
BOOK REVIEWS AND NOTES

The Structure of the Australian Economy, P. H. Karmel and Maureen Brunt.
Melbourne: F. W. Cheshire, 1962. Pp. xii, 154, 18s. 6d.

This is a little gem of a book. In its short span it encompasses a wealth of information on the economic and political characteristics of the Australian scene which will be of great use not only to economists and university students but to the intelligent layman, too. It originated as part of a project sponsored by the Commonwealth Studies Centre of Duke University in the U.S.A., the aim of the project being to examine the extent to which the economies of Commonwealth countries conform to the orthodox conception of capitalism, i.e., the competitive "laissez-faire" model.

The authors found that comparison with the theoretical model was a useful way of highlighting certain essential features of the Australian economy. The book is divided into four chapters. The first chapter deals with the economic and institutional background in Australia and discusses the problems involved in the division of powers between Federal and State governments. Though the Federal Government is the main manipulator of the economy its actions are circumscribed by the fact that it cannot control hire purchase finance and cannot legislate on prices, wages and conditions of employment. Moreover, Section 92 of the Constitution, in requiring that "trade, commerce and intercourse between the States . . . shall be absolutely free" severely limits the Federal Government's powers in relation to the establishment of marketing schemes, the control of monopolies and restrictive practices and nationalization of industries. To this extent an element of laissez-faire is preserved in the Australian economy.

Chapter Two deals with the capital and labour markets and enlarges on the problem, noted in the first chapter, of the Federal Government not being able to control hire purchase finance, which has grown tremendously since the end of the War. Thus monetary policy, operating upon the liquidity of the trading banks, is working in a steadily decreasing area of the capital market. As far as labour is concerned, the authors consider that the system of compulsory arbitration encourages both parties to the dispute to make extravagant claims and that the skills of negotiation and a realistic attitude to the limits of bargaining, as is exhibited in the U.S.A., are often replaced by the skills of advocacy. Moreover, the Arbitration Commission itself appears to have wavered between the principle of purely settling a dispute between two parties and the principle of considering the results of its decisions on the general state of the economy. Sometimes it has followed a policy contrary to that of the Federal or State Government.

Chapter Three is devoted to the organization of business activity and a discussion of the degree of competition existing in agriculture, mining, retailing and manufacture. The authors conclude that Australian manufacturing industry is "highly concentrated" and that only in agricultural production is there pure competition. This is not to deny that competition

exists at all in the other industries but that price and cost competition of the theoretical model is replaced by competition between monopolistic or oligopolistic firms in product improvement, product variation and in advertising. Trade agreements and restrictive practices abound, there being negligible restraints upon them by legislation. The authors feel that the Australian public as well as businessmen have come to accept them as the normal pattern of business and that probably the average businessman would be hurt to hear his trade agreements described as restrictive. The authors quote an amusing exchange between a witness and the Western Australia Royal Commission on Restrictive Trade Practices and Legislation (1958) as evidence in this respect:—

Question: “Can you indicate why you are not in favour of Government control and yet are in favour of private control in regard to price fixation?”

Witness: “Yes, because firstly, we stand primarily for free enterprise and the voluntary conducting of our affairs without being bound by a statute.”

The last chapter is concerned with the activities of government, both in its role as entrepreneur and as manipulator of the economy. The major problems in the last decade have been inflation and balance of payments difficulties and the authors consider the lack of success in tackling inflation has been due partly to lack of will on the part of the Federal Government but also partly because, for constitutional reasons, its control over the economy is limited. On the controversial issue of the causes of the inflation the authors prefer the explanation advanced by many economists for the inflation in the British economy, namely, that it has been cost-induced rather than demand-induced. This reviewer believes that it may be the failure to recognize this that has resulted in the unsuccessful attempts to check inflation in both the British and Australian economies.

G. J. TYLER

Economic Growth in Australia, Colin Clark, G. D'A. Chislett, J. Vernon, D. Cochrane, W. E. R. Francis, H. W. Arndt. Edited by J. Wilkes. Sydney: Angus and Robertson, 1962. Pp. 195. 17s. 0d.

For nearly thirty years the Institute of Political Science has promoted discussion of key issues in Australian political and economic development. Thus, the twenty-eighth summer school, held in Canberra in January, 1962, was devoted to economic growth and this book (the thirty-third published by the Institute) contains the proceedings of the conference.

Although the main objective of the school was to provide a forum for debate, it is indeed fortunate that the thoughtful papers and lively discussion have been published thus making the material available to a wider audience. Already the contributions by Dr. Vernon and Professor Arndt, in particular, have stimulated widespread discussion; in fact Professor Arndt's proposal for a four- or five-year investment plan, “broadly

on the French model” and “possibly against the background of a much more roughly sketched ten-year plan” has led to a quickening of interest in the broader questions of national objectives and use of resources.

Economic Growth in Australia is clearly not intended to be a textbook but it does contain some useful theoretical and factual material of interest to students. The book should also be helpful in adult education.

G. C. MCFARLANE

An Introduction to the Principles of Agricultural Economics, R. H. Tuck.
London: Longmans, Green and Co., 1961. Pp. vii, 260. 43s. 6d.
(Aust.).

This book is intended “to provide people who have no economics with a grounding in economic reasoning and principles, adequate, both for the critical reading of historical and descriptive texts in the agricultural economic field, and for further, more advanced, reading and thought on the theoretical side”. To this end the presentation is such as to give the reader the main and most useful arguments rather than the detailed refinements.

As may be expected of a work which gives an introductory exposition, in general terms, there is some theory which is not adequately dealt with. In particular, production economics is not treated in much detail. On the other hand some sections, such as that dealing with the quantity theory of money, seem rather more detailed than is warranted.

The author feels that it is the aggregate approach rather than the management approach which should be followed in an introductory course: “. . . failure to grasp this underlying orientation of the subject of economics (towards an interest in the aggregate outcome) is probably responsible for a large part of the difficulty often encountered, by agricultural students in particular, in grasping what economists are driving at and in understanding the meaning and the purpose of the propositions, theorems and laws of which the theoretical part of the subject consists.” The whole book then, is orientated towards the wider welfare effects on the whole community.

Very little use is made of mathematical models or diagrams. Instead the author relies on simple descriptive argument and illustrative tables. This is quite an attraction as far as the ordinary reader is concerned. However, this descriptive approach leaves the way open for misrepresentation or misunderstanding on some of the “smaller” points. Two examples are, the discussion of optimum farm size in the section dealing with capital, and some aspects of the landlord and tenant relationships in Chapter 9.

The book is divided into three parts. The first part presents the “Basic economic notions”. The topics covered in this section include elementary supply and demand theory; the competitive process—imperfections and instabilities; money, income, saving and investment; and international trade. These last two items are particularly well described.

The second part deals with "Elementary economics applied to agriculture". Capital is covered in some detail both as a general subject and its relationship to the farm management problem. The author considers the "whole farm management problem could be thought of as an exercise in the allocation of capital within the farm". The marginal concept is expanded. This section is the most applied from the farmer-reader's point of view. Land and labour are also treated in this part of the book.

Part Three is given over to a consideration of agriculture and the rest of the economy. Supply and demand theory is treated more fully. Marketing, population movements and other long-term matters affecting agriculture are covered. The role and tasks of government in the competitive economy is the last main topic treated. The general discussion in this section relates rather specifically to an economy such as that found in the U.K.

The index provided is quite complete. An appendix covering the various output measures used in agriculture is provided. It is included, apparently, because the author feels that such measures are usually misinterpreted—particularly from a welfare economist's point of view. A further appendix provides a very useful list of "some suggestions for further reading". These references are grouped according to subject matter.

The general discussion in the latter part of the book is directly related to the English scene although the agricultural exporting economy is considered. This specific orientation does detract to some extent from the general usefulness of these sections. However, this book, with its shortcomings, should prove a useful addition to the evergrowing list of introductory texts. It earns a place because it treats the broader aspects which are often submerged, and treats them in such a manner that should allow ready appreciation by the ordinary reader. Its greatest application, then, will be to those seeking an introduction to economic principles as related to agriculture.

D. E. MACCALLUM