

record of poverty alleviation and its trade policy, respectively. Poverty incidence has fallen quickly, driven by rapid growth together with programs in education, rural development and industrialisation. Significant challenges remain, however: the management of the very large, mainly low-income, foreign worker presence; continuing high levels of inequality, both in aggregate as well as across regions and ethnic groups; and the special needs of those in the 'hard core' poverty group. Trade policy was initially multilateral in approach, apart from the special case of ASEAN. However, over the past decade the government has felt compelled to negotiate a number of bilateral and regional agreements, which are more far-reaching and may affect some sensitive services sectors.

Joan Nelson examines policies and outcomes in the education sector, including a detailed discussion of NEP education interventions. Clearly, educational outcomes in aggregate have improved rapidly, and the desired goal of narrowing inter-ethnic labour force differences has been substantially achieved. There are however questions related to educational quality, and whether the state-dominated university system is supplying graduates with the requisite skills for a country intent on industrial upgrading. Language policy and ethnic quotas continue to be sensitive issues.

In the concluding chapter, Joan Nelson notes that while globalisation has affected many aspects of Malaysian society and policy, the country's '[...] economic policy space has been surprisingly unconstrained by globalization pressures' (p.313). Whether the past successful formula can be maintained is an open question, according to the author. First, a ruling coalition in continuous power since independence has arguably bred aloofness and capture by vested interests within UMNO. Second, the affirmative action programs need to be reformulated so that they are needs-based rather than race-based, yet this will encounter strong opposition. Third, the country's public institutions, and particularly its bureaucracy, may not be adapting quickly enough to the challenges posed by high-growth countries in the neighbourhood.

Other chapters in the volume examine the country's 'Look East Policy', health policy, Islam and cultural policy. It is a landmark study, and model of how to conduct country-based inter-disciplinary research addressing an

important contemporary analytical and policy issue.

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Development Economics through the Decades: a critical look at 30 years of the World Development Report

Shahid Yusuf, with Angus Deaton, Kemal Dervis, William Easterley, Takatoshi Ito and Joseph E. Stiglitz. The World Bank, Washington DC, 2009. Pp. xiv + 188, ISBN 978 0 8213 7255 5

This interesting, short book provides a survey of development thinking over the last three decades with particular reference to the changing content and focus of the Bank's flagship annual report, the World Development Report (WDR), which began its life in 1978. Shahid Yusuf is the main author. Angus Deaton, Kemal Dervis, William Easterly, Takatoshi Ito, and Joseph Stiglitz provide commentaries.

Yusuf's contribution charts the elements of change and continuity in development thinking in recent decades. He notes three big shifts: 'from state-directed to market-guided development, from structural to sectoral issues, and from macroeconomic concerns to microeconomic ones' (p.45). The elements of continuity are also striking. The first WDR to draw attention to the importance for development of the quality of government was in 1983. The first WDR to focus on poverty reduction was the 1980 one.

Perhaps the bigger changes in the WDR are in style and approach. The first WDR had 68 pages of text, and no references; the 2008 WDR runs to 365 pages and has hundreds of references. Over time, both the analysis and the recommendations have become more complex. The 1994 WDR on infrastructure confidently supported privatisation of state utilities. A decade later, and with, at best, mixed results, the 2003 WDR on service delivery explicitly rejected a one-size-fits-all approach in favour of a menu of eight possible and quite different approaches to the reform of government services.

Yusuf thinks that with ever longer reports on ever more narrow topics, and in the face of stiff competition from the many imitators it has spawned—inside and outside the Bank—the

WDR has lost its way. But he is optimistic about the future. The WDR can be reinvented, and 'again become a vehicle for mobilizing global opinion and for guiding strategy' if it starts to 'deliver messages on crucial elements of development strategy' (p.104).

Angus Deaton dissents from Yusuf and argues that the WDRs will never regain their pre-eminence, because the Bank has (irretrievably) lost its. I share Deaton's scepticism, though not his reasoning. The problem is not that the Bank is no longer the premier global development institution, but that there are no longer clear answers to big questions.

I have already mentioned the prevailing agnosticism around service delivery. More generally, institutions are now widely regarded to be critical for successful development, but there is no clear menu of institutional reform. On growth, Easterly concludes that 'we don't know how to raise growth in the short to medium term' (p.122). Not all would go as far as Easterly, but few would dispute the conclusion of the recently-concluded Commission on Growth and Development that there is 'no generic formula' for growth. Against this background, it is over-optimistic to think that analysis of the complex topics that Yusuf proposes to rescue the WDR—including how to build resilience, and the politics of development—is likely to result in the production of 'practical guidance and rules of thumb' (p.87).

Perhaps the WDRs are best conceived of as global research projects, which try to illuminate rather than fully resolve important areas of development policy. Deaton argues that the most important contributions of the WDRs have been not their policy prescriptions but the provision of new data, not only the World Development Indicators (which started with the WDR, but have now been spun off), but also innovations such as the DALY (disability-adjusted life years) measure introduced in the 1993 health WDR, and measures of service-provider absenteeism in the 2003 service delivery WDR. Building on this tradition of global research would play to the Bank's strengths, would be useful for both academics and policy makers, and is perhaps the best that can be hoped for in a world in which there are no longer easy answers to the difficult questions that the WDRs have been posing for the last 30 years.

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Innovation for Development and the Role of Government: a perspective from the East Asia and Pacific region

Qimiao Fan, Kouqing Li, Douglas Zhihua Zeng, Yang Dong and Runzhong Peng (eds)
The World Bank, Washington, DC, 2009
Pp xix + 204, ISBN 978 0 8213 7672 0, ISBN 978 0 8213 7673 7 (electronic)

Published as a post-2006 conference volume by the World Bank in collaboration with the Asia-Pacific Finance and Development Centre in China, the eight chapters in three parts examine innovation and competitive development, financial development, and China's government policies.

Unsurprisingly, China's innovation is explicitly clear. A proactive role of government ensures indigenous innovation, especially in small and medium-sized enterprises (SMEs), establishes a national innovation system with market guidance, and ensures protection of intellectual property rights (IPRs). Agenda-setting from above has a clear mandate, given the externality and public good nature of research and development (R&D). Innovation and new products, processes, markets, supply sources, and distribution also need the softer aspects of management practices and organisation structures to grow and deliver.

Of the factors identified in Chapter 1, Part 1, the U-shaped relationship between innovation and competitiveness is balanced by the government's role in making the right policies for IPRs and the business environment and enabling human resource development. Traditional industrial clusters—from Silicon Valley to US automobiles—are contrasted with government efforts in Korea and Singapore to catalyse transformation; and technology funding in Finland and Norway is contrasted with the latter's emphasis of technology transfer to SMEs. All ensures competitiveness as capabilities for sustainable economic growth and increases in living standards. Market structure and market power may dictate financial resources for R&D. But an innovative culture in Bangalore and SMEs as innovative growth agents can be as successful.

Part 2 includes Chapter 2 on what financial innovation does, followed by Chapters 3 and 4 on China's financial sector, and Chapter 5 on Asia-Pacific Economic Cooperation (APEC). There is no mention of either the 2002 dot com boom-and-