it that our producers lack this self - confidence?

It is obviously ridiculous to blame the financier for financiers are only after money and if a film pays, they will not quarrel with it whether the film is good because it portrays real life or it is good, .because it has half a dozen dance sequences and a dozen song hits. The only formula he is wedded to is return on investment. And it remains to be proved that it is only the latter sort of film which pays while the former does not, because the other sort of film has never been produced and shown. So the economics of it remains unproven.

*Book Review*

# The Riddle of Income Differences

**National Income and Its Distribution in Under-developed Countries** : United Nations, 1951. pp. vi + 35; price US 40 cents. (Available from Oxford Book and Stationery Co., Scindia House, New Delhi.)

THIS is one of a series of statistical papers published by the. Statistical Office of the United Nations. Its main purpose, as indicated in the preface, is " to summarise the information available, generally official statistics, and to draw preliminary conclusions from the data". While the paper is in the main concerned with under-developed countries, statistics relating to some of the industrially advanced countries have also been given at relevant places, to facilitate comparison.

In reviewing such a monograph, one is faced with two difficulties. Firstly, it is admittedly a summary of available statistics; it does not attempt any assessment of the statistical methods used in different countries and their suitability for the purpose. The reviewer, consequently, is denied the pleasure of expatiating on the relative merits of sampling and census methods, or on the esoteric mystery of statistical errors and significance. It is therefore a paper which is slight in more senses than one to the pure statistician. Secondly, the authors confine themselves to the plainest of economic interpretations of the data. This is no criticism of the authors, as the scope for interpretation was limited both by the nature of the data at their disposal and by their terms of reference. They were required to report on the volume and distribution of national income in under-developed countries, and if they have tried to draw any inferences from the statistics, it is probably because they have had to string together the various tables into the form of a report.

Within the limits set, however, the report is a considerable achievement. Information about the level and sources of national income, foreign commitments and claims and the internal distribution of income in more than thirty countries in various stages of development have been given. As one would expect, data relating to the more advanced countries included for purposes of comparison arc fuller and more reliable than those of under-developed countries. Even so, in the thirty-odd pages of the report, more statistics on the national income of under-developed countries have been brought together than one would have thought possible. Net geographical product at factor cost, or national income produced within the country, has been computed for the various countries, though not for the same year in all cases; ratios of income arising in agriculture, mining, manufacturing, commerce, etc., to the total have been calculated. While in general, the proportions of national income arising from agriculture and mining in the under-developed countries are very high, that originating in the " commerce " sector varies widely. In the case of Argentina, for instance, it was as high as 23.8 per cent (in 1945) compared to 16.8 per cent in India (1948-49), 16.7 per cent in Colombia (1947), 13.5 per cent in China (1946) and 10.2 per cent in Egypt (1945). It is, further, interesting that the range of variation of this component is not much different in the advanced countries. Compared 'to 28 per cent in the USA in 1949, income originating from commerce was only 15.5 per cent in Denmark (1948), 13.2 per cent in the UK (x949), I3.1 per cent in France (1946) and 10 per cent in Western Germany (1949), What causes these wide variations in the share of commerce, it is difficult to say. Part of it would undoubtedly be due to differences in the size of the monetized sector of the economy, and part to differences in methods of computation. Since it is in this field that the difficulties of assessment and computation are greatest, it is not surprising that the contribution of commerce to national income should vary from country to country. The magnitude of these variations should emphasize the need for caution in drawing conclusions from comparisons of national income estimates.

Besides highlighting the wide discrepancy in *per capita* income as between the under-developed and advanced countries, the report throws up several interesting points. In the first place, all under-developed countries made net outward payments of investment income in the years under study, so that net national income (in the sense of income accruing to *nationals* of the country) was less than the net geographical product. The proportion of such payments to net geographical product was in most cases under 6 per cent, with three notable exceptions. These were Northern Rhodesia, Venezuela and Iran—net payments of investment income forming in their cases 27 per cent, 17 per cent, and 13 per cent respectively of their net geographical products. It may be noted that all these three countries derive the greater part of their national income from mining, in which foreign investments have been heavy. While under-developed countries have all paid out, not all advanced countries have been *net* recipients. Indeed, apart from USA and the European imperial powers such ax the UK, France, Netherlands and Belgium, the only country which received substantial net investment income from abroad in 1949 was Ireland. What special conditions favoured Ireland, it is not clear. In view of the large and continuous emigration of population from Ireland, remittances of income earned abroad could well be a substantial amount. It is possible that such remittances have been included under investment income.

Some light is also thrown on the distribution of income in some of the under-development countries of Africa and South America. In the case of Northern Rhodesia, Southern Rhodesia and Kenya, distribution of income not only amongst economic categories, but also amongst racial groups is examined; noting the wide disparity" between incomes of Africans and non-Africans in these countries, the report goes on to say that " a major cause of the extremely low income levels of the indigenous peoples is found, of course, in the fact that most of the Africans live in a rural tribal economy, depending primarily upon subsistence agriculture for their livelihood ". This is a statement which, with appropriate modifications, could apply to many other countries also, and it helps to draw attention, apart from the special ' colour ' problem of Africa, to the basic question of under-developed countries, viz., re-distributing manpower in a way which makes possible both a larger output and a better distribution of the increased output.

This problem is, indeed, so familiar that few bother to bring it up with the help of elaborate statistics. But apart from stating the undeniable fact that these countries must industrialise, not much has been done in the way of demonstrating with facts and figures that industrialisation will deliver the goods. It is generally taken for granted that since large-scale industrialisation must involve a radical change" in the social framework, it is inevit-' able that the income-structure would be affected' And since the income- structure in the under-developed countries is, in general, as iniquitous as it possibly could be, it is argued that a change could only be for the better.

All, this has great emotional appeal; but when it comes to quoting statistics to prove the case for industrialisation in terms of income-standards, and the relation between them and manpower distribution, one is not so comfortable. In such circumstances, one welcomes the few computations and observations made in the report under review, which afford an opportunity for some very rudimentary analysis. In the table below, countries have been arranged in the order of importance of agricultural employment in total employment. In the right hand part of the table, relative values of output per worker in manufacturing and commerce as compared to agriculture are shown. It will be seen that, in general, ratios of average output in manufacturing and commerce to average output in agriculture progressively diminish as the proportion of agricultural to total employment falls. Striking aberrations from this trend are the ratios in respect of South Africa and Norway, due, probably, to the special factors affecting occupational distribution of population in the former, and the topographic features of the latter.

sized that with such data one liable to simplify issues too readily and read more into the figures than is justified. Admittedly, the comparison can only be broad and may be used to "suspect'' things rather than establish them. Nonetheless, it may be noticed that despite the differences in Occupational distribution, variations of average output in commerce are much wider than those in manufacturing, and that in the case of industrialised countries, average outputs in manufacturing and commerce tend to be nearer each other. The light thrown by these figures on the relation of distribution of manpower and average product (or income) is not bright enough to illuminate the entire landscape; but it does show up some of the intriguing features of the terrain. Why, for instance, should average income from commerce tend to be relatively high in the under-developed countries? Is this distortion likely to increase or diminish in the early stages of industrialisation? And which of these movements, upward or downward, is likely to be beneficial to continued development? These are questions which are more easily asked than answered. One does not, of course, expect them either to be raised or answered in a purely statistical paper like the one under review. It suggests the. questions by merely presenting the data in an intelligent manner; it would be unfair to expect it to do more.

## DISTRIBUTION OF MANPOWER AND INDEXES OF AVERAGE PRODUCT

| | Percentage distribution of economically active population | | | Relative value of output per worker with agriculture as base | | |
|---|---|---|---|---|---|---|
| | Agriculture | Manufacturing | Commerce | Agriculture | Manufacturing | Commerce |
| N. Rhodesia (1946) | 83.1 | 1.4 | 0.9 | 100 | 480 | — |
| India (1948-49) | 68.2 | 13.6 | 6.2 | 100 | 340 | 300 |
| Poland (1947) | 68.2 | 15.6 | 6.2 | 100 | 355 | 575 |
| Peru (1947) | 62.5 | 17.5 | 4.6 | 100 | 203 | 922 |
| Greece (1946) | 60.9 | 5.7 | 13.8 | 100 | 577 | 167 |
| Japan (1949) | 54.3 | 17.7 | 7.1 | 100 | 292 | 428 |
| S. Africa (1948-49) | 49.1 | 7.8 | 7.6 | 100 | 1179 | 867 |
| Italy (1948) | 48.0 | 20.6 | 10.0 | 100 | 197 | — |
| Puerto Rico (1948-49) | 39.2 | 18.5 | 13.2 | 100 | 100 | 245 |
| France (1946) | 36.5 | 22.7 | 8.6 | 100 | 141 | 273 |
| Chile (1948) | 33.4 | 17.9 | 9.2 | 100 | 260 | 374 |
| Norway (1949) | 32.8 | 23.5 | 11.2 | 100 | 402 | 328 |
| Denmark (1948) | 29.1 | 27.6 | 14.0 | 100 | 146 | 147 |
| Canada (1948) | 25.7 | 26.3 | 15.6 | 100 | 180 | 205 |
| Netherlands (1947) | 19.3 | 23.9 | 14.1 | 100 | 212 | 188 |
| USA (1949) | 14.3 | 24.3 | 23.5 | 100 | 227 | 211 |
| UK (1949) | 5.4 | 38.0 | 11.5 | 100 | 101 | 114 |