

among others. It is particularly pleasing to see the author tackling head-on the stigma associated with technical and vocational education. This is a problematic issue in many OECD countries but is a particularly difficult one in Asian societies where Confucian values have held sway for many centuries. The book's discussion of the government-led Singaporean solution and the industry-led Hong Kong solution provide interesting models for Vietnamese leaders in government and in business to consider.

The book's emphasis on employment generation is also timely. As governments become bogged down with structural reforms, and political will weakens, the one factor that should awaken the interest of the leadership in the Vietnamese Communist Party would be the prospect of long-term unemployment among its growing and relatively young population. Statements such as '... even if the Government's targeted annual real GDP growth rate of 8 per cent for 2006–10 is achieved, the number of jobs created ... is only between 0.86 million and 1.25 million jobs, well short of the target of 1.6 million jobs' (p.35) would be chilling for any member of the Politburo, particularly when real GDP growth for the past six years has, in fact, been well short of 8 per cent. The creditability and indeed the survival of Vietnam's one-party rule would seem to depend critically on keeping the masses in work and with the prospect of rising standards of living.

One weakness of the book lies in its discussion of Vietnam's macroeconomic management. The author implies, but does not conclude, that in order to boost employment growth, the Vietnamese government should have continued with the stimulus policy in response to the GFC rather than winding it back when inflation and capital flight took hold in 2009–10. This implication is reflected in the distinction made in the book between 'orthodox' macroeconomic stabilisation policy (*à la* the IMF) and an 'alternative framework' of tolerating higher levels of inflation (even double-digit inflation) while maintaining employment growth in the short term (pp. 41–6). The short-term trade-off between inflation and unemployment is well known in the literature as the Phillips curve, which seems to be very similar to the so-called 'alternative framework' in this chapter. It is also well documented that this trade-off disappears once inflationary expectations take hold. Therefore, it is hard to argue that stimulatory policies should have continued when inflation was in the

high teens and reached 23 per cent, and evidence of capital flight appeared in the form of a very high 'errors and omissions' item (around 13 per cent of GDP) in Vietnam's balance of payments.

In the discussion of higher education reform, the book does mention the many layers of government involvement as an obstacle to reform. However, the issue of institutional quality and integrity generally is not canvassed in other parts of the book, in particular, in SOE reform and in the discussion of the 'middle income trap'. Given the increasing focus on corruption as an issue affecting the implementation of public policy, perhaps more emphasis could have been given to this area.

Finally, given the significant investment of multinationals in Vietnam's electronics and related 'hi-tech' industries from about 2008, resulting in very rapid growth of exports in this area of labour-intensive manufacturing in the last couple of years, it would have been very relevant to have had a discussion of the employment-generating impact of Vietnam getting into this global production network. Perhaps this could be a feature of the next edition of the book.

Overall, this is a well-written and informative book on the industrialisation and development processes of one of Asia's latecomers. I look forward to an updated analysis in the next edition.

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Widening Income Distribution in Post-Handover Hong Kong

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Routledge, London and New York, 2013

Pp. 146. ISBN 978 0415 51780 5 (hbk)

Lui's book comes at a time when the Hong Kong government, like many in the developed and developing world, is struggling to provide a solution to the problem of rising income inequality. According to the Wall Street Journal (China), Hong Kong's wealth gap now exceeds that of Singapore, the UK, and Australia as well as other major cities such as Washington, DC, and New York City (19 June 2012). In 2011, its Gini coefficient rose to 0.537, up from 0.525 in 2001. This book is a timely contribution to understanding income inequality in Hong Kong.

Lui points to factors such as economic restructuring (changing structure of industry and occupation—from manufacturing to services and from low to high-skilled labour), expansion of education, public housing policy, rising poverty, and Chinese immigration as common beliefs of what has been responsible for the rising income inequality in Hong Kong. He challenges these common views by examining the contribution of each factor to the widening income gap over a 30-year period (1981–2011). The empirical work enables understanding of whether an individual factor accounts for the rising inequality, but also allows a comprehensive comparison to be drawn before and after the handover in 1997.

In Chapter 2, the author examines income inequality by household size. He found that the income distribution of one-person households as measured by the Gini coefficient was most unequal, and the percentage share of the single and two-person households rose in the post-handover period. This thread on the impact of changing household characteristics, especially as the population ages, on income inequality is an interesting and important one. It deserves more attention. More broadly, with the retirement of baby boomers from the 1950s looming, how an ageing population interacts with, for example, labour shortages and economic restructuring holds important policy implications for tackling the issue of increasing income inequality.

The author uses decomposition procedures as an empirical technique throughout the book, except for the chapters on public housing policy and poverty. Change of the log variance at different points of time was decomposed into two parts: change in between-group variance and within-group variance for industry, occupation, or education group. Each part was then further broken down into the component that was due to a change in composition and the component due to a change in variance.

The decomposition procedure can be used to help understand economic mechanisms, but it does not provide a very straightforward way of looking at the specific contribution of a factor, holding other things constant. In this regard, a regression-based decomposition approach may be more appropriate. As returns to education are estimated using Mincerian earnings equations (ch. 4), the data seem to support a regression-based decomposition approach. Other data limitations may be the reason for not performing a

detailed regression-based decomposition. Clarification of the choice of the decomposition strategy would be helpful for future research.

Empirical evidence presented shows that for most, if not all, of the factors examined, change in composition played a more important role during the pre-handover period. On the contrary, change in variance accounted for most of the rising income disparity over the 30-year period, as well as in the post-handover period. For instance, when analysing the role of the expansion of education (ch. 4), the composition effect accounted for most of the income gap before the handover; however, it was the change in variance that accounted for the widening income gap after the handover. What was driving the change? Investigating further why the change in variance became a more important contributing factor after the handover could have been dealt with more directly rather than putting focus more on analysing the change in the composition effect. With the composition effect explaining less of the change in the variance of log over the 30-year period and after the handover, the author concluded that making higher education more accessible to young people has not reduced income inequality, suggesting instead that it has increased it. This conclusion raises an important policy question that needs to be discussed further. That is, how to balance the needs of having a more highly educated and higher quality labour force and reducing income disparity? This is a dilemma that many countries such as Vietnam and China continue to struggle with. At a minimum, the policy trade-off should be acknowledged.

The chapter on public housing policy is fascinating (ch. 5). Hong Kong has been long regarded as a shining example of a *laissez-faire* economy. Nonetheless, the Hong Kong government has been playing an active role in the provision of housing. The empirical evidence presented confirms the redistributive impact of the public housing policy, but it shows that the improvement measured by various inequality measures is fairly small. To examine to what extent the public housing policy is anti-poverty, the author undertook a stimulation exercise. The exercise aimed to simulate public expenditures required to achieve the same improvement in inequality generated by the public housing policy if public housing rental units could be assigned to households at the bottom 15 per cent of the income distribution. The author shows that the public expenditure required to reach such an objective is much lower

than the actual public expenditure on housing. The result highlights that public housing rental units were occupied not only by households at the low end of the income distribution as intended, but also by rich households (Table 5.2). This is an insightful point, but more discussion of the loopholes in the existing allocation mechanism of the existing public housing schemes would have been helpful. More fundamentally, whether the current model where government provides public housing and occupiers pay rent is the way forward requires some rethinking. For instance, drawing a comparison with the public housing model in Singapore may have provided some insights regarding an alternative future policy direction.

Overall, the book provides a comprehensive analysis of the rising income inequality before and after the handover in Hong Kong. While the author answers many questions, he invites even more, which I have indicated throughout the review. Although the book is very comprehensive in scope, analysing many potential causes, aside from the call for the government to make data more readily available—which is undeniably important—it would have been beneficial for the author to suggest which policy solutions could be on offer for policy makers to address the urgency of reducing income inequality. Nonetheless, *Widening Income Distribution in Post-Handover Hong Kong* provides a detailed account of the change in income inequality over a long period of time and provides a solid foundation for future inquiry into inequality in Hong Kong.

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The Sum is Greater than the Parts: Doubling Shared Prosperity in Indonesia through Local and Global Integration

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Pp. xlviii + 274. ISBN 978792299670

This book addresses the Indonesian government's presumed 'primary development objective' of becoming an upper middle-income country by 2025, which would require GDP

growth of 8.5 per cent annually. Because GDP growth has been only 5–6 per cent recently, the authors argue that the objective cannot be achieved on the basis of current policies. Their more important task, however, is to elaborate the view that the objective is attainable—given correct policy choices.

Boosting growth is not enough, however. It is argued that the 'modest' growth of the last few years 'has been characterised by ... rising inequality'. Accordingly, the authors propose policies that will not only double prosperity, but that also ensure the gains are widely shared. Such is their determination to emphasise this aspect that 'inclusive growth' becomes a mantra, appearing roughly 100 times in 240 pages. This near obsession with inequality sits most uncomfortably with the considerable decline in poverty in the decade to 2012—from 18 to 12 per cent of the population—which is basically ignored.

The authors have a predilection for sweeping groups of headings to organise their arguments, but this seems to impose a straitjacket that seems only to generate confusion. Thus, Indonesia must choose between 'reactive, proactive, and transformative policies' so as to achieve 'rapid, sustainable and inclusive growth'. This requires a strategy of 'local and global integration', the key to which is 'better hard infrastructure, soft infrastructure, and wet infrastructure'. The term 'infrastructure' is widely understood to mean things like 'ports, power [and] roads' (p. 42), but there is no corresponding understanding of 'soft infrastructure' and 'wet infrastructure'. The latter term is inexplicably defined to refer not to things like water supply and sewerage systems, but to 'human resources'; having introduced it, the authors make no use of the term whatsoever. The meaning of 'soft infrastructure' varies markedly from page to page. When first introduced, it is defined as 'government and governance', but when discussed in detail (ch. 3), the focus turns to something quite different: 'finance, money and banking, and financial management'.

Much attention is given to the need for Indonesia to improve its 'competitiveness'. It is common these days for observers and policymakers to call for 'greater competitiveness' when they really mean 'higher efficiency' or 'higher productivity'. It is meaningless to refer to Indonesia's 'decreasing long-term competitiveness' (p. 21) because all countries are competitive (have a comparative advantage) in some goods