

BOOK REVIEWS

DOI: 10.1355/ae23-3g

***The New Development Economics: After the Washington Consensus.* Edited by Jomo K. S. and Ben Fine.** New Delhi: Tulika Books; London and New York: Zed Books, 2006. Pp. 304.

This book is the final part of a trilogy that looks at the emergence and evolution of development economics — a discipline taken by many to constitute a separate branch of economics due to its focus on issues specific to industrializing countries. While the previous volumes look at the forerunners of the discipline on one hand and its pioneers on the other, this book looks at the recovery and current status of development economics following two decades of sustained criticism from mainstream economists.

Following its consolidation in the post-World War II years, during the late 1970s and throughout the 1980s, development economics was strongly attacked by orthodox economists advocating an adherence to market forces — as opposed to state initiative — as the most effective way to foster economic growth. International financial institutions such as the World Bank and International Monetary Fund (IMF) were important players in shaping the debate, seeking to promote market-based solutions for a wide array of development issues — the so-called “Washington Consensus”.

However, over the course of the subsequent decade, mainstream economics became more

receptive to heterodox arguments. The unexpectedly negative effects of liberalization and privatization in Russia, the high social cost of market reforms in Latin America, and the East Asian financial crisis highlighted the importance of non-market factors such as the quality of public institutions and historical and cultural factors in shaping market outcomes.

Now for many orthodox economists, the market has lost its unassailable superiority vis-à-vis the state — paving the way for a more nuanced treatment of both the market and the state. Leading mainstream economists have begun to incorporate a range of unorthodox elements such as geography, culture, and distance in their modelling in an attempt to understand, and compensate for, a variety of market failures — marking the beginning of a new period for development economics.

The book, then, brings together a wide collection of essays on many of the discipline’s key debates. While not for the faint-hearted, as it is densely written and quite technical, the book contains several excellent essays.

The first two chapters are useful as they place debates within their historic context, namely where development economics is perceived to be and how this relates to positions and policies advocated by the IMF, World Bank, and leading U.S.-based universities. The essays by Rose, Harriss, Byres, and Khan are succinct and powerful, and Goodacre’s chapter is a much-needed treatment of the relationship between

mainstream economics and its more academic and theoretical sibling, economic geography.

In collating these pieces, the book provides a very good snapshot of where the discipline of development economics is at the moment and tries to pinpoint the main controversies it faces. However, while its historical overviews and essays are valuable, as a whole greater than its parts *The New Development Economics* suffers from several shortcomings.

First, the book reads a bit unevenly, ranging from very technical discussions on specific debates in mainstream economics, such as New Growth Theory, to a policy issue such as financial programming, to overviews of entire disciplines, such as Economic Geography. In the process, several vital issues are left out. For example, while readers receive an excellent review of the debates surrounding agricultural development, industrial policy receives a short-shrift in the Developmental State chapter, and the “knowledge economy” is left untreated. Similarly, the issues surrounding state “eclipse” in the face of globalization or environmental degradation are conspicuous by their absence. Thus, while the book promises to be avant-garde, its choice of topics is a little outdated.

On another level, the book is unclear about its purpose. Specifically, it is not evident whether it limits itself to analysing some of the main challenges facing development economics and, in particular, its newest manifestation, or whether it attempts to propose a new paradigm altogether.

This dilemma is made manifest in the book’s selection of authors. While all are committed heterodox economists, some are important players in the debate on the Post-Washington Consensus and others are observers who critique them. Thus, Mushtaq Khan, John Harriss, and Pauline Rose — who are at the forefront of debates on the approaches to corruption, social capital, and human capital respectively — are contributors to the volume.

However, other key debates are reviewed by external observers who aspire to a certain level of “objectivity”. Thus, there are no contributions by Developmental State proponents such as Ha-Joon Chang, Peter Evans, or Robert Rowthorn. Rather,

the reader receives a critical review of their work. The same occurs with technology transfer, where work by Sanjaya Lall, Martin Bell, and Chris Freeman is reviewed by a third party. In my opinion, a contribution by Bell or Freeman (or the inclusion of one of the late Lall’s many excellent essays) would have been a better addition — with the reader left to determine the utility of their respective arguments.

Where the book is least satisfactory is when it attempts to transcend the “New” Development Economics paradigm. In its preface and introductory chapters, the book implicitly tries to gauge the newest “face” of the discipline against an “ideal type” anchored in the past.

This is evident in two areas. The first is where work by mainstream economists such as Stiglitz, Sachs, and Krugman is criticized for not going “far enough”. While the work on market failure, geography, and distance by these and other economists is too deductive, theoretical, and mathematical for the tastes of many, the fact that orthodox economists are reaching out to other disciplines is important. After two decades of what the book refers to as “market fundamentalism”, inter-disciplinary dialogue should be welcomed. The fact that work on industrial policy by Developmental State proponents like Peter Evans is now quoted by mainstream economists like Dani Rodrik could be the beginning of a new, and potentially rich, period of exchange between disciplines.

Similarly, while the book excels at performing a dissection of the development economics paradigm on several key issues, it is less successful when it argues that many of the arguments are co-opted and neutralized by agencies such as the World Bank and the IMF. One gathers that the cure to this scenario would involve a more critical theoretical framework, yet none is forthcoming. This absence is made all the more evident by the lack of a concluding chapter, where the themes could be drawn together and the overall arguments restated.

The use of this book ultimately lies with the reader. While the book was not very successful in its attempt to transcend the recovering discipline

of development economics, it is nonetheless valuable and deserves a place on many a desk as an overview of development economics and a discussion of some of the most critical issues.

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DOI: 10.1355/ae23-3h

***East Asian Welfare Regimes in Transition: From Confucianism to Globalisation.* Edited by Alan Walker and Chack-kie Wong.** United Kingdom: The Policy Press, 2006. Pp. 235.

This is an edited volume of ten chapters. Part 1 on Welfare in East Asia comprises two chapters, an introduction to Asian welfare regimes and another questioning whether welfare is un-Asian. Part 2 has six country studies of China, two chapters on Hong Kong justified as bridge to China, Japan, Taiwan, Korea and Singapore, plus a conclusion from Confucianism to globalization.

The volume aims for an updated, accessible, critical account of the Confucian welfare state. It is an East Asian model of welfare, no Islamic model is discussed. Thailand seems a remiss even if the Philippines is entirely omissible.

All six case studies emphasize Confucianism. Other key themes include pressure points to adapt and change, force paced domestically and externally. Inevitably, the East is compared with the West. This should not be just an end in itself. With literature on the Western construction and regime of welfare states produced *ad naseum*, the new-kid-on-the-block is Confucian welfare. Globalization is ubiquitous for systems.

A few remarks may set the tone of review. First, it seems pointless to debate culture just to see how different people and regimes take care of welfare, itself neither easily defined nor universal. Facetious as it may be, culture is like cuisine. They are just what different people are used to and want to enjoy.

Second, it is clear the book has traditional Confucianism at work as the minimal state

welfares. The dilemma is if Confucianism is also a core Asian value to be preserved and adulated, the resultant lack of welfare state cannot be truly blamed.

Third, globalization backlash is the true culprit. The state can neither be blamed for demographic ageing, which turned the Western welfare state upside down, nor poor public finance as solely blamed for not provisioning the chain-letter tax-financed pay-as-you-go (PAYG) system. People seem happy not to be saving themselves as long as full employment mean job and income security.

Globalization is not new. It is unprecedented, driven by information communication technology, simultaneous with deregulation and competition, plus China, India, and the rest of the second world in transition entering the free market third world. The confluence of demographics, fragility of crises, from financial to a health pandemic meets with global imbalances. Collateral damage is promised if the top stops spinning.

Because the minimal Asian welfare state is owed to Confucianism as a familial hold-all, it enables Asian cost competitive strategies, threatening the Western as a race-to-the-bottom. Asian critique including this book joins the bandwagon, spouting social citizenship, state duty and responsibility, recognizing the role of the state is all about politics.

Balancing celebratory health and security with the growth momentum involves a trade-off. Trade unionism and the Western welfare state are turned topsy-turvy, aided and abetted by mergers and acquisitions breaking up iron rice-bowls, relocating jobs and displacing old world security. Globalization is anti-welfare. Globalization backlash is not pro-welfare.

The chapters are diverse as authors handle the nature, development, and dilemmas of Confucian welfare states in their own intellectual ways. With the main characteristics as the denominators, Part 1 and the introductory chapter conclude that Confucianism is an adjunct to political ideology and recommend positive welfare provision.

The second chapter in Part 1 demolishes the underdeveloped un-Asian social welfare premised on the wrong assumptions. Whatever the