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# The Miraculous growth of the Asian Tigers - how do values contribute to development?

A qualitative study on the role Asian values had on the Asian miracle

Författare: Amadou Toure Bagayegou

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## Abstract

The purpose of this study is to highlight the role and effect values had on the miraculous growth conducted in East-asia, more specifically the role Asian values had on the Four Asian Tigers. The growth that occurred during the later part of the twentieth century in these states was conducted in such a pragmatic and successful manner that the understanding of how was a poignant factor in development studies. The outset of this miraculous growth ended in a financial crisis that left the method these states conducted to be discarded and seen as a faulty method. The study by conducting qualitative research locates the means of growth and analyzes the phenomenon in an effort to see if the development effort that is the Four Asian Tigers is correct in being seen as a faulty and obsolete method. By showing the role of values and utilizing a different-outcome design the study shows the role values played in the implementations of policies and reforms during the development phase. The research recognizes that Asian values had bearing on the successful growth up until the financial crisis in both economic and social spheres. By the time of the stagnation these values had changed considerably in the role they had politically in some states which left them vulnerable to the effects of the crisis. This result showcases the role of Asian values in the growth and the lack of the values in the years of financial fallacy.

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## 1. Introduction

The following study will look closer at the phenomenon of the *Four Asian Tigers* (*Hong Kong, South Korea, Taiwan & Singapore*). These states successfully went from developing countries to developed countries, with astonishing annual growth until the late 1990s (Nelson & Pack, 1999). In 1997, the region was affected by a financial crisis that had prolonged effects that subsequently spread throughout their economy and led to growth stagnation (Thornton, 2009). A former popular explanation for the development success these states had were the values and customs that were apparent in their societies and thus had political and social implications.

The development of these countries<sup>1</sup> were often credited to several reforms and policies they implemented during these years. Many of these implementations they underwent were based on the dogmatic following of the Asian values and the Confucian teachings. These reforms and policies were in western standards unconventional (Nelson and Pack, 1999). Asian Values were a factor that explained the development in that they were a chalice that was filled with ideas and norms that enabled this great development. This train of thought was shunned and put under scrutiny during the late 90s since a currency crisis hit the East- and Southeast Asian countries that had global effects. These repercussions led to the notion of Asian values to become discarded and obsolete as an explaining factor for the growth (Thornton, 2009; Corbett et al., 1999).

The end goal of the study is to answer the research question of *How were the Asian values a contributing factor in the growth and stagnation of The Four Asian Tigers?* The study will serve as research that can be added as a reference source in future understanding of how to create a good recipe for development. By following a success case such as the Tigers and locating what they did wrong, will enable future efforts to avoid and better implement their development mechanisms, without also adopting the fallacies.

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<sup>1</sup> Hong Kong and Singapore are city-states. For stylistic and interpretation reasons going forward in the paper they will be included as countries/states.

The argument of the paper is that Asian values were a contributing factor in the growth of the Tigers. The values served as a basis for the strategies and policies enacted and subsequently provided the necessary stepping stones for the rapid development. The portion of the paper that focuses on the stagnation of the Tigers will be highlighted with the argument that Asian values were not a deciding factor in the financial crisis that stagnated their economies and growth. The argument is that when the states reached upper middle industrial levels of development enacted policies that were far from their original policies that were based on Asian values. To this end, Asian values' role in development may deserve renewed attention.

## 2. Background

The nineteenth and twentieth century saw development and growth on a scale that was extraordinary (Paldam, 2003). The aim of achieving good quality of life and abolishing poverty is something very much on the international agenda and organizations and states combine to try to tackle this (Ariff and Khalid, 2005a). The western aid towards development, in the form of structural adjustment programmes, covered many regions and continents (Tan, 2000). Many of these states were governed and functioned in more authoritarian ways than free and liberal such as was the custom in the western states. This clashed with their governing and beliefs systems and several times ended in failure. Some of the states that were governed in a non-democratic fashion were able to develop and placed in the same brackets as the industrialized west (Nelson and Pack, 1999). The aim of this study is to look closer into such a case of states that were able to develop into highly functioning industrialized states. The group of states chosen for the study are South Korea, Taiwan, Hong Kong and Singapore.

The Four Tigers as they are decidedly called when looked at as a unit, are a set of Newly industrialized countries (NICs). The four states went from non-industrialized agricultural societies to industrial societies that were export-manufacturing giants and subsequently a GDP growth that was astonishing fast. All this occurred in less than 40 years (Thornton, 2009). The speed and per annum growth that these states had enabled them to increase many of if not all the parameters for quality of life. Their GNP growth rate, as table 1 shows below, was in the double digits from time to time with an average of 8-9.5 percent per year from 1960 onwards (Hobday, 1995).

TABLE 1 Average annual rates of growth of real GNP (selected years)

Country/group	1960-69	1970-79	1980-88	1988	1991	1992	1993*
Four NICs							
Hong Kong	10.0	9.4	8.0	10.5	3.9	5.2	5.6
South Korea	7.7	9.5	8.7	15.9	8.4	5.5	6.3
Singapore	8.9	9.5	7.0	10.0	6.7	5.6	6.5
Taiwan	9.5	10.2	7.5	9.5	7.0	6.7	n/a

Source: Hobday, 1995.

The educational levels rose tremendously and the average life expectancy also was better (Amsden, 1994). The factors that paved the way for these NICs to develop were thoroughly looked at and many research studies were conducted during this time period that ended by the late nineties with the occurrence of the financial crisis that hit the region. The stock market plunges in states such as Korea and Hong Kong affected the global market, the production losses affected the export sector and the uncertainty of capital gains created mass capital withdrawals (Khalid and Rajaguru, 2006).

The adoption of neoliberal policies and the reforms they implemented have been heavily cited as a strong contributor for the growth that they had (Amsden, 1989a; Fields, 1985). That these four fairly similar states in the same timeframe developed and incentivised similar reforms makes them a great case to study. Other than the liberal policy changes, there is another concept that was a popular train of thought when analyzing the Tigers. The value-based society that was heavily influenced by the Confucian dogma. The values known as Asian values.

The societal shape and views that permeated these countries were these Asian values and it was a fairly popular notion to see it as the backbone to the immense growth spurt that they had (Chang, 2003; Fukuyama, 1995). This development was also called the Asian miracle (Corbett et al, 1999). The values can be seen as a silver lining that the Tigers had similar amongst each other (Englehart, 2000; Fukuyama, 1995). That the values are a historical and cultural factor makes it a variable that is not directly occurring because of the economic development undergone in the later half of the twentieth century, this makes it a great object of focus as a variable that might have been a factor in affecting economic development. The

values in this case are an independent variable we wish to see if it were a causal mechanism on the dependent variable of growth.

The study will by analyzing this development case look at the economical factors, societal and cultural, and try to show how they mixed and overlapped during this period. A study such as this will provide reasonable and critical thinking in assessing the role Asian values had in the economical and societal growth that these four countries experienced. The societal perks would be understanding what mechanisms are a boon and a bane when it comes to development.

The objective of the study is to answer the question of *How were the Asian values a contributing factor in the growth and stagnation of The Four Asian Tigers?*

By adopting a question such as this the following study will include an objective research into the mechanisms behind this great growth and the eventual fallacy. The extent of the paper will have values as a concept that nurtured societal development and the countries as the units of observation. Such focus should cover many of the cultural facets that were in the states and see if those facets were in motion during the later financial crisis.

### 3. Theories and Concepts

The importance of both divulging theories that validates but also advocates against the object of study will help in pinpointing what might be so different about the case from other cases of development.

#### **3.1. Economic neoliberalism**

Economic neoliberalism promotes financial liberalization and laissez-faire politics. The theory sees the market as self-regulating and that market finance is the correct way towards development (Paldam, 2003). The framework which is heavily promoted by western states has a tremendous bearing on what an international economic agenda should look like. That the market should function for itself without external interference and steering is a cornerstone of economic neoliberal thinking (Horn and Mirowski, 2009). What is important in neoliberal economics is amongst others economic freedom, this is heavily centered in the neoliberal sub-theory Chicago School.

The Chicago school is a theoretical school of thought that has an economical standing (Horn and Mirowski, 2009). This proposition is heavily reliant on laissez-faire and the benefits that come with economic freedom and liberal teachings. The theory believes that with economic freedom states and the followers of this framework will indulge in higher growth (Miller, 1962). The advocating of laissez-faire is an economic liberal notion, and liberalism was a poignant factor in the Tigers (Amsden, 1989c).

Market friendliness and the positive externalities that it gives with competitiveness and innovative technological advances are all an outcome the Chicago school sees from economic freedom (Miller, 1962). That the market is self-regulated and that government intervention only impedes is a strong liberal factor (Holzer, 2000). The self-regulating market will move societal growth by itself. The Chicago school is heavily incorporated in the liberal world order and the Washington consensus (Horn and Mirowski, 2009).

The Washington consensus dominated during the development period, especially from the 70s to the late 90s. The Washington consensus can be seen as the west framework that the industrialized west promoted in their development aid programmes (Williamsson, 1993). It was the neoliberal note that was the aid and development standard that the International Monetary Fund (IMF) followed. The Washington consensus advocated for how policies should adapt to western liberal values such as human rights, civil rights and political rights. These values that were western in character were strongly pushed with the structural adjustment programmes that the IMF implemented (Simmons and Elkins, 2004; Chandrasekhar and Ghosh, 1998). The neoliberal agenda that the Washington consensus promoted were privatization, democracy, free-market behavior and liberal values; amongst several (Williamsson, 1993).

The promotion of western liberal values that the Washington consensus that the IMF implements have significant bearing on their development and aid programmes. This created a balance where the liberal values became synonymous with development since the implementation of development became a liberal endeavor (Ariff and khalid, 2005b).

Looking at the neoliberal perspective in the analysis section is crucial in understanding the case at hand.



## **Globalization**

Globalization is the phenomenon of where the international and transnational networks became stronger and more profound in a more modernizing world. New technological innovations and information spread enabled the world to be more connected than it has ever been before. The commodity and trade sector is such a sector that through globalization became far wider and immersive (Goldberg and Pavcnik, 2007). The fast growing global trade created new policies around borders and the way to handle trade amongst nations (Simmons and Elkins, 2004). The neoliberal outlook on such trade borders are heavily situated around tariffs and the appropriate level of protectionism. Free-trade and the opening of borders is the neoliberal aim of the ever so more globalizing world (Williamson, 1993). The concept of globalization and the theory of how it is a factor in growth is substantial. Globalization was ever growing whilst being promoted and intrinsic with the neoliberal order. Globalization as both an effect and promoter of modernization goes hand in hand whilst looking at theories of neoliberalism and modernization (Horn and Mirowski, 2009), especially during the years of focus of the study.

Globalization and its vast and continuous influence during this period bonded borders and expanded technological advancement. Globalization and the more interconnected world that came with it is often seen as a propeller for development of third world countries around the world (Goldberg and Pavcnik, 2007).

Globalization needs to be looked at as a variable that might be a reason or the principle reason for the Asian miracle.

## **Policy diffusion**

Policy diffusion, which is a theory of spread, highlights the spread of policies and agendas amongst governments. The theoretical framework focuses on how policies and undertakings can be seen similar and spread amongst different governments. The theory sees different methods of how states may adopt similar policies. Oftentimes these spreads of policies happen within a regional proximity which can explain why many countries that are neighbors or relatively close have similar governing methods and policies (Simmons and Elkins, 2004).

The policy spreads can happen for different reasons, some of the most common ways for the adoption of similar policies are *Learning* and *Competition* (Braun and Gilardi, 2006).

Learning is the method of policy adoption where state A observes the policies endeavored by state B, and adopts similar policies since the policies in question are successful and thus learns from previous policy implementation. Competition method of policy diffusion is also a highly powerful tool of change when it comes to policy adoption. This method sees policy changes come about in a competitive manner where state A and state B adopts policies to be better than the other (ibid). This can make the policies they adopt similar where one state implements it in a slight change as to gain the advantage when it comes to different areas, one such area can be economical where policies favoring an economical advantage becomes the policy that competitiveness circles around.

The theory of policy diffusion will in the analysis section serve as an alternate variable to explain the Asian miracle.

### **3.2. Modernization theory**

To consider one in the path of modernization is to enhance levels of education, the implementation of secular institutions, urbanization, and combat income inequality (Goorha, 2010) What constitutes modern in modernization theory is for traditional societies to develop and adopt more practical modern practices. This includes technological as well as societal advancements (Nelson and Pack, 1999). Modernization can include all from moving from an agrarian-based society to heightened educational promotion. The modernization of contemporary societies is seen as a pivotal part of development (Goorha, 2010).

The theory sees that by implementing liberal thought in policies a state will move towards modernity. The close relation between liberal thought process and modernization theory is highly relevant to discern. The social transformations the theory sees are secular in nature and thus the theory motions for affecting values that might be religious and conservative (Roxborough, 1988).

Democracy and the values that a democracy has is highly regarded in modernization theory as the correct governing way. By adopting modernization a social transformation that has

democratic and liberal values has favorable conditions to blossom. These liberal values are apparent and pushed when endeavoring modernization from the international system. This push is often considered western-centered and westernized (Goorha, 2010). That developing and becoming modern has a western liberal externality is the norm and this norm has and is challenged by other methods of developing, such as the developmental state method.

Modernization theory is highly applicable in analyzing the period of development and the subsequent effect continued development had on the values we wish to see were an impacting factor.

### **3.3. Developmental state**

The model of the developmental state sees the government as a central figure in developmental efforts. The government has the role of steering the economy and guiding towards prolific policies. They do this with considerable market power and a strong organizational output (Amsden, 1989a). The development state model can be elitist since the governing class will sit on top of considerable power by being able to affect what policies and sectors that a state will focus on and move towards (Cleary, 2017).

The developmental state has different institutions that the strong state steers and controls to be able to achieve strong return on the investment that is development (Chang, 2003). A strong bureaucratic presence and a close-knit relationship with the business sector which it influences. That the state has this role can be likened to a familial system where nepotism is induced and family ties are made to create an elitist oligarchy (Ariff and Khalid, 2005c). In South Korea these business relations have given rise to Chaebol's that are elitist business groups (Ariff and Khalid, 2005b).

The developmental state method needs to be understood and looked at, to see what the states did right in the development phase. The developmental state with its interventionist applications will in the study give us reasonable insight into how and why the Tigers succeeded.

### **3.4. Asian Values**

This theoretical thinking is much based on the belief system that the values that the Asian countries followed created a better development and the exponential growth that the Tigers experienced. Confucianism, which is the religious teaching passed down in many parts of East-asian culture (Fukuyama, 1995). Confucianism as a dogmatic following has many branches and using a monolithic description is not possible. Instead there are several strands and some of them are fairly similar whilst others share less similarities (Chia et al, 2007; Englehart, 2000). The Asian values that the study shall focus on are similar in many ways and follows a strand that can be seen as one of the more basic and standard ways of Confucianism (Lu, 2001; Woon and Gungwu, 1999).

The Asian values that can be seen as homogenous for the states are those that promote hierarchical standings, familial and communal values and social and economical rights. Social and economic rights are rights that became important to protect with the advancement, modernization and industrialization of society. The right to education and right to work, are examples of those rights (Tan, 2012). With the notion of hierarchical standing that has been passed down for centuries within this principle, the higher ups which can be seen as the governing ruling class are set above and the populace shall follow their decree. This goes deeper in the sense of an unwavering legitimacy that the elite class has (Chang, 2003). This strong central power that comes with a hierarchical standing can be seen in the familial and communal set of values that the Asian values carry (Englehart, 2000). The familial system is that the community and social sphere one belongs to is what is prioritized. This goes within the hierarchical standing since it can be seen as the individual is subservient to the family and the family is subservient to the community. The Asian values have the populace being accustomed to a top-down central method of ruling. The societal and economical rights that they have are what is in the forefront much so than civil and political rights. These different sets of rights which can be seen as the first generation and second generation were the former which are the civil and political ones that advocate amongst several freedom of speech and the right to vote. These first generation rights are seen as not as important in Asian culture (Englehart, 2000; Tay and Yen, 1999).

The Asian values contributed to the developmental state model, where states adopted a sort of hybrid free-market incentivized society with interventionist properties (Ariff and Khalid, 2005b). This control of the state but push towards a liberalized growth is something that was

unique to the East-asian way of development. This approach was seen as influenced by the historical way Asian countries had been ruled and thus even when moving towards more liberalized policies still had a central authoritative power (Paldam, 2003).

The Asian values as we can deduce are many and narrowing those down to the ones that are essential to this case, that can be seen as the most contributing aspects of the growth period is important to discern. The enabling of central governance, elitism and nepotism in Asian culture have been a prominent factor and the values have upheld these customs (Tay and Yen, 1999).

Asian values as the primary variable we in this study wish to see had implications on the growth and what role it played in the subsequent crisis is the concept that has most weight to it in the study. To look at the cultural factor and how it can affect economic growth and in turn be a factor in the success case of the Tigers' development is the goal of the study.

#### 4. Methodology

The paper will be structured as a qualitative comparative study. The case in mind is the development and economic stagnation of the Four Asian Tigers. To correctly analyze the case the study will utilize a different-outcome design. The reason for this is the financial crisis that had different outcomes in how hard the states were hit by the economic turmoil. To be able to conduct a different-outcome design the study firstly needs to show how the states were similar. By choosing similar cases and analyzing why their outcome became different later on; the study will be able to answer how and why the stagnation came to be.

To be able to locate the role values had in the stagnation, the role of values in the growth needs to be laidbare. This will be made in a sub-study that will consist of the first part of the analysis. In this part a design to show how they were similar will be enacted, with them as initially similar the role of values can later be determined when an across time study shows the different outcome that happened during the financial crisis.

This study and chosen design will further the research and help to do a deduction and generalization that will give a clearer picture of the role and effect of Asian values.

The Four Tigers though four different states that share both similarities and dissimilarities can in many ways and has been seen as states that share more similarities than not (Fields, 1985; Kim and Lau, 1994). In the case of growth, we in this study will analyze their respective methods and values that share many similarities (Midgley, 1986). To this avail the study will be able to discern the faulty factor that had the states results having discrepancies.

With the different-outcome design, the study will aim towards showing strong external validity. To make generalizations of a case that inhibits many societal and normative standards an appropriate study method is critical for the understanding and subsequent generalization of the phenomenon. With the chosen design and the select few cases the intrinsic and thorough look will help in pinpointing affecting factors and thus show applicability externally. The paper in working towards correct deductions will include control variables, Globalization and Policy diffusion, that might give alternate reasons for the development that we wish to control for to get a correct understanding of the phenomenon.

The reason for a qualitative study is because this is the most appropriate research model when looking at societal, normative, cultural comparisons (Peters, 2013b). A quantitative study would not sufficiently provide the answers for the research question at hand, since the question wishes to understand the phenomenon in an explanatory fashion. With a comparison study with a limited setting such as this, a configurative method with a thorough description of both social and cultural aspects is the most suitable research model (ibid). To do a configurative study is to focus on and delve into the political and social aspects of the case (Peters, 2013a).

A quantitative research method does not factor in the human factors of decision-making and in a study that relies heavily on behavioral and normative approaches this becomes a hindrance to resolve the issue at hand (Graham et al. 2013). Thus a quantitative method is severely lacking in capability of answering the study's research area.

By a research collection of established theories and information collection of scientific data and other adjacent literature a thorough comparative study will be upheld. Through such measures shedding light on the stagnation of the Tigers will be shown.

The different-outcome design is helpful in identifying if the independent variable which we see as the main proponent in affecting the outcome is not a false causal mechanism (Peters, 2013a). Deducing that with the help of this design which uses a process of backtracking we hope to find substantial evidence that what we deduce as an independent variable is true. The independent variable that we wish to test and find backing for is Asian values. The objective of identifying the correct variables that are affecting the dependent outcome of the study is a weak attribute of the different-outcome design (Esaiasson et al, 2017a). The design has difficulties in identifying interaction variables, which are other variables besides the independent that also can have significant effects on the outcome (ibid). By going in a linear fashion of process tracing might create a favorable situation for the study to answer the research question.

Process tracing is where the process of the aim of the study is what is in focus and not the outcome per se (Esaiasson et al, 2017a). The outcome is already known and what caused it is the importance of the research. Identifying important moments in the process that are conjunction points that affected the outcome. Conjunction points are in this case important phases that change the trajectory of the outcome and are thus points for the states' development that are critical to analyze.

A strategy of change<sup>2</sup> will in the method of analyzing also be conducted. By this definition this strategy will help in looking at different points of comparison to see if there has been a significant increase or decrease in values of interest (Esaiasson et al, 2017b). This becomes an important cornerstone of the study in that it is an across time paper, and with comparison points in different time settings one will be able to discern if there has been a value change across time.

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<sup>2</sup> in original source "Förändringsstrategin", translated to english

The comparative design also has fallacies such as successfully being able to do generalizations and identifying cause and effect variables (Peters, 2013b). With the weaker aspects of this method identified, this will be considered whilst applying the method. This in an effort to compensate with thorough findings that strengthen the causal factors we identify and backtracking to have strong cause and effect findings.

By researching with old and new materials on a historical event might lead to a less accurate portrayal of the phenomenon. The study solely relies on past events and scholarly information which can be damaging in validifying the end results. This issue will be dealt with by having a broad empirical base of data and literature that covers several different aspects of their growth. By having many sources pertaining to the case study this identified problem will diminish.

The choice of the Four Asian Tigers as a case study is a deliberate strategic selection of ideal states to do a comparative study on. A strategic selection in choosing the Tigers has its positive aspect of them coming up at the same time and having many similar features. Even with a strategic selection one has to be observant of the fallacies of such a selection when it comes to the amount of units of study in the selection. By adopting this method and only having a select few the reasonable generalization ergo the strong feature of external validity might be less statistically correct (Esaiasson et al, 2017b). That the generalization of the phenomenon at hand might be less accurate is not a definite reason to not endeavor this method; it only is worth pointing out the effort in making generalizations and achieving good external validity is more difficult.

## 5. Analysis

The analysis will be conducted in that it will show the development of the Tigers from the 1960s till the financial crisis. The analysis will be divided into two primary sections. The first part will showcase how the states were similar. This provides necessary standing for the different-outcome design. To endeavor a different-outcome design, one must show that the area of interest is similar in the variables that are relevant to the case at hand. By having similar values on these parameters and inexplicably having a different result on the dependent



variable is when the setting for the design has been met (Esaiasson et al, 2017a). With firm grip on how they were similar a study of how their results subsequently became different can easily be made when looking at what causal factor changed and in what regard. The similarities of the states, how they had similar growth and levels of economic conditions will be divulged and how Asian values were a prominent factor will be shown in the first section of the analysis.

The second portion of the analysis which will utilize the different-outcome design will have a focus on the 1997 financial crisis. The section will highlight what the crisis entailed and the level of damage it did. The aim of this portion is to see if a conjunction point of change had occurred in some or all of the Tigers. The hope and goal of this section is to discover a change that can explain the different outcome these states had from an Asian value standpoint.

### **5.1 Understanding the Asian miracle**

The neoliberal universalism which was the status quo of development method was challenged by the Asian way of progress (Holzer, 2000). The Asian values were seen as a component in the miracle recipe that was the Asian miracle. These values are in many areas contrary to the neoliberal values (Chang, 2003).

The values were able to affect politics by way of the traditions of a central authoritative governing rule. This took shape in interventionist policies that were enacted to promote economic growth and societal development (Englehart, 2000). A clear cut way that all four states were similar concerning policies they enacted is there were policies set in motion that promoted industries. This in turn made in a very short time the states from underdeveloped agrarian producers into export-oriented manufacturers (Midgley, 1986). The governments became more interventionist. This top-down control and steering became an opposition to the above-mentioned neoliberal way, since a top-down steering is not within the laissez-faire model (Paldam, 2003).

Looking at this we can understand that the principle difference with the model the Asian states went with and the “universal” liberal method is the intervention policy that the Asian

states pushed and adopted. That the top-down type of ruling with a strong central authority occurred can be traced to the traditions and normative behavior that they were accustomed to (Fukuyama, 1995). By relying on pre-established cultural values to push a brand new development method and subsequently succeeding is no easy feat.

The role of the state in the growth was prominent and is attributed to the developmental state model (Ariff and Khalid, 2005a). That the Tigers adopted a market friendly approach is all within the neoliberal aspect of development. That they had a market focus is not to take the neoliberal way precisely, the market was not left to its own devices as was the neoliberal undertaking (Amsden, 1994). All the tigers had a market steering where the policies they enacted promoted some sectors and businesses above others. The heavy market focus with growth and expansion as important features were all backed by the state (Ariff and Khalid, 2005a).

The developmental state model was great for the states to utilize since the Asian values that these states had were optimal for the reform method they conducted. With an elitist governing class that ruled the hierarchical standing of society that the Asian values uphold, the developmental model was easily enforced. That the hierarchical standing of Asian values is seen in this manner shows the Confucian roots of the value thinking (Tay and Yen, 1999). That the developmental model was utilized is not only because of the hierarchical notion of it, the familial and communal relations that comes with the method sees a close-knit relation between the business sector and political. This embeddedness of different spheres also has confucian familial notions (Fukuyama, 1995)

That the reforms they underwent were liberal in nature can be seen amongst all four states. It can clearly be seen in the two city-states of Singapore and Hong Kong. These two city-states that developed to an upper middle-income level during the development phase, are now global financial centers. These two states are two of the world's most laissez-faire economies in the world (Young, 1992). This liberal notion that is most prevalent in two states that have Asian values and followed the developmental state method, can be seen contradictory; It is not. The Tigers as mentioned all adopted liberal values and this is clearly seen in Hong Kong and Singapore. That the states were in this manner showcases that the Asian model could rely on Asian values and implement liberal mechanisms.

## **5.2 Social aspects**

The Tigers all have high population density and are not rich in mineral resources. This similarity is important to highlight as a homogenous aspect of the states since it shows that they were not favorable for growth as the oil rich countries of OPEC (Paldam, 2003). The two city-states are the most successful of the Tigers. Both Singapore and Hong Kong are trade centers turned financial centers with high investment capital (Fagerberg and Srholec, 2007). Korea and Taiwan, which are the two countries, had very similar income distributions between each other (Paldam, 2003). All the Tigers share a similar small public sector of welfare which shows the focus the states had on economic growth (Fields, 1985).

The Tigers were all overpopulated by the start of their campaign for development, with an impoverished populace. The 1960s is seen as the starting period for all the Tigers in their development endeavor (Nelson and Pack, 1999).

All four states made a push for the bettering of the populace. The goal was the growth and alleviation of human and physical capital (Nelson and Pack, 1999). This entailed developing and importing new technology that would better the lives of individuals; and the push for better and higher education with education reforms (Fukuyama, 1995; Fagerberg and Srholec, 2007).

The Tigers put a lot of effort and consideration into elevating education in their societies. This is a facet of Asian values that is derived from Confucianism. Confucianism has put education as an important factor in personal and communal growth (Lu, 2001). The interconnectedness of their values and the quest for development came together in the sense that education was an important part of the development since a higher educated populace will enable a workforce that can work with and incentivize technological advancement (Chang, 2003).

As the modernization theory sees it, through technological advancement can modernization and growth of societies occur and prosper (Goorha, 2010). That this elevated population sustained and also developed confirms the linkage modernization theory has concerning

technological advancement and development but also the indirect effect the Asian values that promoted education had.

Confucianism was a doctrine that unified the political and social spheres, this unification was seen in all the Tigers. It was a widely common notion of attributing the massive growth the Tigers sustained to Confucianism (Fukuyama, 1995).

That the East-Asian states had a confucian cultural tradition, saw the group over the individual (Englehart, 2000). This enabled easier governing and steering from the central authority. The train of thought was authority over liberty; responsibility over rights (Tan, 2012).

The Asian states saw during their development human rights as political and should be staved off since they see their role not as important in economical and societal growth. That the Asian states implemented a priori for the second generation rights above the first generation is directly related to their Asian values (Tay and Yen, 1999). The sole focus on economical and societal development through the second generation rights is an attributing factor to their success (ibid).

A key to their success that is important not to overlook is their absence of democratic will, up until the democratization of Taiwan and Korea. During their growth period until short years before the crisis none of the states were democratic in the sense (Chia et al, 2007), this becomes relevant since all four states had this governing style (Holzer, 2000).

Democracy comes with social problems and general disorder (Fukuyama, 1995), or so does the opinion of the Asian value followers go. A strong authoritative power represses such fallacies. Economic development tends to be followed by political liberalization (Chia et al, 2007). This is the role Asian values had in squashing that transition and only having economic development. Confucian teachings stigmatize profit making and sees gains should be promoted in the collective. This goes double when you look at how culture does not promote individual economic accumulation (Granato, 1996). In this sense the linkages between culture and economic development shows that culture affects economic development in that it inhibits some factors of economic development that goes against the cultural values.

The Tigers that democratized, Taiwan and Korea, have confirmed the modernization theory proponent that high economic development stabilizes democracies. They were new democracies in the late twentieth century but were able to become stable (Chia et al, 2007). The issue with modernization theory is that it is eurocentric. It highly focuses and is aimed at societies with western roots and thus is negligent to some notions that come from other cultures. The states pursuing modernization are pressured towards western liberal values and democracy. That the democratic change occurred in both of these states with relatively easy transition recognizes the democratic stability portion of modernization theory.

### **5.3 Economic aspects**

Foreign direct investment (FDI), heavy influx of investment from overseas had a tremendous effect on the economies and development of the Tigers. FDI is when foreign capital is placed in different sectors in an effort to bolster those enterprises in an aim to achieve gains (Jomo, 1998). Overseas capital flows was a boon that all four Tigers utilized in their growth.

The successful development had seen their method as a challenger to the neoliberal universalism, which threatened the goals of a western globalization based on western values and democracy (Tay and Yen, 1999). This had the western powers demanding structural changes that were favorable to them. One such is Washington demanded free capital flows in 1993 (Thornton, 2009).

What all the Tigers focused on was a transformation of their revenue producing domestic sector. The four states became export-oriented states in their own sense and pushed those sectors. The push they did came from government subsidies and government policies. That the state was heavily involved in steering the economies was shared by all the states (Cleary, 2017). This phenomenon is though not a simple explanation of how the states were governed. Both Hong Kong and Singapore are major laissez-faire states. The states were all liberal in many senses but had a central authority that did not leave the market to its own devices (Ariff and Khalid, 2005a).

All four Tigers were similar in their push for industrial policies that promoted domestic production. As the policies for exports were promoted and given relaxed tax and tariffs, the

import sector was close-knit and had difficulties establishing in these states. Foreign firms were not allowed to establish in Korea for example (Ariff and Khalid, 2005c).

Another similar aspect that can be seen as an aspect of the developmental model that is influenced by their cultural heritage is that Taiwan and South Korea were against privatization in many areas of production and finance. Both these countries had during their growth and development phase had all their banks publicly owned. This changed in later years when they already had developed (Amsden, 1994).

Large firms were in many aspects connected to the government, with a close relationship where the large companies could with steering from the government and obliging by them receive lucrative offers and opportunities. This system was heavily prominent in South Korea with the firms being in a oligopoly of sorts and being called Chaebols (Chandrasekhar and Ghosh, 1998). This elitist business model was seen in the Tigers across firms and banks (Ariff and Khalid, 2005d; Ariff and Khalid, 2005b)

Financial liberalization that the Tigers endeavored followed many neoliberal notions of economic freedom. This freedom was in many ways still regulated through the close relationship firms had with government. This relationship was a quid pro quo engagement since the control stayed in the government's hands but also was beneficial for the elitist ruled firms (Ariff and Khalid, 2005c).

By 1993 the World Bank report (1993) on the Tigers praised their development and explained it as an effect of the market friendly policies they had. Looking at these policies that were steered by the central authorities one has to point towards that they made correct decisions in having a interventionist design. To see the market friendly policies as an explanation factor to their success and the way they went about it in implementing these policies is the same as highlighting the good the interventionist state model was for their growth. That this report was released a few years before the crisis shows that a change had occurred from praise to crisis.

That the Asian values were a part of the developmental model that brought them more and more similar does not exclude other reasons for growth during this period. Globalization that occurred during this period is an alternate explanation for the development that is a contender

for the role this study gives Asian values. Using globalization theorem we need to control for the role globalization might have had as an explanation for the growth.

The evermore globalizing world and the togetherness and opening of borders as an explanation is concurrent with the progress that happened in the Tigers. This shows that globalization might be a variable that instead of the Asian values was the reason for the development. However the similar equal growth that the states had is not concurrent with the level of globalization the states had. The openness of borders which is a facet of globalization was different amongst the states (Amsden, 1994). The two trade centers of Singapore and Hong Kong and Korea had differing amounts of openness towards the rest of the world. Korea during this period had limited opening of their borders, especially when it came to foreign financial actors. Korea and also Taiwan had a cap on import and the influence financial institutions such as banks had on their establishment in the state (ibid). The alternating amount of influence however differing in the states makes globalization a weaker proponent to liken as the independent variable for the change that occurred. The role of globalization however is not nonexistent because of this.

Another proponent that is prominent in the growth of the Tigers and how the similarities of them led them to the great growth is explained by policy diffusion. The theory finds strong connection in the Asian miracle since the close proximity and the similar policies enacted can instead be seen as an effect of copying each other based on the policy diffusion methods of *learning* and *competition*. This competition can be seen in that the neoliberal notion of *race to the bottom* was heavily seen in the two financial centers of Singapore and Hong Kong. That the states learned from each other is seen in a smaller portion since the experimental method of the developmental state was happening simultaneously for them makes it harder to pinpoint since learning entails watching the successfulness when it has occurred. This variable of diffusion will in the different-outcome also be more highlighted as to see if diffusion based on economic proponents is a better explanatory variable for the growth than the selected Asian values.

#### **5.4 Financial Crisis**

The following section shall analyze how Asian values were a part of the financial crisis that struck the Tigers. The conditions to do a different-outcome design has been met by

showcasing how the states were similar concerning their growth pertaining to the Asian values as the variable that had effects on their development in above parts of the analysis.

To be able to do a different-outcome design the study has identified that the way and prevalence the states were affected by the crisis had discrepancies (Akyüz, 1998; Truong, 1999). As we have deduced from above sections these states were profoundly similar in many ways both economically and socially. To then have such a dissimilar outcome through the crisis must have some explanation. To conduct this different-outcome design an explanation of what and how the crisis affected the Tigers shall be looked at. By this method the second part of the research question pertaining to the role Asian values had to the stagnation of the economies of the Tigers might become apparent.

The crisis which is seen as a currency crisis turned financial crisis through contagion effects, spread throughout Asia rapidly. By becoming a financial crisis is to affect economic and social spheres (Khalid and Rajaguru, 2006). A reason for why the spread happened so rapidly is that strong trade and strong financial globalization creates an environment that is favorable for a contagion effect (Jomo, 1998). The crisis started with a currency crisis with the *Thai baht* in Thailand and rapidly spread to the second generation of up and coming states such as Indonesia and Malaysia (Truong, 1999). Korea was the first and most damaged state that was hit by the crisis amongst the Tigers. The unemployment rates rose and the value of the currency was in shambles for Korea (Ariff and Khalid, 2005c).

The crisis resulted in a sharp drop in employment (Tay and Yen, 1999). The per capita income which had seen tremendous growth during the development phase saw a huge drop (Ariff and Khalid, 2005b).

So what caused the crisis to develop into a financial crisis for the Tigers and cause such massive effects that caused the economy to stagnate? Too large FDIs are a factor many have attributed to a weak proponent of the states (Jomo, 1998). When the investors feared a weakened economy which had seen tendencies pulled out their capital in a hastily manner the insecurities of the economy became highlighted (Corbett et al, 1999). The high borrowing and FDIs these states accepted in their effort in growing became so profuse and large that the high investment ratios became a source of uncertainty and speculation. With a slowdown of



the economy and external shocks from other states the short-term investments became a bane for the states (ibid).

In a bid to be the most lucrative for investors by keeping costs down to be able to be more competitive led to more relaxed regulations with low safeties in the system. This *race to the bottom* is a neoliberal economic notion that was a prevalent mechanism in Singapore and Hong Kong that were competitive against each other in being the most attractive financial sector (Graham et al, 2013; Tay and Yen, 1999). This shows the competitive nature of the theorem of policy diffusion where competition subsequently led to fallacies in the economies.

Taiwan and South Korea both with the passage of time also did away with many of their tariffs and regulations in different reforms to be more approachable for foreign funding (Chia et al, 2007). The race to the bottom was happening at a rapid pace towards the end of the 1980s and beginning of the 1990s. The interventionist control became more and more relaxed, especially in Taiwan and Korea. These two states by the advent of the financial crisis had turned into democracies (Fukuyama, 1995).

With the occurrence of a political change a conjunction point of significant change that might explain the different outcome has been located. That they democratized and now followed liberal political values which as has been pointed out earlier in the text is contrary to many of the elitist steering the Asian values promoted. That a political liberalization occurred in these two states further removes them from the model that they followed in their development effort. That they laxed many of their policies such as regulations of foreign firms' involvement in their domestic market, as Korea did (Ariff and Khalid, 2005c), produces a larger economic freedom incentive than they had previously enacted. Economic freedom comes with strong economic liberal values and with the political change the limited government leaves the market to its own devices more so than when it is regulated. Hong Kong and Singapore did not democratize, Taiwan and Korea did.

Looking at this a difference right before the financial crisis happened had occurred. The political governing model had changed in two of the four states. Besides political standing we will also look at other possible changes that might explain the difference in outcome.

It is widely seen as the IMF reforms implemented at the beginning of the crisis was a failure. The states that took IMF help were hit even harder by the crisis which can be seen as these western principles of Washington consensus fast-tracked the crisis. The only state of the Tigers that in the crisis accepted the IMF aid was South Korea. Korea as mentioned was the state that was hit hardest by the crisis. The structural adjustment aid the IMF provided came with prerequisites of a certain type of values and rights that the beneficiary was to uphold to be liable for aid. South Korea abided by these obligations (Ariff and Khalid, 2005c).

The western liberal values that came with democratization and the IMF programme that came with demands that required western based governing and liberal values through the Washington consensus were all prominent in Korea's case. Korea other than democratization and IMF pressure had also applied for membership in OECD (Akyüz, 1998). This membership application also came with pressure from OECD about opening their economy and doing economic reforms. This was another factor that Korea had that made them rapidly change many of their existing policies. The aftermath of many changes was that Korea with their opening of their markets received more foreign investment in 1991-1992 than they had the previous 25 years (Ariff and Khalid, 2005c). This rapid overinvestment created speculation on the Korean market and flooded it with short-term investments that were pulled when the crisis occurred which derailed them further.

To see that Korea made several political and economic changes that pushed them further away from the Asian value model helps us see some important points of change. It however does not give an adequate look at the Tigers overall. To see the role of the Tigers and how the stagnation affected them differently still needs to be accounted for. We have shown how Korea was the state most affected by the crisis, the state that followed suit was Taiwan then Hong Kong and lastly Singapore. Singapore was virtually unscathed from the crisis (Ariff and Khalid, 2005c; Ariff and Khalid, 2005b ;Akyüz, 1998). So from this we can deduce that the two states hit hardest and affected most in the crisis where the states turned democratic. The state amongst those two that was better off, Taiwan, did not accept the IMF programme. Looking at the state that fared the best, Singapore, we need to look at what they did to achieve a different outcome.

What is interesting about Singapore is they enacted Asian confucian values in a lesser variety prior to the 1980s. It was then they did a push for more Asian values that reached up to and

beyond the 1990s (Tan, 2012). This in an effort to stem anglo-saxon values. That Singapore deliberately fought against western influence is highly notable to discern since they were the state that was least affected by the crisis. This led to a Confucian ethics campaign in the 80s. This was seen in propaganda and a push in higher education for Confucian studies. This was met with some resistance since the multiethnic populace had difficulties in adapting values based on another dogmatic following. This led to the 1991 *Shared values* that were in many regards similar to the Asian values. This top-down push to conserve values was more well met and was campaigned severely and had the typical confucian ideals of togetherness; community before individual; hierarchical standing of community before self and state before community (Fukuyama, 1995; Englehart, 2005). This national ideology cemented the Asian values stronger a few years before the crisis struck. These shared values were often hard to discern from the Confucian values.

These communitarian values are in many ways a subset of the Asian values discerned in this paper. It was in 1989 that the erosion of Asian values was seen primarily in Taiwan and Korea (Tan, 2012). That the two states that were hit hardest had Asian value erosion and the state that had a renewal of promoting these values fared strong is a connection that highlights that moving away from the values that they had been incorporating during their growth spurt had harder consequences for the states that did not move away from them.

## 6. Discussion

The study has in an endeavor to see the role of Asian values had on the Asian miracle conducted a study to discern how they were a part of the growth of the state and how they were not a factor in the stagnation

The analysis showcases how the Asian values were a dominant factor in the states' adoption of methods of development, the developmental state method exhibited many asianic values. The states by adopting the developmental method had strong governing and close-knit relations with the economic sector in steering the market. The method ensured that policies in play were implemented with strong authoritative rule that had the economic outset in mind.

The paper has shown the similar applications of Asian values in the four states and the method it was applied in their development efforts. That the cultural heritage was such a

pivotal factor is highlighted in that it shaped the way the state went about their development. By utilizing their traditions and customs the interventionist states were able to create and uphold a control and quid pro quo relationship with the business sector that turned out lucrative for the previous familial system advocated by Confucian teachings. This enabled an inclination towards prioritizing the common good and communal ties. That the social aspect as well as the economic policies and business sector prospered with a steering that was influenced by the Asian values shows how these values were a part of the Asian miracle and how they shaped the way the states went about development.

As highlighted in the method section the qualitative study has fallacies in perceiving interaction variables and other variables. To this degree the study located two alternate variables and looked at how they might have been a causal factor.

Globalization has also been shown as a variable that had bearings on the development. The globalization aspect of the development shows a weaker explanatory part since the enactment of globalization was not concurrent amongst the states and thus not a full blown independent variable that could explain the similar growth. That globalization has been a control variable for the growth with some effect can not be ruled out since many aspects of globalization were prominent in the years that saw tremendous growth. The Asian values role in the model for the developmental state does not lose value that globalization was also a factor it substantiates by seeing that it fills in the gaps that globalization leaves by not being a constant amongst the Tigers.

The second differing variable that the analysis locates as an alternate variable is policy diffusion. This theory still holds when looking at the similarities of the states. It becomes a factor when one looks at the policies endeavored not as a common Asian values effect but instead as a development of endeavoring neoliberal policies through observing what the other states are implementing and mimicking and competing on becoming better. This variable could be seen in the four regional states and can be seen as an explanation for the growth spurt of the Tigers. This variable does not get discredited in the qualitative study as a variable that had bearing on the growth; It however do not rule out the Asian values role in the policies enacted. Furthermore, policy diffusion in this stance can be a tool that promoted the Asian values as a way of spreading the policies that are based on the dogmatic following.

The weak aspects of the qualitative method is shown that even if the study shows that Asian values played a part in the growth by being part of the developmental method, the study does not rule out other factors entirely and thus the magnitude of Asian values can not be deduced.

By conducting the different-outcome design based on the findings of the role of Asian values, the study has shown that there has been a significant discrepancy in how the states were affected by the financial crisis that occurred. That the states that had for years implemented similar policies and had a similar development would suffer different outcomes lead to a conundrum that the study endeavored to answer. By locating important crossroads that the states differed in short years prior to the crisis led the study to realize changes concerning Asian values had occurred that were not apparent when the states were developing. By adopting more western liberal values and democratizing the two states of South Korea and Taiwan had suffered most amongst the Tigers in the crisis. Korea that had received aid from the liberal organization IMF had through this pushed their decline even further. Seeing this change occur whereas the state that had in an effort to stave off western influence started a promotion for more Asian values in their policies were virtually unscathed shows that the change from their values had harder effects. By seeing this the stagnation of the Tigers' economy becomes a fallacy in continuing in abiding to the same values and principles that saw their growth prosper.

By conducting the different-outcome design the study found that the state that did a push for values favoured best. That the states stopped enacting similar policies showcases that policy diffusion much as Asian values had diminished, however that Singapore that did a push for values came out on top shows the role of values being a variable that holds in the analysis. With the results of the different-outcome design the role of values is still viable and the analysis in this effort has shown that the control variable of policy diffusion can have been a prominent factor. The study with the chosen method has been able to show the role of the variable of interest as an affecting proponent, it has however not been able to single out the variable as the main variable that affected economic growth.

Furthermore the chosen variable of Asian values as the independent variable has in above analysis not given an answer as to what the causal mechanism is. The analysis has located many facets of these states that were permeated with Asian values influence, both in the social, political and economical sectors. If it is the lack of consideration for first generation

rights; or the adoption of a top-down steering; or the willingness of the populace to be governed through this method; and/or an accumulation of these examples and many more of the cornerstones of Asian values can not be deduced. This leads to a weaker validity since the value becomes a broad spectrum where the causality is weakly highlighted.

With this analysis the answering of the research question of “*How were the Asian values a contributing factor in the growth and stagnation of The Four Asian Tigers?*” has been shown in both the part of how values contributed in the growth and also their role in stagnation. Asian values were a part of the growth in that they shaped the policies and reforms that were conducted towards the states’ aim of developing and thus can be seen as a contributing factor in their growth. For their role in the stagnation the different-outcome design has shown that the values that were apparent in the growth had eroded and were a diminished version of what they had been when the states’ developed and thus should not be seen as a contributing factor in the decline and stagnation that hit the Tigers.

## 7. Concluding remarks

Poverty was to disappear if there was a follow recipe for the growth the Asian states had. If this recipe was to be mixed and changed then it would not be the same recipe. This occurrence is what struck the Tigers by the time of the financial crisis, the *ingredients* to their success had changed. To view the Tigers massive growth and stagnation in this manner lets the study to perceive that the view of Asian values as an obsolete explanation for the Asian miracle is a faulty deduction to uphold. The role of the Asian values were present and the upholding of them should with knowledge from above study be revised in future development efforts.

By regarding the Asian miracle in this manner the notion that it is an obsolete development method should be revised, by following the recipe and not doing any changes the development studies and efforts should once again dabble in the Asian developmental method for development. Current methods that are used in a successful manner does hold weight, the paper is to provide an alternative method that might be implemented as a better and more efficient method.

The paper has proceeded from previous works on the subject and conducted a qualitative study to discern the role Asian values had in the growth and stagnation of the Four Tigers in an effort to provide a clearer picture of the case at hand towards the aim of contributing for continued development successes. Future studies should widen the case subjects in contributing to the effort made by this paper by including the second generation of Asian states that endeavor development, such as Malaysia, Indonesia and Thailand. These states were also in the epicenter of the financial crisis. Since they are seen as a generation later there were several practical reasons for them being omitted from the study. By including these states or doing similar research would contribute to heightened awareness of the issue and would contribute to the study. The three states mentioned similarly were states with Asian values and in a similar fashion the state of Malaysia, which of these states were the state with the strongest values by the time of the crisis, was affected the least of the three states. This makes the possibility for a similar study to be conducted. Future studies should control for factors that make up Asian values so as to be able to pinpoint a causal mechanism.

The study has by conducting a study on values and dogmatic teaching brushed upon sensitive and ethical matters. This has been conducted in a neutral manner without the author's personal opinions. This in a fashion to keep the paper academically unbiased and with no conflict of interest. No conflict of interest has been shown.

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