The External Relations of Less Developed Countries: A Manual of Economic Policies by Hans Bachman. Frederick A. Praeger, New York, 1968.

There is no dearth of writings on international economic policies as even the limited bibliography appended to this volume will suggest. One is, therefore, justified in being somewhat fastidious in appraising yet another entry in this already crowded field.

The book attempts to cover the entire domain of commercial policies. This makes the treatment of most of the topics, of necessity, cursory and elementary, since summarizing or synthesizing all the writings in such a broad field is impossible without running into encyclopaedic proportions. Let us, therefore, look at the work from the point of view of those for whom this is primarily meant. In the words of the author, "the manual, in the first place, is destined for ministries of economics, trade and finance in less-developed countries and for the training of all those who will eventually assume responsibilities in the field of commercial policy at all levels in the government, in semi-official and private business organizations, and even in private enterprises engaged in foreign trade". The group Professor Bachman has in mind by and large does not have the requisite training to understand and time to hunt for the great bulk of technical writings in the field. So a condensed summary account of the multifarious facets of international economic policies and a guided reading list on the topics, as presented in this book, will be helpful. Even students of economics, commerce and business, in their undergraduate classes, may find the book more comprehensive than usual textbook on international economics so far as practical policy matters are concerned. The users of the book will also find the organization and the system of cross-references employed very handy.

Among the major drawbacks of the book, we have to mention two. First from its claim of being a *manual* one would expect worked out in the book more concrete rule-of-thumb criteria in order to aid practical policy decisions. This expectation, however, remains unfulfilled. Whatever general principles are provided are quite unhelpful. For instance, the book contains a general formula to judge the suitability of import-substituting industries in terms of total output of such an industry less eventual increase in imports of new producer goods less the eventual reduction of exports less the eventual reduction of other lines of internal production, all valued at world prices (*see* subsection 11 of the book). The decision rule suggested by Professor Bachman is a qualified 'no' if the algebraic sum is negative. The reader of this section will not have any idea of the complexities of using the formula in practice. Moreover, the criterion leaves the question of real return on initial investment, a significant portion of which may be in terms of foreign resources, unresolved. Nothing in this respect may be found in the subsequent discussion referred to. Again the desirability of production for export is analyzed in subsections 38-49 in a quite asymmetrical manner though the real issues involved so far as the investment decisions are concerned are similar, namely, return on scarce resources, impact on balance of payments and learning effects. The practical problem of feasibility, of course, may be different. For instance, export proceeds may have to be discounted for greater variance; entrepreneurs may have to be provided higher subsidy than what is needed in the case of import substitution to overcome their reluctance to enter the cold water of international competition in unfamiliar lines.

The discussions on effective protection and tariff harmonization in subsections 23-27 and 140-177 are more oriented towards practical application. But the formulae offered and illustrated do not take into account all the complications necessary to make them realistic and usable in formulating policies.

Secondly, we feel that the analysis of the book is often nonrigorous and suffers from a partial equilibrium framework. We may cite the following instances to substantiate our assertion. In subsection 32, while discussing the hurdles to industrialization of developing countries, the author writes of "ever lower competitive costs of production in the industrial countries rendering industrialization in the less developed countries commercially more difficult".

But is not international trade based on comparative advantage rather than absolute advantage? In subsection 139, one is puzzled to read, "as along as the export duties result only in a reduction of the export trader's or export producer's profit margin, the economic impact is practically nil". Why? Won't the producers, whose profit margin is reduced, shift to alternative lines? Won't the protection to import-substituting industries improve? To quote one last example, in subsection 218, the author discusses import subsidies and says "the first type of subsidy is quite simply another form of an export subsidy". But is not the general equilibrium effect of any import subsidy equivalent to an export subsidy? Again, it is not clear how he terms *import subsidies* to be like protective *import duties* when one will expect the general equilibrium repercussion of the two to be quite different. In our opinion such misleading statements and the lack of rigour in analysis seriously detract from the usefulness of this otherwise interesting volume.

Pakistan Institute of Development Economics A. H. M. Nuruddin Chowdhury