Book Review

Satu Kahkonen and Mancur Olson (Eds.), A New Institutional Approach to Economic Development; Vistaar Publications, New Delhi, 2000. pps 354. Price Rs. (Indian) 595/-.

Recent successes attributed to the field of economics have been outside the theoretical conservative boundaries of the subject. Modern economic thought is expanding rapidly in all directions: in the study of politics, law, and sociology, economists and other specialists using theories of economic thought and models have had significant influence. The book focuses on ideas that have driven the expansion of economics, namely collective choice, new institutionalist and neo classical political economy. The book has been divided into two main parts. The first deals with "the broadening of economics and emergence of an integral approach to social science" that are fundamental to any economy. The second part includes "some applications of the integrated approach" to India.

There are four basic concepts that are the building blocks for economic thought. The first of these basic principles is that individuals in a given society have preferences, purposes and utility functions. Secondly, they have various resources that help them produce goods and services that satisfy these preferences. Thirdly, incomes of households are constrained by resources available to them and the level of technology which is subject to change through resource development and innovation. The last idea is that markets are natural entities that emerge spontaneously and not planned entities of the government. Given these four premises, how has the field of economics broadened its horizon? The writers have tried to cross the theoretical boundaries of the subject by reconciling two main points. One was that some goods and services namely public goods and expenditures are not sold in the market and once they are made available to an individual they will be consumed by the entire society. The second point that had to be crossed is where income of individuals and groups depend on the availability of production resources and their productivity but also on the use of power. So if economists today want to explain what effects house hold income has on the rate of growth of income and its distribution, they have no choice but to take government, law and politics into account. Mancur Olson's article "Dictatorship, democracy and development" deals with different political systems and how their magnitude of power tends to hinder or facilitate economic gains. The fact that economic independence is determined by political and social independence is highlighted throughout the book.

All the authors who have contributed to this volume have conducted original research. They have discussed and explained a wide range of subjects that includes both economics and social science aspects.

One of the positive points about this book is the fact that though the writers are of diversified backgrounds all the contributions made focus on the same approach that is Satu Kahkonen and Mancur Olson's view, which cannot disengage social science from economics. The second part of the book is more interesting for students of the developing world for it talks about topics that are relevant and more appropriate for the local market. The problems that a developing economy faces and why it faces these problems are explained quite eloquently. The absence of collective choice and new institutionalism in the Indian economy is being blamed for the economic disparity in India. All six articles focus on the new institutionalism that is absent in the Indian economy. From their evidence provided in the first part of the book about the absence of collective choice, new institutionalism and neo classical political economies' economists have tried to connect these variables collectively or in exclusion to the lack of economic development in specific country experiences.

It is a very readable book with a new, innovative approach to economics.

Lahore School of Economics **Shamyla Chaudry**
Lahore