

Preface

Every major economic crisis stimulates rethinking of fundamental paradigms in economics. A key focus of the 'brainstorming' triggered by the Asian financial crisis of 1997–98 has been on the role of international capital mobility in making countries susceptible to crises and the rationale behind the use of capital controls as a crisis management tool.

This study seeks to contribute to this debate by examining the Malaysian experience through the crisis. Malaysia provides an interesting case study of this subject given its significant capital market liberalization prior to the onset of the crisis, and its bold move in September 1998 to break with the ideological consensus in crisis management that has governed international financial relations over much of the postwar period. Everyone is watching whether Malaysia's radical policy decision to pursue an independent recovery path, cut off from world capital markets by a system of capital controls, would prove to be a viable alternative to the conventional market-centred approach to crisis management.

My original intention was to write a short monograph focusing specifically on the economic implications of capital controls in Malaysia. However, as research progressed I became aware that it was difficult to do justice to the issues at hand without extending the analysis to cover capital account liberalization in the early 1990s and appropriately placing the two episodes in the context of the postwar economic history of Malaysia as well as the experiences of the other East Asian countries through the crisis. Thus the final product turned out to be a sizeable volume dealing with macroeconomic management in Malaysia during the post-independence era, with emphasis on the role of capital control from a comparative East Asian perspective. I hope the volume will be of interest to a wider readership, including development macroeconomists, students of Malaysian and East Asian development, and specialized readers in the area of financial crisis.

I wrote this book conscious of the highly controversial nature of the subject at hand. I have, therefore, been at great pains to be consistently on my guard to include in the book all statistical material and sources of information in order to facilitate scrutiny of my inferences. I have also taken care not to get into the messy debate on the morality of political events surrounding shifts in crisis management policy in Malaysia. Economics is not a morality

play; the job of the economic analyst is to assess the policies without regard to who make them.

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