# BOOK REVIEWS

ANGUS MADDISON, *Economic Growth in the West: Comparative Experience in Europe and North America*, New York, The Twentieth Century Fund, 1964, 246 p.

The decade of the 1950's will no doubt go down as an extremely important period in the history of the development of capitalist society. During this period remarkable economic growth was attained in the advanced capitalist societies, notably in such nations as West Germany, France, Italy, and Japan. The author of this study analyses the development of capitalism during this period, concentrating on twelve nations: Belgium, Denmark, France, West Germany, Italy, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, the U.S.A., and Canada.

The 90-year period between 1870 and 1960 is divided by the author into three periods: 1870–1913, 1913–1950, and 1950–1960. By studying the annual rate of growth of total output, the rate of population growth, and the productivity growth of each country during these periods, the author seeks to characterize the economic growth of the 1950's. During the 1950's, West Germany, France, and Italy displayed a particularly high rate of economic growth, while the rates of growth of the U. S. A. and the United Kingdom remained relatively low. The U.S.A. and the United Kingdom also remained stagnant in their rates of population growth, while unprecedentedly high figures were reached by France, Switzerland, and other countries. During the same period, Europe attained remarkable achievements also in its productivity growth, and the American-European productivity gap, which had previously been weighted almost double in America's favour, was greatly reduced during the 1950's. The situation before the 1950's, notably during the period 1913–1950, had been reversed. These distinctive patterns during the 1950's were made possible by the acceleration of growth in the nations of the European Economic Community such as West Germany, France, and Italy. Since the average growth rate of these countries for the period 1913–1950 had been only around 1%, this acceleration of growth was also truly an epoch-making experience in the histories of these countries.

For this reason, when considering the economic achievements of the 1950's, there has been a tendency to concentrate attention on the economic "miracles" of these three countries and to seek the reasons for them.[1] This study, too, is no exception. The method characteristic of this study is to concentrate attention on the all advanced capitalist countries of the West and to approach the problem through comparisons of one country with

[1] For instance, J. Hennessy, V. Lutz and G. Scimone, *Economic 'Miracles': Studies in the Resurgence of the French, German and Italian Economies since the Second World War*, London, André Deusch Ltd., 1964.

another, making use of a wealth of statistical data. Although the author admits that the immediate postwar elements of recovery still influenced the development in the early 1950's in a few countries, he feels that the economic development during most of the period was not attributable to this element, but rather that the economic growth of the 1950's was supported by the high level and continuous expansion of demand. This high level of demand is proved by the low rates of unemployment and the continuous rise of prices. In the three big continental countries the expansion of production also was accompanied by a rise of productivity. An important role in this was also played by the introduction of advanced technology from the U.S.A. However, the most important aspect was the disappearance of the disguised unemployment which had accumulated during the period of economic stagnation. That is, in West Germany, France, and Italy, the labour force necessary for prolonged economic growth was successfully attracted from family enterprise without any concomitant drop in productivity. Although the efflux of labour from agriculture was particularly conspicuous, the rise in the productivity of agriculture during this period was even higher than that of manufacturing.

In America the demand increase has gone to services, but in Europe it has gone to industrial products. This fact occasioned the different patterns in growth of productivity in Europe and America. However, it was the high level of investment which connected together the high level of demand and the high level of production. The investment rate to the GNP was higher during the 1950's than in any preceding period. As is well-known, there is an obvious relation between the growth rate of a country and its investment rate. Besides, in high-growth countries, investment took place under conditions favourable to the rise of productivity in which the burden of replacement was reduced and the increase in employment was very large.

The author considers the role of government and the new environment of the world economy as factors promoting the economic growth. Economic policy is divided into three aspects: (1) managing the level of demand; (2) maintaining competitiveness; and (3) fostering the growth of output potential. According to the author, the fact that the U. S. A. lacked any positive fiscal policy for the first aspect and that the United Kingdom failed in its efforts in this area was a serious brake on economic growth in these two countries.

The merits of this work are the author's detailed comparative study of the "experience" of the 1950's and his arrangement of many data for this purpose. These data are presented in 39 tables and 49 pages of appendices. Nevertheless, one wishes to ask whether analysis of these data has been able to clarify the essential factors of the economic development of the 1950's and the basic reasons for the differences between the high-growth countries and low-growth countries. Many factors, indeed, have been made clear, and the interrelations between factors have been pointed out in many cases. However, which of these factors are the decisive ones? The author's theory appears to be based on a sequence rather like the following: High level of demand→High level of investment→Accelerated growth. In order for this theory to be valid, it is necessary for the process of demand→investment→ output to take place mainly in the manufacturing industry. If the demand is directed at the service sector, as it was in America, then growth of production and development of productivity will not necessarily follow, and the growth rate will consequently be lower. This difference in direction is due to differences in income levels, and Europe had reached an income level where the elasticity of demand for durable consumer goods was very high. The author regards the demand stream experienced in Europe during the 1950's as corresponding to the expansion phase of a 'Kuznets cycle.'

Perhaps this interpretation may be correct. However, one still wonders why such a cycle occurred suddenly in the 1950's in the three continental countries after such a long period of stagnation, and what exactly was the mechanism upon which the cycle was based. Unless these questions are clarified, it cannot be said that one has made clear the reasons for the economic development of the three continental countries during the 1950's. As the subtitle indicates, the method of analysis followed in this work is chiefly one of comparing the experience of various countries during the 1950's. This is, undoubtedly, a promising method. However, by confining oneself to this alone, one will be able to do nothing more than making clear the characteristics of the high-growth countries. The ultimate explanation at which one will arrive will be merely to point out various stages, cycles, or phases of the development of capitalism. Instead of asking why France attained such a high rate of growth during the 1950's while England remained stagnant, one poses such questions as: Why did the French economy, which had been so stagnant before the War, attain a high growth rate of 4% during the 1950's? An answer to such a question would require a historical analysis of the structure of French capitalism.

T. Kemp seeks the reasons for the prewar stagnation of French capitalism in "the totality of the social and economic structure." He adds that "this total structure, at any given time, is the product of an historical development."[1] In the case of France, this historically-given structure is largely connected with the peasantry, which amounts for a large percentage of the total population, and with the characteristic features of the French labour market, i.e., the immobility of the population. "Much urban industry was also organized on a small scale, producing mainly for local markets. The small town, surrounded by an extensive agricultural area, remains a marked feature of the French scene."[2] In other words, French capitalism was fettered by the incompleteness of the agricultural and industrial revolutions. According to Kemp, the postwar growth was made possible because this structure had been broken down to some extent.

This situation applied not only to France. A peasantry accounting for a large percentage of the population and a backward agricultural structure

1 T. Kemp, "Structural Factors in the Retardation of French Economic Growth," *Kyklos*, Vol. XV, Fasc. 2, 1962, p. 328.

2 Ibid., p. 341.

were also characteristics of Germany and Italy. The peasantry, however, served as the labour pool which made possible the high rate of growth. In other words, the same factors which had once made for stagnation became conditions for growth in the 1950's. The shift in the role of agriculture in this economic growth is a noteworthy factor. Was it merely a change received passively by agriculture as the result of a difference in growth potential of industry between the 1950's and the prewar period? As Maddison points out, the growth of productivity of agriculture during the 1950's actually surpassed that of industry. Is it not possible that this phenomenal advance in agricultural production potential was the fundamental factor making possible the destruction of a stagnant structure? A historical, structural analysis of these matters must not content itself merely with a comparative analysis breaking down the national economy into various economic indices. In the final analysis, it must be an attempt to grasp the economy as an organic unity and to understand the totality from the standpoint of reproduction. In such a case, the position of agriculture may be a low one in the total picture, and manufacturing industry may be at the centre of development. Nevertheless, is it not possible that an advance in agricultural productivity may serve as an impetus leading to growth of the entire economy?

There are still many aspects of the "economic miracles" of the 1950's which must be analysed. Although the U.S.A. and the United Kingdom were relatively stagnant during the 1950's, they still had high growth rates in comparison with their previous growth rates. The decade of the 1950's may be called a period of growth for capitalism as a whole. The capitalism of the 1950's had a number of new features which were not present in prewar capitalism. Does this signify a change in the reproductive structure of capitalism? These are also important questions for us Japanese. If the "Japanese miracle" has finished, just as the "miracles" of Europe, what prospects are there for future growth? At any rate, the study of the "miracles" of the 1950's is still a task awaiting us in the future. Although this work was unable to provide complete answers for our questions, it nevertheless will be able to serve as an adequate point of departure for future research. (*Keizō Mochida*)

P. N. ROSENSTEIN-RODAN ed., *Capital Formation and Economic Development*, George Allen & Unwin, 1964, 164 p.

This book contains 10 valuable studies of planning made by the Indian team of the Center of International Studies of the Massachusetts Institute of Technology, edited by Professor P. N. Rosenstein-Rodan. The contributors are Professors S. Chakravarty, P. N. Rosenstein-Rodan, R. S. Eckaus, and Louis Lefeber. Although these studies seem to be written independently, they tackle the problems of planning from several sides and make many suggestions which will be of great use, not only for India, but for all nations, and