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Review

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Frank Dobbin, *Forging industrial policy: the United States, Britain and France in the railway age* (Cambridge: Cambridge University Press, 1994. Pp. xii + 262. £30)

This is the best book I have read on the history of industrial policy for a long time. It treats US, British, and French policy together in a framework which seeks to locate industrial policy, as it surely should be located, in the political life and institutions of the respective countries. The argument is worked through in detail for nineteenth-century railway policy but it has a much wider significance. The work raises many doubts and there are slabs of sociology which will not be to everyone's taste—Dobbin is an American political sociologist—but the vision and the attempt are highly commendable.

The broad context is characterized as one where Western governmental activity has shifted from the subjugation of territories to the subjugation of nature in the pursuit of economic growth. Two issues drive Dobbin; he calls them empirical observations, but at best they are clearly subjective. One is that the institutions developed for industrial policies paralleled those for political life. The other is that industrial policies changed little in their underlying rationale, over the nineteenth and twentieth centuries. It is easiest, initially, to illustrate the argument from the American and French cases since the British one may be more contentious.

The political culture in the US is seen to stem from the principle of self-rule by communities. In the late eighteenth and early nineteenth centuries, with a variegated set of American states and local governments, community sovereignty was the basis of political order. Hence a highly interventionist policy emerged with state and local governments promoting canals and railways and even subsidizing manufacturing. Speculative railway lines, directors disappearing with public funds, watering of stock, and other forms of corruption set in and were decisive in America, shifting to marketization as the central plank of government policy at all levels. Competition in and for markets was seen as the means of guaranteeing individual and political sovereignty, and Dobbin shows how it manifested itself in land grant policies and in the absence of railway network planning. In France excessive privatism is seen to be destructive of political order. The origin of that order was military absolutism and the subjugation of the aristocracy, so that centralized institutions were perceived as the best way to secure political and economic order. Industry was closely supervised, with the railway network planned, if not owned, by the central government.

In each country there was an internal rationale for the policy (a 'rationalised meaning system') which outlasted all the vicissitudes of economic changes and indeed the massive rise of government itself. Corruption may be doing an awful lot of work in explaining US marketization and one wonders whether post-1945 French planning can be simply traced back in this way. In addition Dobbin makes several unconvincing side swipes at neoclassical economics. He characterizes 'economic realism' as claiming that social systems are subject to economic laws which structure all activity—which is more marxist than neoclassical. 'Macro approaches suggest that economic institutions, including policy, evolve towards efficient solutions and adapt efficiently to new economic factors.' This may be Ronald Coase and Chicago but not the whole of neoclassical economics. Neither did Douglass North claim that political rulers maximized state revenue always by creating institutions that maximized individual incomes (p. 8); indeed he thought it would be desirable if they did (eg. developing patent rights to equalize private and social returns to invention) but saw governments as equally likely to be promoting state monopolies and tax farming.

But perhaps readers of this journal will have most doubts when we come to the British case. The English revolution led to the king-in-parliament with every lord

responsible for his own turf. The promotion of local elites is seen as the safeguard of political power, and parliament thereafter sought to locate control over industry in the hands of individuals. Thus firms and the entrepreneurial spirit are the focus of British industrial policy—illustrated by cartels and action against mergers, contrasting with American marketization and French central planning. Yet tariff protection was rejected until the 1930s. Anti-merger policy works against the growth of firms and cartelization works against entrepreneurs not in the cartel; the ‘internal logic’ here is not clear. How, moreover, are we to reconcile it with the drive to social ownership of industry in twentieth-century Britain? This was as much a shift to a new policy rationale plus an imitation of German and US success with large firms, as any long-term internal logic of supporting entrepreneurs. Large visions and strong theses, however, promote debate and this is a first-class attempt to say something of significance about industrial policy in the modern Western world.

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Gregory P. Nowell, *Mercantile states and the world oil cartel, 1900-1939* (Ithaca: Cornell University Press, 1994. Pp. x + 326. £37.50)

The core of this book is a study of the relationship between French oil policy and the international oil companies before the Second World War, though this relationship is put in a very wide context, and used as a vehicle to propose a new perspective on international political economy theory. The work uses a range of French archival sources, as well as American materials. Economic historians will welcome a serious study of France and the oil industry in this period. The historical literature on the oil business remains rather patchy in terms of its quality and coverage, and certainly heavily focused on American and British concerns as well as sources. However, Nowell’s text is rather heavy going for those not versed in the language of political economy theorists.

The conventional literature on French oil policy focuses on the government’s creation of a national oil company (CFP) in the 1920s as a belated strategy to secure a French share of a world oil industry which was being rapidly carved up by the American, British, and Anglo-Dutch oil majors, or ‘seven sisters’. Nowell argues that this apparent example of French étatism should be understood in the much wider context of ‘transnational structuring’, which describes a process under which multinational corporations sought to control the world oil market. As part of this strategy they influenced the formation of government policies, although the institutional nature of the outcome varied according to the national environment. The concept calls for a holistic approach. Nowell stresses the need to look at developments in the oil industry in relation to coal and other competitor products, and to see the French experience within the context of the history of the entire international industry.

Despite the new empirical information which this book provides, as well as the conviction and enthusiasm with which it is written, economic historians will probably feel uncomfortable with it for two main reasons. First, the main conclusions seem rather straightforward. These appear to be that multinationals have worldwide strategies which include seeking to influence government policies, and that the business coalitions which influence policy at any one time are transient, but can leave behind some kind of legacy. Secondly, the author’s coverage of the existing secondary literature is partial, which leads to some odd judgments on occasion. A study which discusses in detail the strategy of Shell in Britain as well as in France should have looked at my own *The state and the emergence of the British oil industry* (1981), and should also have consulted the fourth volume of the standard Gerretson