Book notices

"Canapés and dessert"

Galbraith, J.K., **Money—Whence it Came, Where it Went,** Boston, Massachusetts, U.S.A., Houghton Mifflin Company, 1975, 324 pp., $10.

Unlike political scientists, historians, or even sociologists, economists have had peculiar difficulty in capturing the popular imagination. Not that they have recently made much serious effort to do so. Any economist who writes for a general audience now jeopardizes his professional reputation among his peers. Almost alone among distinguished contemporary economists, Galbraith has a pen that delights the reader, and an imagination that bears comparison with that of a good novelist.

Perhaps Galbraith cannot bear comparison, *qua* economist, with the giants of the profession. But he has a sure feel for the essence of a proposition, and an enviable ability to set it down in clear and elegant prose. This is a good thing. Too many basically simple propositions in economics are made to seem arcane by the fog of jargon by which they are surrounded. As Galbraith says "much discussion of money involves a heavy overlay of priestly incantation." It is his purpose to strip this away, and to reveal the mysteries of money in straightforward and entertaining style. He claims, with pardonable exaggeration, "there is nothing about money that cannot be understood by the person of reasonable curiosity, diligence and intelligence."

To promote this understanding, Galbraith chooses a historical approach; and to serve the goal of entertainment as well as instruction, he adopts an anecdotal style. The underlying theme of the book is that money, as a social contrivance, has enormous potential both for good and ill; and that it is essentially a failure of understanding that makes examples of the latter so much more numerous and spectacular than those of the former. The worst episodes in the history of money usually have their genesis in good ideas carried to excess. If public opinion were only less mesmerized by financial legerdemain, perhaps some of these consequences could have been avoided.

Galbraith's wit is sardonic and the history of money gives him much on which to exercise it. One of his favorite characters is John Law, a Scots-born gambler, who arrived in Regency France, in 1716, a penniless fugitive from justice. Within a few years, his Banque Royale had saved the finances of the French monarchy and made him arguably the most powerful man in the country. Confusing power with infallibility he proceeded to other schemes of social amelioration, including a grandiose one for the development of Louisiana, which gained him the first (and so far, only) Dukedom of Arkansas. He became Comptroller General of France in 1720, just six months before the spectacular collapse of his bank sent him into a second exile, and left the French people with a fundamental suspicion of bankers, a suspicion whose vestiges endure to the present day.

Besides the unfortunate John Law, Galbraith finds many other examples of time turning genius to bankruptcy, and circumstance converting financial innovation to common fraud. From Nicholas Biddle to Bernard Cornfeld, and from the South Sea Bubble to the Great Depression, history is replete with cases which illustrate the speed with which collapse can follow the most apparently solid financial success. This is a phenomenon which clearly fascinates Galbraith. As he puts it "there is a wonder and a certain wicked pleasure in these giddy ascents and terrible falls, especially as they happen to other people." He also gives us, sometimes unwittingly, an insight into the reasons why money, as a subject, is regarded with such awe. His description of the origins and some of the traditions of the Bank of England is done too lovingly to be that of someone who believes such rituals to be without redeeming value. And, in what must be a reflection of Scots-Canadian background, his exposure of scoundrels is tinged with geniune respect for the monstrousness of their fraud.

This is a book in which the objective of entertainment often gets the better of that of instruction, perhaps because Galbraith is plainly entertaining himself as well as his audience. But there is a serious side too. The origins of money are thoroughly explored; and the credit-creating role of banks is explained with a clarity that should make this required reading for any aspiring author of an introductory monetary text. The economic history, too, is extremely well done, lucid and entertaining, with the lessons well drawn.

Unfortunately, however, when it comes to the tough questions, where real skill would be required to retain the attention of a lay audience, Galbraith backs off. Very little space is devoted to explaining the ideas—as opposed to the circumstances—of the Keynesian Revolution, or of the monetarist counterrevolution. And when he comes to an interpretation of the events of the recent past, Galbraith tends to rely on an arresting assertion to support his points, rather than making any serious attempt to mine the wealth of empirical work that is available.

It is the anecdotal style that gives this book its considerable appeal; but that may also have prevented it reaching its full potential. Having skillfully brought the reader to a stage where he might be prepared to embark on rather more complex ideas, Galbraith allows him to escape with a joke. As a result this book is canapés and dessert, but sometimes lacking in solid meat into which to set one's teeth.

Andrew D. Crockett

Earthshaking?

Eckholm, Erik P., **Losing Ground: Environmental Stress and World Food Prospects,** New York, N.Y., U.S.A., W.W. Norton and Company, Inc., 1976, 223 pp., $7.95.

In some quarters there is a notion that environmental protection is a luxury which only the rich can indulge. This book shows that the preservation of the ecological base for food production is a necessity for the poor, but one which they can hardly afford. The author is a senior researcher with the Worldwatch Institute; the United Nations Environment Program cosponsored the book and its underlying research effort with the Institute.

Erik Eckholm reviews in detail man's deforestation of the earth from prehistoric times to the present; the destruction of semiarid land and man-caused spread of deserts; the erosion of mountain slopes due to cultivation, overgrazing, and deforestation; the dwindling supply of firewood; silting in irrigation reservoirs and canals and the deposit of salt on irrigated land; the threats of cultivation and grazing to tropical rain forests; and potential declines in the oceans' yields due to over-fishing and pollution. The only immediately noticeable omission in the list is the possible linkage between desertification and global cooling via an increased load of minute dust particles in the atmosphere. The discouraging narrative is relieved only by accounts of the stabilization of forested area in Northern Europe; by the lessons of success in the Dust Bowl in the United States and the Virgin Lands in the U.S.S.R.; and by the story of current reforestation in the People's Republic of China.

A realistic perspective on the waterlogging that has resulted from some irrigation schemes is much less discouraging than Mr. Eckholm's portrayal. Where the groundwater is sweet, the unintentionally charged aquifers constitute vast storage reservoirs readily accessible to the land to be irrigated. There is already widespread exploitation of this man-made resource in the Indus plain and an enormous potential exists in the Gangetic plain.

Except the chapter on threats to the ocean ecology (which derive primarily from the richer industrial countries), the central message of the book is a further twist of the Malthusian argument. Whereas the relatively optimistic Malthus projected an arithmetical growth in food production independently of population growth, this book recites variations of a vicious cycle: to meet immediate needs for food and fuel, poverty-stricken people may destroy the very soil on which they depend for their future sustenance. This depiction is unfortunately accurate for many people and large expanses of the globe's surface. In terms of human misery and of the probable extent of irreparable damage, this process dwarfs the environmental damage wreaked to date by industrialism and affluent consumption. But is this all that needs to be said?

The lack of any quantitative analysis of the threatened environments in relation to the total food-producing capacity of the earth is a major omission. The present and potential food yields of the vulnerable areas are quite small relative to the world-wide production; perhaps one year's production from these areas is the equivalent to one or two years' growth in global food production. This should not be misinterpreted as an argument that the damaged and vulnerable areas are expendable in a cold geostrategic calculation. Rather, this perspective helps establish the priority of increasing yields in less vulnerable soils. Likewise, the population existing on the tenuous ecological bases is small relative to the world total. Fertility rates for the total population and the opportunities for migration from these bases will dominate their long-run prospects. Of course, in some countries the proportions both of people and of land affected by erosion are higher than the corresponding world averages.

To establish the broader perspective of population and agricultural resources and to recognize opportunities as well as dangers is essential for any program of action. Perhaps this partially explains the empty generality of Mr. Eckholm's advice for remedies. Who will disagree that poverty and population problems should be addressed as well as environmental hazards, or that the "only alternative at this stage of human history is to simultaneously meet this quandary at every point along its circumference, in an all-out effort to turn the negative chain reactions into positive ones"? When we are told that "those concerned with global ecological deterioration and its consequences have no choice but to throw themselves into the maelstrom that is the politics of social change," we might ask, which stream and in which direction does it flow?

One wonders whether Mr. Eckholm's book would be tactically more effective had he set his account of environmental destruction in this broader perspective. Will readers be motivated to specific remedial action, or will they be impressed with a seemingly hopeless prospect of altering the self-destructive course that man has pursued for millennia?

Ralph W. Hofmeister

Technology and development

Singer, H. W., **The Strategy of International Development: Essays in the Economics of Backwardness,** White Plains, N.Y., U.S.A., International Arts and Sciences Press, 1975, xvi + 248 pp., $20.

Ask any beginning student of economics to account for the growth in production in a rich industrial country and the reply will almost certainly be composed of three separate elements: growth in the size and quality of the labor force, capital accumulation, and technical change. Ask the same student to analyze growth in a poor developing country and the answer is more likely to focus on the rate of investment alone, constrained by some combination of scarce foreign exchange, low domestic savings, and a shortage of attractive investment opportunities. Why the difference? Why do we hear so little about the labor force and technical change in developing countries?

One of the chief interests of this collection of Professor Singer's essays, most of them written in the last few years, is what he has to say about technology and its impact on the problems facing the developing countries. Consider, for instance, Singer's comparison of Kenya and the United Kingdom. Because its population is growing so much faster, Kenya must find, per million of population, eight times as many additional productive employment opportunities as Britain in order to keep unemployment from rising. It must do this with roughly one fifteenth the investment resources. To have any hope of success, it is obvious that Kenya must find ways of combining labor and capital which are radically different from those applied in the United Kingdom. Differences in the distribution of jobs by sector do exist, of course, but they can be no more than a small part of the solution. Fundamentally, what is required is a lower rate of population increase or much more labor-intensive methods of production or, preferably, both.

Unfortunately the development of technology is dominated by the interests of the developed countries. Hence, very little effort is devoted to the development of production methods which would take advantage of the abundant labor resources of the developing countries. One can agree that this is an undesirable state of affairs without really being sure what—in practical terms—can be done about it. As Alex Cairncross notes in his introduction to the book, technological development is as much a consequence of the enterprise of businessmen as of the activities of scientists. As such it is not something easily influenced by direct state intervention, as distinct from indirect action through the system of rewards and penalties to which business responds. There is little prospect of altering this system in the industrial countries, but there would appear to be plenty of scope for "changing the signals" within the developing countries themselves by reducing subsidies on the use of capital and supporting restraint on the wage front. One misses a discussion of this subject in the book, though Singer does attack the irrelevance of much of the research which is currently carried out in the developing countries.

Apart from its extensive (and occasionally repetitive) treatment of issues relating to technology, the book also touches upon a number of other interesting topics. Singer's critique of those development models which narrowly emphasize capital accumulation and growth in per capita GNP is no less convincing for being by now quite familiar. His classic article on the distribution of gains between investing and borrowing countries is reprinted along with a recent piece which examines how that analysis would need to be modified in light of the experience of the 1960s. His observations on trade liberalization, the relationship between population growth and income distribution, and numerous other matters are always sensible and clearly argued, reflecting the author's vast experience and sound common sense. Because of its nontechnical nature, the book should appeal to the general reader as well as to the specialist who is interested in an intelligent introduction to the basic issues which the book explores.

Joseph Wood

Other books received

Boarman, Patrick M., and Donald G. Tuerck, **World Monetary Disorder: National Policies vs. International Imperatives**, New York, N.Y., U.S.A., Praeger, 1976, xv + 269 pp., $15.

Lelart, Michel, **Le dollar, monnaie internationale**, Paris, France, Editions Albatros, 1976, 192 pp.

Maurisson, Patrick (Responsable de la publication), **Cahiers d'économie politique**, Amiens, France, Presses Universitaires de France, 1975, 264 pp.

Rivkin, Malcolm D., **Land Use and the Intermediate-Size City in Developing Countries**, New York, N.Y., U.S.A., Praeger, 1976, xiii + 137 pp., $15.

van Doorn, J., **Disequilibrium Economics**, New York, N.Y., U.S.A., John Wiley & Sons, Inc. 1975, 96 pp., $4.95.

Vernon, Raymond, and Louis T. Wells, Jr., **Economic Environment of International Business**, Englewood Cliffs, N.J., U.S.A., Prentice-Hall, 1976, xii + 254 pp., $8.95.

A good thing?

Meister, Albert, **L'inflation créatrice**, Paris, France, Presses Universitaires de France, 1976, 310 pp., F 45.

Inflation is not a threat to democracy, argues this author; on the contrary, the creeping and insidious inflation of Western Europe is in some ways favorable to certain types of democracy. This paradox is defended by sketching out a very individualistic interpretation of current events and developments mainly based on the political and economic life of France, but applicable perhaps more generally to the whole industrialized world.

In brief, the author argues, democracy cannot be destroyed by inflation because it has been destroyed already. The democratic forms that still exist are largely a sham, hiding the true "transnational" organization of power, which is essentially nondemocratic.

The author illustrates this theme by examples rather than by proof and outlines a point of view rather than a theory. What he concludes from his review is that inflation may be the price that has to be paid for a new form of society. This society will have economic growth, and some form of increasing psychological integration of different social groups, and it will provide some satisfaction for its workers (who are also consumers). It will have many centers of power, and its key decisions will be taken in a series of agreements and compromises between its largely unpublicized managers and directors. There will be little chance for national parliaments or congresses to debate effectively, and still less to control, the decisions so secretly and obscurely negotiated, and still less to modify their consequences. Through inflation, the necessary shifts of social power will be effected as required.

That inflation indeed results in shifts of power—in the oppression of some groups and the enrichment, at least temporarily, of others—is clear enough, and that the "insidious" inflation in some countries may be as "revolutionary" as the hyperinflations elsewhere is also apparent to most of us. That the link between inflation and the growth of economic and political power by transnational capital organizations is of supreme and critical importance is the hypothesis that Mr. Meister explores. To keep our minds open to the possible ways of interpreting the sequence of current economic events, we should not ignore an essay such as this.

Ian Bowen

Emporiums of equity

Moreau-Neret, O., and others, **Les bourses de valeurs dans le monde**, Paris, France, BORDAS, 1975, xv + 534 pp., F 250.

Most families in the advanced industrialized countries invest in the stock market, either directly, or indirectly through pension funds, insurance policies, mutual funds, etc. In a modern economy the stock market is, first, a vehicle for transforming the savings of individuals and corporations into new capital for industry and public bodies, and second, a market for trading in previously issued shares, bonds, and government stock. In terms of volume the latter function is far more significant, but the two are complementary since investment in new securities depends in large part on their anticipated subsequent marketability.

A study of stock exchanges can adopt two, not mutually exclusive, approaches: first, the analytic, focusing on the role of the exchanges in the economic and financial life of the countries concerned; second, the descriptive, concentrating on the structure and organization of markets. The book under review falls squarely into the second category. It provides descriptive surveys of the stock exchanges of the EEC countries, the United States, Canada, Japan, Switzerland, Spain, and South Africa. The surveys include brief historical sketches tracing the development of the various markets from their rudimentary—not to say picturesque—beginnings (coffee shops of London, a bridge in Amsterdam, a sycamore tree in New York), to the complex computerized institutions of today. In addition there are sections on the structure of the markets, their rules and regulations, requirements for stock quotation, the mechanics of trading, functions of brokers, commissions and taxes, government regulation, and other information of the same genre.

With few exceptions no attempt is made to analyze the major problems facing stock markets, nor is there much on the future role of securities markets. Little is provided in the way of statistical data. A more substantive and systematic statistical appendix would have been useful, including data to show the importance of the stock markets in the financial life of each nation, the distribution of stock ownership, the volume of transactions relating to primary issues as compared to secondary market transactions, and the role of the markets as providers of funds for public bodies.

All in all, however, this is a useful and informative handbook for anyone interested in the structure and organization of the stock exchanges of the major industrialized countries.

Bahram Nowzad