is not linked to the rest of Peel’s legislation. Peel did not offer a straight-up reduction of the tariff on grain, as Cobden or his followers had continually proposed. Instead, Peel spread reduction of the grain tariff over several years, reduced tariffs on certain agricultural inputs immediately, and included funding for loans for agricultural improvements. In these ways, Peel exposed the sector-based split in agriculture. These aspects of Peel’s legislation are only mentioned once (p. 171), and treated as mere concessions rather than as integral facets to adjustment of agricultural production. Peel’s legislation made investment monies available. The funds were completely lent out (at market, not subsidized, rates). How does this fit with the idea landowners already had capital? In fact, many of the biggest landowners could not easily borrow, because entailment prevented them from using land as collateral. How many members of the House of Lords borrowed some of these funds for drainage, hedges or construction of barns?

Our expectation that interests change only slowly also encourages us to ignore evidence of interests before and after policy changes. Again, this is an issue for political economists studying trade generally, reflecting the limitations of our current approaches. Here, the analysis focuses almost entirely on the lead-up to repeal, ending with its passage. Since much of the puzzle is driven by the assumption landowners acted against their material interests, it is worth considering repeal’s impact. Schonhardt-Bailey has done extremely difficult and interesting work examining the extent to which landowners may have earned income off industrial investments, with the idea that these investments allowed them to accept lost income from land rents. Yet British agriculture’s performance after repeal was much more mixed—some rents rose. Interest-based arguments may have more mileage, if we move beyond traditional assumptions.

This book is an excellent contribution for anyone interested in the political economy of trade. It presents innovative techniques for modeling and measuring the interaction of ideas and interests (applicable to other historical episodes), it captures the institutional complexity of the case, and provides new ways to appreciate how ideas framed political discussions. One cannot find so much material, from so many different perspectives, handled so deftly, in any other single place. Yet for all that, this will undoubtedly not be final say on repeal, for certain aspects of this case will surely continue to puzzle us.

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O Economic Development, Technological Change, and Growth


By any account, the private sector collectively is the largest producer in all but a few economies in the world. Indeed, as the authors of Transforming the Development Landscape cite, 90 percent of jobs in developing countries are in the private sector (p. 31) and private investment and remittance flows from developed to developing countries have grown much larger than official aid flows (p. 17). Thus the private sector is at once the object of development as well as its greatest potential financier.

Of course, private actors left unto themselves might not end up reducing childhood mortality or improving the plight of marginalized citizens. The challenge, then, is to guide some private economic activity toward positive social ends. This edited volume, containing contributions by a spectrum of authors from academics to practitioners, lays out a number of ways in which this might be done. The private sector is variously treated as (1) a recipient of development assistance, (2) a source of funds or philanthropy, and (3) an implementer and purveyor of know-how.

Encouraging the Indigenous Private Sector

Warrick Smith of the World Bank’s Private Sector Development group writes how countries can achieve a favorable “investment climate,” a policy environment that promotes entrepreneurship and a vigorous private sector. Many of the chief concerns of firms in developing countries have to do with the macro policy environment (p. 33) as well as the hidden costs—like poor infrastructure, corruption, and crime (p. 34)—of operating in emerging markets. Smith offers no one-size-fits-all solution, noting the variation in
obstacles facing entrepreneurs as well as the political difficulties of reform.

Two chapters examine small and medium-sized enterprises (SMEs) in developing countries. Alan Patricof, a U.S. private equity mogul, and Julie Sunderland, a development consultant, advocate SME “enterprise funds.” These funds would recreate the roles played by venture capitalists in rich countries, giving small dynamic companies an equity boost at a stage in their development where high-priced debt could stifle growth. Given the “poor returns and many business failures” of private sector endeavors in funding developing-country SMEs (p. 78), Patricof and Sunderland suggest they should be funded by donors willing to accept low rates of return.

Brown University’s Ross Levine examines the question of whether aid agencies should subsidize SMEs at all. While sympathetic to the importance of SMEs, Levine comes down against subsidies: in the very economies where the SME sector is weak, political barriers and an entrenched business elite would serve to undermine any efficiency gains of the subsidies by directing them toward the wrong SMEs.

Reaching into Deep Pockets

Timothy Freundlich of Calvert, a socially conscious financial services agency, argues that rich-country capital should be allocated not only to maximize financial returns but also to raise social value. Of course, individual investors may not be willing to sacrifice personal financial return and instead prefer to free ride off others’ social investing. Here, Freundlich notes that some blended-value investing (i.e., Ben & Jerry’s over Philip Morris) does just as well as the benchmarks; he advocates lower-return—and more socially aggressive—investing for foundations and those individuals who in the rest of their lives pursue altruistic activities.

Brookings’ David de Ferranti notes the plethora of recent ideas to finance development activities. Some of these involve improving the efficiency of aid delivery, for example the “advanced purchase commitments” that provide a market for the development of tropical-disease vaccines by prefiguring a prize for the biotech company that comes up with a cure. Others are simply new sources of revenue for development, such as a French proposal for taxing jet fuel. Rajiv Shah and Sylvia Mathews of the Gates Foundation describe two of these ideas, which pertain to global health and in which the Gates Foundation has taken a leading role, in more detail.

Enlisting Help in the Fight

Multinationals and first-world businesses can, by applying their know-how or even during their daily operations, have a positive developmental impact. Larry Cooley, a development consultant, describes one aspect of the ubiquitous development-speak term, “public–private partnerships.” He focuses on the relationships between multinational corporations and aid agencies; these groups increasingly work together to improve the developmental impact of the corporations in their emerging-market operations. It is noteworthy that the private sector partner is not just a source of funds, but often the implementer.

Lael Brainard of Brookings and Vinca LaFleur of CSIS argue that firms should “build social values into core business strategies” (p. 17) through a so-called corporate social responsibility approach. They describe how a mixture of corporate philanthropy, positive lobbying, and core business strategy can improve the bottom line, make a positive difference in development, and make employees happy. Harvard’s Jane Nelson notes the limits of this approach: demands on business leaders are “complex and at times contradictory” (p. 42) and businesses, in the absence of good government, can achieve little in the way of poverty reduction. That said, she offers a set of prescriptions for businesses to have a positive impact on development.

Having Your Cake and Eating It Too?

The overall tone of the volume, consistent with many business/development circles, is that profitability and positive social externalities are one and the same. Of course, this can’t quite be true—if it were, the book would not have to be written in the first place. Subtler messages contained in the different chapters are that the divergence between profit and doing good may be small; that even a small fraction of business and financing activity in the first world could have a large impact in the developing world; and that donor and philanthropist finance can be used to close these gaps. Development practitioners, corporate social responsibility executives, and
academic economists wondering how the policy engaged think about harnessing the private sector would find these messages informative.

Regardless of what firms and aid agencies do in the United States or Europe, sustained poverty reduction can only occur when private sector activity in developing countries supports dignified living standards. This is a different notion than the requirement that firms in the developing world “do good” instead of merely doing well. As we move ahead, we need to be careful that we manage our good intentions and refrain from imposing additional development burdens on these already-fragile, emerging-market firms.

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Harvard University


The book examines the benefits of globalization for American workers and firms, highlighting the role of information technology—both as an industry which is itself rapidly globalizing and as a driving force behind the trans-nationalization of economic activity. Written by Catherine Mann, a professor of economics at Brandeis University and a senior fellow of the Peterson Institute of International Economics, the book argues that globalization and information technology (IT) are radically transforming patterns of production, employment, and trade around the globe, requiring important changes in U.S. economic policies to exploit its full potential. Although the book is primarily oriented to policymakers, researchers, and students interested in IT will also value its comprehensive overview of IT-related issues.

The basic argument of the book can be laid out as shown in figure 1. The root causes of the IT revolution are said to be the development of new, more powerful IT technologies and the transfer of production of IT goods to low-labor-cost countries. These two changes are driving down costs of IT goods, which in turn is said to provide a powerful stimulus to business investment due to the highly price elastic nature of demand. Higher IT investment in turn stimulates more IT investment due to network effects: the more other firms are adopting production methods intensive in IT, the higher the returns are to investing in it, so that IT investment booms have powerful feedback effects. The adoption of IT-intensive methods in turn boosts productivity and incomes, which further promotes demand for IT goods and services, encouraging entry into IT-related fields. Mann points to an evolving global division of labor, wherein developed countries tend to specialize in the design of IT hardware and software and production of IT services (which are intensive in skilled labor), and developing countries tend to specialize in production of IT hardware (which is intensive in semi-skilled work). These trends spur further transnationalization of the IT industry and surging trade in services. The book argues that these trends are unambiguously positive for the U.S. economy, but that there are short-term problems to be navigated. Of special importance are the need to make sure that the distribution of skills within the work force matches what is needed to realize the full potential of IT, and the need to reduce barriers to international trade in services.

While the book provides a valuable compendium of information on the IT industry, two aspects of its argument diverge somewhat from scholarly research on the IT industry. First, much of the discussion and evidence presented in the book centers on IT hardware, with hardware said to be “a model for the global evolution of IT services and software” (Mann 2003, p. 1). However, the relevance of the paradigm for hardware to the other segments hinges importantly on the potential importance of globalization in driving the chain of events described above: If globalization has been the key driver behind the observed price declines that have spurred investment in hardware, then continuing globalization of software production and services could well generate similar effects; but if innovation has been the main driver, it is more difficult to argue that the hardware paradigm applies to software and services.

Indeed, much recent research suggests that technological innovation has been the more critical factor in explaining price declines for IT hardware. In the U.S. semiconductor industry, the capital-intensive tasks—like etching circuitry on silicon wafers—are typically done in U.S. “fabs,” while it is the labor-intensive tasks—packaging and testing—that are increasingly done abroad. While transnationalization does let firms save on