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BOOK REVIEWS

Alan Gilbert, and Josef Gugler, Cities, poverty and development – Urbanisation in the Third World, (Oxford University Press, 1982) pp. x + 246, £ 6.95 UK.

By the end of this century, with increasing 'development' and industrialization, many of the Third World countries will become highly urbanised. Thus there seems to be a genuine concern about tackling the issues of urban growth and the various problems related to this growth. The book by Gilbert and Gugler studies various concepts in urbanisation and offers a rich review of previously published material. They deal with how poverty, development and cities are linked and the effect they have on each other. They also deal with political responses both by the government and the urban poor to these problems.

There are eight chapters in the book, four by Gilbert and four by Gugler. The chapters are demarcated by 'issues' related to various aspects of urban life. The introduction and the first two chapters dealing with urban development in the world system and on urban agglomeration are by Gilbert. The next two by Gugler deal with migration and employment in the city. Gilbert analyses housing, while chapter six on urban ways of life and chapter seven on political responses to poverty are by Gugler. The final chapter on regional systems is by Gilbert. The chapters are broken down into sub-sections which helps in differentiating issues under the main chapter titles.

The authors in their introduction set up the purpose of their book as one that links up economic, political, planning and geographical aspects of urban growth. They intend to look at current theoretical ideas about urbanisation and to apply them to various conditions in the Third World. Their approach is radical (Marxist), looking at countries in relation to the world capitalist system. They look at poverty in a historical perspective and argue that in an unequal world, 'there is no way in which the process of urban development can be understood in isolation from the processes that generate that inequality' (p.8). The authors stress on the term 'inequality' and they argue that it is this inequality on a world scale, through the inclusion of the Third World in the world capitalist system, which underdevelops these countries. And, that the inegalitarian order within Third World countries enhances that poverty further. If Third World countries were more egalitarian, they argue, this poverty would be less marked – although no empirical data is given to support this view.

Gilbert in the first chapter deals with the historical evolution of cities in dependent capitalist countries of the Third World and how these cities acquired their importance in the colonial period. It is shown how the colonialists established their own administrative headquarters which enabled them to appropriate the agricultural surplus which they transported to metropolitan centres. The main trends of dependency theory form the basis of his analysis and underlie the outlook adopted by Gilbert throughout the book. The following chapter by the same author deals with regional disparities in the light of classical and neo-marxist theoretical models. Adhering more to the neo-marxist model he looks at how this approach 'view(s) the internal spatial structures of the Third World countries as part of the world system of production and consumption' (p. 35). This model looks at the various modes of production and the resulting class relations and class interests that arise from this mode of analysis. The role of the state in maintaining the status quo and the systems of reproduction is also discussed with reference to various stages of capitalism. These theoretical models are applied to the actual growth of cities in Asia, Africa and Latin America.

The first two chapters by Gugler reflect a change in style and analysis. His analysis does not come through as one which incorporates the neo-marxist concept as well as that of Gilbert. His chapter on migration looks at who migrates, why they migrate, patterns of migration and the prospects of finding a job in the city. All this chapter does is that it offers a good summary of material on the issue, but fails to shed any new light on the subject. His chapter on employment deals with the effect of industrialisation on employment and unemployment. He argues that since the agricultural sector is being increasingly capitalised, rural labour is being displaced and is moving to the city in expectation of finding a job. One can find this sort of analysis in any book on urbanisation. The discussion on the informal sector is again just a synthesis of various viewpoints concerning the debate.

The chapter on housing deals with various concepts in the field and the author believes that the poor are dynamic enough to bring about changes in their living conditions, and that 'self-help' housing should be encouraged. Illegal occupation of land and insecurity of tenure are said to be the main deterrents to housing for the poor, and the attitude of governments has been far from helpful. The author gives a clear picture of the political aspects of government policy in relation to housing: 'while spontaneous settlement clearly brings problems for the state, it is generally functional to the maintenance and reproduction of the social and economic order' (p.113). This is done through the cheapening of the cost of reproduction of labour.

Sociological aspects of urbanisation are highlighted in Gugler's chapter on social interaction in the city. He deals with the concept of 'peasants' in the city which helps in understandanding the composition of cities and the integration (or lack of it) by various ethnic groups. The famous culture of poverty approach of the apathy of urban poor towards their existence, is convincingly rejected.

The chapter on plitical responses to poverty deals not only with what we can call the 'conventional' analysis in this field (patron-client relations, co-option, political parties), but also with the phenomena of urban revolution. Gugler differentiates between urban and rural revolutions. He believes that rural-based wars of national liberation are different from revolutionary movements which tend to be urban in character. This belief rests on the premise that national wars of liberation have been fought in predominantly rural countries. Revolutionary movements, on the other hand, according to the author, draw their support from the urban areas and thus are urban in character. This section on urban revolution remains throughout superficial in its analysis.

The final chapter deals with what has been termed as 'urban' bias. Many observers believe that there has emerged an inequitable shift of resources from the agricultural to the urban areas. This has caused a greater concentration in services like education, health, sanitation, etc, in the urban areas, where only one-fifth of the population resides. This urban bias exists due to the particular class nature of Third World societies. Government and bureaucracy reside in urban areas, as do the elite and the bourgeoisie. The elite need to be kept content by the government, and thus policies which would be helpful to the elite are carried out. This includes a diversion of resources from the agricultural areas to be invested in the cities where the most powerful forces (the elite and the urban working class) which can act against the government, reside. One important aspect of this chapter is the questions the author raises about our urban values concerning urban imbalance. To measure this imbalance we need some sort of 'norm', but no 'norm' exists which can act as a measuring rod. As he says, "the difficulty is that we lack an adequate general indicator of urban imbalance" (p. 171), and so we are left only with value judgements. To reduce this imbalance, Gilbert considers various aspects of spatial policy and the problems we encounter in dealing with their recommendations.

All in all, this is a well documented book and surveys material on most issues dealing with urban problems. It reviews various ideas from a number of sources and authorities quite thoroughly. It has an excellent bibliography and explanatory notes from each chapter are included at the end of the book. One major criticism of the book is its infatuation with socialism. As the authors say, "socialism is required to improve the living standards of the poor. Only under socialism is it possible to modify successfully the urban structure, redress the imbalance between urban and rural areas, remove the worst regional disparities and develop agricultural potential in a non-exploitable fashion" (p. 194). This all sounds very good, but is not backed up by any empirical evidence. The authors just believe that socialist cities are better. Since they have tried to show the development of cities in relation to the world capitalist system, it would have been interesting if they could have analysed socialist cities within the same perspective. Despite this, the book should be included on a list of essential reading for a course in urbanisation.

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David K.H. Begg: The rational expectations revolution in macroeconomics: Theories and evidence (The Johns Hopkins University Press, Baltimore, Maryland, 1982) pp. xii + 291, US$ 25.00 hardcover, US$ 8.95 paperback.

This presentation is provocative in nature and enhances reader understanding of the Rational Expectations component of the macroeconomic spectrum. Furthermore, all nine chapters provide a straightforward topical content variation which facilitates additional insight into a contemporary world of macroeconomic thinking as evidenced by various schools of thought (i.e., Keynesians, Post-Keynesians, and Monetarists).

Chapter one is entitled "Introduction" and reminds the reader that the formation of expectations is a fundamental issue within the macroeconomic perspective (i.e., throughout the prior decade, Rational Expectations has been a primary theme of macroeconomic research). As Begg emphasizes, Rational Expectations has certainly encouraged a new academic respectability for Monetarism and has consequently exerted an influential effect on economic policy. For instance, the New Classical Economics purports that demand management policies have a negligible effect on even short-run real variables. Critics may be categorized as individuals who either reject Rational Expectations as a plausible model of observed behavior or are simply dubious of the resultant market clearing Natural Rate models. The author recognizes that an acceptance of the Rational Expectations hypothesis is tantamount to a long-run methodological revolution in macroeconomics.

In the second chapter on "Previous Treatments of Expectations Formation," Begg observes that dissatisfaction with Adaptive Expectations (i.e., all mechanistic backward looking extrapolative rules facilitate multiperiod successive systematic forecasting errors) induced the hypothesis of Rational Expectations by Muth.[1] Furthermore, the author mentions that the genesis of expectations formation occured not in theoretical macroeconomic foundations but in the analytical framework of agricultural markets (i.e., Static Expectations in accordance with the familiar Cobweb Theorem).

Chapter three is entitled "The Rational Expectations Hypothesis" and reminds the reader that the resultant implications of even the simplest versions of Rational Expectations command in-depth theoretical and empirical consideration. Scholarly interest is enhanced via the Begg recognition that

> it is not attractive to assume that individuals make systematic errors in forming expectations, for such errors would eventually be discovered and would cause individuals to abandon the assumed rule of expectations formation.

The solution of a Rational Expectations stochastic model simply induces expectations of a stochastically self-fulfilling nature. Given the information available during the base period, the "ex-post" forecasting errors are precluded from prediction. Since there is supposedly no incentive for the revision of expectational formulation, such expectations are tantamount to an equilibrium set. Nevertheless, the expected value of a particular variable undergoes revision as new information is forthcoming. While Begg emphasizes that numerous economists are attracted to such an assumption founded on incentives, information and optimization, others contend that Rational Expectations implies an extraordinary assumption. Consequently, the author should be commended for the straightforward organization of objectives within the constraints of four primary headings (i.e., objections challenging the incentive to acquire the assumed information such as lack of adequate marginal societal benefits vis-a-vis marginal societal costs of improving the quality of information about the macroeconomic structure and objections emphasizing differential information related to such concepts as the problematic nature of fundamental dichotomies associated with Monetarist and Keynesian perspectives).

In the fourth chapter on "Rational Expectations and Empirical Research," the author addresses the statistical properties of Rational Expectations models. For instance, Property I asserts that individuals do not have a basis for predicting how they alter their expectations with respect to future variables such as y_{t+i+j}. Additional concepts include the statistical identification and observational equivalence and hypothesis testing under Rational Expectations. Begg maintains reader insight via an adequate discussion of both an econometric policy evaluation and, of course, the Lucas critique.

[1]This formalized the prior work of Modigliani and Grunberg. The interested reader should see J.F. Muth (1961).

Chapter five relates to the "Econometric Implications of the Rational Expectations Hypothesis" and a broad spectrum of topical content (i.e., Rational Expectations models, testing the Rational Expectations hypothesis, testing the structural equations conditional on Rational Expectations, the Lucas problem reconsidered, which leads to the mentioning of the modelling of intertemporal optimization of A.B. Abel, T.J. Sargent, and others). The sixth chapter, which is entitled "Rational Expectations, the Natural Rate Hypothesis, and the Stabilization Policy Debate," heightens reader interest. Why? Because even though the reader is reminded that, provided expectations are rational, in the absence of an informational advantage over the private sector, it is unreasonable to assume the systematic manipulation of forecasting errors. Yet, under the guise of weak assumptions, both monetary and fiscal policy may affect contemporary output composition and, therefore, future Natural Rate levels. It is also of reader interest to recognize that once the assumption of market clearing is relaxed, stabilization policy, even in view of Rational Expectations, may effectually become quite Keynesian in nature. Begg suggests that the Natural Rate assumption can be theoretically challenged in at least a short-run perspective (i.e., there continues to be the possibility of involuntary unemployment which would seemingly allow for a macroeconomic stabilization scenario).[2]

While chapter seven pertains to "Rational Expectations and Aggregate Demand" wherein the Begg analysis embodies an application of the Rational Expectations hypothesis to the primary private sector components of aggregate demand (i.e., aggregate consumption and agregate investment), the eighth chapter considers "Rational Expectations and Efficient Asset Markets" (i.e., the theory of efficient markets and its application to the stock exchange). If international assets are perfectly substitutable, then the value of currency should experience only random deviation from the interest rate differential under the auspices of Rational Expectations. Thus, Begg contends that direct tests of this proposition broadly support the data. Nevertheless, the author provides a reader "caveat" whereby sophisticated analysis could perhaps indicate variations in this fundamental observation.

Subsequent to a reflective overview in the final chapter, Begg enhances reader interest via a final assesment. The reader must agree with the contention that a Rational Expectations macroeconomic approach has experienced a shortfall in terms of a comprehensive overall development. Perhaps reader insight is encouraged by the Begg recognition that the Rational Expectations hypothesis will entail an imperfect learning model in a random world where the collection of information is rather costly in nature. The author purports that once agreement is achieved that Rational Expectations, "or some appropriate generalization of this hypothesis," conveys the proper theoreti-

[2]See Milton Friedman (1977).

cal structure for dynamic macroeconomics, then the "debate about stabilization policy can return to the central issue" pertaining to whether or not markets clear without exemplifying a vulnerability to what Begg contends as the elementary criticisms encouraged by R.E. Lucas, T.J. Sargent, and N. Wallace. The author, although perhaps somewhat overzealous, receives reader appreciation in terms of his observation that the Rational Expectations revolution in macroeconomics may very well "mark the end of the beginning."[3] The reader, however, must not become so involved in Rational Expectations "per se" so as to forget the omnipresent Keynesians, Post-Keynesians, and Monetarists.[4]

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[3] See Rodney Maddock and Michael Carter (1982).

[4] A "necessary condition for the validity" of New Classical Economics of T.J. Sargent, R.E. Lucas, and R. Barro is the Rational Expectations hypothesis that the forecast error becomes a serially uncorrelated term having a zero expectation. See Jerome L. Stein (1981).