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Book Reviews

Vito Tanzi, Ke-young Chu, and Sanjeev Gupta, eds. *Economic Policy and Equity*. Washington, D.C.: International Monetary Fund, 1991. Pp ix + 293.

The most striking feature of this book is its provenance, being the proceedings of a June 1998 conference on 'economic policy and equity' held at, of all places, the IMF. In the old Keynsan quip, the Bretton Woods carve-up made the International Monetary Fund bank for smoothing out currency flows and such and the World Bank a fund promoting economic reconstruction and development. Both, in the first instance, had essentially macroeconomic mandates – stability and growth respectively. Neither, on the prevailing understandings of the time, had much directly to do with issues of distribution and equity.

Being essentially a development agency, the World Bank was sensitized sooner to the distribution of the fruits of economic growth. From the time of Hollis Chenery et al., *Redistribution with Growth* (New York: Oxford University Press, for the World Bank, 1974) to the latest edition of the *World Development Report* (New York: Oxford University Press, for the World Bank, 1999), the World Bank has been increasingly interested in the sorts of indicators called for by the 'basic capabilities' approach as set out (once again) in Amartya Sen's lead paper in the IMF volume under review.

The IMF, in contrast, has stuck nearer its original macroeconomic stabilization mandate. Of course, that task itself changed dramatically with the advent of flexible exchange rates. But the IMF remains essentially a central clearing bank for the world's currencies; and the dominant rationale for the IMF stabilizing member states' domestic economies is still tied to the IMF's larger responsibilities for stablizing international economic flows and smoothing fluctuations in international exchange rates. Small wonder, then, that the IMF has historically been so little involved with more disaggregated questions concerning the distribution of economic welfare within member states. And small wonder, in consequence, that so many participants at this conference expressed incredulity at the IMF sponsorship of a conference focused on equity issues.

Many of the papers contained in this book are genuinely useful restatements and elaborations of themes that have been emanating from World Bank and other such conferences for quite some time. In addition to Sen's 'Economic policy and equity: an overview', other particularly notable contributions to this volume include Anthony Atkinson on 'Equity issues in a globalizing world: the experience of OECD countries' and Alberto Alessina on 'Too large and too small governments'. There are also shorter comments on each block of papers from distinguished practitioners, which are often as interesting as the main papers themselves.

However, the book often has something of a *deja vu* feel to it. New data are offered; new developments are canvassed. But nothing *really* new emerges. A partial exception, but an important one, is the powerful argument of Atkinson (echoed and endorsed by others) that, contrary to what is sometimes said, globalization ('shifts in the demand for skill, arising from trade liberalization and the shift in skill-based technical change', p. 77) leaves plenty of room for individual countries to pursue more-or-less egalitarian policies of their own political choosing with respect to wage dispersion.

In organizing this conference, the IMF was in effect asking, 'What is the proper role for an organisation devoted essentially to macroeconomic stabilization in promoting distributional equity as well?' A hard-line response, pushed by some and given passing respect by many, is 'None'. Stable economic growth is, on this account, the best road for eventually eradicating poverty and improving equity (p. 16). A pragmatic response floated by the IMF Fiscal Affairs Department is to acknowledge the brute fact that 'some societies may view equity as a worthy goal'; and in those cases 'policies that promote equity can increase social cohesion and reduce political conflict' (pp. 19–20), with useful macroeconomic consequences. Finally, there is a 'convergence' response: sometimes, as when making international assistance conditional upon an end to official corruption on a massive scale, institutions such as the IMF might incidentally be serving an equity goal at the same time as pursuing what it intends as principally a macroeconomic goal (pp. 222–3).

The IMF's Deputy Director, Alassande Ouattara, opened the concluding roundtable by asking: 'In promoting growth with equity in its member countries, the IMF has concentrated on promoting macroeconomic stability, structural reforms, good government, implementation of fair and efficient tax systems, growth, human-capital-enhancing changes in the composition of expenditures, and well-targeted social safety nets. How can the treatment of equity issues be further strengthened in IMF-supported programs?' (p. 262). The response he got seems to be, 'That's about it'. One hopes these many distinguished conferees had more pointed suggestions to offer in the informal concerns of this conference than are recorded in this, its written record.

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Peter A. Johnson, *The Government of Money; Monetarism in Germany and the United States* Ithaca, New York: Cornell University Press, 1998 £29·29.

In this book, Peter A. Johnson poses a seemingly narrow question: Why did the United States Federal Reserve take much longer than the German Bundesbank to embrace monetarism? In answer, he produces a broad-ranging, engaging and iconoclastic comparison of the politics of monetary policy in the United States and Germany. In the most direct sense, Johnson traces the policy difference to the different 'corporate culture' of the two central banks. Corporate culture refers to decision-making style, informal authority patterns, and openness to expert advice. Whereas the Bundesbank's collegial culture was open to new expertise, the Federal Reserve's hierarchical, chairman-centred culture was closed. The openness of the Bundesbank permitted an 'efficient mobilization of expertise' impossible in the United

States. By 'mobilization of expertise', Johnson means the speedy adoption of monetary targeting.

Central bank corporate culture broadly reflects its environment, especially the extent to which there are universalistic economic institutions. These include finance, labour, government, and economic advice. Most important, Johnson argues, is the structure of financial institutions. Whereas Germany has universal banks combining investment and commercial banking in large nation-wide corporations, United States finance has been fragmented both functionally and geographically. Thus, the Fed's most direct constituency, its member commercial banks, has been parochial and politically weak. The Fed and its constituency have been focused on bank regulation rather than on monetary management. The German banks are highly involved with corporations as shareholders and take a much broader view.

Still, Johnson tell us, the key in Germany is not the commercial banks but the Sparkassen; the savings banks closely tied to regional (Laender) governments. The Sparkassen 'steadily displaced the big three commercial banks as the principal political constituency of post-war German central banking', (p. 45). Through the representation of the presidents of the Land Central Banks, the Sparkassen supported inflation control more than did the big commercial banks, which focused on promoting exports. The Sparkassen played a critical role in the development of German monetarism by providing financial support for the monetarist economists who constituted the Konstanzer Seminar, launched in 1970.

As Johnson notes, in the United States, at the same time, the Federal Reserve Bank of St. Louis was similarly providing a hospitable breeding ground for monetarists. However, the key difference was the way the Fed's decision making culture concentrated power in the hands of an anti-monetarist Chairman. In the Bundesbank Council, the anti-inflation and pro-monetarist views of the regional bank presidents had more weight.

The most important new element in this book is the analysis of the Bundesbank's policy innovations of the 1970s. This account is found especially in chapter 3, which draws on documentary sources and informant interviews, of which four are identified as Bundesbank officials. All in all, this history strikes me as credible and informative. I have not encountered another discussion of this period that is as thorough.

The analysis of Federal Reserve policy-making includes little 'news' for scholars of United States monetary politics in terms of factual materials, data sources, or specific historical insights. The novelty is the larger argument about the Fed's corporate culture and its functional relationship to financial sector structure and economic advice. The test of this argument is, of course, the plausibility of the comparison of policy in the United States and Germany.

Johnson makes a good case that the Fed Chairman has emerged as a dangerously powerful individual actor. But is it a case we should accept? Is his explanation for the Fed Chairman's power persuasive? Did German universalistic institutions present different policy problems more amenable to a monetarist solution than the fragmented structure in the United States? If so, then the link to corporate culture would be spurious. How have monetary policy and central bank culture developed in other countries with universal financial structures. Were they equally quick in embracing monetarism? Could we change the power of the Fed Chairman through rather straightforward institutional reforms of the FOMC or would that require a change in the financial system?

Johnson's central and debatable assumption is that the adoption of monetarism was desirable and inevitable. That is why the Fed's slow embrace of monetarism is problematic. Because of his assumption, Johnson does not take seriously the concerns of non-monetarists about the practical problems of implementing monetarism. He minimizes the difficulties of identifying the 'correct' monetary aggregate and ignores the instability of monetarist dicta on technical issues. What are we to make of continued German monetarist criticism of the Bundesbank, at the time Johnson tells us monetarism reached its peak in the Bundesbank? The fact that Carter's distinctly unmonetarist economic advisors criticized the Fed's policy under Chairman Miller suggests that lack of monetarism might not be the key to United States policy failures.

Too often, for my preferences, the citations here are inadequate for scholarly work. I can well imagine that Johnson was asked by his publisher to reduce the number of footnotes and citations. If so, it's a pity. Specific authors are mentioned in the text but the works are not actually cited. There are many non-obvious factual claims with no reference to a source. Sometimes the source cited as authority for a factual statement is a secondary source rather than the appropriate primary source.

Peter Johnson has produced a work that is admirable in its breadth and scope, one fearlessly intent on modifying our received wisdom. This book certainly raises many interesting issues, and future scholars will have ample cause to probe Johnson's arguments.

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Meredith Turshen, *Privatizing Health Services in Africa*. New Brunswick, N.J.: Rutgers University Press, 1999.

Privatizing Health Services in Africa is written in anger at what the author sees as the 'deliberate destruction of viable government institutions in the name of new international policy to privatize the health sector'. The author contrasts 'dreams of equality, equity and the end of poverty' with the 'goals of economic efficiency', and ignores in the process that efficient use of resources could make an important contribution to the reduction of poverty in developing countries.

Turshen equates public health with state health services and thereby gives little attention to the critical role that population-based services with substantial positive externalities or public good character have in achieving better health outcomes in developing countries, where these services are provided by the state or by non-government agencies under state mandates and financing. For her the 'abandonment of public health in Africa is part of the global assault on public services', whereas a more nuanced view might see that public health services, as distinct from public sector provision of health care, remain central to the mainstream vision of the reforms needed for better health outcomes in Africa.

Turshen's indictment does not spare private voluntary organizations. She claims that 'the move from free to paid health services, from public to private health care, and from minor to major roles for charities correlates with increases in illnesses and fatalities'. Yet, her perspective remains that of the leftwing visionary of the 1960s and 1970s, with emphasis on the discredited New International Economic Order. Her references to adjustment policies 'that require most governments to reduce public sector expenditures' is contradicted by the reality that in recent years most adjustment programs supported by the World Bank in Africa have set floors or targets for increases in public expenditures on health. From FY87 through FY95 two-thirds of the Bank's structural adjustment loans in Africa included health-related fiscal measures, largely of this type. From 1980 through 1991, both real per capita central government health expenditure and the health share in total government expenditures were higher in adjusting than in non-adjusting countries.

Privatizing Health Services in Africa has many detailed footnotes and an extensive bibliography. It is surprising, nonetheless, that the author's passion leads her occasionally to overlook even facts that she cites. For example, she refers to 'economic reforms that required deep cuts in public expenditures on health and other social services', with a table of data to demonstrate this proposition containing comparative data for different years on seven African countries. Of these seven countries, her table shows that the health share in central government expenditures declined in only three countries, one of which, Botswana, was not engaged in major economic reforms with the Bretton Woods. The health share rose in three countries one of which, Ghana, was responding in this action to economic reform. The strongest part of Turshen's book is her case studies on various dimensions of health services in individual African countries. Yet even there her tendency to sweeping generalizations and ascription of motivation is clear. She writes, for example, that 'one may conclude from the experience of Zimbabwe that the main impetus for forcing countries to reform is ideological rather than economic or democratic'.

Turshen's ideal model is the Alma Ata Declaration on Primary Health Care, with all services provided and financed by the state. Yet, no less an authority that the UN Secretary-General has observed a fundamental shift in recent years at the United Nations in attitudes towards the private sector. 'Polemics', he writes, 'have given way to partnerships'. Turshen castigates market failures in the private sector yet ignores government failures in the public sector.

Like a number of other critical observers, Turshen sees the World Bank displacing WHO as the major force in international health policymaking. This finding of tension between the two organizations is neither helpful nor healthy nor accurate.

Turshen ignores the realities of cost and resource mobilization: In *Investing in Health* (1993) and *Better Health in Africa* (1994), the World Bank documented the cost of a basic package of health services in low income countries at around thirteen 1990 US dollars. With public spending on health averaging less than half of this, it would be unrealistic to argue for total public financing of the basic package in Africa. The challenge is to design cost sharing and payment mechanisms that mobilize private funds to support joint public-private purposes, regardless of whether the services are actually provided by a public agency or a non-governmental one.

On one major point it is good to see agreement between Turshen's critique and the perspectives of the World Bank, namely in the recognition that Africa's health services are excessively donor-dependent.

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The World Bank

William T. Gormley, Jr. and David L. Weimer, *Organizational Report Cards*, Harvard University Press, 1999, pp. xi, 272. Price £24·95 (cloth). ISBN: 0–674–64305–X.

This book claims to be the first comprehensive study of organizational report cards. The report card is viewed as an instrument for assessing the quality and costs of services delivered by schools, hospitals, health maintenance organizations, nursing homes and other service-providing organizations. As a policy instrument, the report card is distinguished from related forms of organizational performance measurement, monitoring and accounting. It is defined as 'a regular effort by an organization to collect data on two or more *other* organizations, transform the data into information relevant to assessing performance, and transmit the information to some audience external to the organizations themselves' (p. 3).

The aim of the book is to clarify under what circumstances organizational report cards will help improve organizational performance. When designed and applied properly, report cards are assumed to provide knowledge that reduces information asymmetries and makes consumers and purchasers able to make more informed choices among available services. Furthermore, report cards are assumed to make managers and organizational members aware of performance problems and motivate them to improve. The book focuses attention on how to design productive report cards. For what purposes can report cards be used? How should they be designed in order to be useful to, and used by, clients? Who should make report cards and what should be the role of government in such processes?

Gormley and Weimer discuss and assess report cards in terms of their validity, comprehensiveness, comprehensibility, relevance, reasonableness and functionality. They are well aware of many problems. Potentially, the report card is a useful and powerful policy instrument, yet it may do harm and trigger dysfunctional organizational responses. Consumers, purchasers and service-providers may simply ignore reported results. The methodological problems of isolating the marginal contribution of an organization to performance and outcomes are significant. 'Report cards only reveal what an organization has accomplished, not how and why the accomplishment has occurred' (p. 162). Notwithstanding many complications, in the end the authors seem convinced that report cards are useful policy instruments and that they are here to stay.

Large parts of the book address the practical and technical aspects of improving the design and use of the report cards. A key question is: 'How do we design report cards that are scientific enough to be credible but simple enough to be understandable and cheap enough to be acceptable?' (p. 203). The practical utility of the answers given are not always obvious. Consider for example a conclusion such as 'The competing demands of validity and comprehensibility can be reconciled if report cards are designed with both in mind' (p. 210). In the end, and typically for their practical approach, the authors hand out a report card on exemplary report cards (p. 226).

It is easy to agree with Gormley and Weimer that there are good reasons to be concerned with the performance of large-scale service-producing organizations. They affect our lives in important ways. Their performance is variable and across the Western world there have been increasing demands for better quality control and accountability. Such demands often reflect reduced trust in teachers, doctors and other professions and they have contributed to what Michael Power in *The Audit Society* has called 'the audit explosion'. Whether the current performance monitoring and control of service-organizations is seen as too limited or as excessive, the result has been that external auditors have increased their power. Likewise, those who perform the primary activities and provide services have lost authority, power and status.

Gormley and Weimer's practical, technical approach tends to reduce their ability to deal with a larger, societal perspective. In particular, Chapter 3: 'The Politics of Report Cards' is of limited help when it comes to understanding the often reported resistance to externally imposed performance measures. That is why there are fierce inter-institutional, inter-professional and political conflicts over organizational assessments and accounts, and why 'rational' performance measurement techniques like report cards turn out to be politically infeasible.

Possibly, the book could have benefited by being somewhat more comparative. The roots of report cards are traced to Florence Nightingale and others. Yet, Gormley and Weimer take little interest in how other countries than the United States have coped with the problems of performance measures and quality control of service-providing organizations.

Possibly, the lack of comparative analysis is linked to the fact that the book is premised on a specific model of what motivates human action and what makes institutions and organizations work well. While theoretically somewhat eclectic, the book never transcends in any systematic way a rational choice framework. Improving service quality is a question of designing the right incentive structures. Only when external and often financial rewards and punishments are right will consumers, purchasers and suppliers act rationally. In the wings is the idealized-model of private firms operating in competitive markets, answering to customers for the price and the quality of the goods delivered.

Interestingly enough, Gormley and Weimer observe that 'the norms and habits that comprise organizational culture play an important role in determining the overall organizational response' (p. 128). This observation could have been, but is not, used to open up a Weberian perspective. For Weber, modernization and rationalization of Western society has produced institutional differentiation. A number of partly autonomous institutional spheres are based on different logics, types of rationality and organizational principles. Therefore, introducing a means-end rational tool like report cards can be analyzed as a conflict between different institutional logics and types of rationality.

In this perspective, resistance to report cards, as well as to a variety of other seemingly rational instruments promoted by the New Public Management and similar reform movements, can be based on very different types of motivation. Sometimes opposition may turn out to be caused by organizational laziness and inertia or by illegitimate defence of special interests and privileges. At other times, however, controversy may reflect a legitimate defence of institutionalized values, constitutive identities and interests embedded in other rationalities, behavioural logics and organizational principles than those of the calculation of economic self-interest, strategic exchange and competitive markets.

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