
BOOK REVIEWS

Fiscal Incentives and Economic Management in Indonesia, Malaysia and Singapore. By M.G. Asher, R.C. Rolt, M. Ariff and M.H. Khan. Singapore: Asian-Pacific Tax and Investment Research Centre, 1992. Pp. 133.

Politics and Policy Making in Developing Countries. Edited by G.M. Meier. San Francisco: ICS Press, 1991. Pp. 369.

Reaching Out Effectively: Improving the Design, Management and Implementation of Poverty Alleviation Programmes. Edited by J.P. Getubig, Jr. and M.K. Shams. Kuala Lumpur: Asian and Pacific Development Centre, 1991. Pp. 253.

A theme common to the volumes under review is that real, sustainable development is far more than a matter of historic and geographic circumstances. It results from social agents pursuing their interests rationally, *and* from policies, programmes and projects wisely designed and effectively implemented by the state. Actions and measures that take advantage of inherited resource endowment and geographic location are keys to development.

With this theme in mind, Asher and his colleagues analyse the role of fiscal incentives, or stimuli, as a policy tool among an array of measures designed to generate economic growth in three neighbouring Southeast Asian states. Meier organizes his volume around the proposition that while much has been learned about how to stimulate growth and alleviate poverty, the scholar's advice goes unheeded due to political factors. The task his volume undertakes is to analyse political factors and the role of the state as they respond to knowledge about development, and therefore have an impact upon economic

policy-making, and growth and poverty alleviation. In their co-edited work, Getubig and Shams recognize that there is a learned consensus that poverty-alleviation programmes must be restructured to make them more self-reliant, and that restructuring must take into account the special needs of the poor and the socio-economic and political environments that give rise to those needs.

Collectively, the works stress three important points: first, development depends upon a rational integration of a range of private actions and public policies; second, a broad political economy approach toward analysing and promoting development is clearly imperative; and third, the special needs of, and participation by the poor in project and programme design and implementation is mandatory if poverty is to be alleviated. While the points are not new, they are superbly treated throughout the volumes.

Asher and his collaborators begin their analysis of the role of incentives by raising the point that economists share a scepticism about them because they tend to encourage rent-seeking. Consequently, incentives can distort patterns of resource allocation, create inequities, undermine fairness and encourage complications in tax administration and compliance. However, despite economists' scepticism, many countries' policy-makers have resorted to fiscal incentives with varying degrees of success in terms of growth-promotion. Recognizing this fact, the authors caution that,

While the design of fiscal incentives is undoubtedly of great importance, the success of activist fiscal incentive policy depends on other factors as well. These could include methods of implementation, record keeping and evaluation of fiscal incentives, overall domestic and international

economic environment, efficiency of tax administration and compliance levels, and quality of economic management. The above therefore suggests a need to examine fiscal incentives from a wider perspective (p. 1).

Their book is well organized and uncluttered by a myriad of replications of provisions, decisions, legal arrangements and revenue-system features. Their four core chapters contain only institutional materials sufficient to understand analytic conclusions. The six basic conclusions that they reach not only could promote sounder policy-making in the three countries, but their ideas are applicable to understanding the role of incentives in growth-generating efforts of developing countries generally.

First, fiscal incentives have not been (and cannot be) used in isolation, but as a signalling device for government's priorities.

Second, sound macroeconomic frameworks, stress on developing physical, human and commercial infrastructure in line with priorities, and relative absence of non-tax disincentives have freed economic agents from spending disproportionate time, effort and energy on planning their immediate business environment.

Third, healthy public finances have also meant the revenue loss from incentives has not been a constraining factor.

Fourth, Singapore (in particular) has consciously attempted to churn activities and personnel overtime, thus enhancing capacity for restructuring, while being able to take advantage of the new opportunities.

Fifth, the incentives have been in general targeted at performance at the margin, rather than at an average performance. This has necessitated use of innovative indicators for assessing suitability for granting of incentives in a particular case.

Sixth, large discretion has been given to the implementing agencies, and the level of transparency of the process and the outcome has been low. However, the importance attached to purely commercial and international competitiveness objectives has meant that the above practices have not had adverse effects so far. As distribution coalitions take root, greater transparency and public disclosure and accountability may need to be given greater weight.

While the volume by Asher et al., focuses on fiscal incentives as an element of public policy mix, Meier's work ranges across an array of topics. This edited collection reflects its editor's genius for bringing together topics that could be disparate, but instead are thematically connected by him and made into an intellectual mosaic of ideas and concepts about development. In this case, the mosaic's central themes are that the new political economy (NPE) is a useful way of analysing private actions and public development efforts, and that the role of the state in promoting development is extremely important.

Meier and his collaborators correctly depict the NPE as essentially a neoclassical economic theory of politics wherein the analytical concepts and principles applied to political markets and political phenomena are analogous to those of neoclassical economic analysis. The units of analysis are rationally behaving individuals, groups, or enterprises, that is they have consistent sets of preferences over the outcomes of their actions, and they choose an action whose outcome is preferable to the outcome of other actions they find also feasible. Every "agent" is assumed to behave rationally, whether it is a consumer using available information to form expectations about the future, a bureaucrat fighting for turf or disturbing publicly created rents, or a lobbyist, voter or politician. Each pursues its interest within the mechanism of "the state", and its actions are influenced by the power and authority of the state. When applying the NPE to economic development issues, the state's role as a progress-promoting agent emerges as critical,

The crucial formal feature of the state is that it incorporates certain power rights associated with legislative, executive, and judicial authority. The state generally has maximal control over resources as well as force. Law also originates with the state. The state, as continual public power, embodies the central administrative and legal apparatus with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions (p. 7).

Contributors to Part II by and large apply new

political economy analysis and focus on the state's power to promote development in areas such as trade, land reform, poverty alleviation schemes, public enterprises and macro-economic management. In Part III, Meier summarizes their findings and offers a perspective on the importance of the NPE as an analytic approach, and what he writes is likely to be of particular interest to this journal's readership.

Of special interest should be the influence that economists might exercise by advising on policy reform — particularly when the reforms involve large, innovative changes. In such cases, the policy issues differ from those susceptible to ordinary economic analysis. The economist is most knowledgeable about the policy-making process in situations of incremental policy changes involving a chosen problem. This type of policy problem is subject to more technical analysis and hence a low degree of politicization (that is, politics-as-usual). It involves instrumental rationality (in other words, the economist identifies technical policy instruments to be used to achieve policy objectives). The perspective is from a society-centered polity, with government as a clearinghouse or broker among interest groups (p. 314).

While Meier's volume focuses on the NPE approach to understanding the role of the state in policy-making, Getubig and Shams centre their work on understanding the rational actions and role of the poor within the operation of the state's poverty alleviation programmes (PAPs). Parts I and II of *Reaching Out Effectively* contain worthy contributions by the co-editors and others focusing on regional poverty-alleviation programmes, their design, management and implementation. In their overview, the co-editors set the stage for perhaps the book's most distinguishing feature, ten case studies contained in the volume's third section.

The volume contains so much material that it defies brief condensation; however, two parts of the book warrant particular highlighting. The first is the co-editors' main concerns about the shortcomings of PAPs created both by governments and non-governmental organizations. They put forth these six points.

First, despite greater target orientation, government programmes fail to lay down practicable criteria to identify the poor. The selection process remains too bureaucratic, with little involvement of the poor in beneficiary identification. Consequently, an overwhelming proportion of the bottom poor remain beyond the reach of the government-sponsored PAPs.

Second, the poor need to be empowered, so that they can genuinely participate in the decision-making, planning and in the implementation of development programmes which affect them. Organising at the grassroots which makes this feasible is not featured prominently in most government-sponsored PAPs.

Third, authentic decentralisation involving effective dispersion of power to peripheral and local level institutions remains a cherished but illusory goal. It is doubtful that this goal can be realised without democratisation and empowerment of people at the grassroots. Consequently, lack of co-ordination at local levels is an endemic complaint that is never likely to be resolved.

Fourth, conventional poverty programmes emphasise gratuitous relief, direct dole outs of resources thereby failing to promote modalities and processes which ensure that development is more sustainable. Capacity building for sustainable development through prolonged and consistent efforts of the beneficiaries remains a major gap in the more conventional PAPs.

Fifth, the coverage and scope of PAPs remain limited and sectorally fragmented.

Sixth, there is little focus on urban poverty, although the Asian countries are currently experiencing an explosion of urban population growth.

The case studies yield the conclusion that the shortcomings identified by Getubig and Shams can be corrected by keeping three points in mind within the context of viewing the poor as rationally acting agents. *First*, goal setting involves identifying and articulating real development needs of the target groups. These needs have to be assessed and prioritized by the clientele themselves and conveyed to the organization systems set up under the PAP. *Second*, PAPs must have a strong orientation towards designated and well-defined target groups. Modalities for identifica-

tion of clientele to be targeted upon is a critical element in establishing programme objectives. One of the objectives is to access the bottom poor, who have been traditionally bypassed under the more conventional programmes. This will usually involve defining the poverty line, based on criteria which are considered appropriate for the community, the region or the country as a whole, determining eligibility criteria on the basis of which the targeted clientele can be selected as project beneficiaries, and establishing selection procedures including a means test which can be quickly learned and rigorously enforced. *Third*, the overall objective of sustainable development must be built into the design of PAPs. Without an integrated or "holistic" concept of a self-reliant development process, the poor cannot expect to overcome the exploitative relationship with the existing power structures.

In conclusion, each volume is well structured, clearly written and laden with useful theoretical, empirical and policy-oriented materials. Each is appropriate to a multi-faceted readership composed of policy-makers, scholars, students and the general reading public. In fact, separately or together, each book would be a useful addition to advanced upper-division or introductory graduate courses focusing on either development economics or development studies.

ROBERT L. CURRY, Jr

*Graduate Program in International Affairs
California State University, Sacramento*

Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World. Edited by Joan Nelson. Princeton: Princeton University Press, 1990.

The 1980s are usually called the lost decade of developing countries. This is because the decade saw the climax of solvency crises of highly indebted countries, ill-fated attempts of pure, and later on modified, stabilization programmes and

often half-way aborted strategies of structural change (adjustment) in the countries concerned. It was not until the late 1980s that the view of multi-annual medium term commitments of all related parties (banks, debtor countries, creditor countries, international financial institutions) to concerted action became accepted. The Brady Initiative of 1989 was the visible indicator of this acceptance.

One of the lessons learnt by failures in the early and mid 1980s is that the open or benign neglect of socio-political factors in debtor countries impeding or stimulating adjustment programmes is inadequate. It is the merit of this volume, the result of various workshops, conferences and research programmes co-ordinated and convened by the Overseas Development Council in Washington and the Lehrman Institute in New York, to highlight the crucial importance of such factors.

Principally, the volume consists of 13 country studies on the politics of economic adjustment in Argentina, Brazil, and Mexico (Robert R. Kaufman), Chile, Peru, and Colombia (Barbara Stallings), Costa Rica, the Dominican Republic and Jamaica (Joan M. Nelson), the Philippines (Stephen Haggard), and Ghana, Zambia, and Nigeria (Thomas M. Callaghy). As different governments in the sample countries designed and implemented different adjustment programmes, one ends up with 19 adjustment "episodes" to analyse. Joan M. Nelson provides introductory and concluding papers while Miles Kahler analyses the main thrust of orthodox, neo-orthodox and heterodox approaches to structural adjustment. The period of coverage is mostly until 1988 and thus cannot not fully consider the results of economic recovery due to buoyant and sustained world economic demand.

Given the enormous heterogeneity of the sample countries, it does not come as a surprise that straightforward cookbook menus are not given. On the contrary, it is one of the deliberate intentions of this volume to convey the message that "cookbook menus are futile, inadequate and contraproductive" to the reader. This is excellently done without sacrificing the view that opening up protected markets is not the end of adjustment but