

**Some Western Misunderstandings Surrounding the Origin of Korean and Asian Crises,
in: Review of Asian and Pacific Studies, No 19, 2000, 21-44**

A large number of prominent economists have already voiced their opinions on the major causes of the current financial, currency and economic crisis in Asia. Yet, their arguments appear to be more strongly concentrated on the issues related to the *financial* sector, although they attempted to reflect in their hypotheses the macro-, meso- and micro-economic conditions and other *real* sector problems of the Asian victims. Sometimes, however, these 'Western-made' explanations on the origins are likely to be rather general and, consequently, do not adequately consider nation-specific differences in recent economic problems. Introducing the mainstream of theoretical explanations about the major causes of the crisis, this paper suggests some (theoretically and empirically) controversial aspects as well as less well-known (Korea-specific) additional financial and real sector problems which assist in an understanding of the origins of the crisis in the country. This study primarily examines the following important issues:

- the controversies about Krugman's 1994 hypothesis on the end of the Asian miracle and its relevance to the current Asian crisis,
- some Korea-specific economic weaknesses in the mid-1990s which made South Korea vulnerable to external shocks and stimulated rapid capital-flight, and
- the controversies surrounding the necessity of an Asian monetary mechanism as a preventive measure and the experiences in the EU.