The single greatest tool of oppression

Democracies in East Asia: A Tentative Reader

Contents

Culture is Destiny: A Conversation with Lee Kuan Yew pp2-11
Is Culture Destiny? :The Myth of Asia’s Anti-Democratic Values (Kim Dae-Jung ) pp12-16
Jackie Chan: Chinese People Need To Be Controlled pp16-17
The lackey Jackie Chan! pp17-19
Mahathir warns vs ‘too much democracy’ pp19-20
Slamming the Door on History: A Crisis in Poland, a Massacre in China pp21-25
Capitalism and Freedom Chapter I pp26-34
Let it burn: The Looting of Asia and the fall of the second Berlin Wall pp35-52
Failure of the Taisho Democracy pp53-54
Formosa Betrayed  Chapter 8 pp55-56

February, 2014
Prepared by Furukawa, C.
Culture Is Destiny

A Conversation with Lee Kuan Yew

Fareed Zakaria

MEETING THE MINISTER

“One of the asymmetries of history,” wrote Henry Kissinger of Singapore’s patriarch Lee Kuan Yew, “is the lack of correspondence between the abilities of some leaders and the power of their countries.” Kissinger’s one time boss, Richard Nixon, was even more flattering. He speculated that, had Lee lived in another time and another place, he might have “attained the world stature of a Churchill, a Disraeli, or a Gladstone.” This tag line of a big man on a small stage has been attached to Lee since the 1970s. Today, however, his stage does not look quite so small. Singapore’s per capita GNP is now higher than that of its erstwhile colonizer, Great Britain. It has the world’s busiest port, is the third-largest oil refiner and a major center of global manufacturing and service industries. And this move from poverty to plenty has taken place within one generation. In 1965 Singapore ranked economically with Chile, Argentina and Mexico; today its per capita GNP is four or five times theirs.

Lee managed this miraculous transformation in Singapore’s economy while maintaining tight political control over the country; Singapore’s government can best be described as a “soft” authoritarian regime, and at times it has not been so soft. He was prime minister of Singapore from its independence in 1959 (it became part of a federation with Malaysia in 1963 but was expelled in 1965) until 1990,

Fareed Zakaria is Managing Editor of Foreign Affairs.
when he allowed his deputy to succeed him. He is now “Senior Minister” and still commands enormous influence and power in the country. Since his retirement, Lee has embarked on another career of sorts as a world-class pundit, speaking his mind with impolitic frankness. And what is often on his mind is American-style democracy and its perils. He travels often to East Asian capitals from Beijing to Hanoi to Manila dispensing advice on how to achieve economic growth while retaining political stability and control. It is a formula that the governing elites of these countries are anxious to learn.

The rulers of former British colonies have been spared the embarrassment of building grandiose monuments to house their offices; they simply occupy the ones that the British built. So it is with Singapore. The president, prime minister and senior minister work out of Istana (palace), the old colonial governor’s house, a gleaming white bungalow surrounded by luxuriant lawns. The interior is modern—light wood paneling and leather sofas. The atmosphere is hushed. I waited in a large anteroom for the “SM,” which is how everybody refers to Lee. I did not wait long. The SM was standing in the middle of a large, sparsely furnished office. He is of medium build. His once-compact physique is now slightly shrunk. Still, he does not look 70.

Lee Kuan Yew is unlike any politician I have met. There were no smiles, no jokes, no bonhomie. He looked straight at me—he has an inexpessive face but an intense gaze—shook hands and motioned toward one of the room’s pale blue leather sofas (I had already been told by his press secretary on which one to sit). After 30 awkward seconds, I realized that there would be no small talk. I pressed the record button on my machine.

FZ: With the end of the Cold War, many Americans were surprised to hear growing criticism of their political and economic and social system from elites in East Asia, who were considered staunchly pro-American. What, in your view, is wrong with the American system?

LKY: It is not my business to tell people what’s wrong with their system. It is my business to tell people not to foist their system indiscriminately on societies in which it will not work.
FZ: But you do not view the United States as a model for other countries?

LKY: As an East Asian looking at America, I find attractive and unattractive features. I like, for example, the free, easy and open relations between people regardless of social status, ethnicity or religion. And the things that I have always admired about America, as against the communist system, I still do: a certain openness in argument about what is good or bad for society; the accountability of public officials; none of the secrecy and terror that’s part and parcel of communist government.

But as a total system, I find parts of it totally unacceptable: guns, drugs, violent crime, vagrancy, unbecoming behavior in public—in sum the breakdown of civil society. The expansion of the right of the individual to behave or misbehave as he pleases has come at the expense of orderly society. In the East the main object is to have a well-ordered society so that everybody can have maximum enjoyment of his freedoms. This freedom can only exist in an ordered state and not in a natural state of contention and anarchy.

Let me give you an example that encapsulates the whole difference between America and Singapore. America has a vicious drug problem. How does it solve it? It goes around the world helping other anti-narcotic agencies to try and stop the suppliers. It pays for helicopters, defoliating agents and so
on. And when it is provoked, it captures the president of Panama and brings him to trial in Florida. Singapore does not have that option. We can't go to Burma and capture warlords there. What we can do is to pass a law which says that any customs officer or policeman who sees anybody in Singapore behaving suspiciously, leading him to suspect the person is under the influence of drugs, can require that man to have his urine tested. If the sample is found to contain drugs, the man immediately goes for treatment. In America if you did that it would be an invasion of the individual's rights and you would be sued.

I was interested to read Colin Powell, when he was chairman of the Joint Chiefs of Staff, saying that the military followed our approach because when a recruit signs up he agrees that he can be tested. Now, I would have thought this kind of approach would be quite an effective way to deal with the terrible drug problem you have. But the idea of the inviolability of the individual has been turned into dogma. And yet nobody minds when the army goes and captures the president of another state and brings him to Florida and puts him in jail. I find that incomprehensible. And in any case this approach will not solve America's drug problem. Whereas Singapore's way, we may not solve it, but we will lessen it considerably, as we have done.

FZ: Would it be fair to say that you admired America more 25 years ago? What, in your view, went wrong?

LKY: Yes, things have changed. I would hazard a guess that it has a lot to do with the erosion of the moral underpinnings of a society and the diminution of personal responsibility. The liberal, intellectual tradition that developed after World War II claimed that human beings had arrived at this perfect state where everybody would be better off if they were allowed to do their own thing and flourish. It has not worked out, and I doubt if it will. Certain basics about human nature do not change. Man needs a certain moral sense of right and wrong. There is such a thing called evil, and it is not the result of being a victim of society. You are just an evil man, prone to do evil things, and you have to be stopped from doing them. Westerners have abandoned an ethical basis for society, believing that all problems are solvable by a good government, which we in the East never believed possible.
A Conversation with Lee Kuan Yew

FZ: Is such a fundamental shift in culture irreversible?

LKY: No, it is a swing of the pendulum. I think it will swing back. I don’t know how long it will take, but there’s already a backlash in America against failed social policies that have resulted in people urinating in public, in aggressive begging in the streets, in social breakdown.

THE ASIAN MODEL

FZ: You say that your real concern is that this system not be foisted on other societies because it will not work there. Is there another viable model for political and economic development? Is there an “Asian model”?

LKY: I don’t think there is an Asian model as such. But Asian societies are unlike Western ones. The fundamental difference between Western concepts of society and government and East Asian concepts—when I say East Asians, I mean Korea, Japan, China, Vietnam, as distinct from Southeast Asia, which is a mix between the Sinic and the Indian, though Indian culture also emphasizes similar values—is that Eastern societies believe that the individual exists in the context of his family. He is not pristine and separate. The family is part of the extended family, and then friends and the wider society. The ruler or the government does not try to provide for a person what the family best provides.

In the West, especially after World War II, the government came to be seen as so successful that it could fulfill all the obligations that in less modern societies are fulfilled by the family. This approach encouraged alternative families, single mothers for instance, believing that government could provide the support to make up for the absent father. This is a bold, Huxleyan view of life, but one from which I as an East Asian shy away. I would be afraid to experiment with it. I’m not sure what the consequences are, and I don’t like the consequences that I see in the West. You will find this view widely shared in East Asia. It’s not that we don’t have single mothers here. We are also caught in the same social problems of change when we educate our women and they become independent financially and no longer need to put up with unhappy marriages. But there is grave disquiet when we break away from tested norms, and the tested norm is the family unit. It is the building brick of society.

There is a little Chinese aphorism which encapsulates this idea: Xiushen qijia zhiguo pingtianxia. Xiushen means look after yourself, cultivate yourself, do everything to make yourself useful; Qijia, look after the family; Zhiguo, look after your country; Pingtianxia, all is peaceful under
heaven. We have a whole people immersed in these beliefs. My granddaughter has the name Xiu-qi. My son picked out the first two words, instructing his daughter to cultivate herself and look after her family. It is the basic concept of our civilization. Governments will come, governments will go, but this endures. We start with self-reliance. In the West today it is the opposite. The government says give me a popular mandate and I will solve all society’s problems.

**FZ:** What would you do instead to address America’s problems?

**LKY:** What would I do if I were an American? First, you must have order in society. Guns, drugs and violent crime all go together, threatening social order. Then the schools; when you have violence in schools, you are not going to have education, so you’ve got to put that right. Then you have to educate rigorously and train a whole generation of skilled, intelligent, knowledgeable people who can be productive. I would start off with basics, working on the individual, looking at him within the context of his family, his friends, his society. But the Westerner says I’ll fix things at the top. One magic formula, one grand plan. I will wave a wand and everything will work out. It’s an interesting theory but not a proven method.

**BACK TO BASICS**

**FZ:** You are very skeptical of government’s ability to solve deeper social issues. But you’re more confident, certainly than many Americans are, in the government’s ability to promote economic growth and technological advancement. Isn’t this a contradiction?

**LKY:** No. We have focused on basics in Singapore. We used the family to push economic growth, factoring the ambitions of a person and his family into our planning. We have tried, for example, to improve the lot of children through education. The government can create a setting in which people can live happily and succeed and express themselves, but finally it is what people do with their lives that determines economic success or failure. Again, we were fortunate we had this cultural backdrop, the belief in thrift, hard work, filial piety and loyalty in the extended family, and, most of all, the respect for scholarship and learning.

There is, of course, another reason for our success. We have been able to create economic growth because we facilitated certain changes while we moved from an agricultural society to an industrial society. We had
A Conversation with Lee Kuan Yew

the advantage of knowing what the end result should be by looking at the West and later Japan. We knew where we were, and we knew where we had to go. We said to ourselves, “Let’s hasten, let’s see if we can get there faster.” But soon we will face a different situation. In the near future, all of us will get to the stage of Japan. Where do we go next? How do we hasten getting there when we don’t know where we’re going? That will be a new situation.

FZ: Some people say that the Asian model is too rigid to adapt well to change. The sociologist Mancur Olson argues that national decline is caused most fundamentally by sclerosis—the rigidity of interest groups, firms, labor, capital and the state. An American-type system that is very flexible, laissez-faire and constantly adapting is better suited to the emerging era of rapid change than a government-directed economic policy and a Confucian value system.

LKY: That is an optimistic and attractive philosophy of life, and I hope it will come true. But if you look at societies over the millennia you find certain basic patterns. American civilization from the Pilgrim fathers on is one of optimism and the growth of orderly government. History in China is of dynasties which have risen and fallen, of the waxing and waning of societies. And through all that turbulence, the family, the extended family, the clan, has provided a kind of survival raft for the individual. Civilizations have collapsed, dynasties have been swept away by conquering hordes, but this life raft enables the civilization to carry on and get to its next phase.

Nobody here really believes that the government can provide in all circumstances. The government itself does not believe it. In the ultimate crisis, even in earthquakes and typhoons, it is your human relationships that will see you through. So the thesis you quote, that the government is always capable of reinventing itself in new shapes and forms, has not been proven in history. But the family and the way human relationships are structured, do increase the survival chances of its members. That has been tested over thousands of years in many different situations.

THE CULTURE OF SUCCESS

FZ: A key ingredient of national economic success in the past has been a culture of innovation and experimentation. During their rise to great wealth and power the centers of growth—Venice, Holland, Britain, the

FOREIGN AFFAIRS · March/April 1994 [115]
United States—all had an atmosphere of intellectual freedom in which new ideas, technologies, methods and products could emerge. In East Asian countries, however, the government frowns upon an open and free wheeling intellectual climate. Leaving aside any kind of human rights questions this raises, does it create a productivity problem?

LKY: Intellectually that sounds like a reasonable conclusion, but I’m not sure things will work out this way. The Japanese, for instance, have not been all that disadvantaged in creating new products. I think that if governments are aware of your thesis and of the need to test out new areas, to break out of existing formats, they can counter the trend. East Asians, who all share a tradition of strict discipline, respect for the teacher, no talking back to the teacher and rote learning, must make sure that there is this random intellectual search for new technologies and products. In any case, in a world where electronic communications are instantaneous, I do not see anyone lagging behind. Anything new that happens spreads quickly, whether it’s superconductivity or some new life-style.

FZ: Would you agree with the World Bank report on East Asian economic success, which I interpret to have concluded that all the governments that succeeded got fundamentals right—encouraging savings and investment, keeping inflation low, providing high-quality education. The tinkering of industrial policies here and targeting sectors there was not as crucial an element in explaining these countries’ extraordinary economic growth as were these basic factors.

LKY: I think the World Bank had a very difficult job. It had to write up these very, very complex series of situations. But there are cultural factors which have been lightly touched over, which deserved more weightage. This would have made it a more complex study and of less universal application, but it would have been more accurate, explaining the differences, for example, between the Philippines and Taiwan.

FZ: If culture is so important, then countries with very different cultures may not, in fact, succeed in the way that East Asia did by getting economic fundamentals right. Are you not hopeful for the countries around the world that are liberalizing their economies?

LKY: Getting the fundamentals right would help, but these societies will not succeed in the same way as East Asia did because certain driving forces will be absent. If you have a culture that doesn’t place much value
in learning and scholarship and hard work and thrift and deferment of present enjoyment for future gain, the going will be much slower.

But, you know, the World Bank report’s conclusions are part of the culture of America and, by extension, of international institutions. It had to present its findings in a bland and universalizable way, which I find unsatisfying because it doesn’t grapple with the real problems. It makes the hopeful assumption that all men are equal, that people all over the world are the same. They are not. Groups of people develop different characteristics when they have evolved for thousands of years separately. Genetics and history interact. The Native American Indian is genetically of the same stock as the Mongoloids of East Asia—the Chinese, the Koreans and the Japanese. But one group got cut off after the Bering Straits melted away. Without that land bridge they were totally isolated in America for thousands of years. The other, in East Asia, met successive invading forces from Central Asia and interacted with waves of people moving back and forth. The two groups may share certain characteristics, for instance if you measure the shape of their skulls and so on, but if you start testing them you find that they are different, most particularly in their neurological development, and their cultural values.

Now if you gloss over these kinds of issues because it is politically incorrect to study them, then you have laid a land mine for yourself. This is what leads to the disappointments with social policies, embarked upon in America with great enthusiasm and expectations, but which yield such meager results. There isn’t a willingness to see things in their stark reality. But then I am not being politically correct.

FZ: Culture may be important, but it does change. The Asian “model” may prove to be a transitional phenomenon. After all, Western countries also went through a period in the eighteenth and nineteenth centuries when they were capitalist and had limited participatory democracy. Elites then worried—as you do today—that “too much” democracy and “too many” individual rights would destabilize social order. But as these societies modernized and as economic growth spread to all sections of society, things changed. Isn’t East Asia changing because of a growing middle class that demands a say in its own future?
Fareed Zakaria

LKY: There is acute change in East Asia. We are agricultural societies that have industrialized within one or two generations. What happened in the West over 200 years or more is happening here in about 50 years or less. It is all crammed and crushed into a very tight time frame, so there are bound to be dislocations and malfunctions. If you look at the fast-growing countries—Korea, Thailand, Hong Kong, and Singapore—there’s been one remarkable phenomenon: the rise of religion. Koreans have taken to Christianity in large numbers, I think some 25 percent. This is a country that was never colonized by a Christian nation. The old customs and religions—ancestor worship, shamanism—no longer completely satisfy. There is a quest for some higher explanations about man’s purpose, about why we are here. This is associated with periods of great stress in society. You will find in Japan that every time it goes through a period of stress new sects crop up and new religions proliferate. In Taiwan—and also in Hong Kong and Singapore—you see a rise in the number of new temples; Confucianist temples, Taoist temples and many Christian sects.

We are all in the midst of very rapid change and at the same time we are all groping towards a destination which we hope will be identifiable with our past. We have left the past behind and there is an underlying unease that there will be nothing left of us which is part of the old. The Japanese have solved this problem to some extent. Japan has become an industrial society, while remaining essentially Japanese in its human relations. They have industrialized and shed some of their feudal values. The Taiwanese and the Koreans are trying to do the same. But whether these societies can preserve their core values and make this transition is a problem which they alone can solve. It is not something Americans can solve for them. Therefore, you will find people unreceptive to the idea that they be Westernized. Modernized, yes, in the sense that they have accepted the inevitability of science and technology and the change in the lifestyles they bring.
In his interview with Foreign Affairs (March/April 1994), Singapore's former prime minister, Lee Kuan Yew, presents interesting ideas about cultural differences between Western and East Asian societies and the political implications of those differences. Although he does not explicitly say so, his statements throughout the interview and his track record make it obvious that his admonition to Americans "not to foist their system indiscriminately on societies in which it will not work" implies that Western-style democracy is not applicable to East Asia. Considering the esteem in which he is held among world leaders and the prestige of this journal, this kind of argument is likely to have considerable impact and therefore deserves a careful reply.

With the collapse of the Soviet Union in 1991, socialism has been in retreat. Some people conclude that the Soviet demise was the result of the victory of capitalism over socialism. But I believe it represented the triumph of democracy over dictatorship. Without democracy, capitalism in Prussian Germany and Meiji Japan eventually met its tragic end. The many Latin American states that in recent decades embraced capitalism while rejecting democracy failed miserably. On the other hand, countries practicing democratic capitalism or democratic socialism, despite temporary setbacks, have prospered.

In spite of these trends, lingering doubts remain about the applicability of and prospects for democracy in Asia. Such doubts have been raised mainly by Asia's authoritarian leaders, Lee being the most articulate among them. They have long maintained that cultural differences make the "Western concept" of democracy and human rights inapplicable to East Asia. Does Asia have the philosophical and historical underpinnings suitable for democracy? Is democracy achievable there?

SELF-SERVING SELF-RELIANCE

Lee stresses cultural factors throughout his interview. I too believe in the importance of culture, but I do not think it alone determines a society's fate, nor is it immutable. Moreover, Lee's view of Asian cultures is not only unsupportable but self-serving. He argues that Eastern societies, unlike Western ones, "believe that the individual exists in the context of his family" and that the family is "the building brick of society." However, as an inevitable consequence of industrialization, the family-centered East Asian societies are also rapidly moving toward self-centered individualism. Nothing in human history is permanent.

Lee asserts that, in the East, "the ruler or the government does not try to provide for a person what the family best provides." He cites this ostensibly self-reliant, family-oriented culture as the main cause of East Asia's economic successes and ridicules Western governments for allegedly trying to solve all of society's problems, even as he worries about the moral breakdown of Western societies due to too much democracy and too many individual rights. Consequently, according to Lee, the Western political system, with its intrusive government, is not suited to family-oriented East Asia. He rejects Westernization while embracing modernization and its attendant changes in lifestyle - again strongly implying that democracy will not work in Asia.
But the facts demonstrate just the opposite. It is not true, as Lee alleges, that Asian governments shy away from intervening in private matters and taking on all of society's problems. Asian governments intrude much more than Western governments into the daily affairs of individuals and families. In Korea, for example, each household is required to attend monthly neighborhood meetings to receive government directives and discuss local affairs. Japan's powerful government constantly intrudes into the business world to protect perceived national interests, to the point of causing disputes with the United States and other trading partners. In Lee's Singapore, the government stringently regulates individuals' actions - such as chewing bubble-gum, spitting, smoking, littering, and so on - to an Orwellian extreme of social engineering. Such facts fly in the face of his assertion that East Asia's governments are minimalist. Lee makes these false claims to justify his rejection of Western-style democracy. He even dislikes the one man, one vote principle, so fundamental to modern democracy, saying that he is not "intellectually convinced" it is best.

Opinions like Lee's hold considerable sway not only in Asia but among some Westerners because of the moral breakdown of many advanced democratic societies. Many Americans thought, for example, that the U.S. citizen Michael Fay deserved the caning he received from Singaporean authorities for his act of vandalism. However, moral breakdown is attributable not to inherent shortcomings of Western cultures but to those of industrial societies; a similar phenomenon is now spreading through Asia's newly industrializing societies. The fact that Lee's Singapore, a small city-state, needs a near-totalitarian police state to assert control over its citizens contradicts his assertion that everything would be all right if governments would refrain from interfering in the private affairs of the family. The proper way to cure the ills of industrial societies is not to impose the terror of a police state but to emphasize ethical education, give high regard to spiritual values, and promote high standards in culture and the arts.

No one can argue with Lee's objection to "foisting" an alien system "indiscriminately on societies in which it will not work." The question is whether democracy is a system so alien to Asian cultures that it will not work. Moreover, considering Lee's record of absolute intolerance of dissent and the continued crackdown on dissidents in many other Asian countries, one is also compelled to ask whether democracy has been given a chance in places like Singapore.

A thorough analysis makes it clear that Asia has a rich heritage of democracy-oriented philosophies and traditions. Asia has already made great strides toward democratization and possesses the necessary conditions to develop democracy even beyond the level of the West.

Democratic Ideals. It is widely accepted that English political philosopher John Locke laid the foundation for modern democracy. According to Locke, sovereign rights reside with the people and, based on a contract with the people, leaders are given a mandate to govern, which the people can withdraw. But almost two millennia before Locke, Chinese philosopher Meng-tzu preached similar ideas. According to his "Politics of Royal Ways," the king is the "Son of Heaven," and heaven bestowed on its son a mandate to provide good government, that is, to provide good for the people. If he did not govern righteously, the people had the right to rise up and overthrow his government in the name of heaven. Meng-tzu even justified regicide, saying that once a king loses the mandate of heaven he is no longer worthy of his subjects' loyalty. The people came first, Meng-tzu said, the country second, and the king third. The ancient Chinese philosophy of Minben Zhengchi, or "people-based politics," teaches that "the will of the people is the will of heaven" and that one should "respect the people as heaven" itself.

A native religion of Korea, Tonghak, went even further, advocating that "man is heaven" and that one must serve man as one does heaven. These
ideas inspired and motivated nearly half a million peasants in 1894 to revolt against exploitation by feudalistic government internally and imperialistic forces externally. There are no ideas more fundamental to democracy than the teachings of Confucianism, Buddhism, and Tonghak. Clearly, Asia has democratic philosophies as profound as those of the West.

Democratic Institutions. Asia also has many democratic traditions. When Western societies were still being ruled by a succession of feudal lords, China and Korea had already sustained county prefecture systems for about 2,000 years. The government of the Chin Dynasty, founded by Chin-shih huang-ti (literally, the founder of Chin), practiced the rule of law and saw to it that everyone, regardless of class, was treated fairly. For nearly 1,000 years in China and Korea, even the sons of high-ranking officials were not appointed to important official positions unless they passed civil service examinations. These stringent tests were administered to members of the aristocratic class, who constituted over ten percent of the population, thus guaranteeing equal opportunity and social mobility, which are so central to popular democracy. This practice sharply contrasted with that of European fiefdoms of that time, where pedigree more or less determined one’s official position. In China and Korea powerful boards of censors acted as a check against imperial misrule and abuses by government officials. Freedom of speech was highly valued, based on the understanding that the nation’s fate depended on it. Confucian scholars were taught that remonstration against an erring monarch was a paramount duty. Many civil servants and promising political elites gave their lives to protect the right to free speech.

The fundamental ideas and traditions necessary for democracy existed in both Europe and Asia. Although Asians developed these ideas long before the Europeans did, Europeans formalized comprehensive and effective electoral democracy first. The invention of the electoral system is Europe’s greatest accomplishment. The fact that this system was developed elsewhere does not mean that "it will not work" in Asia. Many Asian countries, including Singapore, have become prosperous after adopting a "Western" free-market economy, which is such an integral part of a democracy. Incidentally, in countries where economic development preceded political advancement - Germany, Italy, Japan, Spain - it was only a matter of time before democracy followed.

The State of Democracy in Asia. The best proof that democracy can work in Asia is the fact that, despite the stubborn resistance of authoritarian rulers like Lee, Asia has made great strides toward democracy. In fact, Asia has achieved the most remarkable record of democratization of any region since 1974. By 1990 a majority of Asian countries were democracies, compared to a 45 percent democratization rate worldwide.[1] This achievement has been overshadowed by Asia’s tremendous economic success. I believe democracy will take root throughout Asia around the start of the next century. By the end of its first quarter, Asia will witness an era not only of economic prosperity, but also of flourishing democracy.

I am optimistic for several reasons. The Asian economies are moving from a capital- and labor-intensive industrial phase into an information- and technology-intensive one. Many experts have acknowledged that this new economic world order requires guaranteed freedom of information and creativity. These things are possible only in a democratic society. Thus Asia has no practical alternative to democracy; it is a matter of survival in an age of intensifying global economic competition. The world economy’s changes have already meant a greater and easier flow of information, which has helped Asia’s democratization process.

Democracy has been consistently practiced in Japan and India since the end of World War II. In Korea, Burma, Taiwan, Thailand, Pakistan, the Philippines, Bangladesh, Sri Lanka, and other countries, democracy has been frustrated at times, even suspended. Nevertheless, most of these countries have democratized, and in all of them, a resilient "people power" has been demonstrated through elections and popular movements. Even in Thailand, after ten military gov-
ernments, a civilian government has finally emerged. The Mongolian government, after a long period of one-party dictatorship, has also voluntarily accepted democracy. The fundamental reason for my optimism is this increasing awareness of the importance of democracy and human rights among Asians themselves and their willingness to make the necessary efforts to realize these goals. Despite many tribulations, the torch of democracy continues to burn in Asia because of the aspirations of its people.

WE ARE THE WORLD

As Asians increasingly embrace democratic values, they have the opportunity and obligation to learn from older democracies. The West has experienced many problems in realizing its democratic systems. It is instructive, for example, to remember that Europeans practiced democracy within the boundaries of their nation-states but not outside. Until recently, the Western democracies coddled the interests of a small propertied class. The democracies that benefited much broader majorities through socioeconomic investments were mostly established after World War II. Today, we must start with a rebirth of democracy that promotes freedom, prosperity, and justice both within each country and among nations, including the less-developed countries: a global democracy.

Instead of making Western culture the scapegoat for the disruptions of rapid economic change, it is more appropriate to look at how the traditional strengths of Asian society can provide for a better democracy. In Asia, democracy can encourage greater self-reliance while respecting cultural values. Such a democracy is the only true expression of a people, but it requires the full participation of all elements of society. Only then will it have legitimacy and reflect a country's vision.

Asian authoritarians misunderstand the relationship between the rules of effective governance and the concept of legitimacy. Policies that try to protect people from the bad elements of economic and social change will never be effective if imposed without consent; the same policies, arrived at through public debate, will have the strength of Asia's proud and self-reliant people. A global democracy will recognize the connection between how we treat each other and how we treat nature, and it will pursue policies that benefit future generations. Today we are threatening the survival of our environment through wholesale destruction and endangerment of all species. Our democracy must become global in the sense that it extends to the skies, the earth, and all things with brotherly affection.

The Confucian maxim Xiushen qijia zhiguo pingtianxia, which offers counsel toward the ideal of "great peace under heaven," shows an appreciation for judicious government. The ultimate goal in Confucian political philosophy, as stated in this aphorism, is to bring peace under heaven (pingtianxia). To do so, one must first be able to keep one's own household in order (qijia), which in turn requires that one cultivate "self" (xiushen). This teaching is a political philosophy that emphasizes the role of government and stresses the ruling elite's moral obligation to strive to bring about peace under heaven. Public safety, national security, and water and forest management are deemed critical. This concept of peace under heaven should be interpreted to include peaceful living and existence for all things under heaven. Such an understanding can also be derived from Gautama Buddha's teaching that all creatures and things possess a Buddha-like quality.

Since the fifth century B.C., the world has witnessed a series of revolutions in thought. Chinese, Indian, Greek, and Jewish thinkers have led great revolutions in ideas, and we are still living under the influence of their insights. However, for the past several hundred years, the world has been dominated by Greek and Judeo-Christian ideas and traditions. Now it is time for the world to turn to China, India, and the rest of Asia for another revolution in ideas. We need to strive for a new democracy that guarantees the right of personal development for all human beings and the wholesome existence of all living things.

A natural first step toward realizing such a new
democracy would be full adherence to the Universal Declaration of Human Rights, adopted by the United Nations in 1948. This international document reflects basic respect for the dignity of people, and Asian nations should take the lead in implementing it.

The movement for democracy in Asia has been carried forward mainly by Asia’s small but effective army of dedicated people in and out of political parties, encouraged by nongovernmental and quasi-governmental organizations for democratic development from around the world. These are hopeful signs for Asia’s democratic future. Such groups are gaining in their ability to force governments to listen to the concerns of their people, and they should be supported.

Asia should lose no time in firmly establishing democracy and strengthening human rights. The biggest obstacle is not its cultural heritage but the resistance of authoritarian rulers and their apologists. Asia has much to offer the rest of the world; its rich heritage of democracy-oriented philosophies and traditions can make a significant contribution to the evolution of global democracy. Culture is not necessarily our destiny. Democracy is.

FOOTNOTE


---

Jackie Chan: Chinese People Need To Be Controlled

04/18/09 03:48 PM ET    AP

BOAO, China — Action star Jackie Chan said Saturday he's not sure if a free society is a good thing for China and that he's starting to think "we Chinese need to be controlled."

Chan's comments drew applause from a predominantly Chinese audience of business leaders in China's southern island province of Hainan.

The 55-year-old Hong Kong actor was participating in a panel at the annual Boao Forum when he was asked to discuss censorship and restrictions on filmmakers in China. He expanded his comments to include society.

"I'm not sure if it's good to have freedom or not," Chan said. "I'm really confused now. If you're too free, you're like the way Hong Kong is now. It's very chaotic. Taiwan is also chaotic."

Chan added: "I'm gradually beginning to feel that we Chinese need to be controlled. If we're not being controlled, we'll just do what we want."

The kung fu star has not been a vocal supporter of the pro-democracy movement in his hometown of Hong Kong. Since the former British colony returned to Chinese rule in 1997, voters have not been allowed to directly elect their leader. Several massive street protests have been held to demand full democracy, but Beijing has repeatedly said Hong Kong isn't ready for it.

The theme at Saturday's panel discussion was "Tapping into Asia's Creative Industry Potential,"
and Chan had several opinions about innovation in China.

He said that early in his career, he lived in the shadow of the late martial arts star Bruce Lee. He said that during his first foray into Hollywood, he struggled to establish his own identity, so he returned to Hong Kong. After spending 15 years building his reputation in Asia, Chan finally got rediscovered by Hollywood, he said.

Chan said the problem with Chinese youth is that "they like other people's things. They don't like their own things." Young people need to spend more time developing their own style, he added.

The action hero complained that Chinese goods still have too many quality problems. He became emotional when discussing contaminated milk powder that sickened tens of thousands of Chinese babies in the past year.

Speaking fast with his voice rising, Chan said, "If I need to buy a TV, I'll definitely buy a Japanese TV. A Chinese TV might explode."

Hong Kong, Taiwan and Mainland China React Differently To Jackie Chan's Comment (Southern Weekend) April 29, 2009. On April 19, Apple Daily (Hong Kong) had a front page headline: The lackey Jackie Chan!

On the day before at the Bo'ao Forum, a reporter had asked Jackie Chan a question about culture and freedom. He said: "Is it better to have freedom or not? I am really very confused right now. When you have too much freedom, it becomes like Hong Kong. Very chaotic. It becomes like Taiwan. Also very chaotic. I am slowly beginning to feel that we the Chinese people need regulation ..."

With the next few days, the Hong Kong Tourism Board received more than 200 letters to rescind Jackie Chan's role as Hong Kong tourism ambassador. At the same time, more than a dozen "green" supporters held placards saying "shameless artiste, please shut up" to protest at Jackie Chan's Taiwan office. The Democratic Progressive Party's secretary-general Kao Jyh-peng even cursed Jackie Chan to be struck down by a lightning bolt sent down from the heavens.

On mainland China, even though there were criticisms in the media commentary, many netizens supported "the views of Brother Jackie Chan" because "while freedom is valuable, order is even more valuable" and "there is too much democracy in Taiwan and they often get into fights during meetings."

How can the same words lead to three different kinds of response in Hong Kong, Taiwan and mainland China? Within these responses, what are the considerations for political figures, the media or ordinary citizens?

TAIWAN

When Jackie Chan said those words at the Bo'ao Forum, the China Times chief editor Hsia Chen was present at the scene. She had wanted to trade business cards with Jackie Chan and chat a little. But after hearing what he said, she "did not even want to tell him about China Times."

But Hsia Chen said that even though Jackie Chan's words were "unpleasant," she did not think about how to rebut him. "I was just uncomfortable."

On the day when Jackie Chan spoke, a "crazy father" in Chianghua (Taiwan) tossed his daughter into a pot and boiled her. All of Taiwan was in an uproar. Three days later, there was a melee at the Taiwan Parliament. Democratic Progressive Party legislator Chiu Yiying was criticized as "lacking family education" and so she went up and slapped Nationalist Party legislator Lee Ching-hua. Chaos ensued.

"They used actual action to prove that when Jackie Chan criticized Taiwan, we cannot talk back loudly that we are right and he was wrong," Hsia Chen told the Southern Weekend reporter.

Beijing political scientist Wu Jiaxiang told Southern Weekend that Jackie Chan had a "strategy" when he said what he said. "When he criticizes freedom that way, he can't be prevented from entering Taiwan. But if he praises freedom, he could get into trouble."

But that is not completely true. In 2004, Jackie Chan called the presidential election in Taiwan "a huge joke" after the March 19th incident. The "green" camp criticized him and called for boycott of his movies as well as making
him an "unwelcomed person." Jackie Chan knew what Confucius said about "don't go to chaotic places and don't live in dangerous places" and therefore he did not travel to Taiwan until Ma Ying-jeou became president in 2008.

For his words at the Bo'ao Forum, the "blue" camp also had critics such as Chiu Yi denouncing him. But the "green" camp was obviously more vocal. The Democratic Progress Party legislator Kao Jyh-peng told the media that Jackie Chan had "repeatedly insulted Taiwan" and he demanded the Taipei city dismiss Jackie Chan as ambassador for the 2009 Summer Deaflymics.

Taipei city mayor Hao Longbin told the reporters that he disagree with what Jackie Chan but he hopes that Chan can spend more time learning about Taiwan. The Deaflymics executive director Emile Sheng said that he disagrees with what Jackie Chan said but it "could affect the image of Taiwan" if Jackie Chan was dismissed as "ambassador" for uttering one sentence.

But Jackie Chan has definitely suffered some losses. According to Taiwan National University Department of Public Administration and Policy professor Herman Chiang, Jackie Chan's latest movie <The Shinjuku Incident> is doing terribly at the box office in Taiwan, especially in Kaohsiung. "Many shows were empty." "This is a hidden form of voting to say that we don't like what you said and you have hurt our feelings." Herman Chiang thinks that when Jackie Chan simply blamed the "chaos" on "freedom", he has hurt the feelings of many people. "Chaos is a matter of cultural attainment and individual quality."

Nevertheless, at the China Times website online survey, 35% said that Jackie Chan was "talking nonsense and his logic was confused"; 49% said that "what he said was reasonable and we need to reflect"; 16% said that "he can say anything he wants because of the freedom of speech."

Perhaps it is as Herman Chiang said that Taiwan has gotten used to such "stinging" comments. Hsia Chen also thinks that even though Jackie Chan has seen a lot in his life, "he is still someone who had not received a formal education and therefore we cannot expect him to hold deep thoughts about things."

**HONG KONG**

On the day after Jackie Chan misspoke at the Bo'ao Forum, his son Jaycee Chan was at the Hong Kong Film Awards to present the Best Photography and Best Editing awards. He said very formally: "I don't want us to ramble, so we have been given certain things to say by the organizers."

He was obviously making fun of his dad, which made all the entertainment world figures and the audience laughed.

But things were less relaxed in the political circles of Hong Kong. Chinese Political Consultative Conference vice-chairman and former Hong Kong SAR chief executive Tung Chee-hwa was asked while visiting New York University about Jackie Chan's speech, and replied that while Chan is a "humorous man," Tung "personally disagreed with what he said."

If the preponderance of reaction in Taiwan leaned towards "we need to reflect more on ourselves" and "this is freedom of speech," the reaction of the Hong Kong people seemed fiercer.

Legislator Leung Kwok-hung (nickname "Long Hair") was less gentle. During the Associated Press interview, he said that Jackie Chan "has insulted the Chinese people" because "the Chinese people are not pets." The Hong Kong University Student Alliance issued a public statement that Jackie Chan's speech "has brought shame to the people of Hong Kong and poisoned the minds of young people." Netizens even demanded that the Hong Kong Baptist University and the Hong Kong Academy of Performance Arts rescind the honorary degrees that had been awarded to Jackie Chan. Some netizens said that Jackie Chan's real name was Chan Guang-sheng (which means the Chan who was born in Hong Kong) but he seemed to have forgotten his origins.

Susie Chiang, chairman of the Hong Kong-Taiwan Business Association, told the Southern Weekend reporter that Hong Kong was even more open and free than Taiwan. "In its one hundred year history, it has no democracy but it is extraordinarily open and free. So as soon as 'regulation' is mentioned, the Hong Kong people are more sensitive and wary."

Taipei National University professor Herman Chiang does not think that Jackie Chan had any political opportunism in mind. "I think that he has a case of big-headedness. When everybody calls him Big Brother, he begins to think that he knows all and can do all."

**MAINLAND CHINA**

Unlike Hong Kong or Taiwan, the main discussion occurred among the people.

Many mainland netizens agreed with what Jackie Chan said. An online survey at a well-known website drew more than 160,000 votes, of which 58.2% agreed with Jackie Chan that "the Chinese people need regulation." 63.8% think that "Hong Kong and Taiwan" have too much freedom.

Interestingly, when asked "Would you like to be regulated?" only 37.3% "want to be regulated" while 43.6% "don't want to regulated," with another 19.1% voting for "it does not matter."

In the comments to that survey, a netizen from Guangxi supported what Jackie Chan said and added:
"In order to have economic development to build a prosperous nation, we need a core leadership that commands the entire situation as well as a stable and harmonious society. Too much freedom causes social chaos and economic recession, such that the people won't have steady lives."

Another netizen wrote: "Every time that I read news about Taiwan, I feel that it is too chaotic. Two parties stand opposite to each other. Sometimes one side curses the other side; sometimes the other side curses."

Compared to the netizen support for what Jackie Chan said, the mainland media were mostly critical of him. Xiong Peiyun and other media persons pointed out that "only by guaranteeing and not rolling back on the freedoms that are accorded constitutionally that chaos can truly be avoided."

There are others who feel that Jackie Chan's speech at the Bo'ao Forum is not worthy of discussion. <China Is Unhappy> co-author Wang Xiaodong was interviewed by the Southern Weekend reporter and said: "Do the American people not need regulation? Do the British people not need regulation? If the American and the British people do not need regulation, then what are their police for? The key is about the definition of regulation. When the definition of 'regulation' is unclear, what is the point of picking on those words?"

China Times (Taiwan) chief editor Hsia Chen told the reporter that "when Chiu Yiying slapped Lee Ching-hua, the Jackie Chan affair vanished." The misstatement by Jackie Chan and all the other hot stories come strong and go quickly in the Taiwan media.

In mainland China, the name of Jackie Chan will continue to appear in the media. But this time, everybody will be paying attention to the May 1st concert titled "Confidence in China, the Descendant of the Dragon" at the Bird's Nest. This will be the first musical concert held at China's National Sports Stadium.

http://www.zonaeuropa.com/20090430_1.htm

Mahathir warns vs 'too much democracy'
by Paterno Esmaquel II
Posted on 06/11/2012

UST LECTURE. Former Malaysian Prime Minister Mahathir Mohamad delivers a lecture at the University of Santo Tomas, which conferred on him the title honorary professor.

MANILA, Philippines – Beware of “too much democracy,” former Malaysian Prime Minister Mahathir Mohamad told a Filipino audience Monday, June 11, the eve of Philippine Independence Day.

In a lecture at the University of Santo Tomas (UST), Mahathir extolled democracy as “the best system of governance ever devised by man.”

But "democracy works only when people understand the limitations of democracy" itself, warned Mahathir, who delivered the lecture after the UST conferred on him the title honorary professor.

Malaysia's longest-serving prime minister cited advances in technology that often lead to invasions of privacy. Citizens have used freedom of information, he noted, to justify the leaking of sensitive military and state secrets.

"When people think only of the freedoms of democracy, and know nothing about the implied responsibilities, democracy will not bring the goodness that it promises. Instead, it will result only in instability, and instability will not permit development to take place for the people to enjoy the benefits of freedom and the rights that democracy
promises,” Mahathir said.

During his lecture, he also stressed the need for “incorruptible” leaders and appropriate strategies to lift a country’s economy. (Watch more in the video below.)

Mahathir was known to have curbed dissent during his term as Malaysia’s prime minister from 1981 to 2003. At the same time, he led his country’s rise to become one of Asia’s most prosperous and modernized economies.

Punishments needed

In an interview after his lecture, Mahathir said it is up to nations to decide where to draw the line on the publication of leaked documents. “We have to respect the privacy of people,” he explained.

Asked if the leaking of secret documents ought to be penalized, he said, “When you create problems by revealing people’s official secrets, I think something has to be done about it.”

In recent years, the leaking of information became a more heated issue due to WikiLeaks, an anti-secrecy website that has released secret documents from around the world, including the United States embassy in Manila. (Read: WikiLeaks?! The Cablegate Debate.)

Like Mahathir, UST Civil Law Dean Nilo Divina said democracy will work in the Philippines only if citizens use this freedom responsibly. “Freedom doesn’t mean (being able) to do anything you want. It is the ability to do what is good, to do what is right,” Divina said.

Twitter user Michael Mirasol (@flipcritic), however, called attention to Mahathir’s points on democracy’s limitations. “Strongmen always love to emphasize the limitations as an excuse,” he said.

Mia Casimsiman (@emmanuel42876) added, “Leaders must also learn how to discipline their family and have them live a modest life within their means.”
9. Slamming the Door on History: A Crisis in Poland, a Massacre in China

The Shock of Tiananmen Square

(In June of 1989, ) a pro-democracy movement exploded in Beijing, with mass protests and sit-ins in Tiananmen Square. Fukuyama had claimed that democratic and "free market reforms" were a twin process, impossible to pry apart. Yet in China, the government had done precisely that: it was pushing hard to deregulate wages and prices and expand the reach of the market—but it was fiercely determined to resist calls for elections and civil liberties. The demonstrators, on the other hand, demanded democracy, but many opposed the government's moves toward unregulated capitalism, a fact largely left out of the coverage of the movement in the Western press. In China, democracy and Chicago School economics were not proceeding hand in hand; they were on opposite sides of the barricades surrounding Tiananmen Square.

In the early 1980s, the Chinese government, then led by Deng Xiaoping, was obsessed with avoiding a repeat of what had just happened in Poland, where workers had been allowed to form an independent movement that challenged the party's monopoly hold on power. It was not that China's leaders were committed to protecting the state-owned factories and farm communes that formed the foundation of the Communist state. In fact, Deng was enthusiastically committed to converting to a corporate-based economy—so committed that, in 1980, his government invited Milton Friedman to come to China and tutor hundreds of top-level civil servants, professors and party economists in the fundamentals of free-market theory. "All were invited guests, who had to show a ticket of invitation to attend," Friedman recalled of his audiences in Beijing and Shanghai. His central message was "how much better ordinary people lived in capitalist than in communist countries."39 The example he held up was Hong Kong, a zone of pure capitalism that Friedman had long admired for its "dynamic, innovative character that has been produced by personal liberty, free trade, low taxes, and minimal government intervention." He claimed that Hong Kong, despite having no democracy, was freer than the United States, since its government participated less in the economy.40

Friedman's definition of freedom, in which political freedoms were incidental, even unnecessary, compared with the freedom of unrestricted commerce, conformed nicely with the vision taking shape in the Chinese Politburo. The party wanted to open the economy to private ownership and consumerism while maintaining its own grip on power—a plan that ensured that once the assets of the state were auctioned off, party officials and their relatives would snap up the best deals and be first in line for the biggest profits. According to this version of "transition," the same people who controlled the state under Communism would control it under capitalism, while enjoying a substantial upgrade in lifestyle. The model the Chinese government intended to emulate was not the United States but something much closer to Chile under Pinochet: free markets combined with authoritarian political control, enforced by iron-fisted repression.

From the start, Deng clearly understood that repression would be crucial. Under Mao,
the Chinese state had exerted brutal control over the people, dispensing with opponents and sending dissidents for reeducation. But Mao's repression took place in the name of the workers and against the bourgeoisie; now the party was going to launch its own counterrevolution and ask workers to give up many of their benefits and security so that a minority could collect huge profits. It was not going to be an easy task. So, in 1983, as Deng opened up the country to foreign investment and reduced protections for workers, he also ordered the creation of the 400,000-strong People's Armed Police, a new, roving riot squad charged with quashing all signs of "economic crimes" (i.e., strikes and protests). According to the China historian Maurice Meisner, "The People's Armed Police kept American helicopters and electric cattle prods in its arsenal." And "several units were sent to Poland for anti-riot training"—where they studied the tactics that had been used against Solidarity during Poland's period of martial law.41

Many of Deng's reforms were successful and popular—farmers had more control over their lives, and commerce returned to the cities. But in the late eighties, Deng began introducing measures that were distinctly unpopular, particularly among workers in the cities—price controls were lifted, sending prices soaring; job security was eliminated, creating waves of unemployment; and deep inequalities were opening up between the winners and losers in the new China. By 1988, the party was confronting a powerful backlash and was forced to reverse some of its price deregulation. Outrage was also mounting in the face of the party's defiant corruption and nepotism. Many Chinese citizens wanted more freedom in the market, but "reform" increasingly looked like code for party officials turning into business tycoons, as many illegally took possession of the assets they had previously managed as bureaucrats.

With the free-market experiment in peril, Milton Friedman was once again invited to pay a visit to China —much as the Chicago Boys and the piranhas had enlisted his help in 1975, when their program had sparked an internal revolt in Chile.42 A high-profile visit from the world-famous guru of capitalism was just the boost China's "reformers" needed.

When Friedman and his wife, Rose, arrived in Shanghai in September 1988, they were dazzled by how quickly mainland China was beginning to look and feel like Hong Kong. Despite the rage simmering at the grass roots, everything they saw served to confirm "our faith in the power of free markets." Friedman described this moment as "the most hopeful period of the Chinese experiment."

In the presence of official state media, Friedman met for two hours with Zhao Ziyang, general secretary of the Communist Party, as well as with Jiang Zemin, then party secretary of the Shanghai Committee and the future Chinese president. Friedman's message to Jiang echoed the advice he had given to Pinochet when the Chilean project was on the skids: don't bow to the pressure and don't blink. "I emphasized the importance of privatization and free markets, and of liberalizing at one fell stroke," Friedman recalled. In a memo to the general secretary of the Communist Party, Friedman stressed that more, not less, shock therapy was needed. "China's initial steps of reform have been dramatically successful. China can make further dramatic progress by placing still further reliance on free private markets."*

Shortly after his return to the U.S., Friedman, remembering the heat he had taken for advising Pinochet, wrote "out of sheer devilry" a letter to the editor of a student newspaper, denouncing his critics for their double standards. He explained that he had just spent twelve days in China, where "I was mostly the guest of governmental entities," and had met with Communist Party officials at the highest level. Yet these meetings had provoked no human rights outcry on American university campuses, Friedman pointed out. "Incidentally, I gave precisely the same advice to both Chile and China." He concluded by asking sarcastically, "Should I prepare myself for an avalanche of protests for having been willing to give advice to so evil a government?"44
A few months later, that devilish letter took on sinister overtones, as the Chinese government began to emulate many of Pinochet's most infamous tactics.

Friedman's trip did not have the desired results. The pictures in the official papers of the professor offering his blessing to party bureaucrats did not succeed in bringing the public onside. In subsequent months, protests grew more determined and radical. The most visible symbols of the opposition were the demonstrations by student strikers in Tiananmen Square. These historic protests were almost universally portrayed in the international media as a clash between modern, idealistic students who wanted Western-style democratic freedoms and old-guard authoritarians who wanted to protect the Communist state. Recently, another analysis of the meaning of Tiananmen has emerged, one that challenges the mainstream version while putting Friedmanism at the heart of the story. This alternative narrative is being advanced by, among others, Wang Hui, one of the organizers of the 1989 protests, and now a leading Chinese intellectual of what is known as China's "New Left." In his 2003 book, China's New Order, Wang explains that the protesters spanned a huge range of Chinese society—not just elite university students but also factory workers, small entrepreneurs and teachers. What ignited the protests, he recalls, was popular discontent in the face of Deng's "revolutionary" economic changes, which were lowering wages, raising prices and causing "a crisis of layoffs and unemployment."45 According to Wang, "These changes were the catalyst for the 1989 social mobilization."46

The demonstrations were not against economic reform per se; they were against the specific Friedmanite nature of the reforms—their speed, ruthlessness and the fact that the process was highly antidemocratic. Wang says that the protesters' call for elections and free speech were intimately connected to this economic dissent. What drove the demand for democracy was the fact that the party was pushing through changes that were revolutionary in scope, entirely without popular consent. There was, he writes, "a general request for democratic means to supervise the fairness of the reform process and the reorganization of social benefits."47

These demands forced the Politburo to make a definite choice. The choice was not, as was so often claimed, between democracy and Communism, or "reform" versus the "old guard." It was a more complex calculation: Should the party bulldoze ahead with its free-market agenda, which it could do only by rolling over the bodies of the protesters? Or should it bow to the protesters' demands for democracy, cede its monopoly on power and risk a major setback to the economic project?

Some of the free-market reformers within the party, most notably General Secretary Zhao Ziyang, appeared willing to gamble on democracy, convinced that economic and political reform could still be compatible. More powerful elements in the party were not willing to take the risk. The verdict came down: the state would protect its economic "reform" program by crushing the demonstrators.

That was the clear message when, on May 20, 1989, the government of the People's Republic of China declared martial law. On June 3, the tanks of the People's Liberation Army rolled into the protests, shooting indiscriminately into the crowds. Soldiers stormed onto buses where student demonstrators were taking cover and beat them with sticks; more troops broke through the barricades protecting Tiananmen Square, where students had erected a Goddess of Democracy statue, and rounded up the organizers. Similar crackdowns took place simultaneously across the country.

There will never be reliable estimates for how many people were killed and injured in those days. The party admits to hundreds, and eyewitness reports at the time put the number of dead at between two thousand and seven thousand and the number of injured as high as thirty thousand. The protests were followed by a national witch hunt against all regime critics and
opponents. Some forty thousand were arrested, thousands were jailed and many—possibly hundreds—were executed. As in Latin America, the government reserved its harshest repression for the factory workers, who represented the most direct threat to deregulated capitalism. "Most of those arrested, and virtually all who were executed, were workers. With the obvious aim of terrorizing the population, it became a well-publicized policy to systematically subject arrested individuals to beatings and torture," writes Maurice Meisner.48

For the most part, the massacre was covered in the Western press as another example of Communist brutality: just as Mao had wiped out his opponents during the Cultural Revolution, now Deng, "the Butcher of Beijing," crushed his critics under the watchful eye of Mao's giant portrait. A Wall Street Journal headline claimed that "China's Harsh Actions Threaten to Set Back [the] 10-Year Reform Drive"—as if Deng was an enemy of those reforms and not their most committed defender, determined to take them into bold new territory.49

Five days after the bloody crackdown, Deng addressed the nation and made it perfectly clear that it wasn't Communism he was protecting with his crackdown, but capitalism. After dismissing the protesters as "a large quantity of the dregs of society," China's president reaffirmed the party's commitment to economic shock therapy. "In a word, this was a test, and we passed," Deng said, adding, "Perhaps this bad thing will enable us to go ahead with reform and the open-door policy at a more steady, better, even a faster pace. . . . We haven't been wrong. There's nothing wrong with the four cardinal principles [of economic reform]. If there is anything amiss, it's that these principles haven't been thoroughly implemented."50

Orville Schell, a China scholar and journalist, summarized Deng Xiaoping's choice: "After the massacre of 1989, he in effect said we will not stop economic reform; we will in effect halt political reform."51

For Deng and the rest of the Politburo, the free-market possibilities were now limitless. Just as Pinochet's terror had cleared the streets for revolutionary change, so Tiananmen paved the way for a radical transformation free from fear of rebellion. If life grew harder for peasants and workers, they would either have to accept it quietly or face the wrath of the army and the secret police. And so, with the public in a state of raw terror, Deng rammed through his most sweeping reforms yet.

Before Tiananmen, he had been forced to ease off some of the more painful measures; three months after the massacre, he brought them back, and he implemented several of Friedman's other recommendations, including price deregulation. For Wang Hui, there is an obvious reason why "market reforms that had failed to be implemented in the late 1980s just happened to have been completed in the post-1989 environment"; the reason, he writes, "is that the violence of 1989 served to check the social upheaval brought about by this process, and the new pricing system finally took shape."52 The shock of the massacre, in other words, made shock therapy possible.

In the three years immediately following the bloodbath, China was cracked open to foreign investment, with special export zones constructed throughout the country. As he announced these new initiatives, Deng reminded the country that "if necessary, every possible means will be adopted to eliminate any turmoil in the future as soon as it has appeared. Martial law, or even more severe methods, may be introduced."53

It was this wave of reforms that turned China into the sweatshop of the world, the preferred location for contract factories for virtually every multinational on the planet. No country offered more lucrative conditions than China: low taxes and tariffs, corruptible officials and, most of all, a plentiful low-wage workforce that, for many years, would be unwilling to risk demanding decent salaries or the most basic workplace protections for fear of the most violent
For foreign investors and the party, it has been a win-win arrangement. According to a 2006 study, 90 percent of China's billionaires (calculated in Chinese yuan) are the children of Communist Party officials. Roughly twenty-nine hundred of these party scions—known as "the princelings"—control $260 billion. It is a mirror of the corporatist state first pioneered in Chile under Pinochet: a revolving door between corporate and political elites who combine their power to eliminate workers as an organized political force. Today, this collaborative arrangement can be seen in the way that foreign multinational media and technology companies help the Chinese state to spy on its citizens, and to make sure that when students do Web searches on phrases like "Tiananmen Square Massacre," or even "democracy," no documents turn up. "The creation of today's market society was not the result of a sequence of spontaneous events," writes Wang Hui, "but rather of state interference and violence."

One of the truths revealed by Tiananmen was the stark similarity between the tactics of authoritarian Communism and Chicago School capitalism—a shared willingness to disappear opponents, to blank the slate of all resistance and begin anew.

Despite the fact that the massacre happened just months after he had encouraged Chinese officials to push forward with painful and unpopular freemarket policies, Friedman never did face "an avalanche of protests for having been willing to give advice to so evil a government." And as usual, he saw no connection between the advice he had given and the violence required to enforce it. While condemning China's use of repression, Friedman continued to hold it up as an example of "the efficacy of free-market arrangements in promoting both prosperity and freedom."

In a strange coincidence, the Tiananmen Square massacre took place on the same day as Solidarity's historic election sweep in Poland—June 4, 1989. They were, in a way, two very different studies in the shock doctrine. Both countries had needed to exploit shock and fear to push through a free-market transformation. In China, where the state used the gloves-off methods of terror, torture and assassination, the result was, from a market perspective, an unqualified success. In Poland, where only the shock of economic crisis and rapid change were harnessed—and there was no overt violence—the effects of the shock eventually wore off, and the results were far more ambiguous.

Chapter I
The Relation between Economic Freedom and Political Freedom

It is widely believed that politics and economics are separate and largely unconnected; that individual freedom is a political problem and material welfare an economic problem; and that any kind of political arrangements can be combined with any kind of economic arrangements. The chief contemporary manifestation of this idea is the advocacy of "democratic socialism" by many who condemn out of hand the restrictions on individual freedom imposed by "totalitarian socialism" in Russia, and who are persuaded that it is possible for a country to adopt the essential features of Russian economic arrangements and yet to ensure individual freedom through political arrangements. The thesis of this chapter is that such a view is a delusion, that there is an intimate connection between economics and politics, that only certain combinations of political and economic arrangements are possible, and that in particular, a society which is socialist cannot also be democratic, in the sense of guaranteeing individual freedom.

Economic arrangements play a dual role in the promotion of a free society. On the one hand, freedom in economic arrangements is itself a component of freedom broadly understood, so economic freedom is an end in itself. In the second place, economic freedom is also an indispensable means toward the achievement of political freedom.

The first of these roles of economic freedom needs special emphasis because intellectuals in particular have a strong bias against regarding this aspect of freedom as important. They tend to express contempt for what they regard as material aspects of life, and to regard their own pursuit of allegedly higher values as on a different plane of significance and as deserving of special attention. For most citizens of the country, however, if not for the intellectual, the direct importance of economic freedom is at least comparable in significance to the indirect importance of economic freedom as a means to political freedom.

The citizen of Great Britain, who after World War II was not permitted to spend his vacation in the United States because of exchange control, was being deprived of an essential freedom no less than the citizen of the United States, who was denied the opportunity to spend his vacation in Russia because of his political views. The one was ostensibly an economic limitation on freedom and the other a political limitation, yet there is no essential difference between the two.

The citizen of the United States who is compelled by law to devote something like 10 per cent of his income to the purchase of a particular kind of retirement contract, administered by the government, is being deprived of a corresponding part of his personal freedom. How strongly this deprivation may be felt and its closeness to the deprivation of religious freedom, which all would regard as "civil" or "political" rather than "economic", were dramatized by an episode involving a group of farmers of the Amish sect. On grounds of principle, this group regarded compulsory federal old age programs as an infringement of their personal individual freedom and refused to pay taxes or accept benefits. As a result, some of their livestock were sold by auction in order to satisfy claims for social security levies. True, the number of citizens who regard compulsory old age insurance as a deprivation of freedom may be few,
but the believer in freedom has never counted noses.

A citizen of the United States who under the laws of various states is not free to follow the occupation of his own choosing unless he can get a license for it, is likewise being deprived of an essential part of his freedom. So is the man who would like to exchange some of his goods with, say, a Swiss for a watch but is prevented from doing so by a quota. So also is the Californian who was thrown into jail for selling Alka Seltzer at a price below that set by the manufacturer under so-called "fair trade" laws. So also is the farmer who cannot grow the amount of wheat he wants. And so on. Clearly, economic freedom, in and of itself, is an extremely important part of total freedom.

Viewed as a means to the end of political freedom, economic arrangements are important because of their effect on the concentration or dispersion of power. The kind of economic organization that provides economic freedom directly, namely, competitive capitalism, also promotes political freedom because it separates economic power from political power and in this way enables the one to offset the other.

Historical evidence speaks with a single voice on the relation between political freedom and a free market. I know of no example in time or place of a society that has been marked by a large measure of political freedom, and that has not also used something comparable to a free market to organize the bulk of economic activity.

Because we live in a largely free society, we tend to forget how limited is the span of time and the part of the globe for which there has ever been anything like political freedom: the typical state of mankind is tyranny, servitude, and misery. The nineteenth century and early twentieth century in the Western world stand out as striking exceptions to the general trend of historical development. Political freedom in this instance clearly came along with the free market and the development of capitalist institutions.

So also did political freedom in the golden age of Greece and in the early days of the Roman era.

History suggests only that capitalism is a necessary condition for political freedom. Clearly it is not a sufficient condition. Fascist Italy and Fascist Spain, Germany at various times in the last seventy years, Japan before World Wars I and II, tsarist Russia in the decades before World War I - - are all societies that cannot conceivably be described as politically free. Yet, in each, private enterprise was the dominant form of economic organization. It is therefore clearly possible to have economic arrangements that are fundamentally capitalist and political arrangements that are not free.

Even in those societies, the citizenry had a good deal more freedom than citizens of a modern totalitarian state like Russia or Nazi Germany, in which economic totalitarianism is combined with political totalitarianism. Even in Russia under the Tzars, it was possible for some citizens, under some circumstances, to change their jobs without getting permission from political authority because capitalism and the existence of private property provided some check to the centralized power of the state.

The relation between political and economic freedom is complex and by no means unilateral. In the early nineteenth century, Bentham and the Philosophical Radicals were inclined to regard political freedom as a means to economic freedom. They believed that the masses were being hampered by the restrictions that were being imposed upon them, and that if political reform gave the bulk of the people the vote, they would do what was good for them, which was to vote for laissez faire. In retrospect, one cannot say that they were wrong. There was a large measure of political reform that was accompanied by economic reform in the direction of a great deal of laissez faire. An enormous increase in the well-being of the masses followed this change in economic arrangements.

The triumph of Benthamite liberalism in nineteenth-century England was followed by a reac-
tion toward increasing intervention by government in economic affairs. This tendency to collectivism was greatly accelerated, both in England and elsewhere, by the two World Wars. Welfare rather than freedom became the dominant note in democratic countries. Recognizing the implicit threat to individualism, the intellectual descendants of the Philosophical Radicals -- Dicey, Mises, Hayek, and Simons, to mention only a few -- feared that a continued movement toward centralized control of economic activity would prove The Road to Serfdom, as Hayek entitled his penetrating analysis of the process. Their emphasis was on economic freedom as a means toward political freedom.

Events since the end of World War II display still a different relation between economic and political freedom. Collectivist economic planning has indeed interfered with individual freedom. At least in some countries, however, the result has not been the suppression of freedom, but the reversal of economic policy. England again provides the most striking example. The turning point was perhaps the "control of engagements" order which, despite great misgivings, the Labour party found it necessary to impose in order to carry out its economic policy. Fully enforced and carried through, the law would have involved centralized allocation of individuals to occupations. This conflicted so sharply with personal liberty that it was enforced in a negligible number of cases, and then repealed after the law had been in effect for only a short period. Its repeal ushered in a decided shift in economic policy, marked by reduced reliance on centralized "plans" and "programs", by the dismantling of many controls, and by increased emphasis on the private market. A similar shift in policy occurred in most other democratic countries.

The proximate explanation of these shifts in policy is the limited success of central planning or its outright failure to achieve stated objectives. However, this failure is itself to be attributed, at least in some measure, to the political implications of central planning and to an unwillingness to follow out its logic when doing so requires trampling rough-shod on treasured private rights. It may well be that the shift is only a temporary interruption in the collectivist trend of this century. Even so, it illustrates the close relation between political freedom and economic arrangements.

Historical evidence by itself can never be convincing. Perhaps it was sheer coincidence that the expansion of freedom occurred at the same time as the development of capitalist and market institutions. Why should there be a connection? What are the logical links between economic and political freedom? In discussing these questions we shall consider first the market as a direct component of freedom, and then the indirect relation between market arrangements and political freedom. A by-product will be an outline of the ideal economic arrangements for a free society.

As liberals, we take freedom of the individual, or perhaps the family, as our ultimate goal in judging social arrangements. Freedom as a value in this sense has to do with the interrelations among people; it has no meaning whatsoever to a Robinson Crusoe on an isolated island (without his Man Friday). Robinson Crusoe on his island is subject to "constraint," he has limited "power," and he has only a limited number of alternatives, but there is no problem of freedom in the sense that is relevant to our discussion. Similarly, in a society freedom has nothing to say about what an individual does with his freedom; it is not an all-embracing ethic. Indeed, a major aim of the liberal is to leave the ethical problem for the individual to wrestle with. The "really" important ethical problems are those that face an individual in a free society -- what he should do with his freedom; it is not an all-embracing ethic. Indeed, a major aim of the liberal is to leave the ethical problem for the individual to wrestle with. The "really" important ethical problems are those that face an individual in a free society -- what he should do with his freedom. There are thus two sets of values that a liberal will emphasize -- the values that are relevant to relations among people, which is the context in which he assigns first priority to freedom; and the values that are relevant to the individual in the exercise of his freedom, which is the realm of individual ethics and philosophy.

The liberal conceives of men as imperfect beings. He regards the problem of social organization to be as much a negative problem of pre-
The basic problem of social organization is how to co-ordinate the economic activities of large numbers of people. Even in relatively backward societies, extensive division of labor and specialization of function is required to make effective use of available resources. In advanced societies, the scale on which coordination is needed, to take full advantage of the opportunities offered by modern science and technology, is enormously greater. Literally millions of people are involved in providing one another with their daily bread, let alone with their yearly automobiles. The challenge to the believer in liberty is to reconcile this widespread interdependence with individual freedom.

Fundamentally, there are only two ways of co-ordinating the economic activities of millions. One is central direction involving the use of coercion -- the technique of the army and of the modern totalitarian state. The other is voluntary co-operation of individuals -- the technique of the market place.

The possibility of co-ordination through voluntary co-operation rests on the elementary -- yet frequently denied -- proposition that both parties to an economic transaction benefit from it, provided the transaction is bi-laterally voluntary and informed.

Exchange can therefore bring about co-ordination without coercion. A working model of a society organized through voluntary exchange is a free private enterprise exchange economy -- what we have been calling competitive capitalism.

In its simplest form, such a society consists of a number of independent households -- a collection of Robinson Crusoes, as it were. Each household uses the resources it controls, to produce goods and services that it exchanges for goods and services produced by other households, on terms mutually acceptable to the two parties to the bargain. It is thereby enabled to satisfy its wants indirectly by producing goods and services for others, rather than directly by producing goods for its own immediate use. The incentive for adopting this indirect route is, of course, the increased product made possible by division of labor and specialization of function. Since the household always has the alternative of producing directly for itself, it need not enter into any exchange unless it benefits from it. Hence, no exchange will take place unless both parties do benefit from it. Co-operation is thereby achieved without coercion.

Specialization of function and division of labor would not go far if the ultimate productive unit were the household. In a modern society, we have gone much farther. We have introduced enterprises which are intermediaries between individuals in their capacities as suppliers of service and as purchasers of goods. And similarly, specialization of function and division of labor could not go very far if we had to continue to rely on the barter of product for product. In consequence, money has been introduced as a means of facilitating exchange, and of enabling the acts of purchase and of sale to be separated into two parts.

Despite the important role of enterprises and of money in our actual economy, and despite the numerous and complex problems they raise, the central characteristic of the market technique of achieving co-ordination is fully displayed in the simple exchange economy that contains neither enterprises nor money. As in that simple model, so in the complex enterprise and money-exchange economy, co-operation is strictly individual and voluntary provided: (a) that enterprises are private, so that the ultimate contracting parties are individuals and (b) that individuals are effectively free to enter or not to enter into any particular exchange, so that every transaction is strictly voluntary.

It is far easier to state these provisos in general terms than to spell them out in detail, or to
specify precisely the institutional arrangements most conducive to their maintenance. Indeed, much of technical economic literature is concerned with precisely these questions. The basic requisite is the maintenance of law and order to prevent physical coercion of one individual by another and to enforce contracts voluntarily entered into, thus giving substance to "private". Aside from this, perhaps the most difficult problems arise from monopoly -- which inhibits effective freedom by denying individuals alternatives to the particular exchange -- and from "neighborhood effects" -- effects on third parties for which it is not feasible to charge or recompense them. These problems will be discussed in more detail in the following chapter.

So long as effective freedom of exchange is maintained, the central feature of the market organization of economic activity is that it prevents one person from interfering with another in respect of most of his activities. The consumer is protected from coercion by the seller because of the presence of other sellers with whom he can deal. The seller is protected from coercion by the consumer because of other consumers to whom he can sell. The employee is protected from coercion by the employer because of other employers for whom he can work, and so on. And the market does this impersonally and without centralized authority.

Indeed, a major source of objection to a free economy is precisely that it does this task so well. It gives people what they want instead of what a particular group thinks they ought to want. Underlying most arguments against the free market is a lack of belief in freedom itself.

The existence of a free market does not of course eliminate the need for government. On the contrary, government is essential both as a forum for determining the "rules of the game" and as an umpire to interpret and enforce the rules decided on. What the market does is to reduce greatly the range of issues that must be decided through political means, and thereby to minimize the extent to which government need participate directly in the game. The characteristic feature of action through political channels is that it tends to require or enforce substantial conformity. The great advantage of the market, on the other hand, is that it permits wide diversity. It is, in political terms, a system of proportional representation. Each man can vote, as it were, for the color of the he wants and get it; he does not have to see what color the majority wants and then, if he is in the minority, submit.

It is this feature of the market that we refer to when we say that the market provides economic freedom. But this characteristic also has implications that go far beyond the narrowly economic. Political freedom means the absence of coercion of a man by his fellow men. The fundamental threat to freedom is power to coerce, be it in the hands of a monarch, a dictator, an oligarchy, or a momentary majority. The preservation of freedom requires the elimination of such concentration of power to the fullest possible extent and the dispersal and distribution of whatever power cannot be eliminated -- a system of checks and balances. By removing the organization of economic activity from the control of political authority, the market eliminates this source of coercive power. It enables economic strength to be a check to political power rather than a reinforcement.

Economic power can be widely dispersed. There is no law of conservation which forces the growth of new centers of economic strength to be at the expense of existing centers. Political power, on the other hand, is more difficult to decentralize. There can be numerous small independent governments. But it is far more difficult to maintain numerous equipotent small centers of political power in a single large government than it is to have numerous centers of economic strength in a single large economy. There can be many millionaires in one large economy. But can there be more than one really outstanding leader, one person on whom the energies and enthusiasms of his countrymen are centered? If the central government gains power, it is likely to be at the expense of local governments. There seems to be something like a fixed total of political power to be distributed. Consequently, if eco-
nomic power is joined to political power, concentration seems almost inevitable. On the other hand, if economic power is kept in separate hands from political power, it can serve as a check and a counter to political power.

The force of this abstract argument can perhaps best be demonstrated by example. Let us consider first, a hypothetical example that may help to bring out the principles involved, and then some actual examples from recent experience that illustrate the way in which the market works to preserve political freedom.

One feature of a free society is surely the freedom of individuals to advocate and propagate openly for a radical change in the structure of the society -- so long as the advocacy is restricted to persuasion and does not include force or other forms of coercion. It is a mark of the political freedom of a capitalist society that men can openly advocate and work for socialism. Equally, political freedom in a socialist society would require that men be free to advocate the introduction of capitalism. How could the freedom to advocate capitalism be preserved and protected in a socialist society?

In order for men to advocate anything, they must in the first place be able to earn a living. This already raises a problem in a socialist society, since all jobs are under the direct control of political authorities. It would take an act of self-denial whose difficulty is underlined by experience in the United States after World War II with the problem of "security" among Federal employees, for a socialist government to permit its employees to advocate policies directly contrary to official doctrine.

But let us suppose this act of self-denial to be achieved. For advocacy of capitalism to mean anything, the proponents must be able to finance their cause -- to hold public meetings, publish pamphlets, buy radio time, issue newspapers and magazines, and so on. How could they raise the funds? There might and probably would be men in the socialist society with large incomes, perhaps even large capital sums in the form of government bonds and the like, but these would of necessity be high public officials. It is possible to conceive of a minor socialist official retaining his job although openly advocating capitalism. It strains credulity to imagine the socialist top brass financing such "subversive" activities.

The only recourse for funds would be to raise small amounts from a large number of minor officials. But this is no real answer. To tap these sources, many people would already have to be persuaded, and our whole problem is how to initiate and finance a campaign to do so. Radical movements in capitalist societies have never been financed this way. They have typically been supported by a few wealthy individuals who have become persuaded -- by a Frederick Vanderbilt Field, or an Anita McCormick Blaine, or a Corliss Lamont, to mention a few names recently prominent, or by a Friedrich Engels, to go farther back. This is a role of inequality of wealth in preserving political freedom that is seldom noted -- the role of the patron.

In a capitalist society, it is only necessary to convince a few wealthy people to get funds to launch any idea, however strange, and there are many such persons, many independent foci of support. And, indeed, it is not even necessary to persuade people or financial institutions with available funds of the soundness of the ideas to be propagated. It is only necessary to persuade them that the propagation can be financially successful; that the newspaper or magazine or book or other venture will be profitable. The competitive publisher, for example, cannot afford to publish only writing with which he personally agrees; his touchstone must be the likelihood that the market will be large enough to yield a satisfactory return on his investment.

In this way, the market breaks the vicious circle and makes it possible ultimately to finance such ventures by small amounts from many people without first persuading them. There are no such possibilities in the socialist society; there is only the all-powerful state.

Let us stretch our imagination and suppose that
a socialist government is aware of this problem and is composed of people anxious to preserve freedom. Could it provide the funds? Perhaps, but it is difficult to see how. It could establish a bureau for subsidizing subversive propaganda. But how could it choose whom to support? If it gave to all who asked, it would shortly find itself out of funds, for socialism cannot repeal the elementary economic law that a sufficiently high price will call forth a large supply. Make the advocacy of radical causes sufficiently remunerative, and the supply of advocates will be unlimited.

Moreover, freedom to advocate unpopular causes does not require that such advocacy be without cost. On the contrary, no society could be stable if advocacy of radical change were costless, much less subsidized. It is entirely appropriate that men make sacrifices to advocate causes in which they deeply believe. Indeed, it is important to preserve freedom only for people who are willing to practice self-denial, for otherwise freedom degenerates into license and irresponsibility. What is essential is that the cost of advocating unpopular causes be tolerable and not prohibitive.

But we are not yet through. In a free market society, it is enough to have the funds. The suppliers of paper are as willing to sell it to the Daily Worker as to the Wall Street Journal. In a socialist society, it would not be enough to have the funds. The hypothetical supporter of capitalism would have to persuade a government factory making paper to sell to him, the government printing press to print his pamphlets, a government post office to distribute them among the people, a government agency to rent him a hall in which to talk, and so on.

Perhaps there is some way in which one could overcome these difficulties and preserve freedom in a socialist society. One cannot say it is utterly impossible. What is clear, however, is that there are very real difficulties in establishing institutions that will effectively preserve the possibility of dissent. So far as I know, none of the people who have been in favor of socialism and also in favor of freedom have really faced up to this issue, or made even a respectable start at developing the institutional arrangements that would permit freedom under socialism. By contrast, it is clear how a free market capitalist society fosters freedom.

A striking practical example of these abstract principles is the experience of Winston Churchill. From 1933 to the outbreak of World War II, Churchill was not permitted to talk over the British radio, which was, of course, a government monopoly administered by the British Broadcasting Corporation. Here was a leading citizen of his country, a Member of Parliament, a former cabinet minister, a man who was desperately trying by every device possible to persuade his countrymen to take steps to ward off the menace of Hitler's Germany. He was not permitted to talk over the radio to the British people because the BBC was a government monopoly and his position was too "controversial".

Another striking example, reported in the January 26, 1959 issue of Time, has to do with the "Blacklist Fadeout". Says the Time story, The Oscar-awarding ritual is Hollywood's biggest pitch for dignity, but two years ago dignity suffered. When one Robert Rich was announced as top writer for the The Brave One, he never stepped forward. Robert Rich was a pseudonym, masking one of about 150 writers . . . blacklisted by the industry since 1947 as suspected Communists or fellow travelers. The case was particularly embarrassing because the Motion Picture Academy had barred any Communist or Fifth Amendment pleader from Oscar competition. Last week both the Communist rule and the mystery of Rich's identity were suddenly rescripted.

Rich turned out to be Dalton (Johnny Got His Gun) Trumbo, one of the original "Hollywood Ten" writers who refused to testify at the 1947 hearings on Communism in the movie industry. Said producer Frank King, who had stoutly insisted that Robert Rich was "a young guy in Spain with a beard": "We have an obligation to our stockholders to buy the best script we can. Trumbo brought us The Brave One and we
bought it" . . . .

In effect it was the formal end of the Hollywood blacklist. For barred writers, the informal end came long ago. At least 15% of current Hollywood films are reportedly written by blacklist members. Said Producer King, "There are more ghosts in Hollywood than in Forest Lawn. Every company in town has used the work of blacklisted people. We're just the first to confirm what everybody knows."

One may believe, as I do, that communism would destroy all of our freedoms, one may be opposed to it as firmly and as strongly as possible, and yet, at the same time, also believe that in a free society it is intolerable for a man to be prevented from making voluntary arrangements with others that are mutually attractive because he believes in or is trying to promote communism. His freedom includes his freedom to promote communism. Freedom also, of course, includes the freedom of others not to deal with him under those circumstances. The Hollywood blacklist was an unfree act that destroys freedom because it was a collusive arrangement that used coercive means to prevent voluntary exchanges. It didn't work precisely because the market made it costly for people to preserve the blacklist. The commercial emphasis, the fact that people who are running enterprises have an incentive to make as much money as they can, protected the freedom of the individuals who were blacklisted by providing them with an alternative form of employment, and by giving people an incentive to employ them.

If Hollywood and the movie industry had been government enterprises or if in England it had been a question of employment by the British Broadcasting Corporation it is difficult to believe that the "Hollywood Ten" or their equivalent would have found employment. Equally, it is difficult to believe that under those circumstances, strong proponents of individualism and private enterprise -- or indeed strong proponents of any view other than the status quo -- would be able to get employment.

Another example of the role of the market in preserving political freedom, was revealed in our experience with McCarthyism. Entirely aside from the substantive issues involved, and the merits of the charges made, what protection did individuals, and in particular government employees, have against irresponsible accusations and probings into matters that it went against their conscience to reveal? Their appeal to the Fifth Amendment would have been a hollow mockery without an alternative to government employment.

Their fundamental protection was the existence of a private-market economy in which they could earn a living. Here again, the protection was not absolute. Many potential private employers were, rightly or wrongly, averse to hiring those pilloried. It may well be that there was far less justification for the costs imposed on many of the people involved than for the costs generally imposed on people who advocate unpopular causes. But the important point is that the costs were limited and not prohibitive, as they would have been if government employment had been the only possibility.

It is of interest to note that a disproportionately large fraction of the people involved apparently went into the most competitive sectors of the economy -- small business, trade, farming -- where the market approaches most closely the ideal free market. No one who buys bread knows whether the wheat from which it is made was grown by a Communist or a Republican, by a constitutionalist or a Fascist, or, for that matter, by a Negro or a white. This illustrates how an impersonal market separates economic activities from political views and protects men from being discriminated against in their economic activities for reasons that are irrelevant to their productivity -- whether these reasons are associated with their views or their color.

As this example suggests, the groups in our society that have the most at stake in the preservation and strengthening of competitive capitalism are those minority groups which can most easily become the object of the distrust and enmity of
the majority -- the Negroes, the Jews, the foreign-born, to mention only the most obvious. Yet, paradoxically enough, the enemies of the free market -- the Socialists and Communists -- have been recruited in disproportionate measure from these groups. Instead of recognizing that the existence of the market has protected them from the attitudes of their fellow countrymen, they mistakenly attribute the residual discrimination to the market.
LET IT BURN
THE LOOTING OF ASIA AND “THE FALL OF A SECOND BERLIN WALL”

Money flows to where opportunity is, and, right now, Asia appears to be cheap.
—Gerard Smith, a financial institutions banker at UBS Securities in New York, on the Asian economic crisis of 1997–98¹

Good times make bad policy.
—Mohammad Sadli, economic adviser to Indonesia’s General Suharto²

They seemed like simple questions. What can your salary buy? Is it enough for room and board? Is there any left over to send money back to your parents? How about transportation costs to and from the factory? But no matter how I phrased them, the answers I kept getting were “It depends.” Or “I don’t know.”

“A few months ago,” a seventeen-year-old worker who sewed Gap clothing near Manila explained, “I used to have enough money to send a little bit home to my family every month, but now I don’t even make enough to buy food for myself.”

“Are they lowering your wages?” I asked.

“No, I don’t think so,” she said, a little confused. “It just doesn’t buy as much. The prices keep rising.”

It was the summer of 1997, and I was in Asia researching the working conditions inside the region’s booming export factories. I found workers facing a problem bigger than forced overtime or abusive supervisors: their countries
were rapidly falling into what would soon become a full-fledged depression. In Indonesia, where the crisis was even deeper, the atmosphere felt dangerously volatile. The Indonesian currency dropped between morning and nightfall over and over and again. One day factory workers could buy fish and rice, and the next day they were subsisting on rice alone. In casual conversations at restaurants and in taxis, everyone seemed to have the same theory about who was to blame: "the Chinese," I was told. It was ethnic Chinese people, as Indonesia's merchant class, who seemed to be profiting most directly from the rising prices, and so they were bearing the brunt of the anger. This is what Keynes had meant when he warned of the dangers of economic chaos—you never know what combination of rage, racism and revolution will be unleashed.

Southeast Asian countries were particularly vulnerable to conspiracy theories and ethnic scapegoating because, on the face of it, the financial crisis had no rational cause. On television and in newspapers, analysis kept referring to the region as if it had contracted some mysterious but highly contagious disease—"the Asian Flu," as the market crash was immediately labeled, later upgraded to "the Asian Contagion" when it spread to Latin America and Russia.

Just weeks before it all went wrong, these countries were being held up as paragons of economic fitness and vitality—the so-called Asian Tigers, globalization's most robust success stories. One minute, stockbrokers were telling their clients that there was no surer route to wealth than sinking your savings in Asian "emerging market" mutual funds; the next they were cashing out in droves, while traders "attacked" the currencies—the baht, the ringgit, the rupiah—creating what The Economist called "a destruction of savings on a scale more usually associated with a full-scale war." And yet, within Asia's Tiger economies, nothing observable had changed—for the most part, they were still run by the same crony elite; they had not been hit by a natural disaster or war; they were not running large deficits—some had none at all. Many large conglomerates were carrying heavy debts, but they were still producing everything from sneakers to cars, and their sales were as strong as ever. So how was it possible that, in 1996, investors had seen fit to pour $100 billion into South Korea and then, the very next year, the country had a negative investment of $20 billion—a discrepancy of $120 billion? What could explain this kind of monetary whiplash?

It turned out that the countries were victims of pure panic, made lethal by the speed and volatility of globalized markets. What began as a rumor—that
Thailand did not have enough dollars to back up its currency—triggered a stampede by the electronic herd. Banks called in their loans, and the real estate market, which had been growing so quickly that it had become a bubble, promptly popped. Construction ground to a halt on half-built malls, skyscrapers and resorts; motionless construction cranes loomed over Bangkok's crowded skyline. In a slower era of capitalism, the crisis might have stopped there, but because mutual fund brokers had marketed the Asian Tigers as part of a single investment package, when one Tiger went down, they all did: after Thailand, panic spread and money fled from Indonesia, Malaysia, the Philippines and even South Korea, the eleventh-largest economy in the world and a star in the globalization firmament.

Asian governments were forced to drain their reserve banks in an effort to prop up their currencies, turning the original fear into a reality: now these countries really were going broke. The market responded with more panic. In one year, $600 billion had disappeared from the stock markets of Asia—wealth that had taken decades to build.\(^5\)

The crisis provoked desperate measures. In Indonesia, impoverished citizens stormed urban stores and took what they could carry. In one particularly horrific incident, a Jakarta shopping mall caught fire while it was being looted, and hundreds of people were burned alive.\(^6\)

In South Korea, television stations ran a massive campaign calling on citizens to donate their gold jewelry so that it could be melted down and used to pay off the country's debts. In just a few weeks, 3 million people had handed over necklaces, earrings, sports medals and trophies. At least one woman donated her wedding ring, and a cardinal donated his golden cross. The television stations ran kitschy give-away-your-gold game shows, but even with two hundred tons of gold collected, enough to drive down the world price, Korea's currency continued to plummet.\(^7\)

As had happened during the Great Depression, the crisis led to a wave of suicides as families saw their life savings disappear and tens of thousands of small businesses shut their doors. In South Korea, the suicide rate went up by 50 percent in 1998. The spike was steepest among people over sixty, with older parents attempting to lessen the economic burden on their struggling children. The Korean press also reported an alarming increase in family suicide pacts in which fathers led their debt-ridden households in group hangings. Authorities pointed out that since "only the [family] leader's death is classified as suicide while the rest are listed as murders, the actual number of suicides is far higher than the statistics released."\(^8\)
Asia’s crisis was caused by a classic fear cycle, and the only move that might have arrested it was the same one that had rescued Mexico’s currency during the so-called Tequila Crisis of 1994: a quick, decisive loan—proof to the market that the U.S. Treasury would simply not let Mexico fail.9 No such timely move was forthcoming for Asia. In fact, as soon as the crisis hit, a surprising array of heavy hitters from the financial establishment stepped forward with a unified message: Don’t help Asia.

Milton Friedman himself, now in his mid-eighties, made a rare appearance on CNN to tell the news anchor Lou Dobbs that he opposed any kind of bailout and that the market should be left to correct itself. “Well, Professor, I can’t tell you what it means to have your support in this semantic discussion,” said an embarrassingly starstruck Dobbs. The let-them-sink position was echoed by Friedman’s old friend Walter Wriston, former head of Citibank, and George Shultz, now working alongside Friedman at the right-wing Hoover Institution and a board member at the brokerage house Charles Schwab.10

The view was openly shared by one of Wall Street’s premier investment banks, Morgan Stanley. Jay Pelosky, the firm’s hotshot emerging-market strategist, told a conference in Los Angeles hosted by the Milken Institute (of junk bonds fame) that it was imperative that the IMF and the U.S. Treasury do nothing to lessen the pain of a crisis of 1930s proportions. “What we need now in Asia is more bad news. Bad news is needed to keep stimulating the adjustment process,” Pelosky said.11

The Clinton administration took its cue from Wall Street. When the Asia Pacific Economic Cooperation Summit was held in November 1997 in Vancouver, four months into the crash, Bill Clinton enraged his Asian counterparts by dismissing what they viewed as an economic apocalypse as “a few little glitches in the road.”12 The message was clear: the U.S. Treasury was in no rush to stop the pain. As for the IMF, the world body created to prevent crashes like this one, it took the do-nothing approach that had become its trademark since Russia. It did, eventually, respond—but not with the sort of fast, emergency stabilization loan that a purely financial crisis demanded. Instead, it came up with a long list of demands, pumped up by the Chicago School certainty that Asia’s catastrophe was an opportunity in disguise.

Back in the early nineties, whenever advocates of free trade wanted a persuasive success story to invoke in debates, they invariably pointed to the Asian Tigers. These were the miracle economies that were growing by leaps and bounds, supposedly because they had flung open their borders to unrestricted
globalization. It was a useful story—the Tigers were certainly developing with whirlwind speed—but to suggest that their expansion was based on free trade was fiction. Malaysia, South Korea and Thailand still had highly protectionist policies that barred foreigners from owning land and from buying out national firms. They had also maintained a significant role for the state, keeping sectors like energy and transportation in public hands. The Tigers had also blocked many foreign imports from Japan, Europe and North America, as they built up their own domestic markets. They were economic success stories unquestionably, but ones that proved that mixed, managed economies grew faster and more equitably than those following the Wild West Washington Consensus.

The situation did not please Western and Japanese investment banks and multinational firms; watching Asia’s consumer market explode, they understandably longed for unfettered access to the region to sell their products. They also wanted the right to buy up the best of the Tigers’ corporations—particularly Korea’s impressive conglomerates like Daewoo, Hyundai, Samsung and LG. In the mid-nineties, under pressure from the IMF and the newly created World Trade Organization, Asian governments agreed to split the difference: they would maintain the laws that protected national firms from foreign ownership and resist pressure to privatize their key state companies, but they would lift barriers to their financial sectors, allowing a surge of paper investing and currency trading.

In 1997, when the flood of hot money suddenly reversed current in Asia, it was a direct result of this kind of speculative investment, which was legalized only because of Western pressure. Wall Street, of course, didn’t see it that way. Top investment analysts instantly recognized the crisis as the chance to level the remaining barriers protecting Asia’s markets once and for all. Pelosi, the Morgan Stanley strategist, was particularly forthright about the logic: if the crisis was left to worsen, all foreign currency would be drained from the region and Asian-owned companies would have either to close down or to sell themselves to Western firms—both beneficial outcomes for Morgan Stanley. “I’d like to see closure of companies and asset sales. . . . Asset sales are very difficult; typically owners don’t want to sell unless they’re forced to. Therefore, we need more bad news to continue to put the pressure on these corporates to sell their companies.”

Some saw the breaking of Asia in even grander terms. José Piñera, Pinochet’s star minister who was now working at the Cato Institute in Washington, D.C., greeted the crisis with undisguised glee, pronouncing that “the
day of reckoning has arrived.” In Piñera’s eyes, the crisis was the latest chapter in the war that he and his fellow Chicago Boys had started in Chile in the seventies. The fall of the Tigers, he said, represented nothing less than “the fall of a second Berlin Wall,” the collapse of “the notion that there is a ‘Third Way’ between free-market democratic capitalism and socialist statism.”

Piñera’s was not a fringe perspective. It was openly shared by Alan Greenspan, chairman of the U.S. Federal Reserve and probably the single most powerful economic policy maker in the world. Greenspan described the crisis as “a very dramatic event towards a consensus of the type of market system which we have in this country.” He also observed that “the current crisis is likely to accelerate the dismantling in many Asian countries of the remnants of a system with large elements of government-directed investment.” In other words, the destruction of Asia’s managed economy was actually a process of creating a new American-style economy—birth pangs for a new Asia, to borrow a phrase that would be used in an even more violent context a few years later.

Michel Camdessus, who as head of the IMF was arguably the world’s second most powerful monetary policy maker, expressed a similar view. In a rare interview, he spoke of the crisis as an opportunity for Asia to shed its old skin and be born anew. “Economic models are not eternal,” he said. “There are times when they are useful and other times . . . where they become outdated and must be abandoned.” The crisis sparked by a rumor that turned fiction into fact apparently provided such a time.

Eager not to let this opportunity slip by, the IMF—after months of doing nothing while the emergency worsened—finally entered into negotiations with the ailing governments of Asia. The only country to resist the fund in this period was Malaysia, thanks to its relatively small debt. Malaysia’s controversial prime minister, Mahathir Mohamad, said that he did not think he should have to “destroy the economy in order that it should become better,” which was enough to brand him as a raving radical at the time. The rest of Asia’s crisis-struck economies were too desperate for foreign currency to refuse the possibility of tens of billions in IMF loans: Thailand, the Philippines, Indonesia and South Korea all came to the table. “You can’t force a country to ask you for help. It has to ask. But when it’s out of money, it hasn’t got many places to turn,” said Stanley Fischer, who was in charge of the talks for the IMF.

Fischer had been one of the most vocal advocates of shock therapy in Russia, and despite the harrowing human costs there, his attitude was just as
unyielding in Asia. Several governments suggested that since the crisis was caused by the ease with which money could gush in and out of their countries with nothing to slow down the flow, perhaps it made sense to put some barriers back up—the dreaded “capital controls.” China had kept its controls up (ignoring Friedman’s advice in this regard), and it was the only country in the region that was not being ravaged by the crisis. And Malaysia had put controls back up, and they seemed to be working.

Fischer and the rest of the IMF team dismissed the idea out of hand. The IMF displayed no interest in what had actually caused the crisis. Instead, like a prison interrogator looking for a weakness, the fund was exclusively focused on how the crisis could be used as leverage. The meltdown had forced a group of strong-willed countries to beg for mercy; to fail to take advantage of that window of opportunity was, for the Chicago School economists running the IMF, tantamount to professional negligence.

With their treasuries empty, the Tigers were, as far as the IMF was concerned, broken; now they were primed to be remade. The first stage of this process was to strip the countries of all the “trade and investment protectionism and activist state intervention that were the key ingredients of the ‘Asian miracle,’” as the political scientist Walden Bello put it. The IMF also demanded that the governments make deep budget cuts, leading to mass layoffs of public sector workers in countries where people were already taking their own lives in record numbers. Fischer admitted after the fact that the IMF had concluded that in Korea and Indonesia, the crisis was unrelated to government overspending. Nonetheless, he used the extraordinary leverage granted by the crisis to extract these painful austerity measures. As one New York Times reporter wrote, the IMF’s actions were “like a heart surgeon who, in the middle of an operation, decides to do some work on the lungs and kidneys, too.”

After the IMF had stripped the Tigers of their old habits and ways, they were now ready to be reborn, Chicago-style: privatized basic services, independent central banks, “flexible” workforces, low social spending and, of

* The IMF is often portrayed as a puppet of the U.S. Treasury, but rarely have the strings been as clearly visible as during these negotiations. To make sure the interests of U.S. firms were reflected in the final agreements, David Lipton, U.S. Treasury undersecretary for international affairs [and Sachs’s former partner for Poland’s shock therapy program], flew to South Korea and checked into the Seoul Hilton—the hotel where the negotiations between the IMF and the Korean government were taking place. Lipton’s presence was, according to The Washington Post’s Paul Blustein, “a visible manifestation of the influence the United States wields over IMF policy.”
course, total free trade. According to the new agreements, Thailand would allow foreigners to own large stakes in its banks, Indonesia would cut food subsidies, and Korea would lift its law protecting workers against mass layoffs.22 The IMF even set strict layoff targets in Korea: in order to get the loan, the country’s banking sector needed to shed 50 percent of its workforce (later lowered to 30 percent).23 This kind of demand was crucial for many Western multinationals who wanted assurances that they could radically downsize the Asian firms they were about to buy. Piñera’s “Berlin Wall” was falling down.

Such measures would have been unthinkable a year before the crisis hit, when South Korea’s trade unions had been at their peak of militancy. They had greeted a proposed new labor law that would have reduced job security with the largest and most radical series of strikes in South Korea’s history. But, thanks to the crisis, the rules of the game had changed. The economic meltdown was so dire that it gave governments the license (as similar crises had from Bolivia to Russia) to declare temporary authoritarian rule; it didn’t last long—just long enough to impose the IMF decrees.

Thailand’s shock therapy package, for instance, was pushed through the National Assembly not in a normal process of debate but as a result of four emergency decrees. “We have lost our autonomy, our ability to determine our macroeconomic policy. This is unfortunate,” conceded Thailand’s deputy premier, Supachai Panitchpakdi (later rewarded for this kind of cooperative attitude by being named head of the WTO).24 In South Korea, the IMF subversion of democracy was even more overt. There, the end of the IMF negotiations coincided with scheduled presidential elections in which two of the candidates were running on anti-IMF platforms. In an extraordinary act of interference with a sovereign nation’s political process, the IMF refused to release the money until it had commitments from all four main candidates that they would stick to the new rules if they won. With the country effectively held at ransom, the IMF was triumphant: each candidate pledged his support in writing.25 Never before had the central Chicago School mission to protect economic matters from the reach of democracy been more explicit: you can vote, South Koreans were told, but your vote can have no bearing on the managing and organization of the economy. (The day the deal was signed was instantly dubbed Korea’s “National Humiliation Day.”)26

In one of the worst-hit countries, such acts of democracy containment were not required. Indonesia, first in the region to fling open its doors to deregulated foreign investment, was still under the control of General Suharto,
after more than thirty years. Suharto, however, had become less compliant with the West in his old age (as dictators often do). After decades of selling off Indonesia’s oil and mineral wealth to foreign corporations, he had grown bored with enriching others and had spent the previous decade or so taking care of himself, his children and his golfing buddies. For instance, the general had given heavy subsidies to a car company—owned by his son Tommy—much to the consternation of Ford and Toyota, who saw no reason why they should have to compete with what analysts called “Tommy’s toys.”

For a few months, Suharto tried to resist the IMF, issuing a budget that did not contain the massive cuts it was demanding. The fund fought back by increasing the pain levels. Officially, IMF representatives are not allowed to talk to the press during a negotiation since the slightest indication of how talks are going can dramatically influence the market. That didn’t stop an unnamed “senior IMF official” from telling The Washington Post that “the markets are asking themselves the question of just how much the senior Indonesian leadership is committed to this program, and particularly to the major reform measures.” The article went on to predict that the IMF would punish Indonesia by withholding billions in promised loans. As soon as it appeared, Indonesia’s currency fell through the floor, losing 25 percent of its value in a single day.

With that massive blow, Suharto gave in. “Can someone find me an economist who knows what’s going on?” Indonesia’s foreign minister reportedly pleaded. Suharto found such an economist; in fact, he found several. Guaranteeing that the final IMF negotiations would go smoothly, he brought back the Berkeley Mafia who, after playing such a central role in the early days of his regime, had lost their influence with the aging general. After years in the political wilderness, they were once again in charge, with Widjojo Nitisastro, now seventy years old and known in Indonesia as “the dean of the Berkeley Mafia,” heading up the negotiations. “When times are good, Widjojo and the economists are put in an obscure corner and President Suharto speaks to the cronies,” explained Mohammad Sadli, a former Suharto minister. “The technocrat group is at its best in times of crisis. Suharto listens to them more for the time being and he orders the other ministers to shut up.” Talks with the IMF now took a distinctly more collegial tone, more “like intellectual discussions. No pressure from one side on the other,” explained a member of Widjojo’s team. Naturally, the IMF got almost everything it wanted—140 “adjustments” in all.

43
The Reveal

As far as the IMF was concerned, the crisis was going extremely well. In less than a year, it had negotiated the economic equivalent of extreme makeovers for Thailand, Indonesia, South Korea and the Philippines.\textsuperscript{32} It was finally ready for the defining moment in every makeover drama: the Reveal, the moment when the nipped-and-tucked, coaxed-and-buffed subject is unveiled to the awestruck public—in this case, the global stock and currency markets. If all had gone smoothly, when the IMF pulled back the curtain on its newest creations, the hot money that had fled Asia the previous year would have come rushing back in to buy up the Tigers' now irresistible stocks, bonds and currencies. Something else happened; the market panicked. The reasoning went like this: if the fund thought that the Tigers were such hopeless cases that they needed to be remade from scratch, then Asia was obviously in much worse shape than anyone had previously feared.

So rather than rushing back, traders responded to the IMF's big Reveal by promptly yanking out even more money and further attacking Asia's currencies. Korea was losing $1 billion a day and its debt was downgraded to junk bond status. The IMF's "help" had turned crisis into catastrophe. Or, as Jeffrey Sachs, now in open warfare with the international financial institutions, put it, "Instead of dousing the fire, the IMF in effect screamed fire in the theatre."\textsuperscript{33}

The human costs of the IMF's opportunism were nearly as devastating in Asia as in Russia. The International Labor Organization estimates that a staggering 24 million people lost their jobs in this period and that Indonesia's unemployment rate increased from 4 to 12 percent. Thailand was losing 2,000 jobs a day at the height of the "reforms"—60,000 a month. In South Korea, 300,000 workers were fired every month—largely the result of the IMF's totally unnecessary demands to slash government budgets and hike interest rates. By 1999, South Korea's and Indonesia's unemployment rates had nearly tripled in only two years. As in Latin America in the seventies, what disappeared in these parts of Asia was what was so remarkable about the region's "miracle" in the first place: its large and growing middle class. In 1996, 63.7 percent of South Koreans identified as middle class; by 1999 that number was down to 38.4 percent. According to the World Bank, 20 million Asians were thrown into poverty in this period of what Rodolfo Walsh would have called "planned misery."\textsuperscript{34}

Behind every statistic was a story of wrenching sacrifice and degraded decisions. As is always the case, women and children suffered the worst of the
crisis. Many rural families in the Philippines and South Korea sold their daughters to human traffickers who took them to work in the sex trade in Australia, Europe and North America. In Thailand, public health officials reported a 20 percent increase in child prostitution in just one year—the year after the IMF reforms. The Philippines tracked the same trend. “It was the rich who benefited from the boom, but we the poor pay the price of the crisis,” said Khun Bunjan, a community leader in northeast Thailand who was forced to send her children to work as scavengers after her husband lost his factory job. “Even our limited access to schools and health [care] is now beginning to disappear.”

It was in this context that the U.S. secretary of state, Madeleine Albright, visited Thailand in March 1999 and saw fit to scold the Thai public for turning to prostitution and the “dead end of drugs.” It is “essential that girls not be exploited and abused and exposed to AIDS. It’s very important to fight back,” Albright said, filled with moral resolve. She apparently saw no connection between the fact that so many Thai girls were being forced into the sex trade and the austerity policies for which she expressed her “strong support” on the same trip. It was the Asian financial crisis’s equivalent of Milton Friedman expressing his displeasure with Pinochet’s or Deng Xiaoping’s human rights violations while praising their bold embrace of economic shock therapy.

Feeding Off the Ruins

The story of Asia’s crisis usually ends there—the IMF tried to help; it didn’t work. Even the IMF’s own internal audit came to that conclusion. The fund’s Independent Evaluation Office concluded that the structural adjustment demands were “ill-advised” and “broader than seemed necessary” as well as “not critical to resolving the crisis.” It also warned that “crisis should not be used as an opportunity to seek a long agenda of reforms just because leverage is high, irrespective of how justifiable they may be on merits.” A particularly forceful section of the internal report accused the fund of being so blinded by free-market ideology that even considering capital controls was institutionally unimaginable. “If it was heresy to suggest that financial markets were not distributing world capital in a rational and stable way, then it was a mortal sin to contemplate” capital controls.

* For some reason, that highly critical report did not come out until 2003, five years after the crisis. By then, it was a little late to be issuing warnings against crisis opportunism; the IMF was already structurally adjusting Afghanistan and drawing up plans for Iraq.
What few were willing to admit at the time is that, while the IMF certainly failed the people of Asia, it did not fail Wall Street—far from it. The hot money may have been spooked by the IMF’s drastic measures, but the large investment houses and multinational firms were emboldened. “Of course these markets are highly volatile,” said Jerome Booth, head of research at London’s Ashmore Investment Management. “That’s what makes them fun.” These fun-seeking firms understood that as a result of the IMF’s “adjustments,” pretty much everything in Asia was now up for sale—and the more the market panicked, the more desperate Asian companies would be to sell, pushing their prices through the floor. Morgan Stanley’s Jay Pelosky had said that what Asia needed was “more bad news to continue to put pressure on these corporates to sell their companies”—and that’s exactly what happened, thanks to the IMF.

Whether the IMF planned the deepening of Asia’s crisis or was merely recklessly indifferent remains a subject of debate. Perhaps the most charitable interpretation is that the fund knew it could not lose: if its adjustments inflated another bubble in emerging-market stocks, that would be a boon; if they sparked more capital flight, it would be a bonanza for vulture capitalists. Either way, the IMF was comfortable enough with the possibility of total meltdown to be willing to roll the dice. It’s now clear who won the gamble.

Two months after the IMF came to its final agreement with South Korea, The Wall Street Journal ran an article headlined “Wall Street Scavenging in Asia-Pacific.” It reported that Pelosky’s firm, as well as several other prominent houses, had “dispatched armies of bankers to the Asia-Pacific region to scout for brokerage firms, asset management firms and even banks that they can snap up at bargain prices. The hunt for Asian acquisitions is urgent because many U.S. securities firms, led by Merrill Lynch & Co. and Morgan Stanley, have made overseas expansion their priority.” In short order, several major sales went through: Merrill Lynch bought Japan’s Yamaichi Securities as well as Thailand’s largest securities firm, while AIG bought Bangkok Investment for a fraction of its worth. JP Morgan bought a stake in Kia Motors, while Travelers Group and Salomon Smith Barney bought one of Korea’s largest textile companies as well as several other companies. Interestingly, the chair of Salomon Smith Barney’s International Advisory Board, which was providing advice to the company on mergers and acquisitions in this period, was Donald Rumsfeld (appointed in May 1999). Dick Cheney was also on the board. Another winner was the Carlyle Group, the secretive
Washington-based firm known for being the preferred soft landing for ex-presidents and ministers, from former secretary of state James Baker, to former U.K. prime minister John Major, to Bush Sr., who served as a consultant. Carlyle used its top-level connections to snap up Daewoo’s telecom division, Ssangyong Information and Communication (one of Korea’s largest high-tech firms), and it became a major shareholder in one of Korea’s largest banks.40

Jeffrey Garten, former U.S. undersecretary of commerce, had predicted that when the IMF was finished, “there is going to be a significantly different Asia, and it will be an Asia in which American firms have achieved much deeper penetration, much greater access.”41 He wasn’t kidding. Within two years, the face of much of Asia was utterly transformed, with hundreds of local brands replaced by multinational giants. It was dubbed “the world’s biggest going-out-of-business sale,” by The New York Times, and a “business-buying bazaar” by BusinessWeek.42 In fact, it was a preview of the kind of disaster capitalism that would become the market norm after September 11: a terrible tragedy was exploited to allow foreign firms to storm Asia. They were there not to build their own businesses and compete but to snap up the entire apparatus, workforce, customer base and brand value built over decades by Korean companies, often to break them apart, downsize them or shut them completely in order to eliminate competition for their imports.

The Korean titan Samsung, for instance, was broken up and sold for parts: Volvo got its heavy industry division, SC Johnson & Son its pharmaceutical arm, General Electric its lighting division. A few years later, Daewoo’s once-mighty car division, which the company had valued at $6 billion, was sold off to GM for just $400 million—a steal worthy of Russia’s shock therapy. But this time, unlike what happened in Russia, local firms were getting wiped out by the multinationals.43

Other big players who got a piece of the Asian distress sale included Seagram’s, Hewlett-Packard, Nestlé, Interbrew and Novartis, Carrefour, Tesco and Ericsson. Coca-Cola bought a Korean bottling company for half a billion dollars; Procter and Gamble bought a Korean packaging company; Nissan bought one of Indonesia’s largest car companies. General Electric acquired a controlling stake in Korea’s refrigerator manufacturer LG; and Britain’s Powergen nabbed LG Energy, a large Korean electricity-and-gas company. According to BusinessWeek, the Saudi prince Alwaleed bin Talal was “jetting across Asia in his cream-colored Boeing 727, collecting bargains”—including a stake in Daewoo.44
Fittingly, Morgan Stanley, which had been the loudest in calling for a deepening of the crisis, inserted itself into many of these deals, collecting huge commissions. It acted as Daewoo’s adviser on the sale of its automotive division and on brokering the privatization of several South Korean banks.45

It wasn’t only private Asian firms that were being sold to foreigners. Like earlier crises in Latin America and Eastern Europe, this one also forced governments to sell public services to raise badly needed capital. The U.S. government eagerly anticipated this effect early on. In arguing why Congress should authorize billions to the IMF for the Asia makeover, the U.S. trade representative Charlene Barshefsky offered assurances that the agreements would “create new business opportunities for US firms”: Asia would be forced to “accelerate privatization of certain key sectors—including energy, transportation, utilities and communications.”46

Sure enough, the crisis set off a wave of privatizations, and foreign multinationals cleaned up. Bechtel got the contract to privatize the water and sewage systems in eastern Manila, as well as one to build an oil refinery in Sulawesi, Indonesia. Motorola got full control over Korea’s Appeal Telecom. The New York–based energy giant Sithe got a large stake in Thailand’s public gas company, the Cogeneration. Indonesia’s water systems were split between Britain’s Thames Water and France’s Lyonnaise des Eaux. Canada’s Westcoast Energy snapped up a huge Indonesian power plant project. British Telecom purchased a large stake in both Malaysia’s and Korea’s postal services. Bell Canada got a piece of Korea’s telecom Hansol.47

All told, there were 186 major mergers and acquisitions of firms in Indonesia, Thailand, South Korea, Malaysia and the Philippines by foreign multinationals in a span of only twenty months. Watching this sale unfold, Robert Wade, an LSE economist, and Frank Veneroso, an economic consultant, predicted that the IMF program “may even precipitate the biggest peacetime transfer of assets from domestic to foreign owners in the past fifty years anywhere in the world.”48

The IMF, while admitting some errors in its early responses to the crisis, claims that it quickly corrected them and that the “stabilization” programs were successful. It’s true that Asia’s markets eventually calmed down, but at a tremendous and ongoing cost. Milton Friedman, at the height of the crisis, had cautioned against panic, insisting that “it will be over. . . . As they get this financial mess settled, you can see a return to growth in Asia, but whether it will be one year, two years, three years, nobody can tell you.”49
The truth is that Asia’s crisis is still not over, a decade later. When 24 million people lose their jobs in a span of two years, a new desperation takes root that no culture can easily absorb. It expresses itself in different forms across the region, from a significant rise in religious extremism in Indonesia and Thailand to the explosive growth in the child sex trade.

Employment rates have still not reached pre-1997 levels in Indonesia, Malaysia and South Korea. And it’s not just that workers who lost their jobs during the crisis never got them back. The layoffs have continued, with new foreign owners demanding ever-higher profits for their investments. The suicides have also continued: in South Korea, suicide is now the fourth most common cause of death, more than double the pre-crisis rate, with thirty-eight people taking their own lives every day.⁵⁰

That is the untold story of the policies that the IMF calls “stabilization programs,” as if countries were ships being tossed around on the market’s high seas. They do, eventually, stabilize, but that new equilibrium is achieved by throwing millions of people overboard: public sector workers, small-business owners, subsistence farmers, trade unionists. The ugly secret of “stabilization” is that the vast majority never climb back aboard. They end up in slums, now home to 1 billion people; they end up in brothels or in cargo ship containers. They are the dispossessed, those described by the German poet Rainer Maria Rilke as “ones to whom neither the past nor the future belongs.”⁵¹

These people weren’t the only victims of the IMF’s demand for perfect orthodoxy in Asia. In Indonesia, the anti-Chinese sentiment I witnessed in the summer of 1997 continued to build, stoked by a political class happy to deflect attention away from itself. It got much worse after Suharto raised the price of basic survival items. Riots broke out across the country, and many of them targeted the Chinese minority; approximately twelve hundred people were killed, and dozens of Chinese women were gang-raped.⁵² They too should be counted among the victims of Chicago School ideology.

Anger in Indonesia did, finally, direct itself at Suharto and the presidential palace. For three decades, Indonesians had been kept more or less in line by the memory of the bloodbath that brought Suharto to power, a memory that was refreshed by periodic massacres in the provinces and in East Timor. Anti-Suharto rage had burned under the surface all this time, but it took the IMF to pour the gasoline—which it did, ironically, by demanding
that he raise the price of gasoline. After that, Indonesians rose up and pushed Suharto from power.

Like a prison interrogator, the IMF used the extreme pain of the crisis to break the Asian Tigers’ will, to reduce the countries to total compliance. But the CIA’s interrogation manuals warn that this process can go too far—apply too much direct pain and, instead of regression and compliance, the interrogators face confidence and defiance. In Indonesia that line was crossed, a reminder that it is possible to take shock therapy too far, provoking a kind of blowback that was about to become very familiar, from Bolivia to Iraq.

Free-market crusaders are, however, slow learners when it comes to the unintended consequences of their policies. The only lesson learned from the enormously lucrative Asian sell-off appears to have been yet more confirmation for the shock doctrine, more evidence (as if any more was needed) that there is nothing like a true disaster, a genuine churning of society, to open up a new frontier. A few years after the peak of the crisis, several prominent commentators were even willing to go so far as to say that what happened in Asia, despite all the devastation, was a blessing in disguise. The Economist noted that “it took a national crisis for South Korea to turn from an inward-looking nation to one that embraced foreign capital, change and competition.” And Thomas Friedman, in his best-selling book The Lexus and the Olive Tree, declared that what happened in Asia wasn’t a crisis at all. “I believe globalization did us all a favor by melting down the economies of Thailand, Korea, Malaysia, Indonesia, Mexico, Russia, and Brazil in the 1990s, because it laid bare a lot of rotten practices and institutions,” he wrote, adding that “exposing the crony capitalism in Korea was no crisis in my book.” In his New York Times columns supporting the invasion of Iraq, a similar logic would be on display, except that the melting down would be done with cruise missiles, not currency trades.

The Asian crisis certainly showed how well disaster exploitation worked. At the same time, the destructiveness of the market crash and the cynicism of the West’s response sparked powerful countermovements.

The forces of multinational capital got their way in Asia, but they provoked new levels of public rage, with the rage eventually directed squarely at the institutions advancing the ideology of unfettered capitalism. As an unusually balanced Financial Times editorial put it, Asia was a “warning signal that public unease with capitalism and the forces of globalization is reaching a worrying level. The Asian crisis showed the world how even the most successful countries could be brought to their knees by a sudden outflow of
capital. People were outraged at how the whims of secretive hedge funds could apparently cause mass poverty on the other side of the world."¹⁵⁴

Unlike in the former Soviet Union, where the planned misery of shock therapy could be passed off as part of the "painful transition" from Communism to market democracy, Asia’s crisis was plainly a creation of the global markets. Yet when the high priests of globalization sent missions to the disaster zone, all they wanted to do was deepen the pain.

The result was that these missions lost the comfortable anonymity they had enjoyed previously. The IMF’s Stanley Fischer recalled the “circus atmosphere” around the Seoul Hilton when he visited South Korea at the start of the negotiations. “I got imprisoned in my hotel room — couldn’t move out because [if] I opened the door, there were 10,000 photographers.” According to another account, in order to reach the banquet room where the negotiations were taking place, IMF representatives were forced “to take a circuitous route to a back entrance that involved going up and down flights of stairs and through the Hilton’s vast kitchen.”¹⁵⁵ At the time, IMF officials were unaccustomed to such attention. The experience of being prisoners in five-star hotels and conference centers would become familiar for emissaries of the Washington Consensus in the years to come, as mass protests started to greet their gatherings around the world.

After 1998, it became increasingly difficult to impose the shock therapy-style makeovers by peaceful means — through the usual IMF bullying or arm-twisting at trade summits. The defiant new mood coming from the South made its global debut when the World Trade Organization talks collapsed in Seattle in 1999. Though the college-age protesters received the bulk of the media coverage, the real rebellion took place inside the conference center, when developing countries formed a voting bloc and rejected demands for deeper trade concessions as long as Europe and the U.S. continued to subsidize and protect their domestic industries.

At the time, it was still possible to dismiss the Seattle breakdown as a minor pause in the steady advance of corporatism. Within a few years, however, the depth of the shift would be undeniable: the U.S. government’s ambitious dream of creating a unified free-trade zone encompassing all of Asia-Pacific was abandoned, as were a global investors’ treaty and plans for a Free Trade Area of the Americas, stretching from Alaska to Chile.

Perhaps the greatest impact of the so-called antiglobalization movement was that it forced the Chicago School ideology into the dead center of the international debate. For a brief moment at the turn of the millennium, there
was no pressing crisis to deflect attention—the debt shocks had faded, the “transitions” were complete, and a new global war had not yet arrived. What was left was the real world track record of the free-market crusade: the dismal reality of inequality, corruption and environmental degradation left behind when government after government embraced Friedman’s advice, given to Pinochet all those years ago, that it was a mistake to try “to do good with other people’s money.”

In retrospect, it is striking that capitalism’s monopoly period, when it no longer had to deal with competing ideas or counterpowers, was extremely brief—only eight years, from the collapse of the Soviet Union in 1991 to the collapse of the WTO talks in 1999. But rising opposition would not slow the determination to advance this extraordinarily profitable agenda; its advocates would simply ride the waves of fear and disorientation created by bigger shocks than ever before.
Failure of the Taisho Democracy
http://www.inforefuge.com/failure-of-the-taisho-democracy

Taisho Democracy, the period in Japan’s rule between Hibiya Riot of 1905 and the Mukden Incident of 1931, was a time of idealism for the Japanese petty bourgeoisie class and working classes, who found themselves increasingly able to participate in national policy debate. Many historians debate whether this period was a success or a failure in Japan’s critical years of expansion. This paper will yield to the notion that The Taisho Democracy failed to be effective in solving the problems that existed at the time and gave way to the militaristic movement.

Immediately after the time period preceding the Showa Restoration, democracy had set foot in the Japanese turf promising the image of a nation being transformed to a country of full-fledged democracy. This picture, nevertheless, hid a huge abyss that was left to be filled as a direct result of the Taisho democracy towards the end of the 1920’s. There were three important circumstances at the beginning of the 1930’s that had shattered Japan’s democratic hopes, which had been in the first place from realistic. These factors were the downturn in the world economy, the shunning of Japanese immigrants in western countries, and the independence of Japan’s military.

The first circumstance, the downturn in the world economy, had wrecked disaster with Japan’s economy. The effects of World War I had permitted phenomenal industrial growth, but after the war ended, Japan had to compete with other Industrial Nations for economic dominance. This competition proved to be economically painful. The Japanese leadership was not used to such obstacles and thus proved to be slow to pass legislation and deal with its problems.

Another factor that contributed towards the Showa restoration was The Japanese Exclusion Act passed in 1924 by America to exclude Japanese immigrants. This affected the Japanese attitude that they were being viewed as inferior by Western Nations. This view was strengthened further as a series of mishaps at the meetings at Versailles, where it appeared to Japan that Europe was not willing to surrender its possessions in Asia. The Japanese legislation was not used to compromising in situations where it was being viewed weak and where negotiation acts seemed frivolous. Furthermore, the Japanese military had the conception that war with the west was inevitable and compromise was simply a waste of time and effort.

The third major circumstance was the independent Japanese military that utilized on the Taisho’s democratic efforts that had failed to halt the economic recession and submission of the Japanese government to the West. The Japanese military strenuously maintained that the parliamentarian government had capitulated to the west by making an unfavorable agreement about the size of the Japanese Navy (the Washington Conference and the Five Powers Treaty) and by reducing the size of the military.

Out of these three circumstances, the Japanese military seemed to sweep the nation’s attitude with efforts of regaining respect among western nations. The depression that struck Japan in 1929 especially favored the military’s movements and popularity. In particular, the military brutally accused government politicians for the failure to maintain the Meiji Restoration and called for a change in the country’s policy throughout the 1920’s. As the Japanese economy worsened, the military’s advocacy for a second revolutionary restoration, a “Showa Restoration” began getting popularity among people. International trade was at a standstill and coun-
tries resorted to nationalistic economic policies. The young army officers and nationalist civilians closely identified with the “Imperial Way Faction.” This relative independence of the military from the parliament, transformed this sense of a national crisis into a total shift in foreign policy. Japanese nationalism overwhelmed Japan and the military continued to blame the parliamentarians for the economic despair and for surrendering to the western nations. It seemed that the parliamentary democracy of the Taisho and Meiji eras had been fully assumed by the independent military. Parliamentary control was weakening as the military controlled foreign policy. Japan’s political journey from its nearly democratic government of the 1920’s to its radical nationalism of the mid 1930’s, the collapse of democratic institutions, and the eventual military state was not an overnight transformation.

In conclusion, the three main reasons that contributed to the failure of the Taisho democracy were economic instability, being shunned by western nations and the independent military. The military in particular had the better hand in the transformation of the country into the “Showa Restoration”. The military was well prepared in dealings with western nations and had a firm attitude on policies being passed by other nations that undermined Japan’s strengths.

Bibliography
Part Four: Formosa becomes "Free China"

18. Turning Point

What of the Formosans?

President Truman's policy statement had plunged Formosan leaders into despair. For the second time since Japan's surrender the United States had let pass an opportunity to intervene on behalf of the island people. On the day Secretary Acheson declared Korea and Formosa beyond the frontiers of American interest, a poignant letter was addressed to me which reflected the sense that the Formosans had been trapped and would bear Chiang's harsh police rule until the Red Chinese should take the island from him. The letter also disclosed how carefully Formosans scanned every dispatch from abroad and searched every public statement which might bring a ray of hope.

【Letter to Kerr, dated at Taipei, January 12, 1950.】

Thinking that this may be the last chance that you can hear from me, I have decided to write you this letter ...

[I have been] looking forward to the time when I can see you again on the island "under brighter situation." But I am almost sure now ... I have to give up my hope, as it is clear now that Formosa has been written off by the United States, and accordingly in another few months I shall find myself under the rule of the Chinese Reds, unless I succeed in getting away from the island. It will be extremely optimistic to expect that the Nationalist forces on the island will successfully fight the Red invasion which is sure to be launched against the island any time after February.

As a matter of fact, Formosans are hopelessly disappointed at President Truman's statement on the fundamental policy toward Formosa. I wonder what the late FDR would have done if he were still alive. I think this is a situation he could not have dreamed of when he promised to give Formosa to "The Republic of China" (not to the "People's Republic of China"), apparently not paying any consideration to the will of the 6 million people living on the island.

Ever since the conclusion of the Shimonoseki Treaty the will of the islanders has never been respected at every crucial moment when the fate of the island was at stake. Since the shape of Formosa, as seen on the map, looks somewhat like that of a football, probably the people living on the island are predestined to be kicked around in the game of world politics.

I was very much surprised to read in one of the USIS news bulletins the following paragraph: "Hamilton Butler (Detroit Free Press) while noting the strategic importance of the island (Formosa) declared: "The permanent occupation of Formosa as an American outpost would not only get us into a lot of troubles with the islanders themselves, but would involve us in a course of action (Daily News Bulletin No. 140, dated December 17, USIS, Taipei) I do not know on what ground Mr. Butler could make such a statement, and what kind of trouble he expected, but no Formosans would agree to his statement.

In contrast, an AP dispatch from San Francisco, dated January 4, 1950 quoted Mr. John J. MacDonald who had been the American Consul General at Taipei until last December as saying " ... Most Formosans had hoped they might be taken out of the Nationalists control through a United Nations trusteeship, but seemed to have given up the hope of that recently when the Chinese Government fled to Formosa from the mainland and established its capital at Taipei. Now they seem to think it would be a good thing if the Supreme headquarters in Tokyo could take them over, provided they could get a guarantee that they would get their freedom later." I have never met any Formosans who objected to Mr. MacDonald’s view.
Some Formosans think: "Politically Formosans are mere infants who need outside help in their struggle for survival as a free people. But the Formosans will not remain forever as political infants. If things are to be left as they are now, Formosans may some day grow up to be a formidable and sworn enemy of U.S. under the influence and guidance of the Kremlin."

I know, of course, that U.S. has a lot of other problems to take care of as the leader of freedom-loving peoples in the world, and that there is a limit to the capability of the United States. In this sense such Formosans may be called too self-centered.

Some other Formosans are of the opinion that on deciding her policy toward Formosa, the United States should have chosen between justice and injustice instead of between advantages and disadvantages, and they deem it unjustifiable that Formosans who dislike Communism should be left to fall behind the iron curtain simply because Formosa happened to have been Japan's colony for over fifty years, while Japan, one of the chief culprits in the last aggressive war, is made entitled to the blissfulness of democracy and freedom just because she may otherwise start another aggressive war. History will be the best judge.

While I am writing this letter, I hear the chorus of Japanese military song being sung by a bevy of Formosans marching along the streets and cheering up the Formosan youths who are going to be conscripted this year for the first time since the inauguration of the Chinese rule after V-J Day. The enthusiasm with which Formosan youths responded to the call to the ranks is mystifying, and in a way frightening to mainlanders on the island! I think you can understand why the enthusiasm. I am fed up with such kind of local life as one can never tell when and where he may lose his life, in whatever outrageous way, but I still pray that present state of affairs may take, in time, a turn for the better. I would like to know your opinion, if possible ...

Democracies in East Asia: from the Cold War till Now

Democracy takes different forms in different historical, social, political, and economic contexts. In the East Asia, especially after the WWII, the concept of democracy is said to have been promoted by the United States of America. However, even before the war ended, there had been various grassroots social movements asking for political freedom and self-determination in Korea, Taiwan, China, the Philippines, Indonesia, Malaysia, Vietnam, etc., which were all occupied by the imperial Japan.

Unfortunately these grassroots movements were suppressed and cracked down by the forces that took these countries over, or ‘liberated’ them, from Japan. 228 Incident in Taiwan, 4-3 Incident in South Korea, the Hukbalahap Rebellion in the Philippines, the 1965 Massacre started on September 30 in Indonesia are just a few examples of such crackdown of grassroots social movements toward ‘democracy’ and ‘self-determination’. It is an irony that the democracies in East Asia started from these bloody crackdowns of what people then believed to be ‘democracy’.

We will look closely at how social and political movements by the local peoples were suppressed and sabotaged at the very beginning of the Cold War and how this affected the developments of democracy in South Korea, Japan, Taiwan and elsewhere in East Asia. We will understand how East Asia economically developed rapidly during the Cold War with the American aids and, also, how economical liberalism prevailed in the area.

We will try to reconstruct the East Asian history and shed some light on the relationship between the econo-military system and the political system in this region today.

2014.2.12