

Book Reviews

The Teaching of Development Economics: Its Position in the Present State of Knowledge. Edited by Kurt Martin and John Knapp. Chicago: Aldine Publishing Company, 1967. Pp. xv + 236. price \$ 7.95.

The title of this book unfortunately is misleading, referring only to half the papers presented at the Manchester Conference on Teaching Economic Development, and the least interesting half at that. The first, and by far the most challenging part of the book, consists of Seers' previously published article, "The Limitations of the Special Case". This is followed by a list of twenty 'leading questions' on teaching economics by the same author, and papers by Myint, Hagen, Streeten and Balogh, dealing with various aspects of economic theory and its application to development planning. The last ninety pages of the book are devoted to the discussions which took place at the conference. As might have been expected, these read like a pale imitation of what probably was an interesting exchange of views. Few readers, one suspects, will be sufficiently motivated to work their way through these verbal arguments.

As the editors note, the stimulus for the conference, and apparently for a number of the other papers presented, was provided by the Seers' article. The development of economic theory proceeds, according to Seers, in three stages. In phase one, a major policy issue makes itself felt but the traditional economists either refuse to admit that the issue has any economic relevance or else call it an aberration, not worthy of serious consideration. Following this "Hobson" stage, the second or "Kahn" phase, appears where respected practitioners of the dismal science recognize the problem but fail to develop a formal theory to encompass it. The third, or "Keynes" stage, is marked by the erection of a new theory which then becomes the current orthodoxy. Seers argues that in regard to understanding problems of development, economics is at the "Hobson" stage, or perhaps the early "Kahn" stage, and awaits the coming of a new Keynes. Attractive as such a call must be to those who secretly harbour dreams of being the herald of the new economics, it is questionable whether Seers has really made his case.

The argument can be broken down into two parts. Are economic principles, at some level of abstraction, valid in all situations; and are economists aware of the special factors which might influence their analysis or policy options?

As Myint notes in his paper, largely a rebuttal of Seers' argument, this asks us to distinguish between the *relevance* and *realism* of theory.

Seers begins by arguing that a major revolution in economic theory is needed to accommodate the problems of development. But he subtly changes ground and ends by saying that while the necessary adjustments in the traditional framework can be made, economics "is not taught that way" (p. 14). This is quite clearly a different problem from the one originally posed. In this respect his criticism of Samuelson's introductory text seems particularly naive. Most introductory texts will rely on country-specific examples and in Samuelson these examples, not surprisingly, are drawn from the US economy. For this reason the book may have little relevance to those who are going to pursue development economics as a speciality, but then reading one introductory text book is hardly a sufficient qualification for becoming a serious economist of any sort.

More relevant is the criticism that graduate teaching in development economics often becomes more abstract rather than dealing with practical application. To some extent a continued emphasis on abstract principles is desirable but not if it leads to an admiration of elegant techniques for their own sake. Increasingly, American universities are becoming aware of this and recently some attempts have been made to combine the teaching of abstract principles with their application to concrete, and often complex, issues. In this way, students of development economics are not only taught how to analyze specific problems but test the realism of their analysis and solution against the entire socio-economic framework from whence the problem was drawn and in which their policy recommendations are supposed to be enacted. One might argue that a failure to develop a feel for both abstract principles and practical considerations can lead to the equally fallacious approach of treating each developing economy *sui generis* or alternatively, as Myint notes, to a tendency to generalize about all developing countries from the special case of one particular type of economy, which usually turns out to be India.

What can be said about the *relevance* of traditional theory? Myint argues very persuasively that it is too early to throw away static optimum theory. The most obvious objection to such a suggestion is that there is as yet no alternative theory with which to replace it. While, as Galbraith argues, the developed world may be rich enough to stop worrying about marginal adjustments, the developing countries are clearly too poor to spend their time looking for new theories while resources are being misallocated today. And increasingly there is evidence that the application of static optimum theory can help increase income and growth now. Schultz, for example, argues that traditional farmers manage to reach a more or less optimum combination of resources within the range of the available technology [7]. And in his study of West Pakistan agriculture, Gotsch found that "farmers have indeed traditionally allocated

and produced water in an approximately efficient way" [4; pp. 103-104]. Perhaps even more important, from the point of view of growth, the response of Pakistani farmers to traditional price incentives has been a major factor in the recent rapid increase in agricultural output [3]. Thus, the inapplicability of traditional theory is far from proven. In Pakistan, one can argue, with considerable supporting evidence, that private behaviour responded to economic incentives to a degree that achieved considerable efficiency in the allocation of resources. As Papanek [5] notes, this does not mean that noneconomic factors were negligible or indeed can be ignored. It does seem though that when economic incentives are sufficiently strong they alter the behaviour of some Pakistanis in a predictable manner. Presumably, this would hold true in other developing countries as well. Nowhere are people's actions motivated solely by economic considerations but often enough they react in an appropriate economic manner to strong economic incentives. While the final answer as to why some countries have developed and others have stagnated may well lie in fields beyond pure economics, "clearly discernible mistakes in economic policies and programmes are important proximate causes. . ." [6; p. 358] which can be usefully analyzed and remedied by traditional theory.

Streeten's essay on "The Use and Abuse of Models in Development Planning" and Balogh's paper on "The Economics of Educational Planning: Sense and Nonsense" illustrate again the axiom that those who ask the wrong question invariably get the wrong answer. Both authors highlight the traps that await the inexperienced practitioner of some of the esoteric tools of economic analysis in a developing economy. To some extent this reflects again inadequate training—inadequate in the sense that there is a misplaced emphasis on mathematical techniques and a failure to consider their relevance to the situation at hand.

It would seem rather late to renew the argument as to the proper role of mathematics in economics. Even those who opt most strongly for a non-mathematical approach have a formal framework in mind when they begin an analysis. The mathematical economist states his model explicitly. This is all to the good. Nor does the argument that in mathematical models the assumptions are not clearly stated seem a fair appraisal of the situation. Indeed, one could argue that it is precisely in the process of writing down the formal structure with which one works that the basic assumptions are most clearly stated. The rub, however, is that both practitioner, and user, of formal models often become so fascinated by the tool they have constructed that they forget with what weak stones the structure was erected. Streeten clearly outlines the more obvious errors that model-builders dealing with development economics are prone to.

Balogh takes a taxonomic approach in attacking the currently fashionable field of educational planning. In part he objects too strenuously. Some of

his objections, while valid, are obvious and attempts have been made by those working in this field either to overcome them or to warn the reader of their presence [1]. Thus Balogh argues that "they derive (their results) from a model of the economic system which is completely static in character but worse than that, they assume a production function—the Cobb-Douglas formula — which even among all the inapplicable static models is the least plausible" (p. 85). Insofar as this criticism is valid it is applicable to a much wider area than merely the field of educational planning. However, more recent papers on education have tried to overcome some of these shortcomings by using a CES production function [2] and attempts are being made to use a two-level version of the CES function which permits a partial relaxation of the assumption of a single elasticity of substitution between any two types of labour. The field of educational planning is still very young and initially a certain amount of rash simplification is to be expected and may be excused.

What is most interesting is Balogh's belief that the present attempts to calculate the rate of return on educational investment is an effort to "substantiate a plea for a laissez-faire finance of education" (p. 89). To the contrary, a number of those who are presently working on educational planning have the opposite objective as their goal: to make an argument for more public funds for education since this sector may have higher returns than other projects in the economy. Thus, Bowles concludes that in Nigeria "the educational sector has an extremely strong claim on economic resources" [1]. Nevertheless, Balogh's piece is useful precisely because it points out many of the serious logical gaps in the present approach to educational planning, a field which seems to have an increasing fascination for many, and whose results cannot be used indiscriminately.

Of the three essays on teaching economic development little need be said. Two refer to teaching in the UK and one to the Netherland. The absence of a representative from either the US, where Kuznets and Chenery have done major work on analyzing changes in economic structure, and from the developing countries themselves, is rather peculiar. Nor are the papers very enlightening except in highlighting once again the dichotomy between theory and practice and the difficulty this poses to those who teach development economics.

Despite shortcomings, the book, at least in its first half, succeeds in raising a number of important issues. The latter half of the book seems largely irrelevant and very unenlightening to either a teacher of development economics or to a prospective student.