

A Re-Evaluation of Asian Values

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Abstract

Culturalist explanations almost always seem to lag actual events and often show a tendency to “overshoot.” Culturalist explanations for the current Asian economic crisis have been no exception in this regard, and their speciousness—and absurdity—has been matched only by the earlier exaltation of “Asian values.”

A positive analysis of the Asian miracle and debacle shows that economic factors, rather than cultural factors, played a far more important role in the evolution of Asian economies. In fact, Asia’s growth experience shows that it was only after the introduction of foreign values and institutions conducive to capitalism that Asia began its meteoric rise. For example, the Confucian disdain for commerce and physical labor had to be overcome before the Confucian emphasis on education and meritocratic advancement could support the formation of economically valuable human capital. Moreover, it was economic logic, rather than Asian values, that guided Asia’s nationalistic leaders to pursue macroeconomic stability, promote exports, and coordinate investment based on the criteria of spillover and linkage effects.

Asia’s current crisis also seems to have more to do with the economic logic of Asia’s development than with defects in the Asian value system. As indicated by the spread of the crisis to Russia and Latin America and by the near-failure of major U.S. hedge funds, the current economic crisis is a worldwide crisis of risk mismanagement and unfettered globalization. Risk mismanagement—be it in the form of moral hazard, lax oversight, or outright corruption—is not a problem confined to a particular culture. In crisis-stricken Asian countries, the practice of providing implicit government guarantees to private firms, which might have been useful in the early stage of development, seems to have created moral hazard.

On a normative level, however, it is important to acknowledge that deference to authority and lack of checks and balances in the traditional Asian value system need to be addressed if Asia is to continue to develop economically and politically. While corruption and crony capitalism seem to have played only a minor role in *this* crisis, a continued failure to institutionalize a democratic system of checks and balances may invite future disasters.