

BOOK REVIEW

Global Economic Development: The Evolution of Theory and Practice - A Handbook, by Alex J. Kondonassis, Norman, OK: University of Oklahoma Printing Services, 2011.

In the *Global Economic Development: The Evolution of Theory and Practice - A Handbook*, Alex Kondonassis provides a short and easy to read description of how theory and practice of development economics have evolved over time. This book analyzes three main elements of development economics that deal with issues relating to definition (including measurement issues), causes & consequences, and solutions. The author emphasizes the role of institutions in economic development and also discusses the phenomenon of "swings of pendulum" in economic policy. Kondonassis is an accomplished development economist with over 50 years of teaching experience.

This book is divided into four parts: the first section looks at issues relating to the classification of countries according to their level of economic development. The author briefly examines how the availability of data on various quantitative and qualitative measures has improved our ability to measure development. Kondonassis rightly points out the need to look at various indicators as there is no single gauge that can accurately measure economic development.

The second part examines various theories designed to explain the process of economic development or lack of it. In this section, Kondonassis surveys various theories such as the general explanation of economic development put forth by Classical and Neoclassical economists, the historical explanation of development by Weber and Rostow, the role of trade in development by Myrdal and Prebisch, the role of the size of the market in development by Rosenstein-Rodan, Nurkse, and Hirschman, the role of climate in development by Gourou, and the role of social and psychological factors by McClelland, Hagen and Boeke. After examining these different theoretical explanations, the author highlights the need to include non-economic factors (such as political stability, social values, religions, education) along with economic factors (such as natural, human and capital resources) to explain economic development. He also provides a schematic diagram of development based on inter-linkages

between natural, human, capital resources, technology and institutional framework (page 20).

Part three of the book looks at various policy issues relating to development. Kondonassis revisits popular debates in development economics viz., planning versus market, import substitution versus export orientation, etc. He also examines important issues that require attention from policymakers such as the need to develop the agricultural sector, the need for better market access to export from developing countries, roles of physical and human capital, entrepreneurship, and internal and external financing in development. Based on the recent development experience of the "East Asian Tigers," he recommends a judicious use of alternative options – for example, to a certain extent government has a role in a market-based economy and should step in to correct market failures and support comparative advantage of infant industries. The fact that the interests of developing countries may be ignored by the developed world, he argues for greater cooperation and possibly integration among developing countries. Kondonassis also emphasizes the fact that agricultural sector development should not be ignored in pursuit of industrialization and discusses the successful examples of Japan and Taiwan, where agriculture was used as a stepping stone to industrial development. Successful agricultural development in these two cases highlights the importance of economic and non-economic factors in the formulation of agricultural policies, and that any development policy "must be integrated into a framework capable of analyzing not only what is common but also what is unique about development in different countries." (page 35).

Part Four of the book examines the development experiences of the economic giants (Europe, Japan and the U.S.), other successful examples (South Korea and Taiwan), potentially success stories (China, India and Brazil) and the Western Balkans. Historically, industrialization started in the U.K. and quickly spread to other parts of Europe and the U.S. Economic development in Europe and the U.S. was based on entrepreneurial activities and also on deep inter-linkages between different sectors which helped innovation and increased productivity. This growth was also marked by great instability (for example, the Great Depression and the recent financial crisis in the U.S.). What

have we learned from the successful development experience of late comers? Different case studies highlight the importance of state entrepreneurship, where the state: (1) recognizes that their country lags behind the West in terms of technology and have a strong desire to catch up; (2) invests in education and encourages students to study in the West and also invite foreign experts; (3) reforms the agricultural sector and uses it as a stepping stone towards industrialization; (4) invests in infrastructure; (5) follows a policy of guided capitalism, which encourages exports and limits imports to protect domestic industries; (6) encourages entrepreneurial activities and builds a strong positive partnership between the business and the government; (7) receives technical and economic help from the west. At the same time, Kondonassis recognizes the need for formulation of policies that are specific to the institutional framework of an economy, for example, South Korea promoted the establishment of large business houses and Taiwan encouraged small to medium scale enterprises.

Kondonassis ends the book with a "Note on Globalization and Interdependence" and "Concluding Comments." In the former, he briefly discusses the development of multilateral institutions responsible for fostering globalization. He also highlights the interdependence between developing and developed nations (developing countries depend on developed countries for technology transfers, financial assistance, and health assistance and developed countries depend on developing countries for natural resources and together they depend on each others' markets for growth). It is only through mutual respect and understanding that the entire world can prosper.

A general criticism of this book is that it largely limits the discussion of economic development to theories that were developed prior to 1970. Prior to this time, theories of development raised important issues and were presented in a less formal manner as they were not consistent with mainstream economics, i.e., the Walrasian paradigm (Mookherjee, 2005). Theoretical developments since the 1970s have formally addressed these concerns through the use of game theory (for example, literature on asymmetric information and contract theory was applied to agricultural institutions in developing countries) and other approaches. Another major theoretical development is the contribution of endogenous growth theories (Romer & Lucas), especially their synthesis with trade theories, to our understanding of the growth phenomena. Grossman and

Helpman show how the transmission of knowledge through international exchange (particularly through trade and investments) positively impacts growth (Ruttan, 1998). All this is well illustrated by the recent development experiences of emerging economies such as China, India, Brazil, etc. which have used foreign investments and foreign trade to spur economic growth. Specific criticisms of the book include: (1) Kondonassis refers to European Union as the European Economic Community (pages 40 to 44); (2) the analysis of the "Single European Act" appears to be ex-ante, though the act was implemented in 1992 and much of the liberalization and harmonization of standards, especially trade in goods has been completed. The liberalization of the services sector, as expected, has been somewhat gradual (Husted and Melvin 2009, 263); (3) the author does not discuss efforts made by the developed countries to grant preferential treatment to exports from former colonies, such as by the European Union under the Lome' Convention or the Caribbean Basin Initiative by the U.S., etc.; finally, (4) the author does not emphasize the importance of the relationship between growth and poverty, though most economists agree that economic growth helps reduce poverty.

Economic development is a complex phenomenon and our understanding of economic development or lack of it, though not complete, has improved a lot in the last 70 years or so. This book by Kondnassis is a short and easy to read book which covers most of the important issues in development economics. I have no hesitation in recommending this book to anyone with little or no background in Economics.

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