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[Book Review of] An American trade strategy: options for the 1990s, Robert Z. Lawrence ... (eds.): Washington, DC, Brookings Inst., 1990

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Sehr viel hilfreicher erscheinen da die späteren Referate, in denen über tatsächlich existierende umfangreiche ökonometrische Ländermodelle berichtet wird. Dabei werden von *Kenneth F. Wallis* und *John D. Whitley* („Large-scale econometric models of national economies“) die wichtigsten Aspekte bei der Ausgestaltung und Quantifizierung solcher Modelle kurz dargestellt und fünf ihnen zugängliche Modelle aus vier nordischen Ländern über eine gemeinsame Simulationsstudie miteinander verglichen. Simuliert werden hier die Wirkungen (a) einer Reduzierung der öffentlichen Personalausgaben um 1 vH des Bruttoinlandprodukts, (b) einer Erhöhung des Mehrwertsteuersatzes um 1 Prozentpunkt und (c) der Erhöhung des lokalen Einkommensteuersatzes um 1 Prozentpunkt. Anschließend werden von *Ellen Andersen* („Danish experience with macroeconomic models“), *Ådne Cappelen* („Macroeconomic modelling: The Norwegian experience“), *Karl-Gustav Löfgren* („Macroeconomic model building in Sweden – an incomplete survey“) sowie *Palle Schelde Andersen* und *Wilhelm Fritz* („Empirical work at the OECD and the BIS“) einzelne Ländermodelle vorgestellt. Hier erhält man einen sehr gestrafften Überblick über viele praktische nationale und internationale Modellaktivitäten und einen Einblick in die pragmatische Art und Weise, wie an verschiedenen Stellen auf neue Herausforderungen reagiert wurde: einerseits auf solche, die aus dem Bereich der nationalökonomischen und der ökonometrischen Theorie stammten (monetäre Konjunkturtheorie, reale Konjunkturtheorie, Ökonomie der Angebotsseite, „rationale“ Erwartungen, Kointegrationstechnik, Fehlerkorrekturform von Gleichungen), aber vor allem auf solche, die vom tatsächlichen wirtschaftlichen Geschehen ausgingen (Lohnschocks, Ölpreisschocks, Zäsur in der amerikanischen Geldpolitik, verstärkte internationale Verflechtungen der Güter- und insbesondere der Finanzmärkte, Entwicklung des Weltwährungssystems).

Torsten Tewes

Lawrence, Robert Z., Charles L. Schultze (Eds.), *An American Trade Strategy: Options for the 1990s.* Washington, D.C., 1990. The Brookings Institution. IX, 234 pp.

After having guaranteed the functioning of the multilateral system of trade negotiations within the General Agreement on Tariffs and Trade (GATT) for more than 40 years, the US is obviously changing its trade strategy. There is an ongoing debate within the Clinton administration and among leading US economists on the potential benefits and costs of multilateral trade talks. The formation of the North American Free Trade Area (NAFTA) and more recently the aggressive retaliation measures against the European steel industry as well as the announcement of further tariffs on European and Japanese exports indicate that the US lost confidence in the effectiveness of the GATT-process and will likely turn to a more bilateral and aggressive trade strategy. This collection of essays, which is based on a conference held by the Brookings Institution in September 1989, mirrors the arguments of the defenders of the multilateral road towards freer trade and the advocates of a new American trade strategy.

The book contains three main articles by *Anne O. Krueger* („Free Trade Is the Best Policy“), *Rudiger W. Dornbusch* („Policy Options for Freer Trade: The Case for Bilateralism“), and *Laura D'Andrea Tyson* („Making the Best of the Second Best“) each defending an alternative policy approach: Multilateral trade negotiations, aggressive bilateralism, and managed trade. The book also contains the remarks of the commentators on each paper (*Robert Kuttner*, *Robert Z. Lawrence*, *Avinash K. Dixit*), the reflection of a panel of three experts (*Robert E. Baldwin*, *I. M. Destler*, *Robert B. Reich*) on the discussion and two introductory chapters in which the editors evaluate the alternative strategies and summarize the papers and the discussion.

Anne O. Krueger points to the welfare economic benefits of international free trade and criticizes the proposed alternatives to multilateral trade negotiations. Her reasoning is based on the familiar "comparative advantage" argument for free trade. Unless a country has monopoly power in trade, it will always be in a position to attain a higher level of welfare if it permits trade at international prices. This traditional argument for free trade has even put on weight in recent years because trade and production are increasingly concentrated on highly specialized goods and services adapting advanced technologies to closely defined purposes. Even in a large country the domestic market for specialized goods may be too small as to support only a limited number of firms producing at a scale large enough to achieve minimum costs. In this case, free international trade is the only means to strengthen competition in the internal markets for these goods. According to Krueger, all proposed alternatives to free trade suffer from several theoretical, informational, and political shortcomings. First, measured in terms of economic welfare, the chief measures of traditional protectionism currently in operation in the US turn out to be extremely costly. Second, the "new" sectoral trade strategies are based on extremely fragile assumptions and leave the responsible actors in commercial policy alone with severe information problems. Third, in democratic countries, adherence to a system of multilateral free trade, even if sometimes imperfect, is an important safeguard against political interventions in favor of economic interest groups. Thus, Krueger advocates an aggressive move within the GATT for a multilateral dismantling of most, if not all, of the current nontariff barriers to trade and an elimination of the remaining tariffs in the developed countries.

Rudiger W. Dornbusch states that the GATT has lost forward momentum or is even nearly dead and, therefore, proposes an American trade strategy being based on a policy of aggressive bilateralism. In his opinion, the trade problems of the US are mainly a result of formal and informal barriers to US exports in several foreign countries, especially Japan, leading to a downward pressure on the dollar and decreasing real wages and living standards in the US. As a strategy to open the markets of those countries that are practising "unfair" trade policies, resulting in an unreasonably low import penetration ratio, he proposes the setting of numerical targets for US imports, using sanctions like those provided in the Super 301 law as a threat to induce an offending country to meet the targets. According to this approach, the Japanese problem should be tackled by forcing Japanese firms to increase their manufactures imports from the US at an average real rate of 15 percent a year during the next decade. In addition, Dornbusch advocates the formation of free trade areas under US leadership. He discusses the theoretical and practical arguments and argues that there is no strong case in favor of a multilateral rather than a bilateral approach for obtaining freer trade. His first-best candidate for a free trade area with the US is the European Community since such a trading bloc would "add an edge skinning the Japanese onion" (p. 129). He also proposes the formation of free trade areas with Latin American Countries since these would allow the US a privileged status in these markets.

With a view to the strategic trade literature, *Laura D'Andrea Tyson* points out three main reasons why governments should play an important role in managing trade flows for high-technology products: First, growth in high-technology industries generates important external benefits to other high technology firms. Thus, market forces alone will not provide sufficient incentives for the expansion of these industries. Moreover, due to the high fixed costs of research and development and the advantages resulting from learning by doing, high-technology firms once established in world markets will generate high "natural" entry barriers to potential competitors. In view of this fact, governments in advanced countries, including the US, have employed subsidies, protection, and other measures to promote the development of newcomers in high-technology industries. Thus, the alternatives are not free trade versus managed trade but manage-

ment through international agreements versus uncoordinated beggar-thy-neighbor policies. In order to improve its long-run growth and competitiveness, the US is forced to pursue trade policies supporting its high-technology industries as long as other countries are doing so.

Second, in view of the fact that high-technology products account for about one third of American nonfarm merchandise exports, managed trade policies stimulating the exports and reducing the imports of such products will improve its trade deficit. Third, efforts by the US government to support domestic high-technology producers may moderate protection pressures at home. Failure to pursue such policies has prompted some traditionally internationalist high-technology firms to seek protection under the US antidumping laws, leading to a privatized trade policy that is far from being optimal for the country as a whole.

The main articles of this volume are discussed by various commentators, including the editors. Although any kind of categorising means covering some important departures from the paradigms of the main authors, it might not be too unfair to say that Robert Z. Lawrence, Charles L. Schultze, Avinash K. Dixit, Robert E. Baldwin, and I. M. Destler tend to the Krueger-camp, whereas Robert Kuttner and Robert B. Reich rather tend to the Tyson-camp. Yet, this rough categorization should by no means deter potential readers to study the commentaries in detail. It is precisely this discussion of a variety of departures from the general policy approaches advocated by Krueger, Dornbusch, and Tyson that makes this volume distinguishable in the flood of other collections of essays in international trade policy. The in-depth analysis of opposing viewpoints stimulates the reader to re-think his own opinion on the future of the world trading system and helps to elucidate the main pillars on which any discussion of pros and cons of the present international trade regime should be based. Thus, this volume deserves the highest marks a reviewer is able to give: buy it! (i.e., do not even think about borrowing or copying it!)

Jürgen Stehn

Oman, Charles P., Geneshan Wignaraja, *The Postwar Evolution of Development Thinking*. Houndsmills, Basingstoke, London 1991. MacMillan. XV, 272 pp.

According to the authors, the purpose of this book is to provide an overview on the evolution of postwar development thinking. It is not intended to explore the details of any particular strand of development theory. They desire instead to bring out the relations among the more important strands, and to shed some light on how these strands relate to the broad course of development policy and practice since the Second World War.

In their book, the authors divide the world of development theory, as they see it, into two parts. Part one covers what they call "orthodox" development thinking. All those theoretical approaches are grouped under this rubric which share the fundamental conviction that capitalism can play a positive role in the process of development. This part comprises four chapters, each focusing on a major developmental problem: capital accumulation and industrialization, dualism and agricultural development, open-economy development and structural adjustment strategies, and "reformist" development thinking centered on the problems of growth and inequality. The second part of the book, which looks at "heterodox" development thinking, is devoted to theories which mainly accept the centre-periphery paradigm or marxist theories of global exploitation. This part consequently is divided into two chapters, one dealing with the Latin American and African structuralist and dependency authors and the other referring to