

decrease in standard revenues. So at the end of some years of reform, it is not easy to see how far any of us is actually better off; and the tenuous link of accountability between taxing and spending is certainly weaker.

Tony Rutherford is a policy analyst with the Institute of Public Affairs.

Founder and Critic

H. W. Arndt, 50 Years of Development Studies, National Centre for Development Studies, Australian National University, 1993.

Reviewed by Clem Tisdell.

This is a valuable selection of 24 papers written by Heinz Wolfgang Arndt over a period of a little over 50 years on major issues in economic development. The new preliminary material with which the author introduces each paper greatly enhances the volume because it sets each paper in its historical and institutional context and relates it to the historical development of thought about development studies. This is particularly appropriate for this volume, the fourth in the History of Development Studies series of the ANU's National Centre for Development Studies.

The first paper, written in 1942, discusses the agricultural labour surplus problem in eastern (including south-eastern) Europe. In 1937 a very large surplus of agricultural labour existed in eastern Europe and this was predicted to increase significantly in 1952 in the absence of countermeasures or fortuitous developments. Thus the absorption of surplus agricultural population was expected to be an important economic issue in eastern Europe after World War II. Of course, as events transpired, it became largely a problem for the former Soviet communist 'empire' to deal with, a development that could not have been foreseen with any certainty in 1942.

Arndt covers the difficulties and problems involved in defining and measuring the size of the surplus agricultural population. These issues and the problem of absorbing the surplus agricultural labour force remain important issues in many developing countries today, such as China. It has been estimated that approximately a third of the Chinese agricultural labour force is surplus in an economic sense. In fact, it seems likely that past communist systems both in the east and the west of Eurasia did much to exacerbate the agricultural labour surplus problem.

The last essay in this book (written in 1993) involves a discussion of the environment and economic development centred around the concept of sustainable development and the question of the appropriate discounting of future benefits and costs. The catalyst for this contribution is a review of D. Pearce, E. Barbier and A. Markandya, *Sustainable Development Economics and Environment in the Third*

World (London, 1990). As in most essays in this book, Arndt shows extraordinary perception and wisdom. He observes that the idea of sustainable development popularised by the Brundtland Report (World Commission on Environment and Development, 1987) is an evasion, since it suggests that no trade-off between economic growth and the maintenance of environmental quality is needed. Indeed the former is believed by many supporters of sustainable development to be necessary for the latter. But as Arndt points out, some trade-off may be necessary and the extent to which this is so is still a major issue for debate (Tisdell, 1994). Arndt correctly says that the slogan of sustainable development has much in common with that of 'growth with equity' which was frequently espoused during the 1970s. Nevertheless, it is probably true that Arndt favours pro-growth strategies even with some risks to more conservative strategies designed to protect the environment, including the global environment. However, he does not fully reveal his stand in this respect, even though his discussion of risk and uncertainty and irreversible damage (pp.258-9) points in this direction.

Arndt makes a number of extremely important points in this essay about the discount rate and preservation of the natural environment. He thinks that the discount rate and the rate of interest should be regarded as secondary considerations. But the level of investment and its composition will be of great significance for the state of the environment and sustainability. Investment as a rule involves the replacement of natural capital stock by man-made capital. To what extent should these be substituted and how should the optimal mix of these be allowed to vary with the passage of time? This is the central issue.

Between these two essays are others which are equally interesting. Essays 21 and 22, first published in 1988 and 1991 respectively, are closely related and deal with structuralism, market failure and underdevelopment. The latter essay is a masterly synthesis of different anatomies of market failure. It considers the failure of markets from static and from dynamic points of view, that is, essentially from allocative and creative perspectives. The possibility is also considered that markets may fail to exist because of market transaction costs or that markets may be segmented. These 'microeconomic' concepts are then related to the situation in which many less developed countries find themselves. In essay 22, Arndt reveals himself to be more in sympathy with the bounded rationality/evolutionary school of economic thought, which owes so much to Joseph Schumpeter, than with traditional market theory. Nevertheless, he sometimes seems influenced by traditional neoclassical theory, for example in his advocacy of free trade for Australia (Arndt, 1992).

In some respects the book could have been better. For example, a complete list of Arndt's publications, or at least those on development studies, could have usefully been included. On some points the reader may disagree. For example, Arndt castigates the use of contingent valuation as a means to help settle environmental questions and comments, 'The appropriate procedure for weighting the pros and cons in such cases in a democratic society, is not contingent-valuation, but determination by a democratically elected government or perhaps a referendum' (p.259). Although one can be justifiably critical of contingent valuation, democratically elected governments

governments and majority voting can lead to serious economic failures. So it is really no solution to place one's trust in either.

Heinz Arndt is Australia's greatest development economist who has done more than any other in this country to advance development studies. It is pleasing to see wisdom and analysis combined in a single volume by a founder and constructive critic of development economics. The collection strengthens the European academic cultural tradition from which so many Australians have drawn inspiration and helps to integrate present economic thought with the past.

References

Arndt, H. (1992), 'Stubbornly Defending the Free Trade Position', Department of Economics, University of Queensland, Discussion Paper No. 89 (The Second Colin Clark Memorial Lecture).

Tisdell, C. (1994), 'Population Economics, Development and Environmental Security', in N. Polunin & M. Nazim (eds), *Population and Global Security, Environmental Challenges Series*, The Foundation for Environmental Conservation, Geneva (forthcoming).

World Commission on the Environmental Development (1987), *Our Common Future*, Oxford University Press, Oxford.

Clem Tisdell is Professor of Economics at the University of Queensland.

Respecting all Heritages

Neil Barr and John Cary, Greening a Brown Land: The Australian Search for Sustainable Land Use, Macmillan Australia, Melbourne, 1992.

Reviewed by Nick Uren.

Greening a Brown Land provides a carefully woven account of the science and socio-economic factors that have influenced the shape of agriculture as we know it today. It provides a better understanding and more realistic view of what has gone on and why than the picture painted by urban environmentalists: 'Environmental religious fervour . . . is no substitute for facts' (p.286). As well, the book provides a sense of history, which is so often missing among those who are so keen to attack farmers and the results of their labours. Barr and Cary have used plates and historical accounts successfully to illustrate the appearance of land in 1788 when 'The inexperienced would be directing the unwilling to farm the unknown' (p.118). The photographs are generally apt, but the quality of some is poor: for example, the lupins cannot be seen in the one on page 140.

The main theme is the struggle of farmers to make the land productive, and thereby green, and to overcome the dry and infertile soils that characterise it. The