This book highlights the fact that Malaysia has grown and developed fast since independence more than half a century ago. However, the analysis in many of the chapters could have been more objective and less biased towards the government. Similarly, Malaysia's privatization experience could be presented in a more enlightened manner rather than to suggest that the government could have built the privatized infrastructure at less cost because for about three decades after independence Malaysia was infrastructure-starved. The book needs to be updated to incorporate the New Economic Model, the Government Transformation Programme, the Economic Transformation Programme and the Tenth Malaysia Plan.

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Economic Crises and the Breakdown of Authoritarian Regimes: Indonesia and Malaysia in Comparative Perspective. **By Thomas B. Pepinsky.** New York: Cambridge University Press, 2009. Pp. 326.

Thomas Pepinsky's book is focused on a simple question — why did Indonesia and Malaysia have such different political outcomes in the aftermath of the 1997-98 financial crisis? In seeking to answer it, he aims to shed light on how authoritarian regimes respond to changes in their economic fortunes and, in particular, crises.

Pepinsky contends that despite some differences, Indonesia and Malaysia make effective comparators. Up until the crisis, both countries were classified as authoritarian, and their economies were open and export-oriented, with convertible currencies, a managed exchange rate, ample stocks of foreign reserves, and no independent central bank. However, their responses to the 1997–98 financial crisis differed markedly, with dramatically distinct political outcomes.

Indonesia had an inconsistent policy response, ranging from initial acceptance of the International Monetary Fund austerity packages to rejecting them in favour of a range of often contradictory measures — ranging from reducing interest rates, providing emergency support to banks, and reinstating costly infrastructure projects. Virtually the only policy that was pursued consistently was maintaining an open capital account. The resulting turmoil resulted in President Soeharto's resignation, and an "authoritarian breakdown".

Although it also experienced a deep and traumatic economic crisis, Malaysia had a very different policy response and, ultimately, a distinct political outcome. After an initial period of uncertainty, the government consistently resisted austerity measures such as high interest rates, expenditure cuts, and currency devaluation. Of particular interest, then Prime Minister Mahathir imposed capital controls and pegged the Malaysian ringgit to the U.S. dollar. Despite considerable political unrest and a challenge to his leadership, Mahathir emerged from the crisis relatively unscathed, and the regime remained intact.

Pepinsky argues that the key to understanding the differing outcomes in the two countries is to focus on political coalitions and their economic interests. He contends this is more enlightening than studying each country's institutions, as institutions in themselves do not explain policy choices. In contrast, a focus on the coalitions underpinning the regimes provides an explanation of why particular policies were adopted.

He holds that political actors always seek to obtain beneficial outcomes for themselves, and even authoritarian regimes are dependent on support from their constituents. Thus, when confronting economic crisis, authoritarian regimes come under pressure from their supporters to implement policies in their interests. When the actors in a regime's supporting coalition have compatible interests, the ensuing policy responses will be coherent. When they have diverging interests, policy responses will be contradictory and of little utility — and the corresponding results in the political sphere will put the regime under stress.

In this book, Pepinsky identifies three classes of political actor: holders of fixed capital; holders of mobile capital; and labour. Holders of fixed capital are firms whose assets tend to be in land, equipment, and buildings that cannot be moved without converting them into cash. Conversely, mobile capital holders have mostly liquid assets that can be transferred easily. A more intuitive contrast can be made between "industrial" and "financial" capital. These two groups will have different economic interests and desired policies during economic crises. For example, mobile capital holders will tend to prefer no capital controls and a tight monetary policy, and holders of fixed capital would prefer capital controls and a looser monetary policy. The third key constituency, labour, will tend to favour policies that avoid inflation and preserve public spending and employment. Given the similarity of their interests, labour will tend to ally with holders of fixed capital.

Pepinsky argues that Soeharto's New Order regime was supported by a coalition of fixed and mobile capital. The fixed capital constituents were comprised of the army (ABRI) and well-connected *pribumi* entrepreneurs, who supported the regime in return for favoured access to business opportunities. The mobile capital holders were ethnic Chinese conglomerates, or *konglomerat*, who were provided protection by ABRI and allowed to operate in return for patronage. This structure was stable until the financial crisis, when the differing interests of the two groups, particularly with regard to capital account openness, led to an ineffectual policy response.

With regard to Malaysia, Pepinsky argues that Mahathir's regime was supported by a coalition of labour (ethnic Malay masses) and a group of newly-emerged Malay entrepreneurs with fixed investments in sectors such as real estate, infrastructure, transport, and manufacturing. While the country did have an important interest group that favoured capital account openness, it did not form part of the supporting coalition and was thus ignored. Given that neither labour nor the fixed capital group could deploy resources overseas, both pushed for capital account closure and loose fiscal policy. This more consistent policy response ultimately had the effect of precluding further financial contraction, and the regime emerged in relatively good shape.

Economic Crises and the Breakdown of Authoritarian Regimes is a well-structured and well-argued book. It looks at an old question in a new way, and puts forward an elegant explanation for the differing outcomes in the two countries. The two cases are well chosen, and their similarities and differences provide an effective standpoint for understanding how authoritarian regimes react to economic crises and their attempts to contain them. The book is also very good at setting out rival explanations and engaging with them in order to argue why the coalition framework has greater explanatory power.

However, it must be said that in seeking to maintain such "parsimony", the book pushes its explanations a little too far. This is largely an issue of approach, in that *Economic Crises* seeks to account for events in their entirety, rather than simply establishing that the dynamic under study was one of many that influenced outcomes. Another issue with the rational actor framework is that it is atemporal, explicitly assuming that actors in a coalition are static and work the same way across time. In other words, causation is not cumulative. For example, Pepinsky treats Indonesia's three economic crises of the 1980s and 1990s as separate episodes, rather than three inter-connected parts of a whole.

Turning to the arguments themselves, three key issues can be raised with regard to *Economic Crises*.

The first is that the book refuses to put forward a working definition for authoritarian regimes. It argues that there are many different definitions and it is not productive to get bogged down looking at subtle differences. The reluctance to engage with this issue is due to the fact that, while few would quibble with the New Order's authoritarian nature, many would argue that Malaysia under Mahathir was not fully authoritarian. In countering this distinction, Pepinsky contends that if Malaysia were not authoritarian, it would not have been able to emerge intact from the crisis. However, the Middle Eastern spring has shown that the extent of a regime's repressiveness is not a guarantee of survival.

The second issue is that, despite arguments to the contrary, the economic crisis in Malaysia was considerably less intense than it was in Indonesia. Above and beyond the differing contractions in GDP in 1998 — 7 per cent in Malaysia versus 13 per cent in Indonesia — the recoveries in the two countries were distinct, with Malaysia posting 6 per cent growth in 1999 versus less than 1 per cent in Indonesia. The book counter-argues that the severity of the contraction is not the issue as firstly, the New Order survived Indonesia's previous economic crises due to the compatibility in coalition interests; and secondly, Soeharto was deposed before a substantial part of this contraction took place. This is not convincing. Regarding the first point, the previous economic crises in Indonesia were only slow-downs in growth and not actual contractions. As for the second, Soeharto was forced out half-way through 1998, when the economy would have already contracted substantially and prospects of a turnaround were nowhere in sight. Malaysia's economy was notably in better shape at that point.

The third issue is that, using Pepinsky's coalition framework, it can be argued that the survival of the two regimes was contingent, not on their policy choices regarding capital account openness and monetary tightening, but rather on their policies towards labour. Indonesia consciously shifted the cost of the crisis onto the working class, whereas Malaysia implemented a raft of transfers and measures to buffer the public from the effects of the crisis. Perhaps, then, the lesson to be gleaned from this is that while authoritarian regimes do not need to have both segments of capital in their supporting coalition, but labour cannot be excluded.

In short, *Economic Crisis and the Breakdown of Authoritarian Regimes* is an elegantly constructed and tightly argued book that gives a great deal to think about with regard to Indonesia and Malaysia and the workings of authoritarian regimes. Its focus on parsimony makes it more assertive than is perhaps warranted, but it is a solid piece of work nonetheless.

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