

BOOK REVIEWS

The Structure and Development in Asian Economies, Proceedings of a Conference held by Japan Economic Research Center in September, 1968, (Center Paper No. 10), The Japan Economic Research Center, Tokyo, Japan, 1968, xiii+407 p.

The task of reviewing this volume in a short space is a formidable one. The twelve papers cover a wide spectrum of topics relating to many (diverse) countries and include a variety of ideas. Since each paper is followed by detailed comments by discussants and other participants, I shall confine my comments to broad issues and will have to be selective in my summarization.

The briefness of experience of newly independent countries of Asia, inadequate data and insufficient facts and information on Asia, make the evaluation of the numerous ideas, speculations, hypothesis in this volume very difficult. And this is true even of Japan during the Meiji period.

Take, for example, the first paper, "The Rise of Capitalism and the Role of Agriculture" by Shigeto Tsuru (Hitotsubashi University), which deals with the first three decades of the Meiji period. The author brings together an impressive collection of data and information showing that the agricultural sector supplied the surplus, labor, and exports which enabled Japanese capitalism to "take off." Much of the data that the author cites for the early Meiji period has come under severe criticism in recent years, e. g., the Ohkawa income and labor force data, and the prefectural rice yield data. Increasingly, there is a tendency for scholars to leave out the macro-statistics of the pre-1900's in any serious discussion of Japanese growth because of the shabbiness of the existing data. The author argues that Tokugawa surplus was dissipated in wasteful expenditures but in the early Meiji period it was invested for useful purpose largely due to institutional reforms in the Meiji period. Plausible as these propositions sound, they are macro-quantitative generalizations and one wonders where the quantitative evidence exists to support them.¹

In the second paper, "Historical Appraisal: Colonialism—Past and Present" by E. L. Wheelwright (University of Sydney), an attempt is made to study the economic effects of colonialism on the colonized. As to past colonialism, he points out that the colonizers destroyed traditional society, created plantations, controlled trade and currency, and appropriated the economic surplus with the result that "deterioration and disintegration" set in. As to the present, his conclusion is "that a kind of colonialism still exists in a number of Asian countries in varying degrees," with old forms of colonial relationships being replaced by new forms (foreign aid, foreign investment,

¹ The author cites the *Sankin-kōtai* system in the Tokugawa period as evidence of unproductive expenditures but how costly was it, particularly in comparison to the early Meiji military expenditures?

market controls). The net result is that very little progress has been achieved by these countries.

Most of the evidence brought forward to support the conclusions are quotations from a number of writers, very few of whom appear to have experience in quantitative work. And yet the conclusions relate to macro-quantitative statements. While some of the judgments of the writers quoted by Wheelwright appear to be plausible, they are far from convincing unless backed up with systematic data.²

A. K. Sen's (Delhi School of Economics) major finding in his paper "Social Overhead Capital in Asian Economics" is that no significant correlation exists between the growth rates of Asian countries (as the dependant variable) and social overhead capital (defined to be income originating in transport, communication, utilities, construction, education, and defense, as a share of national product), all of these variables taken for the period 1960-1965. Accordingly, Sen argues that "the results are not encouraging for the 'growth-inducing-SOC hypothesis.'" But suppose the correlations turned out to be very high, would this indicate that SOC is growth-inducing? It could just as well be that SOC is induced by a rapid growth rate. It seems to me that causation is difficult to establish (or to deny) by regression techniques, especially one in which broad aggregates are taken as variables, for such broad variables are likely to include causes, consequences, and concomitants which operate in a complex process involving many other forces (not only economic but social and political) and taking longer than five or six years to work out. This point is brought out in another paper on Social Overhead Capital by You Poh Seng and Stephen H. K. Yeh (University of Singapore) who raise questions complicating the usual notions of social overhead capital, and the ensuing discussion shows how unsatisfactory these are. For example, Singapore undertook a vast program of low-cost housing in part to satisfy urgent needs but in part to mold a diverse, divided, multiracial society into a national group with a strong political consensus. With housing and political consensus, the Singapore government can now take steps toward rapid economic growth.

The thesis of U. A. Aziz (University of Malaya) in "Agricultural Development and Economic Development in Malaysia" is "that in the Malaysian context institutional reforms are an essential ingredient of agricultural development. Indeed, unless the right complex of institutional reforms are carried out with complimentary programmes of technical change, the new

² In the prewar decades, we used to hear much about the decline, stagnation and collapse of Western capitalism, until scholars like Kuznets began to work out long-term estimates of national product. Today when these estimates are put on a chart, even the Great Depression of the 1930's appears as a small dip in the upward trend of capitalist economy. The estimates of national income published by Asian governments in the postwar decades, weak as they are, showing annual growth rates of 4 to 5% during the past decade or two cannot be brushed aside or ignored without proper criticism. And long-term estimates of prewar decades, rough and tentative as they are, do show some amount of growth for several of the Asian countries.

technology will neither stick nor spread." And he shows the urgent need for changes in "the systems of marketing, credit and tenancy relations." I would like to endorse this view strongly because running through the discussions in the conference was the feeling on the part of some participants that it was *either* institutional or technological change which must come about first in order for sustained growth to occur. Both are important in the package of forces making for growth, and the relative mix and time-sequence of the two in the package may vary for different countries at different points of time and for different projects and sectors. In some cases, the initial causation is from institutional to technological change but in others the sequence can be reversed (as in the case of the diffusion of the new rice seeds.)³ T. Schultz has propounded the hypothesis that the critical factor that must be changed in traditional agriculture is its technological base and he may be fight for most Asian countries.

In my paper, entitled "Growth and Unemployment in Postwar Asia." I argue that full-time equivalent unemployment in many Asian countries is already high, that the rate of increase in the labor force during the 1970's and 1980's will be approximately doubled that of the 1950's and the problem of employment creation will become urgent in the coming decades, partly because capital-intensive industries cannot be counted on to supply jobs. In my finding that unemployment levels are already high (in the mid-1960's), I have depended mainly on the labor force sample surveys published by most Asian countries. But the problem with these surveys is that they are not conducted frequently enough throughout the year, so that they give pictures of the employment situation only for one to four weeks of the year. Since I argue that in these countries, seasonal, irregular, part-time, sporadic unemployment is a very large part of full-time equivalent unemployment, the sample surveys held once or twice a year are clearly unsatisfactory. There is a need for the surveys to be held monthly, as in Japan, or at a minimum every other month.⁴

It is encouraging for me to read Takafusa Nakamura's (Tokyo University) paper, "Economic Growth and Small and Medium Enterprises," which shows that in the prewar period when modern Japanese industries were growing, it was the traditional sector in the secondary and tertiary industries which supplied most of the jobs for Japan's expanding labor force. What would be most interesting to learn from Japan's prewar experience is: to what extent was there a rise in output per worker (or productivity) in the various indus-

³ And what else besides institutional and technological change in the package? What of economic and value changes which must interact with institutional and technological change?

⁴ I would like to urge Asian countries to make much greater effort in collecting socio-economic data. In advanced countries data as by-products of government and business administration are plentiful but not so in underdeveloped countries, which, therefore, must rely on surveys, especially probability sample surveys. Under these circumstances population censuses should be held, not decennially, but quinquennially, so that adequate frames for sample surveys are available every five years.

tries of the traditional sectors and what were some of the forces responsible for the rise? How was it possible for the traditional sectors to keep down the prices of their output? I do not think that the role of the traditional, labor-intensive sectors in Japanese growth was simply a passive one, serving as a complement to the modern capital-intensive sectors. Besides absorbing labor, what role did they play in supplying savings, in economizing on capital as inservice training grounds for skilled labor and management, as a source of purchasing power and effective demand for the products (intermediate and final) of modern industries and as a net earner of foreign exchange?

The next two papers by Hiroshi Kitamura (of ECAFE) and by Hla Myint (of the London School of Economics) take opposing positions on the topic "Market Mechanism and Planning," although both reject laissez-faire and general nationalization. The former, feeling that market imperfections are too extensive, advocates planning with more extensive direct controls over prices and quantities. He is particularly worried that the "uncontrolled working of the market mechanism tends to produce a pattern of income distribution that is not socially acceptable or else to produce a rate of growth that is considerably below what is potentially feasible." (p. 270). The growth rate is not high enough because the rate of investment tends to be low (due to high market rates of interest) and slow industrialization (due to the absence of "energetic structural policies" for "the transition to more sophisticated producer goods industries..."). Myint, on the other hand, holds that despite market imperfections, the market mechanism is workable and effective for the kind of growth process he has in mind; i. e., the expansion of peasant, of mining and plantation exports, these in turn causing underutilized land and labor to be more fully utilized, producing more extensive monetization and commercialization and more intensive market economy and specialization (as detailed in his book, *Economics of the Developing Countries*).

It is clear that we need more empirical studies of the workings of the market mechanism in Asian countries, particularly with respect to the kind of issues these writers have raised. But I feel that Y. Shionoya (of Hitotsubashi), who acted as a discussant of both papers, was right in suggesting indirectly that the basic issue between the two papers lies in the different models of the growth process envisaged by the authors. If Kitamura's growth model emphasizing investment in sophisticated industries (a kind of a Mahalanobis model?) is the way to rapid growth even the perfect workings of the market mechanism will not be suitable (and, indeed, may be a greater obstacle depending on what we mean by market perfection). If we hold to Myint's model of growth, a great deal of market imperfections can be tolerated, as in the case of Thailand.

I do not favor the strong emphasis on investment in sophisticated industries as the way for developing most of the Asian countries, considering the stage they are in at the present time and will be in for some time to come (which Simon Kuznets labels as transitional from traditional to modern economic growth). The establishment of sophisticated industries should be highly

selective, so that a great deal of resources are left to assist the growth of the labor-intensive sectors which engage about four-fifths of the labor force. Believing this, I favor the views of Myint on the issue of market mechanism, though my emphasis would not be so heavily directed to the export sector *per se* but the labor-intensive sector.

Nor do I feel that the market mechanism *per se* is responsible for an unfavorable income distribution. If one adopts Kitamura's heavy emphasis on sophisticated industries, income distribution of most Asian countries will become increasingly unequal for the next decade or two, for the profits earned and wages and salaries paid in the sophisticated industries will increase much faster than those in the labor-intensive sectors. On the contrary, I think that the development of the labor-intensive sector (both in agriculture and non-agriculture) will reduce inequalities, and increase savings and investment, besides increasing exports. But to develop the labor intensive sectors, more than the market mechanisms or planning is needed, as the work of the International Rice Research Institute seems to indicate.

The Philippine experience in import-substitution policy (1950-1965) is discussed by Amado Castro (University of the Philippines). He concedes that the policy has resulted in resource misallocation, inefficiencies, balance of payments pressures (due to the heavy imports of processed inputs), etc., but asks for more time to be given to these new industries before final judgment is cast. He believes that already inefficiencies are declining and capacity-operation rising. Discussant A. Murakami (Kōbe University) appears to be dubious that time will change the situation. Citing data submitted by Castro, he points out that there is "Stagnation in the share of manufacturing in national income and also stagnation in the change of import composition after 1960," and raises the question: Can a policy of import-substitution of the Philippine type (non-infant industry) be changed to one of export promotion and, if so, how?

One way out of this dilemma is briefly noted by Castro who points to the agricultural revolution taking place in the Philippines with the new rice seed. Castro hopes that with the higher peasant incomes the domestic market for manufactures will expand. I doubt that the domestic market for the output of import-substitution industries (which are sophisticated industries) will rise very much in consequence of the agricultural revolution but the market for wage-goods will certainly rise and these are mainly traditional and labor-intensive industries. With adequate assistance (e.g., credit for better equipment) from the government, productivity in these industries may rise and this in turn will trigger another round of expansion of the domestic market which after further rounds may have a substantial impact on the import-substitution industries. Unemployment rates in the Philippines are high and income distribution extremely unequal at the present time.

S. Ōkita (Japan Economic Research Center) shows that Japanese imports of labor-intensive goods increased substantially between 1956 to 1965 and this agrees with the findings of Hal Lary's study, *Import of Manufactures from Less*

Developed Countries, NBER, 1968. Ōkita notes that with the labor shortage and high growth rates, Japanese imports of labor-intensive goods should continue to rise in the future and their exports decline.

S. Ishikawa (of Hitotsubashi) discusses "Agrarian Reform and its Productivity Effect" with reference to Communist China's experience. According to his summary: (1) probably since the productivity increase was not remarkable, there remained a constant threat of the revival of old landlordism despite the successive steps for agrarian reform...; (2) while the output effect has not yet been very clear, the Chinese method (i.e., maximizing the use of traditional technology and inputs and minimizing the use of modern inputs) for the productivity increase of agriculture seems to be theoretically effective under the conditions in which centralized investment funds cannot be allocated sufficiently to the agricultural sector." (p. 347) It may be the severe limitations of my knowledge of Chinese economics, but I am puzzled about these conclusion. Why should the absence of a remarkable increase in productivity lead to landlordism, i.e., why should not also a remarkable increase in productivity intensify the tendency toward landlordism, especially since the increase is likely to be unevenly distributed? Or perhaps the "constant threat of reviving landlordism" may be related more to some factors other than productivity as such, e.g., *differential* productivity and efficiency among individuals?

In order to derive the first conclusion, the author assumes no "remarkable" increase in productivity. In the second argument, he deduces "theoretical" arguments for expecting productivity to increase even under conditions of insufficient investment funds determined by Communist planning. And if it turns out that, in fact, there was no significant increase in agricultural productivity during the past two decades, it is not because of the Chinese system but because of "the comparatively short-term performance" during which the Chinese Government has been resorting "to measures of trial-and-error." "For this reason, I do not think it very useful, at the present stage of development, to use the output performance as the major criterion for making an evaluation of China's agrarian reform and the resultant agrarian system." (p. 317) If so, I am puzzled about his conclusion: "The most crucial question, then, will be a comparison between the Chinese pattern and the pattern exemplified by the Philippines' case... the answer seems to be very much dependent upon the productivity results in the coming few years." Since the author expects "trial-and-error" measures in China to be intensified in the future, and since Philippine agricultural systems are also changing, would the comparison of productivity results be relevant? In fact, since changes are occurring in every Asian country, (and since there are more variables that need to be taken into account than in the simple model that the author uses), would any comparison be relevant, under his assumptions?

I am afraid this review has not done adequate justice to the rich variety of views expressed at the meetings. As a scholarly conference for the purpose of exchanging views on the role of structural changes in Asian economic

growth, the conference was most successful. Perhaps now the time has come for conferences which would discuss and evaluate the measures of actual performances of Asian economics during the past two decades (and in some cases during the decades before the war) and would also make a start on the analysis and interpretation of such performances, especially if we agree with Paul Samuelson that science consists mainly of analytic "description of empirical, observable regularities." (See his discussion in the *American Economic Review*, various issues in 1963, 1964, 1965.) (Harry T. Oshima)

SEYMOUR BROADBRIDGE, *Industrial Dualism in Japan: A Problem of Economic Growth and Structural Change*, Frank Cass & Co., London, 1966, xi+105 pp.

Irrespective of the method of analysis, a close examination of the problem of small and medium enterprises is vital in dealing with the economic growth of Japan. It is true that, even in contemporary advanced Western nations, the existence of the small and medium enterprises in great numbers remains a crucial element constituting the structure of their economies. But, in analyzing the economy of Japan, one of the main objectives should be the small and medium enterprises, because it is not possible to recognize the economy of Japan without examining them. In this sense, the analysis of the small and medium enterprises of Japan has a different significance when contrasted with other advanced Western nations.

In Japan, the small and medium enterprises not only differ in scale when compared with the large enterprises, but also differ in quality as a group of enterprises. Therefore, special attention should be paid to the characteristics of these small and medium enterprises which can be clearly "distinguished" from other enterprises. However, the characteristics of these enterprises are far from being simple or homogeneous, rather they can be interpreted as heterogeneous, pluralistic and complicated. Moreover, as place of employment, these small and medium enterprises when compared with the large enterprises account for a very high proportion of employment. They still occupy at present the primary place of employment for the Japanese.

From the Meiji era to the present, these small and medium enterprises have been deeply entwined in the development of the Japanese economy. It is recognized that the rapid industrialization of Japan is unmatched in world history. These enterprises are by no means the residue of the development process. They have, on the contrary, been a primary factor in this development process. The fact that these enterprises are deeply interwoven in the development of the Japanese economy structurally can be seen even in contemporary Japan.

In Japan, these small and medium enterprises are closely connected with various undesirable economic problems like low productivity, low wages, low levels of technology, instability, and excessive competition. These all reflect