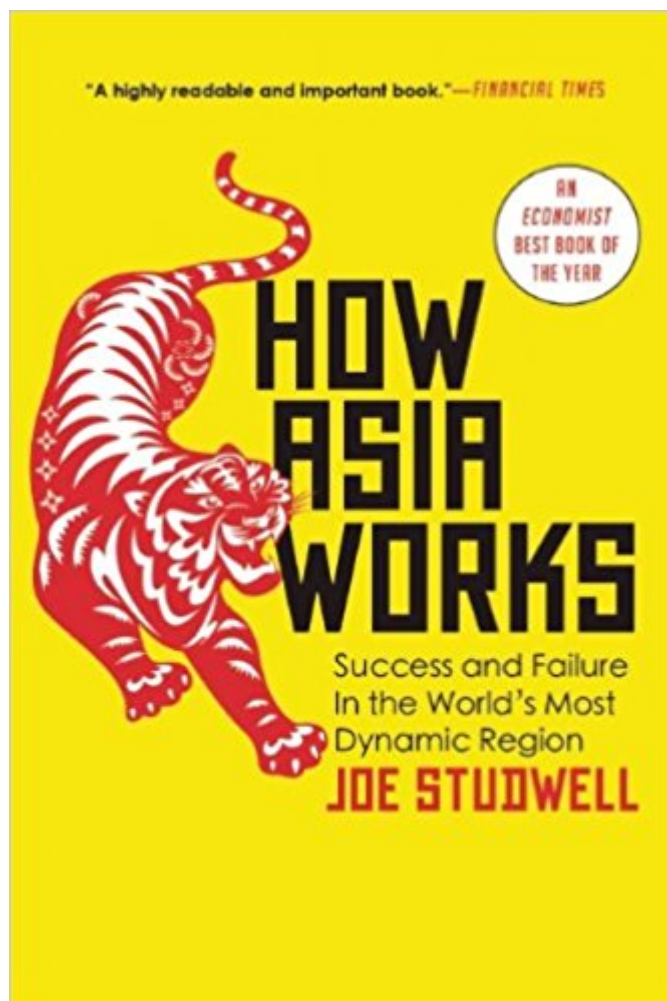


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# How Asia Works



## Synopsis

Named by Bill Gates as one of his Top 5 Books of the YearAn Economist Best Book of the YearIn the 1980s and 1990s many in the West came to believe in the myth of an East-Asian economic miracle, with countries seen as not just development prodigies but as a unified bloc, culturally and economically similar, and inexorably on the rise. In *How Asia Works*, Joe Studwell distills extensive research into the economics of nine countries—Japan, South Korea, Taiwan, Indonesia, Malaysia, Thailand, the Philippines, Vietnam, and China—into an accessible, readable narrative that debunks Western misconceptions, shows what really happened in Asia and why, and for once makes clear why some countries have boomed while others have languished. Impressive in scope, *How Asia Works* is essential reading for anyone interested in a region that will shape the future of the world.

## Book Information

Paperback: 400 pages

Publisher: Grove Press (May 20, 2014)

Language: English

ISBN-10: 0802121322

ISBN-13: 978-0802121325

Product Dimensions: 5.4 x 1.2 x 8.2 inches

Shipping Weight: 12.8 ounces (View shipping rates and policies)

Average Customer Review: 4.3 out of 5 stars 79 customer reviews

Best Sellers Rank: #50,960 in Books (See Top 100 in Books) #12 in Books > Business & Money > Economics > Comparative #94 in Books > Business & Money > International > Economics #131 in Books > Business & Money > Biography & History > Economic History

## Customer Reviews

Why have some East Asian countries been more successful in their economic development than others? Studwell (*Asian Godfathers*, 2008) argues that the answer comes down to three key sets of policy choices: land-tenure policies that support smallholder farmers, manufacturing policies that subsidize domestic industries yet demand internationally competitive results, and financial policies that support the above by resisting deregulation until it can be done safely. Countries that have done these things (Japan, South Korea, and Taiwan), he notes, have developed more robustly and consistently than those that have not (Malaysia, Thailand, Indonesia). And then there's China, the big work in progress at the center of it all. Drawing upon broad yet consistently engaging

historical analysis, as well as some deep dives into World Bank and International Monetary Fund reports, Studwell ultimately wants to dispel some pervasive illusions about the regionâ "that geography is destiny, for exampleâ "and to suggest that developing countries would do well to ignore much of the economic-development advice they currently receive from the West. --Brendan Driscoll --This text refers to the Audio CD edition.

Praise for *How Asia Works*:&#147;I found the book to be quite compelling. . . . Studwellâ 's book does a better job than anything else Iâ 've read of articulating the key role of agriculture in development. . . . A good read for anyone who wants to understand what actually determines whether a developing economy will succeed.â '•&#151;Bill Gates, &#147;Top 5 Books of the Yearâ '•&#147;Pithy, well-written and intellectually vigorous . . . Studwellâ 's thesis is bold, his arguments persuasive, and his style pugnacious. It adds up to a highly readable and important book.â '•&#151;Financial Times&#147;Provocative. &#133; *How Asia Works* is a striking and enlightening book &#133; A lively mix of scholarship, reporting and polemic.â '•&#151;The Economist"Very readable.... A fascinating and thoroughly deep account."&#151;Bloomberg Radio&#147;Gripping &#133; Readers will find Studwellâ 's informative and balanced report eye-opening.â '•&#151;Publishers Weekly&#147;Consistently engaging.â '•&#151;Booklist&#147;Studwell paints a vivid picture of business life in the region. If a copy of the Korean edition finds its way across the demilitarized zone to Pyongyang &#133; we may find we have yet another Asian Tiger in our midst.â '•&#151;Management Today&#147;A solid blend of the descriptive and the prescriptive, with plenty of lessons that will be of interest to Asia hands, investors and policymakers.â '•&#151;Kirkus Reviews&#147;Perhaps my favorite economics book of the year. Quite simply, it is the best single treatment on what in Asian industrial policy worked or did not work, full of both analysis and specific detail, and covering southeast Asia in addition to the Asian tiger &#145;winners.â '™ &#133; Definitely recommended, you will learn lots from it, and it will upset people of virtually all ideologies.â '•&#151;Tyler Cowen, *Marginal Revolution*&#147;Illuminatingâ '•&#151;Independent (UK)&#147;An interesting analysis of policy decisions that have and havenâ 't worked . . . a handy guide for anyone interested in one of the worldâ 's fastest developing regions.â '•&#151;The Economic Times (India)&#147;Studwellâ 's latest book, *How Asia Works*, is also his most ambitious. . . . Declining to make broad pronouncements or dovetail with doctrine, Studwell demonstrates that the way Asia works isnâ 't quite as simple as we ever imagined.â '•&#151;Smart Planet"A landmark work."&#151;Asia Times (Bangkok)&#147;Bold and insightful. . . . Essential reading for anyone interested in understanding

the ingredients for economic success.â •#151;The News International (Pakistan)

'How Asia Works' passes the sniff test in that it actually helps to explain current events in Asia - for example the current fun and games with the Thai government's guaranteed rice purchases, which post-date the publication of the book. The most important premise in the book is the need for land reform to fund industrialisation. By 'land reform' he means distributing land equally among farming families, by taking it off the big landowners. Land reform does not come easily: In Japan the first (and initially successful) reform was after the Meiji Restoration, and the second immediately after the Second World War. In Taiwan it followed the defeat of the Kuomintang (KMT) by the Communists in China. Initially Communist land reform in China was popular with the people, and the KMT were forced to copy it in Taiwan to achieve some popularity with the locals. In South Korea Syngman Rhee's government resisted land reform until it was nearly swept into the sea by Kim Il Sung's invasion. When the South Koreans retook Korea, they found Communist land reform was very popular with the farmers, and were forced to accept it. The ensuing agricultural boom gave these governments the cash to fund industrialisation. Studwell shows how they largely got it right, by copying the 19th Century Prussian model. (In China and North Korea the agricultural boom ended when the Communists collectivised the farms.) In South East Asia land reform never took place, probably because events were not dramatic enough to force it to happen. Consequently large landowners live very well, while ordinary farmers are very poor, and agricultural productivity is low. In describing industrialisation, Studwell compares the successful Japan/South Korea/Taiwan model of competition between state supported companies (with the creative destruction of the failure of some) and the discipline of serving export markets versus the failure to introduce competition and export discipline in South East Asia. The outcome is exemplified by Toyota/Honda/Hyundai versus Proton. The failings in South East Asia described in this book are pretty much as described in Studwell's earlier "Asian Godfathers". 'How Asia Works' attracted a fair amount of criticism here in Hong Kong for appearing to advocate financial repression (paying derisory interest rates on household savings, enforced by exchange controls) and state planning - we have a very good vantage point of this process in China, and worry about the effects - for example an uncontrolled shadow banking system and misallocation of easy credit by State Owned Enterprises. Studwell does not advocate this as a universal panacea - he points out the problems that South Korea had, and that they were lucky to get away with it - and that the system gets a country to a certain level of development, after which it is necessary to modernise - which may not always work - as in Japan. His conclusion is that South East Asia will probably never fulfil its potential, and that China

might. This book offers a helpful political-economic model for those attempting to understand Asia generally, and, most importantly, China.

This book is not well known, but is a fantastic history that explains how the political and economic policies pursued by various Asian leaders produced the remarkable growth since the Meiji restoration that has pushed certain East Asian economies to technological parity with Europe and North America. Specifically answers the question of why Japan, South Korea, Taiwan and China have moved so far so fast where the Philippines, Thailand, Malaysia and Indonesia have lagged. There are some fascinating and controversial characters that drove the economies forward to the current state of parity. This is a great book for everyone who does business in Asia to understand the industrial policies that guide much of the business tactics in East Asia. It also highlights the challenges in the future where advanced Asian economies can no longer play catch up and all the world's economies are on a level playing field. It also informs what political and economic policies contribute to robust societies and what leads to failure. Good companion to Mancur Olson's works and some relevance to the Thomas Piketty to see how extreme inequality and entrenched interests (Philippines is a great example) lead to national stagnation. Especially interesting is General Park Chung-hee, the controversial ruler of South Korea who drove the amazing surge of economic and technological growth in South Korea, but was a dictator who was assassinated by his own guards. Another interesting point was what terrible/self-interested advice Western economic advisers gave Asian leaders. The more these economists were ignored the faster the countries developed. Another ironic point was how the US forced land distribution in Japan and other places as a tool to fight communism.

This should really be called Success and Failure of Asian Economic Development Models. It's an excellent book with solid historical and economic research but with a terribly generic name. I had studied economic development in college and have always been curious about the drivers of development, but this book alone gave me more insight by far than anything I've seen before. It essentially does case studies of major economies in the region to explain why some (Japan, Korea, Taiwan) successfully developed to middle/high income status and others (Malaysia, Thailand, Indonesia) were paper tigers which revealed their true nature during the Asian financial crisis. The book doesn't seem to have gained much popularity, which I suspect is due to its heterodox historiography. It attributes the successful development of Northeast Asia to land redistribution, state directed industrial development, and tight control of financial markets, the opposite of most mainstream recommendations. It's an inconvenient truth for the deregulation pushing free-traders

that dominate the World Bank, IMF, and western free trade negotiators. There's enough meat in the historical analysis to rebut the standard critiques of state led industrialization, and I think it's crucial to read for anyone who wants to understand how China has done so well and what might be in store for other emerging economies. Highly recommended for anyone interested in how to make the world a better place.

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