's life and work, by Pasinetti, Harcourt, Blaug, and Thirlwall. The second part contains Kaldor's most important early contributions to technical progress, cyclical fluctuations, and income distribution. Critical papers such as those by Encarnacion, Robinson, Harcourt, as well as Kaldor's replies, are also included. The third part begins with Kaldor's famous 1966 lecture about Britain's economic performance in which he views the manufacturing sector as the 'engine of growth' since it exhibits increasing returns (the Verdoorn Law). This idea provoked much controversy and this can be seen in the intellectual discussion between Kaldor and the critical authors, such as Wolfe and Rowthorn. Favourable papers by Thirlwall, Stoneman, and McCombie are also included. The last part deals with Kaldor's later ideas on growth, at which the main point was that processing activities realise increasing returns and this justifies active regional policies. There are also recent papers which attempt to extend Kaldor's model. Examples include the open economy export-led growth model by Dixon and Thirlwall, and Thirlwall's paper in which the long-run growth rate depends on the expansion of industrial output. A paper by Molana and Vines develops a North-South model that favours the Kaldorian call for commodity price stabilisation. This is a well-edited book in which the interested reader can find almost all the important papers on the Kaldorian approach to economic growth. Thus the book merits a place in the library of all those who are seriously interested in theoretical and empirical aspects of the subject. S. A. DRAKPOULOS

KURDAS (CHIDEM). Theories of Technical Change and Investment: Riches and Rationality. London and Basingstoke: Macmillan, 1994. Pp. viii+161. £45.00 hardback. ISBN 0 333 55828 6.

This is a useful survey of theories of investment and technical change, with the emphasis on investment and on those aspects of technical change which are closely linked to investment decisions. It starts with the classics and Marx, before moving on to more recent theories. Keynesian and post-Keynesian theories come under fire for treating investors' state of mind as all-important but effectively exogenous, reducing the explanatory force of Keynesian models. Neoclassical models assume that investors are both well informed and rational. In the short run, this means that they can list all possible future states of the world and assign probabilities to them, which seems implausible, while in long-run models of economic growth the relevant variables are assumed to follow steady-state equilibrium paths, diverting attention away from many of the most interesting issues. Kurdas clearly prefers what she calls 'neo-institutionalist' models of bounded rationality, which she illustrates with examples from the US pharmaceuticals industry. What emerged, for me, was the immense variety of really quite plausible ways people have tried to deal with investment and technical change. We seem to have too many, not too few, ways of treating this immensely important topic, with little but guesswork and personal taste to help us choose between them. Kurdas has little to say about empirical evidence, which she regards as outside her remit and only mentions rather casually, but intensive empirical work must surely be the way forward. ANTHONY BREWER

LAL (DEEPAK). The Repressed Economy: Causes, Consequences, Reform. Aldershot and Brookfield, VT: Edward Elgar, 1993. Pp. xxxii+589. £59.95 hardback. ISBN 1 85278 888 7.

This book belongs to the Edward Elgar series, *Economists of the Twentieth Century*, and contains a selection of 22 articles written by the author since 1976 – the year of his conversion to the Libertarian School. All the papers are studies of the so-called repressed economies, defined to be the ones which operate within their production possibility frontier due to policy-induced distortions. The book also contains a section in which the author provides a brief biography of himself explaining the reasons for his conversion. The articles chosen are controversial and somewhat one-sided. However, they are important contributions to recent thinking in development economics. It is quite remarkable that the author has managed to work on such a wide range of topics and countries in the last 15 years or so: general methodological and conceptual problems of development, the Debt Crisis, distributional issues in Kenya, capital flows in Sri Lanka, economic growth in India, etc. The book should be read by people who are interested in knowing the reasons for the unilateral policy reforms that a large number of developing countries are now in the process of carrying out.

SAJAL LAHIRI

MUSCAT (ROBERT J.). The Fifth Tiger: A Study of Thai Development Policy. Armonk, New York and London: M. E. Sharpe, 1994. Pp. xvi+339. £48.00 hardback, £18.00 paperback. ISBN 1 56324 323 7, 1 56324 324 5.

This book presents an analysis of economic policy-making in Thailand from its historical roots before the Second World War up to the 1990s. The author believes that Thailand's exceptionally rapid economic growth, which averaged 4·4% a year in *per capita* terms over the 25 years to 1990, has more general lessons for poorer LDCs than the special cases of Japan, Korea, or Taiwan. This argument is based on the belief that the Thai state is more of a 'soft state' than those of the East Asian high performers. Althought at times the state has allowed significant amounts of rent-seeking, Thai development has been characterised by the avoidance of major mistakes in policy such as very high and sustained effective protection for import-substituting industries. A successful structural adjustment programme in the early 1980s, instituted in part before the IMF and the World Bank became formally involved, laid the foundations for rapid export growth and for the continuation of agricultural growth when the country finally ran out of unused land to develop. The book is strong on the political economy of policy-making, particularly the role of the military and the monarchy as forces both for stability and for appropriate change. Muscat has a dense style, which a good editor could have done much to make more accessible to busy readers, but anyone seriously interested in Thailand should make the effort to read this book.

JOHN THOBURN

SAEED (KHALID). Development Planning and Policy Design: A System Dynamics Approach. Aldershot and Brookfield, VT: Avebury, 1994. Pp. xix+254. £35.00 hardback. ISBN 1 85628 672 X.

This is a novel attempt to bring 'system dynamics', a technique used in environmental appraisal, and urban planning, to the study of development planning and policy design. System dynamics is a behavioural approach that involves the use of well-designed simulation experiments on a hypothesised model. When the model structure is consistent with experimental information, then the model is said to be robust. System dynamics is postulated by the author to be superior to probabilistic econometric reasoning, in its ability to encompass non-continuous and qualitative information to generate policy design options. After a brief outline of the method, and its use in a development policy design context, the author presents models pertinent to a number of development policy issues including income distribution, natural resource and technology management, and the role and scope of government in the policy process. (The model disk and computer program are also separately available.) Experimental changes to the initial behavioural models, set up on the basis of chosen historical and theoretical stylised facts, are used to draw conclusions about these issues. These experimental changes consist of 'What-if' simulations, for instance the impact of an exogenous productivity increase on capital ownership, worker income share, and wage rates. Policy options are treated as control instruments which activate or alter feedback loops in the models. On the basis of these exercises, the author draws a number of separate policy conclusions on the development policy issues analysed – these, however, support or reject existing theoretical propositions in the debate in these areas and no new hypothesis is made or claimed. Given the novel methodology, a full understanding of the approach would require some intellectual investment in understanding the literature on system dynamics. On the face of it, a potentially useful, policy-oriented, approach to development policy analysis and design.

RATHIN ROY

P. *Economic systems*

EARLE (JOHN S.), FRYDMAN (ROMAN) and RAPACZYNSKI (ANDRZEJ). Small Privatization: The Transformation of Retail Trade and Consumer Services in the Czech Republic, Hungary, and Poland. Budapest, London, New York: Central European University Press, 1994. Pp. xxxi+301. £30.00 hardback, £10.00 paperback. ISBN 1 85866 006 8, 1 85866 007 6.

This, part of Central European University's research into privatisation in Eastern Europe, is intended as a possible aid to policy-makers in the countries of the former Soviet Union. Its conclusions, however, are too vague and its analytical framework too superficial to be of much help. The problems begin with the title. Small privatisation has generally been taken to refer to a rapid and early transfer of small units into private ownership. As the authors at times recognise, this is not all that is involved in the transformation of retail trade. The book is structured around accounts of the retail sector in the 3 countries. Each contains a piece on background history, although there has clearly been no effort to answer a set of common questions. There is also a factual account of the process of privatisation in each country. Unfortunately there is little attempt to reap the benefits of a comparative approach. Instead, differences are never discussed beyond bland suggestions that they may not matter, as all the countries are judged to have been fairly successful, or that what worked in one country may not work in another. The book concludes with the results of a survey of 300 privatised retail outlets. This cannot give an overview of the sector as a whole as the authors exclude larger units sold to domestic or foreign firms or, in some cases, still under state ownership. Their unproven assertion is that the most important objective of privatisation should be 'a speedy establishment of a large number of relatively small, owner-managed businesses'. The survey reveals extremely little. The chosen criterion for success is investment in the business and it appears that outsider control correlates strongly with this. There are, however, substantial differences between the countries and, above all, it is questionable whether investment in small shops should be used as the criterion for success in a whole sector.

MARTIN MYANT

GOOD (DAVID F.), (Ed). Economic Transformations in East and Central Europe: Legacies from the Past and Policies for the Future. London and New York: Routledge, 1994. Pp. xvi+301. £50.00 hardback. ISBN 0 415 11266 4.

The book is a compilation of revised papers from a conference organised by the Centre for Austrian Studies and held at the University of Minnesota in 1992. It is divided into 5 sections and is comprised of 15 chapters, 7 of which are comparative analyses of individual countries. These concentrate on the economic transformation of Central and Eastern European countries (CEECs), institutional and market development, the state and structural change, and international economic relations in historical perspective. This book straddles the fields of economic history and contemporary transition economics literature in CEECs with some success. It explains, in a comparative historical context, the roots and legacies of the current transformation process in CEECs. Its authors argue that the economic history of the region over the last 150 years may provide clues as to the future shape of CEECs economies. Some of the authors maintain that the current economic situation is only the most recent manifestation of a series of dramatic turning points in the region's economic history. The book discusses how the economic heritage of CEECs may be utilised to create a market economy and encourage their integration into the world economy. The book discusses political economy issues associated with the transition process and devotes some space to agriculture in CEECs. It reiterates 2 main points: (i) that the post-war history of the CEECs shows that unfettered market forces are probably not sufficient to effect the necessary economic transformation in CEECs; and (ii) that the required institutional development is central to the reform process and will proceed slowly. The truth of this has been established for some time, but not in this way. The book is interesting, well referenced, and should prove a useful study tool for economic historians and students of the former centrally planned economies.

JUNIOR R. DAVIS

HERR (HANSJORG), TOBER (SILKE) and WESTPHAL (ANDREAS), (Eds). Macroeconomic Problems of Transformation: Stabilization Policies and Economic Restructuring. Aldershot and Brookfield, VT: Edward Elgar, 1994. Pp. xi+309. £45.00 hardback. ISBN 1 85898 060 7.

The volume contains 16 papers presented initially at the May 1993 workshop in Berlin. Its coverage of the major issues is fairly comprehensive but, fortunately, not at the cost of disregarding complexities. Most of the papers develop the analysis in close reference to the 1990–2 macroeconomic statistical series for Central Europe. Differing perspectives on the role of fiscal and monetary policies are presented, on the one hand, in papers by Herr *et al.* and Bofinger and, on the other, in those by Rosati and Kolodko. Regrettably there is little in terms of direct polemics. Bofinger's paper offers a particularly clear-cut analysis. His conclusions are that (*a*) monetary policy in transitional economics has affected the price level rather than, directly, the real sector, and (*b*) rule-based schemes for monetary policy are to be avoided in the conditions of soft budget constraints and other financial market imperfections. Bossone and Papadia's paper presents a short but highly informative account of Italy's post-war stabilisation and restructuring programme. They stress the crucial role of the favourable external environment in its success. Finally a paper by Hare deserves a mention. His highly tractable two-sector (public and private) model can provide a useful framework for further work on the optimal pace of privatisation and medium-run growth prospects in transitional economies. Unlike some other published collections of conference papers this volume should not date quickly. ANTONI CHAWLUK

SÁRKÖZY (TAMAS). The Right of Privatization in Hungary (1989–1993). Budapest: Akademiai Kiado, 1994. Pp. 264. US $35.00 paperback. ISBN 963 05 6729 6.

This book, aimed at a non-Hungarian audience, covers the experience of privatisation in Hungary up to the end of 1993. Its starting assumption is that privatisation is an essential precondition for economic success. The author focuses on the legal framework that has been created and on the consistency and effectiveness of individual laws. Economic questions are not explored in any great depth, with the author often relying on unsubstantiated, albeit often very reasonable, personal opinions when covering controversial issues. There is, however, ample detail on the complex political and social conflicts and on the precise measures that were adopted. The first important step was the 'renationalisation' of state-owned enterprises in 1989 which removed much of the autonomy they had gained under previous economic reforms. Since then a concept of 'state-centred' privatisation persisted, despite new laws passed in the summer of 1992 and a firm government commitment to 'acceleration'. Indeed, Sárközy concludes that the pace of change has, if anything, slowed down. By the end of 1993, 20–25% of state property had been privatised. It is not clear from this account why privatisation in Hungary, previously a pioneer of economic reform, has been slower than in some neighbouring countries. There are few attempts at international comparisons, with only the occasional dismissive reference to Czech voucher privatisation and no reference to Polish experience. This is regrettable as the administrative machinery, precise legal provisions, and general methods of privatisation differ widely across East Central Europe. MARTIN MYANT

Q. *Agricultural and natural resource economics*

DIENES (LESLIE), DOBOZI (ISTVAN) and RADETZKI (MARIAN). Energy and Economic Reform in the Former Soviet Union: Implications for Production, Consumption and Exports. London and Basingstoke: Macmillan, 1993. Pp. xiv+246. £45.00 hardback. ISBN 0 333 60634 5.

This study, the product of collaboration between scholars in the USA and Sweden, presents an analysis of alternative fortunes for hydrocarbon production, consumption, and exports in the former Soviet Union (FSU) in the period to 2005. It also attempts an evaluation of the likely impact of FSU exports on the world energy market in general, and on Eastern Europe in particular. In relation to the former the determining variables are differing macroeconomic reform scenarios ranging from 'shock therapy' to 'reform impasse and internal war'. Basing their conclusions on events until the end of 1992 the authors opt for a likely reform process rooted in the gradual development of a market economy. In general their conclusions are sensible and persuasive, although recent events in the FSU have raised the spectre of internal war as a critical factor in internal economic developments. A strong feature of the book is its revealing commentary on the damaging effects of earlier hydrocarbon policies in terms of high cost and waste. MAURICE KIRBY

HARDIN (GARRETT). Living Within Limits: Ecology, Economics, and Population Taboos. Oxford and New York: Oxford University Press/OUP USA, 1994. Pp. x+339. £17.95 hardback. ISBN 0 19 507811 X.

The central thesis of this book is that human numbers are subject to a 'Malthusian demostat', a control system that adjusts them to carrying capacity, which cannot grow without limit. Hardin argues that this ecological reality, and the issues arising for policy, are subject to a 'taboo' so that they are not properly appreciated and much policy is misguided, increasing human misery. Economics is criticised for ignorance of ecological reality, and perpetuating the myth that there are no limits to growth. There are a number of interesting historical references to the population literature, and some interesting, and provocative, ideas about the policy. However, the book is poorly organised and repetitive, often lacking in structured empirical material, and the interesting ideas are generally not well developed. It is implicit in much of the book that the central question is the relative roles in human reproductive behaviour of biology and culture. This question is not addressed directly until the 25th of 27 chapters, where the conclusion appears to be that in some, rich industrial, nations culture may now be providing a 'solution' to the 'population problem'. Hardin notes, for example, that increasing female participation in the paid labour force might work to reduce facundity for the participants, but that non-participation might be, in part, genetic. The depressing effect on overall fecundity could then be temporary, as 'the competing lifestyles would select for the slow replacement of careerists by homebodies' in the absence of 'other social controls'. Hardin is unequivocally against migration, arguing, in chapter 26, that it benefits neither the sending nor the receiving nation, and that it is individual nations that have population problems that they must themselves solve.

M. S. Common

Lindahl-Kiessling (Kerstin) and Landberg (Hans), (Eds). Population, Economic Development, and the Environment. Oxford: Oxford University Press, 1994. Pp. xxii + 284. £20.00 hardback. ISBN 0 19 828950 2.

This is an important collection of 9 papers written by a team of distinguished authorities on the interrelationships between the growth of population, economic growth, and the strains being imposed on the natural environment. The volume originated at a conference on these problems, with later follow-up lectures and seminars, to which the authors of the papers contributed and which were the subject of discussion among them and other participants. This procedure helped provide a link between the papers. Even without that linkage, all the papers constitute valuable and succinct contributions to the theme of the volume. It is invidious to pick out particular instances, but space constraints impose a narrow selection. Among these, the paper by Partha Dasgupta, Carl Folke, and Karl-Göran Mäler provides a particularly impressive explanation of the way that degradation of society's environmental resource base leads to a loss of resilience which, in turn, constitutes a possible serious threat to future living standards. Furthermore, in their view it is because such reductions in environmental resilience are not easily observable and incorporate various non-linearities, that the subject of ecological economics is so very difficult. (Their position on this seems to conflict with the statement in the Introduction that 'The technical solutions to the problems regarding calculation and measurement of accounting prices for environmental resources are now, albeit sometimes complicated, in place or well under way'.) Amartya Sen's chapter is a survey of some of his famous work on population and food supplies, including, in particular, his demonstration that coercive policies, such as those pursued in China, with all the human suffering that this entails, have succeeded no better than enlightened social policies in other poor areas, such as the Indian state of Kerala. Even among contributors of this calibre, the superb paper by Nancy Birdsall stands out as a masterly survey of the three kinds of adverse effect that excessive population growth can have – on the growth of society's welfare, on the environment, and on inequality. Her analysis of these three effects in terms of externalities is brilliantly clear, and enables her to demonstrate, in support of Sen, the superiority of 'win–win' policies (such as improved female education) designed to remedy market imperfections leading to excessive fertility rates. If her analysis also means that the negative externalities of population growth in poor countries are far worse than those of population growth in rich countries, which appears to conflict (as do Sen's results) with the view of Dasgupta *et al.* on this, the implication is that another conference is needed, but with me present to help iron out these and other inconsistencies between one paper and another!

Wilfred Beckerman

Weiss (John), (Ed). The Economics of Project Appraisal and the Environment. Aldershot and Brookfield, VT: Edward Elgar, 1994. Pp. ix + 205. £39.95 hardback. ISBN 1 85278 678 7.

This is a collection of 11 papers devoted either to the general problems of incorporating environmental considerations into project appraisal, or to specific instances, such as forest management, or an iron-ore project in Brazil. Some of the papers provide mildly encouraging information about attempts to make usable estimates of environmental costs and benefits in some cases. But most of the papers constitute a depressing reminder of how much confusion has been introduced into the theory and practice of project appraisal by attempting to incorporate some 'sustainability constraint', which not merely means all things to all men, but even totally different things to the same men. None of the contributors faces up to the question of why some fuzzy and confused concept of sustainability is better than the old-fashioned economist's objective of maximising the welfare of society over some given time period, taking account of externalities where appropriate. For example, if it appeared that future generations would have lower consumption levels on account of resource constraints (against all the evidence of the past and all economic theory), the cost-benefit analysis procedure for adjusting the 'utility discount rate' would attach higher utility (welfare) to future units of consumption and adjust its policy accordingly. The real problems include those discussed in Weiss's Introduction, namely the difficulty of making numerical estimates of environmental values.

Wilfred Beckerman