

## BOOK REVIEWS

*The Agrarian Origins of Commerce and Industry: A Study of Peasant Marketing in Indonesia* by Yujiro Hayami and Toshihiko Kawagoe, New York, St. Martin's Press, 1993, xv + 202 pp.

The performance of an agricultural marketing system in developing countries has been an important issue for economists interested in economic development. Needless to say, the efficient performance of the system contributes to economic development through the interaction between the producers in rural areas and the consumers in both rural and urban areas or sometimes in foreign countries. The link provides the producers with valuable information regarding technology and consumers' preference, and thereby induces the dynamic responses of the market participants to the changing market conditions. This dynamics is indeed an indispensable part of economic development. The issue of the performance of agricultural product markets is attracting the attention of academic circles as well as policymakers today because a number of developing countries are promoting marketing reforms to mitigate policy intervention in this area. Whether the reforms will have the expected effects depends largely on the market performance in these countries.

Against this background, this book can be interpreted as an attempt to broaden the perspective of studies on the role of market performance in economic development. It attempts to identify the present role and the future potential of peasants' marketing activities in the development of local commerce and industry. The authors' scope is not limited to the market efficiency issue in a narrow sense, but covers also unexplored issues such as the institutional adjustment of a marketing system to technological changes and income generation in rural areas. This is because the major goal of the authors is "to identify who are major entrepreneurs in the marketing of peasants' products, how much of this entrepreneurship is shouldered by traders and processors rooted in indigenous village communities, and what potential they may have as a carrier of modern developments in commerce and industry" (pp. 15-16). Since the authors of this book recognize the potential of peasants' entrepreneurship, they prefer to use the term "peasant marketing" rather than "agricultural marketing."

To analyze the process of peasant marketing, the authors take a "pedestrian" approach in which they gathered their own observations and information through walking around villages and town bazaars. Based on the data thus collected, they present their argument by only using a simple tabulation and refraining from applying statistical or econometric tests. Three villages located in upland areas of Indonesia were surveyed to investigate the marketing process of upland crops such as cassava, soybeans, and vegetables, which were seldom subject to policy intervention.

Chapter 1 (Peasant Economy and Peasant Marketing) is an introductory chapter outlining the authors' objective and scope, methodology, and plan for the book. The next three chapters contain a description of the performance of peasant marketing in each of the three villages, with detailed information on the organization of marketing, prices and marketing margins, as well as income and employment generation. Chapter 2 (A Prototype in Upland Java) presents an analysis of the marketing process of corn,

Finally, it should be pointed out that the efficient functioning of agricultural product markets does not imply that the marketing system is also efficient in enhancing rural-based development. Even when the product market functions efficiently in a sense that all the participants act competitively and the information is delivered smoothly, it is possible that the production factor markets are incomplete so that the farmers do not produce efficiently in the short run. If it is the case, the alleviation of the production inefficiency through the market mechanism of the "efficient" product market may take time and hence government intervention into agricultural marketing may be justified.

The book does not examine explicitly the efficiency on the production side.<sup>4</sup> Useful information regarding this point could be obtained in the discussion of income generation, which gives partial information on the cost of production of soybean (Chapter 2) and vegetables (Chapter 4). The information does not seem inconsistent with the production efficiency, and, in that sense, the authors' argument against direct policy intervention into peasant marketing may be justified. However, from a methodological point of view, the efficiency on the production side should be cited explicitly before the authors reach the conclusion that direct market intervention is counterproductive.

These three comments, however, will not reduce the value of the book. Overall, the book demonstrates successfully the efficient and dynamic nature of peasant marketing in Indonesia, which is an indispensable part of economic development. The scope covered in the book definitely broadens the perspective of studies on market performance and its role in economic development. The comparison of the role played by these Indonesian peasants in agricultural marketing with that by *gōnō* (wealthy peasants) in pre-industrialized Japan is very stimulating. Also, the data supporting their argument are highly informative. The authors should be praised for this interesting and inspiring work.

(Takashi Kurosaki)

<sup>4</sup> An earlier work by one of the authors examines the production side in detail, although it does not address the efficiency issue explicitly, either. See Yujiro Hayami and Masao Kikuchi, *Asian Village Economy at the Crossroads: An Economic Approach to Institutional Change* (Tokyo: University of Tokyo Press, 1981).