The Asian Financial Crisis and the Architecture of Global Finance. **Edited by Gregory Noble and John Ravenhill.** Cambridge: Cambridge University Press, 2000. Pp. 310.

To write another book on the Asian financial crisis is not an easy task for two reasons: first, given the spread of the crisis across countries in a relatively short time, the crisis itself is a complex subject; and second, many books and studies have already focused on the crisis. Anyone attempting to write another volume on it will find it difficult to give a different explanation and to provide different results.

Despite this fact, *The Asian Financial Crisis and the Architecture of Global Finance* examines both the political and economic aspects of the event extensively. It intends to answer the questions: What went wrong? And what can be done to prevent similar problems from arising in the future? It analyses both the crisis, and the architecture of global finance and the relationship between the two. It is a very well-researched book with papers from the leading scholars on the issue, including Barry Eichengreen and Stephen Grenville.

The book comprises three broad topics. It begins with an introduction of the evolving debate on the causes and consequences of the crisis. Next, the strong comparative perspective of the book offers insights into why some economies in Asia were affected more severely than others. The book also looks at the roles played by the regional giants in contributing to the crisis and how they can possibly help in its resolution in future. In the final section, the book seeks to provide an understanding of the key issues that should be kept in mind in reforming and globalizing financial systems. It also explores various policy proposals for the development of an institutional framework.

The Asian financial crisis (1997–98) was an unconventional crisis — a capital account crisis characterized by massive capital inflows that surpassed current account deficits. In reviewing the causes and consequences of the Asian crisis, Noble and Ravenhill (Chapter 1) discuss factors that had changed, and thus made some economies in the region more vulnerable to financial crisis. Stephen Grenville (Chapter 2) focuses on the issue of international capital flows and crisis. The authors in the first two chapters indicate that the Asian crisis occurred after a huge upsurge in the mobility of international capital; and yet, the liberalization of capital accounts took place in countries with little political capacity to implement effective systems of prudential regulation. They also argue that if those countries had attempted to isolate their economies from international capital markets, it would have been costly in terms of forgone growth. They criticize Asian economies for exhibiting limited financial restructuring and regulatory reform and the fact that leading financial nations and institutions have not been strongly pressured to promote fundamental change in the global financial architecture.

The second part of the book is devoted to the comparison of economies in the region, both those that were crisis hit and those less affected economies. The affected economies in Asia displayed few of the classic warning signs that had preceded financial crises in the past. For example, Thailand manifested some traditional symptoms, such as an overvalued currency and large and growing deficits in its current account, but South Korea and Indonesia seemed less susceptible by those conventional measures. The book then examines the domestic political factors that played an important role in the onset of financial crisis and in their initial management. Stephan Haggard and Andrew MacIntyre (Chapter 3) focus on two new democracies — Thailand and South Korea — and the way in which they managed financial sector problems. Noble and Ravenhill (Chapter 4) attempt to explain the striking difference between South Korea's and Taiwan's vulnerabilities to contagion from the Asian financial crisis. The authors argue that "the differential impact of the crisis in 1997 reflected divergent legacies of government–business relations and markedly different approaches to the allocation of capital". Chapters 5, 6, and 7 discuss the economy of Indonesia, Japan, and China, respectively. Natasha Hamilton-Hart (Chapter 5) examines the efforts on financial reform in Indonesia, while Jannifer Amyx

(Chapter 6) analyses the reasons why Japan's own post-bubble financial system crisis was unresolved, and examines the political tensions in the Japanese system of financial governance and how those tensions shaped policy outputs. Hongying Wang (Chapter 7) shows that in the long run, the crisis may have profound impact on the economic and political development in China.

In the final part, Barry Eichengreen (Chapter 8), Benjamin Cohen (Chapter 9), Thomas Gallaghy (Chapter 10), and Miles Kahler (Chapter 11) go on to discuss points related to the concept of global finance, and the role of political leadership in the region. This section also sorts through the controversies surrounding the response of international organizations to the crisis, with some emphasis on issues such as exchange rate regimes. It offers suggestions for how international organizations might go about their business differently in the future.

As far as the issues surrounding the crisis are concerned, one might look for macroeconomic figures for each country study; or seek more quantitative economic analysis, or expect more definitive answers to the issues raised. Instead, this book gives more thought on how institutionally constrained governments (such as those under International Monetary Fund (IMF) conditionalities) can respond to mounting economic policy problems, and provides interesting suggestions on how to improve the global financial system. One message that is clearly expressed by this book is that the health of the global economic system depends on carefully sketched and co-ordinated policy responses from the major international organizations.

In general, the book makes for easy reading, with simple and convincing insights. The chapters in the book are all well written and offer analysis with clarity and conciseness. Since the editors and the contributing authors are mostly Western scholars, the book provides an "outsider" viewpoint. It is a useful reference to better understand the Asian crisis from the political economy perspective.

TRACY YANG
Institute of Southeast Asian Studies

***Price Interdependence Among Equity Markets in the Asia-Pacific Region: Focus on Australia and ASEAN*. By Eduardo D. Roca.** Aldershot: Ashgate Publishing Limited, 2000. Pp. xii + 171.

The focus of the book is on the interdependence of Australia's equity market with that of its major trading partners and ASEAN, and among the ASEAN markets. It reports on the results of a study undertaken by the author using weekly data from Morgan Stanley Capital International (MSCI) Inc. over the period from December 1974 to December 1995. The key results of the study can be summarized as follows. The Australian equity market was found to be significantly linked to the ASEAN markets in the long run, although this result was not supported after allowing for Autoregressive Conditional Heteroskedasticity (ARCH) effects. In addition, it was only significantly linked to the U.S. and U.K. markets, and somewhat to the Malaysian, Thai, and Singapore markets in the short run. While the four ASEAN markets (Malaysia, Thailand, Singapore, and Philippines) were not co-integrated, they had significant short-term linkages with each other.

The book is organized into eight chapters. Chapter 2 briefly discusses the concept of equity market integration and its measurement, namely degree of price equality, degree of price co-movement, speed and duration of price co-movement, and degree of barriers. It also covers the various factors, such as economic integration, multiple-listing of stocks, regulatory and information barriers, institutionalization and securitization, and market contagion, affecting equity market interdependence. Researchers in the area of market integration would find the summary of the twenty-six studies in Table 2.1 and the statistical overview of the different econometric techniques in Chapter 3 particularly useful. I would highly recommend that anyone interested in the topic read the excellent coverage, in Chapter 3, on co-integration, error correction models, Granger causality, variance decomposition, impulse response analysis, and Vector Autoregression (VAR) models. In particular, the reader should pay