

Cleansing the Stables

Dissent on Development, by P. T. Bauer, *Cambridge, Massachusetts: Harvard University Press, 1972. 550 pp. \$15.00.*

FOR THE LAST THIRTY YEARS the field of economic development has been the preserve of quacks and charlatans. The general disrepute of the field has been so great that few self-respecting economists would enter it. Those whose motivations included scientific or scholarly pursuits chose fields in which logic and evidence carried some weight. People who possessed economic competence and intellectual honesty had no incentive to enter a field in which these qualities were handicaps. Consequently, the field has been the scientifically weakest and most intellectually dishonest branch of economic studies, rivalled only by the field of Soviet and comparative economics. It has been a perennial source of embarrassment to the economics profession. Economists must, therefore, welcome with great appreciation Peter T. Bauer's monumental *Dissent on Development*, which clears the slums and renovates economics in the field of economic development.

Peter Bauer is Professor of Economics in the London School of Economics, and he is the author of seven books and numerous articles about economic development. His competence as an economist in a field which has consisted primarily of economics without prices and costs, and his integrity in a field which has been concerned primarily with evoking responses such as the collective guilt of the West for the poverty of poor societies, have brought him relentless enmity. Any student who chooses Professor Bauer knows his employment opportunities are severely reduced.

The response to Professor Bauer's first two books, now both classics, illustrates what honest scholars can expect from fields dominated by socialist partisans. In *The Rubber Industry* Professor Bauer demonstrated that the large European-owned rubber plantations in Malaya were protected against competition from the native smallholders by British government policy. Socialist partisans found this message highly congenial to their ideological propaganda. But in *West Africa Trade* he showed that the state marketing boards in West Africa, ostensibly set up to improve the stability and level of income of African native producers, were in fact a means for their brutal exploitation by the state. This, of course, was highly uncongenial. Nevertheless, he managed to get a professorship at LSE, and the persecution he has suffered has not hounded him out of it. He enjoys the fray and is more than a match for his opponents. But he has had a lonely academic life. Many fear even to admit that they read his works.

Professor Bauer's previous works were individually more restricted in scope than his current book, but by drawing on them all he has produced a far-ranging study that places him in critical opposition at every point to the prevailing orthodoxy. The book is organized in three parts. Part one deals with "Ideology and Experience." Here Professor Bauer exposes the incompetence of the United Nations Conference on Trade and Development and the myths

of the vicious circle of poverty, the widening gap, central planning and foreign aid as cures for poverty, and colonialism as a cause of poverty. Part two deals with case studies, and part three examines and finds wanting the writings of leading figures in development economics.

Bauer's experience in poor lands has convinced him that most people want to improve their lot and will take advantage of opportunities to do so. He finds that the result of central planning is to restrict peoples' opportunities, thus reducing the scope of human action. When governments monopolize entrepreneurship by central planning, they restrict the supply of this essential factor of production. He believes it is tragic that governments launch comprehensive development plans when they do not even have the ability to provide essential government services.

Professor Bauer says that it cannot be conclusively shown whether foreign aid would be likely to promote or retard material progress, but the way in which foreign aid has been administered has done much to retard material progress. The government-to-government grants which characterize foreign aid strengthen the recipient government's hold over its citizenry. The preferential allocation of aid to governments with development plans encourages centralized and closely controlled economies. This means that the political sector offers higher rewards than the economic sector, with a resulting disproportionate allocation of abilities into politics. A firm's success is more likely to be determined by its relationship to government than by its economic behavior. Bauer speaks as an economist when he says that capital is more likely to be productive when deployed by the persons and groups who accumulated it, not just because of incentives, but because accumulation and effective deployment require the same abilities. Foreign aid and development plans which concentrate power in the hands of government serve the interests of elitist groups who are even more arrogant in underdeveloped lands

where they feel even more superior to the rest of the community.

Professor Bauer has an easy time showing that the emperor has no clothes. He shows his contempt of the field when he says that "a principal problem in the critical examination of much current development literature is not that of intellectual difficulty, but of maintenance of a worthwhile level of discussion without descent into triviality." Such contempt may alarm the noneconomist reader, but any economist who reads the development literature can only smile or spit.

Bauer acknowledges that the reader may ask how such insubstantial ideas can be so widely accepted and propagated from prominent academic and government positions. He offers a far-reaching answer to this question. Part of it is that

most obviously insubstantial notions of development economics do not reflect random divergence from truth, but exhibit a systematic bias. When nonsense shows systematic bias it probably reflects the pursuit of unacknowledged objectives which often have political or emotional bases.

The pursuit of certain unacknowledged political objectives seems to be present in much of development literature, including the literature which is ostensibly academic. In this field the most widely publicised ideas which are nonsense in fact or in logic serve to promote attitudes and policies which weaken the position of the west. Recognition of this characteristic makes sense out of some of the nonsense and resolves some paradoxes. What appears superficially to be a conflict between developed and underdeveloped countries is more nearly one aspect of a campaign against the west: there are many people in the west who for various reasons have come so to dislike major institutions of western society, especially the market economy and its corollaries such as private property, that they regard the radi-

cal weakening of these institutions as a major objective of policy. Many of these people, influential in the universities, the mass media and the international organisations, consider the underdeveloped countries as allies, or rather as instruments, in the promotion of their aims.

Professor Bauer notes that the overwhelming concern with the pursuit of political aims, and the consequent subordination of intellectual activity to this purpose, has debased not only economics but language as well. For the past twenty years P. T. Bauer has been almost alone in resisting the politicization of the subject. Recently, however, Harry G. Johnson, one of the world's finest economists, paid his tribute to Bauer in the November 1972 issue of *Encounter* (London). Perhaps other economists proper will find the energy to look into the sub-fields and lend their authority to those few who have attempted to protect the standards of their discipline.

Reviewed by PAUL CRAIG ROBERTS

"Infelice di Bellezza"

The Seizure of Power: Fascism in Italy 1919-1929, by Adrian Lyttelton, *New York: Charles Scribner's Sons, 1973. 544 pp. \$17.50.*

Italia, Italia, by Peter Nichols, *Boston: Little Brown & Company, 1974. 346 pp. \$8.95.*

THESE TWO BOOKS afford a valuable insight into the making of contemporary Italy. Mr. Lyttelton presents us with a historical study of Fascism against which we may examine Mr. Nichols' survey of post-Fascist times. With Mr. Lyttelton's book, we are plunged into the analysis of the exact nature of Fascism as a political phenomenon. It is a ma-