

Some Valuable Information, but an Uneven Presentation

Agricultural Trade Principles and Policies.
By Luther Tweeten Boulder, CO Westview Press,
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Reviewed by Fred J Ruppel

As a professor of international agricultural trade, I searched many years for a textbook that covered the material that I felt needed to be covered for my senior-level agricultural economics students. My list of the necessary material fell into five categories: (1) current issues and historical perspectives on international agricultural trade, (2) trade theory, (3) commercial policies and market interventions, (4) marketing, markets, and institutions, and (5) international macroeconomics.

The available texts were of two types, those radiating from the mother discipline of international economics and those from an agricultural economics perspective. International economics textbooks were typically too heavy on economic theory and too light on applications to policy analysis and economic decision-making. Agricultural economics texts offered too great a focus on the policy aspects of international trade or on markets and international marketing, to the exclusion of the many interrelated elements of the economics of international agricultural trade.

The contents to *Agricultural Trade Principles and Policies* seemed to offer a reasonable alternative to the available texts. Two chapters (1, 10) covered current issues and historical perspectives on international agricultural trade. Another two chapters (2, 3) were targeted to trade theory, one from a theoretical perspective and one with an empirical orientation. Four chapters (4, 5, 9, 11) highlighted policy, three chapters (7, 8, 9) covered market structures and institutions, and one chapter (6) focused on macroeconomic policies and exchange rates. Finally, chapter 12 covered theoretical and empirical agricultural trade model building. My wish list was apparently complete—all of my topics appeared to be covered!

As I read the chapters, however, my hopes began to fade. Chapter 1 focused on the importance of international trade, offered a brief history of US agricultural trade, and discussed eight new developments in world trade. Tweeten had suggested that chapter 1 (and chapters 9, 10, and 11) would

be "quite readable for persons with little, if any, background in economics" (p. xiii). But, I found this introductory chapter to be quite difficult for the uninitiated, especially the international macroeconomic relationships covered within the new developments section. Although Tweeten assumes his readers are intermediate economists, even that level of expertise may not suffice.

I would have preferred chapter 2 be more background/overview on worldwide agricultural trade, such as chapter 10's "Major Players in World Trade." Instead, chapter 2 moves directly to the theory of international trade, focusing on comparative advantage and the gains from trade. This is a reasonable flow; however, in that Tweeten's historical presentation of trade theory ties in well with the historical trade background in the previous chapter. Unfortunately, chapter 2 suffers from too great a coverage of some topics that belong elsewhere and from too little pedagogy offered to the more important topics. Tweeten's policy background surfaces much too quickly in his premature coverage of trade barriers (quotas, tariffs, optimal export taxes) and the theory of the second best. In addition, topics like the Leontief Paradox, the Stolper-Samuelson and Rybczynski Theorems, and the proof of the Heckscher-Ohlin Theorem are better left to advanced international economics textbooks. Chapter 2 has too few diagrams, and the theoretical flow, especially the flip-flopping between general and partial equilibrium, is not intuitive. Too much is presented too quickly and too cryptically. A two-chapter split of international trade theory would have helped.

Chapter 3 is good, but its focus on measuring policy interventions fits more appropriately as a postlude to the next three chapters, following Tweeten's discussions of border interventions, domestic agricultural programs, and macroeconomic policy. Misplaced material includes measures of nominal and effective protection, classical welfare impacts of policy changes (including dumping), an analysis of exchange rate distortions, and a discussion of producer and consumer subsidy equivalents. Appropriate coverage includes a section on measuring comparative advantage by domestic resource cost analysis.

The next two chapters find Tweeten in his home element: agricultural policy. Chapter 4 looks at border measures—taxes (tariffs), subsidies, and quotas. The importer-exporter intervention dichotomy

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tomy is presented for each type of intervention, resulting in six diagrams. The application of each of three country types (small, large, and very large) to each diagram results in 18 possible cases. The diagrams are all well-drawn and well-documented, and the discussion is clear and uncluttered. Chapter 5 covers domestic commodity policies, including price ceilings and floors, production enhancements, mandatory controls, and a variety of two-price mechanisms. The discussion is both descriptive and analytical, with a focus on the agricultural policies of larger developed countries since programs in these countries "entail the largest social costs in foregone world income" (p. 99).

International economics textbooks typically devote half of their text to international monetary theory, essentially international finance and macroeconomics. In chapter 6, Tweeten gleans only the essentials of international finance theory, presenting instead applied topical coverage that includes international payments accounting, the foreign exchange market, domestic price and quantity impacts from exchange rate changes (including empirical estimates), macroeconomic linkages, and his own earlier work on the "economic degradation process." Covered too lightly is open economy macroeconomics, that is, national income determination and impact multipliers in an international context. Research has shown worldwide economic conditions to be crucial determinants of a country's agricultural export levels (Batten and Belongia, 1984).¹

Tweeten continues his analysis of market imperfections in the next two chapters. Chapter 7 focuses on game theory and the theory of duopoly, while Chapter 8 extends strategic trade theory to traditional economic analysis and to imperfections that offer market players some degree of market power. Strategic trade theory is relatively new ground in international economics, and Tweeten provides an excellent overview, although the algebraic orientation will be difficult for less advanced readers. In Tweeten's defense, however, this material (much of which originates in the public choice literature) is difficult even for advanced students (and instructors!). Chapter 8 focuses on imperfectly competitive markets with

discussions of producer cartels, market segmentation and price discrimination, intra-industry trade, and political economy. The two chapters provide an excellent primer for seasoned economists to become familiar with the "new international economics."

Chapters 9, 10, and 11 are a largely descriptive return to the realities of international agricultural trade. Chapter 9 introduces three of the institutions that have major impacts on agricultural trade levels and directions: the International Monetary Fund, the World Bank, and the General Agreement on Tariffs and Trade (GATT). The GATT discussion leads naturally into international commodity agreements and economic integration. Chapter 10 is a discussion of the policies and practices of the major players in world trade. Tweeten focuses first on the three economic superpowers (the United States and Canada, the European Community, and Japan), then on some lesser nations, regions, and alliances that affect agricultural trade, and concludes with justifications for trade barriers. Chapter 11 presents U.S. agricultural trade policy, while chapter 12 describes theoretical and empirical attempts to model world agricultural trade.

In his Preface, Tweeten envisions three uses and target audiences for his book: (1) an information source on international agricultural trade for the general public, (2) a textbook for graduate and upper-division undergraduate students, and (3) a resource and reference book for trade and policy research. I maintain that he fails in his first objective: the "uninformed public" will not be able to digest large chunks of his book without a heavy dose of intermediate micro- and macroeconomic theory. Tweeten is clearly biased toward the benefits of free trade over protectionism, but his message is filtered through complex economic analysis. His policy background and biases permeate the text, making it similar to others already in print.

In his second objective, Tweeten is moderately successful, although undergraduates and less-learned graduate students will have difficulty with a great deal of the material. The real value of this first edition will be to the third target audience, the research community, who will find the text useful, informative, and not overly taxing. Professional economists and agricultural economists who want to add agricultural trade to their economics toolkit will be well served by this book.

¹Batten, D. S., and M. T. Belongia. 1984. "The Recent Decline in Agricultural Exports: Is the Exchange Rate the Culprit?" *The Federal Reserve Bank of St. Louis Review*, Vol. 66, pp. 5-14.

