Money and Capital in Economic Development by Ronald I. McKinnon
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The Nigerian Military: A Sociological Analysis of Authority and Revolt, 1960–67. By Robin Luckham. (Cambridge: Cambridge University Press, 1971. Pp. xiv, 376. $18.50.)

Dr. Luckham's impressively comprehensive and detailed inquiry into the Nigerian military is also a "book about human tragedy of terrible proportions" (p. xi). The military has been the commanding institutional presence in Nigerian politics since January 15, 1966. On that date, a small group of army officers staged a military coup against the constitutional regime. The officers did not succeed in taking control, but the civilian government collapsed, handing power over to the "legitimate" armed forces. The army General Officer Commanding, Major General J. T. U. Aguiyi-Ironsi, became head of a Federal Military Government, with a military governor in each of the four regions. On July 29, 1966, a countercoup within the army displaced Aguiyi-Ironsi, and Lieutenant Colonel (later Major General) Yakubu Gowon emerged as Supreme Commander and Chief of State. On May 30, 1967, the Military Governor of the Eastern Region declared its secession as the Republic of Biafra. Federal troops invaded the East on July 6, 1967. Such is the bare outline of events marking the Nigerian tragedy.

The author's systematic and objective analysis not only instructively describes and explains the events in which the military was involved in the critical years of 1966 and 1967 but also critically tests current theories respecting civil-military relations in new nations and the transfer of institutions from one sociopolitical context to another. The study begins with a detailed account of the coups of January and July, 1966. The second part is a synchronic analysis of the organizational weaknesses and strains in the Nigerian Army. Part Three, returning to a sequential treatment, examines the course of interaction between the military and its political and social environment. The treatment throughout is informed by impressive research, although documentary materials and observational data—the latter obtained in 1967 in circumstances of considerable difficulty—are necessarily supplemented by "a certain amount of interpretative understanding of events" (p. 13). Dr. Luckham's interpretations are persuasive.

The painstakingly and judiciously assembled chronicle of events, though not played for dramatic effect, would be as fascinating, were it not so distressing, as it is rewarding. The major value of both the sequential and the synchronic treatments, however, lies in the methodical search for explanations of events.

In the climactic years of constitutional rule, 1964–1966, when the integrity of the civilian regime was steadily declining and national cohesion weakening, the Nigerian Army stood out as an acknowledged symbol of national unity, thought to be largely free of the "tribalism" which infected so much of Nigerian society and all the more respected for its political neutrality. After the coup in January, 1966, the army, which was now also the government, began to fragment and weaken internally, and the countercoup of July, 1966, marked the sundering of the military organization apparently by hostility between ethnic and regional groups in it.

The author's analysis "boils itself down in the main to the interplay of environment and the organizational cohesion of the military" (p. 7). Largely because of the pace of institutional transfer, notably in the form of rapid Nigerianization, the Nigerian Army did not develop the internal strengths of its British model. It was thus plagued by and vulnerable to a variety of structural strains and cleavages. Internal cleavages often coincided with and were aggravated by primordial—ethnic or regional—loyalties. Furthermore, ethnic and regional identities served as the main link with the political and social environment, and the heightened exposure to that environment which followed the events of January, 1966, accentuated in the military the very primordial conflicts which so severely strained Nigerian society as a whole. Thus this element was more explicit and important in the July coup than it had been in January. " 'Tribalism' was the symbolic master key which unlocked pent-up organizational tensions, communal rivalries and political conflict all at the same time" (p. 197). Although the army "intervened to put an end to tribal and regional disputes in the name of national unity, it ended up itself divided on those very issues it purported to resolve" (p. 204).

Luckham does not argue that tribalism made inevitable the fragmentation of either the army or the nation. Indeed, he stresses the multiplicity of causal factors throughout. Without the influence of primordial suspicions and hostilities, however, it is clear that the history of both army and nation would have been different. "The fragmentation of the army . . . not only reproduced the nation's cleavages, but brought them to their logical conclusion, by making secession a realistic possibility for a region which had the force of arms at its disposal" (p. 205).

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Money and Capital in Economic Development. By Ronald I. McKinnon. (Washington, D.C.: The Brookings Institution, 1973. Pp. 184. $7.50.)

This original and valuable study of economic development takes its start from the remarkable economic progress of South Korea since 1964. In

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1964–65, there was a sharp devaluation and unification of exchange rates; an increase in tax collections and user charges on outputs from government-owned industries; and a banking reform which raised the official ceiling on interest rates from about 15 to 30 per cent. The decline in the rate of inflation which followed (from 19.5 per cent annually in 1960–64 to 8 per cent during 1965–69) raised the real rate of return on holding one-year time deposits from an average of −3.8 per cent in 1961–64 to +18.9 per cent in 1966–69, a figure which declined somewhat as expectations of relative price stability took hold. In the period of reform (1965–69) exports increased about tenfold, real output by 90 per cent. In this context of policy and progress there was a sevenfold increase in the money stock, corrected for price increases, and the proportion of the money stock to GNP rose from 9 per cent to 33 per cent.

This astonishing performance by a nation which appeared a poor development risk, indeed, in the early 1960s led Professor McKinnon to examine other examples of progress and frustration among the less developed countries and to reflect on monetary theory as it relates to development policy.

He begins with a stylized portrait of the dilemma from which South Korea escaped in the second half of the 1960s. He describes how the inherent fragmentation of a less developed country leaves most economic units dependent for investment on their own savings, incapable of mobilizing the resources necessary for a radical, discontinuous shift to technologies of higher productivity. He then considers the array of conventional governmental measures undertaken to substitute for a large, interacting, and efficient capital market, concluding that such measures distort the allocation of investment resources and income distribution, by failing to provide an equilibrium rate of interest: it is too low for the favored few, too high for the many dependent on rural moneylenders, etc. The endemic inflation to which such interventions contribute yields further distortions.

Professor McKinnon draws back at this point to isolate the particular assumptions of neoclassical monetary theory which do not fit the typical state of affairs in a less developed country and to demonstrate (mainly with Latin American examples) why the standard International Monetary Fund remedies for inflation have led to recession and frustrating stop-and-go policies rather than to sustained growth along optimum sectoral paths.

Turning to remedy, Professor McKinnon argues the generality of the Korean case, buttressed by references to postwar Germany and Japan, as well as Taiwan since the 1950s and post-1965 Indonesia.

The heart of his argument is that a disciplined fiscal policy can end highly inflationary expectations; in that setting, high nominal rates of interest will yield an increased willingness to hold assets in the form of bank deposits; the real size and competitiveness of the banking system will increase; and the distorting environment of both negative interest rates and credit shortage will give way to a more or less true (and rather high) equilibrium rate of interest. On this base, the rise in the money stock will exceed the rise in GNP; and the economy can move forward rationally, its fragmentation overcome, with steady growth itself yielding a rise in the propensity to save beyond that achieved by the initial Korean-type reforms. (The latter proposition is formally elaborated in Chapter 9.)

Professor McKinnon then extends his general theory to the foreign balance, advocating tax policies consistent with trade liberalization and a highly selective acceptance of foreign capital. He underlines the limits and frustrations of policies of import substitution; and with respect to foreign investors, his dictum is (p. 176): "Poor countries have been cavalier in their use of foreign capital, although a puritanical approach would have served them better."

There is a good deal to be said in favor of this somewhat libertarian analysis and boot-strap prescription. Professor McKinnon is correct in isolating the unrealistic assumptions of neoclassical monetary theory and the policies that flow from it; in describing the distorting effects of inflation, including both negative interest rates and capital shortage; in underlining the capacity of even poor nations to expand domestic savings under a regime of high real rates of interest and relative price stability; in asserting (p. 149) that "the main restraints on foreign trade originate within LDCs [less developed countries] themselves" and that, with proper exchange rates (and other policies), the world trading framework permits large increases in diversified exports; in concluding that a great many public interventions in the economy are counter-productive, and that some forms of public and private foreign investment in LDCs can be counter-productive.

On the other hand, his portrait of the Korean case is incomplete and, by implication, the conclusions he draws are too sweeping. Korea was nursed forward with large external assistance for a decade after the end of the war to a point where the reforms of 1964–65 became practical. (In retrospect, one of the greatest contributions of foreign aid has been to buy time for some societies to find their feet.) The Korean economy was further cushioned by high if declining levels of foreign aid during the critical early years of its take-off; the Koreans exhibited (like the Japanese in the post-

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Meiji Restoration period) a passion for education, remarkable entrepreneurial gifts, and a sturdy sense of national purpose; their precocious absorption of complex new technologies has depended substantially on private capital imports; and their economic progress has been framed by sophisticated aggregate and sectoral national plans. Much the same could be said of the miracle on Taiwan which was launched about a decade earlier.

In short, a rapid increase in capital formation, in diversified manufactured exports, and in the absorption of sophisticated technologies depends on many more factors than Professor McKinnon examined. The quality of private (and public) entrepreneurship, in particular, is a critical variable that cannot always be assumed optimal in LDCs or, indeed, in more advanced economies. And, in effect, this is what Professor McKinnon does assume in his general prescriptions.

Nevertheless, within limits, his analysis is valid; and his crusading zeal is not inappropriate, given the state of affairs in important parts of Latin America, India, and a good many other LDCs.

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Pattern for Profit in Southern Africa. By Ian Mackler. (Lexington, Mass.: Lexington Books, 1972. Pp. 120. $8.50.)

This thin volume dealing with the involvement of the United States in southern Africa is offered as a study in foreign policy. It contains for the author's frame of reference sufficient data from resources that are commonly utilized in this subject area, but it would be an exaggeration to suggest that the value of this work derives from empiricism. With a limited set of facts, Mr. Mackler displays a high degree of craftsmanship. However, he has clearly not attempted to produce a methodological *tour de force*. The study conforms to neither the monographic models of policy science nor the conventional renditions of diplomatic history. It revives memories of J. A. Hobson, Leonard Woolf, and Leonard Barnes. In part it reads like a pamphlet; in part it is a well-argued dissertation, depending heavily on deductive and syllogistic analysis. What the author has in mind he states directly and lucidly, and he is emphatic in the pursuit of his contentions.

Mr. Mackler roughs out a much abbreviated account of the conduct of American delegates at the United Nations on the question of the status of Namibia (Southwest Africa as administered by the Union and later Republic of South Africa). The account is neither thorough nor up to date, and thus it seems that the author has simply employed this topic to get to a more central matter, namely, the presence and posture of the United States in southern Africa as manifested by the operations of the multinational corporations and American government. He returns to the Namibia matter repeatedly, but he really has cast an extended net to catch a giant specimen, unmistakably a specimen of imperialism.

With clarity Mr. Mackler lays it right on the line when he articulates the thesis that in southern Africa the U.S. dollar and flag have inseparably combined to serve an intimate partnership of economy and state. Unlike certain writers he wastes no time asking whether the dollar follows the flag, or the flag the dollar. According to the author, the corporations seek great rewards in the form of profits, and Washington seeks strategic raw materials for the defense establishment. Together, reinforcing one another, they find in South Africa a favorable climate for investment, trade, and procurement.

Profitability is the magnet for American capital, necessity moves the United States government. Mr. Mackler portrays in this instance what Professor Andreas Papandreou has described as "paternalistic capitalism" (*Paternalistic Capitalism* [Minneapolis, University of Minnesota Press, 1972]). American leaders in both private and public sectors appear to be singlemindedly responsive to the opportunities afforded them to attain their first-priority goals. South Africa with *apartheid* meets their expectations. Mr. Mackler ascribes to American leadership no exceptional inclination to involve itself in southern Africa mainly to attain political hegemony, support white supremacy, or demonstrate cultural superiority. The implication is that American policy is distinctly practical.

As presented by Mr. Mackler, this is a point of considerable importance for policy formulation. It may very well explain why efforts to reverse the United States commitments in southern Africa and the leanings of the American delegation at the United Nations generally failed. Other considerations appear to be no match for the profits-and-strategy pattern that sustains American policy. Thus, little has come out of the appeals to the corporations and to the United States government to cease and desist operations in South Africa and Namibia on grounds that *apartheid* is immoral, that Africans are deeply offended, and that the United Nations obligates its members to sever economic ties with South Africa. Apparently none of these arguments is of sufficient relevance in the prevailing system to penetrate deeply into the American decision-making process. Only if South African profitability for foreign capital declines drastically or if the basis of the global foreign policy of the United States undergoes major transformation is there any chance for a

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