

IGNACY SACHS, *Patterns of Public Sector in Underdeveloped Economies*, Bombay, Asia Publishing House, 1964, viii+196 p.

1. This work constitutes an important contribution to studies of the underdeveloped countries from the part of Polish science. It is written within the framework of a methodology which grasps historically the special characteristics of state capitalism in the underdeveloped countries and the transformations which take place in it.

The uniqueness of the author's methodological approach can be summed up in the following three points. (1) He sets up an analytical framework which is designed to elucidate the significance of the historical factors which prescribed the economic backwardness of the backward countries and the mutual relations among these factors, devoting special attention to policy instruments. (Cf. Chapters 1, 2, and 4.) (2) He makes it clear that the inherent factor which prescribes the two types of development found in the underdeveloped countries, endogenous and exogenous development, is the importance attached to changes in the profitability of the enterprises which are the components of the public sector of the economy, and that there is a problem in the behaviour patterns exhibited by the various social classes in response to these changes. (Cf. Chapter 5, and also Chapter 3.) (3) In this way he maintains that the pattern of the public sector and the changes which take place in it prescribe the character of state capitalism and the changes which take place within it, and with this theory of types he proceeds to design the dynamic process of economic development. (Cf. Chapters 3 and 5.)

In this connection we must note that the "pattern" to which the author refers here is the public sector pattern, and that it implies a typology of kinds of state capitalism in the wide sense (p. 71), rather than the differentiate specificante at which the author aims.

The difference between the two would seem to be important. This is because these are concepts which are to be employed for the purpose of classifying state capitalism into the two categories of the "Japanese pattern" and the "Indian pattern" on the basis of the public sector of the economy and the changes which take place in it. (Cf. Chapter 6.) The public sector in the economy of Japan is taken as a historical type in which the public enterprises were first transformed into mixed enterprises combining private enterprises and capital and were later sold off to private enterprises, this process taking place in response to change in the profitability of the public enterprises, that is in response to changes in the standards of price formation in the public enterprises. The theory which lies behind this methodology is that the general laws (albeit not necessarily rigorous) which govern the transformation of capital and management from a public character to a private character are prescribed by the standards of price formation and the possibilities of contributing to capital accumulation, and in this way the abstraction of the "Japanese pattern" is arrived at. In contrast, the "Indian pattern" is defined not as a historical type but as a concept of a political

and teleological character, and is synonymous with what is popularly known as a "mixed economy." For this reason we feel that there is some degree of disparity in the definition of the "Japanese pattern" and the "Indian pattern."

2. The author's position is based on Marxist economic analysis, and is strongly influenced by such Polish economists as Oskar Lange and M. Kalecki.

He regards the process of economic development through which the underdeveloped countries pass as being a form of state capitalism. In that he introduces the concept of "profitability" as a barometer for measuring the special characteristics of state capitalism and demonstrates the mutual behaviour patterns of the social classes in regard to profitability his work is much more persuasive than the theories of state capitalism which have appeared hitherto, albeit that he does not provide a systematic account of the relations obtaining between the class relations and the power structure.

Another valuable attribute of the work is that it introduces some degree of theoretical order into the institutional aspect of the process of economic development in underdeveloped countries, considering it against its historical background and in its socio-economic context. Like other institutions, the public sectors of these economies—the recognized institutional tools of economic development—differ in size, composition and functions in accordance with differences in the social structure and the political order.

The author finds the basis of "underdevelopment" in the colonial order, and abstracts three types of development on the basis of the criteria of the stage of economic development and the time of achieving political independence, the time of achieving economic independence, the special characteristics of the political order, and the ideology of the ruling class.

(i) The type in which the working class and peasants assume power, bring about national liberation, and aim at the realization of a socialist state (the socialist type of development).

(ii) The type exemplified in countries which have achieved political independence but are still economically subordinated to the advanced capitalist countries, and in which foreign vested rights and interests dating from an earlier period still enjoy political and economic protection (the Prussia-Japan type).

(iii) The cases in which countries champion their political independence and push forward with economic planning in an attempt to achieve economic independence. In this type the development plans aim at the elimination of foreign capital and domestic monopoly capital, and the introduction of state capital into economic activity is strengthened. These are the countries which take the form of the "mixed economy" (the Indian type).

The disparity in the method used in abstracting the Japanese type and that used in abstracting the Indian type to which we have referred above derives from the criterion of the socio-political order, and since it embodies a socio-political historical stage theory it demands the reader's attention. The author believes that movements and changes in all these three types depend on the internal forces in the country in question and the results of

political struggle between the social classes. The development of the public sector makes possible economic development, and lessens the degree of dependence on private capital from foreign countries. In so far as this is so, the development of the public sector in an underdeveloped country is a phenomenon of an "advanced" character. At the same time it destroys the balance of economic development, and in the long-term development stagnates. At this point the conditions become ripe for a transformation of the character of the public sector.

In regard to these circumstances the author develops no particularly persuasive argument as to the manner in which the economic development of the public sectors differs among the three types, the Japanese type, the Indian type and the socialist type, and he avoids discussing whether state capitalism in underdeveloped countries *necessarily* moves in the direction of socialism or not. He would rather seem to regard the preferences among the three types and the transitions or transformations among the three types as being matters of political choice. Nevertheless, he considers that an important factor making this possible is the mechanism for capital accumulation established at an earlier period in the capitalist sector. (Cf. Chapter 3.)

3. A more important point concerns the concept of the public sector. As the author says, the concept of the public sector differs from country to country, and it is especially difficult to grasp in quantitative terms. The author adopts the position of understanding the public sector to be a general appellation for the field of productive activity with which the state is concerned in the role of entrepreneur and for *Industrial Activity* which contributes to production and capital accumulation, which means that he does not take up the question of differences in the forms in which public enterprises are organized. (Cf. p. 71, Note 1.)

However, the reviewer feels that differences in the forms in which enterprises are organized, that is, such differences in business organization as exist between departmentally managed companies, public corporations and Limited Companies, must inevitably be reflected in price policies. This is because not only must standards of price formation differ from industry to industry, but must also differ among the various forms of business organization, even if the standards taken are those which the author takes as standards of profitability (1. enterprises running at a loss, 2. no-profit no-loss basis, and 3. profit-earning enterprises). It is because in the public enterprises the standards for price formation are set by the aims for which the public enterprises are organized (particularly for the points of view of capital accumulation and competitiveness), rather than by the market. On this point the account of the relation between mixed enterprise and Japanese type development (p. 103) is seen to be notably lacking in persuasiveness. The mixed enterprise, as the author says, in principle can serve the purposes of either the Japanese type or the Indian type (p. 103), but performs the function of a bridge between the two. The strengthening of the private character of the public sector weakens public control, and although this stimulates an inflow of private capital into the

public sector and increases the management capacity of the public enterprises, an evaluation of this point is lacking. This is probably due to the fact that the work is more directly concerned with an analysis of the special characteristics and transformations found in state capitalism than with theoretical study of entrepreneurial activity. In spite of this, the factor occasioning the transformation of the Japanese and Indian types is held to be the mixed enterprises, and since we may suppose that the transition from a public character to a private character or a transition in the opposite direction (that is, an outflow of private capital from the mixed enterprises in the public sector) will be connected with a transformation of state capitalism, it is reasonable to expect that, for the purposes of a typology which seeks to facilitate a theoretical grasp of the problems, all the more care should be taken in producing a theoretical treatment of the composition of mixed enterprises.

In his concluding remarks (pp. 180-181) the author says that the Indian type possesses a higher rate of growth and involves fewer sacrifices than the Japanese type, and that the socialist type is superior to the Indian type. However, the theory of the political order is not to be directly elicited from the study of the factors occasioning the formation of the public sector or from a typology of public sectors. This is a separate act of value-judgment, that is, of political choice. (*Noboru Tabe*)

RUSSEL H. FIFIELD, *Southeast Asia in United States Policy*, New York and London, Frederick A. Praeger, 1963, xiv+488 p.

WILLIAM HENDERSON ed., *Southeast Asia: Problems of United States Policy*, Cambridge, Massachusetts, The M. I. T. Press, 1963, xvi+273 p.

These works owe their origins to studies conducted by a group of specialists rather than being a direct expression of views or the fruits of research by the author or the editor.

In preparing the former, Mr. Fifield used as his sources discussions held at meetings of the Study Group on Southeast Asia in United States Policy which had been set up at the request of the Council on Foreign Relations and which met from the summer of 1959 to 1960. A professor of political science at the University of Michigan and an authority on Southeast Asian affairs, he claims that this volume reflects his own judgement and responsibility, but it still seems that the keynote of the work had been formulated at these study meetings.

Henderson's book comprises ten reports selected from papers presented to a joint study meeting held, in May, 1963, to elucidate United States policy in Southeast Asia, under the auspices of the Asian Society of which Paul C. Sherbert is the Executive Director and of the Southeast Asia Committee of the Association for Asian Studies of which Professor John F. Cady of Ohio