The book is divided into three parts. The first reviews the characteristics of growth and the institutional framework for planning and economic policy making. Part II examines the exchanges and import control systems, which were joined in the 1960s by an export promotion scheme that gave exporters of certain goods preferential access to imports. The final part analyzes the impact of these policies on both allocational and intra-firm efficiency. In the last chapter, Islam, an East Pakistani, offers a dispassionate examination of the inequities in the trading relations between East and West Pakistan.

In summary, Islam offers very little new in the way of theory, but much in the form of detailed documentation on the pitfalls of trade and exchange controls. A great disappointment is that Islam did not carry his story past the 1972 devaluation, which was accompanied at the time by righteous statements that the protectionist rents raised up by the trade control system had been demolished as part of a massive exchange rate devaluation and control liberalization. The devaluation occurred, but the liberalization did not live up fully to the stated intentions of the government. The story of how a country winds down its system of controls is as important a story as how the system is created. Islam cannot really be faulted for not completing his story because, as a Bengali, he had little access to the kind of data in Pakistan that would have been essential to the telling of the story.

Reading Islam’s book should be one of the conditions attached to IMF loans to those developing countries seeking relief from balance of payments pressures. As with inflation, the greatest costs of control systems are the unanticipated effects rather than the anticipated ones. If planners would only read Islam’s book, few costs of exchange and trade controls could truly be said to be unanticipated. Pakistan has experienced them all.

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These two multi-authored books deal with the same problem in different ways. The Bhagwati volume is the product of a conference held in May 1980, attended largely (but not only) by economic theorists, while Turner and his colleagues have produced an integrated collection of empirical papers written in a non-technical ‘public policy’ manner. It would be a major undertaking to review either volume (each with over a dozen papers) in one go. Considering them together naturally prevents justice being done to either in full, but it permits interesting comparisons between the two approaches.

A number of clear themes emerge from the work of Turner and McMullen (and their co-authors Colin Bradford, Lawrence Franko, Laura Megna, Sherry
Stephenson and Stephen Woolcock). The actual impact of the newly industrialising countries (NICs) has been less than is sometimes imagined. Colin Bradford's excellent chapter reiterates that most of the NICs (unlike Japan) have consistent trade deficits with the OECD world so that in aggregate they generate a net stimulus to economic activity in the OECD world. He estimates that the import surplus has been used to finance investment rather than consumption. Serious doubts exist however about the ability of the advanced industrial countries (AICs) to adjust to the changes in the pattern of trade. The call for some kind of government intervention emerges, albeit softly, but whilst there is plenty of data on what was actually going on in the 1970s Turner et al. do not supply a theoretical framework in which to decide exactly what should be done. What emerges clearly from some of their sectoral studies is that any analysis based on simple static comparative advantage risks being wrong. One interesting observation by Turner is that some industries affected display quite extraordinary degrees of lumpiness and increasing returns to scale, both static and dynamic. South Korea for example can move from zero to 5% of world colour TV capacity by a single set of investment decisions, which then have future implications for production costs there and in competitor countries. Marginal analysis is not much help here, but the lumpiness of these investments is one reason why the inroads of NICs have been confined to certain rather narrow market areas. The problem has been that the impact has been felt at the worst possible time, the post-1973 recession. As old jobs go, new ones do not appear. Turner agrees with those who support some kind of 'positive adjustment policies' but he cannot tell us what these should be.

One turns for theoretical insights to the Bhagwati volume. To my mind, the most interesting paper here is by Michael Bruno, who tries to give a rigorous formulation of the macroeconomic pattern identified by Turner. He sets up a Barro-Grossman-Malinvaud model which switches between a Repressed Inflation and a Keynesian Unemployment state. Adjustment to additional imports is clearly easier in the former state, and while the formalisation does not get us much further than that, this particular insight can be made rigorously consistent. There are three micro-theory papers designed to produce policy conclusions, but it is only a mild exaggeration to say that Michael Mussa shows that if you assume rational expectations and perfect markets, etc., there is no welfare case for adjustment assistance; but Peter Neary proves that if you do not make these assumptions you can generate such a case. The role of economies of scale and the potential endogeneity of comparative costs with respect to industrial policy are not touched on. Peter Diamond usefully discusses the role of adjustment assistance from a distributional point of view: he suggests subsidies for both output in declining industries (to compensate for the low incomes there) and subsidies on exit (to correct incentives.)

The five papers in Part II of the book (by Bhagwati solo, and with Robert Feenstra, Paul Krugman, Ronald Findlay and Stanislaw Wellisz and Robert Baldwin) all offer theoretical models of the way lobbies seek protectionism, in a public choice framework. To my mind they offered fewer insights than the final empirical chapters by David Richardson on the US Trade Adjustment Act,
Eric Verreydt and Jean Waelbroeck on EEC Protectionism, and an excellent and theoretically informed case study on the run-down of a UK textile town by the industrial sociologist Ron Dore.

There is scepticism in most (though not all) of the trade policy chapters here about the ability of the government to intervene in a useful way. What is worrying, however, about looking at government policy as just a cynical response to pressure groups is that \textit{de facto} it concedes the political ground to protectionism. When all intervention is regarded as inferior to the free market, the economist loses the ability to say anything useful at all. The state is already involved in all the industrial sectors we are dealing with and the pressures to ‘do something more’ are building up month by month. Bruno is implying that aggregate demand policies are what we really need, and Neary implies that with a bit more effort we could devise second-best micro policies, but only Diamond makes any concrete suggestions. Meanwhile actions have been taken which threaten to undermine the whole GATT system. Is it impossible for the economist to make suggestions which respond to the political unwillingness to leave structural change entirely to the mercy of market forces? There is a tendency to dismiss all industrial policies as protectionist, but if the government is already deeply involved in industry and trade is there not perhaps a slight chance that well-designed responses to import competition might be better than the ill-thought out present policies? There seems to be very little recognition of the fact highlighted by Bruno and Bradford that most of the NICs have trade deficits and that industrial countries should be concerned with their export industries as well as their imports. The full ramifications of the macroeconomic and financial implications of the new pattern of world trade do not seem to have been very fully analysed anywhere. Some of the biggest problems are posed by the financial situation of fast growing NICs on the one hand, and some individual large firms in the AICs on the other. We need to know whether the world can afford to go on lending at the same rate to the Chryslers and the Mexicos of the world, or whether, rather, we cannot afford to stop.

Obviously no two books can answer all the questions in this increasingly important area. Bhagwati, Turner, and their collaborators are to be congratulated on producing extremely important and thought-provoking volumes which complement each other very well. Both are rare examples of multi-authored collections which hang systematically together and they deserve wide readership and should stimulate further work.

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\textit{Input–Output Analysis in Developing Countries.} By \textsc{Victor Bulmer-Thomas.} (Chichester: John Wiley, 1982. Pp. 297, £19.95.)

The author has established his credentials by helping to compile input–output tables for Costa Rica, Scotland and Morocco: a laborious business. He knows what he is talking about. The two-thirds of his book which covers the methodology and practical problems involved in constructing an input–output table