
Rethinking the East Asian Miracle. Edited by Joseph E. Stiglitz and Shahid Yusuf. New York: Oxford University Press Inc., 2001. Pp. x + 526.

The Asian financial crisis of 1997–98 has been a wake-up call for East Asia, forcing policy-makers in the region to re-examine their hitherto successful economic development strategies and policies. Prior to the crisis, the region was lauded by the international community as the “East Asian Miracle”. Over the past three decades, many East and Southeast Asian countries experienced high sustainable economic growth rates and marked improvement in living standards. It certainly did appear that East Asia possessed a “winning formula” (in economic development) which eluded so many developing countries in the past. However, this miracle became a nightmare with the onset of the Asian financial crisis. Nobody expected the crisis to be so severe and devastating to the affected economies in the region. Five years may have past but the implications of this crisis to East Asia are still unfolding.

Hence, this edited volume with contributions from eminent scholars comes at a timely moment as it takes “a fresh look at the regional experience in the 1990s and to extend and revise as necessary the findings of the World Bank’s East Asian Miracle, published in 1993” (p. v). The contributors to this book were given the task of assessing the economic and industrial policies that were implemented in the region, as well as provide recommendations on how these economies can sustain relatively robust growth in the future.

In the first chapter, Shahid Yusuf provides an overview of the key issues that will be covered in this book and summarizes the main elements of the East Asian Miracle. His opening chapter dovetails with the other chapters that re-examine different aspects of East Asia’s economic and industrial development through either a country or regional perspective.

Takatoshi Ito makes an important observation in Chapter 2, “Growth, Crisis and the Future of

Economic Recovery in East Asia”. He finds that the region has a successful manufacturing sector that coexists with a weak financial sector. Hence, it is precisely this weak link that contributed to the regional crisis. He noted that once domestic financial markets and institutions are strengthened, these economies would be less vulnerable to external shocks or financial contagion. Therefore, sound financial policies (which includes strong financial supervision) and capital market development should be important components in re-evaluating existing strategies in East Asia.

Howard Pack tackles the total factor productivity (TFP) debate in Chapter 3 “Technological Change and Growth in East Asia: Macro versus Micro Perspectives”. This debate relates to the issue as to whether there really was a miracle or were the high growth rates in East Asia mainly driven by capital and labour inputs rather than TFP. Krugman (1997, p. 27) puts it more bluntly that East Asia’s phenomenal growth was “mainly a matter of perspiration rather than inspiration”. However, Howard Pack noted that the rapid economic turnaround in Korea, Malaysia, and Thailand in 1999 and 2000 would suggest that the accumulation of capital, skilled labour, and technological knowledge was stable and long term. Moreover, there is also an ongoing debate over the methodology used to measure TFP which was highlighted by Joseph Stiglitz in his concluding chapter.

Among the East Asian countries covered in this volume, it includes several chapters on China (a country that was left out in the earlier World Bank study on the East Asian Miracle) and its experience over the past two decades in economic reforms. Justin Yifu Lin and Yang Yao (Chapter 4) found that Chinese rural industrialization has been the most significant in the region while Yingyi Qian (Chapter 7) looks at government control in corporate governance in China. Also, Dwight Perkins (Chapter 6) examines whether China’s and Vietnam’s industrial and financial policies are part of a new economic development model or merely a replay of the East Asian experience. These are clearly important chapters as rising competition

from China — which has absorbed a huge slice of East Asia’s foreign direct investments (FDI) in recent years — is perhaps another reason why there is an urgent need to reconsider current economic development strategies.

For readers that follow the developments in Southeast Asia, the penultimate chapter by K.S. Jomo, “Rethinking the Role of Government Policy in Southeast Asia”, argues that for historical reasons the Southeast Asian experience is very different from its Northeast Asian neighbours. He offers a more nuanced explanation for the rapid economic expansion experienced by the newly industrializing economies of Southeast Asia, which focuses on “the nature of business–government relations and their implications for industrial policy, industrial capabilities, and the financial crisis beginning in mid-1997” (p. 464).

In the concluding chapter, Joseph Stiglitz provides his own thoughts on the region since the 1993 World Bank study. He argues that it is important to take note of the counterfactual: Could East Asia have performed much better than it actually did (without industrial policy)? (p. 518) Regardless of the controversy over the kind of industrial policies that were implemented in East Asia, he observed that almost all the countries in the region had industrial policies. This would seem to indicate that these policies are a vital part of East Asia’s economic development model.

This book is highly recommended for readers that would like a greater understanding of the East Asian growth phenomenon. However, a chapter focusing on the development of small and medium enterprises (SMEs) — particularly in Southeast Asia — would have made this book a bit more complete. The development of domestic SMEs were found to have fallen behind during the miracle years. This “soul-searching” that economic policy-makers are currently undergoing would definitely include re-examining the role of SMEs in revitalizing East Asian economies.

REFERENCES

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Rethinking Development in East Asia: From Illusory Miracle to Economic Crisis. Edited by **Pietro P. Masina.** Surrey: Curzon Press, 2002. Pp. 326.

This edited volume, consisting of fifteen chapters, is the product of a conference at Roskilde University in October 1998. While the conference was timely, with much of East Asia in deep recession, the pace of events in the region and volume of timely research into the crisis gives this volume a dated appearance. The bibliographies at the back of the edited chapters largely trail off in 1999.

The authors adopt a “political economy” framework. The power relationships, both political and economic, between the developmental state, the transnational corporations (TNCs), and the multilateral institutions are examined. Institutional, Marxist, and Structuralist flavours pepper the content of the individual contributions. The conclusion is that the Asian crisis was systemic. Authors reject explanations of the crisis as the product of “crony capitalism” and attack World Bank explanations of the preceding period of growth as the product of limited government intervention.

This book is not about the Asian crisis *per se*. Rather, the crisis is viewed as an example of “inherent contradictions” in the system that it highlights. The crisis is seen as the product of two forces: regional economic development strategies, heavily reliant on international markets and capital flows; and an unstable international financial framework within which such institutions as the TNCs, International Monetary Fund (IMF), World Bank, and U.S. Treasury exercise an over-arching