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Allen Blackman, ed. Small Firms and the Environment in Developing Countries: Collective
246. $32.95 (paper).

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There has been a tendency in developing countries to focus pollution-mitiga-
tion efforts on larger firms. This stems from several beliefs. First, it is often
thought that small firms generate a rather small proportion of the total pol-
lution load. Second, given that small firms are spread widely and are often
part of the informal sector (and thus largely beyond the reach of the authorities),
it is thought to be expensive to focus on the small firms in an economy. Third,
there is the worry that forcing small firms to comply with environmental
regulations will lead to increases in unemployment and in poverty. This col-
lection of papers represents a strong effort to address these issues empirically.
In addition, the book seeks to illuminate and evaluate several policy options
that exist for pollution abatement in the developing world.

Each of the chapters in this book addresses one or more of these issues. The
chapters reflect a wide variety of geographic regions and types of policy in-
tervention; this makes the book broadly applicable in the developing world.

In general, there is considerable evidence presented that small firms do in
fact contribute significantly to the total pollution load in local communities
in the developing world as well as at a national level. Broadly speaking, this
is due in part to the fact that small firms make up the vast majority of total
firms and a large share of total employment in most developing countries. In
addition, Lanjouw reports in chapter 3 that pollution per worker coefficients
tend to be higher for small firms (perhaps because they tend to use older
equipment). This pollution causes considerable environmental damage and has
important consequences on the health of the citizenry and in particular the
small-firm workforce. For example, in chapter 2 Blackman finds that air pol-
lution from informal brick kilns in Ciudad Juarez, Mexico, causes damages to
health serious enough that the estimated net benefit of abatement runs into the tens of millions of dollars.

Evaluating whether it is actually less expensive to focus on large-firm pollution than on small is not a principal focus of the book, although this issue is addressed indirectly in several places. Lanjouw points out that while overall most small firms are related to agriculture and are located in rural areas, most small firms that are in pollution-intensive industries are concentrated in urban areas. This suggests that greater regulatory attention to small-firm pollution may not be as costly as seems to be broadly held. To the extent that there is some truth that regulation of small firms is particularly costly, the book provides anecdotes in several chapters that suggest some form of community action may have some effect. For example, in chapter 6 Kennedy describes how tanners in the Indian state of Tamil Nadu cooperated to build common effluent treatment plants. Ahmed (chap. 7) provides some evidence that bringing together small firms with their large-firm customers can improve compliance with environmental standards. Blackman and Bannister find that the likelihood that a small firm will adopt clean technology increases in the presence of community pressure.

One of the most important contributions of this book is that several of its chapters find that increased environmental regulation (and enforcement of that regulation) of small firms is not likely to significantly worsen poverty or unemployment in developing countries. In their study, Crow and Batz find very little economic impact from a 1996 court order that bleachers and dyers in Tirapur, India, install pollution-control devices or shut down. In a similar vein, Lanjouw reports that even if a relatively stringent regulatory framework were imposed on small firms in Ecuador, the effect on the poverty rate would be minimal. Indeed, since much of the cost of small-firm pollution is borne by workers in these businesses, much of the health benefits that would follow from abatement would be enjoyed by those same workers.

Quite a number of different pollution-reduction policies are described in the book. Most of them have some element of top-down command-and-control policies. However, many also involved economic incentives (e.g., conversion to cleaner technology is often subsidized). In several cases, the efforts did not have the intended effects due to a lack of enforcement (such as in Malaysia) or due to exogenous shocks (propane became much more expensive shortly after many Mexican brick kilns switched over to propane burners). In chapter 4 Blackman argues that a mixture of policies, incentives, and local action is likely to be the most effective.

Overall, this collection of papers is an important contribution both to the

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Shankar Acharya's book is about India's economic reforms after the 1991 balance-of-payments crisis and their impact on growth, fiscal sustainability, and external balance. Acharya describes these reforms as "medium bang"; another renowned policy maker, Montek Ahluwalia (2002), prefers the adjective "gradual." This distinction is material, as I will argue below. The book consists of an introduction followed by six essays. The introduction contains an excellent summary of the volume. The six essays were all published earlier, one in 1995 and the others during 2001–5. Acharya assesses the impact of the early reforms, the deterioration in the public finances after the mid-1990s (which he attributes largely to the Fifth Pay Commission [FPC] award), the accompanying slowdown in growth (attributed to slowing reform), and the response to the East Asian crisis of 1997–98 (brilliant).

A good economics book should be informative. It should also interpret. Acharya does an admirable job on both. He did not merely have a ringside seat in economic policy during the early 1990s, as one of the jacket blurbs avers; as chief economic adviser, he was in the ring, which has its pluses and minuses. It might lead to an uncritical view of events that occurred when one was actually in the ring. Did Acharya give in to this temptation? We shall soon see.

I shall concentrate on the ideas in chapter 3, "Macroeconomic Management in the 1990s," for two reasons: first, as Acharya notes, this is the core essay of the collection. Second, there is considerable overlap between this essay and the others. Such overlap makes it difficult to classify this volume: it is not a textbook (a textbook would have theory, some equations); it is not a book (a book would have a conceptual section and avoid overlap among the different chapters). It is a collection of reprinted essays, the usefulness of which would

small-firm literature and to the environmental economics literature. Any future scholarship in this area needs to take account of the issues presented.