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Seeking a balance between market and state control

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CHRISTOPHER Lingle is in town. And where Lingle goes, "Asian values" is the odour of the moment.

To Lingle, "Asian values" is code for authoritarianism. He doesn't like it, and he speaks from experience.

Lingle is the American academic who, while he was senior fellow at the National University of Singapore in 1994, wrote an article in The International Herald Tribune that reflected on political repression in East Asia.

The Singapore Government took exception to his inference of a compliant judiciary in Singapore keeping the lid on opposition politicians.

Lingle fled Singapore, was tried and convicted, in absentia, of contempt of court, and has been persona non grata in Singapore since.

Now visiting associate professor of economics at Case Western Reserve University in Cleveland, in the US, Lingle does the lecture circuit speaking on politics Singapore-style, and on Asia generally.

His book Singapore's Authoritarian Capitalism has been followed by The Rise and Decline of the Asian Century. It is in conjunction with the publication of Asian Century that Lingle is visiting Australia.

His visit coincides with events that put the focus on the market and the state of economic performance. Lingle draws comfort from the turmoil surrounding the currencies of Southeast Asian economies, including the ringgit. In Australia, Prime Minister John Howard is signalling a rethink on a hands-off policy on industry and the economy.

Lingle thinks the credit heaped on the state as an explanation for Asia's economic success is a myth. He argues that the success of East Asia has come from what he calls the "marketisation" of its economies, and not from governments directing them.

On the contrary, he believes the inherent conservatism and inflexibility of the economic and political institutions in East Asia will get in the way of the processes necessary to sustain high growth rates. The pressure on Southeast Asian currencies by international market speculators is a case in point.

In the time Lingle has been visiting, Howard has been making a belated visit to Newcastle, the New South Wales coal town whose existence is threatened by the decision of BHP, Australia's biggest company, to abandon its steelworks there.

Among the ideas Howard is floating is the possible establishment of free-trade zones, like those that had set Malaysia down the road of export-oriented industrialisation since the 1980s.

It is being hailed as an answer to Newcastle's woes. But more than a sop to local sensitivities, it is now known the Cabinet has been looking into FTZs since February, before BHP announced its decision in May.

Howard is making it clear the FTZ proposal is not being raised with any locality or specific set of circumstances in mind. It is being assessed as part of national industry policy.

More than what FTZs might do to specific local economies, and the pressures they might ease on unemployment, which in Australia has remained at a stubbornly high 8.7 per cent, the Howard revelation is reinforcing the perception of a willingness to review the prevailing market orthodoxy of the economy.

It follows a recent compromise on previously set targets to cut tariffs

in the motor industry, and current pressures to do the same for textiles, clothing and footwear. They signal an examination of "dry" economics.

John Howard has been a champion of the "dries", an unabashed, self-admitted admirer of former British Prime Minister Margaret Thatcher and her brand of rationalist economics that gained ascendancy in the 1980s, preaching deregulation and the separation of government from industry.

FTZs would require a generous dose of government intervention and the co-operation of State Governments at odds with the market forces-driven policy environment in Australia.

Business leaders are enthusiastic. They are not demanding a return to ridiculous levels of protection, they say. What they want is a pragmatic government prepared to respond to issues as they arise as opposed to an ideologically doctrinaire government.

Sections of the media characterised Howard's Newcastle revelation as a shift to Asian-style industry policy. Yet, as an international trade strategy, the establishment of FTZs is not a recent innovation, nor is it unique to Asia. It has been in use for 400 years, and FTZs are scattered throughout the US and the European Union, apart from Asia.

In Australia, the Industries Assistance Commission 10 years ago rejected the idea as being anathema to market purists. The present recycling of an old idea is indicative of a shift that is not confined to Australia. No less than the World Bank is shifting.

Its latest annual World Development Report, *The State in a Changing World*, published last month reveals an astonishing turnaround. The world authority on global development has abandoned its support for minimal government in favour of a model based on a strong and vigorous state.

The inspiration is the "dazzling growth" of East Asia, but this is hardly because the balance between state and market is unique to the region. At this stage of global development, Asia just happens to be the latest arena in which the competing forces are most in evidence.

The balance between the two has challenged global civilisation through history, intensifying since the industrial revolution in Europe. In more recent times, market forces gained the ascendancy in the 1970s and '80s. The trend in the '90s suggests a swing of the pendulum back to the moderating influence of government.

Through much of the industrialised world, conservative governments are in decline. Parties of the new left are winning at the ballot box, from Bill Clinton's Democrats in the US to Tony Blair's Labour Party in Britain and Lionel Jospin's Socialists in France.

Classical neo-conservative economic policies are being re-examined. Voters appear to be tiring of the fairly similar outcomes economic rationalism has produced.

Living standards are seen to have fallen for the majority, with a redistribution of wealth upwards to the rich. Social breakdown has accompanied declining civic infrastructure.

The growing expectation is that governments have an obligation to act for the social good when markets fail. High unemployment reflects this market failure. Voters crave security and a return to community.

Cynics see Howard as being similarly poll-driven. Whatever the motivation, it is inducing a rethink that is happening the world over. Good governance is the goal, not the blind application of dogma.

Commentators critical of or enamoured of "the Asian Century" would have us believe in a dichotomous, a historical view of a world that identifies authoritarianism with the East and liberalism with the West.

Just as there are Lingles in Asia, there are those who accept that the search for balanced development is not the preserve of the region, nor of this era. Prime Minister Datuk Seri Dr Mahathir Mohamad has dismissed

suggestions of an Asian Century, in the ascendancy or on the decline.  
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