boarding a bus of the color matching that of the stop would pay a fare of $p - a$, while those boarding nonmatching buses would be required to pay a fare of $p + b$. By varying a and b, and observing how many passengers at each fare-differential level wait for the following bus rather than pay the higher fare, one would obtain direct evidence of the value of waiting time. If the headways are long or the stops infrequent, the experiment would obviously involve a considerable cost in terms of reduced efficiency of utilization, in addition to whatever costs the dual fare structure imposes. In short-headway service, on the other hand, the number of stops made by each bus would be reduced somewhat if a substantial number of passengers confined their riding to the matching colors, and the result might be a sufficient speeding up of the service to partially offset the loss due to the longer waits. Here one might have to control in some way for whether prospective passengers could see the second bus approaching when deciding on whether to take the first.

Most of the analytical results, indeed, are disappointing. An analysis aimed at determining when the introduction of a new variety or quality is desirable comes up with nothing better than the rather trite result that if competing qualities are being sold at prices equal to marginal cost, a new quality is warranted if it can be sold at a price to cover its total costs, but not necessarily conversely. Several pages of analysis of traffic queues come up finally with the intuitively rather obvious result that the addition of another vehicle to the traffic flow increases total vehicle hours of delay in the queue by an amount equal to the lapse of time between the time the added car joins the queue and the time the queue is entirely worked off. One hoped for more.

Nevertheless, the state of the art in this area is still so much in need of material that even this rather spotty vein is well worth mining.

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The British Prices and Incomes Board. By ALLAN FELS.
New York: Cambridge University Press, 1972. Pp. xii+298. $13.50 (cloth); $5.75 (paper).

How to Run an Incomes Policy and Why We Made Such a Mess of the Last One. By HUGH CLEGG.
London: Heinemann Educational Books, 1971. Pp. 88.

During the postwar period the United Kingdom has experimented with official incomes policies more persistently than any Western country save the Netherlands. The present volumes provide complementary postmortems on the policies of the Labour government duing 1965–70 from two perspectives. Fels, an Australian economist, provides a visitor's assessment of the operations of the National Board for Prices and Incomes (NBPI), the most visible administrative body in the policy, whereas Clegg, a professor of industrial relations at the University of Warwick and a member of the NBPI during 1966 and 1967, provides a retrospective analysis of the difficulties that this last form of British incomes policy encountered in dealing with the peculiar problems of British labor markets.

Fels proceeds from a very competent summary of the design and administration of earlier British incomes policies to a description of the main features of the 1965–70 policy and an extremely detailed historical account of NBPI organization, role, operation, and methods of inquiry. One learns that although the NBPI was established as an independent body to evaluate the consistency of proposed pay and price increases with the guidelines of the government's incomes policy, the independence was illusory, for the Board was to evaluate only proposals referred to it by a government agency. For reasons that were often more closely related to the interests of the referring agency than the objectives of the incomes policy, the NBPI was asked to examine a small fraction of the pay and price proposals that arose during the policy. With a limited number of references, the NBPI chose to examine each in depth, not only treating the merits of the proposed wage or price increase but investigating and reporting on longer-run structural problems of the industry. Fels follows a similar strategy, treating a limited frame of reference, the operations of the NBPI, in exhaustive detail. The result is a lengthy and informative discussion of criteria for pay and price increases and the Board investigations and recommendations concerning wage and salary structures, productivity performance, and managerial efficiency.

Clegg, who is in general agreement with Fels's points on the limitations of the Board, takes a much broader approach. After reviewing some well-known structural problems in the British labor market (fragmented bargaining structures, anomalous wage structures, excessive overtime, wage drift), Clegg uses an analysis of the policy deficiencies of the sixties to motivate a series of recommendations for a viable policy.

Both accounts underscore the tension that follows from assigning a single agency the task of enforcing both the short- and long-run objectives which have been imbedded in recent British incomes policies. On the one hand, policies which are initiated during a balance-of-payments crisis have a clear short-run objective of immediate wage and price restraint. The authors argue that this objective is pursued most easily by an agency with more comprehensive review powers than were assigned to the NBPI. On the other hand, there has been a unique attempt in the United Kingdom to achieve a longer-run stabilization of unit labor costs by increasing productivity growth, and one of the main objectives of British incomes policy in the late sixties was to achieve a link between pay movements and structural reforms yielding increased productivity. Since many of the structural problems are important sources of wage drift, it has been argued that short-run efforts to control inflation by restraining negotiated wage rates would be relatively ineffective without prior attainment of the longer-run objectives. It is clear, however, that a case-by-case analysis of structural deficiencies is a slower process, as NBPI experience makes plain, and is not possible on a comprehensive basis. Those who are restrained soon feel that the policy is inequitable, and cooperation deteriorates. Clegg's proposed resolution of the tension is to establish a fully independent tripartite enforcement body with prior negotiation and agreement over norms by labor and management. This will strike many observers as utopian, for experience in other countries indicates that either the parties to collective bargaining cannot agree on the guidelines of the policy or, when agreement is present and enforcement is stringent, efforts at a long-run policy invite wage explosions among even the most disciplined labor movements.

Neither author raises the more basic question of whether the ultimate achievements of an incomes policy are very sensitive to the choice of administrative apparatus. The experience from several countries indicates that short-run objectives of incomes policy are best achieved in periods of labor surplus, but in the United Kingdom the policy was usually attempted in periods of labor shortage. In these situations incomes policy was an inappropriate instrument for the problems at hand—deflation or devaluation were more appropriate for treating the underlying short-run structural problems—and it is doubtful that the deterioration of the policy would have been delayed by alternative administrative arrangements.

The same question can be raised concerning the long-run objectives that concern Clegg and that were the main concern of the NBPI, as Fels's careful account indicates. The problems are very real, but as Fels notes, it is extremely difficult to discern the direction of impact of the NBPI. Indeed, it is not at all clear that the road to long-run reform of pay systems, work practices, etc., is via an instrument whose life is limited, given the nature of its short-run assignments.

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Capital Budgeting: The Public and Private Sectors. By A. JAMES BONESS. New York: Praeger Publishers, 1972. Pp. 190. $12.50.

This volume is an attempt to draw together certain topics in the private capital budgeting process and the public capital budgeting process. The discussion and conclusions deal specifically with investment in research and development in the aerospace industry, and the economic aspects of the military-industrial complex. As the author points out, investment decisions in research and development (R & D) deserve considerable attention, not only because the data required for investment analysis are difficult to obtain, but also because the intangible assets resulting from investment in research will frequently have a longer economic life than technologically durable physical assets. The author states in chapter 1