Book Reviews

Economic Change in America [*Readings in the Economic History of the United States.*] Edited by Joseph T. Lambie and Richard V. Clemence. The Stackpole Company, Harrisburg, Pa. 599 pages. 1954. $5.75.

TWO PAPERS by the late Professor Schumpeter, appropriately enough, begin this comprehensive collection of readings on economic change in America. In these two papers, first published as journal articles in 1947, Schumpeter emphasizes the role of "entrepreneurship" as a factor of economic growth. He distinguishes between passive and creative responses to changed circumstances and new inventions, and attributes to the entrepreneur the role of creative response leading to economic growth. The defining characteristic of the entrepreneur and his function, according to Schumpeter, is simply the doing of new things or the doing of things that are already being done in a new way (innovation).

In two following papers Arthur H. Cole places entrepreneurship and its history in its institutional setting. And A. H. Hansen in a discussion of secular trends and business cycles tends to support the view of Schumpeter that innovations (and technological developments) play a major part in economic growth. Hansen also supports the view, "to a greater or less degree," that fiscal policies of governments, at times, and in the past related mainly to wars, provide one of the main causes of upswings and downswings of prices and the somewhat loosely associated phenomena of business prosperity and depression. To gold and other purely monetary factors Hansen attributes a subsidiary role.

The 33 chapters that make up the remainder of the readings from books and journal articles disclose the diversity of elements entering into economic change in America and in interpretations of such change. The major theme of continuing growth of all sectors of the economy through the innovating activities of entrepreneurs runs through much of the book.

The role of governmental policies and measures, and of science, receives prominent attention. Government policies and measures are treated in articles dealing with the theory and recent history of antitrust activities, land policies and use of natural resources, the effect of the Homestead Act of 1862 in restricting the mobility factor of the frontier, and early transportation and banking enterprises of the States in relation to growth of corporations. The last-named article, first published in 1903, is refreshing in its style and its scholarly analysis of the forces that motivated the States to enter into or assist in the development of canals, turnpikes, and banks in the early part of the 19th century. Also treated are the history of the Federal debt, development of central banking, economic growth as affected by tariff protection, and the foreign economic relations of the United States.

Science and invention were necessary handmaidens to the rapid economic growth of the United States, particularly in the last 100 years. One article stresses invention as a function of social forces of the time. Another points up the haphazard nature of employment of science in industry during most of the 19th century; nevertheless there were scientists and there were inventors actively at work, and these led the way to the great industrial research laboratories of the present day. Among many interesting sidelights in this article is the experience of the Carnegie Company in employing a German chemist to analyze iron ores, and the discovery, in the words of Carnegie, that "the good was bad and the bad was good." A third article traces the history of three inventor-entrepreneurs—Marconi, Fessenden, and de Forest—and their successes and failures as businessmen in launching a new industry, radio.

Attention is given to the business man, his origin and motivations; to agriculture, including the well-known article by Ellickson and Brewster on the effect of mechanization on the family-size

farm; to banking and finance; and to labor and population, including among others the illuminating article by Perlman concerning the basic philosophy of the American labor movement.

The book is divided into nine sections, each of which is preceded by a brief introduction by the editors. Their intent is to present a volume of supplementary readings primarily for the use of undergraduate students. In its wide diversity of subject matter and, on the whole, skillful array of articles, the book carries out that intent. One might wish, for the convenience of intellectually curious but unspecialized students, that some of the sections could have been developed at greater length.

Robert M. Walsh

Big Enterprise in a Competitive System. By A. D. H. Kaplan. The Brookings Institution, Washington. 269 pages. 1954. $4.

AFTER SHOWING that American business concerns have grown in size and power, Dr. Kaplan concludes his valuable book with this sentence:

"Big business has not merely been kept effectively subject to a competitive system; on the whole it has also made an essential contribution to its scope, vitality, and effectiveness."

Of course, the author does not claim that the power of big business is always so used as to benefit the public. But neither does he see evidence of a serious decline in competition, nor the end of democracy in business enterprise. Rather, he sees healthy competition between large and small businesses, with the public reasonably well protected by the Government.

It is too often assumed that Governmental policy with respect to big business is, and should be, directed solely to the maintenance of full and free competition. But, as Dr. Kaplan shows in his first chapter, the opposition to big business practices is frequently not upon the grounds that they are anti-competitive—rather, that the competition is too intense, too aggressive, too ruthless. Economists are revising their ideas about the nature of competition. At the same time, they are revising their ideas about public policy. Dr. Kaplan's excellent books provide a great deal of information that should help this revision along.

Especially noteworthy is the chapter, "Price Competition in Big Business." The moral of this chapter is that price competition is only one aspect of modern competition. Prices may be administered and inflexible in some industries, yet competition may be intense. It takes other forms—product differentiation, servicing, promotions, for example. Price rivalry has been deemphasized, but other forms of rivalry have largely replaced it.

In my opinion, our agricultural marketing research has not given enough attention to the problems analyzed in this book. What kind of competition do we have in meat packing? In the tobacco industry? In the grocery chain systems? Is this kind of competition good for the farmers and the consumers? If not, what can and should be done about it? A. C. Hoffman and W. H. Nicholls have done good pioneering work in this field, but much more is needed if we are to understand how our agricultural marketing system works, and if we are to develop policies that are truly in the public interest.

This is a controversial field of research. As Dr. Kaplan points out, "There is no scientific, entirely objective way of reaching a conclusion from which personal value judgments have been completely removed." Dr. Kaplan has presented a wealth of scientific, objective statistics and factual material that will help anyone to understand the problems associated with big business. He has given us an interesting and penetrating analysis. His conclusions are important, even though some students may disagree with them.

I think that Dr. Kaplan has made a strong case that "the major job can be left to private competition, under Government regulation." Perhaps the main weakness of the book is that it does not specify the extent and kinds of Government regulation that are needed.

Frederick V. Waugh

Rural Social Systems and Adult Education. A committee report by Charles P. Loomis, chairman; J. Allan Beegle, editor; and others. Michigan State College Press, East Lansing. 392 pages. 1953. $5.

THE ASSOCIATION of Land Grant Colleges and Universities sponsored, and the Fund for Adult Education financed, this comprehensive study of the present status of adult education in rural America. The 14 authors present an excellent description of the nature and the function of the several rural social systems of adult education, as well as the channels of communication that provide the information and attitudes that stimulate change.

A compact chapter by Charles Loomis on rural social systems opens the book. This is good reading for foreign visitors before beginning their tours of our land grant colleges. The volume has chapters on adult education activities sponsored by public schools, extension services, farmers' organizations and cooperatives, men's and women's service clubs and civic organizations, agencies within the Department of Agriculture, public libraries, rural churches, colleges and universities, local government, and mass media. There is an intriguing chapter on the influence of international exchange of persons on international understanding.

The book is particularly good in its description of the extent and distribution of adult education activities throughout the United States and in documenting interagency working relationships. The latter is rarely described in the literature. "The 'big five' agencies of rural adult education which work together most frequently and intensively, as judged by leaders, are: farm organizations, schools, churches, the cooperative extension service, and civic service clubs, in the order named. Other organizations than the 'big five' play relatively insignificant roles in the cooperative communication systems whereby rural people may be reached across organization lines."

Particular attention is given to determining the extent to which programs in the fields of international understanding for peace, strengthening democracy, and understanding the economy are included in adult education programs, these being of particular interest to the Ford Foundation, which financed the project. The authors found that programs of this type are most likely to be included in the activities of general farmers' organizations, the extension service, Rotary clubs, churches, and college sponsored programs. A surprisingly low number of the adult education programs of rural high schools contained these three types of topics. This was also true of women's clubs, library sponsored activities, and some service clubs other than Rotary.

Significant facts abound here, such as the sources of information about other countries—89 percent of the Rotary clubs in the rural counties studied had placed a foreign person somewhere on their programs the previous year.

Sources for most of the data were field interviews and questionnaire studies in 263 rural counties representing types of farming areas throughout the United States. A description of the sample and copies of the questionnaires are published in an appendix.

This book is a first-rate inventory of adult education activities in rural United States. It is the kind of a book that you can place in a man's hands and say, "Here, this will tell you about the many different ways our farmers receive information about world affairs." The very scope of the book and its wealth of data encouraged this reader to pause and ponder its implications for professional work. It is recommended reading for all concerned with the education of our rural citizens.

Robert A. Polson

American Farm Life. By Lowry Nelson. Harvard University Press, Cambridge. 178 pages. 1954. $3.75.

THE PURPOSE of this book is to acquaint nonfarm people with the people who live by farming—the less than a sixth of our population. The book does not discuss rural conditions per se, but rather the farming element of the rural population. It deals with the heritage of our farmers from the founding of the country to the present. The book presents a general survey of number, size, and distribution of farms and farmers in the United States, technological advances that have been made and that are likely to be made, and facts about the farm labor force, showing how it has declined as mechanization has increased.

Other subjects dealt with are the farm community, the farm family, schools, churches, farm organizations, and cooperatives. Unusually penetrating chapters are concerned with the farmer and his local and Federal Government. The book concludes with a chapter on the new farmer, in which the author indicates that further changes are to be expected in the future.

With expanding use of electricity, improved roads and mechanical power, and further consolidation of institutions in the trading centers, less differential between farm and city dwellers is indicated. In the author's view, Government will continue to have a large role in protecting farmers from natural disasters and economic crises. Farm depressions, he reminds us, have been forerunners of general depressions, and these are "no longer viewed as acts of God, but as man-made; as such they are subject to human control."

In contrasting the relation of farmers to Government today with that of a few years ago, Nelson summarizes: "There is scarcely a farmer in the United States at mid-century who is not familiar with the appearance of a Federal Government check; in 1930 there was scarcely one who was."

The author does not emphasize, or overlook, the fact that many farmers are without modern implements and household facilities, or that migrants and other farm laborers and many small operators have received relatively little if any benefits from recent ameliorative agricultural programs. He says "legislation has favored the 'haves' and left the 'have-nots' little better off than they were before. There are a million migratory workers and upwards of another million poor farm operators for whom little has been done, and whose welfare must be the concern of leaders in the years ahead."

Agricultural economists and subject-matter technicians will find this book a handy reference, for it presents basic materials, often in statistical form. It will be of value, too, to visitors from abroad who are interested in getting a summary of current American farm conditions.

Arthur F. Raper

The Economic Theory of Agricultural Production. By Lauri O. af Heurlin. The Finnish Academy of Science and Letters, Helsinki. 130 pages. 1954. 450 mk.

THIS MONOGRAPH seeks not only to systematize the treatment of land as an economic resource but to build a theory of agricultural production around land. It will be of particular interest to those who are interested in land classification and land utilization.

According to the author, the economic problems of agricultural production are mainly deducible from the principle of the "two-dimensional quality of land." These two dimensions are inherent fertility and exploitability. Land is said to be relatively low in exploitability if the non-rental expenses for a given quantity of product are high, relative to production on another grade of land.

Several propositions are examined by means of a rigorous geometrical analysis, first on the assumption of fixed proportions of land and of other inputs to produce a given commodity, and then on the assumption of diminishing marginal substitutability between land and non-land inputs.

The first situation dealt with has to do with the use of different qualities of land in the production of a given commodity, and the effects of changes in price of the commodity upon rents and land use. It is observed that differences in fertility may not be reflected in rents if the lands in question inversely differ in exploitability. For a given commodity, lands of equal exploitability per unit of product will come into production at a given price, regardless of differences in fertility. In this case, rent will be inversely proportional to the area required to produce a given quantity of the product. In connection with the "order of cultivation," the Ricardo-Carey controversy is taken up, and Ricardo's position is explained in terms of fertility and Carey's in terms of exploitability, for lands that are more accessible are *ipso facto* more exploitable.

With respect to rent, the author holds that differences in land quality are not essential to rent. Land is priced in the same way as any other scarce factor, and lands of different qualities are priced according to their rates of substitution for each other.

Improvements in agricultural technology are classed as *independent* if adoption will increase either fertility or exploitability and will decrease neither. A *dependent* improvement is one which increases either fertility or exploitability but decreases the other. Price changes affect profitability of these classes of improvements in different ways.

Extension of the analysis to the case of two commodities that may be grown on a given quality of land is discussed in terms of the relationship between the non-rental expenses and the area of land required for cultivation of a unit of each commodity. The comparative suitability of two lands in the cultivation of two commodities is also examined in order to ascertain the kind of land most suitable for cultivation of a certain commodity. This problem is discussed almost entirely in terms of fixed coefficients, with only brief mention of the more complex relationships involved when there is substitutability between land and non-land inputs in production of each commodity.

This monograph renders a service in pointing out the inadequate attention that has been given to the nature of land as an economic resource. The author recognizes that the lumping of all non-land inputs into a single ensemble to accommodate analysis by plane geometry limits the exposition of the theory. It may be questioned that so much importance should be given to land in the theory of production. It may also be argued that fertility and efficiency are not always easily distinguished from each other and that some measure of economic productivity may be a more useful basis for indicating soil differences. It is to be hoped, however, that this scholarly exploration of the role of land in production will stimulate further analysis of this difficult area in production economics theory.

Orlin J. Scoville