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The Role of Economic Advisors in Developing Countries

by: Launchlin Cunie, London: Greenwood Press (1981), Xiv— 270pp

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This book is written to show the major defaults of economic advisors and to address the question of why their efforts for the last thirty years were rather disappointing and not as productive as they should have been. The book is not merely devoted to criticising economic advisors work in developing countries but it also attempts to show how the advice-giving could be improved.

The importance of this book lies in the fact that it came at a time when concerned people in developing countries started to question the need for foreign economic advisors and whether or not their advice was necessary and worthy for the money spent on them. What makes this book even more important is that Cunie himself has spent several decades as an economic advisor for both developed and developing countries. His basic training in economics and his academic experience as a university professor adds more value to the book because it combines the theory and practice of economics fairly well.

Cunie begins his book by explaining why the advice of economic advisors for developing countries varies a lot. the main reasons he cites are: (1) they differ widely in defining economic development and its objectives. Is it growth per se; is it increasing per capita income, is it distribution of income or distribution of consumption, is it sectoral or regional development or is it price stability or full employment? (2) they mostly hold that economic theory and most of the current economic thinking is not applicable to developing countries. That made them rely heavily on normative thinking. However, Cunie believes that economic theory and the tools of economic analysis are applicable to developing as well as developed countries.

The book discusses at length macroeconomic and sector and project advice. In each of them the author analysed examples of advice given by economic advisors including those of the World Bank and the IMF. He used Columbia as a case from which he made generalizations to other developing countries.

As for the macroeconomic advice Cunie thinks that most of the divergence is traceable to profound theoretical differences. He strongly holds that questions of economic growth, exchange rates, adoption of technology and employment in developing countries would have been better off if left to the market rather than to deliberate government intervention as recommended by most economic advisors.

Cunie criticises the sector project analysis advice because it is not fitted into a much larger framework of national employment, distribution and the overall allocation of resources.

Besides their belief that economic theory is not applicable to developing countries, economic advisors usually use faulty data. According to Cunie the combined effect of these two important factors leads to a wrong diagnosis of the problems of economic development and hence wrong prescriptions.

The book concludes by putting forth a theory of advice-giving based upon Cunie's long experience as an economic advisor.

Looking at the state of the art in developing countries today, one has to share with Cunie most of his arguments in explaining the disappointment over the efforts of economic advisors. I do agree with him that economic theory is as applicable to undeveloped countries as to developed countries. If there is any difference, it will be in degree rather than in kind. However, one has to be cautious in advocating the absence of government to restore the market failures whenever and wherever they occur, especially because of the poor infrastructure in developing countries that affects mobility of goods and services as well as resources. Markets are rather fragmented and the disparity of income is so large that there is almost no middle class. Intelligent and diligent government intervention is really needed but not to the extent of centralization and comprehensive planning. A kind of indicative planning may be required in certain cases.

The book is valuable as supplementary reading for a course in economic development at the college level. It is also very important for economic advisors and government officials who seek the help of economic advisors as well as for regional and international economic organizations.