

limited impact of targeted government support to promote SMEs during both good times and bad. The Philippines case study and the paper by Hill on Indonesia highlight that SME development is stimulated mostly by a less bureaucratic environment with government efforts geared at providing adequate infrastructure and access to international markets. Hill suggests that empirical evidence from Indonesia might suggest a model for successful SME development in which local entrepreneurs, supportive government agencies and foreign buyers all appear to play an important role. The chapters on Malaysia and Thailand support the conclusion that SMEs in Southeast Asia have been hit hard by the crisis although there is also evidence of enterprises and sectors that have been able to adjust successfully to the changes in the macroeconomic environment.

The chapter on Korea by Gregory and Taiwan by Ngui show that SMEs also play an important role in more mature countries in the region. In Korea, the government has increasingly acknowledged the importance of SMEs to strengthen the flexibility of the country. In Taiwan, SMEs have also been given high priority in the process of economic development. Ngui's contribution stresses the importance of the specific features of the manufacturing sector in Taiwan in which SMEs play a prominent role through the emergence of a network-based industrial system.

The book finishes with a number of chapters on SMEs in the more matured countries in the region. It is interesting to note that also in these countries there remain problems in arriving at clear and broadly accepted definitions of SMEs. In addition, the SME broad policy issues in these countries access to finance improvement of the business environment, strengthening the management capabilities and access to markets, appear not to differ substantially from those in other countries in the region. Sugiura's case study on Japan stresses also the growing importance given to smaller enterprises to boost the dynamics of the Japanese economy. Finally, Lee and Tan's chapter on Singapore highlights the importance of strong fundamentals of the country's economy that have created a business environment in which SMEs

are able to flourish.

This book provides an excellent overview of the SME sector in East Asia. The contributors are from both the academic and business sectors and provide a range of views and opinions on the dynamics of SMEs. Most chapters are structured in a rather similar way which make is easy to compare the findings from various countries. However, gradually while reading the book, the findings and conclusions tend to become predictable. The book deserves to be read by those who take an interest in industrial development and SMEs in the region. It provides good basic reading before executing more in-depth study into a particular country or sector. The book tends to concentrate on small-scale manufacturing and pays only limited attention to trade, services, transport, etc. This is understandable given the poor data on these sectors but needs to be kept in mind while drawing conclusions from the case studies. Finally, it is very much a pity that the book does not have a concluding chapter that pulls together all case studies, findings, and conclusions. That would have been very interesting and relevant for future research and policy for SMEs in the region.

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***Globalization and Its Discontents.* By Joseph Stiglitz.** London: Allen Lane/Penguin Press, 2002. Pp. 282.

The story of Joseph Stiglitz is well known to those who follow the activities of the World Bank. After a distinguished career as an academic economist, in which he created the new "economics of information", he joined Bill Clinton's Council of Economic Advisors in 1993. From there he moved to the World Bank where for three highly controversial years he was the chief economist and a senior vice-president. He became an outspoken critic of the policies of the International Monetary Fund (IMF), notably its handling of the Asian

financial crisis, and after knocking heads with senior members of that organization, left the bank in 2000 and returned to academia. He then collected the Nobel Prize for Economics and wrote this book about his experiences in Washington.

Those who have followed this story have been right to note that his most significant contribution to world development while at the bank appeared to be his criticism of the IMF. However, he could have done that from the halls of academia. Moreover, the public nature of his feuding with the IMF often did suggest that maybe the distinguished academic was not adjusting well to the rough and tumble of real world policy-making and that he lacked the diplomatic skills needed to win friends and influence people. In large part, this book represents Stiglitz's attempt to explain his position and justify why it was necessary to attack the IMF.

As a result, the title of the book is misleading: it is not an examination of the strengths and failings of globalization. Rather, it is an unrelenting critique of the IMF and its policies; in Asia, during the financial crisis, in Russia and Eastern Europe after the fall of communism, and in Africa and Latin America during twenty years of economic reform and liberalization. If it is an examination of globalization, it addresses the IMF's approach to it, which the author clearly suggests does not lead to economic stability or development.

Of the nine chapters, two are devoted to Russia, one to East Asia, and another to comparing successes and failures between the two regions (notably China and Russia). As such, much of the analysis is about transition, either transitions from state control to market competition or managing the transition between boom and bust. The author's argument is that an economy is best managed by keeping productive factors in use, be they workers, physical assets, capital, or the information held by financial institutions. Thus, trade liberalization will result in the destruction of jobs in weak industries and will only be successful if the government supports the creation of jobs in other industries that are likely to have a competitive advantage. Likewise, the closure of financial institutions will result in the loss of the

information capital held about the creditworthiness of borrowing businesses and will be hard to rebuild. Thus, the IMF's attempt to contain the Asian financial crisis with tight fiscal policy and high interest rates draws heavy criticism from Stiglitz because the policies reduced the liquidity that businesses needed to maintain production. Only by keeping factories humming could their countries weather the flight of hot money. Many Asian countries were in a strong position to export because their currencies had devalued but they could not meet orders because they lacked finance.

More generally, Stiglitz argues that the IMF is fixated with keeping inflation very low, due in part to its experiences with hyperinflation in Latin America during the 1970s. He notes, however, that there is no empirical evidence that moderate inflation is inimical to growth. Conversely, it is true that tight monetary policy with high interest rates can increase unemployment.

The author argues that the shock treatment of the IMF does not allow productive resources to remain in use and therefore often leads to low or no growth. Furthermore, shock policies lead to social instability and a rending of the social contract between government and society. Indeed, one of the striking features of the book is that an economist has underlined the economic importance of social stability and political legitimacy.

Along with the central argument about productive assets, the analysis provides some interesting insights (accusations) about the relationships between the Bretton Woods institutions, the U.S. government, and corporate America. Stiglitz notes the close association between the IMF and Wall Street, and though he rejects a general conspiracy between the two, he argues that the IMF is lobbied by, and moulds its policies to suit, the financial community. He notes also that the current U.S. Treasury Secretary Paul O'Neill had previously helped to form an aluminium cartel when the U.S. industry was facing hardship — not exactly a free enterprise response to increased competition. At the same time, there is very little criticism of Stiglitz's former employer. He supports the efforts of the current World Bank president, James Wolfensohn,

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.
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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,