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Book Review

Financial Deepening and Post-Crisis Development in Emerging Markets. Current Perils and Future Dawns, edited by Aleksander V. Gevorkyan and Otaviano Canuto, 2016, London: Palgrave Macmillan

Ulrich Volz, SOAS University of London

Over the last decades, emerging market economies have greatly increased in importance and become central players in the world economy. The emerging markets boom of the 2000s led to expectations of a decoupling from the major advanced economies and a shifting of economic power from the north to the south. While most emerging markets navigated relatively well through the global financial crisis (or North Atlantic crisis as some prefer to call it), economic problems and challenges have become increasingly apparent for many emerging markets in the decade since 2007. There has also been an increasing divergence in economic performance, with some economies like Vietnam and India recording robust growth, while other economies like Brazil and South Africa have been sinking rather than emerging. Against this backdrop, this book provides interesting perspectives on the future of emerging market growth. In the introductory chapter, the editors – Aleksandr Gevorkyan, an Assistant Professor of Economics at St. John’s University, and Otaviano Canuto, an Executive Director at the World Bank Group – describe the objective of the volume as advancing “our knowledge and understanding of the problems of emerging markets and developing countries in the post-crisis transformation.” The main question they seek to address is: “What lies ahead for emerging markets now that there is no “one-fits-all” post crisis model?”

To answer this question, the editors have compiled 12 chapters written by academic and professional economist from international organisations. The book is divided into three parts. Part I comprises the editors’ introduction in which they set the scene and analyse the change in perceptions of emerging market growth from hype to the rather subdued outlook that is dominating at the moment. Part II contains four chapters that scrutinise emerging markets’ post-2008 trends. The theoretical and empirical contributions look at post-crisis lessons for capital markets, the risk of currency crises arising from balance of payments shocks, the implications of a duality of labour markets in emerging markets for dealing with shocks through exchange rate adjustment, and the macroeconomic challenges posed by capital flows to emerging markets. The seven chapters in Part III provide interesting region and country case studies, covering Latin America, the Caribbean, Eastern Europe, Sub-Saharan Africa, and the Middle East and North Africa. What is striking is the absence of chapters dedicated to Asian emerging economies, given their crucial importance for the world economy. Indeed, it seems strange to have a book on the future of emerging markets growth which barely mentions China and India. Despite this shortcoming, the reader will find interesting perspectives on multiple challenges facing emerging market economies in this volume.