

## BOOK REVIEWS – REVUE DES LIVRES

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Bela Balassa : *Policy Reform in Developing Countries* (Pergamon Press, Headington Hill Hall, Oxford, U.K. 1977 – 175 pp.).

Reviewed by P. Heinecke\*

This book on economic and fiscal policy has an attractive title and deserves the attention of policy analysts in Nigeria. There are nine chapters, each of which is the original report which the author submitted to various governments between 1974 and 1976 in his capacity as their policy adviser. He has worked for the United Nations Industrial Development Organisation, the World Bank and for the governments of Mexico, Portugal, Venezuela, Chile, the Andean Common Market, Egypt and Korea. Since these industrializing countries have similarities to Nigeria, the book can be considered as a fairly typical example of the kind of advice some aid agencies have to offer Nigeria.

The preface states that, «the essays express the opinions of the author and should not be interpreted to represent the views of particular governments or international organisations.» Nevertheless, one can safely assume that Balassa's reform proposals do represent fairly closely UNIDO and World Bank policies.

The author belongs to a school of economists who assume that the high rate of growth and the maintenance of reasonably full employment in the richer countries in the post-war period has, on balance, been immensely helpful to the poorer countries; that the existing patterns of international trade are generally good; and that the main task for policy reform in poor countries is for them to adopt a package of fiscal measures enabling their economies to achieve the following : –

1. profitable climate for business enterprise, indigenous or foreign,
2. accelerated economic growth and rapid rise in G.N.P.
3. more industries, provided they have comparative advantage,
4. more exports,
5. less centralized planning by the national bureaucracy.
6. a perfected market to remedy distortions in factor and product prices,
7. reduced inflation and liberalization of foreign exchange rates and of import controls
8. provision of social services consistent with business interests but sufficient to prevent instability.

According to Balassa, the problem with developing countries is their inability to reform their internal structures to conform to the imperatives of the international market within which they inevitably operate.

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\* Faculty of Administration, Ahmadu Bello University, Zaria, Nigeria.

Their present economic inefficiency results from, «distortions in product and factor prices that create a wedge between private and social profitability of particular products or production techniques.» Their governments fail to appreciate the «sensitivity of economic agents,» and they consequently misuse fiscal measures such as subsidies, exchange rates and protection. The blame for their slowness in developing is thus placed on the shoulders of the countries themselves which have not yet fully grasped the sensitive technical intricacies of capitalism.

This approach has been seriously discredited by a growing number of scholars who show that the supposedly efficient international market has totally failed to achieve development except for a tiny minority of the world's population. That already rich minority becomes richer, while an increasing percentage of the world's population becomes poorer. This stark fact is shown in the United Nations Organisation's statistics on income distribution and is well summarised in Keith Griffin's book, «International Inequality and National Poverty.» Balassa would no doubt reply that this sad state of affairs is *despite* the well-meaning efforts of the United States and its international aid agencies. Others are increasingly saying that the state of affairs is *because of* the U.S. and its agencies such as the I.M.F., the world Bank and certain branches of the U.N. They say that advice and aid are being given with the sole aim of maintaining the economic and financial dependence of subordinate nations. Whereas the advisers and aiders themselves present their role as impartial and technical guidance on market efficiency, their critics say that the essence of business is to try to control its own market and to operate as if the entire globe were its preserve. Production is operated for profit not for people. Or, as Harry MAGDOFF puts it, «When market efficiency and economic rationality enter the door, morality and social justice fly out of the window!»

Repeatedly, Balassa refers to the theory of comparative advantage. It is better, he argues, for a country like Korea with abundant cheap labour to concentrate on producing goods which are labour-intensive, such as shoes, electronics and ships. And Venezuela, whose natural resource endowment is crude oil and hydroelectricity, has a comparative advantage in producing downstream petroleum goods such as chemicals and plastics. It is remarkable that this economic myth, originating from David RICARDO 180 years ago, is still being perpetrated. While it is quite true that historically certain countries or regions came to specialize in producing particular goods, e.g. sugarcane in Cuba, groundnuts in Northern Nigeria, copper in Zambia, this has little to do with natural endowments or with what the country is «best suited for.» It arises from the fact that business is first and foremost a system of power. Korea's labour was cheapened to benefit the more powerful coloniser. Cheap labour is an aspect of poverty and is man-made. There was nothing *natural* about Cuba's sugarcane, just as there was nothing *natural* about the African slaves who were forced to grow it. Indeed, in terms of natural resource endowment, it is surely Nigeria which is the «have» and Japan the «have not.» Countries become powerful and wealthy not because of the natural resources they have in them but from their power to control and extend spheres of political and economic influ-

ence. The present pattern of specialization in world trade results historically from unequal treaties and military conquest – in short, from imperialism. That pattern is neither God-given, eternal nor unchangeable, as China and Cuba have proved.

In conclusion, Balassa's book is a prescription for the continued underdevelopment of the world's poor countries. It avoids the crucial question whether a particular country should be consuming certain goods at all. It regards increased demand per se through increased purchasing power as the desirable stimulant to growth. But as Cheryl PAYER writes in, «The Debt Trap,» (a classical book on fiscal policy), «just as the pusher of an addictive drug finds it good business to provide free samples in order to get potential users 'hooked', so western aid serves to make poor nations dependent on western brand names and on economic growth via imports.»

The book should be treated with great scepticism if Nigeria is to avoid following the path of Brazil and India, both of them classical cases of growth without development.

E. C. Amucheazi : *Readings in Social Sciences – Issues in National Development*. (Fourth Dimension, 179 Zik Avenue, P.M.B. 1164, Enugu, Nigeria 1980, 381 pp.).

**Reviewed by P. Heinecke \***

This book is a collection of twenty-one articles by scholars of the University of Nigeria Nsukka. Dr. AMUCHEAZI, the editor, is a senior lecturer in the Department of Political Science, Nsukka.

The theme of the book is of great relevance : the authors try to give an analysis of Nigeria's political, social and economic problems and to suggest solutions.

There are four parts: –

1. Politics and crises of development.
2. Economy and transformation of Nigeria.
3. Social change and welfare problems in Nigeria.
4. Moral values and socialization.

To varying degrees, all the writers question whether anything useful and positive has been achieved in Nigeria since independence. Some, like Dr. AMUCHEAZI himself, adopt a somewhat conservative approach, believing that there has been some progress since independence. For example, he feels there is now greater participation and grass roots democracy thanks to the previous Federal Government's reforms. Moreover, he largely accepts the elitist system of education that Nigeria has inherited from the British; and he has faith in the ability of a western-educated modernizing elite to overcome ethnicity and other divisions in society.

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\* *Faculty of Administration, Ahmadu Bello University, Zaria, Nigeria.*