

Review

Reviewed Work(s): *The Financial Development of India, 1860-1977* by Raymond W. Goldsmith; *The Financial Development of Japan, 1868-1977* by Raymond W. Goldsmith; *The Financial Development of India, Japan, and the United States. A Trilateral Institutional, Statistical and Analytic Comparison* by Raymond W. Goldsmith

Review by: Thomas Timberg

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Kuomintang; of the "China Lobby"; of missionaries and business people, newspapermen and the media; of the public, the Congress, and scholars; plus of course those of the State Department and the White House. It is worth noting that for slightly more than two hundred pages of text, there are one hundred and ten pages of footnotes, and that the footnotes are just as good reading as the text. They are such good reading, in fact, that it is awkward to have them at the end of the book rather than on the same pages as the text.

One of the more pernicious myths about the period is that there really was no American policy toward China, that events were merely allowed to drift. Tucker demonstrates, I believe, that this simply was not true, that Dean Acheson had specific objectives well developed, that officers concerned with East Asia had no serious differences with him, and that his influence with Truman was sufficient to restrain some of the president's more headstrong impulses. Recognition was never far below the surface during this time; certainly within the State Department everyone, with varying degrees of enthusiasm, was only waiting for the "dust to settle" before getting on with the inevitable business of recognition. It was the combination of external anti-recognition forces and the Korean War which brought a quick and tragic end to that design. The only question was one of timing. In that sense, the problem never came to a final answer; and those who protested publicly, as some did, that the problem had never been considered were only pandering to a nascent McCarthyism which still lay some three years in the future. Parenthetically, the perennial charge of policy drift never was true, although there were times when one could have argued where the greater influence lay.

I say all this knowing how easy it is to be brave and wise with hindsight. It is even easier to imagine that if only one thing had been done differently, all else would have changed. This is nonsense. We did what we did because we were what we were. The mechanistic notion of what happens when you move one piece on a chessboard may work in that game; it is folly and infinitely more complicated where people are concerned.

University of Guelph, Canada

JOHN F. MELBY

THE FINANCIAL DEVELOPMENT OF INDIA, 1860–1977. *By Raymond W. Goldsmith. New Haven (Connecticut) and London (England): Yale University Press. 1983. xv, 240 pp. US\$35.00.*

THE FINANCIAL DEVELOPMENT OF JAPAN, 1868–1977. *By Raymond W. Goldsmith. New Haven (Connecticut) and London (England): Yale University Press. 1983. xv, 231 pp. US\$30.00.*

THE FINANCIAL DEVELOPMENT OF INDIA, JAPAN, AND THE UNITED STATES. A Trilateral Institutional, Statistical and Analytic Comparison. *By Raymond W. Goldsmith. New Haven (Connecticut) and London (England): Yale University Press. 1983. xiv, 120 pp. US\$12.95, cloth.*

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THE VOLUMES UNDER REVIEW represent a careful accumulation of financial, asset, and production figures for the three countries concerned over the last century. They demonstrate the interrelations between the movements of these different data, as well as attempting to explain them. As such, they constitute one slice of a comprehensive economic history of the areas concerned, and will serve as a basic reference for those concerned with economic matters.

The study is not based on financial fundamentalism, in that it does not argue that the financial development was the cause of the real development charted in all three countries. It does use some of the concepts Goldsmith has developed elsewhere, to chart financial development—essentially ratios like that of financial to tangible assets, and new issues to total national income. Some of the jargon, as well as the algebraic formulations, may be daunting to non-specialists, but can easily be skipped without losing the drift of the discussion.

The statistical base for the study, particularly for the earlier period, is weak; but Goldsmith is conscious of this problem and steps warily while dealing with these early figures. There are a few definitional problems lightly brushed off, as that posed by the differing role of social insurance funds in the U.S. and the other two countries.

The volumes depict the basic features of development—the rapid modernization of Japan, the greater role of the government in India particularly in the post-Independence period, and so forth. It should come as no surprise that in India it is the government which accounts for a relatively large proportion of debt (and economic activity), whereas in Japan it is the private corporations, and that consumer and real-estate debt is most critical in the United States. Japan has a considerably higher rate of capital formation, and a larger proportion of that financed outside the corporate sector (essentially out of the surpluses of the household sector), than either of the other two countries. Only the United States has extensive institutions for consumer and housing finance. Agriculture has been declining in importance in all three countries; but it is worth noting that the debt burden on agriculture as percentage of income and land value has declined precipitously in India—confirming other empirical indicators.

Readers of *Pacific Affairs* who have made detailed studies of many of the aspects with which Goldsmith deals, perforce in a summary fashion, may have various objections to enter; but most would consent to the broad-brush strokes. My own recent work on informal urban credit-markets in India, for example, would lead me to question Goldsmith's ready dismissal of them in his treatment of the latest period. His figures only include the most carefully monitored sectors of that market. I would estimate that, including trade credit, they account for about a third of the liabilities of Indian private-sector firms. This figure has been buoyed on the one side by bank credit stringency for non-priority sectors, and limited by several regulatory moves. But this does not gainsay Goldsmith's basic point about the growing importance of institutional finance and intermediation in India.

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Goldsmith's comments on page 23 of the comparative volume, which are squarely aimed at specialists in India, are likely to provoke some response. He explains the observed differences between Indian and Japanese economic growth by the higher rate of capital formation in Japan, and to some extent by "cultural factors"—which he accuses "cultural anthropologists" of understating. In reverse, he does not (as do many recent writers) credit arguments that Imperial government policy was critical.

In sum these volumes will be important for anyone who tries to understand the characteristics of modern economic growth and the institutional features that accompany it, and they provide a necessary data-base for further work on financial development.

Washington, D.C., U.S.A.

THOMAS TIMBERG

NEWSPAPERS IN ASIA. Contemporary Trends and Problems. Edited by John A. Lent. Hong Kong, Singapore and Kuala Lumpur: Heinemann Asia (distributed in North America by Heinemann, Exeter, New Hampshire). 1982. xxiii, 597 pp. US\$17.50, paper.

FOR THE STUDY of the modern history and contemporary affairs of Asia, we have to rely on documentation provided by periodicals and newspapers. The political, economic, and social conditions under which these are published do much to shape their contents. While the Asian periodical press has yet to be analyzed, an important advance has been made in this study of newspaper publishing in Asia. The editor, John A. Lent, has himself done much of the pioneering work in the field.

The book brings together twenty-five country studies, covering every nation in Asia except North Vietnam. The studies have been grouped by region. The first section of each regional grouping begins with a discussion of the extent of freedom of the press in the region. Regional divisions, in turn, are preceded by discussions of some of the general problems faced by most Asian countries—such as level of technology, newsprint supply, personnel, market in terms of purchasing power and literacy, and news agencies. Generally speaking, the period covered is the late 1960s through the 1970s.

The editor intended that each country study follow a common format, covering history, functions and organization, ownership and control, economics of the press, market, and contents of newspapers. Because of varying conditions in the different countries, and the different ways that contributors have interpreted their task, this format has not been adhered to in every case. Moreover, it would appear that the studies were written for a work to be published in the mid-1970s. As a remedy, the editor has updated all the contributions (except that on Pakistan) to the end of the 1970s.

The study of the People's Republic of China is dated 1974, with an update through 1979. It discusses the roles of the Party and "non-Party" press, and the commanding position of the *Jenmin jihpao* (People's Daily)—a status which was challenged by local newspapers during the Cultural Revolution, but has been restored in the years since. The press