something, the creation of a new international agency is the answer. Whatever the readers’ opinions, Cohen will definitely find many policy-makers ready to listen.

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For many emerging markets in Latin America, Asia, and Eastern Europe, the last decade of the past millennium was a rollercoaster ride of rapid growth, sudden collapse, temporary recovery, and renewed crisis. After implementing substantial policy reforms in the early 1990s, countries were able to attract large volumes of private capital flows from abroad, and it seemed as if the macroeconomic cataclysms and debt debacles of the 1980s had definitely been overcome. The Mexican “tequila crisis” of 1994/95 was an early writing on the wall that warned about the risks associated with this process and almost terminated the widespread emerging markets euphoria. However, large-scale intervention of the United States and international financial institutions managed to extinguish the fire, and quite soon the international financial system seemed to be back on track. As for explanations of the Mexican crisis, the usual suspects were quickly rounded up: a sequence of “unsustainably high” current account deficits, a growing mountain of short-term, dollar-denominated debt, and alarming symptoms of political instability. All the more disconcerting was the sequence of currency crises that hit East-Asian countries in 1997. Up to this point, most observers had agreed on a definitely positive assessment of these “tiger economies”: fiscal and monetary discipline were associated with a stable political environment, and high saving rates, combined with large-scale capital inflows, financed rapid economic growth. The Asian crisis came as a shock, and subsequently prompted economists to look behind the curtain of macroeconomic stability: it was soon discovered that the positive figures had hidden a reality characterized by “crony capitalism”, a weak banking sector, and huge misallocations of resources. The Argentine crisis of 2001/02, finally, gave the death-blow to the emerging markets optimism of the 1990s: not only had Argentina offered a spectacular example of macroeconomic stabilization at the start of the decade, the credibility provided by its currency board arrangement also seemed to be crucial in weathering the shock waves of the
Mexican and the Asian crises. However, in late 2001 it seemed as if the very ingredients that initially had brought stability and growth had also borne the seeds of Argentina’s eventual breakdown. As a consequence, both politicians and researchers were forced to rethink the tenets of the “Washington consensus” which had dominated economic policy during the 1990s.

Even if there have been no large-scale crises since the Argentine collapse, the experience of the past decade has left its traces: More than ever, the volume and the composition of capital flows to emerging markets are shaped by investors’ awareness that they are treading risky ground, that healthy fundamentals may quickly be superseded by pessimistic expectations, and that substantial gains may quickly turn into large losses. Hence, the causes and consequences of emerging market crises remain as topical as they were in the 1990s.

Among the researchers who have analyzed these issues, Guillermo Calvo is a towering authority, and his contributions are landmarks in a field where analytical rigor has to be combined with a clear grasp of the facts and a good sense for policy implications. His papers on the topic have now been assembled in a volume published by MIT Press (“Emerging Capital Markets in Turmoil – Bad Luck or Bad Policy?”, 547 pages). Going through this book, one cannot help being impressed by the amount of powerful ideas that have turned from challenging innovations into elementary parts of conventional wisdom: the notion that “push-factors” were the key cause of large capital inflows during the early 1990s, the idea that “sudden stops” have disastrous consequences for exchange rates and output, and the diagnosis that a “fear of floating” characterizes monetary policy in many emerging markets – these arguments, including the associated terminology, have become standard components of any discussion on the problems and prospects of emerging markets. Which, of course, prompts one to wonder about the raison d’être of this volume: given the prominence of Calvo’s ideas and the fact that most of them have been published in journals or as working papers since 1993, what is the value added of compiling this material in a new book? When answering this question, one has to take into account that these ideas were not always part of conventional wisdom – even for the author himself. Instead, his diagnoses and conclusions were affected by intense and controversial discussions with national policymakers as well as international financial institutions, and they were shaped by new experience – in particular, the occurrence of new crises which sometimes confirmed, sometimes questioned the previous analyses. The book reflects this process by assembling the papers in a loosely chronological order. Hence, in addition to sparing the reader several walks to the