

observation in mind, and noting that the sense of optimism is understandably cautious, in the judgment of this reviewer the book is *definitely* readable. It is a useful contribution to the professional literature on the post *doi moi* era of Vietnam's national economic development.

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***Taiwan's Development Experience: Lessons on Roles of Government and Market.* Edited by Erik Thorbecke and Henry Wan. Boston: Kluwer Academic Publishers, 1999. Pp 454.**

As a general review of Taiwan's 50-year economic development experience, the 16 essays from a conference and 3 other chapters (overview, conclusions and epilogue by the editors) collected in this book cover a broad range of economic development topics. Facing the controversial issue of why government interventions in some nations are successful but not in others, the book provides a detailed discussion and enlightening contribution on the role of government in economic development based on Taiwan's experience. This reviewer read the book with great enthusiasm and benefited significantly from the broad arguments of the contributors most of whom are well-known scholars in this field.

The nineteen chapters are divided into six parts: (1) Introduction; (2) Macro policies and reforms in Taiwan's development; (3) The Liu-Tsiang policy proposals; (4) The role of agriculture, industrial policy, human capital and labor institutions in Taiwan's development; (5) Relevance of the Taiwanese experience to other third world regions; and (6) Conclusions and epilogue.

The book starts with an overview by the editors, who summarize the book with five interrelated themes: (1) Outward-orientation vs. inward-orientation; (2) Sources of growth; (3) Dynamic balanced growth process: the interaction between

agricultural and non-agricultural sectors; (4) The role of government in the transition to a more market-oriented economy; and (5) The potential transferability of the Taiwanese development experience to developing countries.

To explain why Taiwan avoided being trapped into the ineffective inward-looking strategy by a quick shift from import-substitution policy to export-promotion policy in early 1950s, Gustav Ranis in Chapter 5 emphasized the role of well invested agricultural production and exports which supported the early economic growth. As for government policy, much of the credit for the policy change was given to T. C. Liu and S. C. Tsiang who recognized the ineffectiveness of the anti-comparative advantage policy in the early 1950s (Chapter 9). One untested hypothesis raised by Justin Lin in Chapter 7 is that small economies might not be able to survive for long if they could not make good use of their comparative advantages.

The existence of the Taiwan miracle is evidenced by the persistent growth of total factor productivity and the smooth capital accumulation without diminishing returns. John Fei and Yun-Peng Chu in Chapter 9 explained this result in terms of the process of modernization in political and economic institutions, democratization in political institutions and marketization in economic institutions, and liberalization. In their study, the traditional Chinese cultural values are analysed, though the conclusion might not be agreed universally (Chapter 2). At the micro level, development of the flexible small-scale enterprises, labour education (Chapter 12), and banking system reform all play a role.

The successful intersectoral structural transformation is probably the most remarkable phenomenon observed in Taiwan's development, especially the latest change from a labour-intensive economy to the high-tech and capital-intensive economy of the last decade, which is a critical step for Taiwan to move into the category of developed country. This smooth transition is characterized by a good interaction between agriculture and industry, i.e., in addition to the supply of finance to industrial development, well

invested agriculture contributed an even larger flow to the rest of the economy; there was also a large investment in education (Chapter 12 and Chapter 13); and rural industrial decentralization (Chapter 5).

The role of government in Taiwan's development can also be seen in the book in three aspects: (1) Macroeconomic foundations; (2) The role of government in agriculture; and (3) The role of government in industry. In managing the macro policies, the early stage price stabilization was achieved by monetary reform, foreign exchange reform, preferential interest rate deposits and a balanced budget. That was followed by limited trade liberalization and achievement of a unified and equilibrium exchange rate in the late 1950s; a balanced budget in the early 1970s and liberalization of the capital market in the late 1990s (Chapter 3). Government intervention in Taiwan's agriculture existed throughout the whole process between 1945 and 1973 characterized by five elements: (1) the land reform measures; (2) the integrated functions of the Joint Commission on Rural Reconstruction (JCRR); (3) the set of policies and taxes that were used to squeeze agricultural surplus; (4) a choice of labour-intensive technology in agriculture and manufacturing; and finally (5) the regional and rural decentralization of industrial development to absorb rural labour (Chapter 10). In terms of industrial policy, the long-term outward-orientation policy could be the most important and profound one which guided Taiwan's industrial development substantially, including subsidized interest rates, fiscal incentives attached to export performance and many others to encourage selective industrial development.

The book, however, does not assess the effect of one very important factor, viz. the international political environment for the past 50 years, within which Taiwan enjoyed free access to the markets of the United States and some other developed countries. This fact made the comparison in Part V less credible since other developing countries were in very different situations.

Overall, the meaningful arguments in the book are that the Taiwanese Government had made right

choices at right time given their conditions. Covering a wide spectrum of topics in Taiwan's development, the study methods are of different styles, rationales are supported with different types of evidence. As one of the old Chinese sayings indicates that the success could be attributed to three factors, timing, position and effort, which might be a short summary for the major focus of the book in explaining Taiwan's success.

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***Competition and the World Economy: Comparing Industrial Development Policies in the Developing and Transitional Economies.* By Francisco Sercovich et al. Cheltenham, UK: Edward Elgar, 1999. Pp. 450.**

This substantial book is a collaborative effort between seven authors and aims to update and review new trends and challenges in manufacturing competitiveness and industrial policies in developing countries and economies in transition. It is addressed to policy-makers in the broadest sense, including policy formulators and practitioners and policy consultants, specialists and analysts in the private and public sectors and academia as part of a broader UNIDO initiative to develop a policy dialogue, "comparing practices, developing common indicators and criteria for assessment, agreeing on common rules and calibration systems and setting up an interactive information network and management system for data" (p.3). It hopes to make information on policy developments in the area of industrial policy more accessible, transparent and comparable, and to promote awareness of policy matters connected with industrial development. In particular to reassess the role of industrial development policy in a more open market-driven international environment where private investment plays a key role.