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Asian Capitalisms: Diverging Beneficiaries of Globalization?

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Abstract: Although the Asia-Pacific region has been a major beneficiary of globalization, the increasing degree of globality has not decreased the regional varieties of capitalism with their high variations of performance. Indonesia remains captive of an economically unpromising personalist type of capitalism that is dominated by governance problems and crony capitalism. South Korea has managed a transition to a liberal market model but may be moving towards a less successful regime (a German type of collectivism with its extended welfare state). China's transition is too unsettled for an assessment. Whether the People's Republic will manage to contain corruption and enforce property rights to arrive at an economic system with sufficient liberal capitalist characteristics that is both stable and growth-oriented, remains unclear. In all three countries, domestic forces, despite the increasing interconnectedness of economic globalization, are driving the evolution of the regime type in substantially different directions.

Keywords: capitalism, globalization, governance, Asia-Pacific, China, Indonesia, South Korea

(1) The Asia-Pacific Region has greatly benefited from globalization. By taking advantage of the opportunities that globalization offered it has gone through a process of successful integration into the world economy that brought unprecedented economic growth with a marked increase in the standard of living and a substantial reduction of poverty. The introductory section of this article provides some data on these developments that are well known and hardly in dispute. The second part deals with the more speculative topic of the perspectives of the region and argues that globalization in the economic sphere has no tendency to dissolve the wide variety of regional capitalisms and that it will not lead to a convergence of standards of living. The article proceeds by postulating a typology of capitalisms with different prospects of economic growth. The examples of Indonesia, South Korea and China show that the development of these forms of capitalism and their trajectory is influenced by causes other than globalization: mainly endogenous structural and cultural factors.

(2) In more general terms, the article illustrates that the increasing

worldwide interconnectedness of product and financial markets on the one side, and economic institutions on the other, leads to a high degree of economic globality (viewed as widespread economic connectivity) but neither to greater global nor regional homogeneity.

The Asia-Pacific Region as Main Beneficiary of Globalization

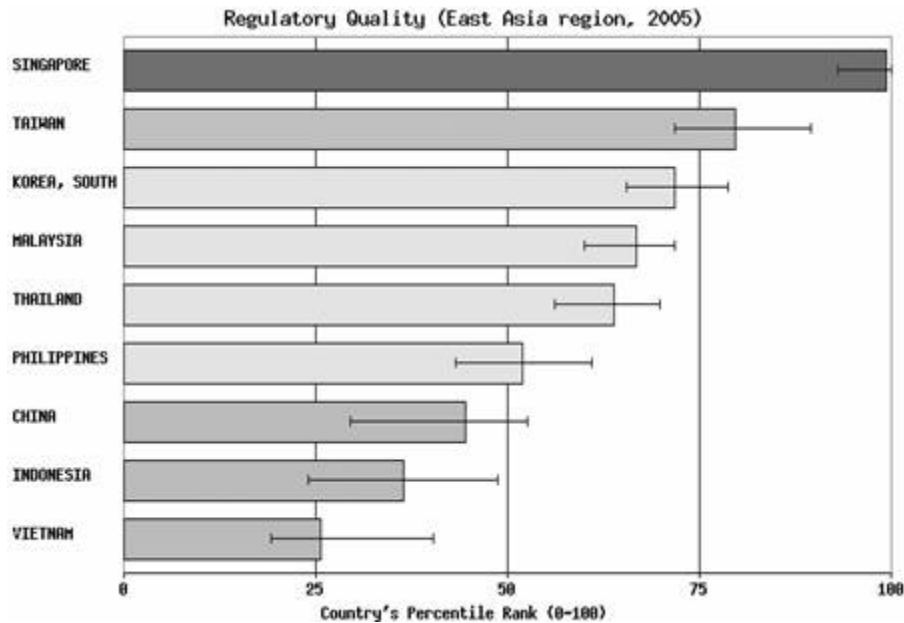
(3) How do we judge the benefits of globalization? One simple approach is to look at economic development in its broad sense where it becomes identified with social welfare, which has been associated with an increase in average income, a decrease in poverty, improved levels of health and education, as well as particular items of consumption such as access to clean water and electricity. Tables 1 to 3 give some indications of this successful development process of the region. The welfare progress ranges from the relatively rapidly increasing standard of living as measured by the Human Development Index that steadily converges with that of the high income countries (Table 1) to particular indices such as life expectancy where East Asian countries have taken the lead worldwide (Table 2) to a comparatively rapid decrease in poverty (Table 3). [1]

(4) These developments have been made possible by improved production methods and increased labor productivity. Those advances had become feasible through the integration of the region into the world economy where advanced technology originated and where sufficiently large markets were found that enabled the leveraging of economies of scale and scope. Without a high degree of globality in the form of worldwide integrated product and financial markets, the economic success of the region could not have been achieved. Globalization provided the opportunity for the East Asian Miracle, an opportunity which no other region was able to exploit to even remotely the same degree. Tables 4 and 5 illustrate the relatively rapid growth within the area and Table 6 the extremely high degree of integration in the world economy as measured by merchandise trade. Thus there is little doubt that Pacific Asia has been the main beneficiary of globalization.

(5) Table 5 illustrates strikingly the large differences in income and rates of growth within the region. Furthermore, the rates of growth are not systematically related to the levels of income. For example, the low-income country Indonesia has grown slower than South Korea whose standard of living is now equal to those of Southern European countries such as Greece and Portugal. Thus there is little evidence of convergence within the region. In fact, if China continues to grow at this rate for another few years, the picture will be one of divergence. Neither in the Asia-Pacific region nor in other parts of the globe has globalization empirically been associated with increasing political, cultural, or economic homogeneity.

(6) In fact, most development economists would agree that this failure of convergence is likely to be related to institutional differences. A glance at one selected governance indicator – the picture does not change much if others are included too – suggests that structural differences among the economies of the regions are very pronounced (Figure 1). Such institutional differences can be systematized by constructing varieties of capitalism that “bundle” institutional differences and relate them to economic performance.

Figure 1: Governance Indicators for Selected Countries



Source: World Bank. Governance matters V: governance indicators for 1996–2005

(7) The distinction between such “varieties” on which this argument is based relies on the amount and particular nature of rent-seeking. At the extreme points of an imaginary triangular space three economic systems are to be found: a first one in which all types of rent are absent (pure capitalism), a second one where all national income is distributed in the form of rent (whose size and distribution is determined by a formal political decision making process and an allocation through bureaucratic channels), and a third one where all income is rent derived through the actions of personal networks. [2]

(8) In the ideal world of pure liberal capitalism with secure property rights and its competitive pressures, rents in product, factor and financial markets are rapidly diminished and income corresponds in the main to opportunity costs determined in well-regulated markets. Entrepreneurial rents provide the dynamism of the economy but these types of rent are rapidly eroded by competition. The political class is satisfied with incomes that are equal to those in comparable positions in the market place; and it abstains from granting itself privileges that are not open to other citizens. This is the world classical liberals such as Adam Smith and John Stuart Mill envisioned as the ideal environment for economic growth.

(9) Any economic structure is unstable without cultural legitimization, generally revolving around two issues: its perceived effectiveness as a means to material betterment, and its conformity to a set of values thought to embody the “good life.” Central among the beliefs sustaining liberal capitalism is the perception that competitive markets generate welfare improvements superior to other modes of allocation both for society as a whole and the individual citizen. Moreover, this capitalist mode is supported when distributive justice is equated to equality of opportunity combined with the belief that markets, in a rough and ready way, do indeed reward individual performance, at least when compared with alternative modes of allocating income. Thus the elite and the mass of the population believe that competitive markets are a socially superior allocation mechanism than political processes.

(10) Perceptions cannot be sustained unless they reflect reality to some degree. Since a society based on well-regulated market processes does not protect those individuals from indigence who are unable to take part in

these processes and provides little by way of equality of opportunity for the children of the destitute, a pure form of liberal capitalism lacks legitimacy and is likely to be unstable. It is therefore not surprising that classical liberalism contained some redistributive mechanisms: governments had to provide “baseline equality,” protection against outright indigence through means-tested benefits and a reasonable degree of equality of opportunity guaranteed by an education system supported by the state. Liberal capitalism is perfectly compatible with social security provisions beyond “baseline” equality if these do not aim at redistribution of income but at risk-pooling, avoiding of inconsistent decisions, moral hazard or adverse selection and thus improve market outcomes. Examples of such social security programs not involving welfare rents are funded pension schemes or health programs where people are charged according to average health cost of their risk group or the population at large.

(11) In the modern form of collectivist capitalism, the ideal second system, rent-seeking is ubiquitous and national income accrues largely in form of rent to members of politically influential interest groups. Government and private monopolies dominate the economy - private monopolies either have been formed spontaneously or have been established through state intervention. Farm lobbies in many industrialized countries have thus managed to receive much higher incomes than those that would prevail in a competitive market environment, and other privileged groups such as members of well organized trade unions have negotiated higher than market wages. The welfare system has become redistributive beyond poverty alleviation and social programs aim heavily at redistribution.

(12) The stability of collectivist capitalism hinges on structural and ideological elements. The justifications of replacing market allocation of income through government processes are the reverse of the ideology of liberal capitalism: equality of outcome plays a relatively large role among the notions of distributive justice, market allocation of income is considered unjust, and competitive market processes are thought to be socially detrimental. In addition, collectivism receives structural support from the beneficiaries of the redistribution process, namely the political entrepreneurs that derive their income from organizing redistributive coalitions, the administrators of the redistribution process, and the people that derive direct benefits from redistribution in some form or another.

(13) The nature of rent-seeking is the distinguishing mark of the third variety of capitalism. The process of rent-seeking becomes highly personal and does not proceed through regular political channels, nor does its distribution use regular administrative procedures. Benefits become increasingly particularistic and personal, not benefiting the membership of large groups as a whole but its leading members only and those who are connected to these leaders through personal networks. Typical benefits include jobs, licenses, credit, foreign exchange, state contracts, extra-bureaucratic access to state services like health care or exemptions from onerous regulations and taxes. The allocation of government resources according to personal criteria requires a “weak” or de-institutionalised state. Rules and regulations become irrelevant in the allocation process, the impartiality rule that public office holders are supposed to follow is violated, and corruption becomes one of the marks of this form of capitalism. Economic relationships follow this cronyist pattern since the ubiquitous government interference into market processes provides benefits for well-connected individuals and firms. Private sector profits are mainly a matter of state privileges in this system and not of competitive market processes. Political clientelism thrives in this form of capitalism.

(14) Personalism encourages the joining of networks to seek rents. However, little can be said to justify a differential treatment of humans simply because they hail from different groups or networks; abandoning the principle of impartial action to which any public office should be bound is generally thought to be morally unacceptable. [3] The cultural grounding of personalism may take the form of either a simply, unreflected *Alltagskultur* (culture of everyday life) or an explicit belief system postulating the incompatibility or superiority of primordial attachments (“African” or “Asian” values for example) over the conventions embodied in the modern bureaucratic state. Such an *Alltagskultur* may be the expression of a traditional morality, where rights and obligations are limited to a narrow social circle (family, clan, tribe, village) and outsiders are only a tenuous part of the moral universe. [4] Structural factors such as the support of politically influential networks that benefit from the distribution process have to be added to such stabilizing cultural elements.

(15) Three more points need to be made. First, a stable liberal capitalist mode with its optimal organisation of production will be the economically most successful system in the long run — an argument that will be pursued in the context of China. Second, all varieties of capitalism are compatible with authoritarianism and democracy — a point that implies the absence of a correlation between democracy and autocracy and economic development. Third, the legitimacy of a system, and therefore its stability, will be enhanced by its economic success.

Globalization and Convergence of Economic Systems

(16) The following section deals with three countries, their position in the triangle of capitalist economic systems, and their perspectives for transformations and growth: Indonesia, a stable system at the personalist end of the spectrum, Korea, a system on the liberal capitalist side which may be shifting towards collectivism, and China somewhere in-between with an outcome that is entirely open.

Stability of Personalism in Indonesia

(17) Indonesia illustrates the main point that has been made: modes of capitalism are often immune to pressures from economic globalization and tend to remain very stable. Indonesia, an economic system geared towards the personalist end of the spectrum, survived economic crises, democratization and intense pressure by the international financial institutions to introduce reforms.

(18) In the 1990s the Indonesian economy became increasingly dominated by what has been called a “politico-business” oligarchy that had emerged in the 1970s. It hijacked the liberal reforms of the 1980s by transforming state monopolies into new private cartels and oligopolies in such areas as domestic banking, public utilities, telecommunications and transportation. [5] Industry policy did not serve as an instrument for conquering global markets but “was used to enrich state and private oligarchies” through the formation of protected cartels, the granting of entry and exit controls, and exclusive licensing. [6] State banks, state pension funds and funds not contained in the regular budget often financed such projects. [7] By the 1990s, Indonesia had descended far into cronyism and the fusion of public authority and private interest as epitomized by the rapacious Soeharto

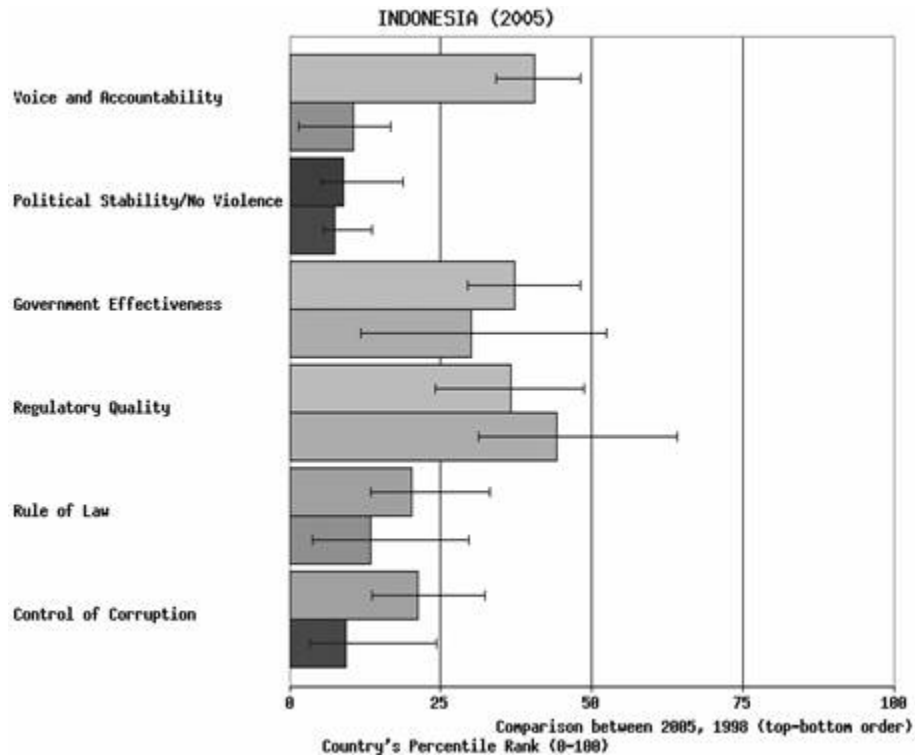
family. The system of patronage had penetrated all layers of society. [8]

(19) Democratization did not lead to a transformation of the system but replaced authoritarian with democratic clientelism where “parties appear to be evolving as machines for assembling coalitions concerned with the capture and allocation of resources and power rather than imposing distinctive policy agendas and regulatory frameworks.” [9] Indeed, it has been argued, that the old hegemonic forces re-emerged again after forging new alliances with political entrepreneurs drawn from the fringes of power within the old regime: “the former officials and regional notables, the party apparatchiks, operators, fixers and enforcers ... now surged into the newly opened arenas of parliament and elections to seek their fortunes.” [10]

(20) Why did no powerful and politically cohesive coalition assemble behind the neo-liberal agenda? There was simply no constituency for a liberal market economy neither among the population at large nor among the bourgeoisie. Protests against the regime traditionally had an anti-liberal bent: “Increasing frustration amongst the urban middle classes was at the heart of student unrest and disturbances in 1971, and again in 1973 and 1974 when these concerns with corruption and arbitrary rule merged with more populist and xenophobic resentments on the part of declining *pribumi* [indigenous] business interests.” [11] The indigenous business interests were not alone in refusing to follow the Marxian script of pushing a liberal agenda but sought a more influential place in the prevailing system of authoritarian corporatism. [12] Indonesia’s bourgeoisie proved to be a profoundly anti-liberal force, more interested in particularistic benefits than in competition and “good governance.” [13] That behavior is not unexpected since a bourgeoisie that has grown up in a clientelist environment has much to lose and often little to gain from competition. Thus the vested interests that have grown up in the crony capitalist environment helped to stabilize the economic system.

(21) Globalization did not lead to a transformation of the Indonesian economy towards a more viable economic system; neither did the process of democratization. Indeed, the governance indicators measuring institutional strength and market orientation have all deteriorated after the advent of democratization (Figure 2). Personalism remained stable partly because of the structural support of the members of influential networks who had an interest in perpetuating the system, and partly because of the absence of a desire for change among the population that might have manifested itself in the election process.

Figure 2: Governance Indicators for Indonesia



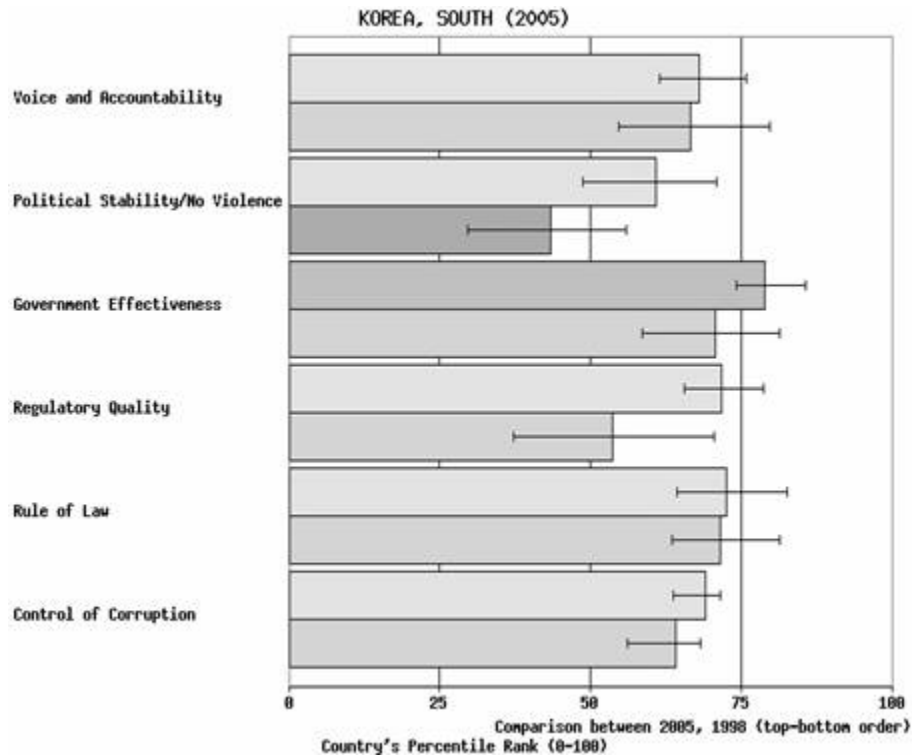
Source: World Bank. Governance matters V: governance indicators for 1996–2005

South Korea: Replicating West Germany?

(22) It is widely believed that globalization is incompatible with a developed welfare state. Its high tax rates are supposedly unsustainable because they undermine international competitiveness and, so the story goes, governments are forced to participate in a “race to the bottom” that erodes the financial foundations of welfarism.

(23) South Korea belongs to the group of economies at the liberal-capitalist end of the spectrum [14] with relatively strong institutions (Figure 3). [15] After the advent of democratization in 1987, particularly during the tenure of Kim Dae Jung (1998-2003), the country has expanded its welfare system with the extension of a whole range of social security programs. This blatantly contradicts the thesis of the “race to the bottom.”

Figure 3: Governance Indicators for South Korea



Source: World Bank. Governance matters V: governance indicators for 1996–2005

(24) In fact, in its general form the thesis is simply wrong. As long as taxes and social security contributions are falling on the immobile factors of production — such as most types of labor — no competitive disadvantages result from welfarism. If workers are willing to bear the burden of the welfare state, accept a lower take-home pay, and receive a return from the deductions in form of welfare benefits, the costs of production are unaffected by the extension of welfare provisions, and the conflict between welfarism and globalization disappears.

(25) One possible route South Korea might take is towards the German system with its inefficient rent-generating low-growth variety of capitalism of which the extended and unsustainable welfare system is one major element. Some historical parallels are striking.

(26) The change of the meaning of the term *Soziale Marktwirtschaft* (Social Market Economy) indicates the trajectory of the German system towards collectivism. To one of its founders, Ludwig Erhard, it followed the liberal capitalist script. The ability to provide welfare via full employment and income growth made it a socially beneficial system. [16] Erhard's views have long been superseded by a perception of the *Sozialstaat* as a caring social state, that is, a system of redistributive welfarism. This terminological change reflects the reality of a continuous expansion of social programs until they have become manifestly unsustainable after a number of recent shocks to the German economy. These shocks included the German unification, which was largely financed through the welfare system, disruptions through increased international competition particularly from Eastern Europe and Asia, and, most importantly, the cost of maintaining a high standard of living for a rapidly aging population.

(27) The transformation of the German economic system towards collectivism was heavily influenced by the absence of an ideological foundation that could have sustained liberal capitalism. Whereas the

attitudes in support of economic liberalism are widespread in the United States, the most stable variety of capitalism close to the liberal capitalist end of the spectrum, they are weak in Germany where Erhard pushed through the market reforms of the late 1940s against heavy opposition in parliament from both the right and the left. [17] The economic success of these reforms did not diminish the attraction of redistributive capitalism among the population at large. Elections in Germany tend to be won by promises of more not less redistribution. To take the latest election as an example: the announcement of painful reforms cost Angela Merkel's electoral coalition their election victory and led to the formation a "grand coalition" with the Social Democratic Party. The lack of a widespread perception that well-regulated markets are better at delivering welfare improvements than state interventions has been a major reason for the trajectory of the German economy towards collectivism.

(28) Some of these developments have striking parallels in South Korea. The first is the change in policy outlook. During the years of military rule, a developmentalist ideology dominated that has been described as a "hegemonic paradigm which envisaged social policy as subordinate to economic policy." [18] With the democratization process this view became increasingly devalued when popular demands "for redistribution, welfare, quality of life, and environmental integrity constituted new political and ideological mandates." [19] Inevitably, the Korean state became increasingly porous as the shield insulating public policymaking from political and societal pressures was gradually eroded. These pressures, it has been argued, derive from an "ideational convergence around the idea of social welfare" that "has emerged in democratizing Taiwan and South Korea." [20] Since the late 1980s, political actors in Taiwan and South Korea have continued to adopt socioeconomic issues as central platforms in their political campaigns. They have focused on various social policy areas, including pensions, health care reform, and policies relating to social justice more generally. [21] In this environment, political entrepreneurs "outdo one another in social policy reform." [22] South Korea is certainly not immune to a transformation toward increasing rent-generation in terms of welfare benefits and handouts to particularly well-organized interest groups.

(29) Accordingly, the development path of South Korea is not determined by globalization but by the nature of the prevailing ideology and the path dependence that arises from the emergence of redistributive coalitions with their vested interest in particular redistributive policies.

The Unsettled State of China's Capitalism

(30) With a communist government with socialist pretensions that promotes capitalist practice and at the same time encourages Confucianist thought, China is a country of paradoxes. Again, as in the case of Indonesia and South Korea, globalization has made the Chinese growth spurt possible. However, whether the People's Republic will move towards a liberal capitalist economic system, collectivism, or personalism is entirely unpredictable.

(31) If the framework that has been sketched out is correct, long term success would require that China moves away from the current cronyism that is strongly entrenched in the Chinese way of doing business (*guanxi*). Yet social networking that governs business life and the interaction with government is by no means an inefficient way of organizing business relations in an environment where personal networks are the only available mechanism of ensuring compliance with contracts in the absence of formal institutions that take on this role. The "relations-based

governance,” as it has been called, is an optimal way of organizing economic relations in the early phases of economic growth. [23]

(32) However, there are at least two reasons why this state of affairs has to be transcended in the process of development. First, as the size of markets and the number of transactions increase, relations-based governance becomes increasingly cumbersome compared to transactions backed by formal institutions. [24] Second, network-based organizations tend to go together with cronyism and corruption or weak institutionalization. Sophisticated markets cannot develop in the absence of public information on firms. Moreover, firms’ dealings with government in a relations-based economy are by its very nature personal and not rule-governed. It is therefore not surprising that the Nobelist Douglass North argued that transactions based on personal contacts to important persons do not suit a large economy like that of China. It would have to develop institutions that guarantee universal equal rights. Otherwise the development process would go into reverse when the system begins to choke from the activities of profiteers who try to secure their positions of power. [25]

(33) The international economy has the power to derail the Chinese development process, but globalization will do little to alter the trajectory of China’s economic system. The influence of accidental political processes, systematic interest group pressure, and shifts of ideology will be much more important. The protests in the early years of the twenty-first century against the admission of businesspeople to the party and constitutional provisions to protect private property rights suggest that the cultural foundations of liberal capitalism are weak and have little legitimacy in China. [26] It may well be that China’s sociocultural traditions will become the major stumbling block for its long term development, particularly if democratic pressure begins to build up.

Conclusion

(34) Globalization has brought enormous opportunities to the Asia-Pacific region, and the region has managed to take advantage of it to an unrivalled degree. However, it has done so unevenly: some countries have built a viable economic system; others have remained in the throes of a personalism that has hampered their development. Thus globalization has done little for convergence, it only proved compatibility with different varieties of capitalism. The future of the region, apart from shocks from the world economy, will therefore primarily depend on the form of capitalism the various countries drift into, a process that will probably depend mainly on structural and ideological factors.

Appendix

Table 1: Human Development Index: Regions
(OECD-Countries = 100)

	1975	2003
OECD (“old”)	100.0	100.0

East Asia	74.8	86.6
S.E. Asia	47.8	62.3
Latin America	77.0	81.8
Non Oil Arab States	56.5	72.7
Sub-Saharan Africa	44.7	47.3

Source: UNDP, Human Development Report 2005

Table 2: Life Expectancy at Birth

	1990	2004
Hong Kong	77	82
Japan	79	82
Singapore	74	79
Korea, Rep.	71	77
Malaysia	70	73
China	69	71
Philippines	66	71
Thailand	68	71
Vietnam	65	70
Indonesia	62	67
Cambodia	54	57
High Income	76	79

Source: World Bank, World Development Indicators 2006

Table 3: Regional Poverty Estimates

People living on less than \$1 a day (millions)	1981	1990	1999	2002
East Asia & Pacific	796	472	282	214
China	634	375	223	180
Europe & Central Asia	3	2	30	10
Latin America & Caribbean	36	49	54	47
Middle East & North Africa	9	6	8	5
South Asia	475	462	429	437
Sub-Saharan Africa	164	227	294	303
Total	1,482	1,218	1,096	1,015

Source: World Bank, World Development Indicators 2006

Table 4: Growth of Gross Domestic Product*
(average annual percent growth)

	1990-2000	2000-2004
East Asia & Pacific	8.5	8.1
South Asia	5.6	5.8
Middle East & North Africa	3.9	3.9
Europe & Central Asia	-0.8	5.0
Latin America & Caribbean	3.3	1.6
Sub-Saharan Africa	2.5	3.9

* Low and middle income countries.

Source: World Bank, World Development Indicators 2006

Table 5: Gross Domestic Product

	Average annual % growth		Per capita income 2004
	1990-2000	2000-2004	
Hong Kong	4.1	3.2	31,560
Japan	1.3	0.9	29,810
Singapore	7.7	2.9	27,370
Korea, Rep.	5.8	4.7	20,530
Malaysia	7.0	4.4	9,720

Thailand	4.2	5.4	7,930
China	10.6	9.4	5,890
Philippines	3.4	3.9	4,950
Indonesia	4.2	4.6	3,480
Vietnam	7.9	7.2	2,700
Cambodia	7.1	6.3	2,310

Source: World Bank, World Development Indicators 2006

Table 6: Merchandise Trade (% of GDP)

	1990	2004
Japan	17.2	22.1
China	32.5	59.8
Korea, Rep.	51.1	70.4
Philippines	47.8	97.0
Thailand	65.7	119.2
Cambodia	22.4	122.2
Vietnam	79.7	125.4
Malaysia	133.4	195.9
Singapore	307.6	321.5
Hong Kong	221.5	330.4
East Asia & Pacific	47.0	71.1
Middle income	34.4	61.5
Latin America & Caribbean	23.3	44.6

Source: World Bank, World Development Indicators: 2006

Notes

An earlier version of this article was presented at the Third Global Futures of World Regions Conference “The New Asias and the Vision of East Asian Sociology,” Seoul, September 28, 2006.

[1] The Human Development Index is a compound index that includes indicators of education, health and income. One of its peculiarities is to measure income on a logarithmic scale. This implies that changes in income at higher levels hardly influence the index at all; an increase in income from \$40,000 to \$41,000 counts for very little compared to an increase from 2,000 to 3,000. Thus “convergence” can be reached despite relatively high income differentials. The relative improvement of some regions has been due to such factors as an increased life expectancy and reported participation in education without much convergence in income levels (see UNDP, *Human Development Report, 2006*, <http://hdr.undp.org/> (accessed April 11, 2007)).

[2] Rent is defined as the income of an individual or a firm beyond what would have been received in a competitive market. It can either result from market failures (e.g. “natural” monopoly power, collusion) or it can come about through redistributive policies of the government subsidizing some or granting market power to other individuals or groups.

[3] Kurer, Oskar, “Corruption. Definition and Measurement,” *Political Studies* 2005(53):222-239.

[4] Banfield, Edward, *The Moral Basis of a Backward Society* (Glencoe,

Ill.: Free Press, 1958).

[5] Robison, Richard and Vedi R. Hadiz, *Reorganizing Power in Indonesia. The Politics of Oligarchy in an Age of Market* (London: Routledge Curzon, 2004), 66, 73.

[6] Ibid, 41, 74.

[7] Ibid, 82.

[8] Ibid, 43.

[9] Ibid, 8.

[10] Ibid, 12.

[11] Ibid, 64.

[12] Ibid, 134.

[13] Ibid, 32.

[14] The typology that has been presented is based on the prevalence of rent and not the degree of state intervention. It is indifferent, moreover, to state ownership of the means of production since both government and private monopolies are liable to produce inefficiency and rent.

[15] A further element pointing to functioning markets is the low unemployment rate: 1990-92: 2.5 %; 2000-04 3.5% (World Bank, *World Development Indicators 2006*, <http://www.worldbank.org/data> (accessed April 11, 2007))

[16] Mierzejewski, Alfred C., *Ludwig Erhard. Der Wegbereiter der sozialen Marktwirtschaft. Biografie* (München: Siedler, 2004).

[17] For a comparison between Europe and the United States, see Alesina, Alberto and Edward L. Glaeser, *Fighting Poverty in the US and Europe. A World of Difference* (Oxford: Oxford University Press, 2004).

[18] Hwang, Gyu-Jin, *Pathways to State Welfare in Korea* (Aldershot: Ashgate, 2006), 32. Park Chung-Hee wrote: "Economic equality in this context means not so much the communal ownership of property or its equal distribution, but the guarantee of the minimum right to survival and subsistence. It means, in other words, that employment opportunities should be equally provided, lowest individual income should be increased uniformly to the minimum level, and the people's minimum living standard should be guaranteed" (quoted from Wong, Joseph, *Healthy Democracies. Welfare Politics in Taiwan and South Korea* (Ithaca: Cornell University Press, 2006), 56.

[19] Moon, Chung-in, "Democratization and Globalization as Ideological and Political Foundations of Economic Policy," in Jangryn Mo and Chung-in Moon, *Democracy and the Korean Economy* (Stanford: Hoover Institution Press, 1999), 10.

[20] Wong, *Healthy Democracies*, 137.

[21] Ibid, 141.

[22] Ibid, 163.

[23] Li, John Shuhe, "Relation-based versus Rule-based Governance: an

Explanation of the East Asian Miracle and Asian Crisis.” *Review of International Economics* 2003(11):652.

[24] Ibid, 651-73.

[25] Douglass North, *Frankfurter Allgemeine Sonntagszeitung*. 20.8.2006. “George Bush und Genossen sind blöd.” Nr. 33. S. 41.

[26] Holbig, Heike. “Ideological Reform and Political Legitimacy in China: Challenges in the Post-Jian Era.” GIGA Working Papers No. 18. 2006. www.giga-hamburg.de (accessed April 11, 2007), 239.

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