



Book Review

'Planning Economic Integration', by L.B.M. Mennes, Rotterdam University Press, 1973.

The book under review deals with economic integration among developing countries from the point of view of planning. The author believes that it is useful to approach economic integration from a planning point of view and to develop planning models for it, because the theory of economic integration relevant for developing countries should be directed towards the impact of integration on future investments and future production. The type of models used in the book are the multisector linear programming models and the method of analysis is essentially a comparison of two situations; one with economic integration and the other without. For each prospective participant a medium term planning model is drawn up taking account of its economic situation in some base year. The results of these single country planning models are analysed and compared to those of a similar planning model for the integration area as a whole. The consequences of the integration policy are then evaluated.

Chapter I gives a brief summary of the relevant literature. Chapter II presents the simplest type of planning models. Besides such simplifying assumptions as one scarce factor of production, infinite lifetime of capital, tariffs are disregarded and transport costs are only implicitly taken into account. In Chapter III the analysis is extended in the sense that transport costs are explicitly taken into account and tariffs are introduced in the system. Chapter IV analyses a number of extensions and refinements. For instance it discusses the possibility of inclusion of the growth of employment and the growth of industrial production as targets in the planning models. It also briefly examines the implication of introducing more scarce factors of production. Then the assumption of infinite lifetime of capital goods is abandoned. Instead a finite lifetime is assumed. Finally the effects of integration on the terms of trade and consumption are dealt with. Chapter V deals with the planning of a special form of economic integration which can best be summarised as planning project cooperation in the framework of a general equilibrium. Such a scheme of project cooperation implies an agreement among the participants on the distribution of the projects overtime.

There are several features in this study that distinguishes it from other studies of economic integration. These are, firstly, the planning approach to economic integration. Secondly, this planning approach is followed on the basis of general equilibrium models as against partial models. Thirdly, the model for project cooperation is examined in the framework of a general equilibrium.

The study, however, has certain limitations. Besides the usual restrictive assumptions of input output analysis, the study assumes only one scarce factor of production, viz capital. Other scarce factors like skilled labour are assumed away. Similarly in the planning models throughout the book only the increase in income is considered as the main target of economic policy. It is evident that the growth of employment is an equally important aim in developing countries. Although in chapter IV the author briefly discusses the possibility of the inclusion of the growth of employment as a target and also examines the implications of introducing more scarce factors of production, yet these brief discussions are insufficient. These points need more detailed analysis.

In general, all those who are interested in the theory and practice of economic integration and development, will find this study highly useful and the policy makers will, perhaps, profit from it in designing policies for economic integration.

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