

Book Reviews

Many economics students are introduced to Third World issues through textbooks for third level courses in development economics. How good a grasp of development issues are they likely to have from these texts? Joe Durkan of UCD reviews three such textbooks below and argues that they suffer from serious shortcomings.

The article in this Review by Edward Dommen on the 1992 UN Conference on Environment and Development (ECO '92) raised issues concerning the innovations needed in current economic thinking in order for it to properly incorporate environmental matters. These issues are further discussed in a book originally prepared for the UK Department of the Environment and which is reviewed below by Eoin O'Malley.

Three Introductions to Development Economics:

Economic Development in the Third World, M. P. Todaro, Longman, 4th revised edition, London, 1989 (Stg£16.50, 698 pages).

An Introduction to Development Economics, S. Ghatak, Allen and Unwin, 2nd revised edition, London, 1986 (Stg£40, 416 pages).

Economics of Development, M. Gillis, D. H. Perkins, M. Roemer and D. R. Snodgrass, Norton, 2nd revised edition, 1987 (Stg£12.95, 640 pages).

There has always been doubt among some economists as to the intellectual contribution of development economics as a discipline. Other areas of applied economics (transport economics, urban economics, agricultural economics etc.) have a body of economic theory that distinguish these areas and make them more than just applications of

standard economic theory. Development economics is very different. It seems to borrow from everywhere, but to belong nowhere. For this reason it is an unsatisfactory discipline. In spite of this it continues to attract many bright students, many professional economists work in development, and there is a range of textbooks currently available which should provide the basic building blocks for the area. A new course in development economics provided an opportunity to return to the field after an absence of twenty years, and the need to select an introductory textbook provided the material for this brief rundown on three texts. At the outset it must be said that this is not a comparative review. That can only come after these texts have been used extensively. Rather it is a comment on what I was looking for and what I found.

First, there is little in these books to explain why poor countries did not develop as the North did. It is difficult to see how one can understand the poverty of much of

Africa, for example, without a consideration of the impact initially of slavery, then of the colonial period, followed by bad government, civil wars, famine and misguided development strategies. The shocks to this region have been so great that in themselves they offer some hint why development was so poor. Slavery denuded vast tracts of West Africa, deprived it of a proportion of its labour force and weakened many west African kingdoms. Contrary to some current mythology the colonial period was not one where everyone was happy, if poor. Even a casual knowledge of German, Belgian, and British colonial experience provides evidence of the brutish nature of these regimes. This was not confined of course to Africa as the colonial powers seemed to be constantly engaged in nasty little wars to maintain order.

Contrary to the popular view, which equates the colonial period with exploitation by the metropolitan power, the real economic impact came via the effect on stability and the ability of societies to develop. It is far too facile to see in the imposition of colonial order an advance on tribal disputes. Some societies have responded and developed when opened to outside influences, while retaining their own characteristics. Nor can one ignore the post-colonial period when many countries were afflicted by malevolent governments or well-intentioned governments who pursued bad policies. Sometimes of course bad policies were foisted on governments. Development economics has been bedeviled by fashion. The notion that development proceeds in decades is bizarre. The model that springs to mind is of careerists from the west, intent on selling themselves, offering instant

panaceas, before moving on, while others must live with the consequences of their advice. It is not too long ago that poor countries were applauded for their fast growth, financed by external borrowing, yet now they are pilloried for that borrowing. Finally how can one discuss development without referring to the impact of natural and man made disaster? This lack of a historical perspective is a serious omission in development economics texts.

Second, the approach is too broad-brush. I find it difficult to group poor countries as is conventionally done. The rationale for currently used classifications is based on some notion of scientific methodology, which sees classification as an essential input into a scientific approach to development. The model is that of 'Patterns of Development'. Yet what is all this data telling us? That some countries are poor and that there are differences in degrees of poverty. If classification is to have any sense it must be based on some conceptual framework. It is very difficult to discern any such framework in these books. A student is unlikely to come away with a clear view of development, though a student will have an idea of what is *currently* topical, if a recent edition, or what *was* topical, if an old edition. She/he will not have a theory of development that runs throughout the text and informs the position taken on current issues. More important, the student will not take away a framework that will be useful for the analysis of future problems. Between them these three books cover 'The Green Revolution', 'The New International Economic Order', 'The Third World Debt Crisis', 'Foreign Aid' and so on.

In five years' time the list will be different. The point of this criticism is not that one should not cover current issues, but that they should be placed in their proper theoretical and historical framework. In trying to understand why these books appear unsatisfactory I concluded that whatever the original driving force, it had been overtaken by a desire to appeal to the widest possible audience and hence would say very little, for fear of causing offence and losing sales. This may also explain why so many introductory textbooks in economics are so unsatisfactory.

As I worked through these books I realised that there had been very little progress since I last looked at this area of study in any systematic fashion. For comparative purposes I looked at Lewis's *The Theory of Economic Growth*, written in 1954. To my mind this, for all its old fashioned air, remains the definitive book on development at a conceptual level. It is impossible to come away from this book without an appreciation of the importance of institutions, including the functioning of markets; the importance of the capital stock and the institutional framework within which that stock changes; and to a lesser extent, the importance of population. These are the factors which we should be looking at in development economics. It is those countries that systematically try to improve markets, improve the quality of their labour force and increase the quantity and quality of their capital stock that have made the most progress in development. This seems such a simple message that it is difficult to see where it got lost in these books.

Joe Durkan

Environment and Development

Blueprint for a Green Economy,
David Pearce, Anil Markandya and
Edward B. Barbier, Earthscan
Publications, London, 1989.
(Stg £6.95 paperback, 192 pages).

Ninety-three per cent of people in the European Community regard the environment as a 'very important political problem today'. In fact, the environment ranks as the second most important political problem perceived by the Community's electorate, ranked just after unemployment.

Economic growth versus the environment

In the 1970s, debate about environmental protection was commonly couched in terms of a direct conflict between economic growth and the quality of the environment. The idea was that one could choose economic growth or improve environmental quality — but not both. This would present a very unpalatable choice, particularly since low or zero economic growth generally results in unemployment, and unemployment and the environment are the two major political problems identified by the electorate.

More recently, however, the debate has tended to shift the focus away from a straightforward issue of growth versus the environment towards a search for patterns of growth which are compatible with environmental concerns. In this spirit, the Brundtland Report, published in 1987 by the World Commission on Environment and Development, established the concept of 'sustainable development' as a feasible objective.

'Sustainable development' holds that the issue is not whether the economy grows or not, but how it grows. It is necessary to ensure that environmental concerns are given due weight in determining and limiting the nature of growth. The UK government's initial response to the Brundtland Report last year was a positive commitment to developing policies consistent with this concept of sustainable development.

The book under review, *Blueprint for a Green Economy*, was a logical outcome of this response by the British government, for it was originally prepared as a report for the Department of the Environment in the UK. The terms of reference asked the authors to 'review the state of the art on the relationship between the sustainable development concept, national accounting, resource accounting, satellite accounting, and project appraisal procedures'.

Bringing the environment into economics

Essentially the book tackles the question of how to adapt economic analysis and economic policies so as to take account of the need to protect the environment and achieve sustainable development. A central theme, therefore, is the need to place proper values on the 'services' provided by natural environments. At present, the environment is often treated in economic or business calculations as if it had zero value, because its waste-disposal services are

available free. Consequently, profit-driven firms and even branches of government tend to 'over-use' and thereby damage the environment.

Correcting this bias involves, for example, taking account of environmental damage as a cost in the national accounts, building in costs of environmental deterioration in appraisal of proposed public investment projects, and creating disincentives for private enterprise polluters by ensuring that the polluter is charged for any damage, at a prohibitive rate if necessary. The book discusses the pros and cons of various means of applying such procedures, in a reasonably balanced manner as is fitting for a 'state of the art' review.

Some might question whether the authors are too optimistic about the effectiveness of creating market incentives and disincentives as a means of protecting the environment, as opposed to outright regulation. But the book has the merit of raising and discussing such issues seriously, giving readers a chance to judge for themselves.

The subject matter of the book is rather technical and complex. It is not light reading, but the technical terms and concepts are generally well explained. For the most part, it should be accessible to the non-specialist reader who is motivated by a sufficient genuine interest in the subject.

Eoin O'Malley