

Annual World Bank Conference on Development Economics—Regional 2008: Higher Education and Development. Edited By Justin Yifu Lin and Boris Pleskovic. Washington, D.C.: World Bank, 2008. Pp. vii, 285. \$29.95, paper. ISBN 978-0-8213-7123-7. JEL 2009-0139

Several reasons make higher education in Asia a very important topic for scholars and policymakers. First, higher education was not only an important engine of growth to explain the East Asian miracle in the past but it will be also key to shift from “intensive” growth based on accumulation of factors to a growth based on technological progress in the future. Second, part of the Asian miracle, especially in India, was based on the development of high tech service exports, which depend specifically on higher education. Third, countries in Asia are the main “exporters of brain” in form of students who study abroad. Fourth, (the access to) higher education is fundamental to ensure an equitable income distribution, especially in countries that have undergone rapid economic development; keeping open the access to higher education is so a priority in Asia. The Annual World Bank Conference on Development Economics, which was held in Beijing in 2007 and whose proceedings the book under review presents, was timely dedicated to these topics. In the initial keynote speech, François Bourguignon focuses on the need of expanding the supply of educated workers in order to maintain an equitable income distribution despite the pressure of the technological progress, which requires more and more skilled workers and bids up their wages. More broadly, an equitable income distribution not only ensures political stability but also creates a middle class, which is, in turn, the key constituency for expanding even more (public) education. This brings us to the important topic of financing of higher education, which is touched upon by the contributions by Daniel Levy and Nicholas Barr. Private and public sectors coexist in the majority of countries in the world but, broadly speaking, the public sector is prevalent in Europe while the private sector is prevalent in the United States, which is basically the only country where elite private schools are common. Both models have clear advantages and disadvantages. The American system provides a better link between the university and the workplace, provides better incentives to research, and costs less to the public 1146 *Journal of Economic Literature*, Vol. XLVII (December 2009) finances. The European system is cheaper for students and allows wider access. Where does Asia stand? Asia is probably in a stage of transition from a mostly public system to a more articulated system in which the public and private sectors coexist, sometimes competing and sometimes complementing each other. As also discussed in the comments by Kai-ming Cheng, technological progress and increased integration will lead to the need of further collaboration between private and public sectors, the policy challenge will be how to combine fruitfully the two sectors. The contribution by Nicholas Barr takes up this challenge and discusses carefully the various tradeoffs between access of higher education, quality, size, and fiscal costs. A strong message that comes from this contribution is that higher education should be seen in the broader context of primary and secondary education; after all, tertiary education is just a phase of a life cycle. Does the current higher educational system serve well Asian countries with their increasing demand for skilled workers? Pawal Agawal argues that, in India, the public education sector is increasingly unable to produce workers with adequate skills. However, the private sector is hampered by a dysfunctional regulatory framework, which creates perverse incentives and produces graduates of unequal quality. This pessimistic view calls for reconsideration of the role of the private sector and the need to modernize the regulatory framework. The need for a good relationship between private and public education sectors is even more important in the context of technology as discussed in the contributions by Feldman, Stewart, and Lundvall. Finally, a key feature of the educational system in Asia is that many students pursue higher education abroad. In the recent past, this was seen as a possible problem (hence the expression “brain drain” to design skilled labor migration). This view has changed dramatically in the last fifteen years as new theoretical and empirical studies have shown that the reality is much more complex. For instance, as Mark Rosenzweig notes in his contribution, a large fraction of students schooled abroad return to their home countries, so that “brains circulate” more than “be drained” from a country to an other. This view of skilled migration is surely more optimistic of the old view, which emphasized the “drain” aspect, but also poses challenges for the policymakers: for instance,

how do we give incentives to the best and brightest to study abroad (and to come back)? It is difficult to combine the need to compensate skills to attract students schooled abroad with the desire of achieving a more equitable income distribution as highlighted before. This is not discussed in the book but will provide the topic for future debates. Overall, the different papers collected in this conference volume give a general message that can be summarized as follows: (1) higher education has been key to Asian economic development and it will play an even more important role in the future as growth will be more technologydriven; (2) in addition, an increase in the supply of skilled workers will also limit the worldwide tendency to larger skill premium with corresponding worsening of the income distribution; (3) the need to increase the supply (and the quality) of higher education presents considerable fiscal costs, which calls for the involvement of the private sector in higher education; (4) the involvement of the private sector in higher education is also desirable to improve the link between education and the labor markets and to foster innovation; (5) the collaboration between private and public sectors is not easy and requires careful design of the incentives; (6) foreign education is a key component of higher education; the policy issue is mostly how to design a system so that skilled workers circulate among countries rather than migrate permanently; and (7) in designing this, we should keep in mind that skilled workers respond to incentives. In conclusion, this book will provide policymakers and scholars with a useful overview of the main topics on higher education and a road map for policy action.

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