

Nevertheless, integrating the literatures on organizational sociology, high-performing Asian economies, and network organizations in the Asia Pacific Region is a tall order, as the editor notes in the preface. The authors have done a great job in producing a volume of rich analyses on Asian capitalism.

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The Politics of the Asian Crisis. Edited by T. J. PEMPEL. Ithaca, N.Y.: Cornell University Press, 1999. ix, 284 pp. \$49.95 (cloth); \$19.95 (paper).

The thoughts of the finest political analysts from both within and without East Asia are collected in this outstanding volume. Its title, *The Politics of the Asian Crisis*, may lead readers to seek a single explanation for the crisis as a whole; instead the contributors emphasize nuance and detail over parsimony of explanation. Generalizations about rent-seeking and crony capitalism are avoided in favor of institutionally specific analysis of whose cronies benefited and how politics and institutions determined who got what. Differences in power relations and institutional configurations, the authors concur, are responsible for the varied outcomes.

Nevertheless, T. J. Pempel, the book's editor, might have missed a great opportunity to fully integrate the riches offered by Yun-han Chu (Taiwan), Paul Hutchcroft (Philippines), Andrew MacIntyre (Indonesia and Thailand), Barry Naughton (China), Meredith Woo-Cumming (Korea), and Linda Y. C. Lim (Singapore and Hong Kong). All have admirably fulfilled their mandate, producing vintage essays ripe with institutional specificity.

One external influence mentioned throughout the volume is the surge of private capital funds competitively seeking higher yields. The authors uniformly decry the excesses of international capital movements, often referring to short-term currency speculators and "hot money" outflows, but the problem is not the prevalence of short-term debt. In fact, a high percentage of short-term debt correlates positively with economic development. For example, capital flows to the U.S. are predominately short term as compared to Africa, where foreign direct investment (FDI) comprises a higher percentage of the total. If an Asian national trades stocks or bonds in the U.S., no one would call that "hot money" but in less developed economies FDI substitutes for an active, stable capital market. The less developed an economy, the more likely investors will want to own plant and equipment. How did an ever expanding number of competing privately managed mutual funds calculate that the risk-adjusted rate of return in Asia was comparable or better than alternative investments? As Jeffrey Winters queries in his trenchant essay, "why did fund managers overlook the region's endemic weaknesses when making their investments"? Why did they ignore factors that would certainly have stymied investment at home? These included high levels of ownership concentration, oligarchy, compromised regulators, weak judiciaries, and a virtual absence of third party audits; all should have been red flags. But these institutional weaknesses rooted in political systems that lacked accountability did not stymie optimism where East Asia was concerned.

As a counterpoint to the region's crisis economies, Taiwan's economic resilience is brilliantly depicted by Yun-han Chu. Threatened by mainland China's claims to the island, Taiwan's leaders need high growth to justify to their own people why they and not the communist party should govern. A similar threat once inspired leaders

throughout the region to formulate strategies for high growth with equity. Taiwan's leaders embraced the opportunities of the new global information marketplace, basing their future on technological upgrading and overseas outsourcing of low tech. By 1997 high technology accounted for 39 percent of total manufacturing output and 49 percent of total exports. Unfortunately, comparable data was not provided for the other crisis economies, but it seems by comparison with Taiwan that East Asia's transition to knowledge-based production is disappointing.

Another often noted feature of Taiwan's resilience was an absence of business concentration. Taiwanese companies did not become too big to fail, nor did they become large enough to effectively lobby the government for special firm-specific privileges. In 1997 small- and medium-sized enterprises (SMEs) accounted for 34 percent of GDP, 52 percent of total production, and 78 percent of jobs. This resurgent SME sector was sustained by a booming capital market, which trumped the island's conservative banking sector. Since financial deregulation began in the early 1990s, Taiwan has been one of the few places outside the U.S. to enjoy ample amounts of venture capital. As in the U.S., Taiwan's high tech firms raised capital through rights issues and initial public offerings. By 1998 Taiwan had the fifth most active stock market in dollars traded in the world. Out of 81 countries, Taiwan ranks thirteenth in capital access according to a Milken Institute index that measures the sources of entrepreneurial finance. Its capital access ranking is higher than France, Japan, Thailand, South Korea, or Italy. Of middle income countries in the world, Taiwan is surpassed only by Estonia.

Is it a surprise that Taiwan's growth strategy more closely resembles that of the U.S. than any country in Asia? One factor might be that more government officers are educated in American business schools where the capital-market model of development was elucidated. Today Taiwan country benefits from more American trained PhDs in finance and accounting than any other country in Asia.

Whereas Taiwan funneled NT\$60 billion into small high-tech companies, the industrial structures of most other East Asian economies were characterized by ownership concentration. In Korea, the value of securities owned by the top 15 families reached almost 40 percent of total market capitalization. In Thailand, the Philippines, and Indonesia, this figure ranged from 50 to over 60 percent. In these countries, concentrated ownership substitutes for inefficient judicial systems, weak rule of law, and rampant bribery. In fact, throughout East Asia, the degree of ownership concentration correlates precisely with the weak performance of the legal framework.

One common theme emerges from this book's focus on nationally differentiated institutional arrangements. Throughout East Asia political interference in the granting of credit had adverse economic consequences and contributed significantly to the 1997 crisis, whether the thereby subsidized firm was state- (China) or privately owned (Korea, Malaysia, Indonesia, and the Philippines). In each of the crisis economies, inefficient capital allocation resulted from the concentration of bank assets and equity market capitalization. When political interference circumvented market forces, poor investment projects crowded out more deserving ones. At the same time, poor supervision and regulation allowed political interference, making credit dependent on political considerations. With decisions regarding resource allocation made on the basis of the closeness between politicians and businesses, market competition was supplanted by cronyism. The concentration of private wealth in the hands of a relatively few individuals or families produced the same risks that occur when access to credit is consolidated in state-owned banks. Both environments

promote anticompetitive actions with the objective of rent sharing, a situation which allows collusion to circumvent market discipline.

Taiwan was spared because a "garrison mentality" prevailed. Alerted to the fact that a failure to be competitive would endanger relations with China, Taiwan's leaders focused on resisting vested interests and liberalizing the capital markets so that new sectors of the economy could thrive. By contrast, the elites that rule the rest of Asia no longer threatened either internally or externally by the danger of Communist insurrection were more concerned with private benefits for a few concentrated constituents. The most common scenario was the exchange of campaign contributions for regulatory and financial privileges. Long before the crisis, many papers were written both within and outside the region, identifying the financial fault lines in these economies. Rather than protecting collective interests by establishing a competitive financial system that could nourish new ideas and interests, leaders in East Asia put the power of the state over capital allocation at the disposal of a few entrenched interests. The corrective, the authors in this volume all agree, rests in deep political reform that holds leaders openly accountable to citizen interests for the consequences of economic policy. What the region needs is a broad, deep and liquid financial system, which only fundamental changes in power relations can bring about.

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The Southwest Pacific Campaign, 1941–1945: Historiography and Annotated Bibliography. By EUGENE L. RASOR. Westport, Conn.: Greenwood Press, 1996. ix, 279 pp. \$79.50.

"Let me tell you about the South Pacific," James Michener rhapsodizes in the opening lines of his collection of stories, *Tales of the South Pacific*, one of which would later be adapted to become the world famous musical. Though there are few Americans who cannot hum at least one of the tunes from that play, the actual war in that area of the world has made no impression on the popular historical memory. A few may recall that the two most famous American figures of the Pacific War, Admiral William F. Halsey ("Bill" to his friends, "Bull" to the press) and General Douglas MacArthur, were there but even they may be unsure as to where "there" was. Eugene Rasor's book will probably never be made into a musical, but it will tell you about the South and Southwest Pacific in mind-numbing detail. This work is characterized by the same comprehensiveness and depth of research which may be found in Rasor's earlier guides and bibliographies. In fact, the book is almost a complete research guide to the subject, discussing not only published works but archives, libraries, and other research centers. There is a section on veteran's organizations (unfortunately without addresses) and a list of scholarly conferences and public commemorations of the Pacific War held since 1989. The discussion of published works extends to documentaries, novels, dissertations, and even to information about forthcoming works.

To say this is a richly annotated bibliography would be a considerable understatement. Rasor leaves no doubt about his views and lets the reader know that in his book the first shall be first and the least shall be last. "The amount of emphasis and juxtaposition of various items, i.e., the best sources first and works of less contribution later, are indicators of quality" (p. 2).