

quantity of labor supply because its workforce has grown fast and works long hours. Second, Asia has injected a greater amount of capital into the economy because it has a high savings rate. Third, most Asian countries have improved the quality of their labor force through education and training. And fourth, most Asian countries have a set of factors that enhance the efficiency with which the first three elements are combined. Those factors include an enlightened authoritarian government dedicated to economic growth and able to resist the claims of special interests, little provision of public welfare, openness to the outside world, and a central position of the family relative to the state and the individual.

Regarding the future of Asia, Rohwer argues that the keys to Asia's long-term future are (1) whether Asian firms and governments can successfully create more transparent and predictable institutions, and (2) whether Asia achieves a geopolitical balance that will allow its huge and divergent states to live in peace. The author is optimistic about the future of Asia. He believes that Asia's growth will continue for the next 25 years, even though it will slow down around 2000 when institution building gets under way.

When West meets East, Rohwer maintains that the West should be glad about Asia's rise. Far from being a threat, the rise of Asia provides unprecedented opportunities for the West. Asia's relatively cheap but qualified workforce provides Western firms with an attractive place to set up factories. The emergence of a middle class in Asia offers the world's fastest-growing markets for consumer goods and services. Asia is also becoming the fastest-growing market for global capital. If investors, businessmen, and bankers in developed countries succeed in capturing those opportunities, they will benefit from Asia's emergence.

Asia Rising is a rich and optimistic book. Rohwer definitely has an excellent grasp of the dynamics in Asia. He has the ability to describe what has happened in Asia during the past two decades and identify its underlying causes. The book probes aspects of economics, politics, culture, and international relations both in the past and the future. Rarely have I seen a single book that covers so much on the economic performance of Asia.

The four elements of Asia's growth proposed by Rohwer are not new, either empirically or theoretically. Many empirical studies have identified those four elements as the sources of growth in Asia. Economic theories have also made it increasingly clear that, in addition to factors of production, politics, institutions, policies and ideology matter in the performance of an economy. They affect the performance of an economy at a point in time through their effects on the efficiency with which factors of production are combined. They also affect the dynamic efficiency of an economy through their effects on technological changes and the type and amount of human and physical capital that the economy accumulates over time. It is well known that Asia's growth has much to do with its governments, its emphasis on family as the basic social and economic unit, its policy of economic opening, and its public welfare system.

To the extent that Rohwer propounds a thesis, it is the assertion that the existence of enlightened authoritarian governments that refuse to accommodate the claims of special interests was responsible for Asia's growth in the past and their continued presence is beneficial for the future development of Asia. Rohwer's basic point is that an enlightened authoritarian government that can resist the claims of special-interest groups has a greater capacity to set economic policy according to the national interest and introduce policy changes when necessary. That in turn makes it possible to have low taxes, low levels of government spending, and little provision of public welfare. The basic theme of *Asia Rising* is that Asia has grown faster because it has so far escaped the special-interest trap that lobby-based democracies face.

Rohwer's thesis about the role of an authoritarian government in resisting the demands of special interests is provocative but open to debate, both empirically and theoretically. Empirically, there are Asian case studies which demonstrate that policy formation in Asia has been the outcome of interactions between special interests and state actors, rather than decisions made solely by state actors. MacIntyre (1991) presents three industry case studies which show the rising influence of business interest groups in Indonesia. Laothamatas (1991) documents the rise of interest groups within the business community in Thailand. Hayami (1988) emphasizes the role of agricultural interest groups in shaping the agricultural policies in Japan. Daldwin, Chen, and Nelson (1995) note the influence of interest groups on Taiwan's trade policies. Shirk (1993) stresses that the Chinese economic reform has proceeded by accommodating rather than resisting the demands of vested interests. The policy formation in Asia is clearly not isolated from the influence of interest groups.

Theoretically, Rohwer presumes that the benefits of resisting the claims of special interests are indisputable. Bhagwati and Srinivasan (1980), however, first recognized the possibility that rent seeking by special interests may actually improve welfare in the presence of a distortion. Milgrom (1988) notes that rent seeking inside a firm may motivate individuals to bring their asymmetrically held information to bear on management decisions. Cowen, Gkazer, and McMillan (1985) show that pork-barrel politics and corruption may motivate public officials to provide public goods. Chung (1996) also demonstrates that rent-seeking contest may be socially beneficial when the rent itself increases with the aggregate efforts. Those studies clearly indicate that the net effect of rent seeking by interest groups on overall economic performance is ambiguous. On one hand, it wastes resources that could otherwise be devoted to productive activities and may create distortions in the institutional arrangements. On the other hand, it may offset certain distortionary effects in an economy, produce valuable information to state actors, promote the provision of public goods, and increase the productive efforts put forth by individuals in a rent-seeking contest. As the net effect of rent seeking by interest groups on economic performance is ambiguous, the performance of an economy

has more to do with the character of the interaction between interest groups and state actors than with its absence or presence. The interesting issues, then, are: Why does the interaction between interest groups and democratic governments in the West seem to slow economic growth while the interaction between interest groups and enlightened authoritarian governments in Asia is associated with economic growth? And why, as observed by Barro (1996), does more democracy seem to raise growth when political freedoms are weak but depress growth when there is already a moderate amount of freedom?

If there exists a nonlinear relation between democracy and economic growth, the future of Asia will depend very much on its democratization process. Whether the Asian countries can preserve the enlightened authoritarian governments given the rise of a middle class, the expansion of economic freedom, and the uncertainty of leadership succession; and whether Asia can maintain its growth when its governments become more democratic are important questions that need to be addressed.

Those remarks notwithstanding, the range of the issues covered in this book is so great that anyone interested in the Asian economies can get something from it.

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