mass of blacks within the white dominated South. Ransom and Sutch themselves comment on the persisting resistance by the white community to the sale of land to blacks, and to the closing off of educational and occupational opportunities by racist-biases in market signalling and screening mechanisms. Still more to the point, they remind their readers that the further disabilities of Jim Crow legislation were imposed upon the members of the black community precisely during the 1900-13 period, when their participation in the wider prosperity began to disturb the equilibrium of Southern race relations. Writing of this epilogue to their story, the authors of One Kind of Freedom conclude with the hint that what had really been determining was the impulse to maintain white racial control in the aftermath of slavery (p. 197):

The economic system that was at last yielding to the pressures of change had done more in its time than stifle economic progress. It had also served the ends of race control. By defining a subordinate position for blacks and by limiting black advancement, the postemancipation economy had served white supremacists by keeping the Negro “in his place.”

Paul A. David

Stanford University

100 Economic Growth; Development; Planning; Fluctuations

110 Economic Growth; Development; and Planning Theory and Policy


This book is difficult to classify. Presumably it is a sort of textbook (but not on the “principles” of economic development, since the authors believe that no general principles exist). The authors explicitly choose to ignore such an important topic as population growth and economic development. And, unusual for texts (or “sort of” texts), they choose to make exhaustive forays into the literature, littering the body of the text throughout, in parentheses, with the names of authors who will mean nothing to the student, and with on-the-one-hand/on-the-other-hand summaries of their writings. Aside from questions treated below with respect to content, it is hard to see how the format of this book can serve well either students or scholars in the field.

The book starts with a fairly good, fairly comprehensive chapter on the concept and measurement of development. There follows a second, extremely weak chapter on theory or theories, built around Harrod-Domar and a few simple extensions but largely ignoring some of the better, tougher, and more comprehensive literature in the field—that by Harvey Leibenstein, Harry Johnson, and W. Arthur Lewis (in particular his planning work, which in effect provides a model for development) to name only three of the obvious persons whose works should have been treated in some way, not to mention other more recent works. No model or models that incorporate different sectors and specifically labor into the analysis are presented. It is possible, for example, to put Lewis’s planning model, developed by trial and error in his book on planning, into fairly simple algebra and apply it to both country plans and historical results. This reviewer has done this for Malaysia and found it instructive and insightful in teaching work there. But the authors of this book leave the reader with virtually nothing in the way of a conceptual framework to work with. Only slightly better is a sequel chapter on economic inequality and economic development; in fact the two issues are never really married, at least not theoretically or empirically—an extensive country table is offered on income distribution but nowhere is this compared with rates of growth in, say, per capita income as Hollis Chenery and others have done.

In what seems a strange order to this reviewer, Colman and Nixon then lead us through successive chapters on trade and development, the foreign indebtedness problem, agriculture and the world food problem, industrialization, and then back to the international side with chapters on the “transnational corporation” and development, the transfer of technology problem, and “inflation and migration” (with this reviewer having a little difficulty seeing how these two issues really linked up one with another). Again the basic theory running through these chapters is very weak. By ac-
knowing some fairly fuzzy criticisms of Bertil Ohlin and comparative advantage, and of factor price equalization, as "important," one gets the impression that the authors are not fully aware of Ohlin's great oversimplifying assumption of identical production functions in all countries.

In spite of containing what to this reviewer seem like fundamental weaknesses in construct and in basic theory and conceptualization of the development process and issues related to this process, this book has some saving graces. The world food problem gets the attention it deserves (although I question whether this can be adequately done without extensive analysis of the population problem), as does the growing foreign indebtedness problem of LDC's, and the pros and cons of transnational corporate investments and related policies in the LDC's. This last is probably the best chapter in the book, most of the main issues being presented lucidly and in an interesting manner. And the authors collect at different points in the book some interesting and useful empirical information to illustrate some of the issues they treat. Indeed, if the authors had made this simply an "issues" book, not tried to get into underlying theory in any fundamental way, treated the literature better, and relegated authors' names and some of the description of their work to footnotes, they would have had a much better and more readable book.

PHILIP W. BELL

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JEL 79-0373

This small book is less pretentious, less trendy, and more useful than the standard Galbraithian "big think" of the last 20 years. It invites comparison and contrast not only with unreadable United Nations and International Bank for Reconstruction and Development reports but with such offerings as Michael Harrington's Vast Majority [2, 1977] and Michael Lipton's Why Poor People Stay Poor [3, 1976]. Economist readers of this journal need neither yawn nor turn up their noses at "the latest Galbraith."

An agricultural economist by formal training, Galbraith remains more acutely aware than most of us that mass poverty—as distinct from the "cases" and "islands" of The Affluent Society [1, 1958]—remains predominantly rural. The "invisible" villages from which people migrate to visible Calcutta or Soweto slums are indeed even worse than Calcutta or Soweto, much as "rational expectations" lead us to expect. Furthermore, the standard prescriptions of well-intentioned Committees of Experts, Commissars, and Lords or Ladies Bountiful—land reform, farm parity, collectivization, green revolutions, technical education, agricultural credit, family planning, and all that—remain disappointing in practice, if only because potential beneficiaries are too risk-averse to experiment with them. Bengal remains poorer than the Punjab, as Galbraith points out; likewise, Bulgaria remains poorer than East Germany. What has gone wrong so nearly universally? That is Galbraith's problem.

For his solution, Galbraith is constrained to make his peace with such apologetic items of conventional wisdom as the low level equilibrium trap, the backward-bending input supply function, the dual-economy, and even the "culture of poverty." (Particular authors are sometimes cited, but none of the above labels.) Rural folk stay poor, says Galbraith, because most of them "accommodate" to poverty and because the too-small non-accommodating minority leaves for the cities or for foreign parts. The responses to rural poverty should accordingly increase the size of this minority and also increase the number and attractiveness of places for its members to go. After enough of them have left, rural poverty will be largely alleviated, much as it was in rural Sweden, Scotland, and Ireland by large-scale immigration to North America.

To reduce accommodation, Galbraith stresses education of precisely the "general" or even "other-worldly" sort that many development specialists attack for alienating the farmer's son from rural life and pointing him toward the bright lights. To increase migration, Galbraith's hope is predominantly in urban development (Lipton's "urban bias") to attract and employ more and better-trained rural migrants than present-day Calcutta or Soweto are already tempting into town. Gal-
braith also praises immigration opportunities, legal and illegal, as his international dimension. He insists that Western Europe's Gastarbeiter will never go home again, and that "wetbacks" are nearly as important to Mexico and the United States, respectively, as Gastarbeiter to, say, Turkey and West Germany. The point is not made explicitly, but of course urban wage rates and social benefits will be lowered by pressure to absorb migrants, and the chance for restrictive labor organization also reduced, for better or worse.

All this controverts the "small and beautiful" development doctrine, which would bring industry to rural areas as is done in Japan, duly armed with "appropriate technology" to provide simultaneously for rural people jobs, incomes, and access to urban-type public services without the costs and risks and shocks of large-scale migration. (We ignore Khieu San Phang's Utopia of spreading the poverty by forced urban depopulation!)

I react along three lines. The first two are obvious, and I hesitate to state them. (1) Galbraith's thesis and current development orthodoxy are not mutually exclusive. At issue is mainly the formula for their combination: how much resources to move industry to the country, how much to train peasants for the city and then move them there? Furthermore (2) the right answer for Country A at time $t_1$ is apt to be wrong for Country B and/or time $t_2$. However (3), as a matter of "redressing balances" and lessening the danger from slogans as thought-substitutes ("Land to the Tiller!" "40 Acres and a Mule!" "Basic Human Needs!"), this welcome Galbraithian retreat from café-society heart-throb economics may be a real contribution at this particular moment and in this particular climate of the discipline (or indiscipline) of "development studies."

MARTIN BRONFENBRENNER
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REFERENCES


JEL 78-0369

The book seeks answers to three questions pertaining to industrialization and trade. In the author's words: "Does comparative advantage of different industries change in a systematic fashion as economies become more mature? Which macro or micro economic theories are consistent with observed patterns of industrial distribution of production and trade? What implications for industrialization strategies are suggested by these patterns?" (p. ix). The analysis is carried out by classifying 25 industries into three groups, depending on whether their output elasticity with respect to per capita incomes is positive (Rich Man's Goods), negative (Poor Man's Goods), or zero (Every Man's Goods). Following Hollis B. Chenery, regression equations for a sample of 29 countries are used to establish statistical relationships between output, export, and import patterns, on the one hand, and per capita GDP, population, and capital flows on the other, for these three groups as well as for individual industries. In turn, for each of the 29 countries, export-output ratios are related to skill, physical capital, scale, and resource variables.

As regards the first question stated above, the conclusion is reached that "trade, which in the early stages of industrialization reflects mainly factor scarcities, becomes more compatible. As countries get richer, they tend to trade more with each other and their exchange consists of a growing proportion of similar goods" (p. 105). This conclusion is hardly surprising, nor is it novel. It indicates the predominance of Heckscher-Ohlin trade in lower income countries and what the author calls "Bureanstam-Linder" trade for higher income countries.

While the data are used to test the validity of various trade theories, the author has little
to offer as far as "macro or micro economic theories" are concerned. Market power is defined in terms of export shares without regard to product differentiation (p. 28); the theory of the exporting firm is stated without reference to the possibility of price discrimination (pp. 65-68); and, in developing a model of selling know-how, the determinants of the choice between this alternative and foreign direct investment are not considered (pp. 71-75).

Also, the treatment of economies of scale is little more than perfunctory. At one point, the curious statement is made that "in large countries trade accounts for a small share of economic activities. The role of international trade in these countries may therefore be ignored" (p. 2). Elsewhere, it is claimed that "small countries can do little to overcome the negative effects of economies of scale when these economies pertain to the production process" (p. 71). And, finally, "as long as the firm is too small to realize the relationship between the volume of its sales and the price it can charge in the market, exports have no particular attraction for the firm" (p. 115).

The first of these statements fails to consider the advantages of producing for export markets. These are observed even in a country of the size of the United States as far as its technologically sophisticated industries, such as computer and aircraft, are concerned; little needs to be said of the benefits the second (Japan) and the third (Germany) largest industrial countries derive from trade. In turn, the latter two statements disregard the fact that firms and industries in small countries can grow by exporting.

Nor is sufficient consideration given to inter-industry differences in the extent of economies of scale. The author himself does not provide direct estimates to establish these differences, and he disregards the existence of such estimates in preferring policy advice. Thus, the statement that "in the process of industrialization and growth, import substitution 'naturally' precedes export promotion in every industry" (p. 117, italics added) would apply only if firms could attain economies of scale in their national markets in all industries. If this is not the case, overly small firms will be built under an import substitution policy that may not permit subsequently entering foreign markets. This conclusion is strengthened if consideration is given to vertical specialization that necessitates the production of parts, components, and accessories at an efficient scale.

Correspondingly, one can hardly advise following the import substitution—export promotion sequence in industries where cost is a decreasing function of production volume and/or vertical specialization is of importance. At the same time, the experience of the Nordic countries, Hong Kong, and, in regard to capital goods, several Far Eastern countries belies the validity of the claim that "only after it has had a successful 'running in' period in the comparatively sheltered environment of the domestic market is the firm ready to face the rigorous of international marketing" (p. 115). In turn, there have been a number of instances when creating a high-cost, inefficient industrial structure behind high protection has stood in the way of successful export promotion.

Vertical specialization may also involve the international division of the production process. Despite its growing importance in world trade, this pattern is not considered by the author. Yet, Heckscher-Ohlin trade occurs also in technologically sophisticated industries where labor-intensive parts and components are produced by developing countries, and physical capital and skill intensity parts and components by developed countries.

The root of the problem lies in the crudeness of the industry classification scheme utilized, which leaves one with the puzzle that average export shares in "Rich Man's Goods" remain practically unchanged once the threshold of $300 per capita incomes has been reached. For the same goods, consumption shares show no definite pattern, indicating the production orientation of the classification scheme used (p. 26).

These criticisms notwithstanding, one should welcome the effort made by the author to investigate a variety of trade-related phenomena and to extend the work of other writers who generally have concentrated on a single country. Clearly further investigations are needed.

Bela Balassa

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In General X-Efficiency Theory and Economic Development, Harvey Leibenstein provides a concise, well-written account of the application of X-efficiency theory to a handful of standard problems in the theory of economic development. For those who are familiar with Professor Leibenstein's work in the theory of X-efficiency and economic development, the ideas contained in this book will come as no surprise, especially since many of them have already appeared in print.

In chapter 1, Professor Leibenstein eases us into the material of the book by sketching what he feels to be the shortcomings of neoclassical economic theory. His basic point here is that after the Second World War, economists, when they turned their attention to the problems of developing countries, understandably used the only well-developed theory at their disposal, namely the neoclassical microeconomic analysis (Marxists, I'm sure, would take exception here). This analysis, Leibenstein contends, is in many circumstances inappropriate for the task because it is behaviorally not rich enough. To take its place, Professor Leibenstein recommends X-efficiency theory, which is so all-encompassing that he considers neoclassical microeconomic theory simply as a "special case" of it.

Chapter 2 is a quick (21 page) introduction to X-efficiency theory. Being so concise, it suffers from a concentration of new terms that hit the reader at an astonishing rate. For the reader who is totally ignorant of X-efficiency theory, I think the presentation is excessively intense. Most succinctly, the theory is a response to the neoclassical idea that a uniquely defined production function exists which expresses a deterministic relationship between output and the input of capital and labor. X-efficiency theory says that the output that you get from a given combination of capital and labor will depend on a host of psychological factors, which lead the labor employed to put out varying degrees of effort. Consequently, observed output, which deviates from the output predicted by the neoclassical production function, is explainable only on the basis of some mysterious psychological "X" factor—hence, the term "X-efficiency" (or "inefficiency," as the case may be). In other words, you can lead a laborer or a group of laborers to a production function, but you cannot make them cooperate or exert maximum effort. This is true because the amount of effort they exert is a discretionary variable under their control; they may not act "totally rationally" but rather, depending upon their level of "constraint concern" and "pressure," they may "select" a lower level of rationality and effort (an "effort position") and become "inert" at that level.

Now if individuals in an X-efficiency world are less than totally rational and suffer from a behavioral inertia, we would expect a larger role to be played by entrepreneurs, whose existence is eliminated in the frictionless maximizing world of the neoclassical paradigm. Hence, in chapter 3, Leibenstein elaborates upon the new-found place of the entrepreneur in the world of X-efficiency theory.

In chapters 4 through 8 we are presented with a series of standard problems in the field of economic development. Professor Leibenstein tries to demonstrate how what appear to be paradoxes or contradictions for the neoclassical theory can easily be explained by expanding that theory to include elements of X-efficiency. For example, in chapter 4 Professor Leibenstein tackles the question of disguised agricultural unemployment in developing countries. The problem here is that it is posited that the same amount of agricultural output could be produced in developing countries with a smaller agricultural work force. Hence, some of the existing work force is superfluous and could be allocated elsewhere. However, the neoclassical theory contradicts this view. By pointing to the positive wage being paid in that sector, it concludes that the marginal product of the labor employed there must be positive and hence, those workers are not superfluous and if they were removed, output would fall. Professor Leibenstein argues that this seeming contradiction is easily reconcilable, since the differing intensity of effort of the agricultural workers has not been ac-
counted for. According to X-efficiency theory, as workers are withdrawn, the remaining workers could simply exert more effort and work harder (although exactly why they would do this is not convincingly explained). Consequently, Leibenstein argues that one could remove workers from agriculture and still keep output constant without contradicting the fact that under the previously existing effort standards, the marginal product of the then employed work force was positive.

In a similar fashion Professor Leibenstein demonstrates in chapter 5 how equilibrium urban-rural wage differentials can exist (and not be eliminated through migration), and in chapter 6 why actual and potential growth rates can differ in developing economies and how new and improved techniques of production (which would be immediately adopted under the neoclassical scheme) may not be quickly adopted there. Finally, we see X-efficiency theory used in chapter 7 to analyze the phenomenon of declining fertility rates in developing countries and in chapter 8 to throw light on the organization of state-run enterprises.

To evaluate this book is to evaluate X-efficiency theory, since Professor Leibenstein is persistent in his view that this theory is more general than the neoclassical theory he would like to replace with it. It is on this score that I feel he has erred. X-efficiency theory, by its mere name, is a theory that attempts to explain the deviations (and the mysterious X-factors that account for them) that are observed from the results expected from the neoclassical paradigm. Hence, it implicitly (if not explicitly) accepts the neoclassical results as the norm against which such deviations are to be measured and supplies us with an explanation of the psychological frictions of the neoclassical theory. As such, I think it is useful and interesting, especially for our understanding of the development process. As a replacement for neoclassical theory, however, I find it too diffuse and lacking a set of testable hypotheses that do not rely upon the neoclassical theory as a yardstick. Even Professor Leibenstein's notion that agents are less than totally rational is subject to criticism, for his agents, unlike Simon's boundedly rational agents, rationally choose, with full knowledge and full calculating ability, their level of irrationality. Hence, they are simply paying attention to more variables than their neoclassical counterparts, but are otherwise no different from them. In short, one could have no quarrel with Professor Leibenstein's analysis except that it must be viewed in perspective. Finally, a neophyte would be better off to read first Professor Leibenstein's earlier volume, Beyond Economic Man [1, 1976]; then he would be in a position to anticipate most of the results derived here. Still, if you like X-efficiency theory, you'll like this book, and if you don't, you won't. It's as simple as that.

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120 Country Studies


JEL 77–0958

Saudi Arabia saw its Gross Domestic Product increase by 194 percent during the period 1960–1970 (1960 to 1974 it increased 1500 percent). Such growth requires understanding not only of where an economy is going, but where it is coming from. This book primarily deals with the latter point. It seeks to quantify and explain the recent macroeconomic history of the Kingdom.

The author, in producing what he avers to be the first published econometric model of Saudi Arabia, has confronted many of the problems familiar to the applied econometrician. Data limitations (availability, frequency, and accuracy) were the most severe; only eleven annual observations (1960–70) were available. The possibility of errors in variables is large. Some data series were generated by applying constant ratios to other time series, e.g., labor force data in transportation and communications were generated by applying constant ratios to the more detailed data on foreign work-
ers. Similar assumptions of constant ratios were applied to obtain data on government construction and private investment in the manufacturing and service sectors. In spite of these data limitations, the painstaking scholarship in seeking solutions is commendable.

The structural model has 25 endogenous variables, 6 identities, 3 depreciation parameters, and 14 pre-determined variables of which 6 are lagged dependent, 6 are contemporaneous exogenous, and 2 are initial capital stocks. Estimation is by ordinary least squares (OLS) and a modified two stage least squares (TSLS) on 6 instruments.

Although the model is linear in parameters and variables, and therefore matrix inversion yields the reduced form, it is instructive to analyze the amount of interdependence of the variables. The model has four blocks. The first block has five equations with no right-hand endogenous variables (determining income of five sectors). This is followed by blocks of seven recursive equations, five simultaneous equations, and finally a block of two recursive equations. Eleven equations have one right-hand endogenous variable and three equations have two. Of the right-hand endogenous variables, six appear in one equation, one in two equations, and three in three equations. The interdependence of the model is minimal, e.g., money supply is determined by an extended monetary base and GNP. Money supply, in turn, determines a wholesale price index. Neither money supply nor wholesale prices affect nor are affected by anything else in the model. This reviewer would like to see a more developed monetary sector and in particular the relations between money supply, money demand, inflation, imports, and government spending.

Structural estimation results were generally very good as measured by \( R^2 \), \( t \), and Durbin-Watson; however, many of the series showed strong trends. One gets the impression that other hypotheses could have been consistent with the set of data used, especially since the modified TSLS procedure left only 5 degrees of freedom. Where there was departure from trend, such as in value of agricultural output in 1965 and 1967 and government appropriations for construction investment in 1970 and 1971, the equation missed the mark. Choice of structure based on first differenced variables would have been a more discriminating selection procedure.

The model differs from the “typical” macro econometric models by starting with a supply identity. The Kingdom’s gross domestic product is defined as the GDP’s of seven sectors—oil, agriculture, wholesale and retail trade, manufacturing, construction, services, and transportation, storage, and communications. This approach has the advantage of highlighting the main source of growth (oil) without requiring a separate export sector; however, it weakens the model for planning purposes by de-emphasizing demand. Two examples of the future importance of demand come from the Kingdom’s Development Plan, where a stated objective is import substitution. During the period of this study the country’s three cement plants were operating at full capacity, resulting in cement imports. To the extent that relatively more domestic gross investment is in manufacturing rather than in social overhead projects and housing, then changes in the distribution of demand will affect the distribution of GDP in the seven sectors. Second, the new Development Plan calls for a 45 percent increase in manpower from 1.6 to 2.3 million persons. Half a million of this additional requirement will come from abroad, and yet 60 percent of Saudi Arabia’s manpower is engaged in the agricultural sector producing only 2 percent of the GDP. As the distribution of manpower changes, so will the distribution of income and consumption. Indeed, one would expect a gradual rise in the country’s marginal propensity to consume from the model’s estimate and with it a more significant demand sector. Planners should incorporate this sector now.

A separate oil sub-model divides the world into four oil import groups. Proper signs of elasticities of oil imports with respect to price and income are obtained; however, a more optimal grouping of the 50 or so oil importing countries in the sense of homogeneity of various elasticities and minimization of aggregation bias is desirable. In addition, the model would better serve planners if alternative energy sources and suppliers were included so that cross-elasticities (income and price) could be computed. These results could then be used to simulate
the Saudi Arabian economy. The Saudi Arabian oil income was divided between the government and oil companies; however, estimated coefficients from two equations (2.10.1 and 2.14.1) account for only 84 percent of the income. In addition, government revenue is regressed on oil income and lagged government revenue, although the correlation between the two "independent" variables is .97. The model is not suited for policy analysis as it now exists, since five of its six exogenous variables are not policy controlled.

Overall, this book is well done. The author knows the economy of Saudi Arabia and offers many valuable insights into its economic structure. Two especially welcome features of the book are a listing of the data, cross-referenced by equation, and the equations tried but not accepted along with the reasons for their rejection. Clearly there is much room for improvement, but an excellent beginning has been made.

HENRY G. RENNIE

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The size and growth of the Indian population is a question of more than local interest. The detailed study of the demographic situation in India by Mr. Cassen is therefore a welcome contribution. Despite the availability of data, not much has been written on the interrelationships between population growth and other variables in the process of Indian development. Mr. Cassen's attempt to explain the determinants of population growth in the wider socioeconomic context is perhaps the first such comprehensive exercise. One is, however, left with the feeling that the author has gone in for wide coverage rather than for an in-depth analysis of the interrelationships. His desire "to cover a wide range of topics, satisfy scholarly opinion and be read by the non-specialist" makes it difficult to present a sustained, well-knit thesis. For example, the forays into the history of demographic transition in England, France, Japan, and some developing countries provide valuable insights into this process, but the author could have used these insights in building up his argument instead of cluttering it up with elaborate details. The volume would have gained in cogency and readability if these case studies had been tucked away in an appendix. Similarly, the undeniably useful information on a miscellany of topics is interwoven so loosely with the main thesis that it weakens the thrust of the argument. All this, however, does not detract from the intrinsic value of the author's analysis of the current demographic situation including the nature of recent trends in fertility, mortality, and migration and projections of the future population for which data have been assembled painstakingly.

The essence of historical experience as presented by the author illustrates the varied processes involved in population change and indicates clearly that there is no mechanical relationship between development and fertility. But it does lend some support to the view that the initiation of demographic transition, i.e., deceleration in population growth, depends largely on rising real incomes based on wider and more secure employment. Therefore a strategy of development that benefits the poor will also initiate the demographic transition. Whether the poor can benefit without being in power or whether the powerful will feel sufficiently threatened to act more decisively in favor of the poor is the subject of the author's speculation in the final chapter where he analyzes the future political and social prospects of the Indian society. He is doubtful about the ability of the Indian government to bring about these basic societal changes and underscores the need for an Indian revolution to bring about these orderly changes! How exactly that can or should happen is left "for those who live with these problems" to answer.

In fairness to the author it must be admitted that the area of interrelationships between population and other economic and social variables is very hazy. There are not many well-established and empirically verified relationships. The main argument put forth in the book is that the current rate of population growth in India—although detrimental to the growth of income per head—has not, so far, been responsible for any substantial reduction in the rate of growth of total income. In fact, some positive contribution to total income growth
is attributed to the additional population of the 1950’s and 1960’s. However, it is also argued
that, whereas the economy is not delivering
to people the correlates of declining fertility,
such as better health, more education, and
greater employment, this failure is due pri-
marily to population growth itself. Mr. Cassen
has described in detail how economic develop-
ment so far has bypassed the poor and thereby
also postponed the solution of the population
problem. As he puts it: “rapid population
growth is not a time-bomb but a treadmill. It
postpones the day when most people in India
can enjoy an agreeable life.” The author be-
lieves that employment-oriented policies will
alleviate poverty. Generation of employment
is viewed by him as the prime economic neces-
sity. Given the limited potential for the cre-
ation of urban industrial employment, the
author argues the case for employment-oriented
rural development. Although it is believed by
some that this might reduce the growth of total
income, the author’s stand is that even if redis-
tributive strategies do reduce the growth of
total income, they are likely to have a compen-
sating beneficial effect on the growth of per
capita incomes via their impact on fertility.

Mr. Cassen’s book concludes with a substan-
tial and exhaustive bibliography drawing upon
a vast range of governmental, historical, aca-
demic, United Nations, and other sources, re-
reflecting the vast and varied scope of the book.
The book will be found very useful by demog-
raphers, economists, and students of Indian af-
fairs.

P. N. Dhar

United Nations

Botswana: An African growth economy. By Pe-
nelope Hartland-Thunberg. Westview
Special Studies on Africa. Boulder, Colo.;
JEL 79-0084

Penelope Hartland-Thunberg’s Botswana:
An African Growth Economy is the fourth
book in Westview’s Special Studies in Africa.
It is based on government reports collected
by the author when she was a consultant for
the U.S. Agency for International Develop-
ment in the fall of 1976. While there is no bibli-
ography, clearly the major references are the
Botswana Development Plans, reports by the
Botswana Development Corporation, and the
Ministry of Commerce and Industry. The book,
itself, reads like a largely descriptive and opti-
mistic government report, but is weak in analy-
sis and explanation. A major part of the book
(the appendices, pages 83–147) is devoted to re-
prints of business regulations and official policy
statements regarding foreign investment in
Botswana.

Although Botswana is the size of France or
Texas, the author calls it small and claims that
research on its economy from within “is a prac-
tical impossibility.” While travel may be diffi-
cult, it is possible, and research in the social
sciences is encouraged and supported. Because
the author believes Botswana “had no real col-
onial history,” she fails to understand the rea-
sons for the country’s poverty and economic
backwardness, and the problems the current
government has in breaking Botswana’s de-
pendence upon South Africa for jobs, manufac-
tured goods, technology, and selected services.
Her approach is ahistorical and analyti-
cally weak. Growth and development, viewed solely
in economic terms, are used interchangeably
and are attributed to an aggressive develop-
ment program based on foreign investment in
mineral extraction, and to devoted and deter-
mined leadership working within an environ-
ment of political stability. Botswana’s economy
is presented as a success story worthy of close
scrutiny and possible emulation.

The book opens with a brief overview of the
structure of the economy and the role govern-
ment has played in diversifying the economy
since independence (1966). Much of the credit
for the expansion and diversification is attrib-
uted to an efficient planning organization, dedi-
cated government leadership, and Botswana’s
willingness to have expatriate skilled personnel
serve as senior civil servants. Botswana’s eco-

momic dualism is described, yet no attempt is
made to show the relationships between the tradi-
tional (underdeveloped) sector and the modern (developed) sector. The author’s por-
trayal of traditional life is curiously misleading.
Traditional cattle posts and grazing lands are
called “ranches” to which, she claims, many
“city dwellers” head on weekends. And the
statement “most families have three homes—
one in the village, one on the farm, and another
at the ranch—and move from one to another
depending on the season" (p. 15) conveys affluence; most Botswana are poor.

Each of the major sectors of the economy—transportation, agriculture, mining, manufacturing and services, and foreign trade—are discussed in turn. The Rhodesian-owned and operated railroad that traverses the length of eastern Botswana is clearly of vital importance to Botswana’s externally-oriented economy. But of greater importance in the future, especially if more and more Botswana are to benefit from advances in agriculture and industry, will be the need to develop a feeder road system. This is not stressed. More attention is paid to the psychologically reassuring Botzam road project and to the possibilities of a rail link with Walvis Bay, erroneously located in Namibia.

Pastoralism and agriculture remain the economic mainstay for most Botswana nationals and still account for about one-third of the GDP, despite significant post-independence gains in the mining sector. They suffer not only from a harsh environment, but also from archaic and inefficient land tenure systems and the ill effects of the migratory labor system. These constraints need to be emphasized. The significant gains and problems in the mining sector are correctly identified, but there is no analysis of their possible long-term effects. Certainly the spread effects of mining will be minimal, and modernization and development cannot be based on this activity. Manufacturing remains in its infancy, while commerce and banking are expanding significantly. Although the economy has undergone important changes including growth in the GDP, increased investments in mining and transportation, and the development of new townships, modernization and development have yet to diffuse from a few small nodes to encompass the population at large. Growth rather than development has prevailed.

This book is primarily a review of Botswana’s economy and not an explanation of it. But it ignores many important issues such as the causes and consequences of the migrant labor system, the country’s education and health services, the economic potentials of the Okavango Delta region, tourism, and the role of non-Botswana nationals in wholesaling, retailing, and other services. All deserve discussion, especially Botswana’s dependence on South Africa for jobs. In 1975, for example, over 34,000 men were recruited as migratory laborers to work on South Africa’s mines and farms, while only 62,462 persons were employed in the formal sector within Botswana. The origins of migratory labor date back to the early colonial era, and the socioeconomic consequences are widespread and profound. Considerable research on the economic impact of the system has been undertaken and is underway, yet there is no mention of it here. Had the author gone beyond the bounds of government documents, a more accurate and fuller presentation of Botswana’s economy could have been written.

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This monograph is one of a series that is being published under the auspices of the Institut für Weltwirtschaft in Kiel on trade and industrialization in different developing countries. After a brief introduction, chapter 2 presents a detailed description and analysis of the import substitution and export diversification policies that have been followed in Colombia and an empirical exploration of the relationships between the external sector and industry. The third chapter surveys the origins, growth, and diversification of the industrialization process and attempts to measure the contributions to industrial development of the different trade strategies that have been followed. The fourth and final chapter attempts to isolate the major determinants and effects of the export diversification that has taken place and to test the compatibility of this diversification with comparative advantage. Fifty-nine tables are included, as is a fairly extensive bibliography. There is no index.

The book suffers, unfortunately, from a number of short-comings. To begin with, the analytical penetration tends to be a bit shallow in parts. In one equation, for instance, aggregate industrial output is used as an exogenous de-
terminant of industrial exports without any discussion of possible simultaneous equations bias (p. 127)—this despite the fact that in an earlier equation, capacity to import was used as a determinant, indeed the sole determinant, of GDP (p. 11). In several other cases, equations have only one explanatory variable and/or seem to be much too simple for other reasons (e.g., pp. 20, 111). Again, in the calculation of the fiscal cost of export incentives there is no discussion of the extra output and hence tax revenue that such incentives generate (p. 133).

Second, in many tables, material has been spliced together from several sources but no indication is given of how, if at all, the different data sets were made compatible. One case with which I happen to be familiar is disturbing in this regard. A quick reading of Table 7 (drawn from three different sources) suggests that nominal tariffs on apparel showed a marked degree of fluctuation during 1967-74. On reading the footnotes of the table, one set of rates for 1970, 1972, and 1974 (183, 311, and 34, respectively) are calculated on one basis (customs duties as a percent of imports). The second set of rates for 1967 and 1974 (68 and 80, respectively) are calculated on another basis (average nominal tariffs). Furthermore, in reality, the true trend of average nominal tariff rates for apparel was slightly downward between 1967 and 1974, and not upward as even the apparently compatible data of the table for these years suggest. It also seems highly unlikely that customs receipts as a percentage of imports fell dramatically from 183 to 31 percent between 1970 and 1972, since there was in fact no significant change in nominal tariff rates for apparel in that period. One can only wonder whether in other tables, too, part of the observed variation reflects differences in the way that variables were measured in the different sources from which the table was built up, rather than real changes in the underlying variables themselves.

Third, much of the material presented in the tables (and also in part of the text) is rather dated. Only half a dozen tables contain data through 1975; most stop in 1973 or earlier.

Finally, there are problems with the English and a number of names are inconsistently spelled. For example, Escandón (p. 169) becomes Escandon (p. xii) and Escandrose (p. 7); Steuer appears as Stener (pp. 76 and 175); Macario becomes Marcario (p. 173). Such sloppiness of presentation does little to reassure an already nervous reader concerning the reliability of the study.

All in all, then, although there may indeed be some useful data in this book, and perhaps some useful analysis as well, the reader will need to be more than usually careful in sifting through it to find them.

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Of enduring fascination for Soviet watchers—expert or otherwise—is the extent to which the U.S.S.R. deviates from the model of a classless society. With the elimination of private property, the source of inequality, why does the Soviet system still maintain substantial differences in rewards, status, even in some cases, access to basic resources? As Murray Yanowitch admirably demonstrates in Social and Economic Inequality in the Soviet Union, the question is by no means rhetorical. Yanowitch's work on inequality, stratification, and mobility is well known to Soviet scholars. In this latest research, he comprehensively explores the contributions of the new, empirically-oriented school of Soviet sociology on the issue of social structure in the U.S.S.R. The author relies upon its members’ research in discussing income differences, differential access to schooling, social mobility, decision-making hierarchies at factory and farm, and sexual stratification.

The new school seems intent on rejecting the ossified Stalinist model of "two classes and a stratum," in which workers and peasants, marked respectively by their relation to state and cooperative ownership, are seen as "non-antagonistic" classes and are joined by the intelligentsia as a "stratum." This is not to suggest that within academia there now exists a group of muckrakers who seek to discover "who rules the Soviet Union." Nor are there ideological levellers painting lurid portraits of rural poverty. According to Yanowitch, the contemporary Soviet view has it that "socialist society not only inherits social and economic inequal-
ity from capitalism but reproduces it insofar as the urgency of continued economic growth requires retaining a ‘social division of labor.’ This is an aspect of its ‘immaturity’ compared to the communist society of the future” (p. 13). To allow researchers to concentrate on potentially sensitive subjects, this ruse provides the needed smokescreen. But it ignores, as Yanowitch wisely notes, the fact the inequality in the U.S.S.R. is always and everywhere mediated by political decision-making. And the issue of political power, like public discussion of sex and religion, is gingerly avoided.

Yanowitch’s ahistorical approach diminishes somewhat an otherwise exemplary piece of scholarship. Aside from an evaluation of Leninist principles of management, too little attention is paid to the antecedent causes of inequality, to the fact that stratification has been a cumulative process. It is worth reviewing, if only very briefly, the unnatural history of privilege in the U.S.S.R. Lenin’s stand on equality was marked by ambivalence, both theoretical and practical. He recognized in The State and Revolution [17, 1917] that “the first phase of Communism . . . cannot produce justice and equality: differences in wealth will remain unjust differences, but the exploitation of one man by many will have become impossible.” Yet in the first blush of War Communism, worker wage differentials were considerably narrowed. By the end of the civil war (1918–21), Lenin was well aware of the need to co-opt “bourgeois” specialists. Opportunism won out; differentials were reestablished and widened. If such egalitarian policies were expected to be temporary, Stalin arrived to silence the true believers. Marxist principles notwithstanding, Stalin denounced uravnivalka (“equality-mongering”) and aggressively promoted the infamous system of “party packets” (secret cash handouts) to Party luminaries and government elite. Khrushchev, as P. J. D. Wiles has remarked, was a populist who “felt morally compelled to raise peasant incomes and to include the collective farms into socialism.” His success in the consequent effort was in marked contrast to other egalitarian decisions which, often introduced preemptorily, were just as often effectively rescinded by vested interests.

The present system of rewards, social and economic, has been fashioned then by past political leaders. However, “the overriding (although not exclusive) principle continues to be ‘payment in accordance with the quantity and quality of work’” (p. 24). Yanowitch claims that the narrowing of differentials between manual and nonmanual workers, between the more and less favored branches, and between the various skill levels is not regarded by the Soviets as a conscious attempt to reduce inequality. Rather the trend toward greater equality is seen as a reflection of changes in skill and education composition of the labor force, shifts in national economic priorities, labor force participation rate changes, etc. However true this may be, there can be little doubt that the officially sanctioned meritocratic principle is hedged at every turn by special privilege. And the great virtue of Yanowitch’s book is that he illuminates the judicious ways in which some Soviet intellectuals (oftentimes the beneficiaries of inequality) protest this privilege in a defective meritocracy.

Only a small sample of Yanowitch’s findings can be given here. Opportunities for post-secondary education are much greater for children of urban intelligentsia than for working class and peasant youth, though “political authorities have leaned cautiously” toward reducing this advantage.

Studies of “social mobility,” once derided as an aspect of “bourgeois sociology,” have become fashionable. Ironically, this research, based heavily on Western stratification models, is designed to demonstrate just how far the newly-schooled worker or peasant can go in an “open society.” The first tentative studies on perceptions of occupational prestige are consistent with actual income differences: manual workers in high priority sectors rank higher than nonmanual technical specialists in less favored industries.

Recommendations for and experiments with “production democracy” at the work place have had little success. Lenin’s notion of “one-man management” does not die easily. Yanowitch shows that effective “worker participation” in industrial decision-making has run up against plant managers anxiously clutching their perquisites and resisting reform.

In what is perhaps the best section of the book, the author thoroughly documents sexual
inequality in the U.S.S.R. A socialist can take pride in the fact that blue-collar workers have gained relative to white-collar workers, unless the socialist is a woman. Low status white-collar work is heavily dominated by females. "Traditional" and "feminist" views, both committed in different ways to a reduction in sexual inequality, are thoughtfully aired, as is the issue of power within the institution of the family. Yanowitch properly eschews analogies with the U.S., but the bleak situation for women in the U.S.S.R. does invite comparison with the current sexual "dual labor market" theory so popular in Western labor economics.

Professor Yanowitch, a long-time toiler in the murky fields of Soviet social science, has written a first-rate book on the highly differentiated layering of Soviet society. As a survey of Soviet contributions to social stratification in the U.S.S.R., the book has no competitors.

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Data are regarded as being available "not only if published in the normal printed format but also if they are likely to be released to a bona fide enquirer in any other form, such as duplicated documents, computer print-out or even magnetic tape" (p. ix). Data sources for each topic are comprehensively covered at the level of national interest, implying that most data sources of a "purely local character" are excluded.

Since the series will primarily be employed as a reference tool (or so it was designed), special features have been incorporated to facilitate such use. First, each review is arranged in a relatively standard form. A brief summary of the subject heading concerned is presented, emphasizing data collection methodology, measurement, time frame, reporting units, and the processing of returns. Core sections on available data sources follow and are arranged at each author's discretion. The final section of each review devotes itself to a discussion of the data's shortcomings and possible improvements.

Secondly, detailed information concerning statistical series and other pertinent data is given in a "Quick Reference List" at the end of each review. Characteristics such as type of data, breakdown, geographic area, author/organization responsible for collection, frequency, and text references are presented.

A third special feature incorporated in all reviews is an attempt at reproducing the appropriate forms and/or questionnaires used in collecting the data. Such information allows the series' users to determine what tabulations may be made and aids in clarifying the basis of calculations already performed.

The specific aim of the review entitled Wealth is to describe the main sources of statistical information concerning the distribution of wealth in Britain's personal sector, including households, personal trusts, and unincorporated businesses. The material is presented in seven relatively brief sections (the longest is ten pages) with the first serving as an introduction/definition/plan of work section. In that section, wealth is defined to include "all assets (and liabilities) which could convey command over resources" (p. 8). Obviously, then, this specification introduces the valuation problem with which the authors deal by considering