



New Theories in Growth and Development.

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presented in these volumes make them a pleasure to read, in whole or in part, and easy to recommend to anyone interested in the multi-dimensional issues raised by trade policy reform. In fact, the only disappointment aroused by reading these fine volumes is that I was not able to participate in the obviously lively and interesting conference discussions on which they are based. *Freedom and Trade* represents an excellent and inspiring example of the possibilities of multi-disciplinary scholarship.

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New Theories in Growth and Development. Edited by CORICELLI (FABRIZIO), DI MATTEO (MASSIMO) and HAHN (FRANK). (London and Basingstoke: Macmillan, 1998. Pp. vi+304. £50.00 hardback. ISBN 0 333 68229 7.)

This collection of essays from the July 1994 workshop held at the Siena International Summer School has an impressive goal: 'to simulate intersections between the two strands of economic literature: growth and development theories'. The editors argue that recent theoretical work on growth tends to focus on highly-stylised models which have little direct application to developing nations. Recent empirical work on growth, including the omnipresent cross-country growth regressions, over-emphasises developed nations due to data constraints. Recent work in development tends to focus on microeconomic issues. As a result, the extremely relevant subject of growth in developing nations, and how this growth process may differ from that in developed countries, has been largely ignored.

Recent crises in developing nations, crises which occurred after this book was written, have only reinforced the importance of this inquiry. The East Asian model has proved far from 'miraculous'. The communist model has pushed Russia to the verge of anarchy, and market liberalisation has forced Brazil to seek a massive international bailout. As each of these very different macroeconomic models has failed, it is even more imperative to examine and debate alternative models of growth for developing economies.

This book's essays take several completely different approaches toward merging growth and development economics. Chapter topics range from pure theory, to literature reviews, to empirical exercises, to specific country experiences. Viewpoints underlying these chapters are equally diverse, with everything from a Schumpeterian model grounded in optimisation to an 'Austrian' model focusing on out-of-equilibrium paths. At times this lack of coherence from one chapter to the next is disconcerting. A reader searching for a well-developed structure will be disappointed. On the other hand, this broad spectrum of approaches and views attests to why it has been so difficult to develop a general analytic framework through which to analyse growth in developing nations.

Given this range of approaches, it is not surprising that different chapters have various degrees of success linking growth and development economics.

Some chapters make little progress toward this 'intersection'. For example, the chapter by Aghion and Howitt presents an 'optimizing equilibrium model' explaining why more competitive market structures might lead to higher growth. Although the model is interesting in its own right, it is a highly-stylised model typical in the growth literature, and has little direct application to developing nations that often lack the institutions and structures on which the model is built. Calvo discusses how a country's initial level of debt can lock it into a growth path, but ignores issues such as capital flight, credibility, and enforcement—issues which are even more relevant to debt in developing nations. Syrquin's chapter on 'Modern Economic Growth' is an excellent review of pre-1970 work in development, but does little to tie this strand of literature to modern growth theory.

Most chapters, however, make significant progress toward this book's goal of merging growth and development economics. Amendola and Gaffard show how shocks can drive an economy off its equilibrium path, potentially leading to the breakdown of the productive capacity of the economy. (Does Russia come to mind?) On the empirical side, Easterly tests for the relative role of initial conditions, shocks, and policy, and explains how these different factors relate to traditional models of development and newer models of growth. The chapter by Taylor is one of the most insightful. His diagram shows how many older development theories have been incorporated and transformed into newer work on endogenous growth, suggesting a surprising degree of continuity between these fields. By the end of the chapter, I was convinced that: 'Good minds have grappled for two centuries with obstacles to development and causes of growth. In the long run, their insights are likely to prove more useful than the models that fit this decade's fashions best.' He leaves you with the urge to return to the classics rather than 'reinvent the wheel.'

As a whole, this collection of essays may not achieve a full 'intersection' between growth and development economics, but it does take an important step towards this goal. While the growth literature has shown that 'liberalizing prices and letting economic actors make their own decisions freely is not enough to create an efficient market economy,' this book shows that necessary extensions will involve more work than simple modeling tools such as externalities or increasing returns. Instead, we need to refocus on issues specific to developing economies, such as a strong Mafia, the breakdown of infrastructure, the emergence of a barter economy, and institutions in general. Rather than suggest any definitive answer, this book suggests a number of new and intriguing directions for future research on growth and development.

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