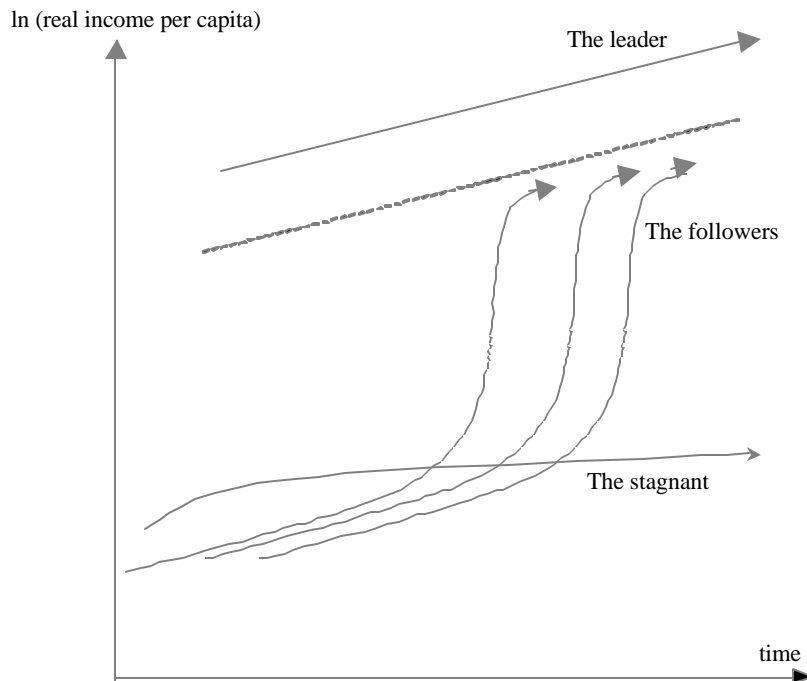


# NEW BOOK from **KAP**

## Economic Development in a Globalized Environment

East Asian Evidences

*By Henry Wan, Jr.*



*“This highly original book cleverly combines pointed theoretical insights with site-specific observations. Henry Wan believes that the key to rapid growth in east Asian development has been a successful process of catching-up technically with world best practice. Yes, yes, you will say, but what should one do? A careful reader will come away with an organized knowledge of what has been done, what worked, and what didn’t, ranging all the way from broad social institutions to particular regulations, along with an agenda for thought and action.”*

– **Robert M. Solow, Institute Professor Emeritus, Massachusetts Institute of Technology; Nobel Laureate of Economics, 1987.**

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Letter from the AUTHOR

My book *Economic Development in a Globalized Environment* (Kluwer Academic Press) finally appeared after the work over a decade.

Offering a fresh outlook, we start with all the successful growth episodes over the last 50 years, to distill common features from data. The shared theme agrees with the insight of Kuznets in his 1982 address, at Taipei, China, with strong theoretic and policy implications.

The sustained, faster than average growth reflects transfers of applicable technology/information from abroad, through strong interactions of trade, investment or reverse brain drain. In an environment of political and macro-economic stability, their real per capita income, relative to the leading economy (currently, the US) follow a logistic growth. Education effort is essential; high domestic saving and investment follow naturally. Growth deceleration in Japan and the NIEs is a natural event. Oil shocks and debt crisis like 1997 may have temporary effects, but not permanent derailment.

In structured comparison, alternative policy packages of the East Asian economies are shown to resemble parallel lanes on a super highway. They lead to the general goal of catching-up, but each fits specific conditions and incurs its own benefit and cost.

Our theoretic analysis resolve various policy-based questions such as:

- The discovery of multiple systematic biases of the Total Factor Productivity computations, against all economies in the peak of their catching up phase of development.
- An analytic explanation of how trade actually benefit developing economies, based on learning by doing.
- Why the catching-up of the South may increase uncertainty over the terms of trade.

Case studies document how globalization is harnessed for development:

- Government guarantees for overseas construction projects are used in Korea to reward private firms to launch risky industries.
- Sequential entry arrangement nurtures a Japanese industry at minimum deadweight loss.
- Local content requirement induces multinational firms to support Taiwanese suppliers.
- Assembly operations train Hong Kong employees for production management.
- Product cycle brings export opportunity to Korea and Taiwan and international subcontracts help technology transfer.
- Export imperative brings market discipline to Taiwan's bureaucrats.

While the volume should be of interest to policy analysts, the material has also been classroom-tested at Cornell, and is complete with chapter summaries, problems and exercises, as well as review projects.

Henry Wan, Jr.