

Book Review/*Ulasan Buku*

Building a Prosperous Southeast Asia, from Ersatz to Echt Capitalism by Yoshihara Kunio. 1999. Surrey, U.K.: Curzon Press, 101 pp. Reviewed by Lee Poh Ping.

Yoshihara, well known for his work on ersatz capitalism, was prompted by the Asian crisis to write this book. To Yoshihara, the crisis was entirely predictable. It resulted from Southeast Asian (specially those of the ASEAN Four – Thailand, Indonesia, Malaysia and the Philippines) practice of *ersatz* capitalism, i.e. a capitalism that is too dependent on foreign technology and capital. The economic growth that resulted from such dependence masked the baleful effects of the practices of *ersatz* capitalists, chief of which are rent seeking and speculative activities, and the extensive exploitation of political connections by the rent seekers. Once foreign capital started flowing out, especially in a precipitous manner (as happened in the Asian crisis), the ASEAN Four economies suffered catastrophically. All is not lost however. The ASEAN Four can still save their economies if they were to abandon this *ersatz* capitalism and adopt *echt* (the German word for ‘genuine’ as opposed to ‘not genuine’ in *ersatz*) capitalism. *Echt* capitalism he describes as “a subspecies of capitalism which sustains high economic growth over time and prevents such economic catastrophes the ASEAN Four are experiencing today (pg. V). It is not necessarily free from economic ups and downs but any fluctuation will be much less severe than that experienced in the Asian crisis. Moreover, by its high economic growth, *echt* capitalism will eliminate poverty and increase income levels. *Echt* capitalism can best be achieved by the ASEAN Four adopting a market economy, a fixed exchange rate and a legal framework that will protect property rights. There is also a political-cultural aspect for *echt* capitalism to be introduced and sustained. The ASEAN Four must have a cultural policy to make people respect the rules necessary for the workings of, and a strong political movement to protect, this *echt* capitalism.

All these are vintage Yoshihara, both in his advocacy of the market economy and his contempt for governmental interference, and in his forthright writing style. When he talks of a market economy, he uncompromisingly plugs for a free one, or at least one in which the government primary plays a regulatory role, not one of Japanese style intervention. The book is replete with references to the failure of government intervention in the economy. Here he does not spare even Japan, his own country. Many Japanese bureaucrats and politicians, according to him, have not realised the world has changed – to one which is getting barrier free. He is particularly scathing of the Japanese government attempt to rescue troubled Japanese financial institutions, a rescue that is not only marked by incompetence but also corruption. As to his style, no reader can accuse Yoshihara

of waffling or of indulging in 'on one hand and on the other' type of analysis. The reader is left in no doubt as to where he stands.

It is open to question how practical Yoshihara's solutions are. He underestimates ideological and nationalist resistance to the adoption of this echt economy. Even if such resistance could be minimized, it is not politically easy to implement his proposals. Consider the difficulty Indonesia had in adopting a currency board (based on a fixed exchange rate) in the last days of Suharto. Or, as another example, can these ASEAN governments face possible mass unemployment if any of their state-owned or state-propped up industries were to be destroyed by competition?

Yoshihara's echt capitalism could also be developed further theoretically by some references to the general literature on capitalism and works on South-east Asian political economy by the likes of Furnivall, Boeke and Geertz. Also the book is rather short (about 100 pages), lacks footnotes and does not have an index.

Nevertheless, Yoshihara has many accurate and insightful observations on the Southeast Asian economy. The book is also stimulating to read and has a certain logical consistency. One could do worse than read this book.

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