



Amartya Sen

Development as Freedom

Alfred A. Knopf, New York, 1999,
xvi + 366 pp., \$27.50/Can\$41.50 (cloth).

AMARTYA SEN'S extensive writings on welfare economics, specifically on social choice, distribution, and poverty, constitute the analytical foundation and building blocks of this book. *Development as Freedom* draws together a lifetime of scholarship spanning the disciplines of ethics, economics, sociology, politics, demography, and moral philosophy into a grand synthesis: social choice underpinned by substantive freedoms of individuals promotes the development of economies and societies in their broadest sense. At the same time, development should be seen as the expansion of real freedoms that people enjoy, requiring, among other things, the removal of major sources of "unfreedom," including poverty, tyranny, poor economic opportunities, neglect of public facilities, and intolerance.

The book, which evolved from a series of lectures Sen gave in the fall of 1996 when he was a Presidential Fellow at the World Bank, is intended for the general reader. Thus, it strives for informal and nontechnical explanations of a vast technical and, at times, highly formal literature on social choice theory and its applications. Although readability occasionally lapses when the book discusses formal literature, the underlying deeply felt real-world concerns come through emphatically. Moreover, the

reader's interest is sustained by frequent illustrations from classical writers of the universality of certain cultural values—notably, the value of individual freedom as a social good.

Sen's first major theme is that analysis of development should go beyond material progress to encompass concerns of social development and social justice, which he argues can be done by focusing on "functionings" and "capabilities" of individuals. Functionings can be viewed as a person's states of being and doing, which include a broad range of individual actions and conditions that a person has reason to value: being healthy and avoiding premature mortality, among others. Capabilities can be viewed as all states of being and doing available to a person. This notion of capabilities broadens the information base used to assess economic welfare, while the "capability set" can be seen as a mathematical representation of freedom for formal analysis. The extensive literature spawned by the capability perspective is testimony to the practical and analytical reach of this concept in development and welfare analysis.

The intrinsic importance of human freedom as a preeminent objective of development must be distinguished from the role of freedom as an instrument of development. This is the second major theme. Sen discusses five mutually reinforcing instruments of freedom that contribute to economic progress and social justice: political freedom, economic facilities (for example, institutions and markets to facilitate production and exchange), social opportunities, transparency guarantees (that is, instruments to facilitate openness and disclosure, including the media), and protective security (including social security and unemployment benefits). The transmission mechanism by which these instruments of freedom influence economic efficiency, social welfare, and social choice forms the driving force of development. The third key theme is that public policy should create conditions for enlightened public discussion

as a basis for shaping individual values.

A major part of the book is a set of essays in which Sen applies these broad themes to a wide array of public policy problems: evaluation of development; poverty and famine; the role of markets, the state, and social opportunity; the impact of globalization on tradition and culture; human rights; women in development and women's rights; population control and reproductive rights; and corruption and crime. These essays make for splendid, intense, and at times entertaining reading, but given their breadth, some key topics are not fully addressed. For example, the Asian financial crisis is mentioned briefly as reflecting weak transparency in business relations. Moreover, the role of transparency—a major element of the proposals for changing the international financial system—is also touched upon only briefly although it is central to Sen's theme of facilitating public discussions to shape social priorities. One of Sen's main messages, which is particularly well articulated, is that policy design and policy analysis should be comprehensive, paying due attention to opportunities for social equity and justice and to institutions and codes of behavior that support markets and exchange.

The book ends on an optimistic note that the "possibility of social choice"—the topic of Sen's Nobel lecture—underpinned by substantive freedoms of individuals and supportive social and institutional arrangements will bring about human development and social justice through "the momentous engagement with freedom's possibilities."

V. Sundararajan

Credits

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Jagdish Bhagwati

A Stream of Windows

Unsettling Reflections on Trade, Immigration, and Democracy

MIT Press, Cambridge, Massachusetts, 1998, liii + 531 pp., \$47.00 (cloth), \$18.95 (paper).

PROFESSOR Bhagwati has assembled in this volume an impressive array of his writings for the popular press on trade, immigration, and democracy. It reflects this preeminent international economist's passionate belief in free multilateral trade as an organizing principle of an efficient economy and in active advocacy for sound public policies that derive from one's academic work. The 55 selections—which include essays, lectures, letters to the editor, and book reviews that originally appeared in publications as diverse as the *New Republic*, *Scientific American*, and the *New York Times*—are accessible not only to the practicing economist but also to the layperson with an interest in international economics.

Appropriately, the majority of the selections address international trade policy, as Bhagwati takes on views and positions from across the academic and political spectrum. The first two essays lay out the debate over globalization and trade and make excellent post-Seattle reading despite having been written a few years before the November 1999 World Trade Organization (WTO) ministerial meeting in that city.

Bhagwati ably addresses what many are calling the predominant issue of

this epoch: whether globalization is a beneficial force propelling us along the best path to widespread global prosperity or an evil animus that favors the strong (multinational corporations and capital) over the weak (workers) and, along the way, increases inequality within and between nations, threatens wages and living standards, and harms the environment. Bhagwati does not gloss over the decline in the 1980s and stagnation in the 1990s of the real wages of unskilled U.S. workers—which took place against a background of rising income and wealth inequality—or over the potentially increased vulnerability of the American worker as a result of intensified global competition. He is convincing in arguing that it is unskilled-labor-saving technology, not globalization and trade with developing countries, that is causing this trend in blue-collar real wages.

Bhagwati also convinces the reader that he truly cares about labor standards and the environment, even as he argues that bilateral isolationism, intrusionism (“cajoling, bamboozling, and punishing other nations . . . into limiting competition”), and a multilateral bundling of human rights and environmental goals with the WTO's trade objectives are all flawed responses. He would prefer that non-governmental organizations work outside the WTO to establish systematic and periodic evaluations of countries' performance on social practices and that developed countries require their corporations with overseas operations to observe the same standards both at home and abroad. Bhagwati writes well about the “new theory of trade” (that is, trade with increasing returns to scale and imperfect competition) that is used by supposed free traders to defend strategic trade management by governments. He points out that it is not so new after all—the “old” theory also produced theoretical arguments for trade protection and subsidies.

About a dozen essays deal with “Japan bashing,” the notion (mainly held in the United States) that Japan is “an exclusionary importer and a

predatory exporter.” While this is an important topic, one suspects that too much space is devoted to it in this volume for the average reader's taste. Bhagwati also provides thought-provoking essays on how democracy can lead to development and describes immigration as a crossroads between economics and ethics.

Overall, this collection is a valiant contribution to the fight against what Bhagwati's former student Paul Krugman calls “imitation international economics,” where the most basic truths about international trade have been banished from public discussion. (In his book *Pop Internationalism*, Krugman reviews seven well-received best-sellers on international trade and related policy issues and finds that only one even mentions the concept of comparative advantage.) Along with Bhagwati's skillful, nonpartisan debunking of questionable international trade policies and practices, such as the proliferation of free trade areas and strategic trade management, the reader will enjoy the erudite references and zesty zingers with which the Columbia University professor seasons his writing. Bhagwati draws on George Orwell to describe the doublespeak of modern trade policy terminology and, in reviewing *Alchemy of Finance* by George Soros, he asks “Money talks, but can it write?”

A study released in March 2000 by the Program on International Policy Attitudes at the University of Maryland can be interpreted to suggest that the overwhelming majority of Americans support free trade—as long as the WTO incorporates labor rights and environmental standards and as long as no workers anywhere incur even temporary job dislocation or reduced wages that can be linked to globalization. While this policy attitude may reflect noble sentiments, it does not augur well for smooth and speedy progress in achieving free, multilateral trade. Professor Bhagwati, don't put down your pen just yet.

Lynn Aylward



Dana Frank

Buy American

The Untold Story of Economic Nationalism

Beacon Press, Boston, Massachusetts, 1999, xii + 316 pp., \$26 (cloth).

THIS BOOK tells the long and checkered story of “Buy American” campaigns in the United States. The story starts in the colonial years, before American independence, and progresses to present times. It is told from the perspective of the labor unions—and the labor movement in general—and is as much about the labor movement as about trade policy. The book is more of a popular account based on anecdotes and personalities than a scholarly economic history and is written in a style quite different from the traditional literature on trade policy history. For all that, it is informative about how a strain of economic nationalism has occasionally managed to emerge in a country traditionally deeply committed to free trade.

The nature of Buy American campaigns has changed over time. The earliest campaigns were part of a political reaction against colonialism. A movement in the 1760s to oppose the importation of foreign products was one of the catalysts of the Boston Tea Party and, eventually, of the American Revolution. In all the years that have followed, Buy American campaigns have been populist movements—removed from national policy—and have reflected the economic climate, intensifying during

economic slumps and subsiding during booms. The most strident campaign calling for a rejection of both foreign products and immigrant workers was perhaps the one organized by William Randolph Hearst during the Great Depression. And the relatively moribund state of economic nationalism today is partly due to the strength of the U.S. economy during the 1990s.

The waning of the Buy American movement in recent years has been hastened by globalization. As American firms have expanded their overseas operations, and non-American firms their American operations, the definition of “made in the U.S.A.” has become blurred. In the automobile industry, for example, many Honda cars are manufactured in Ohio and many Ford cars in Mexico. There are few consumer goods that have no imported content at all. As a result, economic “nationalism” in the United States has increasingly been on behalf of specific industries and, the author claims, has often represented the worldwide interests of corporations rather than the interests of American workers. “What was good for General Motors wasn’t, in fact, good for the auto workers,” Frank says.

Labor unions, ostensibly the champions of workers’ interests, appear not always to have been effective in defending and advancing those interests. The author’s main message, at times delivered somewhat heatedly,

seems to be that the unions have often fallen prey to internal political tensions and been susceptible to pressure from corporations and the government. There appear to have been divisions between union bosses and those they represented. And union members’ resentment at the erosion of their living standards sometimes boiled over into an unproductive hostility toward foreign products as well as toward foreigners. All told, the role of the unions has steadily declined, reflecting their diminishing political influence and membership.

The author offers several provocative suggestions for trade policy, some of which are at odds with the traditional literature. Rather than back up her claims with evidence, Frank often presents her suggestions as assertions. Her overarching recommendation is for a trade policy that treads the middle ground between protectionism and free trade. The dismissal of free trade as a policy that favors corporations may, however, come across as simplistic when weighed against accumulated experience and theory. Her specific suggestions include a call for labor standards in trade agreements, although many trade experts have pointed out that trade policy should focus on trying to advance the gains from trade, while other objectives, including social objectives, are better advanced through other policies.

Vivek B. Arora

RUSSIAN EDITION OF *FINANCE & DEVELOPMENT*

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Martin Feldstein (editor)

International Capital Flows

University of Chicago Press, Chicago, Illinois, 1999, x + 487 pp., \$60 (cloth), \$25 (paper).

Changes in technology and the opening up of many regions previously closed to investment have led to an explosive growth in international capital movements. This growth can bring great benefits, or, as the Asian currency crisis vividly demonstrated, it can also bring considerable risks. This volume contains a number of non-technical background papers by scholars and short essays by practitioners on both the benefits and the risks of burgeoning international capital flows. It is a useful reference source for econ-

omists, policymakers, and financial market participants.

Lawrence J. McQuillan and Peter C. Montgomery (editors)

The International Monetary Fund—Financial Medic to the World?

A Primer on Mission, Operations, and Public Policy Issues

Hoover Institution Press, Stanford, California, xvii + 245 pp., \$19.95 (paper).

This useful and topical book provides background information and current policy discussions on the IMF. The

articles and opinion pieces it reproduces represent a wide range of views on the origins, operations, and effectiveness of the IMF, from both its supporters and its critics. The book specifically examines the mission and operations of the IMF and the effects of its financing programs and loan conditions on countries receiving IMF funding. The editors look at the IMF's historical record and recent activity in Mexico, East Asia, and Russia and conclude by presenting a number of differing viewpoints on the IMF's current operations and effectiveness.



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