to respond to academic and non-governmental organizations (NGOs) criticisms, although the "new direction was not always clear, the intellectual foundations not always firm".

By the end of the book one does get the impression that Stiglitz was justified in using his position as chief economist to criticize the IMF. As his analysis makes clear, many of the IMF's policies do not support economic development and are often destructive. Furthermore, it appears that his criticisms were made public only after efforts to discuss country strategies with IMF officials proved fruitless. Indeed, his criticism of the IMF is not related just to economic policy but to the secretive nature of decision-making and the lack of meaningful debate (with World Bank officials, country economists, the public). There has been considerable criticism of the IMF in the past. With this book, we have a respected economist providing an insider's account and confirming that much of what you always thought was wrong with the IMF is, in fact, true.

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***Globalization and the Asia Pacific Economy*. Edited by Kyung Tae Lee.** New York: Routledge, 2002. Pp. xv + 351.

Goods, services, capital, companies, people, ideas ... and sometimes problems are crossing borders with an increasing ease nowadays. How should East Asia manage its deepening integration in the world economy, continuing to modernize while preserving financial and social stability? What policy lessons can the region learn from the recent financial crisis? These questions were explored at the Pacific Trade and Development Conference in Seoul in June 2001.

The outcome is a diverse yet coherent collection of essays with a broad appeal to readers interested in East Asia or emerging market economies. Essays tackle complex and generally unsettled policy issues — optimal exchange arrangements for East Asia, the role of capital controls in crisis, and the design of financial and corporate sector reforms — to name a few. What makes the book particularly vibrant and stimulating is that it takes strong positions on these issues, emphasizing national and regional policy solutions.

Overall, the book lends support to the view that deeper integration in the world economy remains critical for East Asia's development and that risks associated with this integration can be largely managed at the national and regional levels. Some arguments in support of this view are carefully made and are persuasive, and others, less so; but overall the collection makes a rich and thought-provoking contribution to the contemporary debate on economic management in East Asia.

As regards national policies, Akira Kohsaka makes a case for a second-best policy mix — combining macroeconomic policy discipline with some exchange rate flexibility, strong prudential regulation, and effective capital controls. Many essays echo the view that well-designed national policies are key to enhancing East Asia's growth prospects and resilience to crises. Thus, contrasting experiences of Thailand and Taiwan, Bhanupong Nidhiprabha underscores the dangers of premature financial liberalization that are not accompanied by adequate prudential and institutional reforms. Woo Sik Moon and Yeong Seop Rhee discuss how rigid exchange rate policies and asymmetric capital account regulations accentuated Korea's vulnerability to a currency crisis.

Hiwhoa Moon views structural reforms as a policy priority for East Asia. Empirical evidence on the importance of these reforms, however, is somewhat mixed: Sung Wook Joh and Sang Dai Ryoo find that, prior to the crisis, poor corporate governance had impaired performance of *chaebols*, while Stijin Claessens, Simeon Djankov, and Lixin Colin Xu show that a country's institutional environment has not been a key determinant of corporate performance in East Asia after the crisis.

Analysing the role of small and large multinational enterprises in East Asia's growth, Shujiro Urata underscores the benefits of maintaining an open FDI regime while fostering infrastructural development and assimilation of foreign technology. Mari Pangestu examines how FDI can facilitate Indonesia's recovery from the crisis. In regard to China, He Liping points out that internal reforms need to accompany external liberalization to ensure open policies and deregulation, uphold social and political stability, and address regional inequality in development.

For coping with social consequences of financial crises, Medhi Krongkaew emphasizes the strengthening of the "social capital" of a country — family and community cohesion — while enhancing health and education policies for specific vulnerable groups and modernizing the social welfare system.

Focused on improvements in national policy design, the above essays do not explore in detail what the right balance is between government intervention (which increased in response to the crisis) and market forces to promote the region's growth and stability. This broader issue is left for future analysis.

On national crisis management, Latifah Merican Cheong explains how in her view temporary capital controls were essential for Malaysia's recovery from the recent crisis. This essay is an incisive contribution of a senior Malaysian official to the debate on the role of capital controls in crisis. However, it leaves some crucial questions unsettled: Would Malaysia's favourable initial conditions, strong fundamentals, and the undervaluation of the ringgit have made a more accommodating monetary policy possible without controls? Given that controls were introduced after a substantial amount of capital had already left the country and shortly before market sentiment about the region was reversed, were controls truly tested? What impact will they have in the long run, particularly on financial market development in Malaysia?

As regards regional policies, the book contributes to the continuing debate on the pros and cons of regional monetary integration in East Asia. Some authors (particularly Woo Sik Moon and Yeong Seop Rhee) are sceptical about the long-term benefits of floating exchange rates for East Asia, advocating instead a target zone system based on an Asian Currency Unit and supported by regional lender of last resort facilities. This recommendation is controversial on many grounds, and the essay does not make a fully persuasive case to defend it. Other essays also point to potential problems with a common currency in Asia. Gordon de Brouwer shows, for example, that East Asian financial integration is based on global factors — common variability is prevalent in equity prices (more than in exchange and interest rates) and reflects global (mainly U.S.) influences. An exception is Australia and New Zealand, which have a common factor in all financial prices. Consistent with this evidence, Arthur Grimes advocates monetary co-operation between these more developed economies.

Wendy Dobson highlights the importance of strengthening regional co-operation in crisis prevention and management. She cautions that creating a robust political and institutional framework for regional initiatives and ensuring their effectiveness is a challenge; China's role is a major factor in this regard. In the author's view, to be successful, regional initiatives need to be consistent with the existing international arrangements and be accepted internationally. The essay goes some way to explain how this can be done, although many questions about specific design options remain open. There is also a more fundamental issue of how sustainable regional crisis management arrangements can be: no private company, for example, will be ready to insure all houses in the valley against the flood.

Globalization of course is not new. As Rachel McCulloch shows, international trade and investment were almost as high before World War I as now, and labour was even more mobile then. The world today, however, is more integrated in the sense that companies are managed globally. Concerns have also been raised as to whether globalization reduces national sovereignty in policy-making and increases the incidence of financial crises. The fragility of globalization is particularly apparent in multilateral trade negotiations, as discussed by Peter Petri.

All in all, the book's answer to the challenges posed by globalization to East Asia is a "do-it-yourself" approach emphasizing prudent and innovative policy design. But can the risks posed by global integration indeed be managed mainly at the national and regional levels? Does not the very nature of globalization suggest the need for a greater complementarity among national, regional, and international policies? These issues await further analysis. The policy paradigm for the more integrated world is still under construction, and this book makes a far-reaching and thought-provoking contribution to this process.

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***Economic Crisis Management: Policy, Practice, Outcomes and Prospects*. Edited by Tran Van Hoa.** Cheltenham: Edward Elgar Publishing Limited, 2002. Pp. 246.

This book covers theoretical concepts and practices of Asian countries in coping with the 1997 financial crisis. It focuses mainly on assessment of macroeconomic policies implemented during and after the crisis. This edited volume consists of eleven chapters, of which six are country studies. The nine contributors are scholars from universities and agencies in Asia, Canada, and the United States.

The introductory chapter provides an overview of the book. The impacts of the 1997 crisis on affected economies in Asia, Europe, and the United States are broadly explored in Chapter 2. Since annual gross domestic product (GDP) growth was used as the indicator, Singapore and Taiwan (as free-market economies) were concluded to equally suffer from the crisis as China and Vietnam (as transition economies). Nevertheless, the conclusion will be deviated if quarterly data were applied. Singapore faced two consecutive quarters of negative growth in 1998 while China and Taiwan were spared from the economic downturn. Together with a discussion on depreciation of exchange rate and the collapse of the stock market, the chapter will help readers have a better view of the financial crisis and its impact on the Asian economies and the rest of the world.

The next two chapters examine economic theories and models related to the crisis management. In Chapter 3, the contributor proposes appropriate fiscal and monetary policies in coping with similar crises in different types of economy — developing countries, euro and non-euro European countries, and the United States. Interestingly, pros and cons of "bailing in" lenders are discussed and recommended to be a tool in dealing with the crisis. Chapter 4 starts with models of economic transition and constitutional rules in different countries. The contributors mentioned case studies of Russia and China as examples of economic reform with and without constitutional transition. Even though the chapter is rather long and full of various economic concepts, readers can gain from a rich collection of literature related to the issues. Especially, literature on models used to explain the crises in the Russian and Asian economies is worth reading.

The next six chapters are devoted to individual country experience in coping with the crisis. In the chapter on Thailand, the contributors develop a small econometric model and conduct a number of policy simulations. Their findings show that implementing the International Monetary Fund (IMF) policy recommendations caused a decline in output, private capital stock, and aggregate demand of Thai economy. Instead, expansionary fiscal and monetary policies suggested by Radelet and Sachs (RS) were superior in handling the Thai crisis at the initial stage. However, the RS approach would cause larger depreciation of real exchange rate as well as higher vulnerability of bank and corporate sectors in the longer terms. As it is, this chapter contributes a literature on the Thai crisis in hindsight.

The chapter on Korea begins with a comprehensive assessment on macroeconomic management in coping with the 1997 crisis. Discussion is given to structural reforms and progress in five key sectors — financial sector,