industry and agriculture" (*Comparative*, p. 1), but their study does not give notable attention to specific actions that might in fact achieve these objectives.

Still, it is precisely the pursuit of these objectives which is essential, and perhaps imminent, in Taiwan and Mexico. They are very important for Brazil and the Philippines, but their adoption may be much farther away. In India these important directions for policy can today be more nearly identified with political leadership than with the official planning authorities and their economic advisers, at least prior to India's new planning arrangements of mid-1971. Whatever the hope that might have been justified for Pakistan's economic growth in the late 1960's, today that hope is quiescent; it awaits the establishment of the internal interdependencies without which national development is impossible.

The truth is that the OECD editors have indeed tackled the problem of industry and trade, but not the problem of economic growth also. Liberalization of import-substitution policies, generally along the lines consistent with their recommendations, has made faltering beginnings in some of the countries studied. The prospects for progress through these measures are not favorable, for industrial encouragement must operate in the midst of a meaningful total economic development effort. The OECD editors do not do justice to the important insights which some of their consultants for individual country studies provide on this necessary intermingling.

For the 1970's, growth tools will continue to feature import-substitution industrialization, as they will net resource transfers from abroad. If the record of the 1970's is to gain upon the past, the old tools—improved, perhaps—will need to rest on programs geared to greater use and more efficient use of indigenous resources, especially of labor. Greater regional and structural interdependence must find a respected priority in the goals and the actions for persistent economic expansion.

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Over the years, the Development Centre of the Organization for European Co-operation and Development (OECD) has produced many modest and competent studies. On the surface, these six volumes appear as modest, competent additions to that collection. Indeed, a mini-review might run as follows.

This series comprises case studies of six countries (Brazil, India, Mexico, Pakistan, The Philippines, and Taiwan) concerning the processes, policies, and problems of industrialization in the less developed countries (LDC's) plus a Comparative volume assessing the general directions and distortions of LDC industrialization and trade policies during the 1950's and 1960's. The case studies vary in size from 124 pages for the Philippines to 511 for India, but all contain a common core: a description of changes in industrial structure since World War II and an attempt to assess the influence of industrial and trade policies on that structure. The authors display their individuality—digressing into closer examination of particular sectors, public-sector industry, and the influence of foreign aid—but the methodology is essentially uniform; analytically, it consists of measuring the extent of import substitution in industry and estimating the rates of effective protection awarded by tariff and import-licensing policies. The thrust of the series is also uniform, as the Comparative volume makes clear: Although rates of growth of manufacturing have been high (ranging, over 1950–1956, as conventionally measured, from 4.9 percent per year in India to 13.5 percent in Taiwan), LDC policies have excessively and inefficiently encouraged import-substitution and industry at the expense of exports and agriculture.

Such a review is, I think, fair and accurate, but it totally misses the drama of the current warfare between rival strategies of economic development. For a quarter century, LDC development policies have been directed by the proponents of import-substitution industrialization (ISI)—with their shibboleths: balanced growth, big push, backward linkage, comprehensive planning, self-sufficiency, and infant economy. In the process, nearly all the precepts of static economic efficiency have been discarded—a loss unmourned, and often unnoticed, through suspicion of markets, hope for more rapid growth than efficiency can promise, concern for some kind of dynamic rather than static efficiency, and perceived constraints on the LDC's abilities to utilize first-best policy tools. The Cassandras of efficiency have long warned against this approach, but it has until now been more a matter of theoretical curse than empirical duel. The OECD series represents one of the first full-scale battles between the two schools; although it would be a drastic oversimplification to declare (or, indeed, to expect) a winner, it is now clear that the ISI juggernaut has been slowed.

It is not the logical foundation of ISI that is under attack. Indeed, if one believes that the international trade mechanism is cyclically and secularly inadequate to the LCD's' needs, then growth does imply accelerated industrialization. The attack occurs on three other fronts: One, "extreme export pessimism" (*Comparative,* p. 231) is held to be untenable, although it may be self-fulfilling since ISI policies display anti-export bias. Two, even autarkic development requires growth in agriculture as well as industry, whereas ISI policies yield anti-agricultural bias. And three (the most fully developed theme in both the individual country studies and the Comparative volume), in its concern for industrialization, ISI pays too little attention to the composition of the industry it encourages. One study labels it the "Orwellian" dilemma (*India,* p. 288)—if all industry has priority, how can the government decide that some industries have more priority than others? That these six countries have mostly failed to solve this dilemma is the persuasive argument of these books—the new passwords being ad hoc, red tape, X-inefficiency, industrial dualism, "quantitative restrictions," law of similars (or indigenous availability), and negative value added.

Fortunately, the hundreds of pages are not aimed solely at recrimination. A positive policy for efficient development emerges, implicitly throughout the case studies and explicitly in the Comparative volume. The some-of-the-most-developed-countries-are-largely-agricultural overtones, condescendingly trumpeted in many of the earlier works of the efficiency school, are muted. Although agriculture must not be discouraged, the creed now recognizes that "there may be some reason for favoring industry" (*Comparative,* p. 114); several authors give ground to the ISI forces even less grudgingly—for example, "the most important reasons for intervention to promote industry are based on dynamic considerations, and involve sacrificing maximum allocative efficiency now in order to shift to a structure of production which will permit increased income later" (*Brazil,* p. 185). But such intervention must resist the promotion of inefficient industry together with the efficient, and must induce the promoted industries to be outward-looking. The policy prescriptions are basically the abandonment of direct controls, lower and more uniform tariffs, and more realistic exchange rates.

The creed is convincing and its dictates simple. But widespread adoption is not imminent. For one thing, the longer a nation has sinned, the more difficult is the conversion. This may be good news to the African nations which have hardly started to sow their ISI oats, but announcement that "the transition to a more open economy is not an easy one" (*Comparative,* p. 389) heartens few other potential proselytes. Furthermore, a religion that promises its pie in the sky by and by must be prepared for extensive backsliding among converts. Indeed, there are in these studies many such tales of periodic, partial, and abandoned movements toward liberalized economic policy. The authors conclude hopefully: "It is significant that, despite the difficulties, these countries have thought the attempt worth making" (*Comparative,* p. 389). More appropriately, the political systems of most LDC's are so fragile and the array of political forces so structured that reversal of any liberalization movement is inevitable.

There is also a bigger question: Is this battle between efficiency and ISI no more than a border scuffle in the war on poverty? The OECD studies relentlessly lash ISI policies for the LDC's' slow agricultural growth, inadequate increases in urban employment, high manufacturing profit rates, and regionally concentrated industrial expansion. The case is well made. In the end, it is impossible to doubt that ISI policies have "aggravated" (*Comparative,* pp. 6, 8) these problems, but these books are wrong to give the impression that adoption of liberal, market-oriented, efficient economic policies will have much to do with their solution in anything less than the longest run. Efficiency and ISI are alike in their belief in growth per se as the key to the LDC poverty problem. Growth is certainly important, but this does not excuse the books for their neglect of the problems that growth, efficient or inefficient, can at best slowly ameliorate. Let me give three examples.

In the study of India, there is almost no discussion of industrial employment in the half-thousand pages on industrialization. Early in the book, we learn that urban, open unemployment was between four and five million by 1961, about one fifth of total manufacturing employment at that time. But only desultory references to the problem occur thereafter, though the authors are quick to chide the government's "hostility" to automatic textile looms on employment grounds (*India,* p. 338). Only in the Brazil and The Philippines studies can there be said to be any evidence at all about the causes of unemployment; yet the Comparative study does not hesitate to indict ISI policies as "an important explanation of urban unemployment" (*Comparative,* p. 82). The hint that liberal policies would dramatically redress the situation is unwarranted.

The treatment of income distribution provides a second example. Even if ISI has "aggravated" inequality, would an unleashing of market forces do sufficiently better? Mexico, which wins second place (of the six) for efficiency-oriented policies, has one of the most inequitable income distributions in the world. The Mexico study admits the distribution to be "extremely unequal" but maintains that to harp on it would be "too critical"; it immediately continues: "By any standards, Mexican economic performance has been very impressive" (*Mexico,* p. 150). By *any* standards?

Finally, and more topically, turn to the regional problem that torments Pakistan, as (less violently) it does most industrializing LDC's. The Pakistan study devotes a chapter to the issue, concluding that industrial growth has concentrated around Karachi because, under ISI policies, it was "particularly crucial" to be "close to the centre of decision-making" (*Pakistan,* p. 153). Yet, in the heyday of ISI-type licensing and direct controls in Pakistan, the evidence in the study shows a relative decline in Karachi's dominance of large-scale manufacturing (*Pakistan,* p. 152). To their credit, these books do not imply that regional equality will be greatly promoted by more liberal economic policies; to their discredit, they largely ignore the problem. In Mexico, "the Government has done remarkably little" (*Mexico,* p. 109); in Brazil, the problem is "common to other countries . . . and therefore to be expected" (*Brazil,* p. 168); most ironically, while the Pakistani government "has committed itself to removing the disparity in the level of per capita income between the provinces, concrete results in these directions have not yet been achieved . . ." (*Pakistan,* p. 159).

If the series is not lavish in its treatment of the relationship between growth and the other goals (constraints?) of development, it certainly does not shortchange its principal thesis: efficient growth is potentially more rapid than ISI growth. The theory is extensive, persuasive, and simple—almost by definition, if ISI policies distort the static efficiency criteria and achieve no decisive dynamic offsets, liberal policies would increase the growth rate. Since most of us would like to applaud this thesis, I only wish the empirical evidence were stronger.

India, for example, is the worst ISI sinner of the group. At various points in the study, Indian economic policies are labeled "bizarre, nonsensical, wasteful, ad hoc, ill-designed, and dismal," and are indicted for "perverse rules, inflexibility, delays and corruption, lack of coördination, lack of economic criteria, vague notions of fairness, and excessive detail" (*India,* pp. 232, 273, 290, 308, 312, 321, 326, 335, 413, and 414). In sum, "Indian economic policies in the industrial sector degenerated into an extravagant display of bureaucratic controls and restrictions, with these means turning into de facto ends" (*India,* pp. 7–8). But poor, misguided India still grew at nearly 4 percent per annum in the 1950's, "2 to 3 times as high as the rate recorded earlier under British administration" (*India,* p. 65); only in its Third Plan, when a "shift towards more efficient policies was to become apparent" (*India,* p. 8), did the real net national product (NNP) growth rate fall below 3 percent (*India,* p. 62).

Pakistan at first appears more convincing. With ISI-type industrial policies in the 1950's, its per capita GNP failed to rise; but in the 1960's, with a shift in policy "away from the strict rigidities of the system," real per capita GNP grew at more than 2½ percent per annum (*Pakistan,* p. 26). The study itself suggests that the correlation is misleading. The industrial policies of the 1950's are declared "neutral," and the industrial structure was "not grossly distorted by economic policy variables"; only in the 1960's do there appear "differential incentives among industries" which begin to encourage "inappropriate" industries and technologies (*Pakistan,* pp. 112, 113). But do industrial policies matter? According to the study, "the key" to the more rapid growth rates of the 1960's is agriculture (*Pakistan,* p. 167). How much actual quantitative impact can liberal economic policies have on growth if, by weight of arithmetic, growth is largely determined by agricultural performance, and agriculture in turn by "unplanned" (*Pakistan,* p. 125) and largely exogenous Green Revolution changes that have little to do with the efficiency-versus-ISI controversy? Perhaps a subsequent series on agriculture is needed to really show the costs of ISI.

Only Bergsman empirically attacks the question of the costs of protection. His estimate for Brazil is only 1 percent of GNP for resource misallocation, although 7 to 9 percent is attributed to X-inefficiency and monopoly profits (*Brazil,* p. 178). These figures are not trivial, but they are small in comparison with his other estimates of Brazilian distortions: removing the biases in factor prices would "increase production workers employed by perhaps 130 per cent" (*Brazil,* p. 162); and even in industrial sectors so old and well-established that imports were small by 1949, the rates of effective protection range from 72 percent to 6,710 percent (Brazil, p. 105).

But how about the "good guys"—surely their efficient policies can be shown to have caused their growth? The Mexico book concludes: "In much of this success, Mexico has frankly been lucky" (*Mexico,* pp. 150–151). And the description of Taiwan, whose real per capita GNP growth rates are more than twice any other of the countries studied, sometimes sounds like that of India. At various points in the book the "unfavorable investment climate, organizational and technological backwardness, and fantastically large differences between domestic and world prices" are noted; government policies are chastised for "arbitrariness, and excessive red tape"; and, horror of ISI horrors, "in general, it is through industrial licensing that the development of private industries has been guided" (*Taiwan,* pp. 182, 183, 202, 205, 209, and 210).

The analytical case for efficiency, sprinkled through the case studies and admirably expounded in the Comparative volume, is very convincing; why, then, is the empirical case not equally so? I think there are two basic causes: the difficulty of measuring the impact of direct controls, and the reliance of the studies on effective protection.

The inefficiency that results from a network of direct controls depends on the resources absorbed in the operation of the control system and the extent to which the directed allocations differ from the optimal allocations. There is no precise correlation between this inefficiency and the controls themselves. And yet, the attempted measurement of the inefficiency inevitably depends upon a description of the control system with all its complexities and contradictions. Even worse, the implicit assessment involved in this description is highly subjective. Thus, we are left with vague notions that Taiwan's controls have managed "to enlist private initiative instead of stifling it" (*Taiwan,* p. 189); that Brazil was saved by the "flexibility" of its administrators, who "worked intimately" with the private sector (*Brazil,* pp. 79 and 81); that Mexico thrived because, despite its "cumbersome and inefficient" administration, the situation in other countries was "far worse" (*Mexico,* p. 59); and so forth. As long as it is impossible to measure the costs of controls, a large part of the case against ISI suffers from a lack of evidential foundation.

Much less inevitable is the other source of empirical weakness, the reliance on measurements of effective protection for evidence of the distorting influence of policy on the industrial structure. Part of the problem is that the actual estimates all seem to be preliminary and/or incomplete versions of a World Bank study. As a result, at this critical empirical juncture, the methodological uniformity breaks down; in some of the studies, the domestic price is assumed equal to the cost, insurance, and freight (CIF) price plus tariff (that is, only the effective protection due to tariffs is calculated) while in others the actual domestic prices are used. This distinction is not trivial—in Pakistan, more than half the total effective protection is due to nontariff factors, and in India the fraction is around three fourths. Furthermore, most of the estimates still lack a concept of an equilibrium (as opposed to official) exchange rate.

Throughout the effective protection calculations, one searches for a meaningful distinction between success (Taiwan and perhaps Mexico) and failure among the six countries. To some extent, the protection measures help; Mexico and Taiwan do display the lowest average effective protection rates (although, in the Taiwan but not the Comparative book, Taiwan's average effective protection is awkwardly near a strange bedfellow, The Philippines). But more impressive is the extent to which the domestic prices in Taiwan and Mexico were observed below world (CIF or FOB) prices plus tariff. For Taiwan in nearly half the manufactured products examined, and for Mexico in more than half, the potential nominal tariff protection was not being exploited (*Mexico,* p. 130, and *Taiwan,* p. 257). This suggests that the measurement of potential effective protection due to tariffs alone is only the beginning of analysis, and that the mere measurement of actual, over-all effective protection is a substitute for analysis of the factors behind that protection. In short, the correlations between effective protection and the evolving industrial structure are impressive, but such correlations provide little explanation or evidence of the causal process involved.

Reliance on effective protective calculations also means that other forces shaping the industrial structures end up with desultory, non-analytical treatment. The reason is obvious: for effective protection, there are generally accepted computational procedures (though what is being computed is less clear). For aspects of policy other than trade controls, no such neat methodology has been developed. But I suspect that, in the end, economists will agree that LDC industrial structures have also been significantly affected by differential credit allocation and domestic tax treatment. Yet, development banks and tax holidays are cursorily and descriptively treated in this series.

In a sentence, growth and efficiency are not everything, and the calculation and interpretation of effective protection is not a complete assessment of import-substitution industrialization. But growth and efficiency are very important, and effective protection tells a lot; and these books are certainly the best available for making these points. The Comparative volume will be, and should be, used as a general textbook on the dangers to LDC's of neglecting efficiency. The series is doubly timely. While efficiency-ignoring ISI strategies are already on the intellectual defensive, they are surprisingly resilient—as such new corollaries as inter-LDC free trade areas and exporting-at-any-cost attest. And LDC policy-makers, long deluded by the tempting path of ISI, are only beginning to glimpse its awkward corner.

The OECD Development Centre is to be congratulated, both for stimulating these investigations and for the excellent choice of authors. Old ideas die slowly, and only the massive accumulation of such analytical, empirical, and institutional studies will gradually assure recognition that efficiency is a resourceful ally and a relentless foe.

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INTERNATIONAL RELATIONS

JURAJ ANDRASSY. *International Law and the Resources of the Sea.* Pp. xviii, 191. New York: Columbia University Press, 1970. $7.50.

Three crucial and timely problems relating to the resources, international order, and development of the ocean floor are the concerns of Professor Andrassy. First, there is the problem of rapid developments in ocean technology, which will soon make it feasible for many developed nations to exploit natural resources in the depths of the seas beyond the continental shelf. If these developments continue, Andrassy points out, the results will lead to conflict and eventually to an inequitable division of sea bottom and subsoil wealth.

Second, Andrassy considers the problem of establishing the limits of the continental shelf in geological and legal terms. The precise point at which the continental shelf ends and the ocean floor begins has been a continuous concern of scholars, and the 1958 Geneva Convention on the Continental Shelf leaves this question legally vague and subject to various interpretations. The Shelf Convention states that nations are to have rights to the sea bed and subsoil of the continental shelf to a depth of 200 meters or beyond, as the waters admit to exploitation. The possibility of unlimited national claims on the continental shelf—which, as technology advances, could be broadly defined to include much of the ocean bottom—presents definite problems. Andrassy proposes two possible solutions. First, efforts could be made to narrowly construe Article I of the Geneva Convention on the Continental Shelf through individual or collective national pronouncements or through a declaration by the United Nations General Assembly. But in order to ensure precision, Andrassy favors a formal revision of the Shelf Convention (p. 90). He proposes a minimum seaward limit to the shelf of 30 miles and beyond this point to a depth of 200 meters (p. 118).

After devoting the first seven chapters to the problems of technology and delimiting the continental shelf, Andrassy addresses his third basic concern—the alternatives for a sea regime in the areas of the ocean floor beyond the continental shelf. This sea regime is to be formalized in such a way as to exploit the sea bed for the common use of mankind. Andrassy, however, does not make a definite proposal. He merely suggests that a regime should be instituted which will eventually lead to the establishment of an international agency (p. 168). The sea regime proposal of the Center for the Study of Democratic Institutions is reviewed as a possibility but is not endorsed.

Andrassy's judicial treatment of continental shelf problems is easily understood. Many fine points of legal construction are reviewed. The book is also well documented with references to various official government and United Nations sources. The book's primary inadequacy is that it lacks a political dimension. It contains very little political analysis of individual national positions on the shelf and sea bed. This is a critical defect because any useful proposal for a new sea regime must be devised in view of political realities.

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HANSON W. BALDWIN. *Strategy for Tomorrow.* Pp. 377. New York: Harper & Row, 1970. $12.50.

This is by far the best "review" or "survey" of national security policy issues current available. The student, particularly, will find this an excellent starting