Along with the Appendices, an additional section, which is also not included in *Asia's New Giant*, attempts to ascertain those factors which are responsible for the level of output per worker being much lower in Japan than in the United States. Here there are a number of simplifying assumptions that may be criticised; for example, in dealing with labour inputs, that the education received was equally appropriate to future participation in economic life, and that the quality of education was similar. Furthermore, the estimates of the sources of difference in the level of output per worker are sensitive to the judgments made concerning the effect of hours of work on output – a matter of some importance in comparing the two economies since hours of work are much longer in Japan. Nevertheless, the analysis points to interesting, though necessarily approximate, differences in contribution.

Finally the authors investigate the degree to which Japan's high growth rates might be sustained, concluding that only one-third of the contributary elements will be maintained in the long term. A steady diminution in growth is thus to be expected for the remaining decades of this century.

Other studies have been made to determine the factors responsible for Japan's post-war economic expansion, but this publication clearly stands out as a thorough and careful analysis. Denison and Chung present their arguments clearly and provide us with a wealth of new statistical data which will no doubt stimulate further discussion and investigation.

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The Megacorp and Oligopoly. Micro Foundations of Macro Dynamics. By A. S EICHNER. (Cambridge: Cambridge University Press, 1976. Pp. xiii + 365. £10.00.)

The particular purpose of this interesting book is to provide an understanding of how prices are determined in the important oligopoly sector of the US economy and to show how those oligopoly prices influence growth and stability. Perhaps instability would be a more appropriate word because Professor Eichner is not ultimately concerned with prices in individual markets but with the price level more generally and in explaining the post-war upward movement in the US he opts for a cost-push explanation. Those in the monetarist camp will find little comfort in what Eichner has to say, and it is perhaps worth adding that the aggregate analysis which appears in the latter part of the book has a distinctly Keynesian flavour. This is an eclectic piece of analysis – almost all the ideas introduced are in various degrees already in circulation and Eichner's contribution must therefore be viewed as that of a synthesiser. However he does lay claim to one novel idea.

The particular focus of the book is the megacorp – the large corporation – which is Eichner's term for the representative firm in the oligopolistic sector of the US economy. Basic features of the megacorp are that management and ownership are separated, that production is multi-plant (this has important implications for the behaviour of costs), and that output is sold under the well

recognised condition of oligopolistic interdependence. The solution to the latter is price leadership and this then throws up the question of how the megacorp price leader decides what particular price to charge. I should at this point emphasise that Eichner claims to have developed a determinate solution to the oligopoly price problem.

In determining price the megacorp adopts what is essentially a cost-plus approach. To average variable cost are added two elements – one to cover fixed costs and the other to generate a sum which Eichner calls the corporate levy. The pricing formula may be written as follows

$$P = AVC + \frac{FC + CL}{SOR \cdot ERC}$$

where SOR is the standard operating ratio and ERC is the engineer rated capacity. Fixed costs include the obvious items but also the equity dividend. The corporate levy is designed to provide for depreciation, retained earnings, and R. and D. and advertising expenditure. It is at this point that Eichner claims some novelty since what he is in fact saying is that where market power exists, and where there is therefore some discretion in pricing, price is likely to be set at a level which will contribute to assuring the internally generated funds necessary to finance the megacorp's desired rate of expansion.

The degree to which price can be raised, and the corporate levy expanded, is determined by the possibility of entry and substitution. Not necessarily all the finance needed to maximise the growth of the megacorp will come from internal sources. On the basis that raising price will generate additional corporate levy but will also give rise to increasingly important counterproductive entry and substitution effects, Eichner develops the idea of an implicit interest rate, which plays an important role in indicating both the determinate price level and the relative importance of internal and external finance.

Subsequent chapters carry the analysis to the macro level. The next step is to analyse the megacorp's relationships with its various constituencies, particularly trade unions. The interaction with the latter gives rise to the national incremental wage pattern – the cost-push inflation process. Eichner also examines the macro implications of the micro model – here we have in the Keynesian tradition a treatment of the savings investment relationship in conditions where the savings and investment are carried out by the same bodies (megacorps) but the properties of the micro system are such that instability can still result. Thereafter Professor Eichner looks for remedies for the instability problem. The more conventional policy instruments are found wanting, and alternative, more radical, methods of social control are explored.

I do have a few reservations. I would have been happier to have been given more hard empirical evidence that oligopoly prices are in fact determined in the way Eichner suggests. On the face of it the corporate levy approach does seem to be novel and certainly addresses itself to the reality that much expansion is internally financed. It does however occur to me that the corporate levy principle may already be in the empirical pricing literature but in disguised form – firms may provide for expansion finance in the setting of their target

rates of return. I am a little concerned that Eichner puts all his money on one method of pricing when the empirical literature suggests that there is no such uniformity. I also doubt whether price leadership is quite so universal as he assumes. Eichner clearly places great store on his determinate equilibrium, but I feel that his implicit rate of interest notion, though ingenious, is also somewhat contrived. More space could beneficially have been devoted to the treatment of depreciation – the issue of historical cost versus replacement cost is very important when the setting is inflation.

I should emphasise that the above are reservations. Without doubt this is a stimulating and well written book which deserves a wide audience.

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The Rise of the Corporate Economy. By L. HANNAH. (London: Methuen & Co., 1976. Pp. xii + 243. £7.75.)

This work is based in large part on an Oxford D.Phil. thesis and elements of it have already been published in a previous book and various articles in academic journals. Ostensibly, it is concerned with what appears to have been a sharp decline in British industrial competition over the last 100 years. Management, it is argued, has replaced the market and private control. However, attention is focused upon private manufacturing, and mergers are taken as a measure of concentration. By 1970 approximately one-half of manufacturing output was controlled by 100 industrial concerns.

There appears to have been a slight trend towards increasing concentration before 1914, with a few outstanding individual mergers. The First World War is viewed as a turning point followed by a sharp increase in mergers in the 1920s, which is seen as a portent for post-1950 development. Concentration appears to have declined in the 1930s and 1940s followed by rapid concentration after 1950. The main factors promoting concentration, according to the author, are new technology, economies of scale, and financial opportunity. Radical economists will find little grist for their mill. There is scant evidence of entrepreneurial villainy in the shape of "monopoly capitalism" or any other form.

The book is based on a commanding knowledge of the extensive secondary sources, official business histories, and the works of applied economists, supplemented by a wide range of primary material including Board of Trade records, the "Ward Papers", and newspaper and journal material. Estimates of merger activity and concentration are contained in two appendix sections. The result is an impressive blend of historical detail, empirical data, contemporary commentary, and economic theory. The author knows his subject well and is patently aware of the pitfalls, both statistical and theoretical. He is not afraid to make major admissions of ignorance and sees the dangers of "over-simplification from diverse experience". His final chapter on the social cost/benefits of concentration is written in a vein of "unrestrained agnosticism" and includes a section which questions, perhaps too strenuously, the proposition that competition has, in fact, declined. As a result, one is left in some doubt