Economics and policy: A historical study. By DONALD WINCH. New York: Walker and Company, [1969] 1970. Pp. 366. $10.00.

Professor Winch's *Economics and policy* deals with "the interaction of economic thought, particularly that of professional economists, and economic policy-making." The period covered is (roughly) that from 1900 to 1966. The "economics" of Winch's title refers to the "Anglo-American model of economic inquiry," as represented chiefly by Marshall and Keynes. "Continental theories" come in for occasional (and not too generous) mention in the first half of the book; the reader is not made aware that, following Hicks' *Value and capital* and Samuelson's *Foundations* . . . , the Lausanne model of economic inquiry has been the dominant theoretical tradition since World War II. The "policy" of the title refers to Britain with some excursions to the United States. The policy problem is that of unemployment; policy objectives other than full employment are entirely incidental to Winch's story. Almost exclusively, finally, the policy instruments considered are government expenditures and taxes.

The chronicle moves at an uneven pace. The pre-1914 period gets 36 pages, mainly devoted to Marshall. The story moves most deliberately from the debate on the return to gold to the appearance of the *General theory*. Counting the chapter on the financing of World War II and an appendix on "Keynes and the British Left," Keynes dominates the scene for 217 pages. Then the pace again quickens: a single chapter of 30 pages ("The Keynesian Revolution: Fruition") brings the reader through twenty years of both British and American stabilization policies to the grand finale—the 1964 U.S. tax cut. A "Postscript" chapter of similar length gives the author's summary of "Economics and Policy in the Post-Keynesian Era."

As this outline makes clear, the major part of the book tells a tale often told these last twenty years—by, among others, Hansen, Harris, Klein, Harrod and, more recently, by Stewart and Lekachman. Winch's book is as well-written and readable as any of these predecessors—a considerable compliment, I think. To readers of Harrod's biography of Keynes, Winch's account of the inter-war period brings no major surprises. But he has made good use of the extensive historical, biographical and autobiographical literature which has appeared since Harrod wrote. American readers, in particular, are likely to gain a better understanding of the 1926–31 period in Britain. These chapters (5–7) are the best and most informative in the book.

Students with very simplistic notions about economics and policy before and after Keynes will learn several useful things from Winch—*e.g.*, that *laissez-faire* was alien doctrine to Marshallians as well as to Fabians; that the "Treasury View" had been repudiated by Pigou already in 1908; that pre-1914 legislation had left Britain a legacy of "labor exchanges, unemployment insurance, and public works," etc. (Winch's thumbnail characterization of most pre-war thinking on unemployment as "fatalism-tempered-by-charity" sums up a judicious survey very neatly). Similarly, Winch explains that Hansen and other American stagnationists pushed their own "particular interpretation of Keynesianism"; that Keynes' influence on New Deal policies was virtually nil; that in none of the democratic countries "can policy be said to have exerted the decisive influence on whatever recovery took place" in the thirties. Winch removes one block to historical understanding by firmly declaring the textbook "classical" model to be a "completely *a*historical fabrication" but, unfortunately, substitutes another—the term "orthodox" sees such promiscuous use that the complex story is in danger of being reduced to a simple plot of "Keynes versus the Orthodox."

Major themes of the period are the "remarkable sea-change in attitudes to the proper role of the state in economic life" and the corresponding growth of the U.K. public sector (to 40 percent of GNP in recent years). In the main, Winch reports this story as one of progress won against gradually weakening "orthodox" opposition. He associates it with the ascendancy of "the macro-viewpoint" in economic analysis. When the micro-macro economic distinction is first introduced this is done in the usual terms suggesting that the difference lies in the level of aggregation and in the questions asked. But the book as a whole makes clear that this is not the distinction. The book turns a critical eye on the belief that "there is an underlying economic order with its own methods of adjustment." In my reading of Winch's work, this quotation is the microeconomic viewpoint to which his macroeconomic viewpoint is juxtaposed. Thus his approval of the growth of the public sector, etc., is not simply a personal value judgment but based on the hypothesis that the economy is not a self-regulating system. It is rather taken for granted that the reader will share this neo-mercantilist view, so the book makes no systematic attempt to argue the hypothesis or evaluate the evidence for it.

For Winch, the conventional interpretation of Keynes' contribution to economic theory seems also to have been an accepted point of departure—not part of his inquiry. Several of his statements about the *General theory* are, in my opinion, demonstrably incorrect. (The effective demand doctrine and the multiplier, for example, can be perfectly well explained, Winch believes, assuming that "money enters only as a unit of account.") Similarly, he is a convinced "fiscalist" from the start—as witness his rather cavalier comments on Thorneycroft's proposal, in 1957, to curb aggregate demand with monetary restraint and a ceiling on government expenditures. This is dismissed as a revival of two "exploded doctrines"—the quantity theory and the Treasury View. Thorneycroft's motive, Winch (none too charitably) ascribes to an apparent "desire to evade the responsibilities of political decision-making." Fortunately, the Radcliffe Committee soon afterwards made an end to "the mystique about monetary weapons."

In summary, this is a well-written book which makes its biggest contribution in dealing with the 1920s. But the "Fiscal Revolution in Britain" is still awaiting its Herbert Stein.

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040 Economic History

Peltries or plantations: The economic policies of the Dutch West India Company in New Netherlands, 1623–1639. By VAN CLEAF BACHMAN. The Johns Hopkins University Studies in Historical and Political Science, 87th Series, No. 2. Baltimore and London: The Johns Hopkins Press, 1969. Pp. ix, 183. $7.50.

The more general premise of this book is that much is to be gained by an analysis of the historical reasons explaining why a major development effort fails. The specific subject is the explanation of the failure of the New Netherlands operation of the Dutch West India Company. From the beginning of the venture in the seventeenth century, the failure of the New Netherland operation has been attributed to incorrect policies of the directors of the West India Company. Bachman shows that the Company's policies were devised to obtain the highest possible short-run profits from the exploitation of the fur trade, and that the fostering of colonization was perhaps beyond the scope of the company. This historical error of inaccuracy has been, therefore, to attribute to the Company policies which were beyond its spectrum of feasibility. Bachman's contribution thus throws new light on an important episode of American economic history. But, it should be made clear that the implications of Bachman's results for current interests in economic development are quite limited. Because his results are mostly concerned with *colonization*, they are of greater interest in their elucidation of economic history, and in their interpretation of European colonial expansion.

The fundamental structure of the book is an attempt to determine the alternative policies available to the Company, their expected rates of return, the decisions actually made, and the failure or success of the decisions. The alternatives for achieving economic benefits available to the directors of the Company were privateering, trade or colonization, and/or conquest of part of the Spanish-Portuguese empire. Perhaps one of the more important operations of the Dutch was in the conquest of Northeast Brazil where sugar production was already established. Many factors combined to make the occupation of the Northeast profitable, feasible, and politically desirable—the existing Dutch trade relations, the emigré Jewish colony of Pernambuco, an expected quick high return on the conquest from confiscation and taxation, the Dutch control of refineries and sugar trade, the high income elasticity of demand for sugar,