

PETER BAUER: ECONOMIST AND SCHOLAR

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I find myself in something of a quandary. It is my allotted and agreeable task to consider Peter Bauer's contributions to development economics. But to assess these contributions is to praise their author. I have, indeed, come to praise Bauer—not, I am happy to say, to bury him: he is alive and well; and I can testify that he is as entertaining and productive as ever. Now—as the early 19th century author, Augustus Hare, emphasized, it is not proper for a gentleman to be praised to his face. It was for this reason that Hare crossed out, in his prayer book, all passages in which the Lord is praised. Peter Bauer is a gentleman—his membership of the British House of Lords is proof enough of that fact. Hence my quandary. My escape route lies in the fact that Bauer is both a scholar and a gentleman. And it is his scholarly work I will be talking about—and I will not even allude to his great personal qualities which are so evident to all who know him well.

When Bauer's earliest contributions to economics began to appear in the journals, development economics was not yet recognized as a separate branch of enquiry or study within the economics discipline. His first writings in any case fell outside the boundaries of that branch. As a young scholar, he wrote on such arcane subjects as interest and quasi-rent, and depreciation and interest; he also had published a paper examining notions concerning monopoly; and an early postwar publication was on Lord Beveridge's plan for full employment. In the first half of the 1940s he wrote several articles on the operations and effects of the British agricultural marketing schemes. These studies are still essential reading for any serious

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student of the subject of so-called controlled agricultural marketing, whether in its specifically British manifestations and context, or more generally.

The early works make two things clear. First, they show that Bauer combines a mastery of economic analysis with a consummate ability to apply it to observed situations and processes. Second, it reveals his remarkable ability to involve himself in, and to assimilate the details of, any situation or process he chooses to study, and to place these accurately within their antecedents and their general context.

It was largely by accident that Bauer's interests turned, after the war, to what came to be called development economics, and in which he came to make his major and formidable contributions to scholarship. It is worth saying in passing, though, that he might as readily have applied his gifts to other branches of economics, such as, say, industrial organization and labor economics. In fact, his work in development economics frequently spreads into and illuminates other branches as well.

By means of a detailed study of the degree of concentration in various categories of imports and exports in West Africa he examined the relationship between product variety and market structure, notably the much higher degree of concentration in standardized products compared with more differentiated ones. He has examined in depth the effects of minimum wage legislation, drawing on his extensive knowledge of many Third World countries. I believe he was the first economist to recognize the extent and economic significance of what has come to be known as the informal sector. He demonstrated the scale and significance of the rubber-producing smallholdings of Southeast Asia and the rationale of some of the methods of their operation which before his work were overlooked or misinterpreted.

Bauer's first steps—or, better, his first major strides—toward and into development economics were taken during World War II. He had worked in a London firm prominent in the Malayan rubber industry. He then used a research fellowship to study that industry, and at the same time was commissioned by the British Colonial Office to prepare a report on rubber smallholdings in Malaya (now Malaysia). The resulting works, *The Rubber Industry* (1948) and *Report on a Visit to the Rubber-Growing Smallholdings of Malaya* (1948), established Bauer's reputation as a scholar. The scholarly qualities I noted earlier are seen to flourish in these works. They are enlivened with detailed observation; complex materials are analyzed and synthesized with expertise and acuteness. A leading novelist, the late J. G. Farrell, acknowledged Bauer's works on the rubber industry as having been most valuable to him in his "attempt to recreate the Far

East of forty years ago" in his novel *The Singapore Grip* of 1978. This is a remarkable compliment to be paid by a novelist to an economist, and reflects Bauer's ability to observe closely and to make significant patterns out of his observations.

A few years later Bauer was again commissioned by the Colonial Office, this time to study trading activities in West Africa with special reference to monopolistic tendencies. Bauer worked on this study for several years, part of the time in West Africa. The result was a massive study entitled *West African Trade*, published in 1954. I know that Bauer thinks this a far better book than his book on the rubber industry. It is certainly unusual in its range, depth, and sustained analysis. Scholars on both sides of the Atlantic have written that it sets standards of writing on the organization and operation of the trading system in LDCs and related subjects by which other works will have to be judged. Its scope extended well beyond the examination of monopolistic tendencies in private trade in West Africa. Thus, for example, he explored the responsiveness of peasant producers to price signals. He explained the role of the multiplicity of traders in economizing resources, encouraging production and promoting economic advance.

In this area Bauer has influenced a number of studies, both by anthropologists and by economists. He demonstrated the analytical and empirical shortcomings of the previously widely accepted proposition, associated primarily with Colin Clark and A. G. B. Fisher, about the relationship between economic advance and occupational distribution. His work includes informative analysis of the rationale of trading methods in West Africa and other less developed areas, the factors influencing the extent of competition in trade, the role of trade in emergence from subsistence production and the significance of the distinction between intermediate and final products in the service sector.

Bauer also studied and analyzed the origins and operation of the state export monopolies in Africa, sometimes termed the marketing boards system. In a number of LDCs statutory bodies were established in the 1940s with the sole right to buy agricultural produce for export. Bauer's meticulous enquiry into the history of the events leading up to the establishment of the monopolistic boards and into their operations is a model of applied economics. His study, fastidiously documented and relentlessly argued, attracted much attention, and provoked a long debate. It was the first of several debates, two or three conducted in print, in which Bauer was the central figure. As regards the marketing boards debate, two points should be made. First, Bauer's analysis of the damaging effects of the Board's price

policies and activities on production and exports (and hence economic advance) has been borne out fully by events.

Second, the West African experience (and to a lesser extent the earlier Malayan experience) launched Bauer on his studies of the economics and politics of price and income stabilization for primary producers. In this work he laid bare the conceptual confusions underlying much of the professional and political discussions of stabilization. He also analyzed the inherent difficulties confronting any stabilization authority or agency, and put forward the case for the use of some formula that would bind the hands of the authority so that its pricing decisions should not lose contact with market price levels and trends.

The West African trade study heightened Bauer's awareness of the politicization of economic life in many Third World countries. This feature of life in much of the Third World has remained a central concern of Bauer's, and gives a particular cogency and realism, as well as a distinctive flavor, to his work in development economics. He is surely correct in emphasizing that extensive government interventions and controls are rarely designed to achieve some improvement in "economic welfare" in line with some precept or other of pure economic theory. And he is surely correct also in emphasizing the various different ways in which the politicization of economic life undermines the economic endeavors of the people and inhibits economic advance.

A number of Bauer's findings successfully refuted widely accepted views, including academic opinion, and went counter to important political, intellectual, emotional and commercial interests. His findings were at times the subject of sustained debate, for instance in the pages of the *Economic Journal* and elsewhere, from which his opponents usually had to retire, hurt. One example must suffice. His book, *Dissent on Development*, was heavily criticized in a review article whose author acknowledged help of some 15 named individuals, mostly prominent academics. In his reply, requested by the editor of the journal, Bauer was able to meet each point of criticism—in its way it is a *tour de force* that has impressed several scholars otherwise unsympathetic to Bauer's general position and approach.

Bauer's work on Malaya and West Africa, on which he spent about 10 intensive years, drew him toward and into the burgeoning general subject of development economics. His observations and reflections convinced him that much of what was being written and taught about development was seriously misconceived and at variance with the facts. He embarked on a more systematic and sustained study of the economics of poor countries, uniquely founded on his firsthand

knowledge of two major territories, one in Asia and the other in Africa. He wrote (or in some cases coauthored) a series of articles that reviewed major publications in development economics: these included review articles on three reports (respectively a United Nations report, and the reports associated with the names of Lester Pearson and Willie Brandt) and on major books by Arthur Lewis, Benjamin Higgins, W. W. Rostow, Gunnar Myrdal, and John Hicks. These articles are notable contributions in that they scrutinized publications which either provided syntheses of prevailing influential views and policy prescriptions or presented *inter alia*, new approaches or ideas propounded by prominent academic economists.

In these papers Bauer was quick to acknowledge any useful new insights or thought-provoking ideas. Their main thrust, however, was to confront what he read with what he had seen and studied in various Third World countries, and to consider new ideas and propositions in the light of economic analysis applied with rigor and precision. He generally found little reason to be impressed by new analytical approaches in development economics or new prescriptions for solving the supposed problems of the developing countries—whether these innovations related, for instance, to the unlimited supply of unskilled labor in poor countries, or to the stages of growth through which a country had to proceed, or to the imperative need for the government of a poor country to “mobilize” its resources and plan and direct their use.

Taking his work as a whole, Bauer has successfully refuted a number of the central propositions of orthodox or mainstream development economics. The propositions include the following: that the poverty of poor countries imposes constraints that perpetuate that poverty; that the interests of Third World countries are damaged by commercial contacts with the West; that the terms of trade persistently worsen for Third World countries; that economic advance in the Third World cannot proceed without extensive government planning and control; that population growth and population pressure are major obstacles to progress and prosperity in less developed countries; that the emergence from poverty of Third World countries entails balance of payments difficulties; and that foreign aid is indispensable for Third World development. Bauer’s achievement has been to challenge successfully influential mainstream propositions—from which important policy prescriptions are still being derived—by the scholarly methods of careful observation, the rigorous application of economic analysis, and reference to economic history.

Professor Amartya Sen, who certainly does not share Bauer’s political position, described him in the *New York Review of Books*

(4 March 1982, p. 3) as “. . . one of the most distinguished development economists in the world, and undoubtedly the foremost conservative one.” In that article Sen described one of Bauer’s essays, “The Population Explosion: Myths and Realities,” as “probably the most perceptive and clear-headed analysis of this confusing problem that can be found in the literature” (p. 6).

Bauer has deviated greatly from the mainstream in his insistence on the crucial importance of cultural and political factors in economic development. He emphasizes the significance for economic advance of the attributes, attitudes, and mores of people and groups. He had observed their importance in his own firsthand studies of the multi-ethnic societies of Malaya and West Africa, and he knows his economic history. Bauer has shown that these factors are much more important than those which usually are singled out by development economists, such as the volume of (monetary) investment, the supply of education, or the presence of natural resources. The neglect of the personal, cultural, and social factors is especially surprising when, in recent years, social arrangements and personal attitudes and motivations have come to be considered to explain differences in economic performance among *advanced* economies.

Bauer has also analyzed the interaction between the conventional variables of economics (and especially of mainstream development economics) with other factors disregarded or treated as parameters in the literature. Some of his writings in this area are rigorous and informative, as for instance his work on the economics and politics of price control in the absence of effective rationing at the retail level.

Bauer has been criticized for not presenting a theory of development in the sense of an overarching theory or explanation of material progress. I think he met this criticism head on, most effectively, in his review article of Sir John Hicks’s *A Theory of Economic History*. A theory of economic development is tantamount to a theory of history, and this, Bauer has reminded us, is a will-o’-the-wisp, however seductive. Hicks found Bauer’s rather critical review article of sufficient interest that he had it included as an appendix in the Spanish edition of his book. I think you will agree that this reflects much credit on both Hicks and Bauer.

In recent years his prominence as a systematic critic of foreign aid has diverted attention from his other contributions. He is much the most prominent academic critic of this policy. But in this area also he is much more of a scholar than a polemicist. He argues rigorously, and has made several major distinctive contributions. Among his many insights is the recognition that the policy of foreign aid and the concept of the underdeveloped world are inseparable. Without for-

eign aid there would be no such aggregate as the undeveloped world, less developed world, nonaligned world, developing world, Third World, or South. He has established that foreign aid is the only common bond or characteristic of these collectivities. Before foreign aid one did not lump together Asia, Africa, and Latin America (three-quarters of mankind) into one aggregate. This is a major insight. Moreover, he was probably the first to point out that it was worldwide interest in foreign aid that gave rise to modern development economics, which did not exist as an academic subject or even as an expression before World War II. There is therefore a causal connection between foreign aid and the large number of academic departments, institutions, and centers of development economics throughout the world.

I have tried to review the nature and scope of Peter Bauer's weighty and extensive contributions to the understanding of the economics of poor or less developed countries and regions and of their economic growth or decline. I must remind you, however, that he is not simply a specialist development economist. In recent years he has written enlightening papers on such diverse subjects as the postwar dollar problem, the economics and politics of income inequality (what he refers to, neutrally, as income differences), and class in Britain.

In a report on *Dissent and Development* (from which I have been authorized to quote on an appropriate occasion) Harry Johnson described the book as "a monumental book of great scholarly distinction. . . . It contains a level of broad scholarship, understanding of methodology, and respect for facts that shows up almost all the development economists, and especially the most popular ones. . . ." The works of Peter Bauer written since 1971 would not have caused Johnson to have modified his assessment. Bauer's contributions to economics have been recognized in his inclusion among the small band of "pioneers of development economics" recently honored by the World Bank, in his election to a fellowship of the British Academy, and now in this splendid Festschrift. The distinction of his contributions has been recognized recently also by the conferment of the degree of Sc.D by Cambridge University, the highest doctorate there other than an honorary degree.

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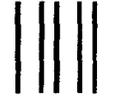
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