

A Question about the Asian Economy: Is There an Asian Economic Model?

Zhang Jixun

Josai University

Jia Baohua

University of International Business and Economics (UIBE)

Abstract

It seems that scholars' work is to make a model to reflect the reality. And "Is there an Asian Model?" has been an interesting question among economists in academic circles for years. Instead of the simple answer "yes" or "no", the authors provide a third one — "yes and no". The authors' argument begins with the comments on the World Bank's Report of the "East Asian Miracle" in 1993 and follows with discussions on Chinese food. Their article also explains a contradiction between the economic reality and the theoretical model as well as the danger in making and applying the economic model to the real world.

Key Words: Asian economies, Asian model, Asian financial crisis

It may be safe to say that Asia is probably a place full of miracles and myths. Regardless of its great historic events and people, we have witnessed rapid economic growth and social changes since World War II and the financial crisis in the late 1990s.

Although ten years have passed since the outbreak of the Asian financial crisis in 1997, many questions resulting from the crisis still remain: What were the real reasons behind the crisis? What kind of the role did international capital play? What mistakes did the regional banking systems and companies make before the crisis? And is there any relation between the so-called Asian economic model and the financial crisis?

To answer these questions many economists and experts have published a huge volume of articles, books and analyses. However, as Chinese teachers of economics, we still have some questions on the issue. One of them is: Is there an Asian Economic Model? Unfortunately in this paper, instead of providing respectable readers a sound answer, what we would like to be able to do is to ask this question and hope to hear your answers.

I . The Asian Model as a Rising Sun

We have heard many words relative to the Asian model such as the Japanese Model, the Korean Model, or the East Asian Development Model for many years. Sometimes they were written by mathematic formulae with variables like the capital, labor or technology, etc.; and sometimes they were presented by shorter or longer literal explanations, describing the roles of and relations among government planning, industrial policies, entrepreneurial management,

international trade, education, ethics, and so on. If one's analyses could not provide one with, or be testified to by such models, they would be regarded as unscientific, or unsuccessful.

It seemed that we Asian economists have not found out any questions in these models because these models were a very simple and powerful method for us to represent or describe the real world of economic development and success of the post-war Asia.

Fairly speaking, however, the terms of the Asian Models were not created by the Asian economists but by Western scholars in the 1980s. More exactly, there had been no such model called the “**Japanese model**” before the 1980s. Instead, what Asian people frequently heard was the word “**Japan Inc.**” from Western academia, which put emphasis on the close relations between the Japanese government and big companies during the post-war period of the 1950s to 1970s.

However, when the economic success stories of other East Asian countries became more familiar to the Western scholars, they found more social, political, cultural and historical factors behind the Asian Miracles. Then, as a result, the “Asian Model” came out. In fact, their fruitful endeavors and exploration are worthy of a high appreciation both in the context of promoting Asian economic practice and theoretic development. Without their pioneering works, the Asian model would probably not have been debuted to the world.

At the same time, some of the Western scholars preferred to classify the East Asian economies led by Japan as a new brand of capitalism — **Asian Capitalism**, or, in other words, “**the developmental states.**” Inspired by outside praises, some Asian leaders delightedly declared that the 21st century would belong to Asia. All of these efforts, within and outside the region, made the Asian model out to be fantastic, mysterious, and even somewhat utopian to a certain degree.

During those days, besides the academic books like *Japan as Number. One or The MITI and the Japanese Miracle*, there were popular novels such as the *Rising Sun*, side by side. There is no doubt that until the outbreak of the Asian financial crisis in 1997, the Asian economy and the Asian model were standing at their florescent era.

II. Questions of the Asian Model

There is an old Chinese saying — *Wu Ji Bi Fan* (things tend to go to the opposite side when they come to the extreme), and unfortunately it justly falls on the Asian Model. Since the beginning of the Asian financial crisis in 1997, the Asian development model has been regarded as one monster behind the regional disasters.

In fact, even before the crisis, during its heydays, questions and confusions about the Asian model have existed among the scholars. For example, *The East Asian Miracle*, published by the World Bank (World Bank, 1993), submitted a different conclusion about the Asian model. In this thorough, in-depth research report the authors concluded, contrary to prevalent opinions, that there is no East Asian model, although the Bank assured the readers that many common characteristics among the regional economies had been found.

It is a pity to admit that the Asian people, including economists, sociologists, historians, and politicians, did not respond in time when they were faced with these questions and challenges. Many, who had been satisfied with the obviously exaggerated praises since the prosperous days, remained silent to the hysterical criticisms of the Asian model during the crisis period of 1997 to 1999. Even now, many Asian and western people are still confused with what had really happened in the years of the Asian miracle and the days of the regional disaster.

III. The World Bank Report

The 1993 World Bank report on the East Asian Model is a very important analysis, worthy to be read again by those in Asian academic circles, by government officials and by local entrepreneurs.

The first look at the report is not impressive because almost all contents have been repeatedly discussed by many previous economists in years. However, what surprised us might be the authors' conclusion about the Asian development model. On the first several pages the authors of the report pointed out that the fundamental facts behind the Asian miracle were those such as:

private domestic investment... rapidly growing human capital... high levels of domestic financial savings... declining population growth rates... fundamentally sound development policy... unusual stable macroeconomic management... export-push strategy... education policies that focused on primary and secondary schools... agricultural policies, and so on (World Bank, 1993, pp. 5–25).

Then, in the six chapters that followed, the Bank research group gave the readers much more detailed explanations and extensive analyses. However, what surprised the readers, who were impressed by the writers' efforts, is that in the last chapter the report came to an end in a controversial and confusing conclusion as follows:

We began this book with the objective of understanding East Asia's success. We found that the diversity of experience, the variety of institutions, and the great variation in policies among the high-performing Asian economies means that *there is no East Asian Model* (emphasis by the authors) of rapid growth with equity. (*ibid.*, p. 366)

It seemed that this was the common sense among international institutions. For example, five years after the World Bank's report, the IMF (1998, p. 82) also made a similar conclusion that there is "no uniform model of development... applied throughout East Asia."

IV. Our First Criticism of the Report

When we read the World Bank's report on the East Asian miracle more than ten years ago, we had three questions as follows.

First of all, we thought that the World Bank confused the generality and individuality of a subject matter of observation. For example, we all know an old saying that there is not a leaf which is exactly the same as another in the world. And we agree with it, because it is, in a strict sense, completely correct: every leaf is different from others, in size, weight, color, and form, etc., even if all leaves were from the same branch of a single tree. In this case, the difference among the leaves is the so-called individuality or particularity of them. However, at the same time, it is also true that every leaf can, if it were from a branch of one tree or from a branch of the same kind of tree, be seen as the same or at least as similar with other leaves, in a general sense. In this case, observers ignored the subtle and tiny distinctions, in size, weight, color, and form, etc., among the leaves. The similarity in this case is the so-called

generality or universality among the leaves.

To explain more clearly, we took another example. Suppose there were several foreign travelers who went on a trip around China, eating Chinese food every day, finally making a conclusion as follows. “We found a diversity and variety of foods across China such as Sichuan food, Canton food, or Shandong food, etc., but *there is no Chinese food* (emphasis by the authors) with good color and wonderful taste.” So, was their conclusion correct? Of course, probably not. Their findings were right, but their final conclusion, drawn from their experiences, was certainly wrong, because they failed to generalize an abstract concept about Chinese food from a set of individual and concrete local foods that they had tested.

In other words, Chinese food as an abstract concept has its basis as many kinds of food with tremendous differences in the materials, form, taste and method of cooking, etc. However, to recognize their variety is not equal to denying the common characteristics shared by them. Meanwhile, to affirm their generality is not necessarily to neglect their diversity. According to the common sense of epistemology, the generality or universality can only be embodied in the individuality or particularity, while the latter reflects and consists of the elements and nature of the former.

Therefore, the Bank’s conclusion about the Asian model was exactly an obvious epistemological mistake. It put too much emphasis on the diversity of Asian economies while failing to generate a model consisting of the common characteristics shared by the “**high-performing Asian economies**” (HPAEs), a term created by the Bank, including Japan, the four “tigers,” and Indonesia, Malaysia, and Thailand. As a result, for the Bank, its purpose to “show the way for the next generation of developing economies to follow export-push strategies” (*ibid.*, p. 25), or, its suggestion of that “East Asia’s experience can be recommended with few reservations” (*ibid.*, p. 26), and its answer to the question on “What can other developing economies learn from the East Asian miracle?” (*ibid.*, p. 367), all became meaningless. In fact, whatever the Bank’s book title, the “East Asian Miracle,” or the new terminology called the HPAEs, which “led by Japan, are identified by several common characteristics, such as very rapid export growth” (*ibid.*, xvi), have virtually indicated that there is a kind of generality or universality among this group of Asian economies.

The second problem we found in the report is that the Bank’s conclusion is based on an eclectic opinion about the role of government in the marketplace. In the report, the experts briefly introduced two theories of Asia’s economic performance: the neoclassical and the revisionist. Moreover, according to the Bank, the basic differences between them mainly centered on assessments of the role of the government in the market economy. The former theory proposes that Asia’s success has greatly benefited from the decisions and policies that limit government’s role in economic activities, allowing markets to exercise a decisive role in determining resource allocation. On the other hand, the latter claims that Asia’s government policies have extensively or selectively promoted individual sectors and all economic expansion has depended on state intervention (*ibid.*, pp. 82–86).

However, contrary to the assertions made by the two schools of thought, the Bank provided readers with a third theory, namely the so-called “market-friendly view.” This is a commixture of the two, and “falls in the middle ground between the neoclassical and revisionist views.” It seemed fair to remind the governments to “do less in those areas where market works,” and “do more in those areas where the markets cannot be relied upon” (*ibid.*, p. 84).

However, the fact is that there are no “walls” between the neoclassic and the revisionist, or between the government and the market as well, simply because the real economy is not as pure and monochromatic as what the theoreticians have described. In the real world, there is no government that has no interest and intention to intervene in the marketplace. This is

reason why almost every state has, since its founding, been eagerly engaging in the formulation, implementation and consolidation of its power and influence, by using a full range of laws, taxes, regulations, organizations, and administrations. How can we say that all the means and organs established by the state were, as the World Bank claimed, “friendly” to the workers, entrepreneurs, trade unions, companies, and the market?

Our third and final comment on the Bank’s research is that, when they failed to generate and refused to recognize a theoretic model for the group of “high-performing Asian economies” that they selected to the research in the end, their whole work of study finished in vain. Because the only aim of knowledge-based activities is to create an abstract and compressed theoretic model, good or bad, and thereby to explain the real and complex phenomena of the world.

In sum, the readers could easily find that at that time we were relatively traditional economists whose desire was to establish a theoretical “model” after an intensive research and study of the realities around us. Our comments as mentioned above showed that we really were not satisfied with the conclusions of that report written by the experts of the World Bank.

V. Our Present Thinking of the Asian Model

Ten years have passed since the Asian financial crisis of 1997 and question about the Asian development model have still been hanging around in our minds. In recent years we finally recognized that the answer to the question — is there the Asian model — is not a simple “yes” or a simple “no”, but may be an amazing “yes and no”.

Take the foreign travelers’ idea of Chinese food as an example again. To the question — “Is there a ‘Chinese’ food?”, their first answer is a certain “yes”, of course. But when we think further, the “yes” becomes less certain because the food they have eaten or their daily fare was not only the general Chinese food but also a particular sort of it: a Sichuan food, or a Canton food, or a Shanghai food, etc. Therefore, they have to add such explanation following the first answer “yes”. In this sense, if they answered a second question — such as “What kind of Chinese food did you eat?”, the genre “Chinese food” apparently disappeared; or more exactly, changed into more individual local or provincial foods. If we had asked them a third question — such as “What kind of Sichuan food did you eat?”, then the “Sichuan food” would apparently disappear, too; or more exactly, would changed into much more detailed dishes such as Mapo Tofu, Hot Noodle (Dan-dan mian), and so on.

In the other words, what they (including we, of course) put into the mouths is, in fact, not the abstract Not “Chinese food” but a very certain and specific “Chinese food”. At the same time, since these very certain and specific foods have been made by Chinese cooks or eaten in mainland China or in a China Town abroad, the answer that “We have eaten Chinese food” is correct, of course.

In comparison to such detailed Chinese foods as Mapo Tofu, Dan-dan Mian, Beijing Duck, the collective noun, namely “Chinese” food, is nonobjective and nonfigurative. In a general sense, what we want to know from the questions is not a simple “yes” or a simple “no” but more detailed information of the dishes of Chinese food.

If those foreign travelers could not give us detailed descriptions of the Chinese food, we may doubt their answer. But, on the other hand, if they could tell us only one or two or even more kinds of the local foods they had eaten, then we can also have a reasonable doubt that what they have eaten is only a very small part of the many kinds of Chinese food. It means that there is a danger when we take one or two kinds of local foods as examples and then insist

that they are the definitive “Chinese food”. We may make such mistakes like the blind men and the elephant, because we use a very small and limited part to cover a huge and whole object.

Such ordinary common sense as is written above, however, cannot become the safeguard for economic research and study. In the case of the arguments on the Asian model, we found that the bigger danger is that we may use a very limited country’s experience to make a great theoretical model; and the biggest danger is probably that we would then apply this model to other countries in the region, thinking they have the same course of economic growth, the same features of the social and political institutions, and the same success or errors of development, and so on.

VI. Concluding Remarks

Generally speaking, the great part of the theoretical economists’ work is to find, to create and to apply one model or another in the real world. They would be delighted if and when they succeed at this. However, there are dangers as we mentioned above, which may be ignored by the economists.

To the question — “Is there the Asian Model”, besides the existing simple “yes” and “no”, we would like to provide a third one: “yes and no”. The “yes” means that the countries in East and Southeast Asia have had some approximately similar features in their economic development in the past decades; and the “no” means that this simplified theoretical model could not give us the detailed information of the specific country’s development. If we want to know more experiences of Asian economies, we must know more about every individual country in the region.

Our conclusion is: From a single country to the whole region and from the region to a county, or from the real world to the theoretical model and from the model to the real world — this is an eternal circle without end and this is the course of Asian economic study.

References

- ADB, 1997. *Emerging Asia: Changes and Challenges*, Asian Development Bank, Bangkok.
- Balassa, Bela, 1988. The lessons of East Asian development: An overview, *Economic Development and Cultural Change*, Vol. 36, No. 3, Supplement.
- Bhagwati, Jagdish, 1978. *Foreign Trade Regimes and Economic Development: Anatomy and Consequences of Exchange Control Regimens*, Ballinger Press, Cambridge, Mass.
- Chenery, Hollis and M. Syrquin, 1975. *Patterns of Development: 1950–1970*, World Bank, Oxford University Press.
- Cline, William R., 1982. Can the East Asian model of development be generalized? *World Development*, Vol. 10, No. 2, pp. 81–90.
- Dongchul, Cho and Chin Hee Hahn, 1997. *On Controversies over the East Asian Growth Miracle*, Working Paper No. 9712, Korea Development Institute, Seoul.
- IMF, 1998. *World Economic Outlook: October 1998*, International Monetary Fund, Washington.
- Johnson, Chalmers, 1982. *MITI and Japanese Miracle: The Growth of Industrial Policy, 1925–1975*, Stanford University Press, California.
- Krueger, Anne O., 1978. *Foreign Trade Regimes and Economic Development: Liberalization Attempts and Consequences*, Ballinger Press, Cambridge, Mass.
- Krueger, Anne O., 1981. Export-led industrial growth reconsidered, in Wontack Hong and Lawrence B. Krause (ed.), *Trade and Growth of the Advanced Developing Countries in the Pacific Basin: Papers and Proceedings of the Eleventh Pacific Trade and Development Conference*, Korea Development Institute, Seoul, pp. 3–34.
- Krugman, P., 1994. The myth of Asia’s miracle. *Foreign Affairs*. 73: 6, 62–78.

- Kuznets, Paul W., 1988. An East Asian model of economic development: Japan, Taiwan, and South Korea, *Economic Development and Cultural Change*, Vol. 36, No. 3, supplement, pp. 11–44.
- Kwon, Jene K., 1988. *The East Asian Model: An exploration of rapid economic growth in the Republic of Korea and Taiwan province of China*, Discussion Papers No. 135, United Nations Conference on Trade and Development, Geneva.
- Lim, Wonhyuk, 2000. *The Origin and Evolution of the Korean Economic System*, Working Paper, Korea Development Institute, Seoul.
- Lin, Ching-yuan, 1988. East Asia and Latin America as contrasting models, *Economic Development and Cultural Change*, Vol. 36, No. 3, supplement, pp. 153–198.
- Litte, Ian, T. Scitovsky, and M. Scott, 1970. *Industry and Trade in Some Developing Countries: A Comparative Study*, OECD.
- Maddison, Angus, 1982. *Phases of Capitalist Development*, Oxford University Press, London.
- Michaely, Michael, 1977. Exports and growth: An empirical investigation, *Journal of Development Economics* 4, Feb. pp. 49–53.
- Tsuru, Shigeto, 1993. *Japan's Capitalism: Creative Defeat and Beyond*, Cambridge University Press.
- World Bank, 1993. *The East Asian Miracle: Economic Growth and Public Policy*, Oxford University Press, New York.

*Zhang Jixun is a professor of economics of Josai University, and Jia Baohua is a professor of University of International Business and Economics (UIBE) in Beijing, China. Some parts of the paper have been read at a conference in China.