9-1-2000

Review Of "The Economics Of The Good Society: The Variety Of Economic Arrangements" By J. S. Berliner

Frederic L. Pryor
Swarthmore College, fpryor1@swarthmore.edu

Next we are presented with a long chapter (almost one-quarter of the volume) profiling the labor market. This is a rich empirical section, taking us competently through the labor force and its composition, unemployment, domestic and international migration, estimates of earnings functions, and the institutional underpinnings. The authors support the consensus view that the labor market is "reasonably competitive" (p. 81), subject to the qualification that unemployment remained quite high during the 1980s.

The final chapter in this introductory section examines education and training systems. Here the evidence is somewhat mixed. The country scores well with respect to the provision of universal primary (and, increasingly, secondary) education, and in closing the colonially inherited gender and ethnic gaps in enrollment ratios. Yet there are concerns: about educational quality; that enrolments in science and technology-based courses may be insufficient; whether the disproportionate investments (and subsidies) for elite *bumiputera* schools and the tertiary system are appropriate; and about training and technology transfer in the foreign-dominated manufacturing sector (especially the huge electronics industry).

The four chapters in Part B of the volume develop these arguments with reference to detailed sectoral chapters, on agriculture, manufacturing, services, and the public sector. The latter is particularly pertinent, given its size and the government's explicit affirmative action policies. Part C switches to a more prescriptive approach, with a broad-ranging set of policy proposals, a number of which have since been adopted.

This is a well-presented and cogently argued book. The exposition is clear, it is well-referenced (subject to one caveat below), and it achieves a nice balance between analytics, empirics, and country insights. Particularly welcome are the microeconomic data on labor and education, much of which are not generally available, even among the Malaysian academic and policy communities.

The major limitation of the volume is the delay in its publication. It presumably draws on material the authors completed around 1990 and, apart from some updating of macroeconomic series, little seems to have been added since then. Almost all the references stop at 1990, while the labor market and educational data rarely go beyond the late 1980s. Delaying a publication by seven to eight years in the case of a very high growth economy can be a risky business. To give just one illustration, by around 1997 international migrants (many of them illegal) were thought to number as much as 24 percent of the workforce, about double the figures quoted in this book. (See Prema-Chandra Athukorala and Chris Manning in 1999, *Structural Change and International Labour Migration in East Asia*. Ed. Chris Manning. Oxford University Press.) Notwithstanding this limitation, the authors have made a very useful contribution to our understanding of Malaysian economic development and of labor market adjustment in developing economies.

HAL HILL
Australian National University

P Economic Systems

The Economics of the Good Society: The Variety of Economic Arrangements. By Joseph S. Berliner. Malden, Mass. and Oxford: Blackwell, 1999. Pp. ix, 448. $34.95, paper. ISBN 0–631–20828–3; cloth; 0–631–20829–1, pbk.
JEL 2000–0334

In the preface the author writes (p. viii): "This book is written not for economists but for people generally who like to muse about a better world. It presumes no more knowledge of economics than that which one acquires in the process of keeping informed about public affairs." Although the book is written on an elementary level, it contains much that is of interest to students and, in certain parts, to professional economists.

After discussing how to assess economic systems and the role that values play in such a process, the author divides the remainder into four major sections dealing with the distribution of consumer goods, the distribution of work tasks, the coordination of an economy, and the ownership of property. Such an organization has the advantage of starting at a very concrete level of economic activity with which all are familiar and then working toward more abstract problems. It has the disadvantage of requiring a certain repetition of materials, although this may be useful for his intended audience.

At every point of his analysis Berliner provides a variety of examples from various economic systems to demonstrate how different economic arrangements and institutions can accomplish the same tasks. I found his discussion of the manner in which kibbutzim handled critical problems of distribution and production particularly illuminating. Such a concrete approach also permits him to introduce various criteria of evaluation of economic performance of these institutions in an understandable manner.

The clarity of the author's prose, his resolute determination to argue his case without diagrams or tables, and his judicious selection of wide-ranging institutional materials make this book a useful supplemental text in courses on comparative economic systems. It also provides readers with a broad perspective on economic institutions and the way in which they can be evaluated using simple analytical tools that will be useful to them in other fields of economics.

FREDERIC L. PRYOR
Swarthmore College

Financial Sector Transformation: Lessons from Economies in Transition. Edited by Mario I. Blejer and Marko Skreb. Cambridge; New York and Melbourne: Cambridge University Press, 1999. Pp. vii, 403. $59.95. ISBN 0–521–64037–7. *JEL 99–1482*

This volume is the collected outcome of the Second Dubrovnik Conference on Transition Economies (1996) sponsored by the Central Bank of Croatia. It suffers from the usual problems afflicting conference volumes with a great diversity of authors writing at both micro and macro levels, and trying to span the increasingly diverse financial experiences of a variety of Eastern European economies—not to mention China. Nevertheless, there are enough nuggets to make the book potentially interesting to scholars trying to understand the most difficult part of the transition problem: the proper evolution of the domestic financial sector, including banking systems which start under water.

At the very end of the book, Mario Blejer nicely summarizes the main conceptual dilemma in undertaking financial reform in transitional economies.

On one horn of the dilemma, the government itself needs to disengage from its unrestricted and pervasive control over the flow of finance. It needs to withdraw from direct credit activities, from bank ownership, and from bank management. But simply "privatizing" the banks may not be enough because commercial banks often remain politicized whoever owns them. Commercial banks may depend on ongoing access to the central bank for credit if they have a bad loan portfolio. If the government is running a large fiscal deficit, commercial banks may be heavily taxed through high reserve requirements. So a fiscal reform might well be necessary before the government can safely liberalize.

China is an example of an otherwise successful transition economy where large (implicit) fiscal deficits must still be covered by massive borrowing from state-owned banks. Here, privatization of these state banks, or allowing unencumbered new banks including foreign ones to compete with them, would be extremely unwise.

On the other horn of the dilemma, the government must remain a vigilant regulator of the financial system even as it disengages from direct ownership and control. But latent or not-so-latent moral hazard, particularly in the commercial banks with their carryover of bad loans and (implicit) undercapitalization, makes prudential regulation difficult. In the presence of ongoing deposit insurance and other bailout provisions, freeing interest rates—even in the interbank market—may be problematic. But for primary securities markets, Poland's Securities and Exchange Commission has been most successful in enforcing accounting standards, full disclosure of information on new security issues, centralized trading, and the protection of minority stockholders.

In Chapter 3, Hillman and Ursprung present an interesting political economy model of the relationship between banks and state factories to which they had lent under socialism and which still pay "rents" to the managers of the bank. Although the loans of the