

Azizur Rahman Khan and Rehman Sobhan (eds). *Trade, Planning and Rural Development: Essays in Honour of Nurul Islam*. (UK): Macmillan Press Hardbound. 236 pp.

This edited volume of essays by colleagues and admirers was published to celebrate the 60th birthday of Professor Nurul Islam. The three broad themes covered by these essays were chosen to reflect the three major periods in the professional life of this noted economist as the emphasis of his work shifted from trade to planning and then to issues of rural development. Of course, these three areas do not comprehensively cover the prolific and diverse contributions made by Professor Islam but are indicative of the progression of his professional life.

There are fourteen essays in this book: five on trade and aid; three on planning and development; and five on rural development. The fourteenth essay in lieu of a conclusion is categorised as "a personal reminiscence" by Sir Austin Robinson.

Each of the contributors to this volume has been directly or indirectly involved in the development process in Pakistan and later on in Bangladesh. In fact, Sir Austin Robinson's vivid recollections of the state of the economy immediately after the birth of Pakistan when he was sent out from Cambridge University by the British Treasury at the request of Chaudhary Muhammad Ali, the first Secretary General of the Government and later, Minister of Finance and Prime Minister of Pakistan, is an excellent chronicle of the state of affairs of the economy at the birth of Pakistan. It is interesting to read of how the economic development of this part of the world and the setting up and development of the Pakistan Institute of Development Economics (PIDE) of which Professor Nurul Islam was the first native Director are so intertwined.

Let me first take the three significant themes discussed in this book one by one and then return to the importance of the volume under review for any serious student of the economic development of Pakistan. In linking each theme to Professor Nurul Islam's work I draw heavily on the excellent introduction to this volume by Azizur Rahman Khan and Rehman Sobhan.

The first two phases in the career of Harvard University educated Professor Nurul Islam as a teacher of Economics at the University of Dhaka and as the Director of the Pakistan Institute of Development Economics were predominantly focussed on issues related to international trade and development. His early work analysed the relationship between foreign capital and economic development based on the experience of Japan, Canada and India. However, the major body of his work during this phase concentrated on the structure, efficiency and mechanism of Pakistan's foreign trade covering such issues as structures of import and export trade; efficiency of export incentives and export policies; inter-regional trade between East and West wings; terms of trade; commercial policy and economic

growth and foreign trade and economic controls. On a wider sphere in the trade area, his work encompassed regional and international trade cooperation among the developing countries; the problem of external debt of the developing countries; the re-ordering of the north-south relationship and foreign aid.

The five essays in the area of trade and aid presented in this book are: "Parabolic Welfare Functions and Development Assistance" by Nobel Laureate Jan Tinbergen; "Cost of Directly Unproductive Profit-Seeking and Rent-Seeking Activities: Some Conceptual Issues" by Professor Jagdish N. Bhagwati; "On Some Unresolved Issues in Optimum Tariff Theory" by Professor Wahid-ul-Haq, former Finance Minister of Bangladesh; "Comparative Advantage and Free Trade" by Professor Paul Streeten; and "The Governance Gap" by Dr Just Faaland and Professor Jack Parkinson. The first essay seeks to address a subject which both Professor Tinbergen and Nurul Islam and many other economists have worked on for many years. The essay seeks to analyse the "optimal" amount of development assistance within a more structured framework and to base it on a maximising criterion rather than a satisficing one on which the generally accepted 0.7 percent of donor countries GNP was based. For this purpose, Professor Tinbergen introduces a parabolic welfare function based on consumption. Professor Tinbergen concludes that the criterion of maximal world welfare yields very high amounts of development assistance largely because of the static nature of the models. These indicate "the optimal situation but not the time path to attain such an optimal". However, even if a more realistic intermediate criterion of optimality that aims for income inequality of the third world and the first world together to be reduced to the income inequality now existing within the first world requires development assistance of the magnitude of 29 percent of the first world's income which is way above the ad hoc 0.7 percent adopted in discussions recommended by the Pearson Commission and the Brandt Commission.

Professor Jagdish Bhagwati in his essay analyses the underlying concepts and measurement problems concerning the directly unproductive profit-seeking, and amongst them the sub-set of rent-seeking, activities that are increasing entering the realm of policy analysis in terms of assessing the costs of inefficient policies. He postulates that the relationship between dead-weight and directly unproductive profit-seeking – theoretic rent-seeking costs – which have generally been treated as simply additive may in fact be treated as substitutes for one another in practice.

Professor Wahid-ul-Haq, a former Finance Minister of Bangladesh, in his essay seeks to address three issues formulated in the form of open questions that relate to issues in optimum tariff theory in the case of more than two goods. The questions are: (1) Can optimum tariff rates be all zero, i.e. can free trade be optimal? (2) Can net optimum tariff revenue be negative? and (3) Can all tariff rates be negative? Professor Haq develops a formal model on optimum tariff for the more

than two commodity case and concludes that the value and hence the sign of the optimal tariff rates depend both on home and foreign conditions.

While the former two essays are rigorous and mathematical in form, Professor Streeten's essay presents a detailed economic review of the concept of comparative advantage and free trade. He deals specifically with issues of X-inefficiency, creative and allocative functions of markets, capital flows, unemployment, externalities of consumption, intra-firm trade uncertainty and oligopolistic government relations and international cooperation. He concludes by stating that despite its great intellectual attractions, the doctrine of comparative advantage cannot provide the bases for either predicting the flow of trade or recommending free trade.

Faaland and Parkinson in their essay reflect on the conditions that enable outside pressures to be brought on developing countries that seek external assistance and how some of these pitfalls can be avoided. They conclude that while it seems inevitable and unavoidable that donors will attempt to exercise influence on the countries they assist, it is possible to highlight six maxims for recipient countries to avoid the pitfalls. These are:

1. Avoid too greater dependence on aid;
2. To expand and diversify the portfolio of donors;
3. Minimise the potential for damage in the event of aid being cut off or reduced;
4. Improve administrative ability of those in public service;
5. Have a clearly defined approach on development with clear policies so as to avoid being misdirected; and
6. Attempt to change the format and structure of aid negotiations and meeting to involve other recipient countries and non-donor developed countries to strengthen the negotiating position.

The next phase of Professor Nurul Islam's career focussed on development planning and development strategy in Bangladesh where as head of the Bangladesh Planning Commission, he was responsible for their First Five Year Plan. His writing during this phase emphasised the political economy aspects of both the domestic issues of development and international economic issues concerning the relations between the donor nations and agencies on the one hand the developing country on the other. The essays under the topic of planning and development in this book are: "Participatory Development: Some Perspectives from Grassroots Experience" by Dharam Ghai; "The Changing Role of Economic Planning in Japan" by Saburo Okita and "Project Evaluation as an Aid to Planning: How Successful has the Innovation Been?" by Professor Azizur Rahman Khan.

Dharam Ghai elaborates on the concept of development and participation, reviews participatory schemes for credit, women, peasant groups and rural workers and dwells at length on the participatory process and the institutional framework contrasting conventional projects and participatory initiatives and reviewing methodologies for participation promotion. Despite the success of the grassroot initiatives considered by Dharam Ghai and the promising potential of the participatory approach to development little headway has been made in official programmes and policies at the national and the international level and even among the NGOs. The essay lists a number of reasons for this lack of success.

Professor Saburo Okita, formerly Japan's Minister for Foreign Affairs presents a useful insight into the changing role of economic planning in Japan in his essay. He finds that in general, economic planning in Japan has not been designed to stimulate rapid growth but rather to attain balanced growth and indicate long-term economic policies.

Professor Azizur Rahman Khan in his essay looks at the innovation of project evaluation as an aid to planning. He finds that the promise that this innovation held out has been less than fulfilled and suggests several reasons for this.

The third phase of Professor Nurul Islam's career started with his shift to the Food and Agriculture Organisation as its Assistant Director General in the summer of 1977 and his subsequent shift to the International Food Policy Research Institute (IFPRI) in December 1977 as its Senior Policy Advisor. This is a position that Professor Nurul Islam continues to serve on today. During this phase Professor Islam's research has concentrated on food and agricultural policies of developing countries and issues of food security. The essays in the section of Rural Development are: "A View of Rural Development, 1980s Vintage (or why some of the Emperor's cloths – and his rice – should be made at home)" by Professor Gustav Ranis; "Poverty and Development: Prospects and Priorities for the 1990s" by Professor John W. Mellor; "Some Reflections on Bangladesh Development: Looking Backward to the Future" by Professor Mark W. Leiserson, "Foodgrain Pricing Policy in Bangladesh: Procurement, Sales, Imports and Public Stocks" by Abu A. Abdullah and "Returns from Education in Rural Bangladesh" by Dr Mahbub Hossain.

Professor Gustav Ranis, the first Director of PIDE, in his article re-evaluates the concept of rural development and re-emphasises that what needs to be focussed on in most LDCs is rural development rather than simply agricultural development, as part of a domestic balanced growth strategy. Towards this end, he endorses public policies which not only reduce the macro-economic distortions but also concentrate on shifting public goods expenditures from the support of urban industry to strengthening the various links in the rural balanced growth change.

Professor John W. Mellor in his essay reviews the prospects and priorities

for poverty and development focussing on issues of human capital and institutional developments, agricultural trade, agricultural instability and foreign assistance. His outlook for the 1990s is optimistic because of the vast investments in human capital and institutional structures that have been occurring for the past several decades. He emphasises propagation of development strategies that emphasise growth in the labour-intensive agricultural sector and cooperation by developing and developed countries to eliminate hunger in the short-term and encourage the long-term growth processes in developing countries to meet the complex challenges and opportunities of the 1990s.

There are three essays on Bangladesh. Professor Mark W. Leiserson, the last foreign Director of the PIDE, in his essay reflects on the development of Bangladesh based on his own personal experience in this region. Abu Abdullah in his essay discusses the foodgrain pricing policy of Bangladesh in terms of procurement, sales, imports, and public stocks while Dr Mahbub Hossain discusses the issue of human capital accumulation in rural Bangladesh and the relationship of education, agricultural modernisation and farm productivity.

I return now to some of the aspects of Sir Robinson's reminiscences of the earliest days of Pakistan and the importance of these for students of economic history of Pakistan. He highlights the extreme ignorance that existed at that time regarding many of the essentials of the Pakistani economy and how these gaps in knowledge were filled over time. His story about the lad who looked as if he was about 19 years old, very shy and very diffident, who had made an enormously praiseworthy and heroic attempt to produce a national income estimate, at that time, is both amusing and insightful. I wonder who this lad was and where he is today? Professor Robinson does not name him.

Professor Nurul Islam's academic life, like the essays in this collection has been rich and varied. He has continuously emphasised analytical rigor, both in his own research and in the research that he has inspired or supervised. The excellence and wide variety of the essays in this book bear witness to this. That some of the most notable development economists of our time have sought to honour his work in this way is a tribute not only to him but also to the Pakistan Institute of Development Economics with which most of them were also directly or indirectly connected. It is befitting that this review is being published in *The Pakistan Development Review*. However, it is sad that the book does not contain a single contribution by a Pakistani economist.

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