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Yuwa Wei, Securities Markets and Corporate Governance: A Chinese Experience

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Yuwa Wei, *Securities Markets and Corporate Governance: A Chinese Experience*. Aldershot: Ashgate, 2009, xii + 292pp., £65.00 h/b.

YUWA WEI'S VOLUME PROVIDES AN OVERVIEW OF THE HISTORICAL development of the securities markets and a literature review of the economic functions of securities markets and the rationalities behind takeover activities, focusing on how China exerts the function of the securities markets in corporate governance. This volume also investigates the legal regimes governing securities markets and the Chinese experience in fully exploiting the monitoring function of the capital market over listed companies. It also gives an analysis of the 'double-edged sword' development environment of China's securities markets and proposes a model which balances internal corporate governance and external market control in a world of globalisation. The book is organised into four parts and each comprises three chapters, all of which have a strong empirical foundation and utilise comparisons with some leading corporate economies and transitional economies.

Part I provides the background for the rest of the book and discusses the economic functions of securities markets. It examines the role of social cognitive and emotional biases in economic decisions and the effect upon market prices and resource allocation. It explains the function of speculation, the undesirable effects as well as the economic benefits in the securities markets. It also discusses speculative behaviour and price distortion in China's securities markets and introduces China's efforts at controlling excessive speculation in securities dealings. The Chinese regulatory approach has been shaped by the country's political economy to a large degree and has much been influenced by the US self-regulation model. Part I establishes that regulatory intervention is of importance to restrain the speculative behaviour of securities markets and an efficient regulatory regime should 'combine the strength of both governmental regulation and self-regulation' (p. 40).

Part II examines the theoretical aspects of the relationship between the securities markets and corporate governance. This part measures the potential disciplinary capacity of capital markets as an instrument of corporate accountability. It provides an overview of the development of some mature and transitional securities markets and a comparative discussion on securities regulations and the practice of leading corporate economies and transitional economies in exerting their corporate control functions. The difference in the reforms implemented by corporate governance is rooted in the 'social and political costs of carrying out the reforms' (p. 95). Further, it examines how the Chinese utilise the monitoring functions of the securities markets to upgrade their corporate governance systems. It attempts to establish a compatible mechanism, not only recognising the social utility of the securities markets for corporate control but also appreciating the need for limited regulatory intervention.

The core of the book, Part III, focuses on the Chinese experience of utilising the securities markets as an effective mechanism of corporate control and examines whether or not China can accelerate the modernisation of governance practice through the securities markets. It argues that the development of the securities markets is shaped by their transitional social, political and economical circumstances. Impressive progress has been made; however, bubbles and irregularities, such as insider trading, information disclosure and other market manipulative activities, can still be found in Chinese securities markets. This part of the book gives detailed measures for tackling these problems. It suggests that China should reduce governmental intervention and allow the market to operate under market rules and 'should develop a securities regime that combines the strengths of both the market-based and bank-based approaches' (p. 137). The Chinese experience indicates that a well-functioning securities market and a sound corporate governance system are mutually dependent, and that the nature of its legal system and the development of the capital market are closely related.

Part IV discusses China's current and future financial reforms, and the development of the capital market and corporate governance during these times of economic globalisation. It provides a detailed account of China's efforts in developing a capital market while combating irregularities and dealing with the challenges of globalisation, and proposes a model which balances internal corporate governance and external market control for China. This part of the book provides recommendations on the securities markets, the banking sector, as well as the *Renminbi* exchange rate, and concludes with an assessment of how, from a corporate governance perspective, China could cope with international competition in a globalised world. To further reform the enterprises in a globalised world, China needs to continue to improve its corporate governance practice, standardise securities activities and strengthen its ability for regulatory intervention.

The author offers a comprehensive study of the topic, but why can the securities market not function as an economic barometer? Why are the stock dividends that the stockholders receive far less than the stamp tax and capital gains tax charged by the authorities? Why can the institutional investors not be major investment groups? Does the newly established Growth Enterprise Market (GEM) Stock Board overcome the main board's defects? These questions should be addressed in a second volume. Overall, Yuwa Wei's volume distinguishes itself from others by providing a cross-national comparison, backed up by empirical data and case studies of the securities markets and corporate governance and their compatibility with each other. It offers some original ideas to enforce corporate management, taking into account China's history, politics and economic reforms. It brings fresh insights to the issue of state-owned enterprise reforms, which are of wider significance for an understanding of how the Chinese economy changed from a planned to a market economy. In this respect, this scholarly and lucidly written volume is a good source for scholars and students as well as policy makers who seek a deeper understanding of Chinese securities markets and corporate governance during the current transitional period.

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Bruno S. Sergi, *Misinterpreting Modern Russia: Western Views of Putin and his Presidency*. New York & London: Continuum, 2009, x + 280pp., £75.00 h/b.

THIS BOOK CHALLENGES THE CONVENTIONAL WESTERN interpretation of Russia, and particularly of Vladimir Putin's presidency. The author himself has admitted that the book opposes the 'constant attack by Kremlinologists' on Russia (p. 2). By Kremlinologists, the author means the so-called top intellectual circles which, through talks, lectures and professional journal articles have 'misled' the international community. He argues that the best judges of Russia would be the Russian people who have provided over 70% support for Putin and have asked him to stay in power even when his term of presidency came to an end in 2008. However, it is worth pointing out that both of the presidential elections of 2000 and 2004 took place when the entire media in Russia was working for Putin. In the first presidential elections the media was owned by oligarchs who supported the candidacy of Putin. In the second elections most of the oligarchs had been ousted by Putin's regime, either in prison or in exile, and the media was directly controlled by the Kremlin.

Furthermore, the author argues that Putin, unlike his predecessor Yel'tsin, was successful because he was able to direct most of the proceeds of escalating exports and high global oil prices directly into general Russian economic growth. 'Before Putin's rule', Sergi argues, 'the Kremlin seemed unable or unprepared to undertake any concrete measures to overcome