Bailouts of corporations will lead to adverse consequences if there are no conditionalities attached to change current financial, operational or managerial practices to improve corporate performance or to minimize or dilute the position and power of managers and owners if failure to obtain “satisfactory” results persists. Here, the government must be able to create a credible threat.

Therefore, balancing the costs against the benefits of a bailout may signal the desirability of bailing out corporations, after considering the net loss to society due to negative externalities or spillover effects. Besides the “economic” aspect, one also needs to consider the equity aspect when assessing policy measures.

It should be noted that bailouts perceived to be conducted in a non-transparent and politicised manner, could reduce investor confidence, thereby obstructing medium- and long-term foreign direct investment inflows, adversely affecting economic potential in the medium and long term. Obviously, this calls for transparency of corporations being assisted and strong arguments, supported with evidence, for assisting these corporations.

There are numerous views of the appropriate role that the government should play when dealing with systemic crises. This will be the area of focus in the next section. Detailed legal aspects of winding-up procedures, bankruptcy proceedings and “break-up basis” liquidation are beyond the scope of the paper.

6. Appropriate Government Role and Policy For Corporate Restructuring

Due to the nature of the East Asian financial crisis (with both financial and corporate\textsuperscript{78} sectors in distress)\textsuperscript{79}, banks had to be recapitalized and restructured program while corporations had to undergo restructuring\textsuperscript{80}. It is important to keep in mind the goal of corporate restructuring, i.e., the timely and orderly\textsuperscript{81} transformation and reduction of debt
with a view to enhancing profitability, reducing leverage [which is deemed “excessive”] leading to problems of insolvency during a time of crisis], and restoring credit to viable enterprises (Stone, 1998).

This section will try to shed some light on the following question: should government (with the central bank and other government initiated agencies) or markets lead the (bank recapitalization and) corporate restructuring program? By asking this question, one does not assume ex ante that market-led approaches are unquestionably the best approach to corporate restructuring.83

Following that, I will draw some conclusions from these “debates” about the desirable type and degree of government action in various circumstances. Furthermore, I will highlight the “prerequisites” (immediate and ongoing) to ensuring the success of the “corporate restructuring” program. The success of the restructuring program is measured by the “ability” of the program to “minimize” the impact of potential systemic crises or reduce the “fragility” of the “financial sector”. The type of financial structure, corporate culture, product market, corporate governance system or framework and a confluence of other factors that emerge out of the restructuring program will influence the effectiveness of various economic agents in handling crises.87

However, there are still certain areas where there is no clear-cut answer as to what constitutes “good” corporate governance or “concrete” empirical evidence that favours any one theory. For instance, the issue of independent boards of directors and the dual roles of the chief executive officer (CEO) in affecting corporate performance are subject to tremendous debate.
Furthermore, there is argument over the proposed IMF policy measures that place greater emphasis on corporate restructuring and structural reforms in the short run which, some argue, may not be appropriate for quickening the pace of economic recovery. Acknowledging that corporate restructuring and structural reforms are important for promoting long-term growth, there is, nonetheless, contention regarding the “immediate” action for crisis management as experienced by East Asian countries. Specifically, should the government focus on macroeconomic policy management, i.e. expansionary fiscal and monetary policy, to help engineer rapid economic recovery, or should countries focus on corporate restructuring and structural reforms (as argued by the IMF and World Bank at that time) to ensure recovery? These issues will be briefly explored, in turn, below.

**Government-led or Market-led Corporate Restructuring Program**

**Distinctions Between Market-based Approach, Government-based Approach and Recapitalized Bank-based Approach of Corporate Restructuring**

Firstly, let us distinguish between the different approaches that the government can employ in corporate restructuring. There are generally three approaches to restructuring corporations, namely a market-led or market-based approach, a recapitalized bank-led approach and a government-based or government-led approach, with the first, having the least “direct” government intervention and the last approach the most.

The market-led approach aims to mainly use market forces and private interests to restore enterprise profitability and bank capital. Examples of market solutions to corporate restructuring include bankruptcies of financially insolvent corporations, voluntary restructuring, mergers and acquisitions (i.e. asset sales to foreign and domestic] investors through competitive bidding or auction), hostile takeovers by
private parties, and foreign investment inflows (to buy shares in the corporation or provide funds in a different form)\textsuperscript{94}.

The government-led approach, on the other hand, uses public resources to finance corporate restructuring. Key decisions in the corporate restructuring programme are actively made and changes led by the government or by government appointed bodies. Blaustein (2001) explains that, under a government-led approach, the government or a government agency (e.g. a centralized asset management corporation, AMC) takes over a large share of distressed assets from the banks, replacing them with government bonds or other safe assets, thereby recapitalizing the banking system. The government then tries to restructure the assets, i.e. achieve corporate restructuring (by means of voluntary or compulsory special purpose frameworks), including operational restructuring and/or changes to management.

In contrast, under the recapitalized bank-led approach, the government recapitalizes banks based on an \textit{ex ante} assessment of their losses, with the banks, in turn, taking the lead in corporate restructuring. This involves individual banks or groups of banks working out the problem debts and taking charge of operational and financial restructuring of firms,\textsuperscript{95} possibly providing working capital during restructuring.\textsuperscript{96}

\textit{Relative Strengths and Weaknesses of the Various Approaches}

As we shall see later, no one approach is foolproof, suggesting that no one approach is necessarily superior to others in all circumstances. Nevertheless, it is important to understand the various strengths and weaknesses of the above approaches in order to appreciate how each approach can be of benefit. But when deciding the appropriate corporate restructuring measure(s), it would help not to be ideologically dogmatic, but
rather to adopt a pragmatic or “contingency” approach\(^97\) (a term borrowed from management theory). The relative strengths and weaknesses of the three approaches are outlined in Appendix 2.

**Concluding Remarks**

The following evaluation of the respective pros and cons of market-led, bank-led and government-led corporate restructuring shows the benefits of adopting an eclectic approach, or mixture of approaches, when dealing with corporate distress, by recognizing the relative strengths and weaknesses of each approach.

Likewise, it is important to note that the severity of the crisis in terms of the number of finally distressed firms, the nature and magnitude of their negative externalities on the economy as a whole, the systemic impacts on the banking and payment system, the nature of information imperfections, and the legislative, political and bargaining environments will determine the *type* and *degree* of government intervention (which includes “passive” government action – facilitating or complementing the market, but not leading or supplanting it)\(^98,99\). Hence, the basis for a “one size fits all” government policy is tenuous. Nor does the fact that a crisis has occurred necessitate “direct” government intervention.

Furthermore, one must take into account cultural factors. For example cultural attitudes\(^100\) may obstruct dispute resolution, favouring non-confrontational negotiation and mediation, which is not necessarily a bad thing.\(^101\)
Circumstances Favouring Particular Approaches

Circumstances That Constrain Government Intervention

Government intervention may not be necessary when the number of troubled corporations is small and their macroeconomic importance (in terms of negative spillover or systemic effects) is limited, financial information is both sound and sufficient for “good” decision making, private funds are abundant (where the equity market environment is still buoyant to attract equity capital), banks have the expertise and resources, and both banks and corporations have incentives to restructure debt – including the credible threat of enforcement of bankruptcy laws. In this case, since there is little impediment to disrupt the function of markets, banks (and other creditors) and debtors (financially insolvent corporations) are able to resolve their financial problems privately without having to resort to “direct”, government intervention.

Circumstances That Require Government Intervention

In contrast, a comprehensive debt restructuring framework involving the government is usually needed when corporate debt problems are widespread or have major macroeconomic consequences, market failures obstruct debt restructuring, and banks are short of the capital and expertise needed to work out debt on a large scale. Among the array of government approaches that can be applied, the suitability of each approach depends on the situation at hand. Debt restructuring frameworks can be divided into four categories, which are overlapping and may be implemented simultaneously. Outlined in Appendix 3 are types of government involvement (with each category indicating when a scheme may be warranted) in ascending order of government involvement.
Concluding Remarks

Of great importance is the need for governments, and especially investors and the general public, to realize that bank recapitalization and corporate restructuring comes at a price.\textsuperscript{107} It is important to determine and clarify the amount of funds needed for alternative programs, ensuring that the burden borne by taxpayers is neither onerous nor likely to be seen as unfair besides being growth enhancing in the long run (while eschewing the short-term profitability). If restructuring programs are done in a "transparent" and "fair" manner, thereby garnering public support and averting public opposition or dissent, then the required funds can be effectively channeled to resolve bank-corporate distress without too much delay.

Similarly, it is important to have a clear picture of what one expects from the corporate restructuring program in the short and medium terms. Generally, the short run costs of corporate restructuring – in the form of slower economic growth (in terms of output and employment) – is higher than in the long run because firms are currently more focused on debt restructuring, and perhaps on firm downsizing (thereby diverting focus temporarily away from profitability and new "capital" investment). Hence, the benefits from corporate restructuring are unlikely to be significantly felt in the short term.

Instead, the benefits of corporate restructuring re more likely to be felt in the medium and long term – after corporations are refocused on their core competencies and businesses, have better balance sheets and cash flows, have fine-tuned production processes to maximize objectives (whether profit or shareholder value), and are in a generally better position to make appropriate investment decisions, and to become more resilient and competitive.
Conditions for a Comprehensive Debt Restructuring Program

The formulation of an appropriate framework is a highly complex part of comprehensive debt restructuring. Conflicts between different measures for various reform objectives and implementation problems are bound to occur. Notwithstanding the approach chosen, the government must create and maintain a stable macroeconomic environment to facilitate and ensure that the restructuring program can progress and meet its objectives as swiftly and as effectively as possible. [See also Cho and Pomerleano (2001) and Mako (2001a).] Macroeconomic stability must be ensued to provide the confidence needed for debt restructuring transactions. Stable prices, interest rates and exchange rates are needed for debtors, creditors and potential investors to have enough certainty to value and close transactions. Empirical studies show that delays in the attainment of macroeconomic stability slowed progress towards restructuring in Chile and Indonesia (Stone, 2000).

Even though stable and, preferably, lower interest rates – though this may involve certain trade-offs – are essential, according to the World Bank (2000b) they are unlikely to suffice in eliminating distress. The World Bank’s estimation of the ability of firms to meet their current interest payment obligations is given in Table 12. Caution needs be taken when interpreting these figures, as they are based on a small sample of listed firms (which presents the most complete information available). Table 13 provides a comparison of non-performing loans (NPLs) and recapitalization requirements in the four major crisis hit countries.

In addition, as mentioned above, a supporting legal, regulatory and accounting environment is a necessary condition for successful corporate restructuring. Important legal aspects of restructuring include foreclosure standards, foreign investment rules, and
merger and acquisition policies. Regulation governing debt-equity conversions and asset sales often need to be changed to make possible novel and complex restructuring transactions, as in Thailand. Financial disclosure standards should be raised to international levels and enforced to promote transparent restructuring transactions. Yet, one must be cautious when deciding when and by how much to raise these standards (in an already financially distressed and normally tight credit environment) for this could result in negative side effects or harmful secondary effects. The World Bank (2000a: 90) proposes that other measures – such as “liberalizing foreign investment rules, revamping merger and acquisition policy, opening up markets, and further tax reforms” – should be adopted.110

Corporate Governance and Institutional or Structural Reforms

Timing of Corporate Governance and Institutional Reforms111

Issues of corporate governance cannot be isolated from corporate restructuring because the two are very much related and both need to be addressed to create the basis for continued economic recovery and improve long-term economic prospects. Even though there is less debate over the necessity of implementing corporate restructuring (as defined earlier) as an “immediate” measure, as long as it is accompanied or complemented by expansionary policy112 (the specific type of policy is discussed below), there is, however, more contention over the desirability of simultaneous implementation of corporate restructuring and institutional (and corporate governance) reforms.

Specifically, there is contention as to when “stricter” explicit (or formal) and/or implicit (or informal) rules and regulations should be implemented. There has been debate over whether “orthodox” IMF policy measures— for management and for crisis
prevention or promoting sustainable long term growth – have been effective in meeting their objectives. Park (2000) argues that the strategies proposed by the IMF are neither acceptable nor justifiable.\textsuperscript{113} There are two main strands to this argument.

Firstly, though the World Bank (2000b: 7) claimed that, "assertive structural adjustment helped restore credit flows and boosted consumer and investor confidence,"\textsuperscript{114} it is unclear whether and how much financial and corporate restructuring contributed to the economic recovery of the East Asian economies. See Appendix 5 for a summary of the IMF recommended policy measures for economic recovery.

According to Park (2000), most of the serious structural problems said to be the major causes of the crises in Indonesia, Korea, Malaysia, and Thailand could not have been resolved within two years. In fact, banks are still holding – on their balance sheets – a large volume of non-performing loans and remain undercapitalized in all four countries. See Table 13 on non-performing loans and recapitalization requirements in the four crisis countries.

Consequently, if restructuring efforts cannot be credited with the 1999-2000 recovery and may not even have triggered or supported the upswing, what factors and developments were the impetus for the recovery?\textsuperscript{115} In brief, first, counter-cyclical fiscal policy clearly contributed to recovery in both Korea and Malaysia. Secondly both economies benefited from renewed electronic demand abroad.

Thirdly, it seems likely that the determined government responses in both countries improved both consumer and investor confidence,\textsuperscript{116} contributing to the positive changes in the economy. Over time, the sweeping criticisms of East Asia diminished and gradually gave way to more optimistic outlooks in some crisis economies. As the
realization that the crisis might be a temporary – rather than a permanent phenomenon – started sinking in the minds of consumers and investors, spending and investments resumed somewhat.

Park (2000: 48) also points out that “in the IMF programs, many of the institutional reforms, including the reform of government bureaucracy and the legal system, were prescribed as medium-term priorities.” Yet, at the onset of the crisis, institutional reforms were said to be critical to winning back the confidence of foreign lenders and investors in the crisis economies, and thus stabilize domestic financial markets, rather than to address the structural weaknesses of the economy over a longer period. Hence, from the start, restructuring and institutional reforms were carried out simultaneously without making any distinction between, say, a short-run priority of liquidity management and a, presumably, medium-term priority of building a strong economic foundation for the prevention of future crises, thereby interfering with the implementation of institutional reforms in two ways. First, rushed institutional reforms were often formal and superficial. Second, once recovery, market pressure to sustain the reforms faded.

Furthermore, the IMF reform programs underestimated the consequences of possible conflicts between operational restructuring of financial institutions and corporations on the one hand and institutional reforms on the other. For example, the three IMF financed countries did not carefully examine whether the planned regulatory upgrading (of loan classification, loan loss provisioning and capital adequacy at banks) could be completed within the stipulated three-year period and the extent to which this might slow the recovery process.
Corporate Governance, Agency Theory and Stewardship Theory

The (recommended) guidelines and principles proposed by the Organization for Economic Co-operation and Development (OECD) have been widely presumed to epitomize "good" corporate governance. As such, countries that adhere to these principles and guidelines are expected to be able to improve and increase (both foreign and domestic) investor confidence, which would ultimately lead to greater foreign\textsuperscript{119} and domestic investment, and greater access to capital in global markets at lower cost, thereby spurring economic growth. See Table 14 for a summary of corporate governance in Malaysia. To see the extent to which Malaysian businesses and corporations complied with the OECD governance principles, see Table 15.

However, there is little real evidence that these corporate governance principles will necessarily lead to the most optimum outcome. As Unger (1998: 24-25) notes, "there are always alternative sets of arrangements capable of meeting the same practical tests." Rodrik (2000: 14) also observes: "We need to maintain a healthy scepticism towards the idea that a specific type of institution – a particular mode of corporate governance, social security system, or labor market legislation, for example – is the only type that is compatible with a well-functioning market economy."

For instance, there appear to be no clear-cut answers as to which mechanism will induce good corporate governance or even what constitutes "good" corporate governance for that matter. For example, there is still an ongoing debate as to whether CEO "duality" (i.e., the CEO is also chair of the board) will contribute to better corporate performance. "Agency theory argues that shareholder interests require protection by separation of incumbent of roles of board chair and CEO [whereas] stewardship theory argues [that]
shareholder interests are maximized by shared incumbency of these roles” (Donaldson
and Davis, 1991: 49). As such when governments decide a framework for corporate
governance, they cannot automatically assume that agency theory is necessarily right in
expressing how the CEO’s role and powers will affect performance. [See Donaldson and
Davis (1991), Arthur et al. (1993), and Ong and Lee (2000) for some of the debates
regarding the above issues.]

Consequently, there needs to be a case-by-case review of the corporate
governance structure and framework in each country, taking into account factors such as
corporate culture and the historical evolution of corporations or firms, and how best to
bring about desired changes. Maher and Andersson (2000: 1) found that the “corporate
governance framework can impinge upon the development of equity markets, R&D and
innovative activity, entrepreneurship, and the development of an active small and medium
size enterprises (SME) sector, and thus impinge upon economic growth.”

There are numerous considerations and questions that need to be addressed, which
are, regrettably, impossible to discuss in detail here. One is how to develop corporate
governance frameworks and mechanisms that elicit socially efficient levels of investment
by all major stakeholders. Corporate governance mechanisms (and systems) also vary
by industry or sector, and type of productive activity. The effectiveness of a particular
system will be influenced by differences in legal and regulatory frameworks, historical
and cultural factors, and structure of product and factor markets.

Another important matter is how to develop a good corporate governance
framework that can secure the benefits associated with controlling shareholders acting as
direct monitors, while, at the same time, ensuring that they do not expropriate excessive
rents at the expense of other stakeholders.\textsuperscript{122} Explains Lin (1999), "while some degree of ownership concentration is vital in addressing the moral hazard problem between managers and shareholders,\textsuperscript{123} such ownership concentration should be subject to strict rules of disclosure and transparency so as to protect the interests of minority shareholders and creditors."\textsuperscript{124}

Furthermore, according to Maher and Andersson (2000: 35), "the search for good corporate governance practices should be based on an identification of what works in defined countries, and to examine the conditions for transferability of these practices to other countries. There is a need, therefore, for continued research that identifies what are the crucial improvements needed in different systems and in different situations."

Furthermore, changes in corporate governance systems entail risks, uncertainty and costs, at least in the short term.

Sensing the apparent positive correlation between "good" corporate governance and attracting foreign investments, the Malaysian government has taken pro-active measures to improve governance in corporate Malaysia in a bid to create a "premium" that will improve competitive advantage and close the "value gap"\textsuperscript{125}, impressing investment analysts. For a look at "progress" or "improvements" in corporate governance and competition in Malaysia, see Tables 16 and 17. Nonetheless, despite some much-publicized "progress", others remain unimpressed, especially with the implementation and enforcement of rules and regulations (and promoting moral suasion).\textsuperscript{126}

It is possible that the analysts' taste for "corporate blood" may be met by criminal prosecution of CEOs who have fallen from grace for political reasons, as in the case of MAS.\textsuperscript{127} Without such prosecutions, there is little confidence that most boards of directors
are willing or capable of fulfilling their duties. Earlier government "bail-outs" had confirmed doubts that the authorities were serious about the advancement of "good" corporate governance.

**Institution Building and Enhancement**

Institution building is supposed to aid in enhancing long-term growth potential in the long-term by providing the foundation or structure on which society operates. While constantly re-evaluating the feasibility of the corporate restructuring program, the government should also be contemplating the business environment it wishes to engender in the longer term with changes in institutions or creation of new ones.

One cannot assume that the existence of market institutions alone will automatically and necessarily lead to higher economic growth and development. Rodrik (2000: 13), sums up the irrelevance of deciding whether markets or governments are inherently superior to the other — "a market economy relies on a wide array of non-market institutions that perform regulatory, stabilizing, and legitimising functions. Once these institutions are accepted as part and parcel of a market-based economy, traditional dichotomies between market and state or laissez-faire and intervention begin to make less sense. These are not competing ways of organizing a society’s economic affairs; they are complementary elements that render the system sustainable. Every well-functioning market economy is a mix of state and market, laissez-faire and intervention."

It is important to note that non-market institutions are of great significance in ensuring the "proper" functioning of "perfect" markets. For Rodrik (2000: 4), "the market economy is necessarily 'embedded' in a set of non-market institutions". He adds that "not all of these institutions (system of laws and courts, police force, belief system,
government, etc.) are there to serve the needs of the market economy first and foremost, even if their presence is required by the internal logic of private property and contract enforcement. For instance, non-market institutions may produce outcomes that restrict the free play of market forces in pursuit of a larger goal, such as social stability and cohesiveness.” He mentions that, “Non-market institutions will sometimes produce outcomes that are socially undesirable, such as the use of public office for private gain.” (Rodrik, 2000: 4).

If markets are non-existent characterized by market failure or otherwise sub-optimal, then the government should substitute for the market mechanism in the short-run. However, in the long term, Rodrik (2000) argues that the government must concentrate on building up robust market institutions to build a society where efficiency, fairness, and self-reliance prevail.

**Final Concluding Remarks**

Since financial restructuring determines the allocation of current losses, the distribution of ownership and future control of the economy, “sound and proper” financial restructuring is crucial. Obviously, coming out with an appropriate and effective plan is easier said than done. However, there are numerous lessons to be learnt from past experiences of countries in crisis including the East Asian countries.¹²⁹

Enoch et al. (1999: 37) note that “one cannot specify in advance how banks [and corporations] will be handled. Decisions will depend upon the financial position and prospects of each institution. The restructuring agency is equipped with a toolbox of measures that it can use. Full diagnosis of the state of the banks [and corporations] will determine which set of tools in the box will be appropriate in each case.” To put it
differently, different tools may be appropriate in different cases. Hence, no appropriate policy response can be determined \textit{ex ante}.

Marshall (1998) points out that since a systemic crisis (which involves an externality – where individuals do not fully internalise the costs or benefits of their actions – leading to "market failure") must result in sub-optimal economic performance, government action could, lead to improved economic performance. Empirical evidence suggests that government action is invaluable in times of systemic crises (assuming appropriate policies based on accurate diagnosis and effective implementation).

In light of the extraordinary and unique circumstances facing the East Asian economies in 1997/8 including Malaysia, it was imperative for the governments to facilitate if not lead economic recovery. Government intervention may well be a key factor in initiating change\textsuperscript{130} and could stimulate growth during a systemic crisis especially in a situation characterized by market imperfections\textsuperscript{131}, through well-conceived policies and measures (bearing in mind the risks associated with government intervention). In fact, the crises have emphasized the need for appropriate, well-conceived and well-implemented policies and pre-emptive actions. Henceforth, the debate was no longer over whether government should intervene, but over how\textsuperscript{132}.

It is important to stress that this does not imply that governments are given the green light to simply intervene at will (in ways that are not welfare improving). Countries with varying degrees of political, judicial, economic and social maturity will necessarily employ different strategies, with varying degrees of government intervention deemed suitable. The key here is to find the right match or fit between "form and content" (terms employed by Gourevitch, 1993), that is, the form of government (ranging from
authoritarian to democratic systems in simplistic terms) and content of economic policy, or in this case, of the corporate restructuring program.

Moreover, the solution to the bad debt (or non-performing loan) problem cannot be an isolated policy, but should rather be a comprehensive "economic strategy", that considers macroeconomic factors. One cannot hope to have a successful corporate restructuring program without considering government macroeconomic policies – both fiscal and monetary (both very much influenced by political economy factors) – to ensure macroeconomic stability and a favourable environment for corporate restructuring, or in short, ensure to "good" "macroeconomic governance".

Furthermore, since no one approach is necessarily superior to another, there is no a priori reason to reject a "hybrid" approach – a comprehensive but eclectic approach involving the market, financial and non-financial institutions and the government – to manage a financial crisis of great breadth and depth, such as the 1997-98 Asian financial crisis. Such a "contingency approach", would offer specific solutions to particular problems depending on specific situations at hand. The efficacy of each approach is contingent on several important factors (and constraints). The appropriate role of the government will also be influenced by the phase and severity (impact) of the crisis, the laws (especially with respect to bankruptcy, anti-trust, mergers, acquisitions and takeovers), the macroeconomic, business and information environment, and the government's fiscal and financial constraints.

Hence, "a one-size fits" all approach – that may even have proved "successful" in other countries – cannot be adopted blindly or wholesale. It would be wiser to selectively adapt policies (short-term, medium term and long term) of "successful" corporate
restructuring approaches from other crisis countries that are suitable or tailored to domestic political, institutional, social and economic conditions. The need for “effective” and “timely” execution of policies and programs cannot be over-emphasized.

Lastly, to better our diagnosis of corporate governance problems and policy responses, it would be beneficial to consider the potential interrelationships between finance, economics, management and law for a more holistic and comprehensive (yet also more complex) analysis and to not assume a priori that “orthodox” principles or guidelines of corporate governance are unquestionably the best available and can be universally applied and adopted in developing countries (even if they have proved successful in developed countries). Improving corporate governance should be viewed as an evolutionary process that must change in tune with the changing economic, business, and political environment.

7. Conclusion
The 1997-98 Asian financial crisis – which is systemic in nature – reversed two decades of unprecedented and amazing economic growth in the eight High-Performing Asian Economies (HPAEs). A myriad of “internal” and “external” factors, and the cyclical nature characteristic of all capitalist economies – experienced by each East Asian economy to varying degrees – caused the crisis and affected each country to differing magnitudes since each country is characterized by a unique set of economic structures.

Various forms of government assistance and “bailouts” were carried out due to the adverse systemic nature of the crisis. The numerous arguments for and against bailouts indicate that each argument and counter-argument has its own merits. The important issue is deciding whether bailouts are indeed welfare decreasing. By comparing the relevant