

REVIEWS

H.W. Arndt, *Economic Development:
The History of an Idea*,
University of Chicago Press, Chicago and London,
1987, pp.212 + index.(n.p.)

Derek T. Healey

A fascinating story! Teachers and students of economic development will be indebted to Professor Arndt for a long time to come for his engrossing account of the *idea* of development. This is not another "how-to-do-it" book; the author has set his gaze on presenting us "with statements about policy objectives, not with economic analyses." (p.vii). And in this task he leads us through a maze of objectives with a sure touch. For the story *is* complicated and even one who has been intimately connected with the subject (as this reviewer has been) will read these pages and reflect "is *that* what we really believed then?" Arndt himself comments that the study seems to bear out the truth of Ecclesiastes that "there is no new thing under the sun" - the reader may well be inclined to repeat at the end: "well, this is where we came in".

For the overall impression one derives from the book - based as it is primarily on the words of the policy advisers themselves - is that there has been a circular process of thought in the past half-century. In the beginning we concentrated on "growth" and the antecedents of the growth model were to be found in classical economics. Out of this emerges "development" and over the years one or other aspect of this was stressed as *the* objective for a developing country to pursue: at one time it might be "employment", at another, "basic needs", at yet another, "equity" - to mention but a few. All of these objectives - and especially the grander ones like the New International Economic Order - demanded some modification of market forces by the state. In the event all the objectives proved chimerical. At the end of the story, with the wheel turned full circle, we are back in a classical world where the stress is on prices, markets, productivity, efficiency, trade and comparative advantage. Adam Smith and Ricardo would feel at home again today!

The book raises the interesting question: *why* were so many dead-ends pursued? Was it just due to a "change in intellectual fashion"? (p.6). In some cases the author believes that it was, but yet again he is willing to admit that many changes resulted from the genuine attempts of scholars to find more appropriate policies when previously tried ones had manifestly failed. But why did the antipathy to "the market" last so long among development economists? One can only hazard a guess and suggest that it was the delayed effect of the pre-World War II experience of the world economy.

Arndt quotes his own pre-war book on the issue:

Given the large maladjustments in the balance of payments and economic structure of different countries which the (first world) war had left behind, ... their correction by means of adjustments and price/income levels had become impracticable or intolerable as a result of greatly increased rigidity in the cost and price structure of the advanced capitalist economies; ... ultimately owing to the immobility of resources, market forces could not or – for good reasons – were not allowed to effect the necessary adjustments. (p.124)

The notion of "structuralism" – manifested in part by this quotation – was, as Arndt observes, highly influential among leading economists of the West. It is but a short step from there to the neo-Marxist School of Latin America and to the full-blooded Marxism of, say, Baran. It still remains odd, however, that very little intellectual effort was put into the task of *improving* the operation of the market; the failures were taken as givens and off we went on a wasted forty-year goosechase into ways and means of trying to develop economies *without* the use of market forces. Upon reflection, of course, one sees that this is precisely what happened to mainstream economics in the period from Keynes ("that able but misguided genius who shunted the science of economics onto the wrong track") to the 1980s.

Fortunately there were *some* countries which took no notice of structuralist schools, neo-Marxist schools, *et al.*, and went away and developed along Japanese or classical economics lines. These were the Republic of Korea, Taiwan, Hong Kong and Singapore. And if there is one minor criticism to be levied against the book it is that *insufficient* space is devoted to examining what spokesmen/economists in these countries said about what they were doing. The emphasis on British, American and European economists is perhaps natural but unfortunate in that it was precisely the developmental successes of the "Four Tigers" which ultimately caused a complete reappraisal of world-wide development

policy. (But theory always lags behind reality; only *now* is "the West" beginning to wake up to the economic power of Japan and to wonder *how* Japan did it.)

Professor Arndt succeeds in his task of giving the reader the whole flavour of the development debate. Hardly a name of importance is omitted and, just for fun, the reviewer has compiled the following list of the more important name citations: Myrdal (23), Marx (19), Rosenstein-Rodan (13), Prebisch (13), Lenin (12), Nurkse (11), Adam Smith (11), Boeke (10), Baran (8), Stalin (7), Furnivall (7), Frankel (6), Khomeini Ayotollah (6), Rostow (6), Bauer (5), Sun Yat Sen (5), Hirschman (5).

Also, briefly cited among many others are Hitler, Tito and Mussolini (once each) and Ho Chi Minh (twice). In all, a truly formidable galaxy of stars! (It would, however, have been an advantage if a complete alphabetical list of authors and the works cited had been presented; the author/title references given in the very comprehensive "Notes" are really only useful as we are going through the text.)

Given the vast scope of the topic and the beautifully succinct presentation of the views of the authors discussed (all done in 177 pages of the text), it is inevitable, as Arndt admits, that "Readers will miss some of their favourite authors ..." (p.vii). Whilst not necessarily endorsing the word "favourite" this reviewer would have liked to have seen mention of Frantz Fanon in the Chapter titled "Radical Counterpoint: The Left". In Fanon's *The Wretched of the Earth* (1961) we have, *in extremis*, the voice of "The Left"; the "voice" is that of Jean Paul Sartre's preface:

Not so very long ago, the earth numbered two thousand million inhabitants: five hundred million men, and one thousand five hundred million natives. The former had the Word; the others had the use of it. Between the two there were hired kinglets, overlords and a bourgeoisie, sham from beginning to end, which served as go-betweens. In the colonies the truth stood naked, but the citizens of the mother country preferred it with clothes on: the native had to love them, something in the way mothers have loved. The European *élite* undertook to manufacture a native *élite*. They picked out promising adolescents; they branded them, as with a red-hot iron, with the principles of western culture; they stuffed their mouths full with high-sounding phrases, grand glutinous words that stuck to the teeth. After a short stay in the mother country they were sent home, white-washed. These walking lies had nothing left to say to their brothers; they only echoed. From Paris, from London, from Amsterdam we would utter the words 'Parthenon! Brother-hood!' and somewhere in Africa or Asia lips would open '... thenon! ...therhood!' It was the golden age.

Fanon expresses the views of those whom Arndt considers at the beginning of his story – those whose reasons for economic development of their countries arise out of "Reactive Nationalism".

Other "absent friends" of a different ilk are *The Poverty of Development Economics* by Deepak Lal (1983) and David Morawetz's *Twenty-five Years of Economic Development 1950 to 1975* (1977).

There is one part of the story about which the reviewer has some first-hand knowledge through personal involvement – the genesis of the ILO's idea of Basic Needs under Louis Emmerij's (not Emerij – p.101) World Employment Programme. It was in 1976 (not 1975) that the World Employment Conference was convened at Geneva with the main conference document titled *Employment, Growth and Basic Needs*. Arndt is correct in stating that the concept of Basic Needs formed the fulcrum of the ILO approach (in fact the ILO was highly gratified that it had thought of the term before the World Bank!), but nevertheless the document *does* deal with the developing countries in the world economy, stresses the advantages of international trade and the international division of labour in stimulating "growth", and points to the necessity for restructuring the economies of the *developed* countries so as to absorb exports from the LDCs. To quote the report:

International trade is an instrument for raising national income beyond the level which could be attained in autarky. Trade expansion is thus not an end in itself but is desirable to the extent that it enables a country to achieve its income and growth objectives. (*Employment* ..., p.102)

These sentiments would be quite acceptable to Little/Scitovsky/Scott, to Anne Krueger – and to Heinz Arndt!

Perhaps one other quibble could be raised. The author states that "few mainstream development economists would have disagreed, except perhaps in emphasis, with (Prebisch's) statement that growth in the West 'had left untouched the vast peripheral area'". Can this really be sustained? It can be argued that the initial steps in the development process were, in fact, taken by countries when they were *colonies* of metropolitan powers. One thinks of political unification, the use of a common language, the romanisation of a complex script (Indonesia, Malaysia, Vietnam), rubber, oil palm and tin in Malaya, etc., etc. This reviewer certainly believes that a strong case *can* be made out for the claim that western capitalist development *inevitably* involved creating at least the framework, the infrastructure for development in "the periphery".

Four small points: the British Colonial Development and Welfare Act was passed in summer 1940 (i.e., significantly, in the darkest days of the war for Britain) and *not* 1939 (p.28); "dependencies" should read "dependence" (p.133); an index *by countries* would have been useful; it is hard to count the "sop" of the establishment of the negligibly funded Common Fund as a "success" for the "NIEO campaign" (p.143); a tougher, more realistic assessment of the whole New International Economic Order initiative with its Brandt Reports *et al.*, would conclude that it was futile and sterile *because it was misconceived economically*.

Professor Arndt has written a book which is much more than a series of quotations from a stream of development economists. It is a delight to read and constantly challenges the reader to *really* consider the complexity of economic development. Modestly, the author does not generally allow his own views to intrude upon the story of how *others* have viewed "the idea" of development. But, in a manifestation of the spirit of the Enlightenment, his liberal, urbane and democratic approach is finally allowed to shine through:

Modernisation, however, is not merely a means to economic growth. The rationality, dynamism, and mobility of modern society, the scope for a fuller life and greater individual freedom for men and women, for the advancement of knowledge and cultivation of the arts offered by urban civilization, all these are seen as aspects of modernisation valuable in themselves, apart from the contribution of modernisation to economic growth. (p.175)

Derek T. Healey
University of Adelaide
Department of Economics