

## Book Reviews

*Development Policy — Theory and Practice* Edited by Gustav F. Papanek. Harvard, 1968.

The Development Advisory Service (DAS) of Harvard University has its wings spread over a big empire by now and a volume like this bringing together some of their experiences should be of considerable interest. The volume contains ten contributions plus an evaluation by the editor. Two questions receive special attention: import substitution, and inflation-cum-exchange policy, to each of which three papers are devoted. Four rather isolated contributions on econometric models for development planning, sales taxation in Columbia, agricultural development in Pakistan and labour scarcity in Liberia complete the collection.

Students of import substitution will find the three contributions particularly interesting. While Wouter Tims, in presenting a multisectoral two-gap growth model for Pakistan's Third Five Year Plan, uses import substitution as the basic adjuster to close the two gaps, David Felix and John Sheahan are not so sure that import substitution is a great help. Writing in the context of Argentina, Felix elaborates how industrialisation, including import-substituting industrialisation, has a built-in bias towards increasing imports by shifting the country's demand mix to more import-intensive goods. Sheahan, writing on Columbia, points out the additional trouble that comes from increased need for foreign exchange for current production as import-substituting industries requiring imported supplies and equipment are set up.

On exchange policy Herraldd Dunkerley, drawing experience from Columbia, suggests a policy of progressive adjustment of the main exchange rate in conditions of continuing inflation, to be coupled with limited differentials regulated by taxes-cum-subsidies for selected items. Richard Mallon echoes essentially the same policy and also suggests softer terms of foreign debt servicing in the context of Argentina whose recent balance-of-payment difficulties are entirely due to accumulated foreign debts. Geoffrey Maynard and Willy Rijckeghan look more at the domestic stabilization problem in Argentina's highly inflationary economy, and recommend lowering the growth rate of output coupled with a policy of progressive stabilization of wages and prices.

These, and the other contributions in the volume, bear the stamp of technical quality that one would expect from DAS economists. As the editor notes, however, the approach is generally that of narrow technicians looking for so-called "economic" forces and policies pertaining to economic development. The editor also brings out the spaceless character of the models, a major disaster at least for the Tims model on Pakistan.

Walter Falcon's study is an exception to the general neglect of socio-political forces in the DAS studies. Falcon considers Pakistan's agricultural policy a "great success" and, in the spirit of the Decade of Development festivity, proposes a toast for Field Marshal Ayub Khan and his government for playing a big hand in this. It must be mystery to the authors of Pakistan's "success story" how the *farmers* in this predominantly agricultural economy could nevertheless stand by and watch the recent dismantling of Ayub's 'stable' government.

Falcon apart, the failure to see the essential connections between economic change and the socio-political superstructure within whose framework such change occurs must be regarded as the major shortcoming of the DAS papers. The choice of the character and extent of import substitution, for example, is restricted not only by engineering factors, but also by internal and external political pressures. Likewise, a good part of a developing country's external balance problem is created or aggravated by external pressures for exchange liberalization (the DAS itself is said to have lent itself as an instrument towards this end in some countries). Optimum exchange policy cannot be discussed meaningfully without regard to the supply condition of foreign aid, and strings as above are a very essential element of the latter. The character of the domestic oligarchy and their response to such pressures is a key factor in economic policy making in this regard; so it is in other areas like tax policy as well.

Alfred Conrad's defence of econometric model-building likewise, is off the mark. "Development", as distinguished from "growth", is a process of institutional change. "Development Planning" by definition must include plans for major institutional changes — social, political, cultural, psychological. The quantitative outcomes of most such changes in the *superstructure* of the social corpus cannot be measured by known econometric methods; they can as such only be conjectured, debated and believed. Preoccupation with econometric models has the danger not only of misleading one into believing that the quantitative outcomes of the plan have been scientifically measured; it has the additional and the more disastrous danger of detracting the planners' attention from the type of changes society requires but cannot be caught in the econometrician's net.

Econometrics is a method of analyzing change under stable institutions. The really useful role of econometric methods in development planning is hence

at the 'preprogramming' stage: by indicating the course of *growth* to expect if institutions remained stable, it may help identify areas where institutional change is required to meet society's aspirations. Such change, and hence *development* in its distinctive sense, have not been the concern of the DAS papers.

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