

BOOK REVIEWS

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***Implications of the Global Financial Crisis for Financial Reform and Regulation in Asia.* Edited by Masahiro Kawai, David G. Mayes and Peter J. Morgan.** Cheltenham and Northampton: Edward Elgar Publishing and Asian Development Bank Institute, 2012. Pp. 296.

The 2008 crisis demonstrated the fragility of financial markets and the systemic effects that individual banks can have on both financial systems and the real economy. The edited book *Implications of the Global Financial Crisis for Financial Reform and Regulation in Asia*, jointly published by the Asian Development Bank Institute and Edward Elgar Publishing, offers a timely and thorough analysis of what the 2008 crisis has meant for Asian markets. As such, it fills a gap in the literature which, to date, has primarily examined the effects of the crisis on the economies of developed countries in the West.

According to the authors, the book's central purpose is to identify the challenges imposed by the 2008 global financial crisis and suggest policy reforms. Within this context, the book examines the evolving regulatory framework for global finance and capital markets. The overarching conclusion is neatly summarized in a quote from Chapter 2, which states that “the Westphalian principals of sovereignty that govern international financial oversight are not suited to the realities of an interconnected financial system”.

Throughout the book, numerous examples are offered of the disconnect between financial regulation, which is typically national or regional, and finance, which is global. Based on these observations, the book offers recommendations for

how financial systems can improve international cooperation through establishing macroprudential regulation, coordinating risk analysis, and increasing information sharing — which the book argues is a prerequisite for understanding and monitoring systemic risk.

While the claim that international cooperation in finance needs improvement is not particularly innovative, the book adds value to the debate in four ways. First, while the arguments and analysis are technical, each chapter is well written and clearly presented. Moreover, the chapters are complimentary, meaning that although each section can be read in isolation, the whole book offers a rounded assessment of the challenges states face when trying to balance economic growth with financial stability. The rounded assessment is due in part to the fact that the authors come from diverse institutions from around the world, as well as the structure of the book, which is divided into four sections.

Sections I and II examine how Asian governments and regulators can strengthen financial surveillance and monitoring. Section III examines the role of the state in crisis management and resolution. The rationale for addressing both crisis prevention and resolution comes from the book's assertion that while improvements can be made to reduce the likelihood of financial crises, risk cannot be fully eliminated. Because of this, crisis resolution procedures must be developed and well understood. With the goals of prevention and containment, Section IV looks to the future, examining the pros and cons of Asia's rapidly developing bond markets, an important issue given the importance that sovereign and corporate debt play in economic growth.

Second, in addition to the clarity and depth of analysis, the book offers innovative guidelines for regulating financial institutions in Asia and elsewhere. For example, Chapter 5 offers detailed recommendations for how Asian markets should develop securitized products, such that asset classes can benefit from diversification, while limiting exposure to systemic risk. Similarly, Chapter 7 offers recommendations for overcoming the hurdles facing financial integration in Asia in the wake of the crisis. These recommendations are drawn in part from the experiences in Europe and elsewhere.

The third benefit of the book is that its empirical chapters are complimented by a strong element of theory. Authors engage in the debates on issues surrounding moral hazard, the procyclicality of financial systems, the benefits/costs of capital flow liberalization, and whether the benefits of growth from financial innovation outweigh the increases in systemic risk. The theoretical debates augment the empirical analysis, which include quantitative examinations and case studies of financial systems in different regions of the world. The mix of theory and empirical research offers a robust engagement with the book's central research question.

Fourth, as stated in the introductory paragraph above, the book fills a gap in a large body of literature that, to date, has focused on the effects of the financial crisis on Western, developed economies. The book explains that the 2008 crisis offers lessons for Asian financial development, which should complement the lessons drawn from the Asian financial crisis of the 1990s. While the crisis of the 1990s required measures to manage the domestic collapse of financial systems, the 2008 crisis has been more about managing the externalities from collapsing markets in the West, and observing best practices for financial regulation and crisis management. Explaining the successes and failures of Western financial management, and how these apply to Asia's financial development, is perhaps the most important contribution of the book.

While the book is very well presented and offers many benefits, one area that may cause confusion

for readers is that there does not appear to be a consistent definition of what constitutes "the Asian region". Most of the chapters focus on the major Southeast Asian economies, but some chapters include analysis of Korea, Taiwan, and Japan. Furthermore, the elephant in the room, China, is only sparsely mentioned, despite the fact that the book makes important references to initiatives in which China plays a lead role, like the Chang Mai Initiative Multilateralisation and the Asian Bond Markets Initiative.

Given Asia's size and diversity, it is understandable and appropriate for the book to focus exclusively on certain regions. Offering a methodology for why certain countries were chosen or omitted, however, may have made the book's precise region of study clearer for readers.

Despite this, as stated, the book adds tremendous value to the current literature on global financial reform. It should be read by students and academics involved in global finance, but also by policy-makers tasked with developing the regulatory framework for Asia's financial system.

CHRISTOPHER NAPOLI
University of Nottingham

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***Law and Development in Asia*. Edited by Gerald Paul McAlinn and Caslav Pejovic. London: Routledge, 2012. Pp. 328.**

If the law and development movement were human, it would have spent its life on the psychiatrist's couch. Few academic endeavours are riddled with as much self-doubt. Despite renewed academic interest after Trubek and Galanter's 1974 obituary, the discipline has struggled to establish its identity. Trubek, in the Introduction to *Law and Development in Asia*, declares that "the hoped-for academic field of law and development never materialized" (Trubek and Galanter 1974, p. 2). In his view, the subject generates significant interest within the context of related disciplines, but cannot stand independently. For a field that may not exist,