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***Review of Politics and Policy Making in  
Developing Countries: Perspectives  
on the New Political Economy***

**February, 1993**

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GERALD MEIER, Ed., *Politics and Policy Making in Developing Countries: Perspectives on the New Political Economy*. San Francisco: ICU Press, 1991. xi + 360 pp., index, \$14.95.

In developing countries, economic policy under the tutelage of economists is over four decades old. Moreover, it is documented in increasing detail by international organizations and academic researchers. Notwithstanding, the growth performance in many countries is poor. It is asserted in the preface to this book that "economists have learned a great deal about how to stimulate growth and alleviate poverty in developing countries. Yet much of their advice . . . is deemed politically unfeasible and goes unheeded." The conference papers and comments printed in this volume address the issue of whether the new political economy (NPE) can explain why and whether it can also be used to improve the process of policy reform.

The book starts with a chapter by Gerald Meier, laying out many aspects of the issue, and it ends with a conclusion by the same author, assessing the strengths and limitations of the new political economy for improving policy reform. Besides Meier's chapter, the first part contains three main contributions and two comments.

Findlay's essay on the explanatory power of the concepts for LDCs presents a positive model of an autonomous state and applies neoclassical tools to explain its behavior, in particular self-interest and optimization. One basic point is that applications of NPE to developing countries should stress state-centered forces rather than the society-centered forces or pressure groups, stressed in applications to advanced countries. The essay by Grindle takes issue with the negative view of the state in Findlay's analysis and criticizes the approach in the same way critics of neoclassical economics do: static emphasis, narrow characterization of human behavior, absence of evolutionary features, etc. The last essay in this part, by Ranis, is more empirically oriented than any of the others in the book. It traces policy changes in Colombia, Mexico, South Korea, Taiwan, the Philippines, and Thailand from 1950 to 1986. This essay is especially interesting for development economists because of its systematic evaluation of important policies in a comparative setting. Its analysis of monetary and exchange rate management in these countries as key growth-promoting tools through the evolution of economic cycles is noteworthy.

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The comments are quite useful in pointing out limitations and omissions. Bardhan notes, for instance, that both Findlay and Grindle underestimate or ignore society-centered forces, which affect policy even if one accepts the view of the autonomous state in Findlay and Grindle's pieces. Toye makes the same point and adds the need to incorporate the role of international organizations in affecting policy, including the condoning of bad economic policies for which he cites the IMF's role in the Philippines as an example.

The second part of the book consists of five essays with accompanying comments that apply the perspective of the new political economy to various topics: foreign trade (Srinivasan), land reform (Hayami), poverty alleviation (Pfellerman), public enterprise divestiture (Jones, Vogelsang, and Tanden), and inflation and stabilization (Haggard). These essays are insightful introductions to the analysis of each of these topics, incorporating features of the new political economy in varying degrees. Srinivasan's essay, for instance, provides a thorough review of the main contributions to endogenizing trade policy. The comments are extremely valuable for evaluating what is in the essays and perhaps more importantly what is not included.

Part three consists of two chapters: a critique by political scientists and a summary of experiences of policy makers. R. Bates' constructive critique of the new political economy is suggestive for the research-oriented reader. In particular, he presents a simple model as a heuristic device in which the technocrats or policy makers are themselves players with preferences in the determination of policy outcomes. Haggard and Nelson stress the need to understand the role of institutions in the process.

The essay by Ardito-Barletta brings to the fore some shortcomings of the volume. While this essay provides useful information on the role of economists as policy makers, it minimizes or omits at least two important considerations that are very relevant to the theme of the conference. First, it implicitly assumes that economists knew the right, presumably growth-promoting, policies in the contexts where they have participated. What happens in areas of policy that are controversial among economists? Do we ever make mistakes? Often mistakes are the best instruments for acquiring knowledge. Second, it ignores the principal-agent problem between technocrats or economists, politicians, and society at large, both within national governments and within international organizations; is it possible that the author is unaware of policies or projects put forth for personal gain, professional survival, or to protect an organization or institution at the expense of a national interest?

Since the subject addressed in these papers is of quite recent vintage, it is remarkable that the substantial progress made in a wide variety of settings has been captured. Hence, the book should be of interest to economists interested in development and comparative systems; it is a valuable teaching

tool. For research purposes, however, the book is less valuable because in a new area contributions abound and the conference took place 3 years ago.

The most glaring problem is the limited attention paid to institutions other than a small subset of the ones relevant for analysis. For instance, the essay on inflation, which addresses this issue more than most, did not discuss the degree of independence between the Central Bank and the political authorities or how one might measure this concept. There are several assertions about the right policies being known. Presumably, these policies are market-oriented policies that require complex contracts that are normally incomplete. In this setting, the impartial administration of justice for resolving disputes and the accompanying institutions are critical but they are not discussed. Similarly, the actual nature of democratic institutions makes a difference in carrying out policies. For instance, in some legislative assemblies the presidential candidates of various parties carry the legislators of their parties in the elections. In some cases they have complete control over who gets on the list of candidates. Such institutional settings often lead to policies where the basic interests of those being governed are ignored. These institutional issues remain largely unexplored.

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