

encouraging the expansion of government and the possibility of a divergence between political self-interest and public interest. Rational expectations receives a harsh review. Despite the shortcomings associated with the full information and market-clearing assumptions that underlie the hypothesis of rational expecta-

tions, many economists would agree that this perspective raises important issues that have jolted mainstream macroeconomics thought.

In sum, if the reader is looking for a detailed discussion of the contributions of the classical economists, Schumpeter's work, or another comparable source,

would be the right choice. As a quick refresher on the history of economic thought, or as an introduction to the subject, Buchholz's book is definitively more fun, and who knows, by drawing upon some of its illustrations, the reader may attract a crowd.

Rui Coutinho

BOOKS in brief

Saadet Deger and Somnath Sen

Military Expenditure The Political Economy of International Security

Oxford University Press, Oxford, UK, and New York, NY, USA, 1991, xii + 186 pp., \$48.

Liba Paukert and Peter Richards (editors)

Defence expenditure, industrial conversion and local employment

International Labour Office, Geneva, Switzerland, 1991, ix + 228 pp., \$32 (\$24 paper).

Deger and Sen have added to their list of accomplishments in this field with this useful chronology and commentary on recent trends toward the reduction of military expenditures in both industrial and developing countries. This slim volume documents the significant events and actions in this area and raises, quite dramatically, the question facing governments today: How can one reduce the burden of military expenditures and attempt to increase resources for socioeconomic development? The Paukert and Richards book, begun before the surge of detente and liberalization of political systems in Eastern Europe, is timely in its review of the short- and long-term effects of defense expenditures. The general conclusion of most of the experts who have contributed to this volume is that such expenditures have a negative effect on economies, and that even for countries that achieved faster growth with increased spending on military industry, it may have been possible to attain better results with other forms of public or private spending. Except for a review of the effects of defense cutbacks in China on employment, most of the chapters deal with employment and conversion issues in developed economies: the United States, the United Kingdom, the Soviet Union, and European metropolitan areas. The emphasis here is on labor relations more than macroeconomic issues.

United Nations Centre on Transnational Corporations

The Challenge of Free Economic Zones in Central and Eastern Europe

United Nations, New York, NY, USA, 1991, xxix + 435 pp., \$75.

The papers in this volume focus intensively on the Soviet Union and cover the following: the role and establishment of free trade zones (FTZs), institutional and economic issues, domestic and international linkages, foreign exchange, promotion, and case studies of FTZs in Ireland, Korea, Hungary, Yugoslavia, Poland, and the United States. The authors of the first of the 22 papers assert, "The growth of export processing zones . . . is probably one of the most significant institutional innovations to have spread on the world economic scene in the past 20 years." To support this, they point to total employment in developing country FTZs "in excess of 1.5 million workers" and exports of "around \$13 to \$15 billion." By these figures, FTZs are really inconsequential: They employ less than one tenth of one percent of developing countries' labor forces, generate about the same percentage of production, and account for about one and a half percent of exports outside of developed countries. To achieve these results, sponsoring governments have offered generous subsidies, concessions, privileges, and incentives to foreign investors. To be sure, there may be cases where FTZs represent improvements on existing policies and, if a government were intent on establishing FTZs, there are better and worse ways to go about it. This book could be helpful to someone concerned with these matters. However, as economies adopt open, market-based policies, the limited role played by FTZs will diminish further and the topics addressed in this book (e.g., optimal location for an FTZ, accounting issues, special customs procedures, and cost/benefit analysis of FTZs) will be forgotten.

G.K. Helleiner

The New Global Economy and the Developing Countries

Edward Elgar Publishing Company, Brookfield, VT, USA, 1990, xiii + 290 pp., \$47.95.

South Commission

The Challenge to the South

Oxford University Press, New York, NY, USA, 1990, xv + 325 pp., \$13.95.

These two volumes, albeit from significantly different perspectives, present comprehensive overviews of virtually the entire gamut of development issues. The report of the South Commission is noteworthy for its stress on environmental aspects. However, a lengthy discussion of the allegedly increased prospects for cooperation among developing countries is insufficiently attentive to the rapidly growing internal diversity within the "South." While candid about the reasons for the collapse of the North-South dialogue a decade ago, the lengthy chapter on "North-South relations" makes many recommendations not dissimilar from those put forth by representatives of developing countries at that time. In sum, while there is some recognition in the report that the world and the "South" have fundamentally changed, its prescriptions are not noticeably reflective of this awareness. The volume by Professor Helleiner is, with one exception, a collection of previously prepared materials. Many date from five to ten years ago and a few suffer from a lack of timeliness. Nevertheless, they confirm his well-deserved reputation as a convincing analyst of the problems of developing countries and as an articulate spokesman for their interests.

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LETTERS

Economics of steel production

Robert Miller, in his article "The Changing Economics of Steel" (*Finance & Development*, June 1991), did a fine job of sur-

veying the changes that have occurred in the steel industry and suggesting various scenarios for future technological development. He, however, failed to consider two factors affecting the economics of

steel production: the excess in global steel-making capacity and the need to protect the environment.

For many years, steel has been a sacred cow of industrial policy, both in