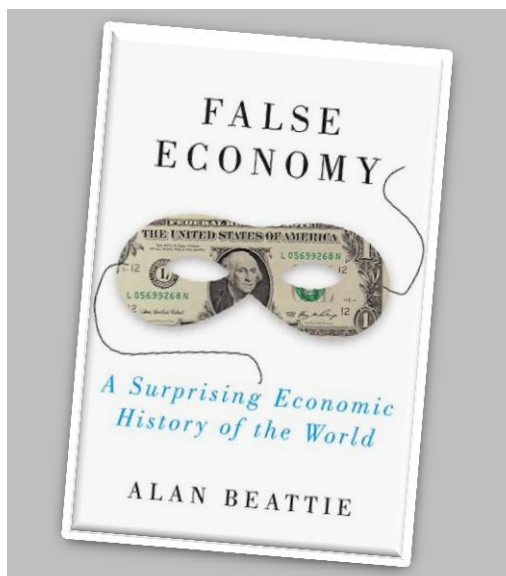




BOOK REVIEW: FALSE ECONOMY

by Alan Beattie,

The World Trade Editor for the Financial Times



Economic history can sometimes be a difficult subject to read especially if it becomes merely a resuscitation of dates and a display of tabular data without a coherent theory to bind the events thus presented together. False Economy, however, reads more like a suspense novel unfolding its insights as the reader progresses through it from page to page. Beginning with a look at Argentina and the USA the author shows how high tariffs and ‘import substitution’ as a policy failed to produce prosperity for the nation of Argentina. Economic concepts such as ‘comparative advantage’ are woven into the historic details providing the reader with a theoretical foundation for the explanation of events described.

The author carries the reader conflicts between agrarian farmers and city dwelling manufacturers in England to an examination of the difficulties experienced by one visionary in his efforts to improve the efficiency of the supply chain by standardizing the size of shipping containers. Beattie shows with case details how improvements in communications and transportation systems can combine different regional markets into a single market thereby eliminating the sometimes large arbitrage profits earned between different markets. Using wheat as an example, Beattie notes that in the early 1850s a bushel of wheat cost \$0.85 in Chicago while in London it sold for \$1.85 mostly due to a lack of an efficient transportation system.

The author shows how poor administration of a new discovery of a valued natural resource is often poorly handled in developing regions with the newly discovered wealth being exploited by a few powerful groups rather than contributing to the economic development of the country. The diamond monopoly DeBeers enjoys in Botswana is used to illustrate a long-term approach to resource exploitation that benefits both the region and the company involved.

In consideration of the various effects on development the author looks at the consequences corruption has on the prosperity of a society concluding that some forms are more benign than others. Acting more like a tax on those burdened by its payment some forms have a minimal effect on trade. It must be said, however, that a tax, regardless of form, must eventually be paid by the consumer usually leading to a lessening of demand for the products affected.

In conclusion an examination is made of Russia, China and India and the decisions they have made in efforts to overcome or build on the legacies of their past. At slightly over 300 pages this book is a comfortable and thought provoking read for anyone with an interest in national growth economics.

Reviewer: **Dr. Edward Scott**

Faculty of Management and Information Sciences
Naresuan University