

THE EXTRA-ECONOMY OF THE ASIAN ECONOMIC CRISIS

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Since the beginning of 1997, the "East Asian Crisis" has shifted the economic discourse to a deepening instant of contradictions within the world capitalist system. At a material level, national economies that were depicted as successful experiments in the capitalist development path are faced with urgent social and sometimes political crisis. The crisis in the social production process of countries such as Japan, South Korea, Thailand, Indonesia and Malaysia has generated a recessionary shock to the world accumulation process. From the initial allocation of the crisis to the economies of the East Asian region, of the glorified "Asian Miracles" and "Asian Tigers", the crisis soon became juxtaposed with economic debacles in Russia and Brazil.

While the crisis has led to the loss of employment, increased levels of poverty, and dismantling of the productive capacity of societies, it has also resulted in numerous violent ruptures. It is at once a crisis of the social reality as well as social theories that reduce our criteria of social knowledge to prediction rather than explanation. However, there are two dominant tendencies within knowledge production concerning the present crisis. The more dominant versions are predisposed to predict the metamorphosis of the crisis in order to reproduce the status quo of national and geopolitical power hierarchies (along with other relations of power such as gender, ethnicity, etc.). The marginalized versions attempt to understand and explain it, and there by, transform these prevailing hierarchies of power and knowledge.

Reducing the crisis to the "economy"

The aim of this essay is to discuss a political economic approach to economic crisis and briefly explain the need to prioritize the mode of governance, in the national and international domain. The present crisis goes beyond the crude economic confines of "economics" of both Free-Market liberal and Marxist interpretations. The free-trade, laissez faire, market ideology is based on a view that societies consist of individuals, where utilitarian maximization of individual happiness promotes social good, which demands theoretical abstractions of "invisible hand" or market spirits to make it operational. In this dominant market perspective, minimum government intervention in the semi-autonomous field called the "economy" is the best policy to follow. This notion of the economy has little to do with the social and historical context of societies.

For the Marxists, the economy exists in a specific historical and social context and the present crisis is an effect of unequal and uneven development of the capitalist world system. The crisis is generated by the accumulation process and the built-in mechanism of the falling rate of profit. Thus the very logic of capitalism, the individual desire for profit, periodically collides with the required social division of labour. In this perspective, the crisis also inherently presents various counteracting tendencies providing opportunities for structural reform and state intervention. The crude economic Marxisms' emphasize the means of production rather than relations of production, which naturalize the "progress" of capitalism, along with imperialism. These reified, mechanistic perspectives of economies, more broadly of societies, obscure the center-periphery dynamics in the plurality of relationships of power and control. For example, fascism can emerge in the center of advanced capitalism (Germany) as well as in the periphery (Italy).

Saturation of social relations in the economy

In discussing the present global economic crisis, an essential factor of this "economy" is the political economic context of the crisis. Political economy is defined here simply as a set of property relations which are guided by a social reproduction process. Its object of investigation is not concerned with "things", but social relations that reproduce or transform society. However,

"things" are equally important, since they are socially constructed phenomena that emerge from a set of perspectives and value judgments about the world we live in. For example, how is it possible to transform the "things" of the market as to alter the existing oppressive hierarchy of social relations?

In this social relations perspective, the market, interest rates, exchange rates, U.S. Treasury securities, etc, are not only "things", but also refer to a specific set of relationships. Produced by a plurality of structures, these relationships can be hierarchically ranked according to their explanatory importance. The phenomenon of the market defines a particular private property relationship, mostly about ownership of a "thing" called capital which itself is a relationship. It is then linked with a relationship between those who produce that capital, and those who appropriate it. Thus, an explanatory political economy focuses on the hierarchy of structures that give priority to relations of production in explaining a particular social phenomenon such as the present crisis. It is an attempt to account for a plurality of layers, interconnected relationships that link international, regional, national and local production processes.

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In this relational perspective of society, which re-describes the category of the "economy", interest rates are not determined by accidental forces of demand and supply, but by a multiplicity of relationships between financial and industrial capitalists alongside the international and national bureaucrats. Similarly, behind the phenomenon of exchange rates is the hierarchical relationship of a country's state (Central) Bank with the IMF, and other Central Banks of major trading economies. The interrelated network of international relationships of a nation's Central Bank is dependent upon a layer of relationship between depositors and creditors/investors. However, the relationships of the state to the Central Bank is a crucial nexus with civil society. While governing the domestic banking sector, these relationships also coordinate/manipulate the social allocation of credit. Thus the stereotypical value-neutral, monetarized, numerical economy is a particular manifestation of these underlying institutional and social relationships privileging a set of class, ethnic, gender hierarchies. It is through such a relational approach to the crisis that we can work towards a transformative understanding of the extra-economy of the economic crisis.

The extra-economy of "emerging markets"

Mainstream economics, especially the Neo-classical free-market variant, views the crisis as a needed adjustment in an otherwise theoretically correct system. The focus here is on the exoteric sphere of circulation in a discourse of "getting prices right" and "self-regulating markets". In a slightly more pragmatic approach, the Keynesian variant views economics as a dynamic historical process, and the crisis as an inherent condition of "uncertainty" within the capitalist system that requires international and national systems of regulation. Most economic Marxists, such as the Regulation School, would also insist on such an interventionist approach to the economic sphere. However, by over-emphasizing the economy as a mechanistic exercise, most mainstream perspectives undertheorized the extra-economic sphere of power hierarchies.

The semi-autonomous sphere of circulation is ultimately determined by the sphere of production and its mode of governance. Societies that were described as "emerging markets" also meant the institutional emergence of authoritarian developmental states, which reduced politics to economics. The weakness of Asian economies caused by excessive "debt to equity ratios, inadequate oversight of financial institutions, cronyism, etc.," results from this projection of politics onto a mechanistic discourse of economics. It is an ideology that attempts to destratify (there by homogenize) a multiplicity of economic structures while marginalizing the imperatives of democracy in governance. It formulates a developmental state geared towards delivering basic needs of food and shelter, without the responsibility of delivering these needs in ways that respect individuals and providing conditions for self-development.

At the expense of discovering democratic modes of economic organization, the status quo of an authoritarian state is constructed under the opportunist national and cultural identities describing a category called "Asian Values".

The International Economic (Dis)Order

In each of the crisis-ridden economies, the national domain of governance evolves in a dynamic relation with the international domain of commerce and geo-politics. The present global institutional framework of finance capital, managed by the Bretton Woods institutions, was conceived prior to most countries crystallized as the Third World. It was the Non-alignment movement in 1974, and the New International Economic Order (NIEO), that attempted to provide an alternative reconstitution of the global relations of finance capital. This often forgotten moment of economic history was an attempt to democratize the governance of a capitalist world system to provide better access to international finance. However, it was rejected outright by the US capital interests that dominated global institutional framework at the time. Although intermittent economic crises have disrupted the world system since then, the global institutional framework for managing

the international economic system has resisted any democratic initiatives and reproduced itself in more authoritarian modes of governance.

Here, the role of global monopoly capitalism in determining the international division of labour is an important factor in the articulations of national economies and the drive to "liberalize" the movement of capital. Towards the end of the 1980s, fifteen of the world's largest Transnational Corporations (TNCs)

had gross incomes larger than the GDP of 120 countries. According to a UNDP report in 1997, between 1960 and 1991, the share of the richest 20% of the world's people rose from 70% of global income to 85%, while that of the poorest 20% declined from 2.3% to 1.4%. (NGLS Roundup, Sept. 97) In a context of aggravating global equity, this power that the TNCs wield is directly linked with the present status quo of the inter-national mode of governance.

Within the frontline of institutions engaged in economic governance, the IMF (International Monetary System) has received institutional priority over the World Bank, and the World Trade Organization (WTO). However, the IMF is an institutional apparatus which reflects the interests of the hierarchy within the OECD. Demonizing the IMF or adhering to austerity plans to further "liberalize" national economies, distracts the need to transform the conventional notions of economics. More importantly it neglects the needed reconstitution of institutions, where reforms such as more democratic voting arrangements, debureaucratization and greater transparency of inner workings of the IMF, are expanded as a general condition for all global institutions.

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Conclusion

The focus on an extra-economic approach to the Asian Economic crisis, was to redescribe the field of economics in terms of a multiplicity of social relations of power. The extra-economic sphere of governance and its attendant system of norms and values constitute the social sub-terrain of the mechanistic economic discourse that attempt to forecast the next crisis rather than understand the present.

At a historical moment where a majority of Western states are lead by center-left governments, it is important that we address the mode of governance as a focal point of an economy as well as the present capitalist system. Reducing the crisis to pure economic narratives, or to the domain of finance capital is likely to reproduce further contradictions within the status quo which requires, as Alan

Greenspan mentions, "ad hoc remedies" to sustain itself. This imperative of institutional reforms directed towards a more equitable distribution of global resources, is vital to contain the reproduction of authoritarian police states that further militarize the developing world. The logic of capitalist world system needs to redescribe globalization as a new internationalism to restrain the polarizing global condition that continue to inspire ethnocentric, nativist, and tribalist militant reactions. The extra-economy of Anouar Ibrahim's "Asian Renaissance" (1997), an ethno-nationalist theocratic project that requires a real historical repressive state has caught-up to him with a vengeance. The Asian crisis is simultaneously an international crisis not completely endogenous to the "economic" realm. Revealing the extra-economy of power hierarchies and the networks of social relations that generate the thing called the "economy", is a necessity for a transformative understanding of the present crisis. ■

LESSONS FROM THE SOUTH-EAST ASIAN CURRENCY CRISIS

Extracts from the keynote address by C.V.Gooneratne, Minister of Industrial Development, at the inauguration of the seminar on "East Asian Economic Crisis - the impact on the Sri Lankan Economy", organised by the Ceylon National Chamber of Industries, Hotel Lanka Oberoi on Sept. 4 th, 1998.

Given the lack of experience about the new phenomenon of globalisation and the rapid pace of integrating the world economy, the developing countries are becoming increasingly crisis prone and thereby the importance and need for frequent IMF intervention is growing.

In other words, the developing countries are becoming increasingly dependent on IMF and IMF in its turn would be depending on the developed countries for resources. The combined effect may be serious for the developing countries.

Quite obviously, the developed countries would not be boosting the IMF's bottom line, if they cannot get what they need from the developing countries (i.e. Free market access). IMF's conditionalities would be increasingly stringent, even illogical.

It wants Korea to open its car market as a condition, besides complete decontrol of the financial sector, closure of all unviable financial companies, drastic cut in government expenditure and reform of labour laws (enabling retrenchment). Even a layman would agree that, if met, these conditionalities would convert Korea into a virtual captive economy, but there is nothing that the country can do at the moment, but be submissive. Only a few months back, the Brazilian Government undertook similarly devastating measures on its own volition to earn IMF's favour and a 20 billion dollar loan package. Thailand and Indonesia too have accepted strangulating IMF conditions for bail-out funds.

Now that all these stronger economies have taken recourse to the IMF rescue package, and thereby agreed to follow IMF conditionalities, the voice of the developing countries has lost much of its weight. In the multilateral fora, such as that of the WTO, little regard may be paid to the viewpoints of the developing countries. The bargaining position would be decisively tilted in favour of the developed countries. Thus, many of the multilateral agreements may be easily concluded, and the process of globalisation as desired by the developed countries may be smoother.

But as has been mentioned in the beginning, this is a market-driven crisis arising out of inefficient management of the market forces. This catastrophe would not have occurred had these countries engaged themselves in sound economic management or if the IMF and the lending institutions had done appropriate timely assessment.

The question of huge rescue packages would not have arisen. This money could be used for information of new capital assets, especially in the infrastructure sectors, in the developing countries. This could have paved the way for faster growth in other developing countries that need the support of international capital flows. Those export industries facing difficulties would naturally desire action to alter such macro economic factors as interest rate and exchange rates so that their difficulties will be mitigated.

However alteration of interest rates and exchanges rate have to take account of many more concerns than merely those of the export industries in difficulties. Sri Lanka has already devalued her Rupee on the crawling peg method by approximately 10%. Inadequate, though this seems compared to the massive devaluations in countries hit by the crises, Sri Lanka cannot plunge into devaluation to match the levels of her competitors. ■