Costa Rica—between the 1970s and 2000. The key finding is that growth reduced poverty in these countries, largely via increased labor demand in firms in more productive sectors that induced a change in the composition of employment away from agriculture (where income growth opportunities are most limited) and increased real earnings. In its analysis (and correctly in my view), the chapter goes back to the core lesson of the World Bank’s 1990 World Development Report, with its focus on the need to make fuller use of the poor’s most abundant asset: their labor. Two comments on this chapter are nevertheless due. The first is that it is very much a broad brush approach, suggesting that the main explanation that poverty reduced at different rates between the different countries is simply that some grew faster than others. While definitely an important part of the story, it ignores an important finding in cross-country evidence on the link between average income growth and poverty reduction, namely that while there may be, broadly speaking and on average in the world, a one-to-one relationship in growth and poverty reduction percentages, there are substantial differences across countries in the extent to which growth episodes reduced poverty that are important to explore. The contrasting experiences of highly unequal countries, such as Costa Rica and Brazil, compared to East Asian examples, are important in this respect. It also points to the need to better understand the nature of the institutions and policies that may be needed to foster a more rapid poverty reduction in the face of growth. A second comment on this chapter is that it could have been more desirable not to limit the chapter to a brief summary of findings: a book should give the chance to give more detail on the underlying data and analysis, not least since this chapter touches at the core of the objectives of the book.

This analysis is supplemented by some more specific case studies of the private sector “at work,” mainly in part 2, discussing informal sector development, the case of Korea, and issues in transition economies, as well as providing another but worthwhile summary of some of the key findings from the long-term comparative work on Palanpur, the Indian village studied over time, most recently by Lanjouw, Stern, and Dreze. Given the dearth of data on these long-term processes in very poor context, the latter chapter is definitely worth reading. The second part ends with a paper by Biggs and Shah on problems of African Entrepreneurial Development using the RPED comparative data set of manufacturing firms in Africa, which had been collected by teams of largely European and African universities in the 1990s. The paper in the book is presented as drawing on “heretofore unpublished survey data” (p. 9)—even though dozens of academic papers have been published by the teams involved in its initial data collection in respect of economics and development economics journals. Indeed, the contribution in the book, while interesting, is arguably far less relevant for the problems of growth, employment, earnings, and poverty reduction that is the focus on the book, than many of the papers published—for example, see Bigsten et al. (2000), “Rates of Return on Physical and Human Capital in Africa’s Manufacturing Sector,” Economic Development and Cultural Change, July 2000, Vol. 48(4): 501–27.

The final two parts focus on the business environment and policies needed to foster growth via private sector development. Chapter 9 reports on the World Business Environment Survey, while chapters 10 and 11 focus on issues smaller and on medium size enterprise development. Chapter 12 focuses on policy but also on attitudes toward causes and policies to reduce poverty. It provides a useful reminder that policies to foster growth and poverty reduction cannot be done in socio-political vacuum, beyond much interesting detail.

Despite its shortcomings, the book provides a useful addition to the literature and many contributions will stimulate researchers and policymakers to refine their views on the links between private sector development and poverty reduction.

Stefan Dercon
Oxford University


JEL 2003–1421

Starting in the late 1970s, managed care plans have rapidly replaced traditional hands-off indemnity health insurance. This has touched off a competitive revolution in healthcare. But the boom in managed care didn’t occur on its own. The economic incentives to counter moral hazard and supracompetitive pricing were always
there. Indeed, there were striking precursors of modern managed care in the nineteenth century contract medicine and in the health plans of the early fraternal orders.

The boom in managed care was assisted and reinforced by explosive growth in antitrust enforcement in healthcare. Antitrust law and enforcement has become a major influence on the healthcare sector and a major part of antitrust activity. As a result, there is a great deal of interest in the economics of healthcare competition. This interest has generated a large literature. Unfortunately, the literature is hard to grapple with. It is spread out in a daunting array of journals, unpublished reports, court decisions, and records of enforcement activities.

Deborah Haas-Wilson's fine book serves as a guide to that literature. Along the way, she demonstrates an immense depth of scholarship in the law and economics.

In chapters 1 and 2, she explains the transformation of the health sector and health policy and the growth of competition. The old professional control paradigm has been largely superseded by a consumer control paradigm. The old industry-specific regulation (e.g., certificate-of-need entry controls) has been largely abandoned and replaced with general antitrust regulation.

Next, in chapter 3, she discusses antitrust policy in depth. Here, she stresses the fundamental difficulty in healthcare antitrust: the same activity can potentially make consumers better off by raising efficiency and harm them by increasing market power. She stresses the central place of the discipline of economics in aiding the legal system to decide when to intervene. Consistent with other scholars, such as Tim Greaney, she is critical of some recent court decisions as being unprincipled. The necessary principles are to be found only in economics. She points out that antitrust enforcement activities have been very lenient in healthcare. For example, only 2 percent of hospital mergers between 1981 and 1997 have been challenged. In the following chapters, Haas-Wilson covers more specific issues in depth.

In chapter 4, she targets market definition in healthcare antitrust. In any industry, this is often a crucial topic for antitrust because defining a broad market usually implies low market shares and an inference of little market power. In hospital markets, particularly, geographic market definition has become controversial. The courts have radically moved from defining markets as local (at most a few counties) to defining markets as very large, (sometimes including hospitals fifty to one hundred miles away from each other). The upshot has been that all of the recent legal challenges to hospital mergers have failed, even when the mergers lead to substantial local concentration.

Haas-Wilson discusses the Elzinga–Hogarty analysis that has been widely, and I would say uncritically, applied in recent hospital antitrust cases. (For more on this, including an empirical demonstration of the fragility of the technique, see H. E. Frech III, James Langenfeld, and R. Forrest McChesney (2004), “Elzinga–Hogarty Tests and Alternative Approaches for Market Share Calculation in Hospital Markets,” Antitrust Law Journal, 71(3): 921–47.) This chapter is probably the best available treatment of market definition in a managed care setting.

In a short chapter 5, Haas-Wilson provides an excellent discussion of entry barriers in healthcare markets, stressing barriers raised by strategic behavior of hospitals and physician groups.

In chapter 6, Haas-Wilson looks at horizontal consolidations among hospitals, physicians, and healthcare plans. Hospital mergers get the most attention, reflecting both the literature and developments in the law. In fact, there is a glaring lack of research and case law on physician concentration. This is especially problematical given the growth of large physician groups of various kinds. Haas-Wilson also explores the idea that healthcare plans have become concentrated enough to monopsonistically exploit providers.

In chapter 7, Haas-Wilson examines vertical consolidations. Here, there is more case law but not much industry-specific literature. She examines several interesting cases where the behavior of physician hospital staffs or insurers appeared to be intended to raise rivals’ costs.

The unnumbered concluding chapter goes beyond summarizing. It raises the question of how to deal with local natural monopolies. One technique used occasionally is what Haas-Wilson calls the state-blessed monopoly, where merging hospitals make a contract with the state. Among other things, these contracts typically restrain price for some time period. Haas-Wilson is sensibly skeptical about this practice.

Cutting across the specific subject matter areas, a theme emerges. One is the lack of economic...
understanding shown occasionally by judges. Much of the problem seems to be a sort of health-care exceptionalism (e.g., the idea that nonprofit monopolies in healthcare are benign). Haas-Wilson stresses the centrality of theoretical and empirical economic analysis to healthcare antitrust.

In all her work, Haas-Wilson uses an obscure but fascinating source of information: the enforcement actions of the Department of Justice and the Federal Trade Commission. These actions usually end in consent decrees. As a result, they get far less attention from legal scholars and economists than litigated cases. But often there are few or no litigated cases. Indeed, these enforcement actions are a gold mine and Haas-Wilson does a beautiful job of finding and refining the gold. One of my favorites is her account of the Broward (Florida) General Medical Center/Cleveland Clinic episode (p. 134–35). Here, the hospital’s medical staff conspired to deny privileges to physicians who agreed to work for the new entrant, the Cleveland Clinic.

Overall, this is an excellent book; up to date on both the law and the economics, readable and informative. Economists and laymen who care about health policy or health antitrust should read this book.

H. E. Frech III
University of California, Santa Barbara


Academic technology commercialization today is in a paradoxical state. Abroad, the Bayh–Dole Act of 1980, the legislation that created the modern American system of technology transfer, is seen as a great success. For instance, the _Economist_ recently hailed the Act as “probably the most inspired piece of legislation to be enacted in America over the past half-century.” The Act has been emulated in recent years in nations from Germany to Malaysia.

Yet domestically, the Bayh–Dole Act has been the subject of increasing skepticism. In 2004, for instance, the National Institutes of Health held hearings as to it should take the unprecedented step of “marching in” to suspend Abbott’s license of the anti-AIDS drug Norvir and Columbia University was sued by seven pharmaceutical firms for its aggressive patenting strategy. On the pages of law reviews and the web sites of activists, attacks on the Bayh–Dole Act and university technology transfer offices have become commonplace, indeed fashionable.

It is into this maelstrom that _Ivory Tower and Industrial Innovation_ plunges. The authors present a variety of statistical and case study data that documents the impact of the Act on patenting and licensing, among other activities, at U.S. universities. But the extent to which the controversies of today were presaged in earlier decades will be surprising to most.

Chapter 3 describes the intense battles that were fought about academic technology transfer during the 1920s and 1930s. Many of the same issues surfaced as today, including whether it is appropriate for academic institutions to profit from publicly funded research, the extent to which these discoveries should be licensed exclusively to a single firm, and whether the potential for large profits would distort academia.

One striking contrast with the current era was the ambivalence of university administrators about commercialization activities during the prewar era. Some, motivated by ethical concerns as well as worries about potential embarrassments, went so far as prohibit the patenting of academic research, whether by the faculty member or the university itself. Others sought to “outsource” the licensing and management of their patents to avoid potential conflicts or controversies. Chapter 4 traces the history of one of these outsourcing initiatives, the Research Corporation. While this effort proved ultimately unsatisfactory to the universities involved, largely because of the deep incentive problems that its structure created, the Corporation at least