

Correspondence

I beg the hospitality of your JOURNAL to refer to the article by my friend Mr. Hancock entitled "Agenda for the Study of British Imperial Economy, 1850-1950" published in your Summer number, 1953.

Mr. Hancock has given, to use his own word, a highly "impressionistic" sketch. He refers therein to two of my articles,¹ but he has, no doubt unintentionally, attributed views to me not expressed by me at all. This is unfair both to me and to him as an historian, whose first duty is to get his sources right. Although Mr. Hancock supports some of my views, and disagrees with others, what is disturbing is that he has missed the main point of the articles altogether.

He states *inter alia* that "I find him [Frankel] perverse [sic] in his underestimate of the part that government has played—and, it would seem, must increasingly play—in the processes of economic development. In Russia and Japan, to quote two famous examples of the nineteenth century, it was the state that took the initiative in the great enterprise of economic transformation. Even among highly individualistic peoples of British stock, such as the Australians and New Zealanders, governments have played a far more positive part than Mr. Frankel suggests."

In fact in neither of the two articles did I discuss the role of governments in this context at all, and I was nowhere concerned with the question of government versus private enterprise as a principle of development. My conceptual analysis was concerned to criticize the use of national income aggregates per se as *criteria* of investment and economic development. This has nothing to do with whether investment is undertaken by government or nongovernment agencies. Mr. Hancock's reference to Russia and Japan is actually a useful example in support of my contention—since (*mirabile dictu*) their development proceeded without the use of national income estimates, which were at that time not yet fashionable! National income estimates have important uses, but unless their shortcomings are recognized, their use for purposes for which they are not suited leads to economic policies which may do more harm than good. To imply that I decry government investment as such is not only wide of the mark, as far as what I wrote in the articles referred to is concerned, but it runs counter to a large part of the facts which I was the first to establish in my book *Capital Investment in Africa*, in which I emphasized that very roughly 50 per cent of all the capital investment in Africa was made by government or government agencies in the past.

Finally the question is not, as Mr. Hancock appears to think, whether one is for or against "the legitimate uses of figuring." Neither science, nor practical endeavor, is possible without figuring. What has to be avoided is figuring which is based on logically untenable assumptions. The very idea of an abstract "national collectivity" may be one of these—and certainly it is among the proponents

¹ These articles are now reprinted in my book recently published *The Economic Impact on Underdeveloped Societies* (Oxford: Blackwells, 1953).

of such abstractions that Mr. Hancock should seek for the danger of a denial of Adam Smith's "natural propensity of mankind," etc.²

S. HERBERT FRANKEL, *Nuffield College, Oxford*. October 1953.

Mr. Frankel's article, "United Nations Primer for Development," is as wide in span as the Report it criticizes. Section II contains reflections on the "role and capacities of governments" in the process of economic development. In Section V of the second article that I cited, Mr. Frankel enumerates four specific functions of government, "in the colonial and peripheral areas," during the nineteenth and early twentieth centuries. I would make the list longer and I would put heavy emphasis on some of the additional items. I was wrong to use the word "perverse" for an emphasis which is different from mine; but I think there is sufficient overlap between Mr. Frankel's theme and mine to make my comment, with its references to Australian and Japanese experience, relevant.

As to "figuring," I think that historians of the future will draw benefit from national income accountancy, even when its symbolism is particularly "foreign," as for example it is in the nonmarket sectors of African economies. Reading between Mr. Frankel's lines, I had the feeling that we might be in disagreement here; but I was not certain and therefore expressed myself tentatively. I am in wholehearted agreement with his assault upon some misuses of national income accountancy and believe that my article (pp. 264-65) endorses emphatically enough his rejection of national income aggregates as criteria of investment.

I have recently read the book mentioned in his postscript; it convinces me that I had no need to drag in Adam Smith. Perhaps Mr. Frankel would accept my plea (p. 270) for research into those communities where the fruitfulness both of economic-historical judgment and of economic policy seems to depend in large measure on discovering the comparative weight that should be given on the one side to sociological individuality and on the other to "the natural propensity of mankind."

W. K. HANCOCK, *University of London*

² Cf. my "World Economic Solidarity," *South African Journal of Economics*, Vol. X, No. 3 (September 1942) and "World Economic Welfare," *ibid.*, Vol. XI, No. 3 (September 1943), wherein I was actually concerned to show the importance and relevance of Adam Smith's dictum, as against those who habitually overlook it.