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Review: "The Spread of Modern Industry to the Periphery since 1871" by Kevin O'Rourke and Jeffrey Williamson

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The Spread of Modern Industry to the Periphery since 1871

Edited by Kevin Hjortshøj O'Rourke and Jeffrey Gale Williamson, Oxford: Oxford University Press, 2017. Pp. 391, Hardback $82.46, ISBN: 978-0-19-875364-3

REVIEWED BY RYAN GLAUSER

Over the past decade, global history and its ideas have steadily diffused throughout academic writing. Economic history initially adopted global frameworks and ideas when discussing globalization and the spread of industrialization. Kevin Hjortshøj O'Rourke and Jeffery Gale Williamson continue this vein of research, but attempt to complicate it by introducing 'modernity' and 'periphery' as flexible terms, and pulling the timeframe of research backwards to include 1871. For the editors, "the periphery are *ex ante* unclear, and tend to depend in practice on the purpose at hand." (p.3) Meanwhile, their conception of 'modernity' is temporally flexible, however, 'modern' manufacturing is represented as Western European and American industrial structures of production. With these definitions, Southern, Eastern, and Southeastern European manufacturing are included within the typical periphery areas of the Middle East, Asia, Latin America, and Sub-Saharan Africa. By expanding the concepts of 'periphery' and 'temporality', a general diffusion of 'modern' manufacturing can be sketched out that is simultaneously flexible and rigid.

The volume begins by tackling the issue of 'modern' manufacturing in Europe. In Chapter 3, Andrei Markevich and Steven Nafziger portray Russian manufacturing as a story of continuity from the Tsarist Empire through Stalin's industrialization policies and the later Soviet Union to Vladimir Putin's autocratic rule. The current state of the Russian economy developed as the result of heavy government involvement and direction over a century and a half that promoted heavy industries over consumer industries and desires, thus causing the Russian economy to form an oligopoly of state-run and supported firms. In Chapter 4, Alexander Klein, Max-Stephan Schulz, and Tamás Vonyó demonstrate the stratification of manufacturing within Central Europe, specifically in the former Habsburg Empire. The spread of manufacturing within the empire originated in Austria and the Czech lands, then steadily moved eastward and southward along railways to the periphery. This stratification continues to the present because of Cold War era investments which exacerbated these divisions. Chapter 5 deals with the lack of consistent manufacturing throughout Southeastern Europe despite foreign investments and apparent economic advantages, such as low labor costs and a proportionally high level of human capital. Michael Kopsidis and Martin Ivanov suggest that this failure is due to a combination of structural industrial problems, intensified international competition, and the Debt Crisis of 1979. In short, communism played a significant role, but cannot be considered the sole reason for sporadic manufacturing growth. Chapter 6 by Matteo Gomellini and Gianni Toniolo investigates the regional divide within Italian manufacturing. Their work focuses on the North-South divide within Italy and the attempt by Italian governments to close the gap through education programs and direct investments. Unlike the other chapters in this part, Gomellini and Toniolo conclude that the regional divide is due to geographical reasons and the lack of human capital, rather than numerous economic reasons. Part I concludes by touching on the Middle East and its structural problems: Ulaş Karakoc, Şevket Pamuk, and Laura Panza demonstrate how the rise and fall of Egyptian and Turkish manufacturing can be connected to protectionism and the cost of energy, specifically oil.

Part II jumps a couple thousand miles to the economies of East Asia. Chapter 8 tackles the typical 'Asian Tigers' of Japan, Korea, and Taiwan. Dwight H Perkins and John P Tang discuss how the growth of Japanese manufacturing cannot be used as an ideal form for East Asian manufacturing because of the change in geopolitical circumstances since World War I. Thus, the rise of Korean and Taiwanese manufacturing needs to be embedded into a Cold War and Bretton Woods framework rather than a British imperialist and free-trade approach. Perkins and Tang want to emphasize the importance of timing in the spread of manufacturing rather than the actual spread itself. Loren Brandt, Debin Ma, and Thomas G Rawski attempt to bring clarity to the industrialization of China by arguing for the continuity of present-day growth back to the nationalist government of Chiang Kia-Shek in Chapter 9. In their view, the miracle of Chinese growth is not solely due to the communist system of targeted investment and the ensuing liberalizing reforms of 1978 and 1995. Instead, the miracle needs to be traced back to the infrastructure and human capital investments made by Nationalist China in the 1920s because they laid the foundations for Mao Zedong and his industrial policy. Indian manufacturing and the emergence of a prominent service sector is discussed in Chapter 10 by Bishnupriya Gupta and Tirthankar Roy. The distinct structure of the Indian economy is traced back to the lack of manufacturing and economic investments outside of agriculture during the colonial period. Instead of implementing a mass industrialization program after independence in 1947, India created an autarkic industrial sector while steadily creating a profitable service sector in the 1970s. The second part closes with a quick investigation into the lagging industrial sectors of Southeast Asia by Jean-Pascal Bassino and Jeffery Gale Williamson. Chapter 11 revolves around the temporality of the manufacturing spread which can cause certain regions to lag behind others due to increases in global competition. In the case of Southeast Asia, the oil shocks of the 1970s provided the region with the opportunity to expand manufacturing, however, Chinese industrial production outpaced and surpassed Southeast Asian production by the 1980s. Thus, despite the highly educated population, foreign investments, and apparent comparative advantages, time destroyed the "catching-up" phase for Southeast Asia. (p.281)

Part III crosses the Pacific Ocean and addresses manufacturing in Latin America. Aurora Gómez-Galvarriato and Graciela Márquez Colín show the economic influence of the United States and difficulties of market integration in rugged countries, such as Mexico and Peru, in Chapter 12. In the case of Mexico, the border with the American market encouraged economic growth and specialization within the industrial sector, but at the expense of economic stability. Meanwhile, Peru developed a more diverse industrial sector, but was hampered by its lack of local resources and access to international markets due to the rugged terrain. This trend of geography and influence of the United States continues in Chapter 13 as Xavier Duran, Aldo Musacchio, and Gerardo della Paolera discuss the emergence and stratification of the South American economies of Argentina, Brazil, Chile, and Colombia. The authors state that "there is too much heterogeneity for a single theory to work," (p. 318) and that numerous local factors aided the process, but the common factor between them all was geography and the ability to access the American market, as well as the global market throughout the twentieth century, specifically from the 1970s to the 1990s.

Finally, Part IV crosses the Atlantic Ocean and ends with the "failure of Sub-Saharan African manufacturing." (p.345) Gareth Austin, Ewout Frankema, and Morten Jerven argue that Sub-Saharan Africa is considered a failure because of a misconception in the stage of development in which Sub-Saharan Africa currently exists. After independence in the 1960s, most of the continent experienced economic growth, especially in manufacturing. However, this was not part of the catching-up phase because the continent lacked necessary human capital, low labor costs, urbanization, and market access that would facilitate an economic boom. Thus, Sub-Saharan Africa needs to continue its current process of creating the necessary conditions to cause an effective and permanent economic boom in the coming years.

In summary, the edited volume contains a complex and diverse set of articles that attempt to break a common historiographical conclusion around the spread of manufacturing. The diffusion of 'modern' manufacturing was a long process that can be traced to varying points for the entire world. The success and adoption of 'modern' manufacturing was also not guaranteed once the ideas and technology entered a region. These conclusions are based on statistical data and economic theory, then historical events are placed within this economic framework. This is a typical problem with econometric analyses that attempt to pull actors out of economic decisions and policies. The volume mentions local actors and decisions, but focuses on a general trend rather than explaining how and why this trend occurred. This is accomplished by using economic terminology and ideas, such as 'Dutch Disease Effects,' labor productivity, microeconomic variables, etc. By distilling the local into complex abstract terms, the volume creates an image in which the spread of 'modern' manufacturing was mainly caused by the will of the West through import-substitution programs and free trade policies, not local actors and their economic accomplishments.

Although the volume focuses on numbers and economic theory, it also emphasizes the discussion of temporality within the spread of manufacturing, which was accomplished by approaching the issue from a global perspective. This emphasis helps to demonstrate that regardless of economic policies, investments, human capital, urbanization, etc., economic growth and industrialization are affected by global circumstances and events outside the control of any single country. Therefore, future economic histories of 'modern' manufacturing, globalization, industrialization, and trade need to account for global trends, ideas, and events. These events shape the global economy indirectly and can cause certain countries to remain in the periphery, regardless of local economic decisions and circumstances.