(p. 93) or rejecting the "oligopolistic-competitive interpretation" of the economy (p. 103). Most doubtful, though, is Gruchy's unbridled faith in planning. The unpredictable dynamics Gruchy finds in economic systems argue strongly against centralized planning, as neo-Austrians suggest. At the practical level most relevant to institutionalism, economic regulation has too frequently led to either chaos, rent seeking, or "capture" by the regulated.

Gruchy's book is unquestionably thought provoking, and he has done economic historians a valuable service in describing the tenets and evolution of institutionalism. Too few mainstream economists, though, will be inclined to work past the exaggeration, mischaracterization, imprecision, and cheerleading to extract the ideas that might lead to wiser economics and better policies. Despite Gruchy's view that orthodox economics is beyond hope, the book that tries to make institutionalism's points in mainstream language can, should, and is yet to be written.

TIMOTHY J. BRENNAN
George Washington University

100 Economic Growth; Development; Planning; Fluctuations

110 ECONOMIC GROWTH; DEVELOPMENT; AND PLANNING THEORY AND POLICY

Pioneers in development. Second Series. Edited by GERALD M. MEIER. New York, Oxford, Toronto and Melbourne: Oxford University Press for the World Bank, 1987. Pp. viii, 244. $29.95. ISBN 0–19–520542–1. *JEL 88–0071*

If participants in the development debate were asked to name the most influential writers of the 1960s and 1970s, the resulting list would most certainly include the names of Theodore W. Schultz, Gottfried Haberler, Hla Myint, Arnold C. Harberger, and Celso Furtado. In this book each of these five pioneers undertakes a retrospective view of his achievements and disappointments. Although a couple of the essays lack polish, they all make for instructive and entertaining reading. The essays are introduced by Gerald Meier, himself a distinguished contributor to the development literature. Accompanying the essays are critical commentaries by Nurul Islam, Max Corden, Ronald Findlay, Alec Cairncross, Gustav Ranis, Partha Dasgupta, Deepak Lal, and Vittorio Corbo. Several of these are as interesting as the essays themselves.

The pioneers honored in the book have held divergent opinions on the sources of underdevelopment, the consequences of international trade, the impact of price distortions, the efficacy of central planning, and many other matters. Moreover, they have subscribed to different economic theories, so that, even where in agreement on policy, they have tended to justify their positions quite differently. Their longstanding disagreements are reflected in this volume. It is interesting to note, in this connection, that the development record of the intervening years seems by and large to have done little to alter their judgments. This will surprise economists trained to believe that our thought processes are guided by facts alone, but not cognitive psychologists and historians of science, who may detect in some essays further support for the finding that even the mind of a scientist can be inflexible.

Most revealing in this regard is the essay by Furtado, a principal exponent of the Latin American structuralist school. This school has long championed an inward-oriented development strategy—a strategy keyed to centrally planned industrialization behind high tariff walls. Apparently, neither the successes of the outward-oriented countries of East Asia, nor the failures of the inward-oriented countries of Latin America and elsewhere have altered Furtado's position concerning the relative merits of the two strategies. Remarkable, too, is the fact that the dismal record of central planning has not shaken his confidence in the capabilities of government bureaucracy.

Several decades ago, when the prestige of the structuralists was at its zenith, Haberler stood at the forefront of an embattled group of economists who fought for outward-oriented policies. Rejecting the notion that a separate economic theory is needed for the underdeveloped world, he argued, from a neoclassical perspective, that any country, however poor, will generally benefit from unencumbered international trade. He proudly points out in his essay here that events have proven him right and the structuralists wrong. What he appears to miss is that the neoclassical argument does not really make the case for free trade. As far as I know, nobody has shown that the static allocative losses from protectionist policies are sufficiently great to account for the performance differential between the inward- and outward-oriented countries. While I agree with Haberler that a single economic theory should apply to both developed and underdeveloped countries, I fear that the neoclassical theory, for which he can justifiably take a good portion of credit, remains fundamentally deficient. This was recognized long ago by Myint, who proceeded, as he explains in his own contribution to this volume, to formulate his "vent for surplus" theory, wherein international trade generates growth by inducing existing resources to be utilized more efficiently. Myint's theory, which resembles Harvey Leibenstein's "X-efficiency" theory, carries the potential to provide a superior alternative to the neoclassical. It remains sketchy, however, partly because few economists have chosen to build on Myint's pioneering insights.

Myint is not alone among the pioneers honored in this volume in believing that the impact of his work has been modest. Schultz, the author of pathbreaking studies on agriculture and human capital, laments that people "seem to place a low value on the information that economists produce"—where the economists he has in mind are those, like himself, who have counseled governments to refrain from distorting prices. It seems to me that Schultz underestimates the extent to which he and his followers have convinced policy makers of the importance of removing the bias against agriculture: it is one thing to understand that existing policies are harmful, but quite another to act on this understanding. An inefficient policy can be resistant to change even when most of the individuals with a say in the matter would like it to be altered drastically. But development economists, like other economists, have tended to shy away from exploring the mechanisms through which socially desirable changes get blocked.

The question of why change is often difficult to accomplish bears on a puzzle that crops up throughout the book: why the post-World War II performance of South Korea has been so spectacular. As several contributors point out, the popular perception that Korea's growth is attributable to noninterventionist economic policies does not conform to the facts: Korea has a large public sector, and its government has intervened routinely throughout the economy. Where Korea's record differs from the norm is that it was able, in the face of diminishing returns from import substitution, to alter radically the nature of government intervention. At a time when developed countries were still receptive to manufactured products from the developing world, Korea switched to an outward-oriented trade regime. What explains this flexibility? And what accounts for the fact that most other underdeveloped countries are still unable to make this transition? In view of the obvious significance of such questions to the understanding of economic development, it is astonishing that the literature provides virtually nothing of a systematic character about processes that inhibit change.

The title of Furtado's essay, "Underdevelopment: To Conform or Reform," suggests that it will address the dynamic processes that account for the observed differences in flexibility. Early on in the essay, in fact, Furtado comes close to defining the agenda of development economics in these terms. In what follows, however, he simply observes in various contexts that countries have differed in their ability to adjust, without explaining why. He notes, for instance, that in the nineteenth century a wave of rationalism swept over Europe, which imparted to the continent great dynamism. He does not specify how the two phenomena were connected. Nor does he suggest why this wave of rationalism bypassed other regions, like the Middle East. In a similar vein, he argues that in the developed world the impetus for change comes from within, but in the developing world, from without. Neither Furtado nor any other structuralist has explained systematically why such a difference might exist.

Among the other subjects the book addresses is the role of the development economist. His most basic role, suggests Harberger, an authority on social welfare analysis, is to shoot down bad public projects, so that public resources are spent in a socially optimal manner. As Lal points out in his commentary, Harberger implicitly assumes that a project evaluator will selflessly pursue the social interest. This assumption contradicts one of the principal tenets of Harberger's otherwise elegant framework, that individuals are selfish utility maximizers. Strangely enough, Harberger's research seems not to have been influenced by the growing literature on rent seeking. It is ironic that this flaw is shared by Furtado, whose intellectual itinerary has consistently bypassed Harberger's Chicago tradition.

Seasoned development practitioners who have been influenced by Schultz, Haberler, Myint, Harberger, and Furtado will enjoy finding out how the ideas of these pioneers took shape, how they define the study of development, and how they evaluate the contributions of other thinkers. But I recommend the book especially to young thinkers of my own generation, who can see which paths are well worn and which show no footsteps. The book suggests that the luminaries of generations past have left us many challenging questions, most importantly, why social change is more difficult in some settings than others.

TIMUR KURAN
University of Southern California

120 COUNTRY STUDIES

Industrialization and growth: A comparative study. By HOLLIS CHENERY, SHERMAN ROBINSON, AND MOSHE SYRQUIN with contributions by GERSHON FEDER ET AL. New York, Oxford, Toronto and Melbourne: Oxford University Press for the World Bank, 1986. Pp. x, 387. $29.95. ISBN 0–19–520547–2.
JEL 87–1029

This is an unabashedly quantitative and empirical study. Not for Chenery and his collaborators the deeper ideological and philosophical reflections on economic development of, say, an Amartya Sen or a Peter Bauer. It would be unfair to accuse this book of "measurement without theory," but what theory it contains is implicit, and adopted without much criticism or reflection. It employs a large and complex data base on nine countries to analyze what happens to the structure of the economy during economic growth. Standard tools such as simulation, input-output models, sectoral decomposition of growth, total factor productivity analysis, and computable general equilibrium models are thus prominent. It is inductive economics all the way through: no hypotheses are tested, and the book's main ambition appears to be to discover some empirical regularities in the experiences of growth and structural change in the countries in their sample.

Much of the book is devoted to the decomposition of output into different sources of demand such as exports, domestic final demand, and intermediate demand. I find these chapters less than useful. If there is any novelty here, it is that trade and changing input-output coeficients are as important as income elasticities in determining the composition of aggregate demand. The decomposition of demand into domestic use and exports is heavily influenced—as the authors realize—by the size of the economy. The decomposition between "final" and "intermediate" uses, too, is open to criticism given the very fuzzy boundary between final and intermediate usage and the questionable quality of input-output data for these countries. Nor do the chapters on structural change add much to a deeper understanding of the process of development. The breakdown of the economy into agriculture, manufacturing, and services is useful for certain purposes, but its inherent limitations suggest that the very detailed and sometimes tedious analysis of the changes in sectoral composition may be a bit overdone. More useful are the excellent chapters by Syrquin and Feder on productivity. Here, too, attempts are made to find some order in the statistical record, and these chapters actually try to "explain" productivity growth.

Three conclusions emerge from the data. First, productivity growth seems to be correlated with output itself, a regularity known as "Verdoorn's Law." Whether this correlation proves some deep, sector-wide source of scale economies (as Nicholas Kaldor thought) or whether this hopelessly underidentified model should be relegated to the dustbin of economics is a matter of taste. Second, it is found, not surprisingly, that open economies, with liberal import policies, enjoyed higher productivity growth rates than closed, protectionist economies. This finding seems incongruent with the book's odd adherence elsewhere to the belief that there is some merit to policies that protect