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researchers in the history of economic development and those interested in the Asian economies and the aftermath of the Asian financial crisis.

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Asian States, Asian Bankers: Central Banking in Southeast Asia. **By Natasha Hamilton-Hart.** Ithaca and London: Cornell University Press, 2002. Pp. 215.

Why are some countries more prone to financial crisis than others? Natasha Hamilton-Hart's innovative work on central banking in Southeast Asia accounts for this in terms of a state's governing capacity, which she argues helps determine how governments manage the challenges associated with capital mobility and globalized financial markets. Governing capacity, which is rooted in the organizational attributes of central banks and state financial institutions, allows governments to undertake complex administrative tasks, exercise self-restraint and impose public authority over private actors. Elaborating on this thesis in Chapters 1 and 2, the author argues that it is the degree to which a state, and its constituent organizations, "resemble a Weberian rational-legal governing system with an organized, disciplined and skilled bureaucratic apparatus run according to rule-based and meritocratic precepts" that is central to governing capacity (p. 7). Governing capacity affects financial sector outcomes in three ways: it determines the degree to which stated policy is implemented in a rule-abiding or consistent manner; it expands the range of policy choices available to a government; and it influences the prospects for international co-operation. Empirical support for this thesis is derived from comparative analysis of Indonesia, Singapore, and Malaysia, all fairly internationalized economies that, nevertheless, displayed different degrees of success in managing and regulating their respective financial sectors.

Through careful and detailed research, Hamilton-Hart documents the evolution of state organizations and central banks in these three countries in Chapters 3 through 5, focusing in particular on the nature of their organizational attributes, which underpin governing capacity. Of the three countries studied, Singapore's financial institutions most closely resemble the rational-legal Weberian model, although Singapore's governing capacity in this area also rests on the presence of informal institutions that link the public sector with the private financial sector, thereby facilitating considerably effective policy implementation. Although Indonesia's financial institutions displayed some degree of organizational coherence, particularly the technocratic central bank, they only minimally resembled rationalized bureaucracies due to their high degree of informality and personalized accommodation with outsiders. This led to considerable gaps between financial policy and its implementation as substantial distortions were generated through personalized interventions. Malaysia occupies a position midway between the Singapore and Indonesian cases. Malaysia's successful financial policies may be attributed to its central bank, which is one of the more rationalized state organizations in the country. Nevertheless, the increase in politically mediated intervention in the regulation of the banking sector since the 1980s, the concomitant erosion of bureaucratic structures in the country, and the increasingly blurred distinction between public and private sectors impaired governing capacity, although such trends did not completely undermine the central bank's regulatory effectiveness. Hence, Malaysia's mixed record in terms of both successes and failures in its financial management. The remaining three chapters in the book examine how these three countries' respective governing capacities affected: (a) patterns of financial policy implementation in an open economy setting; (b) their reform efforts after the 1997–98 financial crisis; and (c) the prospects for regional economic integration, especially in money and finance.

One of the more interesting points raised by

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Hamilton-Hart's research is that despite adopting the "correct" policy, outcomes may be perverse or the desired results not forthcoming because of weak governing capacity. Although all three countries displayed a fairly high degree of financial sector internationalization and high capital mobility, their degree of success in undertaking interventionist financial policies, and all three countries did adopt such policies, differed in line with their differing governing capacities. Hence, in Indonesia, both liberalized as well as interventionist financial policies had high costs. On the other hand, Singapore's interventionist financial policies were successfully executed while Malaysia's record was mixed. Thus, it appears that it is less the type of policy adopted that matters, albeit within a fairly wide though not unbounded range of policy options, and more whether the policy chosen is effectively implemented in a consistent and rule-abiding manner that does not impose high costs on the economy.

A second point of interest relates to Malaysia's heterodox response to the 1997–98 financial crises, namely the imposition of limited capital controls. Much of the discussion in the literature on this issue has tended to focus on whether the controls were necessary, and responsible for Malaysia's recovery from the crisis. What Hamilton-Hart's analysis does is take us beyond this sometimes unproductive debate to point to an aspect of the Malaysian capital controls that is often missed in these discussions, namely the capacity of the Malaysian state, its central bank in particular, to effectively design, implement, monitor, as well as review and fine-tune the capital control policy in a manner that did not impose high costs on the Malaysian economy. This episode suggests that governments with relatively high governing capacity have access to a wider range of policies, even so-called heterodox ones, than are available to governments with low governing capacity.

Hamilton-Hart's insightful analysis raises two questions about the role of states in an era of globalization. First, could state organizations built around regularity and internal discipline make it more difficult for them to respond to external pressures in novel ways, as such attributes tend to ensure that things are done in pretty much the same way as they always have been accomplished? In short, could the presence of such governing capacity, necessary though for effective policy implementation, nevertheless, prevent "thinking outside the box"? A second, and related question, is whether states with high governance capacity, and past success in economic management derived from it, would be tempted to "tinker" with the economy to effect certain desired outcomes in ways that may turn out to be counter-productive, particularly in unfamiliar situations? With globalization ratcheting up the degree of risk, uncertainty and volatility associated with economic and financial markets, such questions become highly salient.

Hamilton-Hart's thought-provoking book is a very valuable contribution to the literature on states and the financial sector more broadly, and on Southeast Asian comparative political economy more specifically. It offers us new insights into a little studied phenomenon in political economy, namely the manner in which policies are implemented and the institutional factors that influence that process. We are, as a result, able to take some significant steps forward in our understanding of financial sector governance, a highly salient issue in a world characterized by globalization of the economy and especially of financial markets.

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Finance for Growth: Policy Choices in a Volatile World. A World Bank Policy Research Report. New York: Oxford University Press, 2001. Pp. xv+212.

This book provides a coherent approach on how financial sector policies can be designed and used effectively to foster economic growth and to

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