

largely self-contained and differ widely not only in the level of mathematics used but also, unfortunately, in quality.

There are good, interesting chapters by Kanbur on inequality and poverty, Newbery on his modelling of the economics of oil, Currie and Levine on open economy policy simulations, Lockwood on social choice theory, and van der Ploeg on growth and cycle theory.

However, I found a number of chapters less than satisfactory. The one by Driehuis on macroeconomic investment and employment functions seemed rather dated to me. In the 68 references to work not by the author, there are only two articles on employment functions later than 1976, and no articles on investment after 1978. The discussion of dynamics in economic behaviour appears similarly old-fashioned.

The chapter by Shupp on 'Macroeconomic Theory and Policy' introduces a 'novel specification of the Phillips relationship' to capture the neo-Keynesian position. I was not convinced by this innovation, and this particular volume seemed the wrong place to try to introduce it.

The chapters by Boroohah on the orthodox neoclassical theory of the firm and consumer were, I felt, misleading at a number of points where precision is important and not very difficult. The worst is on p. 305, where it is stated that 'the marginal cost curve of the competitive firm is its supply curve. This is illustrated in Fig. 12.8'. Yet in Figure 12.8 the marginal cost curve is shown as being below the U-shaped average cost curve at some points. There is no mention of the discontinuity in the supply curve. If this is because of the existence of fixed costs this should be mentioned, but is not.

There are inevitably a fair number of typographical mistakes in the text. On p. 344 'monotonic' becomes 'monotonous'. Of more importance are printing mistakes in the mathematics. For example, on p. 252 the relationship between savings, output, consumption and depreciation seems to differ in equations (11.2.1') and (11.2.2).

There are very good chapters in this volume which are worth reading. But the large variation in quality of the contributions reduces the usefulness of the volume as a whole. On its own, I do not think it can provide a good guide to the best uses of mathematical methods in economics.

*Birkbeck College, University of London*

ALAN MANNING

*Introduction to the Use of General Equilibrium Analysis.* By RICHARD R. CORNWALL. North Holland, Amsterdam, 1983. xvi + 774 pp. Dfl. 200.

For many years general equilibrium theorists have been the target for the derision of more 'practical' economists: their work is seen as technically difficult and obscure and as irrelevant to the concerns of policy analysis. Recently, however, there seems to have been a noticeable drop in the level of such scorn. There are, perhaps, two reasons for this: first, theoretical econometricians have become a much more attractive target; second, general equilibrium theory has come to be seen by many as a more practical subject. The work under review is a textbook intended to introduce graduate students to those aspects of general equilibrium theory useful for policy analysis. Indeed, 30 percent of the book is spent on a chapter subtitled 'A Record of Attempts to Make General Equilibrium Theory Useful'. There is certainly a niche for such a book: books on general equilibrium theory tend to devote little or no space to applications while recent books on applications such as *General Equilibrium Models for Development Policy* by K. Dervis, J. de Melo and S. Robinson (Cambridge University Press, 1982) tend to be weak on theory.

Chapters 1 and 2 are spent describing the Walrasian general equilibrium model. The presentation is leisurely and lucid. Its major flaw is that it takes virtually no account of any work done in general equilibrium theory over the past decade. There is, for example, almost no overlap in coverage between this book and A. Mas-Colell's *The Theory of General Economic Equilibrium: A Differentiable Approach* (Cambridge University Press, 1985), which covers much of the recent work on general equilibrium theory. The problem is not simply one of what audience the book is intended for; there have been significant advances, for example, in our understanding of when a general equilibrium model has equilibria that vary continuously with its parameters and of when a model has a unique equilibrium that the author seems unaware of.

Chapter 3 is the one that records some of the attempts that have been made to make general equilibrium theory useful. It describes in detail algorithms for computing economic equilibria and how they can be applied to do policy analysis. Again the presentation, although interesting and readable, is dated. The applications described were all done by other authors before 1977. A quick comparison of this chapter with recent work on applications, such as some of the papers in *Applied General Equilibrium Analysis*, edited by H. Scarf and J. B. Shoven (Cambridge University Press, 1984), reveals a sharp divergence in emphasis. For example, the book contains little or no discussion of methods for handling data or of problems of modelling intertemporal decision-making, two preoccupations of general equilibrium modellers that are inextricably twinned with the theoretical structure of models used in applications.

Chapters 4, 5, 6 and 7 deal with welfare economics: Pareto efficiency, the core, externalities and consumer surplus, respectively. The author does a good job of tying these topics in with the material on applications, and I think that he does right to stress the welfare properties of general equilibrium models; for it is in the ability of these models to analyse the impact of government policy and external shocks on consumer welfare and income distribution that the case for applications of general equilibrium theory is best made.

Chapter 8 is a good review of duality theory with applications to producer and consumer theory. The level of mathematical sophistication model required to read this chapter is substantially higher than that needed for the rest of the text.

There is always an unfortunate tendency, when writing a book review, to complain that the work in question is not the one that the reviewer himself would have written if faced with the same task (and endowed with the same amount of energy). Another unfortunate tendency is to harp on minor flaws and errors, which, of course, fill every new book that involves mathematical reasoning. (A minor, non-mathematical, flaw in this book that particularly annoyed me is that the name of the Dutch mathematician L. E. J. Brouwer is misspelled throughout the text.) Trying hard to avoid both tendencies, I am left with the question, would I recommend this book as a reference source to a graduate student interested in general equilibrium theory and its applications? As my description of the book has made obvious, I would have some hesitation. As an economist, however, I must remember that the answer to this question should involve a comparison with the next best alternative. Since there is no obvious alternative to it, the book is certainly worth the shelf space. (The price North-Holland is asking for it is another matter, which probably deserves a discussion all its own.)

Clare College, Cambridge

TIMOTHY J. KEHOE

*The Political Economy of British Regional Policy.* By D. W. PARSONS. Croom Helm, Beckenham. 1985. xii + 294 pp. £19.95.

*Regional Economics and Policy.* By HARVEY ARMSTRONG and JIM TAYLOR. Philip Allan, Oxford. 1985. xii + 340 pp. Paperback £17.95.

British regional economics has maintained an indecently close relationship with regional policy in recent decades, frequently serving to legitimate it and rarely offering a fundamental critique or redefinition of the issues. To an excessive degree, the content of the sub-discipline has been shaped to the pattern of the policy rather than by more basic intellectual questions. Yet intimacy has not brought much by way of influence: indeed, perhaps only with the Kaldor-inspired innovation of the Regional Employment Premium have economists had a significant impact on a policy largely shaped and maintained by short-term political considerations.

The relationship between ideas and policy is central to both of these books. Parson's history of British regional policy—political economy only in a weak sense—leads him to 'a less than rosy or idealistic view of the influence of regionalistic "scribblers" over policy-makers'. Moreover, he argues, these 'scribblers' have since the 1960s rewritten history in their own cause with an exaggerated importance being attributed to the Barlow Report of 1940. That report's advocacy of nationwide planning was, he points out, never accepted, and he claims a greater significance for the political commitments