

appear to be just another lever without a fulcrum in the workshop of the developmentalists.

University of Texas

WARREN DEAN

*Estrutura e expansão da indústria em São Paulo.* By JOSÉ CARLOS PEREIRA. São Paulo, 1967. Companhia Editôra Nacional. Biblioteca Universitária. Tables. Notes. Pp. xvii, 201. Paper.

The city of São Paulo and its metropolitan area today possess one of the largest and most diversified industrial establishments in the so-called underdeveloped world. The study under review is an attempt to analyze this region's industrial growth, basically around the following themes: rapid growth and subsequent recent stagnation; favorable and then negative effects from inflation; the preponderance of state and foreign enterprise in the newer industrial sectors; and finally, the effects of increasing industrial concentration upon development.

The book's essential conclusions are approximately as follows: São Paulo's industrial growth, dating back to the first decades of this century, was most rapid in the 1950s. Industry has become increasingly diversified, and plants have increased in size and capital intensity. Labor productivity rose primarily in the period after World War II. The author highlights the preponderance of government and foreign firms in the newer and larger-scale industries. He attributes this primarily to the very underdeveloped Brazilian capital market.

For the author, the most serious problems facing Paulista industry in the 1960s have been excess capacity and slow growth, caused by lack of demand. Pereira has two rather different explanations of this. First, inflation, by raising the cost of holding idle cash, stimulated firms to overinvest as a hedge against inflation—causing excess capacity. This is a plausible but unsubstantiated hypothesis. Later the author seems to agree with Ignácio Rangel, an unorthodox Brazilian economist, that ever increasing profit-wage ratios in industry, because of non-competitive pricing behavior, have reduced real demand below what is needed for full capacity production. The remedies which he prescribes all look to increasing the real income of wage earners and therefore the level of real aggregate consumption demand. He believes that ceiling price controls on food products can help considerably by reducing noncompetitive profits in marketing, despite their dismal failure in the past. Equally important might be increases in the real minimum wage to raise real

consumption demand. (Somehow, monopolistic firms will allow this increase without increasing their prices and reducing employment.)

The book contains numerous errors in economic reasoning. Pereira argues, for example, that monetary emissions to cover government deficit spending are noninflationary as long as the expenditure is "productive." This occurs because the greater demand for money generated by increased production will absorb all the new money printed (p. 138). The author is apparently not familiar with most of the basic economic literature on the problems with which he deals. Several important studies by ECLA, by Marie Henrique Simonsen, and by the members of the Economics Faculty of Pereira's own University of São Paulo are completely ignored. This leads to several factual errors. The imports of capital goods did not fall, as the author states (p. 43), when rigorous exchange controls were introduced after World War II. The multiple exchange rates did not remain more or less constant in nominal terms, 1953-1957 (p. 14). The strong incentives to industry were not eliminated, as the author asserts, with the five exchange categories in 1957 (p. 14), but they were retained through a new *ad valorem* tariff system. The list of inaccuracies could be extended considerably.

In sum, the book presents several interesting hypotheses. Clearly market structure is a much more important factor in the Brazilian economy than the orientation of previous work would indicate. But unless the reader is quite familiar with the Brazilian economy, the valuable parts of this book will be more than overshadowed by its misleading parts.

Rice University

GORDON SMITH