

East Asia's Achilles Heel

*Christopher Lingle, **The Rise and Decline of the Asian Century: False Starts on the Path to the Global Millennium**, Sirocco, Barcelona, 1997*

*Reviewed by **Eric Jones***

THE targets of this book are claims about the respective merits and likely futures of East Asian and Western economic, social and political systems. These claims are that the West is sluggish and in social decline whereas East Asia is meritorious and unstoppably successful. The propositions come together in the utterances of East Asian politicians and bureaucrats who excoriate the West, vaunt the superiority of 'Asian values', and perceive the relationship between the two as zero-sum. The terms they use are deeply resentful. Within the English-speaking West, home-grown illiberal and anti-capitalist intellectuals have engendered a mood in which such criticisms are accepted almost at face value. This has been made easier because few people who contribute to public debate seem to understand the nature of the spontaneous order underlying Western economies or display much grasp of comparative history.

Fads have not helped. We have witnessed extremes of both Japanolatry and dismay at Japanese competitiveness, and now seem in the midst of shifting from 'China fever' to fear of China. Meanwhile, Western liberalism's tradition of self-criticism, which is valuable, even vital, because it encourages self-correction, has focused attention excessively on the West's flaws at the expense of its virtues. We have also all heard the 'declinists' gloat that the United States is finished — though the good news may be that the success story of American economic restructuring is at last starting to be recognised.

The perverse and self-interested assaults on the West from outside have seldom, if ever, been contested as comprehensively as in the present book. It is a brave book in the context of the current asymmetry which makes it safe to deprecate Western failings whereas mention of the oppressions and horrors elsewhere automatically brings charges of cultural imperialism. In the teeth of this onslaught and for fear of losing a share of the Wealth of the Indies (so to speak), the defence of incipient democracy in Asia is close to being abandoned to what Christopher Lingle calls a 'pre-emptive cringe'. The indispensable freedom of expression so hard-won in the West is similarly being surrendered by publishers willing to truncate their lists for fear of losing Asian sales. Western leaders and businesses are being flattered by the 'New China Lobby' and the like into ignoring not merely ethical failings but the actual risks of doing business in countries where law and hence the enforcement of contracts is unreliable.

Lingle, an economics professor at Case Western Reserve University, Cleveland, will have none of this. He mounts a spirited defence of liberalism and free markets within an argument that the institutions of East Asia will prove incapable of sustaining high rates of economic growth. His writing is slightly repetitious but always temperate and lucid. He meets fire with cold water, approaching what he sees as the worm in the

apple of the 'East Asian miracle' from so many angles that in the limited space of a review one must pass over most of them. I shall emphasise here his central theme about the suppression of information markets and what he thinks this means for the region's prospects.

The case for 'Asian values' refers to three arguments: that these values caused, or substantially contributed to, economic growth in the region; that they protect willing populations against Western decadence; and that positive freedoms are more important than negative freedoms, or at any rate should come first. Let us take these points in turn. First, some of the values, such as hard work, thrift and concern for education, undoubtedly helped growth but are hardly specific to East Asia. It is improbable that they were a prime cause of growth; moreover, some are less cultural values than responses to particular institutional arrangements such as limited public welfare. Lingle draws attention instead to the role of the contingencies of the periods during which high growth began: for example, the non-repeatable removals of bureaucratic barriers, raids on non-renewable resources, and the importation of catch-up technology from the West.

Second, we do not know how willingly regional populations accept restrictions on access to the Western media because they cannot register their preferences. Censorship denotes an unwillingness to test the matter. This is a vexed subject. Many Westerners may actually approve of bans on pornography, feeling that if contemptible behaviour can be watched the unwary may take it as a fashionable thing to imitate. But there is a contrary risk in concealing such behaviour. The remainder of society is prevented from understanding and guarding against the trends shaping it, which also applies with force to political censorship. Anyone tempted by censorship should read Milton's *Areopagitica*. There must be no prior restraint on publishing, says Milton: leave it to the courts. We should nevertheless recognise that a too-ready threat of prosecution actually adds up to prior restraint because it induces self-censorship.

Third, what of the 'cruel choice' between positive and negative freedoms? The 'Asian values' principle is that freedom from want — that is, positive economic freedom — is the more important. There is something in this; George Stigler admitted that F. A. Hayek underrated the freedom that prosperity has brought ordinary people, even in the presence of state coercion. The objection remains that prosperous authoritarianism is still authoritarian. There is no sunset clause, nor any means of enforcing one, that would guarantee a progression from positive towards negative freedoms: that is, towards freedom from arbitrariness. The individual has no ultimate security of property or contracts: a point made ardently in this book.

Optimists may think that positive freedoms should come first because they are beneficial in themselves; and once society is well-to-do there will indeed be a progression towards demands for a free press, political pluralism and independent law. By contrast, societies with political freedom and independent law — India, for example — have not always been super-successful in making the reverse transition from negative (civil) freedoms to positive (economic) freedoms. Which order is better? It may depend on our time preferences. After all, India has now begun to deregulate. Further, without negative freedoms any society may slide back. In the absence of free debate —

a lack which Lingle portrays as East Asia's greatest defect — rulers may always revert to making ill-judged decisions.

Lingle stresses the informational failings of authoritarian societies. Political markets suppress information flows and distort incentives. They skew the allocation of talent, drawing able people into bureaucratic occupations, rent-seeking and *ersatz* capitalism, away from risk-taking inventiveness and genuine entrepreneurship. Political markets reinforce the tendency of practices like *guanxi* (networking) to exclude competitors. Signals are muted, competition reduced, and misallocations of investment likely. How, then, to explain the growth rates observed in East Asia these past 30 years? His answer is that this was the accumulation phase when inputs were cheap and manufacturing for export was the obvious route to wealth. The institutions involved will, however, be too inflexible to elicit the creativity needed by economies increasingly based on services. The Tiger economies are reaching early maturity. It is Latin America and Eastern Europe which are now entering the high-growth phase that the Tigers enjoyed in the 1960s.

Lingle undermines the triumphalism which promises that the next century will be Asia's; but the deeper questions are how soon, and with what upsets, growth rates may level out. Will rent-seeking increase when the pie grows more slowly? Will the Mandate of Heaven be stripped from current regimes, only to see them replaced by others no more tender towards civil rights? Alternatively, will high incomes evolve a pluralism flexible enough to manage prosperity? The picture Lingle paints is of a system incapable of encouraging enough entrepreneurship or technological creativity, let alone allocating investment capital efficiently. He endorses the view that the Overseas Chinese middle classes have been co-opted by authoritarian regimes but believes outside pressures will force change. He thinks that global competition will oblige the region's institutions to adapt.

In statements to the press on a visit to Australia during mid-1997, Lingle implied that troubles in Japan and Thailand were the start of this vexed transition. That is possible. Alternatively, it may be a little like reading the floods and landslips of the same period as evidence of global warming. Economics has a poor record of forecasting the outcome of competition between systems; and in any event the Tiger economies are buffered by the considerable reserves they have built up during the past generation. Yet Lingle's case that their growth phase has not been the harbinger of an Asian century is informed, intelligent, internally consistent and clearly stated. Anyone thinking of investing in East Asia and everyone concerned about the region's political future would be well advised to take it into account.

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