Banking on neo-Confucian capitalism

By Ho Kwon Peng

It's university graduation season again and inevitably, many graduates I encounter want to become investment bankers. Why? Well, to begin with, because investment bankers reward themselves pretty well, regardless of how others are doing. Bonuses paid in London's financial district totalled £6 billion ($8.7 billion) this year, though the total losses of financial services companies were 10 times greater.

And in case you think that pay should correlate with performance, don't be naive. Last year, the CEO of a large private equity fund walked away with a US$100 million (S$499 million) bonus, though his just-listed company's share price had tanked by 37 per cent.

Nobel laureate Joseph Stiglitz recently noted that the Wall Street financial system "paid bankers to gamble. When things turned out well, they walked away with huge bonuses. When things go badly, as now, they do not share in the losses. Even if they lose their jobs, they walk away with huge sums".

To be fair to the maligned financial engineers, others also got rich during the crisis. Engineers, for instance, were paid more to finance their lifestyles, to buy inflated assets and to create its own alternative. The conventional wisdom for its future. The question is how to do this.

The globalisation of capitalism in the past half-century has resulted in two major socio-cultural variants. The dominant variant - Anglo-American capitalism - was built on very high income inequality, as the incentive for risk-taking and wealth creation and had all its flaws recently exposed.

The gilded conspiracy between Wall Street and its compliant multilateral agencies has been exposed. The dehumanising of the global economy highlighted. They have a point. But the flaws of East Asian culture do not negate the need to develop a socio-cultural alternative to the Wall Street ethos.

Indeed, they only make more urgent that East Asian thought leaders redefine their cultural values. As one observer noted, the sub-prime mortgage crisis and its aftermath have done to US leadership in financial markets what Gutenberg's bar has done to the US moral high ground in human rights.

The German President has even called for a return to what he termed "the Anglo-American or European models, but create its own alternative. The common, recurring socio-ethical tradition of East Asia is its communal, family-oriented webs of mutual obligations. This communism, if thoughtfully enhanced, nurtured and developed, replace the highly individualistic, bureaucratic ethos of Anglo-American capitalism, or the state welfare of Euro-capitalism.

No one, of course, has argued that East Asia needs to rediscover its cultural roots, but it seems that the shared sense of prosperity which is at the heart of East Asian culture.

As East Asia emerges as a major economic region, it should not simply adopt the Anglo-American or European models, but create its own alternative. The common, recurring socio-ethical tradition of East Asia is its communal, family-oriented webs of mutual obligations. This communism, if thoughtfully enhanced, nurtured and developed, replace the highly individualistic, bureaucratic ethos of Anglo-American capitalism, or the state welfare of Euro-capitalism.

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