The East Asian crisis and the globalization discourse

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ABSTRACT
This paper examines the implications of the 1997 East Asian crisis for the globalization discourse in the context of three issues: the reversibility of globalization, the role of the state in economic activity, and institutional deficits, domestic and supranational, to manage the burgeoning volumes of cross-border economic exchanges. It focuses on Thailand, Malaysia, Indonesia, and South Korea – the countries most severely affected by the 1997 crisis. It concludes that: (1) globalization is potentially reversible in some issue areas, provided there is the political will to do so; (2) states continue to matter in economic activity; (3) the new system of global commerce and finance must ensure accountability at various levels without undermining the democratic bases of the polity.

KEYWORDS
Globalization, East Asian crisis, capital controls, rating agencies

ISSUES
Economic globalization can be defined as the set of processes leading to increasing levels of cross-border integration of factor, intermediate goods, and final products markets along with the increasing salience of multinational enterprises’ cross-border value chains. Though economic integration is not a new phenomena, the impact of the current integration processes – globalization – is not ephemeral in that they are causing longterm structural changes in the global economy. Non-economic dimensions of globalization are important as well (Appadurai, 1996) and may overlap with the economic ones. Focusing on economic globalization (henceforth globalization) only, this paper examines the implications
of the 1997 East Asian crisis for the globalization discourse. It analyzes this subject in the context of three issues: the reversibility of globalization, the role of the state in economic activity, and institutional deficits, domestic and supranational, to manage the burgeoning volumes of cross-border economic exchanges. My focus is on Thailand, Malaysia, Indonesia, and South Korea – the countries most severely affected by the 1997 crisis.

BACKGROUND

Twenty-three economies comprise East Asia. Much of the IPE literature (and the famous 1992 World Bank study) focuses on eight of them: Japan, the ‘tigers’ (Hong Kong, South Korea, Singapore, and Taiwan), and the newly industrializing countries (NICs) – Indonesia, Malaysia, and Thailand. Between 1965 and 1990, these economies grew three times as fast as Latin America (5.4 percent versus 1.8 percent per annum) and 25 times faster than Sub-Saharan Africa (5.4 percent versus 0.2 percent per annum). This growth was accompanied by (or perhaps bolstered by) significant reductions in poverty and income inequality, as well as significant increases in life expectancy (from 56 to 71 years versus from 36 and 49 to 62 in low- and middle-income countries).

While recognizing that the term ‘East Asian model’ is rather broad given the variations within these countries in terms of initial economic and political conditions, domestic institutions, and economic strategies (Haggard, 1990; McIntyre, 1994), I employ it to contrast the East Asian systems with those found in the Anglo-American economies. The key differences, inter alia, pertain to the nature of business–government relationships (adversarial versus non-adversarial), the direct role of government in economic activity (interventionist versus non-interventionist), and the structure of corporate governance (varying focus on shareholder wealth maximization).

The degree of the East Asian economic meltdown, the subsequent recovery, and the policies put in place by domestic governments to combat this crisis have varied across countries. Taiwan and Singapore, the celebrated examples of the ‘developmental state’, (Johnson, 1982) more or less escaped this crisis while South Korea, another developmental state, did not. The South Korean economy has recovered faster than the Indonesian and the Thai economies. Malaysia did not adopt the IMF’s programme and even imposed capital controls, while Thailand, Korea, Philippines, and Indonesia adopted the IMF recommended tight monetary and fiscal policies. Instead of retreating, the state is vigorously involved in industrial restructuring in Korea and Malaysia. However, the economic power of the Korean chaebols has not appreciably declined.
In the Philippines and Malaysia, crony-capitalism – an alleged cause of the crisis – is evident in domestic restructuring.

Prior to 1997, not many scholars questioned the viability of the East Asian model, Young (1994, 1995) and Krugman (1995) being the notable exceptions. Young (and Krugman who drew upon his work) argued that the East Asian economies could not sustain their aggregate growth rates due to decelerating total factor productivity (TFP) growth. Between 1966 and 1991, the annual TFP growth rates in Hong Kong (2.3 percent) Singapore (0.2 percent) South Korea (1.7 percent) and Taiwan (2.1 percent) were low compared to their per capita GDP growth rates (6 to 7 percent). Quite contrary to the World Bank study, Young concluded that the claim about export-led growth creating dynamic gains was not valid; one shot static neoclassical gains alone explained the miracle. However, neither the World Bank nor Young foresaw an imminent economic collapse or fundamental structural weaknesses that would make the East Asian economies vulnerable to financial crises.

The World Bank study identified two perspectives to explain the ‘miracle’: neoclassical and revisionist. Neoclassical economics or the ‘market friendly’ perspective attributed the miracle to stable macro-economic policies and a reliable legal system that created a conducive institutional environment for market-based competition. To employ Wade’s (1990) terminology, this perspective includes both the ‘free market’ school (growth due to the absence of government) as well as the ‘simulated market’ school (state intervention corrected market distortions due to institutional failures). In contrast to other developing countries that relied on import-substitution and subsidized specific industries, East Asia’s export-orientation and the absence of price controls created conditions for efficient resource allocation (Aikman, 1986; Krueger, 1990; Ranis, 1993). Notwithstanding selective interventions, the countries’ industrial structures were consistent with factor advantages as well as their changing factor endowments. Government investments in education and public health provided public goods that raised labour force productivity.

The ‘revisionists’, in contrast, emphasized the role of governmental interventions in the manufacturing sector (industrial policies) and financial markets (Amsden, 1989; Wade, 1990; Rodrik, 1995; Singh, 1995). They suggested that governments deliberately distorted prices (such as providing cheaper credit) to channelize investments in ‘key industries’, and selectively favoured some export industries over others.

Instead of taking sides in this ideologically charged debate, this paper focuses on identifying key lessons for the globalization discourse. Section I briefly examines the etiologies of the East Asian crisis. Section II focuses on three issues that resonate both in the globalization and the East Asian crisis debates: the reversibility of globalization, the role of
governments in economic activity, and institutional requirements for successfully coping with globalization. Finally, Section III provides the conclusions and identifies areas for further research.

I THE ETIOLOGIES OF THE CRISIS

The causes of the East Asian crisis, its severity, and timing lie in both the domestic and international political economies. They include structural factors as well as specific policies of domestic governments, international institutions, and private actors. This section focuses on key causes that are symptomatic of institutional deficits in the domestic and international spheres, and how these institutional inadequacies made these countries vulnerable to economic globalization.

Accumulation of short-term debt

Capital account liberalization and financial deregulation that began in the 1980s created opportunities for East Asian firms to tap into international capital markets. Both debt-GDP and short-term debt-total debt ratios increased. Between 1990 and 1996, foreign debt as a proportion of GDP increased from 14 percent to 28 percent in Korea, from 33 percent to 50 percent in Thailand, and from 36 percent to 40 percent in Malaysia. During the same period, short-term debt as a proportion of total debt increased from 31 percent to 50 percent in Korea, from 16 percent to 25 percent in Indonesia, from 12 percent to 28 percent in Malaysia, from 30 percent to 41 percent in Thailand. Contrast this with Taiwan and Singapore that did not suffer significantly from the crisis: short-term debt as a proportion of total debt declined from 88 percent to 68 percent in Taiwan, and increased marginally from 18 percent to 20 percent in Singapore (Corsetti et al. 1998).

The demand for short-term debt was high because firms had ambitious expansion plans and interest rates were lower abroad. Under-supervised financial systems with poor disclosure practices – a major institutional deficiency – allowed firms to accumulate huge debts and to make imprudent investments (more of it below). The problem was compounded as East Asian businesses are typically more leveraged than the Anglo-American ones: debt-equity ratios of 3:1 are common versus 1:1.5 in Anglo-American firms. High debt-equity ratios can create liquidity problems – as they did for East Asian firms. Plus, since they require high break-even points, firms become susceptible to drops in capacity utilization. Highly leveraged businesses are also vulnerable to interest rate increases – which were put in effect under IMF guidelines. Recall that many highly-leveraged American businesses failed in the 1980s due to high interest rates. The travails of many East Asian businesses are similar.
The supply of funds was high because foreign banks were flushed with funds. Emerging markets offered higher returns than most developed economies (Kahler, 1998). With a recession in Japan limiting domestic demand, Japanese banks aggressively loaned to East Asia. The cheap-money policy to offset the impact of the 1985 Plaza Accord on the yen, also created excess liquidity in the system (Bevacqua, 1988). By 1996, loans to Asian-crisis countries accounted for 43 percent of their capital versus 27 percent for G7 banks (World Bank, 1998). From the other side of the picture, by June 1997, as a proportion of total loans outstanding, Japanese banks accounted for about 23 percent in Korea, 36 percent in Malaysia, 54 percent in Thailand, and 39 percent in Indonesia (BIS, 1998).

**Regulatory oversight**

Did lax regulatory oversight over banks contribute to the crisis? Some claim that evidence about high levels of bad loans was available prior to the crisis. As proportions of total lending, non-performing loans were 8 percent in Korea, 13 percent in Indonesia, 10 percent in Malaysia, 14 percent in Philippines, and 13 percent in Thailand (Corsetti, Pesenti, and Roubini, 1998). However, Radelet and Sachs (1999) suggest that the banking sector’s health had improved in the pre-crisis years: in Indonesia, the proportion of non-performing loans actually fell from 12 percent in 1994 to 9 percent in 1996 and in Malaysia, from 8 percent in 1994 to 4 percent in 1996.

**Balance of payments (BOP) woes**

Arguably, Thailand’s economic downturn started in 1996 with economic growth slowing down, land boom petering out, and the stock market softening. In contrast to 20 percent per annum export growth during 1990-1995, Thailand’s exports stagnated in 1996. With booming imports, its current account deficit reached 8 percent of GDP in 1996. Why did most East Asian governments not devalue their currencies? For one, there was resistance given the significant external debt burdens. In Korea, additional devaluation would have allowed per capita income to fall below the cherished $10,000 mark, an ignominy that President Kim Young Sam did not want to be associated with (Moon, 2000). Another factor contributing to the BOP woes was the increased competition for labour-intensive exports from China and Vietnam. For example, between 1990–95, wage rates in the apparel sector rose annually by at least 12 percent in Malaysia, Indonesia, and Thailand (Radelet and Sachs, 1999).
Contagion effect

An important structural factor responsible for the fast spread of the crisis – the regional contagion – is the high degree of economic linkages. This, in part, is due to the ‘Flying Geese’ (Kaname, 1961) pattern of regional industrialization. For 1995–97, the share of the region (including Japan and China) in the countries’ total exports was sizeable: 54 percent for Indonesia, 44 percent for Korea, 51 percent for Malaysia, 48 percent for Singapore, and 45 percent for Thailand (United Nations, 1999a). Consequently, uncoordinated national policies in the pre-IMF intervention phase were not effective. Due to continuing recession at home, the regional powerhouse – Japan – could not provide the demand stimulus, enabling the East Asian countries to export their way out of the crisis. This contrasts with the US support to Mexico during the 1994–95 peso crisis (for a comparison of Mexican and East Asian crises, see Hale, 1998).

Imprudent investments

Many investments made by East Asian conglomerates were in sectors with substantial global, regional, and domestic overcapacities (Bevacqua, 1998). These included real estate (Thailand, Malaysia, and Indonesia), automobiles (Korea and Indonesia), steel (Korea), and semi-conductors (Korea and Malaysia). East Asia represented a classic case of financial mismanagement: short-term financing (unhedged) for projects having long gestation lags and in sectors with overcapacities. In Korea, 64 percent of the merchant banks’ borrowing were short-term while 95 percent of their lending was long-term (Chang, 1998). Thus, East Asian countries faced a liquidity crisis, not a solvency crisis, due to a mismatch in the term structures of their assets and foreign liabilities (more of it below).

In addition to overcapacities, Freeman (1998) points out that East Asian economies were competitive in hardware manufacturing, not in software development. As the ICT sector shifted to the latter and many manufacturing industries also increasingly began relying on software superiority as a basis for product performance, the East Asian economies faced worsening international competitiveness of their exporting sectors.

Some investments were also in the non-traded sectors: the revenues accrued in domestic currencies while the debts incurred to finance these projects were denominated in foreign currencies. Such currency mismatches are fine as long as exchange rates remain stable (or in the East Asian case, exchange rates remain fixed and in consonance with the economic and political fundamentals). If the local currency depreciates unexpectedly – exchange rate risk – debt holders incur additional costs for debt servicing. If the levels of depreciation are significant – as
they were – projects could become unviable. Debts can be hedged (at a cost) to guard against exchange rate risks. However, a significant proportion of the East Asian short-term debts were unhedged.

Reversal of capital flows

An important cause in precipitating the crisis was the sharp reversal in capital flows. Private capital inflows to the five most affected Asian economies (Indonesia, South Korea, Thailand, Philippines, and Malaysia) amounted to $97 billion in 1996. In the first half of 1997, the outflows reached $12 billion: a reversal of $109 billion in six months, amounting to about 10 percent of their combined 1996 GDPs (Radelet and Sachs, 1999). It is doubtful if any country can withstand an exogenous shock of this magnitude. The capital outflows can be attributed to the sudden down-grading of debt ratings by credit rating agencies, and the ‘herd behavior’ of financial market actors that caused a veritable bank run, and the absence of the international lender of last resort (Sachs, 1997). As I discuss subsequently, the IMF and the credit rating agencies bear significant responsibility for the sharp (unjustified) drop in market confidence. IMF, in particular, is accused of failing to predict the crisis, responding slowly and inadequately to request for funds, imposing deflationary monetary and fiscal policies that accentuated the drop in market confidence.

Recovery

The East Asian economies contracted in 1998: Malaysia by 7.5 percent, Korea by 6.7 percent, Thailand by 10.4 percent, and Indonesia by 13.2 percent. They have grown in real terms in 1999: Malaysia by 5.4 percent, Korea by 10.7 percent, Thailand by 4.1 percent and Indonesia by 0.2 percent (ADB, 2000). Apropos BOP, in 1998 and 1999, Malaysia as well as IMF’s patients posted current account surpluses, primarily due to import contraction. In 1998 and 1999, the ratios of the current account to GDP were as follows – Malaysia: 12.9 percent and 14.0 percent, Korea: 12.8 percent and 6.1 percent, Thailand: 12.7 percent and 9.1 percent, and Indonesia: 4.1 percent and 3.5 percent (ADB, 2000). Clearly, based on GDP and BOP indicators (as well as other indicators such as inflation and unemployment rates), the extent of recovery has been uneven across countries.

To summarize, factors emanating both in the domestic and international political economies contributed to the crisis, its severity, and timing. Many of these factors can be traced to institutional deficits that created conditions for economic vulnerability and accentuated the impact of speculative attacks. As discussed in the next section, these
lessons help us to understand how to respond to the challenges of globalization, the abilities of governments to do so, and the institutional changes required for these tasks.

II IMPLICATIONS FOR THE GLOBALIZATION DISCOURSE

What policy lessons can be distilled from the East Asian experience, especially in the context of the implications of globalization for economic governance? This section examines implications in three contexts: reversibility of globalization, the role of governments in reversing some features of globalization, and bridging the institutional deficits.

Globalization: Reversible or Irreversible?

A claim, implicit as well as explicit, frequently encountered in the globalization debates is that globalization processes are irreversible and inexorable (Ohmae, 1991). The argument is that globalization is an outcome of technological advances that have fostered cross-border integration and undermined the Westphalian territoriality. Advances in transportation and communication have enabled firms to manage far-flung operations at low costs while increasing R&D costs are forcing them to tap multiple markets (Kobrin, 1999). Associated with the ‘inevitability’ position is the claim that globalization is irreversible or reversible at such high costs that policymakers cannot afford to impose on their citizens (for an excellent critique see, Cohen, 1996).

What does the East Asian experience tell us about these claims? Let me focus on Malaysia’s attempt to stand up to financial markets, the epitome of globalization. Malaysia neither took IMF loans nor implemented IMF policies. The ringgit came under speculative attack in August 1997. In September 1998, Malaysia imposed capital controls by banning offshore trade in its companies’ shares. It, however, exempted MNEs such as Dell and Intel from such controls, making it clear that foreign direct investment is welcome but short-term capital is not. In February 1999, Malaysia relaxed capital controls by replacing the moratorium on removing foreign currency with an exit tax on investments of duration of less than one year. In September 1999, capital controls were relaxed further with the exit tax only on gains, not the full value of investments (New York Times, 1999).

An important policy issue is whether Malaysia chose the right course by not following IMF’s prescriptions. Without doubt, capital controls enabled the Malaysian government to lower interest rates and to relax the credit squeeze, thereby stimulating the economy. Malaysia’s actions, however, were vehemently criticized. There were proclamations that
financial markets will extract retribution when Malaysia wants to tap into the world capital markets. Notwithstanding these warnings, the Kuala Lumpur Stock Exchange’s composite index increased by 39 percent in 1999 (ADB, 2000). With the relaxation in capital controls in February 1999 (when a graduated exit levy replaced the moratorium on capital repatriation) and then in September 1999 (a uniform levy of 10 percent on capital gains replaced graduated levy that varied from 10 to 30 percent), capital outflows during the third and fourth quarters of 1999 remained moderate (RM 5.2 billion and RM 3.2 billion) and there was net inflow in the first quarter of 2000 (RM 6.9 billion). From $31.4 billion in the third quarter of 1999, foreign exchange reserves marginally declined to $30.9 billion in the fourth quarter and have increased to $32.8 billion by end February 2000 (Bank Negara Malaysia, 2000).

Malaysia’s success does not imply that the IMF’s programs have not worked. Lim (1999) points out that IMF patients’ balance of payments deficits turned surpluses within three months of adopting IMF policies, currencies appreciated within six months, inflation was controlled within 12 months, and the interest rates reached the pre-crisis levels within 15 months. Take the case of South Korea. The won has bounced back – from a high of 843 wons to the dollar in 1997, it collapsed to 1,960 wons to the dollar in December 1997, and hovered around 1100 in April 2000. Lim predicts that because the IMF has forced Korea to undertake structural transformation (more of it below), its economic recovery will be more sustainable than Malaysia’s which is trying to rebuild on its extant structures of industrial organization and corporate governance.

There are two perspective on whether the Malaysian experience suggests that capital controls can succeed. The first is that short-term capital will be wary of entering Malaysia. As suggested in the Public Choice literature, for market-based systems to succeed, the rulers need to establish institutions that provide ‘credible assurance’ to market actors that they will not (and cannot) expropriate wealth (North and Weingast, 1989; for a discussion on the tradeoff between government’s credibility and decisiveness, see Haggard and McIntyre, 1998). This is a classic dilemma in political economy – rulers strong enough to enforce property rights can also confiscate wealth. Institutions such as division of power, an independent judiciary that can review the executive’s actions, and even reputations for fair play provide such assurances. Such institutions provide benefits to governments such as lower risk premiums for political risk on debts. It could be argued that by ‘opportunistically’ imposing capital controls, Malaysia violated its implicit commitment of allowing unfettered capital flows, and will therefore be penalized by market actors. The trial of Anwar Ibrahim (who opposed capital controls) has also sown doubts about the judiciary’s independence.
Critics also point out that when Malaysia imposed capital controls and pegged its currency to the dollar (3.8 ringgit to a dollar), the baht and the rupiah were appreciating due to the IMF prescribed tight monetary policies. With exports that account for 70 percent of its GDP becoming more competitive, a competitive exchange rate helped Malaysia to partially export its way out of recession. Further, Malaysia was less affected by the crisis since it had stronger fundamentals than IMF’s patients (Lim, 1999). For example, in June 1997, the ratio of Malaysia’s short-term debt owed to commercial banks to foreign exchange reserves stood at 0.612 as compared to 1.704 for Indonesia, 2.073 for Korea, and 1.453 for Thailand (Radelet and Sachs, 1999). Malaysia’s recovery, therefore, should not be attributed to capital controls.

Malaysia’s defenders point out that investors have short memories; they will return if Malaysian markets offer attractive investment opportunities. After all, Morgan Stanley Capital International, which had dropped Malaysia from its Asian emerging market stock index, reinstated it in August 1999 (New York Times, 1999). In addition, Malaysia is not the only country to have intervened in the market. The Hong Kong Monetary Authority also intervened in the currency market, thereby violating its reputation as the bastion of free market. Would investors then boycott Hong Kong (and by implication China) as well? The Malaysian government is also not anxious to restore its credibility with financial traders. This is attested by a new tax imposed on profits from short-term investments (the ones that are for less than one year).

The Malaysian experience is also a testimony to how controversial policies inform policy debates and force reassessment of established paradigms. Subsequent to President Mahathir Mohamad’s actions, some economists reputed for forcefully arguing against governmental interventions, acknowledged that there is a case for capital controls. Krugman (1998) noted that capital controls are justified in crises. Bhagwati (1998) pointed out that the logic for free trade in goods and services cannot be extended to free movement of capital. Contrary to Milton Friedman’s claim that speculative flows respond to economic fundamentals, Bhagwati suggested that speculative capital flows can destabilize and change the economic fundamentals (see also, Eichengreen et al., 1995), and hence the need to reign them in.

As previously discussed, Malaysia’s economic recovery is comparable to that of the IMF patients. Even if Malaysia has not outperformed them, it did not face domestic unrest. In sum, Malaysia’s imposition of capital controls and its success in stabilizing its economy without much retribution from financial markets, suggests that in some cases globalization is potentially reversible and governments retain (at least some) powers to influence cross-border economic flows. Importantly,
established paradigms can be challenged if political leaders have the will to do so.

Is state a passe’?

Debates over the obsolescence of the nation state in the economic sphere – ‘obsolete or obstinate’ as Hoffman (1966) had put it – have a long history. Even Adam Smith was worried about the constraining influence of capital flows on governments (Garrett, 1998). Three decades ago, Kindleberger (1969: 207) asserted that ‘the state is about through as an economic unit’. Vernon (1971) made a similar argument in his treatise, *Sovereignty at Bay*. This debate has prominently resonated in the globalization literature (Ohmae, 1990; Kobrin, 1999; for a critique, Boyer and Drache, 1996; Evans, 1997; Weiss, 1998). It seems that the East Asian governments that were active in the ‘miracle’ phase, are playing important roles in the recovery phase as well.¹³

Some believe that there was too much of state intervention – a structural deficiency – that weakened the system and contributed to the crisis. Ironically, this group had previously asserted that the East Asian miracle was due to the absence of market-distorting state interventions. For them, the crisis represents the limits to statist policies. If East Asia has to move to the next phase of economic development, it needs to adopt the Anglo-American model. Contemporary Bill Gates type of capitalistic flourishes only within the Anglo-American model, not with other kinds of ‘state-societal relationships’ (Hart, 1992).

Others argue that the crisis was caused by the early withdrawal of the state (beginning mid-1980s) from the economic sphere, not an excessive presence. Henderson (1999) traces the crisis to property market speculation in Thailand, Malaysia, and Indonesia. The 1997 vacancy rates in the central business districts of Jakarta and Bangkok were 10 percent and 15 percent (J. P. Morgan, 1998).¹⁴ By the end of 1997, the banking system’s exposure to the real estate market was estimated at about 25–30 percent in Indonesia, 30–40 percent in Malaysia and Thailand while 15–20 percent in Korea (BIS, 1997). Henderson attributes property market speculation to the Chinese community’s alliance with domestic political elites that wanted quick profits. The Chinese community constitutes around 14 percent of Thailand’s population, 30 percent of Malaysia’s, and 3 percent of Indonesia’s. Due to historical and cultural reasons, it has dominated the local economies. With the regulators captured, there was little regulatory oversight over bank lending for real estate. The bursting of property bubbles precipitated the crisis. With real estate also being used as collaterals by many banks, falling property values reduced the collaterals’ value. This forced banks to call the loans or drastically reduce
working capital loans. This pushed many borrowing firms into liquidity crises.

Why did property speculation not take place in Taiwan, Singapore (both predominantly Chinese), and South Korea? Henderson attributes this to the preferences of the domestic political elite for establishing world-class manufacturing industries. In Singapore, since most manufacturing was owned by MNEs, there was little need to rely on short-term speculative capital. Taiwan’s ruling Kuomintang party controlled most banks and large industries and favoured investment in the manufacturing sector. In South Korea, at least until the ascendancy of Kim Young Sam to the presidency in 1992, short-term foreign borrowing and the venues for their investment were controlled. In South Korea and Taiwan, rent control rendered property markets less attractive for speculative investment. Thus, the governing elites had the will and the power to ensure that real estate markets did not become havens for speculative capital. In other words, in statist economies, elite preferences significantly influence how capital is accumulated and invested.

What about non-statist economies? Here the abilities of elites to influence how capital is accumulated and deployed are constrained. Well-functioning, adequately resourced institutions that foster transparency in rule making and enforcement can play an important role in constraining elite behaviour. Institutional design could thus reduce the chance of the capture.

Lim (1999) believes that the crisis resulted from excessive and premature liberalization. Beginning in the mid-1980s, responding to the rise of the ‘pro-market ideology’ and the pressures from the US to open up the domestic economy, the Korean state began retreating from an activist industrial policy that involved, *inter alia*, investment co-ordination. This retreat enabled chaebols to over-invest in sectors with excess capacities. With chaebols able to raise funds directly from foreign capital markets, the government’s ability to channelize investments was weakened. Chang (1998) notes that abolishing five year plans, replacing them with the ‘100 Day Plan for a New Economy’, and jettisoning publicly known criteria for investment coordination, created opportunities for the rise of crony-capitalism. Government interventions could now be ad hoc, not be subjected to peer scrutiny. The classic cases are the Hanbo bankruptcy scandal involving President Kim Young Sam’s son, and the entry of Samsung in the automobile sector that was plagued by global, regional, and domestic excess capacities. In contrast to Korea, both Taiwan and Singapore continued with activist industrial policies and prevented over-capacities from emerging in most industries. Governmental policies aimed at decreasing the economy’s reliance on the East Asian market for exports enabled these countries to better combat the regional contagion.
Are these countries then dismantling crony-capitalist structures? In Korea, the chaebols are fighting hard to preserve the existing structure; the recent spectacle about restructuring Daewoo being case in point. In Malaysia, Halim Saad of Renong Group and a friend of President Mohamad, has avoided liquidation. The recent measures to consolidate Malaysia’s 21 banks, 25 finance companies, and 12 merchant banks into 6 mega banking groups have favoured friends of Finance Minister Daim Zainuddin and penalized bankers close to the ousted Deputy Prime Minister Anwar Ibrahim. In Indonesia, Anthony Salim and Hashim Djojohadikusumo continue to preside over their industrial empires although their alleged benefactor, President Suharto, is out of power. While in the Philippines, Eduardo Cojuangco, a friend of former President Marcos as well as the current President, is back in business (Frank, 1999).

The lessons from the above discussion are the following. First, government remains a key player in economic restructuring. Domestic politics, not the IMF prescriptions alone, significantly influences how governments choose to structure. This is understandable since the IMF focuses predominantly on macro-economic variables. Second, government interventions per se were not responsible for the crisis. After all, activist industrial policies in Taiwan and Singapore helped them to limit over-capacities in key sectors, the emergence of property bubbles, and the piling up of short-term debt. This conclusion is also supported by the literature on the emergence of the ‘competition state’ that promotes the economic interests of domestic firms in global markets (Palan and Abbot, 1996; Cerny, 1997). Third, coping with globalization does not always require dismantling the state through liberalization, deregulation, or privatization. The retreat of the state co-occurs with deregulation. The universal prescription for scaling back the state can have grave consequences especially when other domestic institutions cannot take up its regulatory and allocative functions. Because East Asian economies faced institutional deficits in their domestic environment, the early withdrawal of the state only accentuated economic dislocation.

International institutions: need for a change?

A recurring theme in the globalization and the East Asian crisis debates is that cross-border economic integration co-occurs with a relative lack of accountability of actors such as the IMF, credit rating agencies, and other financial actors. In this context, I briefly examine three issues pertaining to international institutional environment: rating agencies, hedge funds, and recent proposals for a new architecture of finance.
Ratings Agencies

The role of credit rating institutions in precipitating the crisis has come under scrutiny. Specifically, why did they not predict the crisis, then react slowly to it, and finally, drastically down-grade credit ratings? For reference, even in October 1997, three months after the bhat’s collapse, both Moody’s and Standard and Poor’s ranked Thai government bonds as grade A. On the other hand, on December 11, 1997, Standard and Poor’s suddenly downgraded South Korea’s sovereign ratings by three notches to BBB minus – almost a junk bond rating – leading to investor panic (Financial Times, 1997). Two reasons were provided. First, South Korea’s foreign liabilities (public and private) were much higher than the government’s previous declarations. Second, the Bank of Korea’s futile currency market interventions to support the won had significantly depleted its reserves in that they covered barely a month of imports.

Before I critique the raters, a brief discussion about their functioning (for an extended discussion see, Sinclair, 1994, 1999). Rating agencies measure relative, not absolute, default risks for a given security. Two issues arise. First, whether their ratings lag or lead the market. If the latter, then they may encourage herd behavior on the part of investors. Second, since they charge the debt issuers for their services, they do not serve as creditors’ agents. Will debtors then shop around for the least stringent ratings, abetting a race-to-the-bottom (Spar and Yoffie, 2000) among raters? A 1994 Federal Reserve of New York study reported that reputational considerations provide sufficient disincentives for races-to-the-bottom (cited in Financial Times, 1998).

Why did the raters falter, if they did? Both Standard and Poor’s as well as Moody’s plead not guilty. Only Fitch IBCA, Europe’s leading rating agency, issued a formal report analyzing credit agencies’ records. Admitting its mistakes, Fitch (1998) noted that it incorrectly assumed that: (a) a high proportion of short-term debt is problematic for highly indebted countries only; and (b) only public sector debt impacts credit worthiness, and sovereign crisis cannot emerge from difficulties in the private sector.

Rating agencies assess solvency, not liquidity. East Asia suffered primarily from a liquidity crisis due to mismatch of the term structures of firms’ assets and liabilities. Not surprisingly, rating agencies were off the mark (Financial Times, 1998). However, ratings are as good as the information governments and firms provide to them. Recall that for many months after the onset, the Korean government could not give a correct estimate of the level and the composition of its foreign debt. But can a surgeon remove a healthy organ on the justification that the patient had incorrectly described the symptoms? Does the doctor have any responsibility to triangulate the information provided by the
patient, especially if the patient fears the surgery and has incentives to misrepresent information?

The East Asian experience suggests that credit raters exercise influence without the ‘desired’ level of accountability. Their accountability extends beyond their fiduciary accountability to debt issuers. Any actor whose actions create sizable externalities (a market failure) becomes a potential target for public policy interventions. Credit rating agencies are clearly such actors.

How should accountability be enforced? Literature suggests two routes: regulation (ex ante) and a liability system (ex post) (Baron, 1999). Regulations can be imposed by governments or by actors themselves. Self-regulation seems improbable given that credit rating agencies (Fitch IBCA being the exception) have yet to acknowledge the problems in their risk assessment procedures and put in systems to prevent a repeat of their East Asian performance in the future. The logic for a recourse to the liability system is that if firms can be sued for defective products, credit raters that are in the information business, should be liable for their ‘incorrect’ ratings – either their pre-crisis assessments of the East Asian economies or their in-crisis ratings were wrong. An important subject for future research is to examine under what conditions should credit rating agencies be accountable to the liability system as opposed to ex ante regulation.

Hedge Funds
Hedge funds grabbed the limelight after President Mahathir Mohamad (incorrectly) accused them (specifically, George Soros’s Quantum fund) of conspiring against Malaysia at the behest of western countries. They again received scrutiny after the collapse of Long Term Capital Management (LTCM) and its bailout negotiated under the auspices of the Federal Reserve of New York.

Why have hedge funds become important actors in the international political economy? Hedge funds are investment vehicles for high net worth individuals. Their leverage levels shame that of the Korean chaebols. For reference, the LTCM reportedly leveraged about $5 billion of its capital into about $120 billion of investment – a leverage of 24. They simultaneously bet (hence the term hedge) that prices of some securities will rise while of others will fall. As along as the gains from one bet can offset the losses from others, hedge funds make profits.

Harmes (1998) correctly point out that hedge funds, especially macro hedge funds that control about 25 percent of industry’s assets, serve as market leaders and opinion makers. Institutional investors such as pension funds and mutual funds often take cues from them regarding their investment strategies. By 1995, institutional investors controlled
40 percent of US household assets. Thus, hedge funds command enormous influence on how capital is allocated.

Hedge fund’s functioning poses interesting questions. First, who regulates them? Shockingly, hedge funds operate with negligible regulatory oversight. They are not expected to publicly disclose how much and where they have invested. Second, how do they impact financial markets? Because they tend to make small profits on every transaction, hedge funds are high-volume betters. Their impact is magnified since their high volume investments are quickly moved across securities (both the magnitude and the velocity are important). Their failure creates massive negative externalities; hence the need for bailing them out (Eichengreen and Mathieson, 1998; Greenspan, 1998; Brown et al., 1999). This leads, however, to the issue of moral hazards. Hedge funds reap the benefits of smart investments but do not suffer the consequences of bad investments.

Without doubt, hedge funds need to be regulated and moral hazards curbed. They should be required to periodically declare their positions and their financial leverage needs to be limited as well. Otherwise, every time a hedge fund collapses, the government will need to bail it out with public funds.

This discussion leads to a broader issue of reigning-in short-term capital flows. Imposing ‘Tobin Tax’ (Tobin, 1978) has been suggested as a possible remedy (Felix, 1995; Kuttner, 1998). I do not find this proposal appropriate and politically feasible (for a review of this debate, see Haq, Kaul, and Grunberg, 1996). In particular, it is not clear how the Tobin tax will curb moral hazards, who will be its beneficiaries, and who will decide its appropriation. In an era when it is fashionable to groan about excruciating tax burdens, imposing yet another tax, and that at the supra-national level, will not muster many supporters. Instead of new taxes, there is a need for a new financial architecture that identifies the actors, the rules, and the procedures for managing financial globalization.

New Architecture

The East Asian crisis calls for reassessing the roles, the responsibility, and the accountability of actors, domestic and international, private as well as inter-governmental. A new or reformed global architecture could contribute towards this objective. The issue is complicated because of competing visions regarding this architecture. Not surprisingly, most governments are proposing frameworks that suit the economic needs of their domestic firms, again underscoring that firms can be associated with specific countries and that governments view themselves as defenders of domestic commercial interests (Pauly and Reich, 1997). Eichengreen (1999: 9) notes:
The UK government proposes merging the IMF, The World Bank, and the Bank for International Settlements (BIS) to create a single superregulator of financial markets. The French propose vesting additional decision making power in the interim committee of finance ministers . . . not incidentally giving Europe a counter-weight to the disproportionate influence enjoyed by the US Treasury. The German government has mooted the idea of target zones for exchange rates to prevent currencies from misbehaving.

In this context, the US proposal is interesting (Sanger, 1999). It calls for: (a) curbing moral hazards by forcing lenders to bear a greater share of the bailouts; (b) encouraging countries to move towards flexible exchange rates; (c) discouraging the use of short-term debt for long-term investments; and (d) requiring full disclosures about outstanding debt both by governments and market actors such as hedge funds.

The US proposal rejects the use of capital controls to reign in short-term flows. It also does not suggest turning the IMF into the lender of last resort because this could encourage reckless private lending. Further, there is no mention of creating a new international bankruptcy organization or empowering an existing one to perform this function. Akin to the chapter 11 provision in the US, this organization could help in orderly restructuring of troubled firms/countries (Cohen, 1989). With increased volumes of cross-border financial flows and their volatility, as well as shorter product cycles and fast pace of technological exchange, a supra-national organization is required to oversee ‘creative destruction’, for ‘capitalism without bankruptcy is like Catholicism without sin’ (Eichengreen, 1999: 15). It seems that most suggested changes are already in the process of being put in place. Instead of outlining a bold blueprint for a new architecture, the US proposal suggests cautious and incremental changes in the existing system.

Perhaps, the US position was also influenced by the forthcoming House, Senate, and Presidential elections that entail sizeable ‘soft money’ contributions from Wall Street – a point that Wade and Veneroso (1998) allude to. Capital controls will certainly not persuade Wall Street to generously support campaigns. Also, reforming international financial institutions is not a theme that excites the electorate. In fact, international issues seem to be taking a back seat in US political debates. With the recent rejection of the Comprehensive Test Ban Treaty, some fear that ‘new isolationism’ is on the rise. I believe that major reforms will have to wait until the year 2000 presidential and congressional elections or if the stock market ‘corrects’ itself sooner than anticipated. The latter might force the US government to actively push for a genuinely new architecture.
In the mid-1980s, the East Asian economies began liberalizing their financial markets partly due to OECD and IMF pressure. The OECD made financial market liberalization a pre-condition for Korea to join the hallowed club. However, hasty liberalization coupled with lower interest rates abroad resulted in a massive accumulation of short-term debt. Implicit and explicit government loan guarantees created moral hazard problems, whereby lenders did not adequately scrutinize projects.

Institutional changes may require dismantling the close relationships that large firms in the East Asian economies have enjoyed with banks. Given the significant social externalities, positive as well as negative, created by the financial system for the economy (the ‘architecture of all architectures’ as Cerny (1994) puts it), governments cannot turn a blind eye or take refuge in arguments that arms-length relationships between bankers and borrowers is not in consonance with the Asian style of management. Similarly, the US should not try to manipulate the new architecture to serve its Wall Street supporters.

In sum, the East Asian crisis has drawn attention to institutional deficits at multiple levels, and the need to exercise greater oversight over credit rating agencies and hedge funds. As discussed in the previous section, the IMF also needs to become more accountable to the stakeholders who are expected to jettison their political mandates for its prescriptions. The financial architecture needs to have domestic foundations – it is certainly being shaped by domestic interests.

### III CONCLUSIONS

This paper examined the implications of the East Asian crisis for the globalization discourse in the context of three issues: reversibility of globalization, roles of governments in economic activity, and institutional changes to cope with globalization. The conclusions are: (1) globalization is potentially reversible is some issue areas, provided there is the political will to do so; (2) states continue to matter in economic activity; (3) the new system of global commerce and finance must ensure accountability at various levels without undermining the democratic bases of the polity. The rest of this section elaborates on these themes and raises issues for further research.

Both the euphoria of the 1980s about the East Asian model and the condemnation post 1997 crisis inadequately capture the strengths and the weaknesses of the East Asian experience. Though the East Asian economic achievements are impressive, their systems of industrial organization suffered from multiple weaknesses (for an elaboration see Mathews, 1998). The interventionist state retreated in the 1990s without establishing other institutions to enforce economic accountability. Institutions do not change or arise overnight, a learning also supported
by the experience of the transitional economics of Central and Eastern Europe (Boycko et al., 1995). The implication then is that deregulation and liberalization – the key vehicles for the spread of market-based systems – needs to be graduated and tailored to domestic needs. Of course, there should be cross-fertilization and diffusion of the best practices across models. However, it is problematic to insist that there is only one correct model to cope with globalization, to impose it, and to assume that the institutional infrastructure to support the model would arise if there is a ‘demand’ for it. Thus, the East Asian experience does not validate the ‘convergence hypothesis’ (Berger and Dore, 1996) It is not clear whether East Asian countries will (and should) gravitate sufficiently towards the Anglo-American model. Rather, this experience suggests that imposing Anglo-American policies (such as free capital flows) without establishing domestic Anglo-American institutions (such as accountability to stock markets, accounting standards) is an invitation to economic problems.

Many globalization enthusiasts believe that surging levels of economic flows will mitigate country conflicts (Ohmae, 1991), a utopia shared by Angell (1910) as well. Since trade is a win-win for the trading entities, ‘power’ – the ability to shape preferences and outcomes – will matter less in international relations. However, the IMF’s handling of the East Asian crisis seems to vindicate the neorealist paradigm: power matters, international institutions represent interests of the hegemons, and countries seek relative gains (Waltz, 1979; Grieco, 1988). A good example is the debate on the Asian monetary system. In the first few months of the crisis, the IMF and the US Treasury believed that the crisis would end soon and not have significant economic impact. This was rooted in the assumption that the Mexican formula of tight budgetary and monetary policy would work in Thailand, the first victim of the crisis. As the crisis accentuated and spread to other countries, there were demands for bailing out Thailand. Though the US treasury pressured the IMF for undertaking this, it did not offer any financial support. This is perhaps due to Congress’ anger over the Treasury’s tapping of the Exchange Rate Stabilization Fund during the Mexican crisis. The lack of US support became an emotional issue in Thailand where it was viewed as betrayal. At this point, Japan stepped in and offered to underwrite a $100 billion Asia Monetary Fund to cope with the crisis. Not wanting the Japanese to undermine the IMF’s influence, and hence their own influence in the region, the US Treasury lobbied against it (Bello, 1998). Korea and China were subtly reminded of their historical legacy with Japan and encouraged to shoot down this proposal. Although Thailand bled for want of additional funds, power politics prevented the creation of a regional institution that would provide funds to the crisis countries but also undermine the IMF’s influence (New York Times, 1998).
This paper identified many institutional deficiencies in the East Asian economies that led, for example, to piling up of short-term debt to finance long-term investment. Some institutional problems are exaggerated, however. For example, I believe that the role of crony-capitalism as a structural cause in fostering the crisis is exaggerated. There are definitional issues with the term crony-capitalism as well.\textsuperscript{21} Evidence that rampant corruption – that results from crony-capitalism – precipitated the East Asian crisis is not persuasive. First, as many surveys (such as Transparency International’s) indicated, corruption levels varied across East Asia – Indonesia and Thailand were ranked more corrupt than Korea and yet all the three countries faced the crisis. Clearly, corruption is not a discriminating variable. Second, as Wedder (1990) argues, corruption was in decline in years prior to the crisis. Third, the 1993 World Bank study (especially, pages 1, 5, 6, 14, and 20) actually praised East Asian countries for their transparent systems of economic decision-making.\textsuperscript{22} Why has corruption now become a major issue? The previous descriptions of the East Asian industrial organization such as ‘alliance capitalism’ (Gerlach, 1992) were quite complimentary. The learning is that media and policy networks tend to be swayed by fads. If a country is doing well, its strengths are highlighted, and the weaknesses are discounted. Once in crisis, weaknesses – real and imaginary – are in the news. In almost an Orwellian fashion, a given attribute that was previously a strength is now portrayed as a weakness. Thus, in addition to exercising ‘structural power’ (Strange, 1999), media and key policy network exercise ‘relational power’ (Strange, 1999) as well – the sudden loss of confidence in 1997 leading to veritable bank runs being telling examples.

This leads to the issue of elite preferences. The paper highlighted how real estate speculation was rampant only in some East Asian countries. In contrast to Thailand, Taiwan and Singapore invested their savings in creating manufacturing capacities. Similarly, despite mounting BOP woes, some East Asian governments (notably Korea) did not devalue their currencies. Devaluation imposes asymmetric costs on domestic actors: exporters and creditors win while importers and debtors lose. In our context, most private debt denominated in US dollars was incurred by actors that also had export interests. Then, why did the dominant coalitions prefer export uncompetitiveness to increased debt burdens? Thus, a key issue of future research is how and why elite preferences differ across countries, and how only sometimes they translate into institutional capacities that enable countries to cope with globalization.\textsuperscript{23}

An associated subject is the role of leaders in influencing elite preferences and policy discourses. Though realists (Morgenthau, 1978) did emphasis the role of leaders in influencing policy outcomes, neorealists and neoliberal institutionalists had tended to downplay it and
focused instead on structural factors. More recently, constructivists have emphasized the role of ideas in shaping preferences and strategies (Wendt, 1999). Based on the Malaysian experience, this papers suggests that IPE scholars could perhaps pay more attention to how specific individuals (such as President Mohamad of Malaysia) are able to significantly impact policy discourses. As discussed elsewhere (Prakash and Hart, 2000a) IPE scholars could perhaps draw insights from organizational theory that has an extensive and sophisticated literature on leadership (for recent surveys see, Luthans, 1995 and Northouse, 1997).

To conclude, this paper is a modest attempt to draw some key implications for the globalization discourse from the East Asian crisis. The processes of globalization and opposition to them continue to unfold in many ways. The East Asian economies have also bounced back from the crisis though there are variations in their levels of recovery and the levels of domestic restructuring. As some of the issues raised in the concluding section suggest, understanding the implications of globalization for the East Asian crisis and vice-versa should remain an active area of intellectual enquiry.

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NOTES

1 For one set of surveys of the huge literature on globalization, see Prakash and Hart (1999, 2000a, 2000b, 2000c).
2 While acknowledging that the notion of an institution is highly contested in IPE literature, this paper views institutions as rules that permit, prohibit, or prescribe actions (Ostrom, 1986). Organizations, in contrast, are physical entities (North, 1990).
3 There are other perspectives as well. For example, Freeman (1998) highlights the contributions of technical change and R&D to East Asian economic growth. I treat, however, technical changes as dependent variables, outcomes of initiatives by both governments and firms articulated within given historical and institutional contexts. For recent comprehensive reviews on the causes of the miracle see, Barnard and Ravenhill (1995) and Kang (1995).
4 Interestingly, the 1994 Mexican currency crisis led to the speculation that East Asia might be the next in the line for it had similar fundamentals: it suffered from balance of payment deficits and it financed long-term invest-
ment with unhedged short-term debt. Since East Asia was still a miracle and not an IMF patient, its propensity for a similar crisis was discounted. The defenders pointed out its high saving rates, low inflation, and sound budgetary policies (Kawai, 1998).

5 It seems that both the neoclassicalists and the revisionists versions are problematic. If the Asian miracle was due to the absence of market-distorting governmental interventions, neoclassicalists cannot attribute the crisis to excessive governmental interventions and crony-capitalism as these attributes did not exist in their previous explanations. The revisionists need to explain how the astute and enlightened East Asian governments allowed significant macro-economic imbalances (more of which later) to develop. Laying blame on exogenous factors alone and exonerating the government is not persuasive because domestic factors, institutional as well as policy-related, contributed to the crisis.

6 In 1997, the debt-equity ratio of Korea’s top 30 chaebols was 3.87 compared to 2.0 for Japan and 1.6 for the US (Mathews, 1998)

7 However, Fernald et al’s (1998) empirical analysis (cited in Goldstein, 1998) suggests that competition from Chinese exports did not significantly contribute to the crisis.

8 For a discussion on globalization as an independent and dependent variable, see Prakash and Hart (1999).

9 The political fallout between President Mahathir Mohamad and his former deputy, Anwar Ibrahim, who opposed capital controls, and the historical animosity between Malaysia and Singapore complicated the issue.

10 As the anonymous reviewer rightly points out, the long-term effects of imposing capital controls remain to be seen.

11 The IMF points out that restrictive monetary policies succeeded in stabilizing currencies during the 1994–95 Latin American Tequila crisis as well as more recently in Brazil, Hong Kong, and the Czech Republic (Fischer, 1998). However, Furman and Stiglitz (1998) argue that because the benefits and costs of interest rates increases varied across the crisis countries, the IMF’s one-size-fits-all approach has doubtful validity.

12 There was unrest over the jailing of Anwar Ibrahim. However, I have not found evidence of protests against capital controls.

13 Globalization processes may require new roles for governments in promoting strategic industries (Hart and Prakash, 1999) and in establishing social safety-nets (McGinnis, 1999).

14 Since the vacancy rate in Kuala Lumpur was only 3 percent, J. P. Morgan’s data does not support Henderson’s assertion about Malaysia.

15 The Koumintang party consisting of mainland Chinese controls key industries while the local Taiwanese focus on small scale industries (this, of course, may change with the defeat of Koumintang in the recent elections). For political reasons, the government did not allow chaebol like vertically integrated industrial structures to emerge in the private sector (Hamilton, 1996).

16 I am deliberately not using the phrases ‘strong’ and ‘weak’ states. States’ strengths and weaknesses may differ across issue areas, negotiating actors, and international environments. For a review see, Katzenstein (1978), Wallerstein (1974) and Mastanduno et al. (1989).

Also, for lack of space, this paper does not examine learnings about the impact of political system or regime type on economic growth (for a review, see Przeworski and Limongi (1993).

17 Hyundai, one of the largest chaebols, was denied permission to enter the steel industry while Hanbo, a small chaebol, received permission. Further,
due to political influence, Hanbo managed to receive extensions on its loan obligations (Mathews, 1998).

18 Governments also fail; market failures do not per se justify governmental interventions (Wolf, 1979).

19 The literature on the new architecture of global finance is rather vast. See, for example, Soros (1997), Camdessus (1998), Goldstein (1999), Eichengreen (1999) as well as policy reports put out by G 7(1998), G 22(1998), and more recently the Meltzer Committee report (2000).

20 As the anonymous reviewer rightly points out, the issue of how domestic and international politics impact each other is complex. Some key works include, Putnam (1988), Evans et al. (1994), and Keohane and Milner (1996).

21 Do the Savings and Loan scandal of 1980s, and, more recently, the campaign finance debate in the US suggest that crony-capitalism operates in Anglo-American systems as well? Clearly, crony-capitalism cannot be exclusively linked to any given system of industrial organization.

22 For example, it notes:

In contrast to lobbying, where rules are murky and groups seek secret advantage over one another, the (business-government) deliberations councils are intended to make allocation rules clear to all participants... technocrats used deliberation councils to establish contest among firms... one of the by-products of these contests was to reduce private resources devoted to wasteful rent-seeking activities (1993: 14; italics mine).

23 I owe this point to the anonymous reviewer.

24 An examination of leadership does not suggest that one neglects structural issues. I am making an argument against deterministic notions (such as globalization is inevitable) that discount the role of human agency. In this context, see Prakash (2000)

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