

Shorter Notices

Premachandra Athukorala and Sisira Jayasuriya. *Macroeconomic Policies, Crises, and Growth in Sri Lanka, 1969–90.* Washington, D. C.: The World Bank. 1994. xi+177 pages.

This book reviews the economic performance of Sri Lanka for the period 1969-90. It is the outcome of a World Bank project on macroeconomic policy that evaluated the experiences of eighteen developing countries in this area.

The volume consists of seven chapters and two appendices plus data tables in a statistical appendix.

The economic history of the country shows that at independence Sri Lanka possessed the basic characteristics required for following the path of steady economic growth. Basic social and economic indicators showed that the levels of literacy, health care, and income distribution were very favourable to assist the growth effort. However, the 1980s saw the beginning of political and ethnic unrest that have slowly eaten away at the sound economic foundations that existed at the time of independence.

The basic challenge that Sri Lanka faces is that of sustained economic growth if it is to maintain its system of welfare subsidies. To achieve such growth, it is necessary that the Sri Lankan government adopt appropriate policies that favour long-term growth. These policies, according to the authors, should be aimed at raising the rate of savings, improving investment efficiency, and maximising the benefits that accrue from the opportunities arising from being a part of the world economy. Resolving the ethnic question, however, is the major domestic political issue that needs to be settled and is probably the first step in bringing about an economic revival.

Vijay Toshi and I. M. D. Little. *India: Macroeconomic and Political Economy 1964–1991.* Washington, D. C.: The World Bank. 1994. xviii+396 pages.

This volume is the result of a research project, titled "Macroeconomic Policies, Crises, and Growth in the Long Run", undertaken by the World Bank in 1986. The book highlights the Indian experience in the period 1964–91. The study focuses on the following areas: the nature of the crises, their causes and level of seriousness; the fiscal, monetary, exchange rate; and the trade policies followed to stabilise the economy, and the consequences of these policies.

Of the eighteen countries and economies as they adjusted to various external and internal crises which were reviewed in this project, India was the poorest, being dependent for its energy requirements on large-scale imports of oil. So when the price of oil went up in 1973-74 and again in 1979-80, it caused a severe balance-of-payments problem. However, domestic shocks to the economy in the form of drought affected the economy to a greater degree than did the increase in oil prices. The Indian response in dealing with these crises was also different from that adopted by other developing countries. Indian economic policies were such that inflation was kept under control and food and foreign exchange reserves were built up. These policies helped India to ride out the external and domestic shocks of 1979-80. However, by the end of the 1980s, the Indian economy was experiencing a period of economic instability.

After a rigorous analysis of the data and the policies followed, the authors conclude that micro-economic inefficiencies in the form of controls led to macroeconomic imbalances. Deregulation, liberalisation, and integration with the international economy improve not only resource allocation but also lead to higher and sustainable growth rates. This is the message that emerges from this book.

World Bank. *Bureaucrats in Business: The Economics and Politics of Government Ownership.* Washington, D. C.: The World Bank. 1995. xix+346 pages.

The issue of efficiency in the public sector came to the fore some sixteen years ago when the international lending agencies and the developed world were of the view that privatisation of public assets would be a faster route to economic growth. Thus, in the light of international pressure, many developing countries have initiated privatisation programmes over the last decade and a half. However, the success of these privatisation/deregulation programmes has been mixed. Some developing countries have yet to initiate substantive privatisation programmes whereas other countries have introduced them only half-heartedly. This book by the World Bank is a policy research report about bureaucrats running public sector enterprises. The report highlights the successes and failures of privatisation programmes in a number of developing countries. Reforming state enterprises is a difficult task as a government has to face entrenched vested interests, particularly in the form of labour and management, whose discretionary powers are reduced when reform proceeds. The book not only lists the obstacles faced in reforming state enterprises but also highlights how these obstacles have been overcome by reform that has been successful.

The report also shows that where reform has been successful, trade and investment have increased, thus bringing about higher rates of economic growth. Although reform is shown to be desirable, the report also mentions a major shortcoming as to why reform has not been so widespread. The major obstacle identified is the political considerations involved when undertaking reform. Thus, to carry out successful reform, a thorough understanding of the political climate is necessary. This book attempts to identify and evaluate the components that contribute to the political constraints on reform, and this is its main strength.