Book Reviews

Foreign Trade, Aid and Economic Growth in Less-Developed Countries by Gunnar Floystad. Oslo: Scandinavian University Books, Universitetsforlaget, 1968.

Gunnar Floystad's *Foreign Trade, Aid and Economic Growth* is concerned with the interrelations between foreign trade, foreign aid and economic growth of a group of less developed countries (LDC) comprising all of Latin America, Africa, the Middle East and Asia, excluding USSR, Japan and Mainland China. The book is divided into two parts: Part One uses a model of trade, aid and growth to deduce a relationship between GNP, exports and net capital inflows of the LDC. Assuming exports to be given exogenously and net capital inflows to grow at a constant rate over time, growth of GNP is projected corresponding to alternative postulates about growth of exports and growth of net capital inflows via the simple exponential function, $E(t) = M_o\ [X(t) + B(t)]^B$, where E, X and B stand for GNP, exports and net capital inflows respectively, and M_o is a constant. Part Two analyses in some details the export prospects for a list of traditional products currently exported from LDC to developed countries.

The major result of Floystad's study is that it should be difficult for LDC to sustain a respectable growth rate (*viz.*, 5 per cent) for their combined GNP without significant increases in their export of manufactured (non-traditional) goods.

The above result is more or less well known as far as most individual countries in Floystad's LDC group are concerned. The meaning of a growth rate for the combined GNP of LDC is somewhat difficult to see. So is the rationalisation of an assumption that plays a crucial role in making GNP of LDC a function of total imports alone: *i.e.*, the ratio between capital imports and imports of inputs for current production is given exogenously by government policy (irrespective of the magnitude of total foreign exchange available). Two other implicit assumptions, *i.e.*, (a) "domestic" saving always adjusts itself, in both directions, to the availability of foreign resources, and (b) "home" supply of importables cannot increase, severely restricts the predictive usefulness of Floystad's model.

The author, in fact, does not offer any rationalization for most of the assumptions that make up his model in Part One. This makes his analysis a purely mechanical one not in the better traditions of econometric analysis. The study of export possibilities in Part Two is generally interesting, but does not stand out as any significant contribution in view of numerous other studies available in this area.

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