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## Trends. Southeast Asia and the Economic Crisis: Bailing Out or Bailing In?

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Some opponents to International Monetary Fund (IMF)-directed aid for Asian countries in economic crisis contend that rich creditors to these countries are being bailed out--with most of the pain left to the middle class and the poor. As an example of the worst of capitalism, this bailing out negatively reinforces creditors' engagement in hugely risky and/or politically coerced investing and loan making by removing any significant threat of punishment for these behaviors. Thus, the IMF is increasing the probability that there will be more risky investing and loan making, more economic crises in the future. Opponents might even cite several psychological phenomena: (1) the enabling of nonadaptive behavior that is often applied to behaviors characterized as addictive or as lacking adequate impulse control; (2) the reciprocal dependence of a sadomasochistic dyad.

However, one intent of the bailing out of creditors is to keep them from bailing out of Asian economies--e.g., refusing to consider the provision of further investment, loans, and financial services. In essence, the bailing out may induce creditors to bail in. Moreover, the bailing out is certainly not as comprehensive as suggested by the IMF's opponents and is credibly dependent on IMF criteria--as President Suharto of Indonesia, the world's fourth most populous country, has recently discovered. With South Korea as an example, one should observe that international banks are rolling over loans and are participating in planning to underwrite and otherwise support bonds backed by the South Korean government. For most of these banks, partial repayment of debts from loans and services may be the "at best" consequence. The alternative would be to take total losses and economically disengage from the region. Moreover, most non-bank investors and speculators who bought into South Korean stocks and currencies are not being bailed out. (And at least in Hong Kong, some banks-- viz., Peregrine Investments Holdings, until recently the largest Asian investment bank outside of Japan--are being allowed to fail.) There are and will be many creditors being punished--especially if they cut their losses and withdraw from the South Korean economy. Yet, if they stick around long enough to let the IMF initiatives be implemented through time, they may recover some, or even all, of their initial investments. In fact, they'll be ideally suited--as will international banks--to nurture and ride the next Asian economic surge. Again bailing in, with and without bailing out, will have occurred.

When South Korea's geopolitical import, the interrelatedness of the South Korean economy to the global economy--e.g., the fate of Japanese loans to South Korea and the interrelationship of Japanese investment to the United States economy--and the many essentially positive features of the South Korean economy--e.g., infrastructures, productive capacity, savings, and a highly educated and hard-working labor force--are factored in, the IMF initiatives seem anything but an instinctive move to protect the rich and leave the poor picking up the tab. Instead, a positive reinforcement of cooperative behavior among international entities is occurring that could possibly minimize the probabilities of malignant competitive and egoistic behaviors that could increase the probability of global economic crisis.

Bailing in may not always involve so-called bail-out packages, but it will entail initiatives predicated on--as the first Deputy Secretary General of the United Nations, Louise Frechette, has stated--the need to "wrap our mind around globalization." Critics of the IMF might find more significant bones of contention by analyzing the effects of IMF aid criteria on the putative long-term goals of IMF aid--the adequate

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productivity, employment, prices, savings mobility, and benign global impact of a nation currently in crisis. (See Anjaria, S. (January 12, 1998). In South Korea, a prudent bailout. *The New York Times*, p. A20; Crossette, B. (January 13, 1998). Canadian named 1st U.N. Deputy Secretary General. *The New York Times*, <http://www.nytimes.com>; Ernulf, K.E., & Innala, S.M. (1995). Sexual bondage: A review and unobtrusive investigation. *Archives of Sexual Behavior*, 24, 631-654; Grant, B.F. (1996). Toward an alcohol treatment model: A comparison of treated and untreated respondents with DSM-IV alcohol use disorders in the general population. *Alcoholism: Clinical and Experimental Research*, 20, 372-378; Richters, J.E. (1997). The Hubble hypothesis and the developmentalist's dilemma. *Development and Psychopathology*, 9, 193-229; Sanger, D.E. (January 14, 1998). I.M.F. reports plan backfired, worsening Indonesia woes. *The New York Times*, <http://www.nytimes.com>; Seelig, B.J., & Person, E.S. (1991). A sadomasochistic transference: Its relation to distortions in the rapprochement subphase. *Journal of the American Psychoanalytic Association*, 39, 939-965.)