Trade, Balance of Payments and Growth. Papers in International Economics in Honour of Charles P. Kindleberger. Edited by J. Bhagwati, R. W. Jones, R. A. Mundell and J. Vanek. (Amsterdam: North-Holland, 1971. Pp. xi + 532. £10·50.)

This impressive tribute to Professor Kindleberger ranges widely over the field of international economic theory; it comprises twenty-three papers by some of the most distinguished writers on this subject. There are surprisingly few pot-boilers and altogether the volume gives an excellent picture of the frontiers of the theory.

It is a picture of unbalanced development ranging from the sophisticated theory of factor proportions to the morasses of export-led growth. Work on the former too easily degenerates into theory apparently for its own sake and of little relevance to any real economy. Mathematicians in particular would do well to remember that most of us find a page of mathematics more demanding than a page of (good) prose and, before embarking, need reassurance that our efforts are worth while. Of course theory need not be like this as a characteristic piece by Jones brilliantly demonstrates. He tackles a well-worn subject (factor price equalisation) with ingenuity, his style is lucid, his argument vigorous; mathematics is used where and only where it makes his point more clearly or precisely and is nearly always complemented by a penetrating intuitive comment; the reader is constantly made aware of the way in which his analysis contributes to an understanding of the real world. Many of us (including some of the contributors) would benefit from careful perusal of this exemplary paper.

Several papers confine themselves in the main to the useful task of synthesising previous work. Findlay integrates savings-gap and foreign-exchange-gap models into a single illuminating theory. Bhagwati presents a generalised theory of distortions and welfare; although the links between the bodies of theory here brought together may be more readily apparent than Bhagwati claims, their formal synthesis is valuable. The piece is inevitably terse and certainly no substitute for reading the more important of the articles he surveys. Samuelson, in a paper perhaps of prime interest to historians of recent economic thought, integrates the opposing viewpoints in the celebrated transfer problem controversy.

Sometimes economic theory seems at variance with the most casual of observations. Thus Vanek and Bertrand are worried by the poor explanatory power of the conventional Heckscher–Ohlin model. A three-commodity-two-factor model is developed (geometrically) and generalised (heuristically) to " explain a very large volume of trade indeed "—a commendable aim; (it is not however clear to the reviewer why (p. 64) for commodities exhibiting across-country technology differences, factor-price equalisation should imply complete specialisation, while the claim that uniform technology is most plausible for traditional goods seems far-fetched indeed). McKinnon attempts to reconcile the theory of distortions and welfare with the observed behaviour of governments, particularly of L.D.C.s. His reconciliation is based not on politicians' obtuseness but on the difficulties and costs of devising otherwise optimal interventions. This simple point is developed well and the paper, though raising more problems than it solves, is valuable in underlining the course that practical investigation of the problem should take.

Several papers are based on an exposure of quite elementary flaws which it is still possible to find even in well-charted territory. Thus Cooper challenges the assumptions of the theory of revaluation, namely that a marginal change is made in a position in which trade is (at least approximately) balanced. A simple tabulation of export–import ratios for 28 countries shows the inappropriateness of this assumption, especially for recipients of aid. (Much of Cooper's analysis is unfortunately marred by his failure to distinguish between current- and constant-price aggregate demand.) Kenen, in analysing the normative aspects of immigration, rejects the usual income-per-head criterion borrowed from optimum-population theory. It is, he insists, income per head of the *previously existing* population that is relevant. Sohmen exposes the idea that fixing exchange rates is identical with or even a movement towards currency unification.

An important paper by Ramaswami and Srinivasan shows (by numerical example) that resources may move *away* from the industry receiving the greatest (effective) protection. This possibility depends on the existence of more than one domestic factor and asymmetric substitution effects. The authors argue convincingly that asymmetries are likely but do not attempt to establish whether elasticity values are likely to be such as to generate perverse movements. This merits investigation—unless one concurs with the authors' view that " the invalidity of effective protective rate theory is of little practical consequence." It is ironic that this paper precedes one by Balassa which suggests, *inter alia*, that an earlier criticism of effective protective rate theory, concerning substitution effects in the input–output matrix, may be something of a non-issue.

The most valuable contributions in the less developed areas of international economics are complementary papers by Caves and Corden on export-led growth. Caves reviews a recent empirical work of the " new economic historians " in this elusive field and suggests possible econometric approaches; Corden successfully integrates some notoriously vague ideas into a coherent theory. This theory is neo-classical, " supply-motored; " in his conclusion he throws out the comment that " there is clearly scope for the construction of rigorous demand-motored models; " it is to be hoped that believers in such theories will accept the implied challenge—and is it too much to ask that they try to produce some empirical support as well?

It is on the empirical side that the volume is most unrepresentative of recent developments in international economics. The empirical contributions are confined to Caves' survey, Balassa's piece on effective protection and Diaz-Alejandro's descriptive analysis of Brazil's experience with foreign aid (the cover blurb is surely stretching it a bit to describe McKinnon's paper as empirical!). Certainly there is virtually nothing to interest the econometrician, sparse fare even for the applied economist. The main thrust is theoretical and thus the book should be judged. The theoretician will find much to stimulate him and some useful material for his more specialised students.

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Non-tariff Distortions of International Trade. By R. E. BALDWIN. (Washington D.C.: The Brookings Institution (London: Allen and Unwin), 1971. Pp. viii + 210. £3·30 (cloth) £1·75 (paper).)

NON-TARIFF barriers to trade have been increasingly in the limelight since the Kennedy Round agreement on tariff cuts in 1967. Additional concern has been aroused by some national policy measures, such as the shift from turnover tax to V.A.T. in Germany in 1968, which entailed an increase in border tax adjustments tantamount to a small and quite inappropriate devaluation of the Deutschemark. The literature on non-tariff barriers is rather widely scattered, and Professor Baldwin, who combines eminence as a trade theorist with practical experience of tariff negotiations, has performed a valuable service in surveying the whole area and putting forward his recommendations for policy.

An introductory chapter on national policies and the GATT is followed by five central chapters on import quotas and export subsidies; protectionist bias in government procurement; border tax adjustments; regional and industrial policies involving subsidisation of producers; and administrative obstacles such as customs valuation practices, health and safety regulations and so forth. The analysis in Chapter 4 of the impact of general indirect taxes on internal and external balance is particularly neat, while Chapter 6 includes an excellent two-page summary of the economics of dumping. The penultimate chapter presents disaggregated estimates of the effective protection furnished by tariff and non-tariff barriers respectively to American and British industry, both pre- and post-Kennedy Round (but not post-Nixon!).

The author's policy recommendations are summarised in the final chapter. The GATT rules should be revised and extended and the organisation's " confrontation, fact-finding and justification procedures " strengthened. Non-tariff barriers should be put on a par with tariffs as regards the right of countries injured by them to seek compensation through a lowering of barriers elsewhere or, failing that, to retaliate. In this connection the author puts forward some stringent criteria for regional policy.