Book Reviews

A Theory of Economic History

By John Hicks. Clarendon Press, Oxford. 1969. 181 pages. $5 cloth; $1.95 paper.

Professor Hicks, an eminent theorist, has known eminent economic historians. Historical ideas that were planted in his fertile mind grew from a theoretical viewpoint. The result is now available as an expanded set of lectures, originally given in 1967 at the University of Wales and reworked in seminars and lectures in Canberra, Oxford, and Vienna.

The central problem is to account for changing economic arrangements of human society in a logical way. This is what Marx attempted. And like Marx, Hicks draws on history for illustrative materials. But his method is nondeterministic and, therefore, non-Marxian. The result is a brief, profound, and yet fascinating work, treating of the big transformations of mankind with the most simply stated insights that economics has to offer, yielding a plausible and often persuasive account of how changes over 4,000 years could come about and where they could be heading.

Some main lines of argument can be given. Premarket economies are of two pure types. One has a corpus of tradition to govern how each person functions, without his depending on centralized direction; the other has a power center to direct his duties. (That most nonmarket economies are mixed types can be put aside.) The traditional economy has most staying power, the command economy usually emerges only when there is a threat to society (real or imagined) and dissolves when the threat disappears. The reason: A king needs dependable revenues to sustain his armies and servants. When armies are dispersed, the lords are nearer the source of produce than the king is, and they will hand over, out of their collections, only what they think proper. (A ruler might forestall this erosion of power by creating a civil administration. But without market institutions, a civil service is hard to maintain. It must be fortified by a spy (audit) system; a system of promotion, or just moving people around; and a system of fresh recruitment to forestall hereditary succession, e.g., like classical bureacracies of Egypt and China.)

From the two pure types can emerge a third, the mercantile economy, whenever conditions favor specialization upon trade. Nonmarket economies do have both specialization and trade but no specialized trading class. Conditions for the rise of such a class are not hard to find. Religious harvest festivals evolve into village fairs when the trading is beneficial; the weekly fair makes room for the specialized stockholder—one who extracts his living by tiding produce over from one week to the next (shopkeeping), relieving the peasant of hauling wares back and forth. (The shopkeeper might transform this produce during the week, but his role is essentially a trader.) Even the king's servants assume a trader's role in the conduct of certain duties—i.e., they need a free hand to swap part of the goods gotten in one place for those obtainable in another, if they are to act in the king's interest. (Thus, piracy need not be the mainspring of a trading class.)

When traders, from whatever origin, become numerous, they ally themselves for protection of property and contract. But for trade to grow requires more; it requires social status. Status is best conferred when the head of state is himself a trader. External trade confers more status than internal trade. Hence, the rise of a remarkable entity called the city-state. It is a small, closely knit mercantile community in which external trade can be large relative to internal trade. "The fact that European civilization has passed through a city state phase is the principal key to the divergence between the history of Europe and the history of Asia . . . The city state of Europe is a gift of the Mediterranean."

Hicks reasons why trade must widen into a network among city-states; why colonies are established; why tendencies to diminishing returns cannot be forestalled indefinitely; and why formidable struggles, or agreements to limit competition among city-states, ensue.

City-states that do not meet a violent end (having enriched trading partners who, then, can do them in) usually come under the protection of a stronger, semimercantilized state. This economic organization was standard throughout most of history, and led to development of the second or middle phase of the mercantile economy.

In this phase, the barriers between mercantilized and nonmercantilized areas are down. The story is one of the market's penetration of the nonmercantilist environment and the effects of such penetration on the character of the state itself. In four chapters, Hicks attempts to unravel the inner logic of the origins and development of money, property law, credit, and finance; fiscal and monetary systems; the mercantilization of agriculture; and the labor market. Each topic is brought through its evolution, with stimulating illustrations and asides.

These four chapters are too meaty to summarize without damage. They are at the heart of Hicks' edifice. Readers now will be able to go (patiently to be sure) back to their European history books and make more sense out of them. Many will be able to better choose among the outpourings of economic literature. Readers particularly interested in the current movement of monied interests into U.S. farming will see, in deep perspective, wherein the market system "is penetrating, or 'colonizing', relatively refractory territory . . . a struggle, which begins very early, and continues . . . into our own day."

Two final chapters deal with the modern phase. This era begins when investment in fixed capital goods (as opposed to circulating capital) incorporates findings of science and technology, and thus can make capital goods reasonably cheap (when machine tools are made by machine tools rather than by hand). It also depends on having financial arrangements to mobilize necessary savings to lock up as durable capital.

The consequences are remarkable: "Once the initial fixed capital stock has been accumulated (and we shall now be under no temptation to minimize the pain and grief involved in that initial accumulation), it will itself, by further technical progress, gain productive power; this later growth imposes no strain upon savings, so that it has a purely favourable effect upon the demand for labour. This is the point—we shall now be able to understand why it took so long to reach it—when the surplus of labor can be absorbed, and real wages can begin decisively to rise"—an idea appearing in skeletal form in Ricardo, as Hicks explains.

An inference is that science-based industry of this century has tremendous expansive power—enough to absorb all the increase in human population in the next two generations, at least. But there are basic constraints.

This slim volume, in purely literary style, is a penetrating work. The sources of ideas are generously given. And the work is "modern"—nearly half the citations bear dates from 1958 to 1969. Only history will show how far Hicks' theory of economic history will penetrate the market in ideas. Coherence is achieved by stubbornly adhering to the notion that the main insights that economics has to offer in the study of history come from analysis of the institutions of exchange. Hicks has wanted to go right up to the boundaries of economics; and he did. One can think of few other "unifying" works that have the necessary scope, relevance, insight, and simplicity for use in fruitful interdisciplinary discussion.

Allen B. Paul

Subsistence Agriculture and Economic Development

Edited by Clifton R. Wharton, Jr. Aldine Publishing Company, Chicago. 481 pages. 1969. $12.50.

Social scientists are "nonbook" prone. At the conclusion of almost any conference or seminar someone usually is given the task of bringing together all the papers and related discussions into a publishable whole. This volume represents such an effort, following a seminar on Subsistence and Peasant Economics, Honolulu, February 28 to March 6, 1965. The book not only includes the seminar papers, but also has other materials which, according to the editor, "fit the format of the book and therefore merit inclusion." As always with a nonbook one is hard pressed to do an adequate review. This volume is no exception, as some 38 authors are listed. A characteristic, not increasing the ease of a review, is that different disciplines were brought together in the seminar "to pool their thinking, exchange ideas, criticize each other's analysis, and stimulate more widespread study of this important topic." This multidisciplinary group included economists, agricultural economists, sociologists, rural sociologists, anthropologists, social psychologists, and political scientists.

Such interdisciplinary seminars, like churchgoing, are supposed to result in something good. Yet one is always left with a gnawing inability to draw out that good. Each discipline practitioner spends considerable time defining his own terms and approach, and usually there is no one single paper which performs the role of interdisciplinary integration. This volume is no exception in this respect. The goal of "cross fertilization" led to the important conclusion on need for "greater multidisciplinary attacks upon the problem of subsistence agriculture."

Yet with the above said about the book, there is much to commend it to the student. Its 14 chapters, organized around social, economic, political, and anthropological issues in peasant production, are highly rewarding in small and separate doses. The volume is well suited to this manner of reading. Most of the papers have been published before, though some case reports present interesting and original materials. However, prior publication does not detract, as materials and sources are so wide ranging that the reader will find much of interest and value. A facet of this range is related to the multinational nature of the participants—some 12 to 14 nationalities. It is always revealing to see the various approaches and conclusions arrived at by students, often depending as much on their environment and culture as on their discipline.

The editor performed a commendable task in arranging these papers for publication. Also, his part V briefing of Research Priorities on Subsistence Agriculture is a contribution.

As an aside, it is worth noting that the introductory speaker, John D. Rockefeller III, in his address said: "My considered belief is that unchecked population growth is as critical as any problem facing mankind today . . . It becomes, therefore, a paramount task of our time that man work to stabilize population growth . . . " The seminar proceeded by ignoring this number *one* issue.

John H. Southern

Vertical Coordination in Livestock Marketing

Proceedings of a Workshop held by the Southern Regional Livestock Marketing Research Committee, March 11-14, 1969, at Houston, Tex. Reproduced and distributed by the Department of Agricultural Economics, University of Tennessee, Knoxville. 178 pages. 1969.

Francis Bacon once wrote: "Reading maketh a full man; conference a ready man; and writing an exact man. And therefore if a man write little, he had need to have great memory; if he confer little, he had need to have a present wit; and if he read little, he had need to have much cunning."

These words still ring true and a well-planned workshop should serve all three purposes. The preparation forces the participants to organize and state their thoughts more exactly. The interplay of discussion sharpens the wit. And the reading thereafter increases the combined cunning, or knowledge, of participants and others who read the proceedings.

This workshop had 16 active participants, 13 of whom prepared technical papers, one acted as chairman, and two summarized.

The stated purposes of the workshop were to explore the concept of vertical coordination in relation to the livestock industry, to indicate researchable hypotheses, and to develop a draft of a regional project proposal.

This reviewer, unknown to himself, was a silent partner in the workshop, because the planning committee stipulated that the Mighell-Jones definition of vertical coordination be used as a guideline. This definition considers vertical coordination to be the general term that includes all means of coordinating successive stages in production. Open markets, contracting, vertical integration, and cooperation are different forms of vertical coordination.

The workshop participants were mainly from the South but included also Lloyd C. Halvorson, Alden C. Manchester, Richard J. Crom, and Gerald Engelman, U.S. Department of Agriculture, and Samuel H. Logan, University of California, Davis.

The topics range from definitional description of vertical coordination, through theoretical considerations, to specific discussions of stages of production with special reference to livestock and conditions in the South. One paper considers livestock futures markets.

Manchester's opening paper carries the assertion that vertical coordination is not an appropriate area of research because it is too large and nebulous. Specific problems must be selected. Succeeding papers focus on theory and researchable problems. Gerald Engelman presents a 10-year overview that lends stability to the discussion. Others consider the special characteristics of cattle and hog production in the South and how these can be taken into account.

Donald E. Farris, Texas A&M University, in his brief introduction sets the stage and J. C. Williamson, Jr., Associate Director of Research, North Carolina Agricultural Experiment Station, in his concluding remarks brings the workshop to an end with dispatch and the hope that improved insight will speed efficient adjustment to change.

The reader is not told whether a regional project was developed. But the other objectives were well accomplished. Any student of vertical coordination will find it worthwhile to read this report. Here will he find an aid to memory, a sharpener of wit, and a support to cunning.

Ronald L. Mighell

Rural Industrialization—The Impact of Industrialization on Two Rural Communities in Western Ireland

By Dennis I. F. Lucey and Donald R. Kaldor. Geoffrey Chapman, London. 198 pages. 1969.

What happens in low-income rural areas when industry appears? Using two low-income areas in the west of Ireland as their domain, Lucey and Kaldor consider the economic consequences that followed the introduction of small manufacturing plants. Their study shows that the plants had measurable, positive effects on the areas' employment, population, incomes, expenditures, and agricultural output.

The new plants drew much of their labor force from farms, yet aggregate farm output and incomes increased. Farm operators who accepted industrial employment tended to come from relatively small, low-income farms. Increased output on these farms resulted from the substitution of family labor for the operator's labor, with operators working a longer day to do their farm chores and their plant work; increased inputs of land, livestock, fertilizer, and machinery, made possible largely by the extra income earned in industry; and, in general, a shift from labor-intensive to labor-extensive enterprises.

These findings led the authors to conclude that industrialization made a positive contribution to the areas' economic development. Since the decisions regarding the type of plant, location, and capital requirements were made within the scope of Irish regional industrial development policy, the plants' success stories provide good examples of how national policies can be directed towards fulfillment of regional goals.

A statement on the book's flyleaf to the effect that the study "... makes an important contribution to the theory of rural development" may be somewhat ambitious. The study does verify some theoretically basic propositions about the effects of new industry on income and employment, and the way humans behave in the face of economic choices. But these propositions are hardly new or peculiar to rural development. Nevertheless, since "rural renewal" is one of the catch-phrases of the contemporary American scene, this study is particularly timely. It shows that in Ireland, where the Government has backed its commitment to rural development with action, industrialization can be successful. But conditions for success in the United States may be quite different than in Ireland. It should be noted that the plants were heavily subsidized by the Irish Government; they faced little or no domestic competition for their products—some of which were exported; distance, from the perspective of markets for products and nonlabor inputs, was not too critical; and finally, the development areas were rather small in comparison with U.S. development areas. All the same, these differences are but minor elements of the larger problem that is common to both countries. This is the inability of poor rural areas to "pull themselves up by their bootstraps" and the failure of the invisible hand to obtain in fact what it claims in form. Both Ireland and the United States have plumped for publicly supported regional development to help solve their problem; this study leaves one discerning the determination with which the Irish are acting.

Other researchers and policymakers interested in future or past effects of industrialization on rural development might do well to look at the study's methodology and results. The former is notable for its clarity and simplicity. The latter are well expressed and vindicate the authors' careful a priori reasoning of the expected impact of industrialization on rural economies.

The book is well organized and technically accurate. Its readability, however, is diminished by an abundance of "thesis-type" jargon and explanation, and a surprising lack of warmth or spirit. As a general note, I would recommend that a prospective reader start with the excellent summary and conclusions chapter before deciding whether he needs to read the whole book or just parts of it.

Neville J. G. Doherty

The Rise and Development of Japan's Modern Economy

By Kamekichi Takahashi. Translated by John Lynch. The Giji Press, Tokyo. 374 pages. 1969.

This Japanese-published translation of a condensation by the author of his monumental history of Japan during the last century presents many insights which deserve to be noted by economists. It is an interpretive account of the beginnings and progress of economic development in a setting which has many parallels in today's developing world. Japan at the time of the Meiji restoration in 1868 was short on capital and had a plentiful supply of cheap labor. Natural resources were undeveloped, and to a great extent unexplored. There was a rigid class structure. Power and wealth were concentrated in the hands of a few. Education was limited to the sons of the elite.

The catalyst which started Japan on the road to modernization was the fear of economic and political domination by the Western powers. Trading concessions made by the Shogunate to the Western powers were a direct cause of the revolution which restored power to the Emperor Meiji. The slogan of the revolutionaries, "a strong and prosperous country," became the driving force behind modernization, serving the same purpose that the Protestant ethic served in the West—i.e., promoting honesty, industry, thrift, and intense nationalism in all segments of society.

The measures undertaken to introduce modernization included, first, the abolition of feudalism, the conversion of feudal incomes into allowances paid by the control government and then into interest-bearing Government bonds, and the establishment of a national banking system using these bonds as paid-in capital. This development took 20 years. By 1888, interest rates had fallen from levels usual in underdeveloped societies to those prevailing in industrial societies.

Second, human resources were developed. Compulsory elementary education was decreed by the Government in 1872, and 71.66 percent of school-age children were attending school by 1882. Higher education was opened to all who could meet the academic requirements and secure the financial backing. Emphasis was shifted from literature and culture to scientific and technical fields.

Third, the importation of Western technology was achieved through the contractual hiring of Western technicians at all levels to teach and demonstrate. Concurrently, large numbers of Japanese were sent to the West for education and training. In the beginning much capital was invested in Western machinery but this proved disappointing as it was too sophisticated and too large in scale for Japanese conditions at the time. However, by the end of the first 15 years, the Japanese had learned to select, adapt, and produce machinery suited to their conditions.

Fourth, Government-owned industries were established and supported as research, training, and demonstration projects, which never proved economically viable but which built up reservoirs of trained manpower.

Fifth, prerestoration trade treaties with the Western powers prevented the development of protectionism, forcing Japanese industry to become efficient through competition for the domestic market. This greatly facilitated entry into foreign markets as production capacity developed.

Sixth, industries selected for development were labor intensive. This included labor-intensive agriculture. Agriculture was the major base for development in the Meiji era. Land taxes provided over 80 percent of government revenues. Agricultural exports including raw silk provided over 80 percent of all exports from 1868 to 1877, and over 68 percent from 1883 to 1887. Farmers were the major market for manufactured products, both consumer goods and agricultural inputs. Literate farm youth supplied the labor force for industry. Agricultural productivity increased slowly until the end of the third Meiji decade (1898). The completion of the country's rail network and the abandonment of the country's policy of agricultural self-sufficiency proved to be prerequisites for the concentration on crops in which Japan had a comparative advantage and the subsequent rapid development in agriculture.

The author states that in 20 years " the basic conditions of genuine development were more or less fulfilled. That was the most difficult beginning stage when labor was great and results had not yet surfaced." The Japanese economy reached the takeoff stage during the third Meiji decade, 1888-98.

Jane M. Porter

National Incomes Policy of Inflation Control

By Charles E. Rockwood. Florida State University Press, Tallahassee, 184 pages. 1969. $5.

Many efforts are being made by economists to clarify and solve one of the most important economic problems of our time. The problem of inflation is a matter of vital concern to our country which wishes to sustain economic growth while having reasonably stable prices and full employment.

The book is divided into three parts, with the core of the work concentrated in the latter half of part II. Although the work is primarily theoretical, Dr. Rockwood made an earnest attempt to examine the efficacy of a national income policy for inflation when used with price stabilizing monetary and fiscal policy.

It is important to have a properly structured national income policy which can eliminate the adverse side-effects of unemployment and output decline while keeping price-level stability.

The study essentially analyzes an incomes policy to fight wage inflation in the classic case of demand-pull inflation. In this respect, Dr. Rockwood's examination is somewhat limited in scope. There is a widespread belief that the American economy is experiencing a new kind of inflation, different from the kind which is frequently called "classical"; the new kind is being "built into" the present nature of our economy, signaling a continuing inflationary trend in peacetime and the absence of the classical causes.

In the classical type of inflation, prices are conceived as pulled up by an excess of total monetary demand over the limitations that are set on the supply side. In the new type, prices are apparently pushed up by direct action of sellers, without any prior demand.

As long as the inflationary trend maintains a slow pace, it is not necessary to be fearful. What is more important, however, is to arrest the growing belief in the inevitability of inflation, which could possibly alter incentives and attitudes and change the nature of our economic system.

Jack Ben-Rubin

M. L. Wilson and the Campaign for the Domestic Allotment

By William D. Rowley. University of Nebraska Press, Lincoln. 219 pages. 1970. $8.50.

The period between the two World Wars, as students of economic history know, was beset with near disaster. It called for a drastic reappraisal of things as they were and a somewhat agonizing search for a way out. A college professor, M. L. Wilson, who was backed by innovative research and hard experience, led the way toward a brighter prospect. His proposal, domestic allotment, called for the Government to assure farmers a fair price for their share of production for the domestic market and to help export surpluses at world prices.

Two quotations in the Rowley book particularly catch one's eye. In the first, columnist Walter Lippmann said the domestic allotment approach "is the most daring experiment ever seriously proposed in the United States." In the second, Congressman Christigau said overproduction was "due partly to . . . the historical emphasis on production rather than on economics and farm management." Both men were pointing out that a major change in thinking and in practices was underway.

It had become obvious that the situation must change. Research in the physical and the economic areas had shown that it could be done. This was particularly true in the spring wheat area. The author notes that wheat had become a symbol of distress and that M. L. Wilson's thinking was a product of the wheat country. The background of the campaign for domestic allotment is pinpointed still further by references to an innovative project designed to explore new concepts of farm management. This project was known as Fairway Farms.

The importance of the Fairway Farms' experimental innovations lies not only in having established some revised techniques of management but also in the exposure of Wilson and his associates to the same hard realities in which every other farmer was immersed. This experience undergirded the bridge between the academic world and the operational world. Building a bridge between the two worlds won the backing of the administrators of Montana State University. They gave Wilson, the Head of their Agricultural Economics Department, full support in his nationwide campaign to win the adoption of new policies.

The title for chapter 5 more nearly describes the happenings of the times than the title of the book itself. Actually there was a very dramatic "Reversal of Agrarian Tradition." However, the field is so broad that it is obviously a matter of wisdom to deal specifically with one very vital and significant phase such as the domestic allotment program.

As in all economic, political, and social adaptations, many persons must be convinced and must participate in the implementation. Many persons are named in the course of the story and Wilson is recognized as a catalytic personality, working with leaders in several sectors of the Nation's economy. He was the major strategist in crystallizing opinion and marshaling support.

Obtaining support was essential. However, a workable program was paramount. Many cases are known to history where support has been rallied for impractical endeavor. Therefore, the skepticism of a practical people had to be met and Rowley describes how various elements of theory and practice were welded together into an operational whole.

A workable structure had to be built around the theory as propounded by W. J. Spillman, John D. Black, and others. The legal requirements were met by means of a contract. Dangers of an administrative overload were resolved by a unique system of localized responsibility. Simplification was achieved through assignment of responsibility to each individual grower. Democratic process was made a keystone through local participation and through a referendum.

By putting all these elements together and by convincing the incoming President, Franklin D. Roosevelt, that this constituted a feasible program, the idea of a balanced production program became "the most daring experiment ever seriously proposed in the United States."

Elmer A. Starch

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