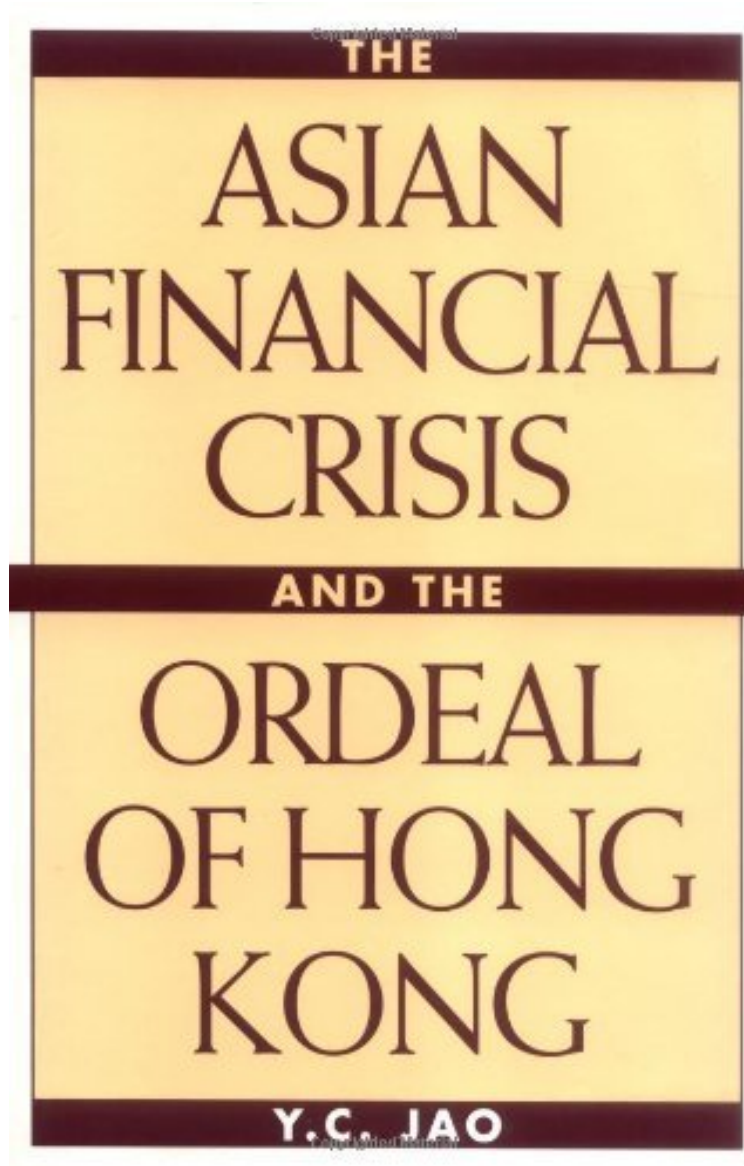


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The Asian Financial Crisis and the Ordeal of Hong Kong

Y. C. Jao

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Y. C. Jao : The Asian Financial Crisis and the Ordeal of Hong Kong before purchasing it in order to gage whether or not it would be worth my time, and all praised The Asian Financial Crisis and the Ordeal of Hong Kong:

2 of 2 people found the following review helpful. A solid analysis on the Asian financial crisis in Hong Kong By Ray The publication of a book on the financial crisis in Hong Kong by Y.C. Jao from the University of Hong Kong is most timely. Jao is no stranger to anyone who has studied the banking and financial system in Hong Kong. There is no lack of analysis on the Asian financial crisis. However, this is the first book-length study that focuses on the case of

Hong Kong. The analysis is particularly timely as Hong Kong is currently in the midst of its severest economic recession since the early 1970s. The book not only clearly analyzes the financial crisis in Hong Kong by putting the events that happened in Hong Kong in the last few years in the larger context of the Asian financial crisis, but further delves into the post-crisis economic recession that Hong Kong is suffering. The author begins by analyzing the origin, nature, and consequences of the Asian financial crisis. He proceeds on to discuss the financial crisis in Hong Kong by looking at the financial crisis itself focusing on how foreign exchange speculators tried to capitalize on the possible event of the collapse of the Hong Kong dollar and how the government reacted to the crisis by its unprecedented attempts to intervene in the stock market. The story was succinctly told with convincing information put together by the author. Jao then analyzes the impact of the crisis on the asset markets, financial sector, and the real economy. The analysis in the book is clear and solid. The most interesting part of his book is, however, its attempt to answer two puzzles: (1) Why was Hong Kong's economic downturn so severe, and (2) Why was Hong Kong a laggard in economic recovery, and the role China plays in the crisis. Jao points out that while the government was able to defeat the currency speculators in the financial crisis of 1997-98 and successfully defend the currency system, the people of Hong Kong, nevertheless, pay a high price as part of the reason for the continuation of the recession after the crisis is attributed to the currency board - the very system Hong Kong tries to defend. The need to defend the linked exchange rate has forced on the Hong Kong abrupt rises in interest rates severely impacting the assets markets and the real markets through the wealth effect, collateral effect, and the credit availability effects. The intricate relationships amongst these factors are clearly explained in the book. I would recommend this book not only to economists who have an interest in the Asian financial crisis or the Hong Kong economy but also to anyone (as the book was written in non-technical language) who want to make sense of the recession in Hong Kong.

Victim, not instigator of the Asian Financial Crisis, Hong Kong was the only economy that succeeded in defending its fully convertible currency, indeed its entire financial system, against speculators, but the price it paid for success has been deep recession. Jao gives an objective, even-handed account and analysis. Without political or ideological preconsiderations he shows how Hong Kong authorities handled their intervention in the equity market in August 1998. Explaining the conventional wisdom that no fixed exchange rate regime can hold out for long against massive speculation. He goes further to show that Hong Kong contributed not only to the eventual easing of the AFC, but to economic stability throughout Asia as well. Jao opens with a discussion of the nature, causes, and consequences of the AFC. After an overview of Hong Kong's economic and financial fundamentals on the eve of the crisis, he examines the impact it had up close. He examines the massive speculation against the Hong Kong dollar, explaining why speculators were defeated. The AFC's impact on the assets market are also explored. He also analyzes the impact on the financial sector and the real economy. Jao studies and answers two hard questions: why was the economic downturn so severe and why was the territory initially a laggard in economic recovery? He then takes up China's role, and presents an objective, balanced view of Hong Kong's money and finance under Chinese sovereignty, followed by a discussion of how China herself coped with the AFC. The book concludes with an in-depth discussion of the lessons the AFC has taught us and the author's reflections on post-AFC issues.

"A great deal has been written about the nature and causes of the recent Asian financial crisis (AFC). However, there are few good case studies on how individual Asian economies had suffered during the crisis. Jao's book clearly fills one of these gaps...the book is well structured and well written. The author also provides a very good introduction to Hong Kong's financial system. It is highly recommended for not only financial market professionals who want to draw lessons of experience from the AFC episode, but also business executives who want to develop a quick understanding of Hong Kong's financial sector."-Migrant Workers in Pacific Asia..."the story of the only economy to succeed in defending its fully convertible currency against speculators during the Asian crisis of the late 1990's."-Business Horizons" This carefully researched book is no doubt a handy reference if one wants to know how the contagion of mismanagement of the financial and monetary affairs in one country spread to other countries...the book must be credited with faithfully documenting the background to and the source of the crisis, and particularly how mainland China was characterized by "an extraordinary mixture of external strengths and domestic weaknesses." The detailed discussion of China's response to the crisis and its ability to weather the storm are all of great interest."-The China Quarterly?...the story of the only economy to succeed in defending its fully convertible currency against speculators during the Asian crisis of the late 1990's."-Business Horizons? This carefully researched book is no doubt a handy reference if one wants to know how the contagion of mismanagement of the financial and monetary affairs in one country spread to other countries...the book must be credited with faithfully documenting the background to and the source of the crisis, and particularly how mainland China was characterized by "an extraordinary mixture of external strengths and domestic weaknesses." The detailed discussion of China's response to the crisis and its ability to weather the storm are all of great interest."-The China Quarterly? A great deal has been written about the nature and causes of the recent Asian financial crisis (AFC). However, there are few good case studies on how individual Asian economies had suffered during the crisis. Jao's book clearly fills one of these gaps...the book is well structured and well written.

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