Shahid Javed Burki. *Changing Perceptions and Altered Realities: Emerging Economies in the 1990s.* World Bank, 2000. 198 pages. Paperback. Price not given.

Shahid Javed Burki's *Changing Perceptions and Altered Realities: Emerging Economies in the 1990s* is a collection of his essays and speeches on a variety of economic issues relevant to developing countries. These range from the trend towards open regionalism in the Latin American and Caribbean region (LAC) to the challenges of integrating into the global economy faced by small states.

Three points in particular are of great help in understanding the nature of the problems faced by emerging economies over the past decade. First, there exist great differences within the developing world and, by extension, in the ranks of the poor. Second, the complexity of the situation demands that domestic institutions in developing countries be made stronger and more efficient. And third, market-based policies, though far from perfect, represent the best available set of solutions to the many problems faced by the developing world.

Burki was appointed the World Bank's Vice President for Latin American and Caribbean region in 1994, after serving for seven years as the Director of the World Bank China Department. Having witnessed the East Asian miracle first-hand, the author came to the realisation that the problems of the Latin American and Caribbean region were in many respects unique. The comparison chart presented in the book reveals several intriguing phenomena.

In the this region liberal democracy is in vogue, economic decision-makers are foreign-educated, there is broad political support for the Washington Consensus, wealth distribution is the most unequal in the world, and the rates of urbanisation and urban poverty are very high. East Asian countries, however, exhibit greater economic nationalism, have the least unequal wealth distribution in the developing world, reject liberal democracy, and possess a locally trained economic élite.

In terms of performance, the differences are just as marked. The Latin American and Caribbean region has endured decades of stagnation, poorly thought out state interventions, and a centralised approach to human development. East Asia, by contrast, has enjoyed decades of spectacular economic growth rates that have considerably reduced the incidence of poverty.

The developing world is not a homogeneous geo-economic entity. Burki identifies three distinct categories into which developing countries may fall. The first consists of those countries that have successfully integrated their economies into the global market (for example, South Korea). The second covers those countries that are increasingly irrelevant to the global market (for example, Sub-Saharan Africa). The third includes those countries that are integrated at some levels and marginalised at others (for example, the Middle East and South Asia).

The poor are not a homogeneous class. On the one hand, there are those segments of the poor population that can benefit from high rates of economic growth. On the other, there exist the “chronically” poor, who are not affected by economic growth (for example, Native Americans in the Latin American and Caribbean region). Burki points out that inflation and economic downturn really hurt the first category of the poor. It is very important that governments keep human development spending steady even during recession, to prevent permanent damage to the social fabric. One wonders how exactly it is possible for states not to cut back on social services in times of economic duress given that a standard prescription given by international financial institutions (such as the IMF) to aid recipients is to reduce fiscal deficits. Keeping the social fabric in good shape is possible only if domestic institutions are strong enough to respond to the challenges faced by developing countries. Strong institutions translate into good governance that, in turn, creates conditions which are conducive to investment and economic growth.

The chapter on crime and poverty provides an excellent illustration of this linkage. In the absence of a sound criminal justice system and efficient law enforcement agencies, crime will flourish. A high crime rate increases the amount of risk involved in investing and destroys human/social capital. High risk will result in low levels of investment and employment, leading to a further increase in crime. What Burki does not pay adequate attention to is the fact that in many developing countries there also exists a strong link between crime and wealth/power. Crony capitalism, which Burki does address, organised crime, tax evasion, money laundering, and illegal loans, are just some of the things in which the so-called élites in the developing world indulge.

Also open to debate is the manner in which domestic institutions are to be strengthened. The most popular formula nowadays is that the state devolve power to the districts so that communities may address their human development needs directly. The irony of the situation is that in the Latin American and Caribbean region, where democracy prevails at the national and state levels, human development policies are relatively centralised and, as Burki notes, decentralisation of political power has created problems of its own. In East Asia, however, where states are authoritarian (even if the government is democratically elected), human development policies are comparatively decentralised.

The basic theme, which cuts across all of Burki’s speeches, essays, and reflections, is that market-based policies are the developing world’s greatest hope. The empirical evidence in favour of jumping on the bandwagon of economic liberalisation is, admittedly, very impressive. The case study of China, in particular, demonstrates how even a communist giant can, through a properly managed transition to the free market, go from a low level of economic development to the middle level within a generation.

But what would a global order truly based on the market mean in practice? Burki's answer to that is almost triumphant: "… a new international economic order has in fact emerged. However, it was not produced by the political will of governments, but by the needs and perceptions of the marketplace. If I were to pick three groups of actors that have contributed more to the emergence of the new global order than any others, they would be central bankers, financial regulators, and credit agencies… If governments want to act, they should prompt and facilitate the work of these agents of change". (p. 103.)

A less charitable, though perhaps more accurate, way to put it would be that in the face of a market dictatorship run by an élite technology, states and societies must submit or global financial turmoil will be prolonged. Under these circumstances, political democratisation means very little and, indeed, enlightened authoritarian states may be better equipped to respond to troubled conditions.

In regard to globalisation, Burki highlights the various routes people believe it may take and scores two very important historical points. One is that world trade as a share of world output was higher in 1913 than in 1975. The other is that net financial flows made up a larger share of world savings before WWI than in the mid-1990s. What is truly revolutionary about globalisation is the dramatic advance in communications technology such as the Internet.

The longest chapter in the book is devoted to Pakistan. Viewing Pakistan's economic development in a historical perspective, Burki demonstrates that the Pakistani leadership has a truly uncanny ability to fail to take advantage of major opportunities. To make matters worse, a certain Mr Z. A. Bhutto initiated a process that "…was to result in the total destruction of the country's institutional base". (p. 142.) Nationalisation, in particular, greatly increased the scope for exploitation and decreased economic efficiency; it also did away with fiscal conservatism (a hallmark of the much-derided colonial legacy).

If Pakistan is to lift its masses out of poverty, then an economic growth rate of 6.5 percent per year will have to be sustained for 10–15 years. Even at an economic growth rate of 4.0 percent, the number of people living below the poverty line in Pakistan will increase from 54 million to 82 million by 2010. What is truly disturbing is that from 1965–1990 Pakistan seemed to be winning the war on poverty. The statistics show that the past ten years have witnessed the reversal of a very promising trend. What the numbers cannot express is the sheer increase in human misery that they represent.

Viewed in this context, restoring high rates of growth is as much a moral and political imperative as it is an economic one. Burki recommends that Pakistan should concentrate on human development, embark on a serious privatisation programme, reduce the level of state arbitrariness, and aggressively promote the export sector.

Changing Perceptions and Altered Realities: Emerging Economies in the 1990s represents the opinions expressed by an international bureaucrat at numerous functions on a wide range of issues. A remarkably consistent argument, the wealth of data used, and plenty of perceptive observations make for an enlightening and absorbing read.

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