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Book Review — Digitized Version

[Book Review of] Economic maladjustment in Central America, Wim Pelupessy, ... (eds.): Houndmills, MacMillan, 1993

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among regions and sectors within the same country. Their growth will differ according to their social capabilities to absorb technical knowledge.

The book consists of six chapters and three appendices. Chapter 1 presentes the conceptual framework and hypotheses. Chapter 2 deals with the industrial development of Western countries and Japan in order to draw lessons for contemporary developing economies. Chapter 3 carries the analysis to major sectors – agriculture, industry and services. Chapter 4 investigates the relationship between productivity growth and employment changes at this sectoral level. Chapter 5 amplifies the domestic and international price structures from the point of view of developing countries. The author uses the concept of purchasing power parity to make international comparisons. The last Chapter is devoted to international trade and its role in the growth process. There is a great emphasis on imports of investment goods as carriers of technological knowledge and its effect on capital formation in importing developing countries. The author believes in a long-term sequential relationship between import and export growth.

Social capability of a country to create and absorb technological knowledge for productivity growth is of course an essential element of the process of development. Ohkawa certainly deserves credit in reiterating its importance very emphatically. The problems lie in its correct quantification for international or even sectoral comparisons within the same country. It is doubtful if the author's attempt to define it in terms of "residual" is very useful for practical purposes. Nonetheless, growth economists interested in developing countries would benefit from the wealth of information in this book. It is not an easy reading, but patience will prove rewarding.

Jamuna Prasad Agarwal

Pelupessy, Wim, John Weeks (eds.), Economic Maladjustment in Central America, Houndmills, Basingstoke and London 1993: The MacMillan Press. XVI, 198 pp.

For a neoclassical-minded economist, the book starts with a surprise. While the title promises that the past maladjustment in Central America will be analyzed the first pages make clear that the editors are going to justify future maladjustment.

Chapter 1 by *Pelupessy* and *Weeks* tries to reheat the debate about the inappropriateness of neoclassical policies for developing countries and – of course – especially for Central American countries. Their arguments are not new. Indeed, they have been reheated so often that they have lost all their flavour – they are: neoclassical theory completely neglects the specific institutional environment leading to the rejection of government intervention and creates market economies highly vulnerable to external shocks.

The following chapters should substantiate this view by analyzing domestic policies (in Nicaragua, El Salvador, and Honduras), international trade policy (in Costa Rica, Guatemala, and in Central America in general), and agrarian policy (in Nicaragua and El Salvador). Two main shortcomings could be identified: the analytical framework set out in Chapter 1 is highly deficient and the analytical standard of the book is rather poor.

Generally, Pelupessy and Weeks fail to provide the correct hypothesis to be rejected. They confuse neoclassical thinking with naive classical concepts and they do not account for the difference between neoclassical theory and neoliberalism. Neoliberalism which gives the policy advice based on neoclassical theory does not neglect the institutional framework. To the contrary – it gives a very ambitious program for the reform of institutions. It has been shown by various studies that such reforms provide an economy with the flexibility needed to cope with external shocks, i.e., they make an economy less vulnerable to external shocks.

Pelupessy and Weeks also fail to provide the counter-hypothesis, i.e., a stylized reform package especially appropriate for the institutional setting of Central American economies and able to insulate them against external shocks. This lack of an analytical framework makes the reading of the book rather frustrating. On average, the country studies remain descriptive in an unstructured way, fail to draw conclusions based on arguments in the text, and tend to blame the international institutions for each and every unfavourable development in Central America.

Three country studies depart from the average standard. In Chapter 2, *Weeks* tries to establish the case against neoclassical stabilization recipes. Contrary to most country studies in the book, this study of Nicaragua contains a theoretical part – though a highly confusing one. On p. 30, Weeks states that *"monetising the deficit resulted in an excess supply of the means of circulation, which increased the notional monetary demand for commodities. With the supply of commodities restricted ..., upward pressure on prices resulted"*. On p. 31 he says that *"the córdoba inflation derived from the speculation-driven devaluations, and the contraction of demand from the decline in the real value of the avialable means of circulation. In this context restriction of growth of the means of circulation would have a purely output-restricting effect."* While the former statement is perfectly neoclassical it remains unclear which theory justifies the latter. Weeks concludes (without proof) that *"at best, anti-inflation policy in Nicaragua would convert chaos and collapse with hyperinflation into chaos and collapse without hyperinflation"* (p. 32). It is true that anti-inflation policy needs complementary measures but there is not one example of a country which has overcome chaos and collapse while maintaining hyperinflation.

The rest of the chapter fails to provide evidence why Nicaragua should be an exception. On p. 38 the author reaches the conclusion that *"foreign missions that promote optimism when none is warranted only bring governments into disrepute, making continued decline appear as policy failure. The World Bank and the International Monetary Fund developed this role of external advisers to an art form in their structural adjustment programmes of the 1980s, producing largely irrelevant and frequently inappropriate policy packages, then leaving governments to bear the culpability for the subsequent continuation of economic decline."* This conclusion is more than surprising. In Nicaragua, the civil war in the 1980s has to be considered and neither the World Bank nor the IMF designed any economic program.

Chapter 5 by *Cáceres* on the external debt situation of Honduras is interesting because it tries to put up an analytical framework. However, it simply neglects the state of the art by referring to a simple growth accounting framework from 1986. Not a word about the debt-overhang debate (the more modern version of what the author presents) and about principal-agent problems involved in international credit relations. Instead, the author runs some simple ad-hoc regressions yielding the conclusion that balancing the current account of Honduras would have required a negative (!) LIBOR rate (p. 77) and *"this conclusion implies that approximately one-half of the indebtedness during the 1981–87 period originated from economic developments external to Honduras. Accordingly, Honduras could reasonably argue that such debt should be 'forgiven'"* (p. 83). Two questions would surely come as a surprise to the author: Who pressed Honduras to accumulate the debt which has to be serviced in the 1980s? Is overborrowing a neoclassical concept or rather the outcome of macroeconomic mismanagement?

The last country study to be mentioned here is Chapter 11 by Pelupessy on agrarian reform and anti-reform in El Salvador. Different from the other studies, it contains well written descriptive parts, names the targets of the implemented privatization programs and compares the outcome for the resulting argricultural sub-sectors in terms of efficiency and distribution. The study clearly shows how difficult it is to implement agrarian reforms in Latin American countries. But no neoclassical development economist would doubt that this issue ranks high on the economic policy agenda for both efficiency and social security reasons.

All in all, the book is a rather weak attack on the neoclassical position. The reading of the book could hardly be recommended to anyone. Policy-makers would run the risk to get completely confused or to risk another 'lost decade' for their countries, neoclassical-minded economists might find it too easy to reject counter-arguments, and those who are looking for such arguments will find more convincing articles and books, e.g., those written and edited by Lance Taylor.

Rainer Schweickert

Sell, Friedrich, Ökonomik der Entwicklungsländer. Frankfurt 1993: Peter Lang. XIV, 370. S.

Deutschsprachige Lehrbücher zu ökonomischen Problemen der Entwicklungsländer haben sich in der Vergangenheit überwiegend entwicklungstheoretischen Erklärungen zur Lage der Entwicklungsländer sowie der Analyse der Brauchbarkeit entwicklungspolitischer Lösungsansätze gewidmet. Sell hat in seinem Lehrbuch ein „aliud" versucht. Im Zentrum seines Anspruchs an ein Lehrbuch stehen die ökonomischen Bewegungsgesetze, die das Zurückbleiben einer Vielzahl von Ländern hinter dem weltweiten Tempo der Einkommensentwicklung erklären und nicht allein auf das „was", „wie" und „für wen" der Produktion in Marktwirtschaften beschränkt sind. Vielmehr greift Sell auch Probleme auf, die er bislang eher abseits des Interesses der Entwicklungsökonomen sah, wie beispielsweise „institution building", die Korruption und das generative Verhalten.

Nach einem einleitenden Kapitel, das sich mit taxonomischen Fragen der Messung von Entwicklung, Entwicklungsstand und der Entwicklungsländertypologisierung beschäftigt, steht das zweite Kapitel unter dem Ziel, Kennzeichen der Unterentwicklung zu diskutieren. Real-, Spar- und Humankapitalmangeltheorien werden ebenso vorgestellt wie Faktoreinsatzineffizienzen in den verschiedenen Sektoren, Defizite in der Integration in den internationalen Handel, das Fehlen von wachstumsfördernden Rahmenbedingungen (darunter auch die Institutionen- und Korruptionsproblematik), Gesundheits- und Ernährungsprobleme und schließlich das generative Verhalten. Das dritte Kapitel präsentiert dem Leser die Vielfalt von (Unter-)Entwicklungstheorien, beginnend mit sogenannten außerökonomischen Ansätzen über Dualismus-Modelle und Teufelskreis-Modelle (Bevölkerungs- und Armutsfalle) bis hin zur Darstellung der Modelle von Unterentwicklung durch Integration in den Außenhandel (Dominanztheorien, periphere Wirtschaft, Verelendungswachstum und Abhängigkeitstheorien). Das abschließende Kapitel diskutiert die wesentlichen Bestimmungs- und Begleitfaktoren von Entwicklungsprozessen in Entwicklungsländern, so die Mobilisierung heimischer Ersparnisse, den sektoralen Strukturwandel, die Auswirkungen des Strukturwandels auf Preisbildung, realen Wechselkurs und Wachstum sowie die Urbanisierungs- und Migrationstendenzen.

Sell hat nach eigenem Bekunden versucht, ein am angelsächsischen Vorbild orientiertes Lehrbuch zur Ökonomik der Entwicklungsländer zu schreiben. Herausgekommen ist dabei eher ein Arbeitsbuch zur Ökonomik wirtschaftlicher Entwicklung (analog dem von Sell geschätzten *Handbook of Development Economics*), dessen Relevanz über den Rahmen einer bestimmten Gruppe von Ländern hinausreicht. Das Ergebnis ist sehr beachtlich. Sell hält in jedem der partiellen Erklärungsansätze strikt am Dreiklang „Problembeschreibung(Hypothese) – formale (d.h. auch algebraische) Analyse und Kritik – empirische Evidenz" zur Erklärung entwicklungstheoretischer Phänomene fest. Damit wird dem Leser das ökonomische Handwerkszeug vermittelt, dessen Eignung für theoretische wie