

ume shed significant light on short-term benefits and costs. The causality question still remains to be solved but the large investments taking place currently in obtaining technology from multinational corporations, whether through foreign direct investment or through joint ventures and privatization of state-owned monopolies indicate that policymakers want to participate in the global information highway and integrate their countries with global markets.

This IDRC study report rightly shows that no specific indicator could be singled out as causing development. A "knowledge-based economy" could be used to quantify economic development but when it comes to measuring human development or quality of life, the problem becomes complex and increasingly difficult for identifying indicators. The volume contains an extremely useful chapter on Cost-Benefit analysis and its applicability to information intensive projects in developing countries. In fact the discussion sheds light on the ambiguity of the term information itself. Some of the assumptions made are also subject to question such as those of perfect information and costless information. We all know that information has a direct cost to users and that the owner of the information does not lose it, when he parts with the information he has sold. Information is indeed a catalytic resource that feeds on itself and empowers the owner. But the major issue is equality of access and the breaking down of barriers. The low income countries contend that in the information society they become the suppliers of raw data which is unfairly used against them by the rich countries. Be that as it may, one has to appreciate the fact that political boundaries are fast breaking down and CNN and Star TV have captured audiences in the developing world. Rapid rates of growth in Asia, China, and Latin America have brought these countries into the fold of technological advancement. All these countries are racing to own and operate their own domestic satellites even if the base cost is \$250 million and above. They are all investing in cellular telephones and fibre optic cables leading to a growing gap between the larger middle classes and the stagnant rural dwellers. The case studies now in process at the IDRC will bring even more exciting results than what Dr. Menou has so lucidly described in his report.

This volume has carefully and in depth described the risks and opportunities of information-intensive investment. Recent events have somewhat dimmed future prospects of growth and in the words of *The Economist* (28 January 1995, p. 13) destroyed the fallacy that "all emerging markets will grow consistently and continuously."

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**Historical Analysis in Economics** edited by Graeme D Snooks (Routledge, London and New York, 1993) pp. xvi + 249 AUS\$59.95 ISBN 0-415-08825-9

Despite its undoubted success as an academic discipline over the last forty years, economics has always had its critics. They are as likely to come from inside as outside the discipline and they flourish when economic fortunes are low as they have been in the World economy during the last ten years or so. The success story in economics is its climb to become, up to recently, the fourth most popular discipline in the upper school curriculum ('A' level in Britain), the presence of an Economics Department in every University throughout the World and the high demand by employers for economics graduates. Many economic historians

however see it as very limited in scope and bemoan in particular the economists' lack of interest in history. Graeme Snooks is a respected Australian scholar, schooled in both history and economics, well known for his work on very long term movements in European Living standards - Domesday onwards. He is the driving force behind this volume and articulates a very explicit critique of economics. It has little of interest to say about long-run economic forces. The profession applauds high theory, manifest clearly in *The New Palgrave: A Dictionary of Economics* which excludes all empirical studies. For Snooks, economics is therefore primarily an abstract, deductive science, the profession is dominated by players of games, solvers of puzzles, with applied work of secondary importance and usually geared to answering fairly limited questions.

Whether all the contributors agree with Graeme Snooks is not clear. He has two substantial chapters whilst Paul David also contributes a methods chapter, on path dependence. The rest of the volume consists of several fine pieces of research in economic history which use economics and quantitative methods in the analysis of longer-term problems. Snooks wants a bigger input from history to economics and implicitly the reports on research work are to be seen as illustrations of how the two can work together to generate interesting results. There is an update by John Williamson and Tim Hatton of their work on rural-urban wage-gaps as well as one by Lionel Frost on the development of cities on the Pacific rim, both drawing out issues common to the current Third World and to early European development. Leslie Hannah brings some new data, on the school and university background of British company chairmen, to the debate on culture and economic performance. Paul Johnson examines a massive database on the old age characteristics of the British population from 1860 to the present. Stephen Nicholas uses some of the insights from transactions cost analysis in an evaluation of the agency networks of the Hudson's Bay Company whilst David Pope draws out some of the similarities between the current post-deregulation features of Australian bankers and the free banking system of the late nineteenth century. Given their numbers, economic historians have been more successful in political and institutional life in Britain (one thinks of the Vice-chancellors and Masters; Saul, Supple, Cairncross, Briggs, Floud, Mathias) than economists, and Gary Hawke's reflections in chapter 4 on his experiences on a Cabinet Social Equity Committee in New Zealand, on that country's Planning Council and his own University's Institute of Policy Studies shows how a knowledge of long-term institutional change can have much more weight than technical brilliance.

It is clear that economists as a breed do not know much history. What are they missing? Some of the answers are in this volume but less clear is why these missing elements have not undermined the subject. Thus the historical record obviously provides a richer empirical basis, both in the sense of a larger number of case-studies or data sets, and perhaps more importantly, in forcing responses to long-term questions. Johnson's chapter for example convincingly shows that the decline in the labour force participation rate of men over 65 years old is partly a structural issue (the decline of agriculture), is otherwise relatively recent (1920s onwards) and has no other simple single cause but is rather a product of the interaction between rising wealth, state pension rules and more age-structured labour contracts. Secondly there is little doubt that familiarity with the broad historical experience of a country widens the set of questions and issues under review. It is difficult to imagine the impact of cultural elites on the performance of European economies coming from the economist's agenda and Hannah's re-evaluation of Rubinstein and Weiner and his findings that by the 1980s the promotion ladder in British businesses were much more meritocratic (a product of the 1960s and earlier) is symptomatic of the insights that come from this wider perspective. And then thirdly there is the misuse of history, the selection of a piece of historical evidence to support a particular thematic issue without addressing the wider context. Snooks makes great play of this, castigating both Adam Smith and Alfred Marshall for this trick, and whilst

he goes over the top in indicting (p.3) the classical economists for not knowing how much national income had grown during and after the Middle Ages (or so his own research suggests), many economic historians will have experienced the irritation of someone dipping into history (rent controls from early 20th century Britain reduced the supply of rented accommodation) without confronting the wider important issues (why were they introduced?).

Important as these issues are, one wonders whether they are enough to warrant going to the barricades. Are they much stronger than the criticisms by the nineteenth century historians (T.C. Cliffe Leslie and J.K. Ingram) who complained, unsuccessfully, of the 'excessive' tendencies to abstraction in the methods introduced by Ricardo? If the study of institutional change over long periods is a key element in the contribution from those who meld history with economics, are we not edging there already and does it require a massive methodological break? Transaction cost analysis emerged in economics and economic history at roughly the same time. Stephen Nicholas' chapter shows how fruitful it can be. Douglas North got a Nobel Prize for it. But it was a Prize in Economics and he did have Barzel to talk to at Washington University. How many economic theorists do we need to sustain that kind of linkage? How many econometric theorists do we need to sustain economic historians who use cost and production functions in their empirical work? These are the difficult questions in deciding how far economics has gone astray. Moreover and crucially, economic historians will have a major impact in economics when they have more convincing explanations for current problems and/or when they predict the future better than economists. This is why the growth issue is one where economic historians are increasingly able to offer something of significance to current debates, the economic theory of growth having proven so arid and ahistorical.

A joining together of history and economics is more likely indeed if the weaknesses of economics are exposed in their own terms, an undermining of the paradigm using some of its own technical apparatus. This will not be easy. Snooks provides a fine potted history of economic thought in chapter 3 showing how the casual use of history dates from at least the eighteenth century whilst Paul David traces the idea of what is 'natural', and hence 'laws of nature', back to Aristotle and through to Adam Smith whom he characterises as viewing historical events as interferences with the natural order. Small wonder then that the discovery of economic laws has continued to fascinate, leading to the present scene where the profession, says Snooks, is populated by 'gameplayers'. For them life is a series of resolvable puzzles (is this North American optimism and ideology?) to be solved by the bright young things who dazzle at interviews and conferences. 'Realists' in contrast regard life as a complex mystery. But there is a danger that the dull realists will ignore all economic theory (like the historians of the nineteenth century) and be absorbed into history - as, says Snooks, has the majority of British economic and social historians. A blueprint for the way out is sketched out by Paul David who hopes for an economics which recognises that outcomes are path-dependent, that particular sequences of events in the past are capable of persistent effects in the present. Hence roles for both individual actors and some abstract reasoning. Altogether this is a volume which economists, historians and the growing breed in between will dip into with profit.

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