

hedging against the risk of price movements would be made redundant. Whatever the defects of futures markets, buffer stocks schemes cannot be superior to them in performing the functions that futures trading facilitates. Futures markets are indispensable to commodity trading and should not be sacrificed. In general, where agreements to intervene are operative, the ability of futures markets to survive is largely dependent on the range within which prices are allowed to fluctuate.

Perhaps Hindley should also have examined the effects of futures trading on commodity price stabilization. In the past, economists concerned with price stabilization have ignored the presence of futures markets, and, according to McKinnon (1967), this neglect is a fundamental reason why so many international commodity agreements (ICAs) have failed in the past. In his view, futures markets dramatically alter the impact of price stabilization schemes. This is because the existence of risk-sharing and risk-reducing institutions implies that the social cost of risk may be considerably less than it would be if the risks were borne only by producers. Consequently, if these risk-sharing options are ignored there is a danger that the benefits of price stabilization will be over-stated. Secondly, price stabilization changes the nature of risks and risk-sharing. The availability of risk-sharing arrangements implies that individuals have additional instruments to respond to changes in risks, and these instruments interact in a complex way to modify the impact of price stabilization on both supply and producer welfare. Newbery and Stiglitz have also shown that an unbiased futures market (that is, one in which the futures price is an unbiased estimator of the future cash price) provides superior income insurance to price stabilization over the period for which the futures market is open. The reason is that an agent does better if he is free to choose the amount of price insurance (optimal hedge) as opposed to having a pre-determined amount forced upon him.

Nevertheless, it should be pointed out that futures markets are not necessarily superior to

price stabilization schemes. This is because in the absence of a complete set of risk markets the private market may provide insufficient stabilization. There is thus a prima-facie case for further stabilization by government beyond the level provided by the market. Therefore, it would appear reasonable to conclude that commodity futures markets and ICAs are not mutually exclusive arrangements except when ICAs aim virtually to eliminate significant price fluctuations.

#### REFERENCES

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- Newbery, David M.G. and Joseph E. Stiglitz. *The Theory of Commodity Price Stabilization*. Oxford: Oxford University Press, 1981.

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***Export-oriented Industrialization: The ASEAN Experience.* By Mohamed Ariff and Hal Hill. Sydney: Allen and Unwin, 1985. Pp xv, 270.**

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Backed by extensive data, this study provides a comprehensive account of the processes of industrialization between 1960 and 1980 in the five original ASEAN countries. While a great deal has been written on industrialization in the developing countries, the number of detailed empirical studies with theoretical discussions on the processes involved is limited. On this count alone, this study must be regarded as an important contribution to our understanding of the scope and limitations of export-oriented industrialization in the developing countries in general, and in the ASEAN countries in particular.

Structured around the twin themes of changing comparative advantage and the political

economy of government intervention in the ASEAN countries' export drive, policy responses to internal and external developments are used to explain the region's evolving pattern of trade in and the production of manufactures. Data is presented in a schematic form to allow intra-ASEAN comparison. But one sympathizes with the authors, for comparison is no easy task since these countries differ markedly in their level of development, population size, land area, and internal political environment. Generalized conclusions are even more hazardous. The *laissez-faire* policies that may have been successfully implemented in a country such as Singapore may not be politically feasible or acceptable in the other ASEAN countries. As a result, some conclusions are necessarily vague.

The problem is exacerbated by the introduction of a multiplicity of complex concepts and issues. For example, earlier chapters demonstrate that ASEAN's comparative advantage lies in resource-based and resource-intensive manufactures and show the growing importance of resource-based industries in all the ASEAN countries (see pages 60, 62, 185, 220, and 226), with the possible exception of Singapore. However, the Singapore experience and some "disturbing signs that Malaysia may opt for heavy industrialization somewhat prematurely" (p. 60) seem to have led the authors to conclude that in all ASEAN countries there is "transformation of the industrial sector from production of resource-based processing activities ... towards a more sophisticated industrial structure ..." (p. 230). This conclusion is somewhat misleading as there are equally strong arguments for the alternative contention that the ASEAN countries are gradually evolving a new pattern of manufactures dictated by resource endowment.

Nevertheless, the authors have taken great pains to examine each of the ASEAN countries individually in their comparative analysis. This constitutes the equivalent of five independent laboratory tests. It is therefore difficult to quarrel with other conclusions — for example, that

infant industries seldom grow up and that protective measures tend to encourage the establishment of small, uneconomic plants. They have also very persuasively put forth the argument that intervention which enhances the operation of market forces is preferable to that which impedes. Their insights into how import substitution policies of an earlier phase impeded export-oriented industrialization policies provide an important contribution to our understanding of the process of industrial development in this region.

Finally, the chapter on government regulations is not only illuminating but also very refreshing. Instead of confining themselves to the orthodox theories on the economics of regulation, new justifications reflecting the political reality of the region are utilized. In short, the book is a valuable addition to any library specializing in the economic development of Southeast Asia.

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***A Course through Life: Memoirs of an Australian Economist.* By H.W. Arndt.** History of Development Studies 1. Canberra: National Centre for Development Studies, The Australian National University, 1985. Pp. ix, 117.

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With this volume the National Centre for Development Studies has kicked off a series on the history of development. Economic development itself is a concept that evolved particularly in the post-war era, and the author, Heinz Arndt, can claim to be part of that evolution. Concepts develop in the minds of men and are very much influenced both by experience and by the professional contacts with colleagues and peers. Arndt's memoirs are a fascinating testimony to that process.

Although Arndt's course through life is billed as the memoirs of an Australian economist, he in