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The Character of the *Journal of Development Economics 2002*

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Book reviewers know that it is a challenge to review a collection of 12 separately-authored essays. Here, we have been asked to read and comment briefly on the character of the 62 dense, technical articles in the six 2002 issues of the *Journal of Development Economics* (vols. 67, 68, and 69). Started in 1974, the journal is published by Elsevier and is conventionally regarded as one of the top field journals in development economics.

There is no way to discuss more than a few in any detail. We have read the entire set, but we have not attempted to really master the material. We approached the material with critical priors that, to our mind, were essentially confirmed, but we try not to let our treatment become cavalier or dismissive. Unfortunately, it is perhaps inevitable that a brief and unfavorable gloss on the character of a set of 62 articles will come off as cavalier.

Around the mid-20th century, economics strived to develop, in the phraseology of Francis Bator, "institutionally antiseptic theory." The strong trend was toward ahistorical, acontextual, and uniformly mathematical economics. In the past 25 years, however, there has been somewhat of a counter-trend, reflected by the development of law and economics, public choice, positive political economy, property rights economics, the new economic history, and new institutionalism. More broadly, there are now vibrant critical movements of diverse impetus and ideological flavor challenging the scientific status of business-as-usual formalism.

The approach that interprets real world institutions in the context of candid practical policy questions—the Smithian approach—is widely pursued in the books and authentic policy discourse on comparative economics and development economics. The collapse of state socialism in East and Central Europe and the growing recognition of the failure of development planning have broken up the official Development thinking of the 1960s and 1970s and paved the way for a new political economy approach to comparing economies and their economic development (see Djankov, et. al., 2003). At long last, the common- sensical ideas of early critics like Peter Bauer (1972, 1981) and Deepak Lal (1983, 1987) are coming to be widely accepted in books and authentic policy discourse. For example, William Easterly's widely read book *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics* (2002) is quite critical of what we here call the "Development Set" mentality—that is, the mentality of agency officials and experts trying to feel as though they know enough to justify their agency's programs. [1]

Yet, in some "leading" (i.e., high citation impact) academic field journals, the formalistic tendencies still dominate. At the *Journal of Development Economics*, we observe the academic manufacture of formalistic crafts. The two dominant modes are the usual ones of academic economics, namely equilibrium model building and statistical significance. Very few papers pursue a plain, detailed institutional narrative that makes sense of the policy history, developments and alternatives. In the development field, economists are in a unique position to try out big ideas and learn from cross country comparisons, yet the Development Set character and academic formalism conspire to make the *Journal of Development Economics* rather boring.

[1] The expression "Development Set" comes from Ross Coggins satirical poem by that title, variations of which can easily be found on the Internet.

In the field of development economics, thinking is dominated by researchers at the leading development assistance agencies – the World Bank, IMF, UN, etc.. As the accompanying article by Klein with DiCola shows, a significant majority of the 2002 *JDE* authors and Contributing Editors have ties to at least one such agency—by present or past employment, funding, publication, or research presentation. From a sociological point of view, it is plain that the "invisible college" of mainstream academic development economics centers on the missions and practices of the large governmental development agencies. These agencies aim to study civil society, poverty reduction, institutional infrastructure, health and human services, etc., and thus many articles in development journals can be seen as following this research agenda.

But if the research agenda is led by the development agencies, the modes of discourse pursued by the *JDE* articles are framed by academic officialdom. For example, in the February 2002 issue, we find two papers addressing the effect of political instability on economic growth. Nauro F. Campos (University of Newcastle and William Davidson Institute) and Jeffery Nugent (University of Southern California) argue that when we look at the impact of instability on economic growth using a Granger-causality framework we find that there is no evidence of the hypothesized negative relationship. Political instability doesn't Granger-cause poor economic growth. The other paper by Mark Gradstein (Ben-Gurion University, Israel) uses a model to show that the more socially polarized and unstable a society is the less likely it is to adopt growth enhancing policy rules. Instability obstructs policy reforms that would promote investment and thus growth. Both articles are more concerned with working through the formal statistical scheme than with developing a full, sensible answer to the question about the connections between political stability and growth.

There are at least three common aspects of apparatchism in scholarship: (1) the field is formulated in a way that, even when a piece is critical in particular matters, it nonetheless affirms the mission, tasks, and importance of certain big international agencies, (2) these big governmental agencies directly engage academic researchers, often holding out money and the prestige of high-level influence and policymaking to the "top" researchers in the field, (3) there is a collective conservatism with regard to ideas due to the risk of alienating the established institutions of funding, so policy discussion tends to be toothless.

Table 1:

Vol., Issue	model no measure	Measure no model	model and measure	institutions, history, public policy considered	total
Vol. 67, Issue 1	4	7	0	0	11
Vol. 67, Issue 2	3	3	3	1	9
Vol. 68, Issue 1	3	5	3	1	11
Vol. 68, Issue 2	4	5	2	1	11
Vol. 69, Issue 1	9	4	1	0	14
Vol. 69, Issue 2	3	1	2	1	6
Totals	**26**	**25**	**11**	**4**	**62**
Percentages	**42%**	**40%**	**18%**	**6%**	**100%**

Apparatchism combined with the inherent intellectual conservatism of the academy means that most of the research published in a field will itself reflect merely tinkering at the existing margins of what is currently scientifically acceptable. Much of the empirical work amounts to little more than the documenting of the warts and moles of current realities. In a field like development economics where the fresh voices see that much of the old, establishment thinking missed the boat and resulted in misery, such tinkering and wart-documenting simply perpetuates bad thinking and doesn't make room for relevant research and bold ideas.

Here, Easterly's book is noteworthy, because Easterly is one the Associate Editors at the *Journal of Development Economics* (there were 22 Associate Editors in 2002). Easterly documents that failed efforts in development assistance since WWII, including the records of public policy with regard to investment gap, schooling, population control, and infrastructure investment. His conclusion is that the failure is a result of a disregard by donor nations of the incentives that recipient nations face. 'Incentives Matter' is the mantra of the economists and Easterly's book echoes this refrain from start to finish. His criticisms of development policy generated controversy and eventually he was dismissed from the World Bank. However, it is important to realize that Easterly's criticisms are directed at the incentives that exist in the country receiving the aid, and not the agencies responsible for providing the aid. In short, his work demonstrates that the thinking behind development assistance must be re-examined in light of the incentive issues. This is an important message, but we need to look at not only the incentives that actors in the developing world face, but also the incentives that researchers in the international agencies entrusted with devising development policy face.[2]

Two examples of bold anti-apparatchik lines of research

[2] A first-step in this direction was made by Ostrom, et. al. (2002), where the incentives of donors and recipients and the agencies responsible for managing that relationship are examined via institutional analysis.

Schooling

One example of the sort of contribution that can be made when rejecting the economic establishment in favor of discovering real answers is found in the work done in recent years on private schooling in the developing world. One of the more amazing facts being uncovered is the vast extent to which private schooling is being substituted for poorly functioning and in many instances blatantly corrupt government schools[3]. This research flies in the face of the standard literature in development economics that argues that schooling is required for the human capital development that enables democracy and economic development, and typically looks to and endorses *government* schooling. As Easterly's work documents (2002, 72-73), the standard argument cannot be sustained in the wake of the empirical evidence showing that as investment in government schooling has increased economic growth has declined in many countries. The reason for this decline is: (a) poor incentives for the schools to teach useful information to the students, and (b) poor incentives for graduates of the school system to employ their skills in the wealth creating private sector as opposed to becoming government workers. Too often, government schools are highly integrated to the social apparatus of a highly politicized society. But if schools teach basic skills in language and mathematics, and at higher levels science and technology, then we see a positive correlation between schooling and economic growth. A major reason why private schools are emerging in Africa and India in the poorest of the poor sections is because parents see that education provides a way to a better future for their children only if they are taught useful skills such as English

[3] See Tooley and Dixon (2003) and Tooley (1999). Research by scholars associated with the E G West Centre at the University of Newcastle on private schooling is currently being done under Tooley's supervision in India, China, Nigeria, and Ghana.

language, math, science and technology. The public schools are failing, so alert 'edupreneurs' are filling the void and providing educational services for a fee that poor parents scrape together to provide a better possible future for their children.

But you will not read much about private schooling in *Journal of Development Economics*[4]. The private schooling movement upsets the Development Set's sensibilities; private schooling manifests social improvement in forms that are bottom-up, informal, and highly local—all aspects that the big development agencies are ill suited to know about, appreciate, participate in, or take credit for.[5] The dominant opinion is well reflected in Nobel Laureate Amartya Sen's reaction to the recent study done in India. "No developed country had educated itself using private schools", he said.[6] The private schooling movement upsets academic modes of discourse because the methodologies used involved researchers in the field, interviewing teachers, students, and parents. As described by Tooley and Dixon, such research has uncovered practices previously unrecorded—even deliberately hidden, in the effort to avoid taxation, regulation and state control.[7] There are no good official statistics on private schooling because one of its *raison d'être* is to escape the notice of the state sector. Thus, to rely solely on official data would make any academic study on schooling blind to the phenomena of private schooling. The field research was designed to uncover this unrecorded activity and thus never looked at

[4] There are two articles in the JDE from 1974 - 2002 comparing public and private schooling. Bedi, Arjun S. and Ashish Garg (2000), and Cox, Donald and Emmanuel Jimenez (1990). Both articles use data sets (on earnings and academic achievement, respectively) to conclude that private schooling offers advantages over public.
[5] We should note that much of the research on the private schooling movement has been funded by the World Bank and reported through Bank publications.
[6] Waldman, Amy (2003, Novermber 15). India's Poor Bet Precious Sums on Private Schools. *The New York Times*, pp. A1.
[7] See, in addition to the work cited in fn. 2, Dixon (forthcoming).

aggregate economic indicators of human capital, but instead looked at incentives and the pursuit of happiness in a common sensical way.[8]

There are three articles in the 2002 issues which deal with education. In the June 2002 issue, Arjun Singh Bedi (Institute of Social Studies, The Hague) and John H.Y. Edwards (Tulane University) examine the impact of school quality on educational returns. The authors use a unique data set from Honduras and improved estimation techniques to find that school quality has an important positive effect on labor market earnings. They conclude that their work "support[s] the idea that school quality should be an important aspect of educational policy". The paper also includes background on the rationale for public provision of education, and in doing so gives us insight into the traditional mindset: "A purely private educational system cannot function efficiently without perfect capital markets and capital market imperfections are likely to be especially severe in developing countries." The paper does not include any evaluation of this pronouncement, nor any criticisms. It would have been equally relevant to make the following pronouncement: *A governmental educational system cannot function efficiently without perfect benevolence, omniscience, and non-distortionary taxation, and government imperfections are likely to be especially severe in developing countries.* But we do not find any assertion of that sort.

[8] This style of research should also remind the reader of the work done by Hernando de Soto on property holdings in poor countries. De Soto has become famous, even an intellectual celebrity among policy makers and news media, but academics often dismiss his work as not rigorous. In the 2001 *Journal of Economic Literature,* Christopher Woodruff wrote a review essay on *The Mystery of Capital.* Woodruff provides a number of reasons for his doubts about the insight that de Soto offers, and some of these are worth serious consideration by those who look to de Soto for intellectual inspiration, but for the most part Woodruff is concerned that de Soto has had such an impact in the policy world when he has "scarcely published an article in an academic journal" and his methods and results have been challenged by justly skeptical academics. Woodruff admits that there is much to what de Soto has to say, but exactly how much and how valuable, he concludes, will have to wait until we have better data, and better analysis of the data. Overall, the amount of serious academic discussion of de Soto's work starting with his *The Other Path* has been far less than the attention he has received outside of academics. We contend that this dismissal can be attributed in part to de Soto's rejection of both the standard model and measure mentality of the academic establishment and the top-down mentality of the Development Set.

The October issue contains two articles dealing with the supply and demand for education. Sudhanshu Handa (Inter-American Development Bank) accepts as given the “development imperative” of raising primary school attendance and creates an econometric model using a data set from Mozambique in order to analyze the factors affecting the supply and demand of primary schooling in developing countries. The second article from the October issue, by Arjun S. Bedi (Institute of Social Studies, The Hague) and Jeffery H. Marshall (Stanford University), accepts that “investments in education are widely recognized as a key component of a country’s development strategy” and focuses only on the demand for schooling - the factors which underlie the decision of school attendance. A regression using a data set from Honduras provides the authors with the conclusion that “notwithstanding the limited supply side analysis, our paper shows that a more fruitful approach towards raising school attendance may lie not in reducing opportunity costs or enhancing school inputs but in policies that target the supply of schooling.” We are left guessing what the authors have in mind by “policies that target the supply of schooling”.

Economic Freedom

A much more prominent, even monumental, example of bold research in the field of development economics that unfortunately has not been incorporated into the literature published in the journal is the movement to measure Economic Freedom. We regard the Economic Freedom indices to be one of the most important intellectual developments in the practical application of economic reasoning in the past 15 years. James Gwartney and Robert Lawson presented a paper on the impact of the Economic Freedom of the World

Index at a regional meeting of the Mont Pelerin Society in September 2003. In the paper they note that while it takes time for new ideas and new tools to penetrate the professional economic literature, references and journal citations to the EFW index have been growing substantially, and from a wide cross-section of researchers, not just economists who favor liberty. Yet, as of the most recent issue we were able to consult as this article went into publication, the June 2004 issue, there has been only one article in the history of the *Journal of Development Economics* that mentions or references any economic freedom index.[9]

At a May 2004 conference at Princeton University celebrating the contributions of P. T. Bauer, including presentations by Nobel Prize economists James Buchanan, Douglass North and Amartya Sen, a question was put to Sen to describe the difference in development economics in 1964 and in the year 2004. Sen puzzled over an answer for a minute and gave a measured response that emphasized the relative weight that scholars put on the ability of the market to generate social order and prosperity as opposed to power discrepancies, privilege, and conflict. In 1964, the relative weighting led to work that concentrated on class conflict and the unequal distribution of income. In 2004, Sen argued, economists have become more sensitive to the ability of markets to generate social harmony. Still, while there is impressionistic evidence that this shift in the relative weighting has occurred, and it is certainly evident in the broader intellectual climate of opinion, it is not obvious by looking at the *Journal of Development Economics*.

Looking further than the 2002 issues and sampling the journal from 1975-2002, one can definitely see change in the field of development. Scholarship published in the *JDE*

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[9] See Smith, Douglas. (2001)

over this larger span does demonstrate that researchers in the field are beginning to look at micro-level institutions rather than just macro relationships. This change is not limited to the *JDE*. The same evolution can be seen in the publications of the development institutions as well. Recent World Bank publications[10] include statements on the importance of the environment for investment, and the consequent need to have strong property rights and rule of law. This noted, it is reasonable to conclude that most of the articles published in the *Journal of Development Economics* 2002 are influenced more by the agenda of the field of economics in general than by development institutions. The articles revolve around disproving or enhancing past research through more complex modeling, or running regressions with a new data set. A reader is often confronted with the question as to whether the authors are trying to find solutions to growing economies, alleviating poverty, and other World Bank goals, or simply looking to get published. A PhD in economics should not be seen as a license to be boring, and yet much—not all—of what goes on in this field is just that - uninteresting exercises in modeling and measuring.[11]

The Two Papers We Liked Best

Leo Sleuwaegen (Catholic University of Leuven, Begium) and Micheline Goedhuys (Erasmus University Rotterdam, Netherlands) in their article "Growth of firms in developing countries, evidence from Cote d'Ivoire" examine why existing theories on the growth of firms fail to explain the dynamics that lie beneath the observed structure in

[10] For example, Panaritis, Elena. Marc A. Weiss and Alven H. Lam, ed. (2001)
[11] Perhaps more accurately we should not say uninteresting because the exercises are interesting to other economists, or at least we are trained to behave as if they were interesting to us while we are in graduate school and during the probationary period of being an assistant professor.

developing countries. They concluded that the reason is the existing theories do not consider the institutional features of poorly developed markets. The paper searches for the relevant institutional elements in data of manufacturing firms in Cote d'Ivoire. It then tests the validity of the empirical analysis using survey data on actual growth barriers as perceived by owners and managers of firms.

"Natural resources, rent seeking and welfare" by Ragnar Torvik (Norwegian University of Science and Technology) confronts the issue of how some countries continue to remain poor despite an abundance of natural resources. Previous literature on the subject has focused on the possibility of increasing returns to scale and shifting of factors away from more productive sectors. Torvik builds on more recent literature that emphasizes the role of rent seeking. Including entrepreneurship and the possibility of rent seeking within a simple four sector economy model, Torvik finds that a greater amount of natural resources can increase the number of entrepreneurs engaged in rent seeking, lowering the number of entrepreneurs running productive firms. Rent seeking can explain why it is possible that more natural resources can actually lead to lower welfare.

Concluding Remark

Development economics deals with multiple countries through time. It needs to pay close attention to the institutional details of the countries under examination.

The *Journal of Development Economics* 2002 reveals that while some of the institutional issues are getting play, the field has not thrown off its "Development Set" character. Instead of getting a field that varies methodological approaches and formulations on a case by case basis, we observe conventional methods addressing traditional "development economics" ideas, notably the *dirigisme* of diligent public servants, but in a more tentative and watered-down form.

Appendix A: Article classifications

See excel spreadsheet

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