

## BOOK REVIEWS

HENRY ROSOVSKY, *Capital Formation in Japan, 1860-1940*, New York, Free Press of Glencoe, 1961, xiii+358 p.

This is really an amazing volume in the sense that the author, a foreign economist, has accomplished so extensive and elaborate an estimate and study of long-term capital formation in prewar Japan, after spending only two years (1956 to 1958) in Tokyo. The success of his work can be ascribed to his balanced and penetrating vision as well as his ardent desire in constructing the long-term investment series, for so far no Japanese economists have had such a magnificent plan of work in mind. Of course, they can do it, but what is important in research is, first of all, image-formation and the capability to organize it. The author is fortunately endowed with such a talent, for his achievement far surpasses the reviewer's "commodity flow" estimate and others in length of the period covered and usefulness in application.

On the other hand, the author was fortunate in the choice of his excellent statistical collaborator, Mr. K. Emi, who was then eagerly interested in the long-term estimate of capital formation, particularly construction. The grand study thus achieved success, making a great contribution to students of comparative economic growth among nations.

His book consists of two parts: Part I, Analysis, and Part II, Measurement. In the measurement section he discusses, first, the previous attempts at long-term estimates of capital formation in much detail, Itô's estimate from national wealth surveys, the reviewer's "commodity flow" estimate and others—then going into his own estimate.

The type of his estimate is "by-type" rather than "global," i. e., his estimation proceeds by government construction, government investment in durable equipment, residential construction, private nonresidential construction, and private investment in producers' durables. Although in the last item the commodity flow method is applied, the "by-type" method is used in every other item.

The reviewer is particularly happy to see a fairly close coincidence of three estimates of construction; Emi's, Rosovsky's, and the reviewer's in Chapters 6 and 10 of his book. This presents us a kind of mutual test of estimating accuracy, although in various minor fields he has tried to point out defects in the reviewer's estimate, and impress readers that there may naturally arise some gap among these estimates. Nevertheless, the discrepancies were not so conspicuous, and it seems that the various defects he found in my estimates have almost been cancelled out. However, the reviewer will agree with the author in the fact that the estimate of producers' durable equipment by the commodity flow method has been much improved in his taking into consideration the output and its trend in midget industry, the

amount of special trade like munitions, etc., and in his dealing with the estimate of government production.

The only complaint which the reviewer has in regard to the author's estimate lies in the residential construction before 1908. After 1909, his way of estimating seems to be quite good, for he started from the statistics of *Tsubo* of *new* construction (flow concept) in the Six Big Cities and a few middle-sized cities, and enlarged it by population figures with some adjustments on areas and by multiplying the unit building cost. But, before 1908, he started from all building *Tsubo* (stock concept) in Tokyo-fu and assumed that it could be converted to flow figures (i. e., new construction) by taking its yearly increments. Although he thought that if this is enlarged by use of population level, the resulting estimate would be *gross* of replacement while if it is enlarged by population increment instead, then the estimate would be *net* of replacement. The reviewer is completely against this view. Whether the population or its increment is used, the initial figure is the increment of the building *Tsubo*. Since the net increment of building outstanding is equal to the *new* residential construction, minus *replacement*, what Rosovsky tried to estimate was not *new* but *net* residential construction. This is why his estimate before 1908 as to nonfarm residential housing oscillates in a very volatile way. If he takes into account the relatively steady-rising series of replacement construction additively, he may have had more reasonable and moderately changing figures. Whether the population stock or its increment is used is not so decisive as he imagines.

Based upon the systematic estimates of various components of capital formation, he develops an interesting analysis. This composes Part I, Analysis. 1) The declining tendency of traditional type investment in proportion as compared with new-type investment. 2) The complementary character of government investment with private investment in industrialization, to be highly contrasted with Australian experience in which the former constituted a major obstacle to the growth of the latter. 3) The attribution of government construction cycles to two forces: natural disasters and railroads. 4) Only minimal pressure of residential housing on the country's available capital resources due to a comparatively cheap structure of the Japanese house and its historical stability. 5) The relatively higher dependence on imports of machinery in the private investment of producers' equipment in the earlier period. 6) That the availability of traditional capital and techniques which remained serviceable made possible the larger scale commitments to new-style investment. More generally, the success of the modern sector because of the fact that "it climbed onto the shoulders of the traditional sector."

Such are some of interesting findings Rosovsky has deduced from his empirical research.

In Chapter IV, he discusses the Japanese economic development and the Western model. Considering that his stay in Japan was only two years, this chapter is again surprising in view of his interesting observations. Based

upon wide-scattered studies on Japanese economic history mainly surrounding the early industrialization period, his attention seems to be focused on the relation between Japanese economic development and the so-called Gerschenkron model. He found a number of atypical features in regard to the peculiarities of Japanese backwardness in the early industrialization: 1) The trend towards smaller units of production in agriculture, and the stability of its production organization; 2) the essentially administrative and politically passive nature of most cities as compared with Western cities; 3) the long-run demand for traditional commodities, persistent up to the present; 4) the earlier development of a national market for certain commodities; 5) the good quality of the road system, etc.

Other important observation of his is that the influence of Tokugawa seclusion "created an effective defense against the erosions of the consumer demonstration effect" and contributed to "directing more investment toward social overhead capital and modern industry." In general, the Gerschenkron's proposition on the impact of the borrowed technology upon developing countries is very persuasive, but the author believes that the assertion of Gerschenkron about *expensive industrial labour* in backward countries is the weakest as an exposition of Japanese economic development. In Japan, the paternalism in labour management has been a device facilitating the formation of a modern labour force, and he finds herein a peculiarly Japanese type of response, different from the Gerschenkron formulation. Various interesting analyses, together with those mentioned above, reveal quite sufficiently Rosovsky's knowledge as an economic historian and his ability of formulation, but let the reviewer present a few comments upon them.

First, although his estimate of capital formation ranges from 1868 to 1940, the analytical discussion seems to be too much biased towards the earlier period. I feel the impact of borrowed technology played a much greater role rather in the later period.

Second, a combination of imported technology with *cheap* industrial labour (rather than expensive labour, as formulated by Gerschenkron) in general had caused in the later period the polarizing tendency among big and small-medium industries, and the intensified dual structure in wages and employment. In the reviewer's view, this aspect should be more emphasized in relation to the Gerschenkron hypothesis.

Third, when Japan started to industrialize, some of the preconditions for industrialization had already been prepared, e. g., the road system, city development, etc., as the author points out. However, since Rosovsky's book was published, we had a very important book, K. Asakura, *Meiji Zenki Nihon Kinyū Kōzōshi* (History of the Japanese Financial Structure in the Former Half of the Meiji Period, [Tokyo, Iwanami-shoten, 1961]). This is interesting as pointing out the importance of the "from below" factors in financing small enterprises, i. e., the quantitative importance of resources of small financiers (merchants, landlords, usurers, pawnbrokers, mutual loan associations, etc.). To deal with this problem, the author must set aside the limitation of

his analysis to capital formation and go into the region of capital financing. But this would be another story.

As the reviewer stressed already, this book is a great contribution to those who are interested in the quantitative analysis of economic development in general. It is excellent, not only in its qualitative analyses, but also in quantitative measurement; 358 pages full of useful statistics. However, let the reviewer take this opportunity to point out two minor careless errors: 1) Sometimes, the author's computation of "rate of increase or growth" is not correct (e. g., p. 12 and p. 39). The rise of prices by 1.94 times for 36 years does not stand for about 5 per cent increase per year, but 1.86 per cent (p. 12). 2) Graph 5 in p. 49 erroneously represents the investment in producers' durable equipment in Table V-1. These two are very minor but should be corrected in the new edition. (*Miyohai Shinohara*)

BRUCE H. MILLEN, *The Political Role of Labor in Developing Countries*, Washington, D. C., The Brookings Institution, 1963, x+148 p.

Recently the developing countries have widely been studied in the United States, as a reappraisal of America's international policies in the past. As a result, a comparative study of the labour movements in these countries has been a quite popular academic subject in that country. For instance, the project of the "Inter-University Study of Labor Problems in Economic Development," which was formed by C. Kerr, J. T. Dunlop, F. H. Harbison, and C. A. Meyers, has produced a good many works in this field. One of them, *Industrialism and Industrial Man* (1960), suggests that there exists more than one way to industrialism, and asserts in regard to the labour union (after showing that "job control" unionism, which is the American traditional concept, is by no means a universal one), that "'free trade unions' under some conditions become no more than Communist unions sabotaging efforts at economic development," (pp. 9-10) and that the "political strike" is, in the developing countries, "not only inherent in the situation, but the only effective manner of attaining" their purposes. (p. 10)

Bruce H. Millen, in the book under review, takes the same standpoint concerning the labour union. According to him, the American concept of the labour union—that its only purpose is to improve the economic conditions of its members through collective bargainings—helps little in understanding properly the labour movements in the developing countries, and "the *political unionism* which at present typifies labor organization in Asia and Africa is a product of the milieu in which they (the unions) operate." (p. 53) For, in developing countries where political changes are indispensable conditions for economic development, those labour movements which are indifferent to politics cannot be successful in improving the economic welfare of the labourer. The author finds in the *political unionism* the very key to elucidating the labour movements in the developing countries and devotes all his