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Discussion of East and West

Asia and the return of the State

At a time when you start seeing a gradual transfer of power from the West to Asia, maybe we can find on this continent rise some important answers to the debates in Europe today.

What are the best public policies to ensure a more sustainable economic growth and respond to community needs and not just those of a small minority: more state or more market?

The stereotypical image of Asia, and like all stereotypes there is a grain of truth, we see a continent where the wild capitalism reigns, exploiting the labor-abundant labor to produce fast and cheap.

However, what seems to be absent in the minds of many is that the state played and continues to play a crucial role in Asian development. It is not possible to speak of Asian capitalism without talking about an interventionist state. And what has happened since the '60s, Japan, South Korea, Taiwan, Hong Kong, Indonesia, Malaysia, Singapore and Thailand, to which were added in recent decades, cases of China and Vietnam.

At the center of state intervention have been two key policies: control of the financial system (directly or indirectly) and an industrial policy geared towards exports. However, in the late 90s of last century, this model began to be questioned, and in 1997 the region was shaken by a financial crisis that came to be known as the crisis of the IMF (International Monetary Fund).

It was a crisis caused by the lack of international confidence in the region against the excessive indebtedness of the private sector. And that led to the collapse of the financial systems of Thailand, Indonesia and South Korea, the economic recession and the collapse of once mighty companies and banks. In the genesis of this debt was too rapid financial liberalization under international pressure in the local institutional context weak and unable to regulate this new financial system. The use of the IMF represented a humiliation and shame for so-called "Asian Tigers".

At the time, there were several voices in the region who asked loud and clear was that challenged the orthodoxy of free market and insisted that the world needed a new financial architecture. Asia remembers well how he was pushed at the time, Europe and the United States to seek IMF assistance. Remember how well criticized the role of international rating agencies that had helped to accelerate the financial collapse of the region were falling rapidly the rating of countries and companies in Indonesia, South Korea and Thailand. Now that the world is in deeper crisis, perhaps the dialogue so that Asia wanted the rest of the world finally begins. Asia can not escape this crisis because the U.S. and Europe are its main export markets. And because international trade is precisely its main economic engine.

Asia is more than ever dependent on the global economy. The spectacular growth of the region in recent years was due largely to exports, although this interdependence has also become more vulnerable to moments of crisis like now. But if you look at the numbers today do not fail to discover a stronger Asia than the West, because he has learned valuable lessons during the Asian financial crisis of 1998. A capable state to regulate and guide the market without jeopardizing economic growth and development. How long ago saying, Kishore Mahbubani, one of the most influential global thinkers and dean of the School of Public Policy Lee Kuan Yew in Singapore, the Asian states have never been captured by the ideological view that markets know more and more about the management of the economy. Rather, the Asian states believe that the visible hand of the state can not balance the market's invisible hand.

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