

# Asia's next export boom will be in new ideas

While the West tries to shore up the ruins of capitalism, the East wants to reshape it into something better

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Why are the governments of Europe incapable of resolving the single currency crisis? Why is America unable to deal with its budget deficit and end its worst recession since the 1930s? Why are protesters attacking Wall Street and the City of London?

All of these questions, and many others arising from the global financial crisis, can be answered, at least in part, by a single answer that I stumbled on unexpectedly in Seoul, South Korea, where I have been speaking at a conference on the future of global capitalism. This is my third trip to Asia in the past few months and that in itself relates to the answer.

The financial crisis has transformed the global economy and discredited many of the ideas about government, business and society that were taken for granted in the pre-crisis decades. One of these transformations has been the rise of Asia in the global economy, but it is not just in economics that Asia is overtaking the Western world.

In Asia political and business leaders see the crisis as an opportunity to build a new form of capitalism. They assume

that the future can be — and should be — better than the past. Even if some of the schemes that Asian politicians advocate for rebuilding global and national economies may be naive, many or misguided, they send an encouraging message — that the institutions discredited by the crisis can be replaced with something better, not merely patched up and restored.

Politicians in Europe, America or Britain, in contrast, see the crisis entirely as a threat to established ways of life and modes of thinking. Nobody is presenting a vision, or even a credible story, about how the crisis could produce a better tomorrow. The best that David Cameron and Barack Obama can offer is a promise to clear up the mess created by previous

Asian leaders engage with problems that were once untouchable

governments and the bankers. In Europe the sole justification for transforming the eurozone into a single political unit is that the suffering caused by this audacious process of federation will be somewhat smaller than the cost of letting the euro collapse.

To be more specific, I must explain my trips to Asia in a rather personal way. I am in Korea this week to speak about a book that I wrote on the future of global capitalism after the financial crisis, which has become an unexpected bestseller here. If that sounds boastful,

let me emphasise that my book's success seems unconnected with its predictions or proposals, quite a few of which appear misguided in hindsight. Most of the attention is simply down to the book's title: *Capitalism 4.0*.

Perhaps this phrase sounds catchier in Korean than in English, but it has entered the vocabulary of Seoul's chattering classes. *Capitalism 4.0* has been cited in a presidential speech, criticised by the Opposition, analysed in newspapers and debated by academics. It has drawn me into a series of media interviews about Korean politics, of which I was, until this week, largely ignorant.

*Capitalism 4.0* points to the fourth transformation of the global capitalist system — after liberal free-trade capitalism in the early 19th century, the Keynesian welfare state in the 1920s and 1930s, and the free-market monetarism inaugurated by Margaret Thatcher and Ronald Reagan in the early 1980s.

Many people I have spoken to in South Korea, Hong Kong, Singapore and China have embraced the message that the new form of capitalism emerging from the crisis must be very different from the system that was so badly damaged in 2008. The transformation will not just be a matter of rewriting some rules or replacing some incompetent people. It will mean changing the relationship between markets and governments that has defined each successive version of capitalism.

By thinking seriously about such fundamental reforms, political leaders

in Asia can engage with their citizens' anxieties about the profound problems of pre-crisis capitalism suddenly revealed in 2008: income inequality, job insecurity, welfare state insolvency, environmental unsustainability and so on. Before the crisis, all these problems were politically untouchable in most capitalist countries. Gross inequality, for example, was presented as the natural outcome of market forces, so not amenable to political intervention

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without damaging economic growth.

But the crisis blew away, at least in Asian thinking, the simplistic belief that the market automatically produces the best possible outcomes and that societies must always accept whatever social consequences market forces dictate. As a result, Asians can now think seriously about creating a new capitalist system that will produce different social outcomes from those of the pre-crisis years. They can engage in a potentially inspiring debate about the role of politics, as well as of markets, in creating a fairer, more stable and sustainable capitalism than the model that collapsed in the crisis.

Contrast this with America and Europe. Despite the "Occupy" movement and the swirl of rhetoric surrounding the protests, Western

politicians are focused entirely on rebuilding the old system. Germany is undermining the survival of the euro by insisting on old central banking rules. France may have brought forward the raising of its retirement age from 60 to 62 but its politicians won't consider going any farther. The US Republicans denounce as "class warfare" any suggestion that taxes on millionaires might rise from pre-crisis levels, while Democrats resist any reform of social welfare rules devised 50 years ago.

Western governments do not even consider forcing an increase in small business and mortgage lending, as this would interfere with management prerogatives, even when the lending institutions in question are owned by taxpayers, like RBS in Britain and Fannie Mae in the US.

If Western politicians refuse to embrace new economic ideas, they cannot offer a vision of the future that would be different and better than the pre-crisis past. We shouldn't be surprised, then, if Western politics is directionless and voters disillusioned — and if the next great export surge from Asia to the West consists not only of new products but new ideas.

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