

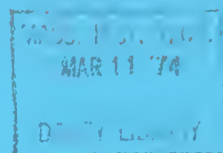
LIBRARY
OF THE
MASSACHUSETTS INSTITUTE
OF TECHNOLOGY



Digitized by the Internet Archive
in 2011 with funding from
Boston Library Consortium Member Libraries

<http://www.archive.org/details/pooroldcapitalis00doma>

**working paper
department
of economics**



POOR OLD CAPITALISM

Evsey D. Domar

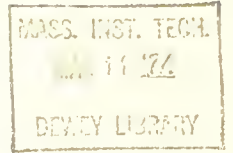
Number 124

January 1974

**massachusetts
institute of
technology**

**50 memorial drive
cambridge, mass. 02139**





POOR OLD CAPITALISM

Evsey D. Domar

Number 124

January 1974

POOR OLD CAPITALISM

by Evsey D. Domar

Massachusetts Institute of Technology

I

For a teacher of Comparative Economic Systems the publication of The Capitalist System: A Radical Analysis of American Capitalism by Edwards, Reich and Weisskopf is a windfall: it presents him with five hundred and forty pages of radical attack on capitalism all in one place, including passages from Marx and Engels, Polanyi, Dobb, Baran and Sweezy, Mumford, Gintis, Fromm, Bowles and others.¹ The three editors wrote brief introductions to each chapter and to each selection and contributed several articles of their own. Most of the material is non-technical and well written; it should be accessible to any intelligent undergraduate and lay reader.

An ordinary book of readings is essentially a pedagogical tool. Its editor need not agree with, nor be held responsible for the views and conclusions presented in it. But this is no ordinary book of readings. It presents only the radical point of view. The introductions written by our editors gave them ample opportunity to state their disagreements, if any, with the contributors.² Hence the reviewer has the right to treat the book as an integrated work and to hold the editors responsible for its content.

Nevertheless, if the book's subtitle was A List of Evils of the American Economy or something like that, I would not quarrel with it; I might even suggest a few extra ones. But what provoked me was the word

Analysis in the subtitle. Now, I thought, our radicals will analyze the causes of capitalist evils and show that they are indeed produced by capitalism. Unfortunately, my high hopes were disappointed.

II

American capitalism is charged with six principal evils: inequality, alienation, racism, sexism, irrationality, and imperialism, plus a number of lesser ones. But before discussing them, let me make a few general comments.

An analysis of capitalism, like any analysis, can be expected to consist of two parts: first, a logical formulation of a hypothesis showing how this or that evil is caused by capitalism, and second, an empirical testing of the hypothesis against the reality of capitalist and non-capitalist systems.³ There is no shortage of logical formulations, of different degrees of plausibility, in the book. But there is almost a complete absence of any empirical verification.⁴ The evils being both complex and not easily quantifiable, the authors (that is, the editors and the contributors) could not be required, at least at this stage, to come forth with a battery of regression equations, but surely, as a first step, they could have made an attempt to examine historical trends and to establish the presence or absence of each evil in other capitalist and non-capitalist countries. In particular -- most fortunately for this attempt -- there are now several socialist countries, some of them quite advanced and most of them sharing our common cultural background. On one of them -- the Soviet Union -- there exists a large literature in English, while the others have not been neglected either.

But no comparisons of any importance are made in the book. We

discover that there is not a single socialist country in the world! The Soviet Union and the other East European countries are referred to as "state socialism" (pp. 4, 277, 281, 362, 524-25) or as "so-called socialist." (p. 277) They are treated with disdain and together with the state-capitalist countries (England, France or Sweden) are declared not to be "model societies of socialism to be emulated." (p. 4) Worse than that,

... The state socialist countries of the Soviet Union and Eastern Europe are to true socialism what 'the monsters of the paleolithic era are to present animal species: clumsy, abortive, prototypes.' (p. 4)

If countries which regard themselves socialist have turned out to be something else, surely an explanation is in order. Since none is provided in the book let me suggest two alternatives:

(1) Lenin, Stalin and, by implication, all other socialist leaders, including Tito and Mao, never intended to build socialism.

(2) They did try, but failed miserably, ending up with "paleolithic monsters" in fact.

I will leave the choice and the consideration of the sad implications of each alternative to the reader.⁵

Terminological arguments are of course fruitless, and I would not have started this one if our authors were consistent. But they are not. Thus we read in the book about "a powerful socialist sector of the world;" (p. 55) about "socialist revolutions -- in Russia, China, Cuba;" (p. 358) and about "opposition from the socialist world." (p. 409) There are "successful socialist revolutions," (p. 418) "development of socialism,"

(p. 418) and "rise of socialism," (p. 424) and there is the "military strength of the socialist camp." (p. 425) So socialism does and does not exist at the same time and place depending on the need of the argument.

But whatever these countries are, they are not capitalist. Our authors' failure to investigate whether capitalist evils exist there as well places every statement in the book under suspicion of being a half-truth at best, like a savings bank's claim that it pays the highest rate of interest allowed by law. This difficulty is not removed by the authors' explicit disclaimer that "all forms of oppression are a result of capitalist institutions" (p. 5) and by their assertion that "the elimination of basic capitalist institutions is necessary, though not sufficient, to eliminate the oppressive problems of the modern world." (p. 5) At best, such face-saving afterthoughts leave the question wide open. At worst, they are grossly misleading.

III

The Six Evils cover so much ground that only a few comments on each can be made in my limited space. I will try to avoid factual disputes -- there is not much serious factual information in the book in any case -- and will concentrate instead on the analysis of the arguments presented and on comparisons, whenever possible, with socialist countries and particularly with the Soviet Union.⁶

Alienation. In simple English this word means that workers are dissatisfied because they neither own nor control the means of production, do not participate in decisions and are compelled to perform repetitive and meaningless to themselves tasks. Since this dissatisfaction is a state of mind, it is not easily quantifiable and sources differ on its

importance and extent.⁷ Our authors are sure that it affects very large numbers of workers. If so, it is rather strange that labor unions have shown so little interest in mitigating it. Perhaps they find that dissatisfied workers make good union members. In any case, one would expect that a book of this kind would devote at least one long chapter to the analysis and criticism of union policies. But except for a few scattered remarks, little criticism of unions and even of the racial policies practiced by some of them is found in the book.⁸

With the exception of Yugoslavia, workers do not own and do not control the means of production in the socialist countries either. With similar technology, they are also engaged in repetitive and uninteresting work. Socialist enterprises are also organized in a hierarchial manner, with the managers (directors) wielding great power. That some dissatisfaction exists among Soviet workers as well is confirmed by the recent publication of at least two serious Russian books on the subject.

[Osipov, 1966; Zdravomyslov, 1970]

Nevertheless, I would expect Soviet workers to be less alienated than ours basically because of the chronic existence of excess demand. The producers (including workers) are less concerned with pleasing their customers by the proper assortment and quality of goods. They are also less concerned with profits. Hence, there is less pressure on the workers and greater job security, reinforced with usage and legislation. From his own experience with shortages, the worker may derive a feeling of accomplishment from increasing his output without endangering his job. The enterprise's welfare and cultural activities, particularly important in an economy of scarcities, create an additional bond. And of course he is

told time and again that profits, far from enriching capitalist exploiters, are put to social use.

But these are a priori considerations which may or may not be true. Strangely enough, Herbert Gintis, one of the contributors, has already decided that the "so-called socialist" worker is not any better off than his capitalist counterpart because of the similarity of their basic economic institutions. (p. 277)

In any case, much of what the Soviet man gains as a worker he loses as a consumer. It would be possible to eliminate alienation in any society by the simple expedient of allowing each worker to produce whatever he wants irrespective of consumer desires. Our authors do not suggest this extreme solution: in their ideal society (see Part IV below) workers' and consumers' preferences are reconciled by some unspecified mechanism, but their sympathy, like that of socialists in general, is for the worker. For the consumer they show little more than contempt (see below). But it is curious that in the university -- one of our few organizations where the workers, i.e., the professors, do make decisions -- our radicals call for more power to students, that is, to consumers! It is also strange that our authors show little interest in and no sympathy for the one country -- Yugoslavia -- where workers have more decision power than in any other. It seems that Yugoslavia cannot be forgiven for her use of the market mechanism and of profits. (pp. 483, 525-27)

Irrationality. This big word means that our economy produces the wrong assortment of goods and services. To the extent that this assortment is determined by the existing distribution of income and wealth, I believe that our authors have a good point, as they have regarding the

composition of government expenditures (although neither they nor myself have proof that our views are shared by the majority of the American electorate). But here our ways part.

If in the old days (and even in days not so old) capitalism was blamed for unemployment and for the exploitation of workers, (pp. 50, 71, 465-67) now it is accused of depriving workers of any joy from work and thus forcing them to become addicted to consumption as the only pleasure in life. This is called "Consumerism." It is treated with so much disgust (pp. 22, 369-70) that the old-fashioned exploitation might have been a lesser evil.

Consumerism exaggerates the importance of material things; the addicted workers buy millions of useless objects which they do not need and do not even enjoy. (pp. 362, 376, 391, 404) Unfortunately, the lists of these useless objects and of the stupid consumers who buy them are not provided. (Presumably, our authors are innocent of these offences.) It takes a remarkable intellectual arrogance, reminiscent of the old aristocratic contempt for the "lower orders" to hold this position. (pp. 20-21, 268, 376) We may expect that after the Revolution, the production of objects of which our authors disapprove will cease.

The mechanism that creates "artificial desires" to be satisfied by "useless objects" is advertising.⁹ (pp. 283, 362, 369, 376, 378, 381) But advertising is merely an instrument. The real cause of irrationality (and of many other capitalist ills) lies in the profit motive. (pp. 90-91, 99-106, 161-66, 274, 363, 383-86, 410-11) Goods are produced for profit, not for use.

A few years ago a Soviet manager of a trucking firm was publicly

castigated for using plan fulfillment as the criterion for ranking his shipments. The manager recognized his error and promised to mend his ways. But neither he nor his critics ever indicated how he, a mere trucking boss, could possibly rank his shipments in order of their marginal social utility, as his critics (implicitly) demanded.

The literature on the defects of profit maximization as an allocational device can fill a library, and yet through some fifty years of searching the socialist countries have not discovered a better alternative.¹⁰ Nor do our authors offer any. They are completely unconcerned with the problem of transforming a given social objective into micro-decision rules.¹¹ It does not even occur to them that if their publishers, a good capitalist firm, had tried to maximize social welfare according to their own capitalist lights, rather than to make profits, they would not have published this book.

Inequality. The facts are not in dispute: American income distribution is highly unequal, and that of wealth is even more so, as confirmed by several standard tables in the book. For some reason, a well-known table from the Historical Statistics of the United States showing a considerable improvement in income distribution between 1913 and 1948 is not presented. But the book does contain a table (10-H, p. 445) indicating a more equal distribution of income in this country than in a number of others.

The authors missed a good debating point by their failure to compare income distribution of capitalist and socialist countries: according to two recent studies in the latter it is more equal.¹²

Granted that, the practical question is whether the effective functioning of the capitalist system requires as much inequality as is actually observed. Only social experimentation can definitely answer this question,

but judging by the experience of other advanced capitalist countries a considerable movement toward equality is not likely to ruin us. Rather unexpectedly, the book arrives at the opposite conclusion:

... The capitalist mode of production is characterized by a serious conflict between income equality... and economic efficiency... A high degree of income equality could be attained in a capitalist society only at a very high cost in productive efficiency. (p. 128)

A number of such passages are found in the book. (pp. 127-28, 208, 249, 371) Soon they will be quoted by business speakers. Imagine the delight of their audiences when they learn the source!

There are two common objections to the concentration of income and wealth: (1) If the rich have more, the poor have less, and (2) wealth conveys power. It is not quite clear why our authors should be concerned with the first objection. They emphasize the diminishing utility of income (pp. 284, 381) and the lack of connection between income and happiness; (pp. 284, 362) they oppose economic growth; (pp. 284, 371) they deplore the interest in material things and consumerism in general.¹³ If higher incomes for the poor will merely increase their addiction to consumerism without making them any happier why bother about it at all?

It should be possible to eliminate the power of the rich by depriving them of their riches, but it would be much more difficult to diffuse their power. The absence of large stockholders would enhance the power of corporate managers, and the nationalization or public control of corporations would transfer the power to the government, even to one headed by Nixon and worse, a familiar problem in the socialist countries.

Racism. Again, the facts are not in dispute. Only the blind would deny the existence of racism in this country.

In my limited space, it is difficult to say much about this complex problem without repeating the trivial and the obvious. A narrow definition of racism would single out three countries: the United States, South Africa and Rhodesia -- all capitalist. But there is much less racism in capitalist Latin America, and particularly in Brazil. On the other hand, it is present in semi-socialist India and in pre-capitalist Africa. If the definition of racism is to include the dominance by specific national or ethnic groups as well, there is no shortage of it in the Soviet Union, Rumania, Yugoslavia and probably in China. Competition for jobs, particularly in periods of unemployment, should make capitalist countries more vulnerable. On the other hand, if capitalists are as determined to maximize profits as they are described in the book, why should they bother to discriminate? Indeed, The Netherlands, the most money-minded country in the XVII century, was also the most tolerant. The Dutch discovered that discrimination interfered with business.¹⁴

Perhaps it would be more fruitful to leave these generalities and inquire instead into the beneficiaries of discrimination.¹⁵ Traditional wisdom, speaking through Gary Becker, (1971) names white workers and black capitalists (such as there are). Edward Reich, in a refreshingly interesting paper on "The Economics of Racism" (pp. 313-21), by far the best in the book, blames white upper-income groups.¹⁶ Paradoxically, both may be right.

If white capitalists refuse to hire black workers, as Becker assumes, his conclusion follows. But most blacks in the labor force are employed. They are employed, however, in low-paid occupations.

Let us assume that all occupational differences between whites and blacks are caused by discrimination. When that is gone, the occupational structures will (eventually) become identical. Then the low-paid white workers will gain because of the upward movement of many of their black competitors, while the high-paid white workers will lose. If our assumption covers the distribution of wealth as well, black capitalists will gain at the expense of the white. Thus it is the high-paid white workers and capitalists who gain from discrimination, as Reich suggests.

But all this after many years. In the meantime, the burden of equalization will fall on white semi-skilled and even some unskilled workers, long before it reaches high-paid professionals and capitalists. Thus the current, if only temporary, beneficiaries of discrimination are neither at the top nor quite at the bottom of income distribution, but somewhere below the median, as confirmed, more or less, by the intensity of racial prejudice among these groups.¹⁷

But if Reich is to be commended for a useful contribution, he may be reproached for failing to explain how the alleged interests of the capitalists as a class are promoted by every-day actions of individual capitalists. Are the latter so devoted to their class that they are ready to forgo larger profits to be derived from hiring blacks? Reich might have also said more about racist behavior of white workers (and of some unions), unless he thought that their motivation was too obvious to require an explanation.

Sexism. The problem being similar to racism, there is no need to go over the arguments again. But it would be only fair to record that in socialist countries women's participation in the labor force is greater

than in ours. They are active in medicine, engineering, science, construction, administration, etc. Whether the performance of two sets of duties makes them happy or not I do not know.¹⁸

Imperialism. If it is defined as "the internationalization of capitalism" (pp. 408, 417) then everything is conveniently settled by definition. But if imperialism means a directed expansion of an economic system beyond the boundaries of a particular country which intervenes and acquires control over other areas, as the book further elaborates, (p. 408) then between the American and Soviet imperialisms there is little to choose. To preserve its position and power at home, one ruling group invades Viet Nam, the other -- Hungary and Czechoslovakia, not to mention their other aggressions. Whether capitalism is more likely to pursue imperialist policy than socialism is a subject on which many arguments and counter-arguments can be made without settling much, particularly in a limited space.¹⁹ Let me turn instead to Weisskopf's two papers on "United States Foreign Investment: An Empirical Survey" (pp. 426-35) and "Capitalism and Underdevelopment in the Modern World" (pp. 442-57). Both look like interesting articles with analytical and empirical content but both turn out to be little better than lawyer's briefs.

Thus Table 10-B (p. 429) is supposed to demonstrate that in 1950-69 the rate of return on American foreign investment -- 13.3 per cent -- was much higher than the overall one of 7.7 per cent. But these rates are net of taxes. A simple recalculation based on Weisskopf's own assumptions reveals that the pre-tax rates differ little, being 14.8 and 14.2 per cent respectively.²⁰ Profit rates being notoriously inexact and subject to manipulation, I would rather abstain from conclusions, but what was the

purpose of presenting this table? To show that income from foreign investment is taxed lightly?

Table 10-G (p. 444) is supposed to illustrate the uneven character of capitalist development. Indeed, among the capitalist countries, the ratio of per capita income of the rich to the poor is 12 to 1. But for socialist countries (here they are called "socialist") this ratio is as high as 10 to 1, certainly high enough to proclaim a new "Law of Uneven Socialist Development." The list of countries in each category is not indicated, but India and Egypt are presumably placed among the non-socialist. As both regard themselves semi-socialist, perhaps the honor of their company should be shared by both categories. I wonder what the two ratios will be then.

Still another table, this time 10-I (p. 455), shows a widening gap between the per capita incomes of rich and poor non-socialist countries. But the fact that population growth in the poor countries is faster than in the rich (as given in that table) is not mentioned in the text, although, in the spirit of Weisskopf's discussion, population growth hardly contributes to the growth of output.²¹ It seems that population growth is still a forbidden subject among many radicals. Now that even China has embarked on population control, perhaps the tabu will be lifted.

According to Weisskopf, the poor capitalist countries are doomed whatever they do. They gain little from investment because the latter merely increases labor productivity instead of alleviating unemployment (pp. 449-50), as if it would be difficult to make investment less labor-saving if only someone was willing to pay the cost. Industrialization merely raises incomes of industrial workers, already above the average,

and thus increases inequality (p. 456); evidently low-earning peasants never move into industrial jobs. His own data (Table 10-H, p. 445) shows that advanced capitalist countries have greater income equality than the underdeveloped ones. I wonder how the former have ever managed to achieve this?

IV

Poor Capitalism. As the old saying goes, a glass of water can be described either as half full or as half empty. Our authors never tire of playing this game. Poor capitalism! It is damned if it does, and it is damned if it does not. Thus a change in the relative positions of white and of blue-collar workers is described as a loss for the former rather than as a gain for the latter (pp. 180, 256-57). Federal policies for economic stability and growth are blamed for leading "to the survival of inefficient business, and hence, in the long run to the need for more subsidies." (p. 197) What a surprising piece of social Darwinism! The United States is scolded for imposing a brain drain on the poorer countries. (p. 447) But if we forbade the entrance of their nationals, the same authors would accuse us of racism since many of these immigrants are non-white. A quotation from the Communist Manifesto deplores the fact that "labor of men is superseded by that of women." (p. 71) A rather strange idea for sympathizers with Women's Liberation. Even minimum wage legislation is bad because "it can serve the interests of organized labor at the cost of overpricing and hence underutilizing unskilled labor." (p. 453) Milton Friedman would agree.

Our educational system is severely criticized for, among other things, preparing people for productive jobs, for being "more or less

firmly tailored to the needs of 'economic rationality.'" (p. 124) Shall we train economically useless graduates instead? Compulsory education is described as being "basically coercive... In many parts of the country, schools were literally imposed upon the workers." (p. 221) Why not repeal it then?

These are a few examples. I have run out of space.

The Promised Land. To condemn capitalism is easy, to present a superior practical alternative is difficult, particularly for our authors: their rejection both of the market and of bureaucracy as instruments for resource allocation would require a truly ingenious substitute. Unfortunately, none is offered.

The "Visions of a Socialist Alternative" is given only twenty pages at the end of the book, plus a number of scattered suggestions. Here is a brief summary.

People will live in communities based on "geographical contiguity." (p. 527) The communities consisting of a "variety of functional groups" (p. 527) will control productive wealth and make economic decisions. They will be "unoppressive, nonexploitative...where individuals are encouraged to lead creative lives..." (p. 347) Their members will be motivated by "a cooperative ethic of recognizing people's responsibility to each other." (p. 520) They will work for the joy of working and not for income or profit. (pp. 520-28) This wonderful transformation in human behavior will come about because people are not "inherently greedy, acquisitive, selfish, competitive or aggressive..." (p. 4) "Changes in the environment can interact with changes in the individual to usher a new era of human co-operation." (p. 5)

The economic mechanism which will be used to make decisions within the communities, and -- more important -- to allocate resources and to organize exchange among them is not described. But with human nature so kind and pliable (in the right hands, of course), who needs formal organizations, markets, prices, plans and all other economic paraphernalia?

So the end result is just another utopia, recognized by the authors as such (pp. 392, 530). It is an old-fashioned anarchist utopia which would delight Kropotkin and Proudhon but hardly please Marx if he remained true to his own spirit. In its treatment of economic problems it is not superior to Thomas More's original creation, and it is greatly inferior to Edward Bellamy's Looking Backward (1888, 1960), now nearly a hundred years old. And Bellamy was not even an economist!

There is no harm in writing utopias if one does not take them seriously. But what is the use of criticizing capitalism, or any other existing economic system, in a supposedly scholarly and analytical manner, by comparing it with an ideal which can be made as wonderful as the authors' imagination allows? Surely more effective methods can be found. The ineptitude shown by the contributors and the editors (well-trained young economists of known ability) merely damages their own cause: it makes capitalism look better than it is. Instead of winning converts, they are more likely to repel even those who have no love for capitalism and are searching for better alternatives.

Footnotes

1. The full bibliographical description is given in the References. I'll refer to it as "the reviewed book" or simply as "the book."

2. Their disagreement with a passage from Baran and Sweezy was duly recorded on p. 309.

3. It seems that there is no disagreement between the authors and myself on methodology, as the following quotation taken by them from a paper by Baran and Hobsbawm testifies:

... It suggests the necessity of an interpretation of theory and concrete observation, of empirical research illuminated by rational theory, of theoretical work which draws its life blood from historical study. (p. 55)

4. The three papers by Reich and Weisskopf respectively, discussed below in Part III, do contain or are based on empirical data. Some data are also given in the interesting paper on "The Negro Worker in the Chicago Labor Market" by Harold Baron and Bennet Hymer, pp. 297-305. There are also scattered statistical data elsewhere in the book.

5. If existing socialist countries are not really socialist, could not the proponents of "real" capitalism declare all existing capitalist countries not capitalist? After all, none of them has perfect competition and complete laissez faire. It would be particularly pleasant to exclude Franco's Spain, the colonels' (or is it now the generals'?) Greece, among others. Then we would be comparing completely imaginary systems!

6. I concentrate on the Soviet Union because of its large size, and relative abundance of Western studies on its economy. Also, I am better familiar with its economic system than with those of other socialist countries.

7. According to the Survey Research Center of the University of Michigan, as cited by Jencks (1972), the majority of workers seem to be quite satisfied. Thus 63 per cent would recommend their job to a friend; only 27 per cent would hesitate taking the same job and 9 per cent would not take it; as many as 49 per cent would choose the present job if they could have any job they wanted. A Gallup Poll reported in The New York Times (December 6, 1973, p. 24) that 79 per cent of workers were satisfied with their jobs. This, however, was a decline from 85 per cent recorded in 1963. On the other hand, a government report Work in America gives the impression that the dissatisfaction among workers is much greater. Unfortunately, the data are presented in this report so sloppily that it is difficult to judge whether dissatisfaction affects many or few workers and whether it is becoming better or worse.

Whatever the present situation is, it seems to me probable that dissatisfaction will increase as a result of rising educational and aspirational level of workers as suggested by Bowles in the reviewed book (pp. 492, 498). Also the strict hierarchial control to which workers are subjected contradicts the spirit of our time. Finally, previously satisfied workers may become dissatisfied from mere discussion of the subject, as happened in the Goldthrope experiment described by Andre Gorz in the book (pp. 479-80).

Workers' management or at least participation in decision-making has been suggested as a remedy. See for instance Jenkins (1973) and Hunnius (1973).

8. See, however, pp. 273, 315 and a few others.

In another radical book, Hunnius (1973), the reasons for the unions' attitudes are discussed and the unions are severely censured.

9. In insisting on the effectiveness of advertising, our authors merely repeat what the advertising industry advertises about itself. Actually, as Schmalensee (1972) has discovered, there is not much reliable information about its effects. See, however, Taylor and Weiserbs (1972).

10. Since income distribution in the socialist countries is closer to their ideal than ours is to our, and since managers are confronted with parametric prices, profit maximization by socialist managers might be more appropriate than by capitalist, provided of course that prices were correctly set.

11. In an amusing little book, a Soviet engineer Antonov (1965) gives many examples of anti-social behavior by Soviet managers. His solution is not to induce them to behave altruistically, but to set such success indicators as would make them behave in a socially desired manner while maximizing their own objective functions. The tone and the title of the book (For All and for Oneself) suggest the need for Adam Smith's "Invisible Hand."

12. The comparison of income distribution between different economic systems is of course a very complex and difficult task. Among other problems, non-monetary incomes play a more important role in the socialist than in the capitalist countries. Nevertheless, Wiles and Markowski (1971) have found that income distribution is more equal in Poland than in the United Kingdom, and more equal in the latter than in the U. S. Also that the distribution of Soviet non-agricultural income is more equal than American. Pryor (1972, 1973) reports that income distribution in socialist countries is more equal than in capitalist even when agricultural income is included. In recent years, the position of Soviet peasants has improved considerably.

13. Our authors' attitude to material wealth resembles that of the early Jesuits. See Harney (1941).
14. Jews were allowed to return to England by Cromwell, and were emancipated in France by the Great Revolution, as they were in other countries with the development of capitalism.
15. In this discussion, the gain or loss from discrimination is merely relative. The country as a whole would of course gain from equal treatment of all citizens because of the resulting improvement in the use of its resources.
16. Reich found a positive correlation (in a multiple regression) between the degree of income concentration among whites and racism defined as the ratio between black and white median incomes by metropolitan areas. Since only a summary of his work (a doctoral dissertation) is presented in the book I cannot comment on his data and methods.
17. That these conclusions are strongly affected by the nature of assumptions made can be seen by comparing them with Barbara Bergmann's (1971) findings. She assumed that the elimination of discrimination would reshuffle workers only in each educational group and found that the greatest losers would be low-educated whites.
18. Several years ago, the Soviet literary journal Novyĭ Mir (New World) published a story named "Nedel'â" ("Week") in the form of a diary by a young married professional woman, with two children, describing her activities during seven days. According to her, holding a full-time job and taking care of her family was extremely difficult.

If more American women enter the labor force and earn incomes, wouldn't consumerism increase? See the story about the female employees of the telephone company on pp. 20-21 of the book.

19. Those who are sure that socialist countries are not imperialist might ponder on the likely Soviet behavior if the Soviet supply of oil were threatened.

20. Without examination, I took Weisskopf's estimate of the average tax rate on foreign investment as 10 per cent. For the overall rate I used 45.6 per cent. The gross profit rates so obtained are simple averages calculated from Weisskopf's data. Since profit from foreign investment constitutes a small part of total profit, the small difference in the pre-tax profit rates stated in the text implies considerable difference between foreign and domestic rates. It is puzzling that Weisskopf used the overall rather than the domestic rate for his comparison.

21. Actually, the total income of poor countries was growing faster (at 4.6 per cent per year) than that of the rich (4.4), but the population of the former was growing at 2.4 per cent as compared with only 1.3 per cent for the latter.

REFERENCES

- Antonov, O. K. Dliã Vsekh i dliã Sebiã (For All and for Oneself). Moscow: Ekonomika Publishing House, 1965.
- Becker, G. S. The Economics of Discrimination, 2nd ed. Chicago: Univ. Chicago Press, 1971: 19-22.
- Bellamy, E. Looking Backward. New York: New American Library, 1960. It was first published in 1888.
- Bergmann, B. "The Effect on White Incomes of Discrimination in Employment." J.P.E. 79 (March/April 1971): 294-313.
- Edwards, Richard C., Reich, Michael, and Weisskopf, Thomas B. The Capitalist System: A Radical Analysis of American Society. Englewood Cliffs, N.J.: Prentice-Hall, 1972: XI, 543.
- Harney, M. P. The Jesuits in History. New York: American Press, 1941: 58.
- Historical Statistics of the United States: Colonial Times to 1957. U. S. Bureau of the Census. Washington, D. C.: Superintendent of Documents, 1960: 167.
- Hunnius, G., Garson, G. D., and Case, J., editors. Workers' Control: A Reader on Labor and Social Change. New York: Vintage Books, 1973: Part II.
- Jencks, C. et al. Inequality: A Reassessment of the Effect of Family and Schooling in America. New York: Basic Books, 1972: 247.
- Jenkins, D. Job Power: Blue and White Collar Democracy. Garden City, N. Y.: Doubleday, 1973.
- Osipov, G. V., editor. Industry and Labor in the U. S. S. R. London: Tavistock Publications, 1966.
- Pryor, F. L. "The Distribution of Nonagricultural Labor Incomes in Communist and Capitalist Nations." Slavic Review 31 (September 1972): 639-50.
- _____. Property and Industrial Organization in Communist and Capitalist Nations. Bloomington, Ind.: Indiana Univ. Press, 1973: 67-89.
- Schmalensee, R. The Economics of Advertising. Amsterdam: North-Holland, 1972.
- Taylor, L. S. and Weiserbs, D. "Advertising and the Aggregate Consumption Function." A.E.R. 62 (September 1972): 642-55.

Date Due

DEC 01 '75	SEP 17 '78
OCT 14 '76	APR 06 1981
NOV 05 '76	SEP 2 '81
DEC 20 '76	SEP 21
MAR 05 '77	MAR 06 1985
JUL 25 '77	MAY 13 '88
DEC 27 '77	
MAR 22 '78	CT 29 '81
MAY 12 '78	DEC 1 '81
AUG 31 '78	
MAY 12 '79	
JAN 04 1980	

Lib-26-67

MIT LIBRARIES

3 9080 003 960 298

MIT LIBRARIES

3 9080 003 960 314

MIT LIBRARIES

3 9080 003 960 330

MIT LIBRARIES

3 9080 003 960 355

MIT LIBRARIES

3 9080 003 929 293

MIT LIBRARIES

3 9080 003 929 319

MIT LIBRARIES

3 9080 003 929 335

MIT LIBRARIES

3 9080 003 929 350

