THE ROLE OF THE GOVERNMENT DURING THE PHASE OF ECONOMIC LIBERALIZATION

January 28, 1994, TOKYO JAPAN

INSTITUTE FOR INTERNATIONAL COOPERATION
JAPAN INTERNATIONAL COOPERATION AGENCY

THE ROLE OF THE GOVERNMENT DURING THE PHASE OF ECONOMIC LIBERALIZATION

January 28, 1994, TOKYO JAPAN

INSTITUTE FOR INTERNATIONAL COOPERATION
JAPAN INTERNATIONAL COOPERATION AGENCY

" IFIC Seminars "

'IFIC Seminar' is the abbreviation for seminars held at the Institute for International Cooperation, of the Japan International Cooperation Agency. These seminars are given by experienced scholars and people involved in international cooperation from both Japan and abroad. The primary purpose of these seminars is to provide useful information regarding the current situations, major issues and perspectives for development assistance, to those who are interested in Japan's international cooperation activities.

This publication reports the summary of the lectures with the consent of the speakers. All the editorial responsibilities lie with the Institute for International Cooperation .

"THE ROLE OF THE GOVERNMENT DURING THE PHASE OF ECONOMIC LIBERALIZATION"

Professor John TOYE
Sussex University

MODERATOR: Welcome to the Seminar of Institute for International Cooperation. Today's theme will be "the Role of the Government during the Phase of Economic Liberalization."

As you know, during the decade of the 1980's, the economic scene was dominated by the structural adjustment programmes, in a broader sense, economic liberalization. This was accelerated by the collapse of Eastern Block and the transformation of the centrally planned economies to market economies in the end of the 1980's and the beginning of the 1990's. On the other hand, the World Bank's East Asian Miracle Study revealed that at least in three Northeast Asian countries, Japan, Korea, and Taiwan, government intervention has been effective to some extent in promoting their economic development. In these arguments, the role of government in proceeding economic development of developing economies has been a focal point.

It is a great pleasure to introduce today's guest speaker, Professor John Toye, Director of the Institute of Development Studies, University of Sussex. Professor Toye was awarded Ph.D. in Economics by University of London for the thesis entitled "Public Expenditure and State Accumulation in India, 1960 to 1970", and serving as Assistant Director of Development Studies, University of Cambridge, and Professor of Development Policy and Planning, and Director of the Center for Development Studies, University College Swansea.

He is a very significant figure on the development economics scene, and also known as the co-author of "Aid and Power", which is contributing substantially to our understanding of structural adjustment programmes.

So, today's seminar must be a very interesting one. Professor Toye, please start your presentation, please.

Thank you.

TOYE: Thank you very much for those kind words and the warm welcome that I have received here, both in Japan and particularly here at JICA.

I want to speak today on the subject of "the Role of Government during the Phase of Economic Liberalization". And as has already been indicated, this is a topic which has considerable relevance just at the moment. It has relevance because we have seen a development of different notions of the role of government during the 1980's as the period of structural adjustment has progressed. And it has become relevant because we have seen a trend which has begun with notions of economic liberalization and has developed into a desire now to unite economic liberalization with political liberalization, particularly after the collapse of the Soviet Union. And it's also a topic, I think, which is attracting attention here within JICA as an area for future research.

This is a difficult area to talk about and analyze, because unlike various more technical subjects in development studies, it's one where values are deeply involved, and values often lead to confusion and crowdiness and vagueness in the way in which we think about subjects and therefore about the way in which we can research them.

Everyone tries to dispel confusion and to see things more clearly, and I shall now join the tribe of those who wish to do so in my own way. I would like to split up my remarks this afternoon under a number of different headings.

First of all, I want to begin by reminding us, if we need any reminding, of the details of the World Bank view of the role of the state in economic liberalization to give us, as it were, a set of seven basic ideas which have influenced the trends in economic liberalization during the 1980's.

After that, I want to suggest that there are certain areas of difficulty or conflict which arise when one tries to apply these seven basic postulates of liberalization.

Thirdly, I want to turn to what we know as "public choice theory" and discuss the way in which public choice theory has been used to give an account of politics that is intended to reinforce the seven basic postulates of economic liberalization.

After that, I would like to, if I could, then not waste too much time with examples here but to look at the problematic aspects of public choice theory, to look at alternative theories which have been used to analyze politics, discuss their relevance for the subject, and finally, to turn to the debate that has already been mentioned, the debate on the East Asian Miracle, and the role of government there.

So, that's the order in which I want to tackle my subject, and I will begin, then, by reminding us of the basic ideas lying behind economic liberalization as it relates to the role of the government.

Now, the first of these is a general preference for competition and the avoidance of monopoly. If there is one central idea which animates economic liberalization and the prescription that it has for the role of the government, the notion of competition is perhaps the deepest idea; the deepest idea in Anglo-Saxon economics is the idea of competition. So, in order to promote competition, it's necessary to provide open access for all economic activities, and particularly for everyone in the domestic economy to have freedom to enter any form of economic activity, without barriers, without discrimination.

And secondly, in terms of promoting competition, there the prescription is that there should be no discrimination as between domestic entrepreneurs or domestic business people and foreign, because if you put—if you discriminate, if you put barriers between, if you give special treatment either to the foreigners or to the domestic sphere, then, you are creating distortions in the economy and you are preventing the working of free competition.

Point No. 1: Competition. Point No. 2: The private sector has to be promoted. And the public sector of the economy has to be limited to the maximum extent. There is a deep disillusionment with the role of the public sector. The public sector is regarded as over-expanded, as something which has to be trimmed back. And this means that for public investment, there should be no discrimination in selection and the same rates of return have to be looked at either in the public sector as are available in the private sector. One mustn't —the word is "crowd out"— one mustn't crowd out the private sector by steering investment towards public projects which have a lower rate of return.

And under this Heading Two, the promotion of private sector, one of the things which damages the efficiency of the private sector most is inflation, and so it's necessary to balance the government's budget to avoid monetizing deficits and thereby to avoid stoking up inflation.

Third point: Prices must be market determined, and the administration of prices must be minimized. Where no markets exist, markets must be created. The objection that we can't allow market forces to operate because there are no markets isn't judged to be a forceful one. Instead, if no markets exist, the steps must be taken to create them. And the consequences of price control must be fully analyzed, and price control must be eliminated as far as possible.

Point four: To maximize the freedom of choice, and minimize regulation, to ensure that any regulation is truly justified by a subjective. For example, we were speaking over lunch about the Japanese beer industry. And I was being told that heretofore there are only about four firms that manufacture beer in Japan. I don't know whether it's right, but anyway this was the information;—there are only four firms. And the reason for that was that there was a government regulation which prevented production of beer unless you had an establishment to produce a certain amount of beer. So, that's a government regulation which has the effect of distorting the market; by creating a very small number of firms which then dominate the beer market, that's thanks to the government. That's the kind of regulation which in developing countries the World Bank would be trying to get rid of, to try and reduce regulations which indirectly limit competition, limit the freedom of access.

And so, it follows from the need to promote competition and the need not to discriminate between domestic and foreign entrepreneurs that what's recommended is integration with world markets rather than the pursuit of economic autarchy; but quantitative restrictions and high and arbitrary tariffs on foreign goods to be removed, and any interventions must be designed to enhance domestic capabilities in production rather than to block foreign competition.

Point six is that there is a general preference for decentralized decision-making and a preference to avoid centralized command-type decisions.

And finally, there is a wish to encourage individual self-responsibility and to avoid what's known in Britain, anyway, in the Anglo-Saxon tradition as paternalism. The claim that somebody knows better than the consumer what it is that they want, what it is that they should have, and that individuals should be allowed to take responsibility for their own choices rather than being told that they must have this because the government is going to provide them with this, it will be good for them, they should like it.

Now, then, that was the general philosophy of economic liberalization which the World Bank brought to developing countries in the 1980's. I would now like to spend some time considering the extent to which amongst these different elements of the programme of economic liberalization there are conflicts.

Well, it seems to me that there are a number of potential conflicts here. I think that, for example, it may at times be necessary for governments in developing countries to intervene and to regulate the market in order to prevent monopoly. Natural monopoly is something which is much easier to find in small, poor countries where the level of economic activity is low, and where the size of the market is too small to sustain many producers. So, to some extent, it may be necessary to introduce some price controls in order to ensure that it was only one producer; that producer doesn't reduce supply in order to raise price and maximize profit.

There is a conflict, in short,. in my view, between carrying out fully regulation—Postulate Four and Postulate One. I think there is also a conflict, a potential conflict at any rate, between allowing the market to determine prices and minimizing regulations. And this is true in those cases where markets fail and where it is impossible to promote market-based activity.

Market failure is also quite widespread in developing countries, in the social sectors of the economy, and I would argue that paternalism is needed perhaps in more extensively in developing countries than in developed countries. And it's particularly needed in the markets for health care and education, that area where we know that if investments aren't made and if services aren't provided, the basic human resources in the economy will never achieve the levels of quality and skill which is necessary for economic development.

There is a contradiction between the concern for the development of human resources which was evident in the 1980's and the emphasis on market liberalization. And I think that one of the things that's happened in terms of the way in which we now view the role of government is that we have seen that the governments have to be more active, and we are now encouraging governments to be more active in the social sectors and in the provision of basic services for health and education.

The last conflict that I want to point to amongst those seven postulates is the conflict between the postulate No. 1 which says: don't discriminate between domestic suppliers and foreigners, and the postulate No. 5, to integrate with world markets. When foreigners dominate a market, as they do so often in developing countries, particularly in Africa, and where the private sector, to the extent that it exists, consists of people who are regarded as foreigners, then there may be a case for interventions which are designed to favour domestic, private entrepreneurs.

So, to sum up this area or section of my talk, I want to say that I am and I continue to be unhappy with simply accepting the straightforward underlying principles of economic liberalization. I think that if you follow them through in a completely rigorous way, you begin to run into practical difficulties in applying them in developing countries for the sorts of reasons that I have indicated. And whereas for developed countries, many of these ideas are good and necessary ideas, it seems to me still that when we look at developing countries in Africa, particularly, maybe not so much so now in Asia, but in African developing countries we have to rethink the application of these ideas.

Let me move now to the third area of what I want to discuss. So far I have been talking simply about rules of economic policy, underlying rules of liberal economic policy, and the conflicts that they generate, the internal contradictions that they generate, when applied in an African context.

I now want to turn to another area of thought which has become very important in the 1980's, particularly in its relation to the role of the government. And that area is the area of what is called "public choice theory". And public choice theory is an attempt to widen the debate about economic liberalization to look at political aspects of running an economy, which are judged to be very important, and possibly even more important than the economic considerations in supporting the line of economic liberalization. Now, what are these ideas?

Well, the essential underlying idea is that political behaviour is motivated by individual self-interest in the same way where the economic activity is. So, the same analysis that is applied to people's decisions in the economic sphere, whether they buy this or sell that, produce this or don't produce it, those basic underlying ideas, the pursuit of the logic of self-interest, is now applied to politics. And the political actors, just like the economic actors, are said to be pursuing individual self-interest.

And the effect of taking that assumption to politics is to produce the idea that departure from the seven postulates of economic liberalism, going away from those seven underlying rules, is not an accidental thing; it's not that people make mistakes when they stray from the path of those seven principles. The argument is that there are systematic influences and pressures within the political system itself which take people away from those principles and make them violate those principles. And this is the theory which is known as the "rent-seeking society". And the rent-seeking society theory argues that government failures are not accidental. The distortions that are created in the economy are not accidental. They are motivated by individual parties seeking their own self- interest.

Departures from the seven principles create rents in the economy. If you control prices, the effect of that is to create special advantages for those people who can get access to goods at the officially controlled price. If you control imports, what you are doing is to create special rewards for those people who can get access to imports. If you over-value your exchange rate, you are creating special rewards for people who can get access to that foreign exchange. And if you don't regulate access by price, if you don't use price as the regulator of access, then you know, you will do a number of things: You will reduce the supply of whatever we are talking about, and you will increase the demand, and those who get access will be able to resell immediately at a much higher price than they paid. So, that is a mechanism for creating rent.

And the public choice theory argues that the departure from the seven principles of economic liberalism is motivated by people within the government who want to create rent both for themselves and for the people outside in the economy generally. I mean, what happens normally is that this rent is shared. There is usually, once these rents are created, access is given to particular people as a privilege, as it were; they are able to sell on at profit, and in order to ensure that they continue access, they will then give some money back to the person who gave them the privileged access. So, in a sense, everybody is happy except the people who are having to pay the higher price out there in the general economy. And so, there is a conspiracy or collusion or collaboration between those inside government and privileged people outside government to create rents and to share those rents for private benefit.

Now, then, you can criticize this view. After all, I mean, what is so extraordinary about the notion of individuals pursuing self-interest? I mean, isn't it the case that the liberal theory expects that the economy is efficient or moves to efficient solutions because people have self-interest? So, it can't be the self-interest part that's wrong.

Well, the argument is that in the private sector in competitive conditions, when rents arise, they are squeezed out and reduced automatically. But in the government sector, the mechanism works the other way. Instead of rents being squeezed out of the public sector, they remain there because it's in the interest both of the government and of privileged outsiders to keep from there.

So, in the public sector there is no rent reduction mechanism built into the system, and that is the real problem. The public sector, unlike the private sector, so this argument runs, tends to preserve the rents that have been created, rather than eliminating them, and that the creation of rents and the distribution of rents are mechanisms which consolidate the state, that the stability of the state itself actually depends on this mechanism in developing countries.

Now, I have given you this theory in a very strong and simplified form in order to get across the main points. But you can see that it constitutes a powerful critique of the notion of state intervention, and that the power of the critique is saying that it's impossible to have well- intentioned government intervention and government regulation, that this is no longer possible because whenever you do that, and when your motives are pure, when you are acting responsibly for the society, you are creating a system which will then be open to abuse, and if anything, the abuse will get worse, because there are no in-built mechanisms of correction to remove the abuse or reduce the abuse.

Now, I don't want to run through all the various areas which have been identified as areas where forms of intervention create rents. I think most of them will be familiar to you from other people's writings and from your own experience of developing countries. There is an interesting array of examples here, leading from the simple ones that I have already cited of price control, where the government tries to control the price of the commodity, through the case of the exchange rate and the over-valuation of the exchange rate, which I have already mentioned, plus the linking of investment control to protection. That's the case where you not only regulate the trade regime but you also—the government also tries to regulate the sectors in which private investors invest.

And another interesting example, which has been explained using this theory or attempted to explain using this theory, is the bias in favour of infrastructure construction. Why is it that if you go to a developing country in Africa you find so many half-completed infrastructure projects? I expect that some of you could perhaps make some suggestions, the answer to that question.

But the public choice theory explains it in terms of the opportunities for rent-seeking through the design and approval of large projects, large projects where all the benefits of rents and the sharing of rents takes place at the stage of construction, or partial construction, and where there are no benefits to share at the end stage where you actually have to make the thing useful for the people in the country. So, that is one further example that has been used in this particular area.

Now, then, what are the problem areas with this theory? And let's think particularly, if we can, in terms of the situation in Africa today. Suppose we did follow the seven postulates of liberalism. Suppose we did eliminate thereby all the rents in the system, or it's in the public side of the system: What would be the outcome?

Well, if we agree that a number of African governments are supported, and their stability is supported by this mechanism of giving privileges to selected powerful outsiders. Suppose all of that was swept away because we wanted to have a rigorous liberal economy. Suppose we were able to do that, what will happen?

Well, if the theory is right, then, what would happen would be that the political support for the government would crumble. And so, at the heart of this theory there is a paradox, or the several paradoxes. If you take it seriously, and if you take it in the strong form that I've put it to you today, there is a paradox, and the paradox is that, first of all, you have to ask governments to remove the sources of our own political support. Secondly, you have to assume that they will be able to do that, they will be able to liberalize the economy, as it were, before their supportive roles.

So, there is a curious paradox where governments not only have to reform the economy, on the one hand, but they have to reform themselves at the same time.

So, if that's the case, it seems that to some extent we are faced with the choice, we are faced with the choice in the way that we perceive. We can either proceed rapidly and put pressure on governments to liberalize their economies and to use aid funds in a conditional form. You will only get these aid funds if you liberalize your economy, and perhaps induce political instability in the country. Or, we can accept that we have to go more slowly, and that the conditionality of our aid has to be softened, made softer, because if we press on too hard, then the government will effectively undermine its own foundations and precipitate its own collapse.

Now, then, which to do, which of those powers to follow? The World Bank and other international agencies struggled with that problem through the 1980's. And at first they adopted the tone of harsh conditionality in support of the seven principles. So, Phase I, if you like, of the liberalization strategy was to;—and I think the Bank believed that they could do this. They believed that they could write many many conditions to fulfill the seven principles into their loan agreements. And they believed that they had the leverage to ensure that those conditions were accepted. And when they did that, one of two things happened. Either the government withdrew from the programme fairly quickly, because they could see the implications of proceeding under harsh conditionality. Or, the government of the developing country succeeded in evading the conditionality and not undertaking any change.

So, that was Phase I where you either had rather rapid breakdowns of the programme or developing countries successfully evading the scrutiny of the Bank and effectively taking money which the Bank was offering but not following the seven principles.

Phase II was between about 1984 and 1989, and this was the period of the softening of conditionality, the recognition that the conditionality that could be *applied in this case was much softer, and that effectively the speed of liberalization* could only go at the pace at which the government of the country itself wished. And there was much talk about the ownership of the programme by the government. And that was a code word for not pushing the government so far that its political foundations were undermined.

And then, with the collapse of the Soviet Union;— well, the final collapse wasn't until 1991 but we had the revolutions in Eastern Europe in 1989,— we moved to a new phase where it becomes possible for not the multilateral aid donors but the bilateral aid donors to adopt a new strategy, which is to seek to replace the governments which relied on essentially forms of political corruption for their own stability by governments which had different political foundations. And so, we hear now for the first time the discussion of good government, accountability, democratization, multi-partyism.

The Bank still can't directly adopt that strategy, because its charter forbids it from giving or withholding its services on the basis of political considerations. But the Bank can encourage the bilateral donors to adopt forms of loan conditionality which press developing countries to find a new political basis, a political basis which, in theory, allegedly, will not be so threatened by economic liberalism. And that's the phase where we are now. And that's the third phase, if you like, of liberalization under the Bank strategy.

Well, fine. But meanwhile, there is a sleeping partner in ODA who is beginning to awake. Japan, throughout the 1980's, had co-financed the programme of economic liberalization and had stayed silent about the seven postulates while providing financial support for these programmes. But now Japan takes a different line, and we see the first articulations of an alternative philosophy based on an understanding of Japanese economic development experience, and also based on an understanding of other countries in Asia who have developed rapidly, which takes a different view in some cases;—not in all cases, but in some cases from these seven principles of economic liberalism.

And so, we have not only now a situation in which the Bank is attempting through bilateral donors to animate new political forms in developing countries in order to press ahead with the programme of economic liberalism, but we have Asian partner countries of the Bank saying, and by the way, our experience tells us that some of these principles are wrong. But if you want rapid development in these countries, then this is the way to promote it.

And I had the pleasure, only yesterday, of meeting Mr. Shimomura, who revealed to me that he was the author of the OECF occasional paper No. 1, and this has appeared anonymously, with no name attached, so I was rather intrigued. I had commented largely favorably on the paper, with one exception, with one point where I wasn't in agreement with it. So, I was very pleased yesterday to be able to meet the author of the paper and to congratulate him for opening up a new debate.

What was the Bank's response? The Bank's response, under some pressure, I may say, from the Japanese executive director, was to initiate the East Asian Miracle Study. And that has now been produced. I think there has been a debate on it here in Japan. And what we see, I think, in that East Asian Miracle Study is an attempt by the Bank to defend the seven basic principles and to neutralize as far as possible the effect of the East Asian experience in influencing other countries.

In the 1980's, in the academic debate and in the official debate, the first position was to say that the development experience of East Asia actually reflected the seven principles, and that these newly industrialized countries were developing because they embraced open markets, nondiscrimination, a small government sector which didn't intervene and regulate. That was Position No. 1.

Well, as more and more studies were done of the practical, empirical directives of the government, and the experience of Japan and Korea and Taiwan was analyzed in closer detail, I mean, that position became untenable. My own colleague at the Institute of Development Studies, Robert Wade, was one of the people with this study on Taiwan, a very detailed study of Taiwan for governing the market, which indicated that that first position was untenable. So, then, the defense moved to stage 2, which was to say: Ah, yes. Well, we recognize that there were interventions and there were government interferences, but either the effect of those were negative, the argument that the East Asian economies would have grown even faster if all of that intervention hadn't been there, or that they neutralized each other, that Directive A neutralized Directive B, Directive C neutralized Directive D, and so, in the end, all of this kind of washed out. And all these interventions simply had no effective result for the neutral situation.

Well, East Asian Miracle Study, of course, now brings us to the last stage of defense, if you like, the inner defense. The East Asian Miracle Study now officially says that there were forms of intervention that had positive benefits. And the significance of the study really is that for the first time the Bank has admitted that there were forms of intervention in East Asia which had positive benefits, and particularly that the use of directive credit was significant in stimulating additional investment.

But, and this is the last ring, if you like, of the defense, although this worked in two or three countries, particularly in Japan and Korea, at a particular time, it wouldn't work in those countries any more, and also it wouldn't work in any other countries. So, now there has been recognition of the effectiveness at a given time and a given place of these interventions, but the implications of that are still said to be nil for other countries, and other countries would advise not to attempt these methods.

Well, you are familiar with all of this, I am sure, and I haven't come here to, as it were, interpret Asian experience for you. I am sure that you are much better at doing that than I am. But I think that we ought to, as academics, try and reorganize our theories, because I see now that the next stage of all of this debate is going to be a recognition that in some circumstances in other countries now interventions can be beneficial, and the task force will be to delineate where and when these interventions can be made. And if we are going to do that, we must do that on the basis of a new theory.

So, as I say, it's not my task to advise you as aid donors or as aid analysts what you should be doing. It's my task as someone who is in charge of a research institute to give some guidance about where we might find appropriate theories to analyze these conditions.

I think the most hopeful area in which we can operate in a constructive way is what is called the "new institutional economics". Of course, first of all, we must critique the public choice theory and show why the strong version which I have given to you today doesn't really hold; —doesn't hold in that simple, straightforward way that I have explained. So, that's the first task. But I don't think that we need to stay too long with the critique. The next thing must be to show where the more constructive, intellectual effort must be put, and it seems to me that the new institutional economics is a hopeful area for us to find some ideas.

As you know, the new institutional economics has as its central idea the notions of;— well, the first idea is that information is costly. Underlying idea is: we don't all know everything we want to know, and we can't find out everything we need to know at zero cost. Information is costly. That's the basic idea. Information, and the fact that it's costly means that we cannot use markets costlessly. Every use of the market implies cost. Every contract implies costs, the costs of negotiating the contract, the costs of monitoring the implementation of a contract, the costs of enforcing a contract if contracts are broken. And these are all real costs; they absorb resources, and they influence behaviour.

The implications of that are quite powerful. And I think, before I end my presentation I ought to say what I think some of these implications are.

One implication is that it can no longer be automatically taken to be true that market solutions are superior solutions. Inside the seven principles of economic liberalism is an assumption that maybe not that market participation is costless but that it's the least costly form of social interaction. And this empirically may not be the case. It may be possible in certain circumstances that other social formations can minimize information costs in a way superior to the market.

Now, let me just cite one application of that idea to the study of the Asian economies. And this is not my idea. I simply cite a Korean scholar who has argued that, in fact, the government organized the private sector into a very small number of conglomerates. Against all the rules of the seven principles meant that giving directions to economic development became relatively low cost. You could have a meeting, bring all the heads of the big conglomerates into the room with the government officials, you could have a discussion, you could negotiate the incentives and rewards for certain kinds of behaviour, you could create the conditions in which the government's intentions became credible to the private sector, because that's a big problem of economic policy how do you make people believe that the government will be able to carry through the policies it wants to carry through.

Well, if you get six people into a room, and if you go to any kind of leadership power, and if you've got the instruments of reward through allocations of credit, and also the removal of credit allocations, if people fail to perform a task, that's quite a low cost way of achieving negotiation goals and achieving credibility goals for the government. So, some people have argued that there are other low cost ways of organizing the economy rather than reliance on the market.

I simply draw that to your attention because I think that this area of information economics will become a central one in explaining the Asian experience, and it would thereby also become a central one in analyzing the problem of the replicability of the Asian experience in other places. One should be able to go armed with a new set of questions: Can we see state intervention here as being the path that minimizes the information and transactions costs associated with development? Or if we look at this government, and governments differ; they are not all the same in Africa. I mean, it's a complete mistake to think that they are all the same. Anyone with any African experience knows some governments operate this way, some that; some are very corrupt.

Zaire;— if there is anyone from Zaire here, I apologize, but I don't think there is. Zaire is a very corrupt place. But if you go to Ghana, where I have been working, there is relatively little corruption. It's an African country; not very much corruption; the government leadership is preventing that there. So, they are not all the same. So, the task is to go to countries to analyze the structure and institutions of government with the framework of information cost theory in your mind, and then to estimate the prospects for being able to use intelligently and selectively some of these intervention tools.

I think I have said what I came here to say. Thank you very kindly for listening to me so patiently. And I would be more than happy to hear any comments which you may have on what I have said and to enlarge the discussion if you would like to do that.

So, thank you very much.

* * *

MODERATOR: Thank you very much, indeed, for your very interesting presentation.

So, now I would like to move to the question and answer session. If you have questions, raise your hand and tell us your name and your affiliation, please.

QUESTIONER: You mentioned that it is necessary to seek other ways of explanation, not by the competition based on seven postulates. Then, in light of that, you mentioned one example of Korea.

And I would like to know your explanation, not based on that seven postulates, about the economic development of the countries in the European Continent, for example, Germany, the Netherlands, other non-Anglo-Saxon countries. I have an impression that those countries have other notions of forming society or about competition or about government; —government and private sector relation.

TOYE: Thank you, Mr. Yamashita. Certainly, I agree with you that the notions of economic liberalism, which I've started with, I deliberately called them "Anglo-Saxon" because I didn't want to extend that terminology to Continental Europe. There are two important, at least two, important differences which are relevant to the history and experience of Continental European development which need to be emphasized, I think.

One of these is the radically different role which banks played and radically different role which capital markets played in Continental Europe. In the Anglo-Saxon world, in the United States and in Britain, the banks played very little role at all in the provision of long-term finance. And the opposite was true on the Continent of Europe. Pretty quickly, almost from about the 1840's or 1850's in France and in Germany, banks were developed who saw their function as long-term lending for developmental purposes. And in Britain and the U.S.A., in general banks saw their role as giving short-term loans for working capital or commercial credit. So that in the Anglo-Saxon countries, the source of credit was either the stock market, the capital market, or retained earnings.

And these were the two and about equal measure, sources for long-term investment plans. But on the Continent of Europe it was quite different. And the continental banks loaned long term and expected to take a kind of a guidance role in the evolution of the companies. They would not be inclined to, if a company got into short-term difficulties, call back the loans, and that what they would see is their role to perhaps strengthen their influence or advice in the company, but to continue funding and to ensure that the economic activity was reshaped to get over whatever the difficulty was. So, there is that strong contrast.

The other contrast, I think, is not so much a financial and economic contrast, as a more social and political contrast, I mean, notions about the proper nature of society. And I think all of these things are rather general statements, but there is a contrast between the individualism, which is strong in America, still fairly strong, not quite so strong in Britain, and the notion of social cooperation and consensual agreement, which is more evident on the Continent, and the resolution of conflict through negotiation consensus is more evident on the Continent.

And for brief periods it's appeared in Britain, for example, in the period from, say, 1945 to 1979, a large number of social questions were settled on what was called the "bipartisan" basis. But that bipartisanship hadn't been evident before the Second World War, and it disappeared again fairly quickly in the 1980's. So, we've only had a rather short historical episode when Britain looked a bit more like the consensual politics of the European Continent. And that, of course, makes it a little bit difficult for us to harmonize ourselves fully with our partners in the European Union. Because we are always trying to say: "Oh, we don't like that." But what is so-called "social chapter", which is the attempt to get a deal which suits capital and labour together, they are both happy with the set-up. We don't want that. So, we have to negotiate out of it, and so on.

So, on those two dimensions, the difference in the capital funding system and the banking system and the social approach, there is a distinction, I would say.

QUESTIONER: My name is Yamaguchi. I work for the Research and Development Division of JICA.

You mentioned about the issue of information on new institutional economics, and on the other hand, there are more discussions about the role of external economies and development and externalities.

Could you kindly comment further on the issue of externalities related to maybe new role of the government and development? It's a rather vague question.

TOYE: Yes. Well, thank you, Mr. Yamaguchi.

The difficulty with externalities has always been that it's rather difficult to measure them. Externalities in economics is rather like incentives. Nobody can measure either externalities or incentives. And so, depending on the way in which you want to direct your economic argument, people will argue with one another in a rather absurd way.

I think there are a lot of externalities here, right? Or, people will say: "Ah, nobody has shown me any externalities. I mean, what are these externalities? I mean, can you measure them?" You see, and so, depending on how you want the argument to go, you either emphasize the externalities or you minimize the externalities.

And similarly with incentives. Nobody can measure incentives, because that implies somehow getting inside somebody's mind. What is it that's motivating them? What is it that is moving them? So, people talk about incentives a lot, but they talk about in different ways. Some people will say: "Well, of course, there is a big problem of incentives here. We have to increase the incentives." And other people will say: "Well, I don't see any incentive problem. You know, you prove to me that there is a problem of incentives."

And so, the two things are interesting words trying to capture things we can't measure. And the debate has gone on about externalities, which is your question, rather in no sort of terms. In the 1970's, for example, when a methodology was being designed to appraise projects and was being recommended to aid agencies for validating their project finance, that was based on the notion that: Well, we can't see any externalities. I mean, of course, if there are any externalities around, you know you can take them into account. But we don't think we need a method for trying to deal with these things because we don't think they are very important.

At the very same time, of course, that the economists were designing these methods of project appraisal. There were a lot of people talking about the environment and the problems of the environment. And in a sense, you can't really begin to consider the environmental problems until you consider externalities. And if you think that environmental problems are very substantial and very important, then, by definition, you are talking about the importance of externalities.

So, in the 1980's, having adopted a method which disregarded externalities, we then all became very concerned about the externalities that arise in the field of the environment. And now, there is an attempt to develop the project appraisal methodology further to try and recapture some of these externalities.

So, that's one kind of externality, what's called the "non-pecuniary externality", the one that the environmentalists worry about.

There is another kind of externality which is called the "pecuniary externality", and that's when the creation of one industry creates demand for the products of another. And that may be the kind of externality which you are concerned with. That, of course, is easier to measure, and it's that that lies beneath the notion of coordinating investment so that the state coordinating investment, so that each investment benefits the other investment. And this was the original idea of what's called the big push in investment. And that was an argument for government intervention and coordination.

I think, in principle, that argument about pecuniary externalities is sound. I don't have any problem with that. Also, in principle, at least, those pecuniary externalities are more amenable to measurement. The difficulty really is not so much that the argument is wrong in principle, but there are practical problems connected with informatio planning a huge investment push in a coordinated way.

So, it's not the principle of capturing the pecuniary externalities that makes the big push theory difficult. It's more the information requirements of such a major change. If you take a small, weak economy, which has got virtually no industrial sector and think about a series of huge investments which would feed off each other to some extent, right in principle, but how are you going to writing the numbers into your plan, how are you going to be sure just how much of each thing is going to be demanded and the extent to which if you do a big push concentrated on industry, are you going to protect that then from foreign competition? And if so, for how long?

There are practical problems with the big push of investment, and you have to have people who are extremely good at economic forecasting and technological understanding in order to carry it through. And of course, you know, it's possible that in some countries at some times, you have the people who can do that.

And I think we have seen in the Asian experience some validation of the notion, not perhaps of doing everything at once, but by taking some very big steps quite rapidly one after another, having a quick sequence of industrial development; not doing shipbuilding, chemicals, automotive industry all at once, but quite quickly one after another in sequence. And that's quite a good way because, you know you allow yourself a certain amount of time to learn the impacts of your first investments before you absolutely finalize the next stage. And that's a way of trying to get the benefits of the big push of investment and also reducing the information problems of trying to design and implement everything at once.

QUESTIONER: Thank you very much. My name is Richard Ascow. I work in the Planning Department in JICA.

If I may go back to the seven postulates of economic liberalization that you were mentioning at the beginning, it seems that you have raised issue with several of these postulates. And I am wondering if, in your opinion, within the World Bank and within the IMF there are many people who are also questioning very deeply these postulates, and particularly the idea of giving free sway to the free market, the forces of the free market. Because from our experience, this is not always necessarily the right way to go about things.

So, I would like to know your opinion on how you feel this split in the opinion within the World Bank and the IMF may actually affect the operations and activities of those institutions within the medium term or longer term.

TOYE: Yes. Thank you, Mr. Ascow.

I think that the lending organizations in general, and not merely the World Bank, tend to have a preference for uniform rules. So, if you have a perspective which says you have to discriminate particular cases and you have to decide whether particular countries should or shouldn't follow a particular path, there are difficulties. And one of the, if you like, sociological advantages of uniform rule is that it seems to reduce conflict. If you are dealing with a hundred countries in your loan portfolio, and you decide: Well, the seven principles ought to apply in this country, but we can allow this country to depart from them and introduce certain forms of selective regulation, maybe would allow, not objective, they decide to have selective protection for a certain group of industries, that becomes very contentious and hard to defend.

My answer, then, to your question is that I think that there is a sort of a tension of following in two different directions within the Bank. I think that by now, quite a lot of people are worried that the simple seven points of the early 1980's simply don't hold up. The problem is what replace them with. You know they have a great advantage as something that's simple; you can train people; you can send them out; they don't have to be too sure which country they are in, you know. You don't have to make decisions which would lead to objections from other countries because you treated Country A differently.

And the other thing is that intellectual framework for devising an alternative approach, although I think that there is a beginning of it, there are seeds, or young green shoots of this: It has been around for, you know, in some form or another for last fifteen years; it's not that new. But it hasn't been fully worked through; it hasn't become the dominant, orthodox view. And I think they probably feel it doesn't yet command sufficient professional consent that they'd be safe to use it as a basis.

I think they would like to back away from the seven principles, but I think they don't know exactly where they would go intellectually. And I also think that they are very happy with something that provides kind of a rule of thumb. Even if it's not, you know, a hundred percent intellectually defensible, I think it's probably that the role of Japan and other Asian countries to explore;—I mean, recognize their problems and be sympathetic with them, not to attack the bank. I mean, the bank, you may disagree with them, but I mean they are not a lot of;— you know, they are all acting in good faith, you know.

And so, I think the role of Japan in developing its leadership in the ODA area is to try and understand these difficulties and try and do constructive things that help the bank to be more confident, if you like, about the new intellectual basis, and also more confident about adopting an approach which by definition is going to discriminate between different paths of countries.

QUESTIONER: My name is Otsuki, and I am from Graduate School of Keio University. I would like to ask you three questions.

The first one is about definitions. What is the difference between "corruption" and "rent-seeking". This is the first question.

And the second question is a rather specific one. And it seems to me that the Government should do a lot of things in developing countries, and they require huge human resources. So, do you have any ideas to make use of those human resources born in those developing countries and now working abroad, because if they work abroad they could get more remunerations? So, do you have any good idea to make them go back to their own countries and to work for their own countries' development?

And the third question is about the general trend, especially in African countries, of the introduction of multi-party systems. At least historically speaking, some civilian governments could be more corrupt than military governments. Of course, some military governments were worse than those civilian governments. But what do you think are the effect of those introduction of multi-party system or democratization process in terms of the efficiency of the governments or the capabilities of those governments?

TOYE: Thank you, Mr. Otsuki. I think we haven't met since we met in Ghana, have we? It's very nice to see you again.

Corruption versus rent-seeking: Well, corruption obviously is rent-seeking which is illegal. I mean, that is corruption. It's simply if your search for rents leads you to do things which are illegal. I mean, the point about the rent-seeking, in the stereo rent-seeking, is that the government is creating opportunities for unearned income which are legal. In other words, unproductive activities become legal, they become available, people don't have to work to get money; they don't have to lend resources to get money; they don't have to make available resources to others to get the money. They simply get the money because the government has created a regulatory framework which makes it legal for them to have unearned income. So, that's the basic distinction.

The problem of governments and creation of human resources and avoiding the loss of human resources through migration:—I mean, very big question, very difficult question. I do think, I mean, part of the 1980's doctrine which I go with, I agree with, is the notion that human resource development is very very central. Why did so many people leave? Well, it was because the economic situation was deteriorating and the rewards for the skills that people have were declining. So, there is a vicious circle. Once things begin to go badly, then, the people who are capable of putting them right leave.

But by the same logic, if you can turn the situation round and begin to improve the situation again, then, to some extent you can attract the migrants back. Or if you can't do that, you can reduce the outflow.

I mean there are complications about bringing migrants back. I mean one of the complications is that if you create special incentives to bring people back, which privilege them over the people who stayed while times were bad and food was hard to get. Then you are doing something which is politically quite difficult to do. And also you are creating the wrong impression: If you leave the country when things get bad, and then come back, we treat you better than if you stay all the way through. So, there is a problem with giving special inducements to return.

Also, I am not sure that giving special inducements to return is necessary. And that's because it depends very much what it is that people do when they emigrate. I mean, for example, we have this problem all the time in our Institute in the sense that we bring people for training which we hope they would use in their own countries. But sometimes, they are just very good people and they can easily go from us to get a job in international organizations. So, what do you say to them? You say: "Well, you shouldn't go and join an international organization, because you ought to go back to your own country." Should you say that to them? I think not. I mean, part of the problem of international organizations is that the African countries are desperately under-represented in their staff. Part of the reason why it's so difficult for places like the World Bank to understand that is because there aren't enough Africans who are the staff members of the organization.

And so, if you have exceptionally talented people who qualify, you know, why send them back to Africa? The most important thing is to strengthen the internal mechanisms for human resource development,—education, health, and so on; organize a budget which permits continual raising of levels of investment in those areas, and then to so order the economy that you stop new people leaving.

I think that some people will come back anyway, but don't give them any special incentives. I think special incentives create problems. I also think that to some extent it is actually a good thing, you know, just like we hope that more people in Japan will join international organizations because the Japanese are under-represented. Why is it so hard to get your point of view reflected in these organizations? Not enough of you are there. There is a quota in these organizations which is not fulfilled. And then, the Executive Director has to argue even harder because, you know, there is only one person there saying it.

So, it's not such a bad thing even for poor countries to let their people go out and join some of these international organizations.

Multi-party systems, your last question, I don't see this so much in terms of civilian governments versus military governments. I don't think that there is a sort of a clear line of political behaviour. You know, military is one thing, civilian is another, in political terms. I think you can find military governments that have acted in the interests of the country. You can certainly find civilian governments that didn't. And so, I don't think that there is any clear line.

The problem with the initiative for good government and democratization in Africa, and I am not speaking of Asia which I don't understand so well, but in Africa, at any rate, the problem has been that the sort of ideas and the understandings which underlie the political forms still aren't there in sufficient degree. And so, for example, you can get a country to say: All right, we will have a multi-party system. Yes, we will stop the one-party state; we will legalize opposition parties; we will give them half an hour on the state television, so they can say what they want to say; we will have an election; people can vote; we won't necessarily shoot our opponents. You can have all of that. You can hold the election, and you can get a result.

The problem really, then, is what happens next. If you get a result which simply says the sitting government is the most popular government, is that any improvement on the existing situation? You add legitimacy to the government. But what you are really trying to do is to make sure there is some check on the actions of the government which is built into the political system. The underlying idea of multi-partyism is, and I am carefully avoiding any comments on the current political crisis in Japan, as I speak, that the opposition is strong enough to check the actions of the government so that the government isn't all powerful and can't depart too far from the consensus view amongst the people. That's what this is all for, to check abuses and to stop politicians who have the moment of power from using it to the detriment of the country.

Now, in Africa, that notion of opposition, effective opposition, still isn't there institutionalized. The people don't understand it and the people don't believe it. And you will not get effective multi-party government in any country if you don't have it. And even countries which have had it before could lose it. If an opposition becomes weak or discredited, if there is no official, authorized means of mobilizing opposition checking the government, then you will get a government of abuse, a government which breaks its own rules, a government of hypocrisy, a government which preaches one thing to the people and behaves differently itself.

So, it's that which is essential in multi-partyism. And that is where the difficulty lies. We have found ways now, or the donors have found ways, of manoeuvreing a lot of societies into setting up multi-parties and holding elections, but what they haven't done is found ways of making the system run with effective opposition checking the abuses of government. And that is a very hard problem to solve.

QUESTIONER: Thank you very much. My name is Nomachi, the In-House Adviser of JICA. My major is planning—development planning with architecture and building industry and physical planning, and so on.

My question is a little bit out of your context, but I would like to ask your opinion. The Japanese ODA is often said that they contribute to Japanese economy through the exclusive procedure. For instance, grant element, also even soft loan element, under the exclusive bidding process, with the physical structure like hospitals or airport, the bidding process awarded builder or contractor can, through this project, get profits, and also using subcontractors in the field of developing countries.

And comparatively, this process, I believe, is different between European developed countries' ODA businesses and the Japanese businesses. Under the government role, this is quite different from other developed, industrialized countries. These economic incentives of the Japanese economy through the ODA, those are often criticized from other countries. Recently, like in the case of the Kansai International Airport, for example, from all over the world people tried to participate in worldwide bidding.

And so, the closed attitude of the Japanese Government for ODA, I would like to know your opinion from the worldwide open market situation. That is my question.

TOYE: Well, I think, I mean, if I understand you correctly, you are referring to the restriction of bidding for aid construction projects to Japanese suppliers. Is that your question? Yes, right. And the way that that practice compares with other countries.

I think there are two comparisons to be made. One is a comparison between bilateral aid and a comparison with multilateral aid. And that is the first comparison, and it's clearer—it's clearer that the multilateral aid organizations do insist quite strongly on international competitive bidding. And the extent to which, therefore, Japan funds the multilateral organizations, it's putting it; —it's deciding to allow that aid money, which is channeled through those multilaterals, to be bid for, the work to be bid for freely on international terms. So, Japan has got a choice, in a sense, about how much of its total aid it routes through the multilateral organizations where exclusive restriction of bidding isn't allowed and how much it puts through its own bilateral programme.

And then, within the bilateral programmes it has got a second choice, which is the extent to which it restricts that and the extent to which it allows open competitive bidding.

I mean, then, the question is: As between bilateral programmes of different nations, is Japan more restrictive?

I think the answer to that is that Japan isn't extremely restrictive compared with other countries. I think that there are some countries which are more open. I think the United States is one. And I think that Britain is as restrictive or more restrictive in the proportion of the aid which it restricts.

But don't take my word for it. I mean, this is a factual question. And there are statistics on this, or at least, there is an attempt to measure this through the DAC, the Development Assistance Committee, of the OECD. So, if you look at the latest report of the DAC Committee, admittedly that report relies on the Government of Japan providing correct information. But if the information supplied by the Government is correct, then you can see the comparison of the degree of openness of the Japanese bids as compared with other countries.

So, I mean, the current situation is there. I am not completely up to date. I once made a mistake about this. There's a reason I am hesitating in being very positive is: I gave a lecture about aid to the Defense Services College in London last year, and I said that Japanese aid was very restrictive and that it tended to not permit international competition very much. And I had a very polite letter from the Japanese participant in the course I was addressing saying, you know: "Did you really say this? And if so, is it really true? I would like to hear your views." And so I looked up the DAC report at the time, and I think what I have found was what I have just told you that Japan is better than some but worse than others; somewhere in the middle.

But there will be another one since then, since the situation may have changed.

QUESTIONER: My name is Kuwajima of the Research and Development Division of JICA. Because I belong to JICA, so I would like to understand your lecture from the point of view that what we can do through technical cooperation to developing countries.

You mentioned that a rent-seeking society sometimes prohibits the successful implementation of the adjustment programmes. And I am wondering what we can do for the developing countries to increase or upgrade their institutional ability or capacity building.

I am wondering if the mechanism to create and distribute rent-seeking is built in developing countries, then those problems are very cultural or sometimes very societal. But on the other hand, in order to increase the effectiveness or efficiency of cooperation, we have to do something to get rid of the negative or the bad side of those kind of societal discomposition.

So, could you give us;—any kind of comment would be welcome, to extend our technical cooperation more effectively from the point of view to get rid of the negative side of those corruptive society.

TOYE: I think there are two different approaches. And let's distinguish between them, to start off.

One approach is to say that we will give our technical assistance to countries where the institutions are stronger. That's one approach. Only give the technical cooperation to countries which are relatively strong in institutions, and use your technical assistance as a way of rewarding those countries that have reformed their institutions, and magnifying the effects of those good institutions by giving them more resources. That's one approach.

The other approach is the approach which you were suggesting implicitly: Find a country which has got institutional weaknesses, and then use the technical cooperation to eliminate the institutional weaknesses. That's a different decision rule.

I mean, I think the fact that the second one is obviously more difficult. Maybe it's more worthy in the sense that you will have done something better if you've transformed a country with weak institutions into a country with strong ones, but the task is going to be much more difficult.

Now, then, the point about culture. I am not sure about this culture thing. I mean, culture is important, yes. And we should value culture, and we shouldn't try and destroy anybody's culture. But I am not sure that this is the key. And to some extent, you can use culture on your side to strengthen institutions. Culture doesn't simply have to be a very bad habit that is there, because the society is the way it is.

I would put an alternative point of view, which says that the degree of corruption and rent-seeking in the society is related to the behaviour of the leadership of the country. It's much easier for everybody in the society to participate in the game of rent-seeking and corruption, if it's clear that the leaders of the country are doing same thing. Very hard to stop the hundreds of thousands of small people taking small amounts of money. If you can see at the top of society quite a large number of people taking large amounts of money, and if that's known to happen, that's very very damaging. But that is almost above the level at which technical cooperation operates. That is, if you like, a macro-political problem, big political problem. And it probably has to be tackled in other ways.

I mean, technical assistance can assist a society where the leadership is decided that things have got to change. It can assist it by financing the role of experts in explaining systems and teaching systems of accountability, or restoring the operation of systems of accountability that already exist, in principle.

For example, Tanzania, an interesting case; I looked into the case of Tanzania. What do we find there? We find that there is a system of government accounting in place, and we find that there is a system of inspecting government accounts in place, and we find that there is a system whereby the parliament learns about accounting errors or mistakes or failures that are in place. So, all the institutional machinery is there. But it isn't working. It needs to be restored.

Each year, the Accountant General, Inspector General of Accounts of the Government, says there are 40 Government Departments; I have had adequate accounts from 4. This is the name of the 36 who didn't provide adequate accounts. He has a list by each Department of all the different types of accounting failure which we've found, and all of that goes to the Parliament. But nothing happens; year after year the same report is made; it's not secret.

So, the question is;—all the mechanisms are there. The question is restoring them and making them work, and with the strong leadership, you know, it wouldn't take very long to restore the effectiveness of those institutions, because the people are there; they are doing the inspections; they are making the reports; but they are not being acted on or enforced. And that is quite a common pattern. It's not that you need to send anybody out there to tell them that the system of accountability is where you have to have receipts, you know, for every transaction; you have to have evidence that it was done for the purpose for which it was supposed to be done. All that is there. But no enforcement. No follow-up. No penalty for failure.

And so, I would put a lot of emphasis on the ability of governments to turn round countries. Even if there is a lot of evidence of pervasive corruption, it can be turned round without altering an aorta of culture. We don't have to change people's culture to change their behaviour.

But institutional change is very difficult if you start it at the bottom or the middle level. Institutional change has to come from the direction of top. I mean, Ghana, in the 1970's, was a terrible place for corruption. The generals were giving their mistresses, you know, import licenses. I mean they didn't bother with flowers or diamonds, you know, but you just put their names on an import license, right, and it was better. Right?

That doesn't happen any more. Why? Well, you've got a leader there who was determined to stop it. And actually, he did actually, it's perfectly true, he did actually violate Ghanaian culture, because it was never in Ghanaian culture to shoot the previous leaders, and ruling has shot the previous leader system.

So, maybe you do have to violate culture a little bit to get a change. That's what happened.

MODERATOR:

Now I would like to express our deep appreciation to you for your remarkable presentation. Thank you very much.

– (APPLAUSE) –

JOHN FRANCIS JOSEPH TOYE

Curriculum vitae

PERSONAL

Date of Birth:	7th October 1942
Place of Birth:	Wisbech, Cambridgeshire
Nationality:	British
Marital Status:	Married, two children
Further Details:	See entry in Who's Who.

EDUCATION

1953-1960	Secondary education at Christ's College, London
1961-1964	Open scholarship at Jesus College, Cambridge. First Class, with Star of Distinction, in Historical Tripos, Part I, and First Class in same Tripos, Part II. BA in 1964; MA in 1968.
1964-1965	Frank Knox Memorial Fellow at Harvard University, Cambridge, Mass., USA.
1968-1970	Postgraduate student of Economics in Poor Countries at the School of Oriental and African Studies, University of London, MSc (Economics) with Distinction.
1978	Awarded PhD in Economics by University of London for thesis entitled "Public Expenditure and State Accumulation in India, 1960-1970".

EMPLOYMENT

1965-1968	Assistant Principal, HM Treasury. Post on resignation: Private Secretary to the Second Permanent Secretary.
1970-1972	Research Fellow in Economics, School of Oriental and African Studies, University of London.
1972-1974	Graduate Assistant, Centre of South Asian Studies, University of Cambridge.

1975-1977	Research Officer, Overseas Studies Committee, University of Cambridge.
1977-1980	Assistant Director of Development Studies, University of Cambridge.
1980-1982	Director of Research Co-ordination, Commodities Research Unit Ltd., London and New York (Non-executive Director, 1982-85).
1982-1987	Professor of Development Policy and Planning, and Director of the Centre for Development Studies, University College, Swansea.
1987-	Director of the Institute of Development Studies; Professorial Fellow of the University of Sussex.

OTHER PROFESSIONAL APPOINTMENTS

1972-1980	Fellow and Tutor, Wolfson College, Cambridge
1976-1980	Managing Editor, Journal of Development Studies
1977-1987	Research Associate of the Institute of Development Studies
1980-	Chairman of Editorial Board, Journal of Development Studies
1981-1983	Consultant on Third World Studies, Open University
1982-1987	Member of the Board of Studies of the Institute of Development Studies
1984-1985	Co-chairman, EEC/South Asia Discussion Group, Centre for European Policy Studies, Brussels, Belgium
1984-1987	Member of Council, Development Studies Association
1985-1987	Chairman of the Conference of Directors of Special Courses on Overseas Development
1988-	Member of Council of the Overseas Development Institute, London
1989-	Member of Editorial Boards of Journal of International Development and Contemporary South Asia
1989-	Member of the ODA Advisory Committee on Economic and Social Research Overseas
1989-	Honorary Fellow, School of Public Policy, University of Birmingham
1991-	Fellow of the Royal Society of Arts

EXTERNAL EXAMINERSHIPS

1976-1978	School of Oriental and African Studies, University of London, MSc (Economics)
1978-1980	University of Sussex, MA in Development Economics
1982-1985	University of Manchester, MA Development Economics
1983-1985	The Institute of Development Studies, MPhil in Development Studies.
1984-1986	University of East Anglia, BA in Development Studies
1986-1988	London School of Economics, Diploma in Social Administration
1991-1992	University of Manchester, MA in Development Administration and Management and Postgraduate Diploma in Development Administration.
1976-	External Examiner of doctoral theses at the Universities of Oxford, Cambridge, Edinburgh, Wales and Sussex

INTERNATIONAL EXPERIENCE

Professional assignments successfully completed in 25 overseas countries, including the following examples.

1971-1972	Visiting Scholar, Institute of Economic Growth, Delhi, India.
1976	Research on public finance in India, Thailand and Malaysia
1978	Member of first Indo-British Exchange, New Delhi, India.
1979	Research on Programme Budgeting in India, Malaysia and the Philippines
1981	US-Morocco Mining Colloquim, Rabat, Morocco.
1981	Study Group on Mineral Economics, International Institute of Advanced Systems Analysis, Vienna, Austria.
1982	Consultancy work on aluminium for the World Bank, Washington, USA.
1983-1984	Team Leader, Evaluation of ODA. Projects financed under the Aid and Trade Provision (ATP) in 1977-80 (Zambia, Tanzania, Egypt and Cyprus)
1984	Consultant to World Bank/IMF Development Committee's Study of Aid Effectiveness

1986	Chief of Mission, Evaluation of ODA Slum Upgrading Project, Hyderabad, India
1987	Leader of UK team to Seminar on Agrarian Development, Institute of Oriental Studies, Moscow, USSR.
1988	ODA-financed research on structural adjustment in Ghana.
1990-1991	Lecture tours to Japan, Denmark, Poland, USA.
1991	Joint Japanese-IDS mission to Ghana.
1992	EC-financed research on structural adjustment and the health sector in Tanzania.
1992	Lecture tours to Denmark and Norway.

LIST OF PUBLICATIONS (in chronological order)

Includes two sole-authored books (10, 28), two jointly-authored books (37, 41) and four edited books (5, 7, 33, 34). Work published in UK and ten overseas countries.

1. "Structural Change in the Government Sector of the Indian States, 1955-1970", Journal of Development Studies, Vol.9, No.2, January, 1973, 261-277.

2. "How Progressive are Indian Consumption Taxes?", Economic and Political Weekly, 20th March, 1976.

3. "Economic Theories of Politics and Public Finance", British Journal of Political Science, Vol.6, October, 1976, 433-447.

4. "Economic Trends and Policies in India during the Emergency", World Development, April, 1977, 303-316.

5. "Equity Versus Ease in Indian Land Tax Policy", Modern Asian Studies, Vol.12, Pt.2; April, 1978, 285-305.

   Also published in J F J Toye (editor), Taxation and Economic Development, Frank Cass, 1978, 222-245.

6. (with S.M.S. Shah), "Fiscal Incentives for Firms in Some Developing Countries; Survey and Critique" in J F J Toye (editor), Taxation and Economic Development, Frank Cass, 1978.

   Also published in Richard M Bird and Oliver Oldman (editors), Taxation in Developing Countries, Fourth Edition, The Johns Hopkins University Press, 1990, 153-163.

7. (with Sheila Smith), "Three Stories about Trade and Poor Economies" in Sheila Smith and John Toye (editors), Trade and Poor Economies, Frank Cass, 1979.

Also published in Journal of Development Studies, Vol. 15, No.3, 1-18.

8. "Does Development Studies Have A Core?", IDS Bulletin, Vol.11, No.3, July, 1980, 14-20.

9. "Public Expenditure Reform in India and Malaysia", Development and Change, Vol. 12, No.1, 1981, 121-144.

10. Public Expenditure and Indian Development Policy, 1960-70, Cambridge University Press, 1981.

11. (with Sheila Smith) "The Third World in the International Economy since 1971", Socialist Economic Review 1981, Merlin Press, 1981.

12. "The CRU Long-Term Copper Model", Copper Studies, 30th June, 1981.

13. "Comment on the Conference" in Austin Robinson, P R Brahmananda and L K Deshpande (editors), Employment Policy in a Developing Country: The Case of India, Macmillan for the International Economic Association, 2 volumes, 1983.

14. "Interdependence: from Kant to Brandt", Third World Studies, Block 4: "The International Setting", Open University Press, 1983.

15. "The Disparaging of Development Economics", Journal of Development Studies, Vol.20, No.1, October, 1983, 87-107.

Also published in C Cooper and E V K FitzGerald (editors) Development Studies Revisited. Twenty-five Years of The Journal of Development Studies, London, Frank Cass, 1989, 525-545.

16. "The Case for Hard Cash in Aid to the Third World", The Times, 24th May, 1984.

17. "Recession, the Third World and the Base Metals Industries", World Development, Vol.12, No.9; September, 1984, 923-934.

18. "Dirigisme and Development Economics", Cambridge Journal of Economics, Vol.9, No.1, March, 1985, 1-14.

19. "Economic Development" in A and J Kuper (editors), The Social Science Encyclopaedia, Routledge and Kegan Paul, 1985.

20. "Development Studies and Change in Contemporary Britain" in L Bown and M D Veitch (editors), Development Studies and Change in Contemporary Britain, ESRC, 1986.

Also published in World Development, Vol.15, No.4, April, 1987.

21. "Aid and Institution Building: the case of Indian Agriculture", IDS Bulletin, Vol.17, No.2, April, 1986, 66-71.

Also published in M Shepperdson and C Simmons (editors). The Indian National Congress and the Political Economy of India 1885-1985, Aldershot, Gower, 1987, 372-381.

22. "International Commodity Agreements: Not Everyone's Cup of Tea", CDS Newsletter, No.12.

23. "Worlds in Collision", The Times Higher Education Supplement, 11th July, 1986.

24. "Promoting the Private Sector: Should the World Bank do More or Less?" in Recovery in the Developing World: The London Symposium on the World Bank's Role, Washington, D.C., 1986, 61-68.

25. "Aid and Market Forces", in Robert Cassen and Associates, Does Aid Work?, Clarendon Press, 1986, 241-259.

26. (with Graham Clark) "The Aid and Trade Provision: Origins, Dimensions and Possible Reforms, Development Policy Review, Vol.4, No.4, December, 1986, 291-313.

    Also published in Second Report (1986-87) of the Foreign Affairs Committee, HC 32, on Bilateral Aid: Country Programmes as Appendix II, London, HMSO, 195-205.

27. (with C D MacQuaide) ATP Projects Evaluation: A Study of Six Projects financed under the Aid and Trade Contingency Provision between 1978 and 1980. Report to the UK Overseas Development Administration (Ev 316), London, December, 1986.

28. Dilemmas of Development. Reflections on the Counter-Revolution in Development Theory and Policy, Basil Blackwell, 1987. Second impression 1989.

    Chapter 1 (part) also published in Anna Farmar (editor), The Developing World, Dublin, DESC, 1988, 7-21.

    Chapter 6 also published as "Political Economy and the Analysis of Indian Development", Modern Asian Studies, Vol.22, Part 1, February, 1988, 97-122.

    Chapter 7 also published in Politica Internazionale.

29. "Development Theory and the Experience of Development: Issues for the Future" in L Emmerij (editor), Development Policies and the Crisis of the 1980s, OECD, Paris, 1987, 18-41.

30. (with Paul Mosley) "The Design of Structural Adjustment Programmes", Development Policy Review, Vol.6, No.4, December, 1988, 395-413.

31. "Nicholas Kaldor and Tax Reform in Developing Countries", Cambridge Journal of Economics, Vol.13, No.1, March, 1989, 183-200.

    Also published in T Lawson, J Gabriel Palma and J Sender, Kaldor's Political Economy, Academic Press, 1989, 183-200.

32. "Can the World Bank Resolve the Crisis of Developing Countries?", Journal of International Development, Vol 1, No 2, April, 1989, 261-272.

33. "Nationalism and Structuralism: Two Themes in the Work of Dudley Seers", in John Toye (editor), Dudley Seers: His Work and Influence, IDS Bulletin, Vol.20, No.3, July, 53-58.

34. (Editor) Indo-European Cooperation in an Interdependent World, Proceedings of a CEPS-ICRIER Seminar, CEPS, Brussels, 1989.

35. "Tax Reform in South Asia: Yesterday and Today", Modern Asian Studies, Vol. 23, No.4, October 1989, 797-813. (The text of the Kingsley Martin Memorial Lecture for 1989 given at the University of Cambridge.)

36. "Development Planning at the Crossroads", Development: Journal of the Society for International Development, 1989: 4, 89-95.

Also published in International Journal of Development Planning Literature, Vol. 5, No. 2, 1990, April, 43-57.

37. (with M Lipton) Does Aid Work in India? A Country Study of Official Development Assistance, Routledge, 1990.

38. "The Year of Liberal Revolution: A Survey of 1989", World Economic and Business Review 1990, Oxford, Blackwell Reference, 1990, xix-xxiii.

39. "Structural Adjustment in Ghana" and "Issues of Conditionality" in Structural Change and Poverty, CDR Project Paper 90.2, Copenhagen, Centre for Development Research, 1990, 91-8 and 111-8.

40. "Is There a New Political Economy of Development?", in Christopher Colclough and James Manor (editors), States or Markets? Neo-Liberalism and the Development Debate, OUP, 1991, 321-338.

Also published in J. Martinussen (editor) Development Theory and the Role of the State in Third World Countries, Occasional Paper No. 2, International DevelopmentStudies, Roskilde University Centre, 1991, 160-185.

41. (with Paul Mosley and Jane Harrigan) Aid and Power: The World Bank and Policy-Based Lending in the 1980s, 2 volumes, Routledge, 1991.

Chapter 1 also published as 'World Development and International Finance Since 1970', in Economic Papers 24, Warsaw (Central School of Planning and Statistics), pp. 72-86.

Chapter 14 (part) also published as "Ghana's Economic Reforms 1983-7: origins, achievements and limitations", in J Pickett and H Singer (editors), Towards Economic Recovery in Sub-Saharan Africa, London, Routledge, 1990.

Chapter 14 (part) also published as "World Bank Policy-Conditioned Loans: How did they work in Ghana in the 1980s?" in Chris Milner and A. J. Rayner (editors), 1992, Policy Adjustment in Africa. Case-Studies in Economic Development. Volume I. Basingstoke, Macmillan.

42. "The Aid and Trade Provision of the British Overseas Aid Programme" in P Burnell (editor), Britain's Overseas Aid Since 1979: Between Idealism and Self-Interest, Manchester University Press, 1991, 97-124.

43. "Comment" in G Meier (editor) Politics and Policy Making in Developing Countries, San Francisco, ICS Press, 1991: 111-119.

44. "Britain, the United States and the World Debt Crisis" in J Michie (editor), The Economic Legacy 1979-1992, Harcourt Brace Jovanovich, London, 1992.

45. "Interest Group Politics and the Implementation of Adjustment Policies in Sub-Saharan Africa" in P Gibbon, Y Bangura & A Ofstad (editors), Authoritarianism Democracy and Adjustment: The Politics of Economic Reform in Africa, Seminar Proceedings No. 26, The Scandinavian Institute of African Studies, Uppsala, 1992, 106-126.

Also published in Journal of International Development, Vol.4, No.2, 183-197, 1992.

Also published in P Mosley (editor), Development Finance and Policy Reform, London, MacMillan, 1992.

46. "Financial Structure and Economic Development" in P Newman et al. (editors), The New Palgrave Dictionary of Money and Finance, Macmillan, Basingstoke, 1992.

47. "Keynes, Russia and the State in Developing Countries" in D Crabtree and A P Thirlwall (editors), Keynes and the Role of the State, Macmillan, 1993.

LIST OF RECENT UNPUBLISHED REPORTS

1. (with R F J Davies) Simulating an International Tea Agreement. Final research report to ODA (ESCOR), February, 1986.

2. (with D Marsden and J M Whetton) The Hyderabad Slum Improvement Project: a First Report. Consultants' report to ODA by Eidawn Development Services Ltd., February, 1986.

3. (with M Segall) Interdependence Between the World Economy, Health and the World Health Organization. Consultants' report to the World Health Organization, October, 1989.

4. Integration des Aspects de Santé et des Questions de Developpement Sanitaire dans les Politiques d'Adjustment Structural. Report to the European Community, 1992.

5. (With G Bloom and G Singleton) Public Expenditures in the Tanzanian Health Sector during Structural Adjustment. Report to the European Community, 1992.

6. <u>Structural Adjustment in Ghana: An Evaluation</u>. Report for the Japanese Ministry of Foreign Affairs, 1992.

BOOK REVIEWS

Published in the following journals: <u>Journal of Development Studies</u>, <u>Economic Journal</u>, <u>Economic Journal</u>, <u>Journal of Commonwealth and Comparative Politics</u>, <u>Third World Quarterly</u>, <u>Times Higher Education Supplement</u>, <u>Development and Change</u>.

CVTOYE.doc November 1993

JICA