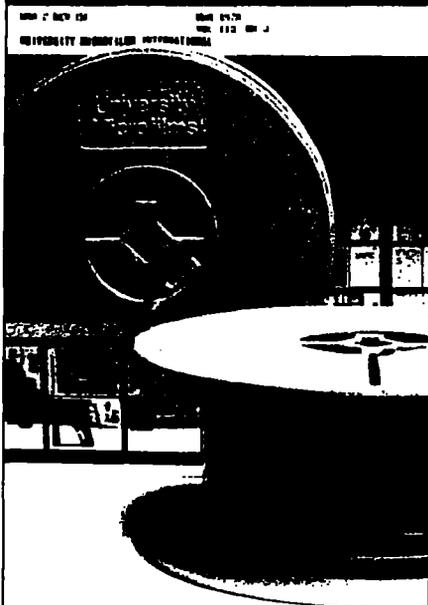


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### INVESTING IN PEOPLE: THE ECONOMICS OF POPULATION QUALITY

by Theodore W. Schultz

(University of California Press, 173 pp.,  
\$12.95)

Walter E. Ashley

This small book based on Professor Schultz's 1980 Royer Lectures at the University of California, Berkeley, is a useful statement of the twin themes to which the Nobel prize-winning economist has devoted much of his life's work. First, "human capital," rather than space, energy, cropland, or any other physical properties of the earth, is the decisive factor in improving the welfare of poor people everywhere. This human capital can be augmented by education, work experience, and improvements in health to make a decisive contribution to the economies of the less-developed countries. Second, government involvement can cause economic distortions that prevent the proper use of this human capital.

Any economist with experience in the less-developed countries could be expected to sympathize with, or essentially agree with, these views. So the first thing to be said is that Schultz's view of the importance of human capital has frequently *not* commanded assent in the less-developed countries, as is amply demonstrated by the record of premature attempts at industrialization or emphasis on huge construction projects. To that extent, the Schultz book is still a valuable reminder that a poor nation's struggle to achieve decent living standards for its people demands trained and dedicated brains as well as material resources. It also points up the shortcomings of much economic research, which treats labor as an undifferentiated commodity rather than as a rich and varied national asset.

The book is also challenging because of the sheer length to which the author pushes his "human capital" thesis. A real optimism shines out through the somewhat opaque prose. Investment in agricultural research can pay off in greatly increased food supply in ways that Malthus and Ricardo never could have envisaged. Farmers will not be held back by cultural factors from participating in the agricultural revolution; they will be its economic agents, figuring costs and risks. Increasing the stock of health will pay surprising divi-

dends—prospects for a longer life span will provide incentive for the individual to invest in more education to make life more meaningful. The possibility of a better life for one's children will encourage parents to limit the number of offspring, thus enabling them to do more for those who are born.

Recent developments, of course, indicate that much of Schultz's optimism may indeed be justified. The development of new varieties of rice and wheat, their adaptation to local conditions by experts trained in the less-developed countries, and the large-scale application of fertilizers and insect control have greatly increased output in many countries. India has tripled its wheat output in little over a decade and, with stockpiled grain, easily survived a major drought. Advances in genetics hold out prospects for further advances. Such developments validate Schultz's perception—brought home to him when he saw how indigenous skills utilized Marshall Plan aid to restore Europe after World War II—that sophisticated knowledge, not physical resources, is the vital ingredient in development.

In the latter part of the book Schultz turns to his second thesis: that government involvement in the economy can be pernicious. He departs from his discussion of conditions in the less-developed countries to criticize the role of the United States Government in running U.S. schools and expresses concern about government funding of scientific and economic research. A chapter on foreign aid by the U.S. and other governments, which, says Professor Schultz, mistakenly use social rather than economic criteria to determine the form of their assistance, brings the focus of the book back to the less-developed countries.

Generally, this section of the book seems less convincing, although good points are made—for example, about the value of parental input in school education. And the general thesis that government involvement tends to misallocate capital is surely valid. But the chapters are redolent of the "leave it to the market" philosophy of the Chicago School of economics, without much of an attempt to determine what may be a *valid* role for government in research, education, and other fields. Surely such a role is important, particularly for the less-developed countries, where in some cases government may be the

only institution able to initiate desired change.

This rather routine discussion of government shortcomings, however, should not be allowed to overshadow the main value of the book. Obviously, the ability of the less-developed countries to raise themselves to a better life is not yet proven. Technological advances in health, it may be argued, could reinforce the validity of the Malthusian argument that increases in population will eventually outrun improvements in the world's food supply and negate any attempt to raise living standards above subsistence level. But the picture Professor Schultz draws of the new nations making use of their human capital to achieve better lives for their people gives us cause for hope. [WV]

**THE NAZI QUESTION: AN ESSAY  
ON THE INTERPRETATIONS  
OF NATIONAL SOCIALISM  
(1922-1975)**

by **Pierre Ayçoberry**

(Pantheon; xiv + 257 pp.; \$6.95 [paper])

*Anthony James Ioes*

Hitler and nazism intrigue us, generating an endless progeny of books that Pierre Ayçoberry seeks to put in order. "My aim was to write a history of the images of nazism, constructed at first by itself, its sympathizers and adversaries, then by the practitioners of the different social sciences who found in it a point of application of their methods." The scholarship—analyses of dozens of major works in French, German, and English—is impressive.

The first thing to strike the reader is the poverty of standard Marxist, and especially Communist, analyses of nazism. In the 1930s the Communists insisted on forcing the Nazis into the crudest Procrustean bed of economic determinism. Their mechanistic insistence that Hitler was nothing but a puppet of the Krupps was complemented by an explanation of the concentration camps as nothing but a more efficient way for big business to exploit labor.

But economics failed to explain why the Nazis turned these camps of exploitation into camps of extermination; and Stalin's much vaster system of camps leaves communism wide open to the

charge of being nothing but a machine for exploiting labor. Even the Communists could not escape certain unpleasant facts, such as that 53 per cent of the storm troopers in 1932 were made up of working-class members. This helps account for the otherwise incredible Communist tactic of lumping the Socialists with the Nazis ("Social Fascism"); it was necessary to blame the social democrats for Hitler, "the better to excuse the proletariat."

Communist writing on nazism, crowned by the confident prediction that a short-lived Nazi-capitalist regime would be followed by the inevitable proletarian revolution, is embarrassing.

The Communists paid for their ritualized ignorance with total defeat, and often with their lives. Marxists like to tell one another that "environment determines consciousness." Good; can we therefore assume that ugly events in the real world have forced a revision of the hallowed but demonstrably inadequate categories of thought? Alas, as Ayçoberry shows, contemporary studies of nazism by East German historians are still based on the crudest of class-war assumptions: "that those who later profited from nazism must have been its accomplices at the start"; that "the one who paid was the one who commanded"; and that "the one who did

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