on business. This book is a welcome addition to the literature that presents business not as an *eo ipso* morally questionable activity but as an exciting and profoundly human enterprise that can contribute much to the common good if its purpose is understood and heeded in the day-to-day scramble for competitive advantage.

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The Quest for Prosperity: How Developing Countries Can Take Off

Justin Yifu Lin

Princeton, New Jersey: Princeton University Press, 2012 (344 pages)

Justin Yifu Lin's *The Quest for Prosperity: How Developing Countries can Take Off* is a stimulating read for students, professors, and those generally interested in development theory. The only possible downside to the book is the amount of repetition used to emphasize, but in stealth fashion, that the Heckscher-Ohlin-Samuelson (H-O-S) Theory of comparative advantage is the golden path of enlightenment for optimal development growth. To his credit, Dr. Lin's defense of the theorem as a strategy for achieving and optimizing growth for developing countries has never been better explained or defended. He accomplishes this task without a single equation, offer curve analysis, or Edgeworth Box contract curve derivation of production possibility frontier. The complexities of the theorem are made readily accessible to the lay reader.

Curiously, Lin never refers to or even mentions the H-O-S theorem, perhaps purposely. A reading of Lin's book is also enjoyable because of his manifest intellectual rigor, impeccable underlying research supported by numerous historical case studies and detailed references, and the revelation that Lin is an incredibly well-read and learned person. Lin holds a PhD from the University of Chicago, was the chief economist at the World Bank (2008–2012), and is presently a professor of economics at Peking University.

Supported by research (*The Growth Report: Strategies for Sustained Growth and Inclusive Development*) led by two Nobel Prize winners, Michael Spence and Robert Solow, Lin delivers a well-argued path for successful development conditioned by common economic choices made by countries that were able to dramatically improve their standard of living through sustainable growth over a period of decades. The most important of these economic choices hinged on the expansion of their manufacturing bases, well-timed movements to sophisticated industrial products, pursuit of export-promotion strategies instead of import-substitution strategies, and governments that were proactive in helping the private sector to enter new industries through special trade zones by way of the provision of soft and hard infrastructures. Their governments devoted substantial portions of public resources to improve both the health and the education of their populations. Most importantly, according to Lin, these economies focused on products aligned with their comparative advantage based on their relative input endowments (i.e., H-O-S theorem).

Just as important, their governments did not incorrectly channel resources into areas not linked to their comparative advantage. Lin recognizes that prescriptions for development are not unique and are dependent on a number of factors (e.g., landlocked geography, resource availability, and culture). However, as noted at the end of this review, Lin has a common recipe for positive development growth.

Lin is not suggesting that governments should micro-manage their economies. He is a strong believer in well-functioning markets where competition prevails and the market pricing of commodities and inputs appropriately allocates resources. Government's role is to provide the "soft and hard infrastructure" necessary to encourage an allocation of resources to commodities of a country's comparative advantage. Soft infrastructure includes education funding to build human capital, meaningful legal institutions with a commitment to the rule of law and contracts, and competitive financial institutions. In terms of hard infrastructures, it is essential to have reliable "power supplies," "telecommunications networks," and a supportive system of "roads and transportation facilities." Lin also notes that governments must be "credible and capable," void of bribery and extortion.

Also meaningful is Lin's list of unwise government activities that tend to inhibit growth. According to Lin, governments should not subsidize energy, rely on civil service to deal with joblessness, provide open-ended protection to domestic or foreign-owned firms, impose price controls to dampen inflation, ban exports for long periods, ignore environmental issues, or overregulate the banking system. He also offers plenty of historical evidence of governments that misallocated resources into uncompetitive industries and thus inhibited or caused negative growth—for example, Nehru's failed emphasis on heavy industry in India, Nkrumah's support for industries not aligned with Ghana's comparative advantage, Suharto's growth-inhibiting protective trade policies in Indonesia, Nasser's failed "Arab Socialism," and Senegal's support for state-owned "sophisticated capital intensive industries" that could not compete in open markets.

He correctly notes that all governments, developed and developing, have been involved in the growth of their economies. Unfortunately, most have failed. Even Obama's green industries' initiatives, although well intentioned, have devoted resources to firms that cannot compete on a global level or successfully produce without subsidies. Thirty-three of Obama's federal agency-supported green firms have already failed or are highly likely to fail—for example, Solyndra and Fisker Automotive (see Ashe Schow, "President Obama's Taxpayer-Backed Green Energy Failures," and *The Foundry*, The Heritage Network, October 18, 2012).

Can government "pick winners"? Lin suggests that this may be possible and offers evidence from China, Chile, Korea, Mauritius, Finland, Ireland, Slovenia, Malaysia, Singapore, India, and Vietnam. Lin's solution seems simple: Countries should mimic commodities produced by other countries with double their standard of living that have had "dynamic growth" for the past twenty years. The developing country will have an immediate labor endowment advantage and be competitive in world markets. Lin also states that the range of goods and services in which a country has a competitive advantage is dynamic and will increasingly advance to more sophisticated commodities. The key is not to advance

too quickly into commodities where one is unlikely to be competitive in world markets. A second suggested method would be to set up the appropriate environment (i.e., the soft and hard infrastructure mentioned above) to attract foreign direct investment. The private sector is more likely to choose the winners because of the possibility of bankruptcy and the incentive to make profits. Positive-growth contributions, Lin says, are empirically associated with those foreign firms that are not subsidized and are forced to compete in world markets. Finally, if countries are fortunate to have an abundance of natural resources, Lin advises that they use these resources to build up their soft and hard infrastructures to support product movements in the direction of their comparative advantage.

According to Lin, the bottom line for reducing world poverty is that developing countries need growth! This runs contrary to those on the left who have an odd Malthusian view of growth being so environmentally damaging that it perversely reduces the standard of living and benefits only a small number of wealthy individuals. The only solution the left's self-proclaimed development experts offer for curing poverty and simultaneously improving the environment is to reduce the supply of humans on this planet through a variety of methods including abortion and birth control. If you have no moral or ethical standards, this may seem logical. As recognized by Hayek, it is the worst of individuals who rise to become the leaders of countries with totalitarian regimes. Historically these political dictators have predictably eliminated millions of productive and creative citizens who are not agreeable to their national socialist positions. They worsen poverty rates and the environment. Lin's findings and volumes of supportive growth studies show that sustainable growth not only reduces poverty but also eventually leads to substantial improvements in the environment (see Gene Grossman's and Alan Krueger's seminal paper, "Economic Growth and the Environment," *Quarterly Journal of Economics* 110, no. 2 ([May 1995], 353–57).

Lin's deliberations on the role of government's providing the soft and hard infrastructure to support private-sector development of firms aligned with their comparative advantage are convincing. Admittedly he also makes a compelling case for developing countries' being able to "pick winners" based on his "Recipe for Economic Prosperity," that is, his six simple steps on pages 245–46. However, I am still a skeptic and would like to see more research based on Lin's recipe. I both enjoyed Lin's book and strongly recommend it.

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