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## Review of *Western Canada in the International Economy* by Edward Chambers and Michael B. Percy

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**Western Canada in the International Economy.** Edward J. Chambers and Michael B. Percy. Edmonton, Alberta: University of Alberta Press for C.D. Howe Institute and Western Centre for Economic Research, 1992. xiii + 106 pp. Figures, tables, and references. \$C16.95 paper.

This book takes on several tasks. These include assessing Western Canada's competitive strengths in international export markets, judging whether the region is able to take advantage of shifts occurring in these trading patterns, as well as viewing effects of the Canadian economic union on Western Canada.

The authors begin their discussion by pointing out how well the economy of the Canadian West is integrated with adjacent regions. The region ships about 54 percent of total exports to the U.S., a number which seems high, but is in fact lower than the Canadian average of 75 percent. The reason appears to be the low integration in agriculture. The authors don't speculate about causes, but a good guess is that much of the reason lies with domestic policies such as the Canadian Wheat Board and the Western Grain Transportation Act. The obvious question is whether the benefits of these initiatives should not be assessed in light of the costs they impose on cross-border agricultural trade.

The section on terms of trade is particularly timely. During the 1980s, the prices for most of the region's output were hit hard for at least two separate reasons: the decline in natural resource prices generally, and the exchange rate effects of inflation fighting. The authors suggest future exports will emphasize traditional products of the region, forecasting an end to the diversification that occurred in response to the disasters which almost simultaneously befell agriculture, energy, and forestry. Along the way, the authors make some observations of fairly wide interest, such as one indicating that governments have misplaced their priorities in emphasizing support for value added in the region. Their argument will be a familiar one to economists, basically suggesting that governments should focus on what they do well, including encouraging education, research and development, and forget about tasks for which they have little talent, including operating or financing businesses.

There is an intriguing section on the economic benefits and costs of alternative constitutional arrangements. The alternatives are weighed based on

their likely contribution to the gains from trade, the sharing of overheads, the insurance aspects of confederation, and the market power of being part of a larger trading community. Without spoiling the punch line, it can be said that labor mobility becomes a part of the answer, because it provides a kind of insurance for the labor force of the region, and because policies which discourage labor mobility are a current shared cost.

This is an intelligent look at public issues facing the west of Canada, and probably has lessons for any resource-dependent region. It is economic literature, but is readable by most. Anyone interested in the economic future of the west will want to spend a couple of hours with this book, and anyone associated with public policy should be required to do so. **M. L. Lerohl**, *Department of Rural Economy, University of Alberta*.