UNDERSTANDING DEVELOPMENT:
MODERNIZATION AND CULTURAL VALUES
IN ASIA AND THE PACIFIC REGION

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There are many roads up each mountain,
and many mountains up to heaven.

- Herman Kahn

I. INTRODUCTION

The terms of reference for this paper is "to undertake a comparative study on the conditions of interaction between the process of modernization and cultural values of different societies". In this context, we are also asked to analyze "the interaction between life styles, forms of social organization, and different styles of development", and to discuss "the interrelationships between economic, social, political and spiritual aspects of a multi-dimensional and integrated approach to development". Moreover, the discussion on lessons to be drawn should be based on soundness of theory and demands of reality.

With such a broad frame of reference, we take the liberty of conceptualizing the scope of this paper to include the following sections: (1) a discussion on the usefulness of capitalist world-system perspective in understanding social change at the national level; (2) the application of the world-system perspective to analyze the development paths of Japan and China; (3) an assessment of the East Asian development experience in the light of the relationship between economic, political, and cultural (Confucianist) institutions; (4) a review of Thailand's recent development in political economy through the interplay of democracy and capitalism; and (5) a brief discussion on the integrated or unified approach to development analysis based on real and preferred styles of development in the Philippines.
II. EVOLUTION OF THEORETICAL PERSPECTIVES

During the past three decades the theoretical perspectives of development have changed in response to the changing historical reality of the development processes, the relationship between developed and developing countries, and the debate among social scientists. In this section, we shall offer a brief, though incomplete, synthesis of the evolving theoretical frameworks which provides a basis for further discussion on the nature of development.

Our overview begins with the emergence of the modernization theory in the late 1950's and early 1960's stemmed from America's new position of international hegemony and the concern to solve the problems of the poor countries. However, by the late 1960's, partly as a result of the U.S. involvement in Vietnam and the failure of modernization programs, there arose a Marxist dependency school to challenge the modernization school, which was even criticized as the apologetic of imperialism by some radical intellectuals. However, the battle between the modernization school and the dependency school had begun to subside. The debate on Third World development became less ideological and emotional. Social change theorists concentrated in developing a new perspective that could transcend the horizon of both the modernization school and the dependency school. This is the historical context in which Wallerstein's world-system perspective was born. This world-system perspective owes its theoretical heritage to the Marxist literature of development as well as to the Annales school of historical social sciences which is critical of the over-specialization in contemporary academic disciplines. In its early formulation, the world-system perspective bore traces of the dependency theory and thereby was often cited together with the dependency school. However, as the world-system perspective advanced itself, students interested in social change began to point out the crucial differences between the two perspectives as well as between them and the modernization literature in theoretical structure, research focus, and implications for action.

The focus of the modernization school is on the Third World, especially on how to promote development in the Third World while implicitly holding the First World as a model. According to the modernization school, there is something wrong within the Third World nations that makes them economically backward. For example, sociologists
have stressed the persistence of traditional values and institutions; psychologists highlighted the low achievement motivation; demographers are appalled by the population explosion; political scientists emphasized the inefficient and corrupt bureaucracies; and the economists pointed to the lack of productive investment. In this respect, we may say that the modernization school has provided an "internal explanation" of the problems of Third World development.

The modernization theory has two main parts: structural and psychological and these two do not necessarily cohere. The structural dimension of the modernization theory is a uniform, evolutionary vision of economic, social and political development along the path of the industrial First World which is based on capitalism and democracy. It is probably Rostow who gave the modernization theory its most concrete and best known form in his well-known five stages of transition. These are: traditional economies, adoption of modern technology, rapid capital accumulation and early industrialization, high industrialization with low standards of living, and the age of high consumption. The social-psychological dimension of the modernization theory explains the rise of the West by claiming that Westerners, especially Protestants, possess a high need for rationality and achievement. Therefore, a society's chance of development at least partly depends on the psychological culture of its members. One problem with this argument is that the important structural variables which determine the direction of individual motivation have not been incorporated into the analysis. Another social psychological view stipulates that contact with modern institutions produce the "modern" man, but this hypothesis does not explain why there are more modern institutions in say, Japan than Indonesia.

For the dependency school, it basically shares the same focus as that of the modernization school. The dependency theorists are also interested in promoting Third World Development; however, they challenge the theoretical paradigm of the modernization school. Instead of providing an "internal explanation," the dependency school offers an "external explanation" of Third World development. The essence of the argument is that Third World nations remain economically backward not because they have traditional values and institutions, but because they are exploited by advanced capitalistic nations. The peripheral position of the Third World nations did not occur through a natural
process of evolution; instead, it was a historical product of several centuries of colonial domination. Therefore, the present Third World nations are not undeveloped but have actually been underdeveloped by the core nations. The mechanism by which the core keeps the Third World underdeveloped is to restructure the peripheral economy, such as through one-crop export agriculture, extraction of raw materials and minerals, and destruction of domestic industries - in such a way that economic surplus can be continually transferred from the periphery to the core.

Different from both the modernization and dependency schools, the world-system perspective pays little attention to the internal/external distinction in causation of underdevelopment. Instead, it insists that the whole world should be taken as a unit of social science analysis and therefore has a much broader focus. This perspective studies not only the backward Third World peripheries but also the advanced capitalistic cores, the new socialist states, as well as the rise, the development and the future of the entire capitalistic world-economy.

This calling to study the entire world-system is a result of Wallerstein's theoretical heritage and historical method. He perceives social reality as in a dynamic state of flux. He points out that "we seek to capture a moving reality in our terminology. We thereby tend to forget that the reality changes as we encapsulate it, and by virtue of that fact." In order to capture this ever-changing reality, Wallerstein suggests a study of "provisional long-run, large-scale wholes within which concepts have meanings. These wholes must have some claim to relative space-time autonomy and integrity... I would call such wholes 'historical system'... It is a system which has a history, that is, it has a genesis, a historical development, and a close (a destruction, a disintegration, a transformation)."

The world-system approach can be illustrated with an example from Hawaii. The state of Hawaii is a number of tiny islands located in the middle of the Pacific Ocean, and Hawaiian residents are said to have a mentality of localism, paying little attention to what happens elsewhere. From a world-system perspective, however, this Hawaiian localism is a myth. Being a part of the capitalist world-system, the state is bound to be influenced by world events. For example, the Middle East conflict situation in the 1980s has affected local economy in at least two ways. On one hand, the Middle East hostility has frightened the tourists away from Europe, leading some of them to Hawaii instead. On the other hand,
as one of the important U.S. military bases, Hawaii benefits by having more spending from the marines on their way to the Middle East. Therefore, the Middle East conflict has contributed to the growth in local tourism and service industries.

The world-system perspective is not only helpful to understand national development, it also sheds new light on many long-standing sociological phenomenon such as class relations. From its perspective, classes not only struggle within a nation-state but can generate conflict in a world-wide context. In this light, we can explain why segments of the American working class is fighting a losing battle with the transnational corporations, when the latter are both relocating their manufacturing industries to the Third World and employing cheap illegal immigrant labor from Central America. Once we assume that the unit of analysis is the world-system and not the state or the people, then much changes is the outcome of the analysis. More specifically, we shift from a concern with the attributive characteristics of states to concern with the relational characteristics of the states. We shift from seeing classes and other status groups within a state to seeing them as groups within a world-economy.

Comparative Theoretical Structure. With the foregoing introductory remarks, what follows is a comparative analysis of the modernization, dependency and world-system perspectives in terms of their broad theoretical orientations. The emphasis is on the world-system research focus which may have value towards further understanding the social change theory construction. The view is not to call for replacement of the modernization theory entirely, but rather rethinking of some existing beliefs and practices in light of newly discovered dimensions of social change at the global, national and sub-national levels.

The classical version of the modernization school has an essentially polar theoretical structure: the modern society vs traditional society. The Western nations are modern, while the Third World nations are traditional. All versions of modernization theory are meliorative, admitting the possibility of accelerated positive change through such diffusion devices as foreign aid, technological transfer, reform of legal and economic institutions, psychological manipulation to promote universalistic, achievement orientations, or some combination of these.
The growth of the modernization is in part due to Parsons' elaborate reconstruction of the classic nineteenth-century tradition, based on the works of Weber and Durkheim. Increased "rationality" is defined as movement towards modernity or progress. To this we may add Weber's cultural analysis of motivational underpinnings of capitalism, as illustrated in his well-known discourse on the Protestant ethic and spirit of capitalism. For Parsons, certain patterns of values and norms are necessary if economic, social and political progress towards the Western model is to be achieved. For example, "particularism" has to be replaced by "universalism" and achievement should be replaced by ascription in order to generate progressive change. In addition, Durkheim's thesis of increasing functional differentiation as the key process in the development of industrial society is also central to the Parsonian version of modernization.

The modernization school also takes into account Durkheim's concern over the disruptive or disequilibrating consequences of industrialization. Preservation of the "organic unity" of society in the face of fundamental structural changes was a major problem facing European societies undergoing industrialization in earlier times. Modernization theorists saw the same problems in the Third World. As "modern" values and norms are diffused into the social life, the traditional orientations in some aspects are threatened. More importantly, the normative consensus of the society is undermined. Therefore, the idealistic side of the modernization school provides a road map of sociocultural preconditions for development.

Durkheim offered a diagnosis of the problems that traditional societies are likely to encounter en route to being modern. Consequently, the developmental strategy would be for Third World countries and those who would assist them to find ways to inculcate values and norms of Western capitalistic countries without being overwhelmed by conflicts resulting from such drastic value change.

The impact of the modernization perspective has been very substantial on national development planning in many Third World countries as well as on the developmental assistance work of international agencies, including various bodies of the United Nations. However, with changing historical realities during the last three decades and with the growing interest in comparative analysis, a number of critiques of the modernization approach have been raised. One particular issue has to do with the possibility that twentieth-century patterns of development might take forms that are
distinctly different from earlier ones, thus raising important questions on both the meaning of development and the possibility of multilinear development path. This criticism objects to the tendency to use an idealized version of the contemporary Western society as a developmental goal, especially when the Western societies are changing themselves. In the same vein, the promotion of the capitalism-democracy model fashioned after the Western or U.S. experience creates the impression of excessive ethnocentrism since variations from the Western model are seen as deviations to be corrected. This raises on what to do with the distinctive cultures of the Third World which seem to stand in the way of the modernization process?

While the modernization school allows for conflicts and tensions during the uneven process of development, theoretically there has been inadequate analysis of the various actors (different groups and classes) involved in the struggle. More specifically, modernization theorists tend to see conflicts in terms of adjustments, rather than as long-term consequences both for the society and the various groups therein. Finally, there is little room in the modernization approach for dealing with the world political-economy. We cannot overlook the importance of external influences on social change within a society or nation. The diffusion of modern ideas and values from outside of the society is a principle means of breaking out of an internally consistent traditional social structure. The modernization perspective does not take into account that there may be real conflict of interests between developing and developed countries. Of equal importance is the idea that the problems and possibilities of development are partly dependent on a nation's position in a larger system of interrelations among nations. For countries with recent colonial pasts, it is difficult to accept this neglect as an abstraction since it constitutes the most salient feature of their history, and partly explains some of their problems.

The dependency school also has an essentially polar theoretical structure: the core vs. the periphery? The largely Western developed nations are the core, while the Third World nations are the periphery. The argument here is that the core exploits the periphery for its own interests. The historical experience of colonialism and the removal of surplus from the periphery have led to the peripheral underdevelopment - a process that has been known as the "development of underdevelopment". With the core domination, there is little chance for the periphery to
have autonomous development. Consequently, the dependency theorists are generally pessimistic about the future of the Third World; it will always fall behind the core, leading to the widening of world inequalities.

In the theoretical paradigm of the dependency school, international political economy assumes a central role. Struggle among local classes and other interest groups is conditioned by the Third World country's relation to the advanced industrial nations of the "core". Therefore, foreign actors are inextricably involved in class struggles and alliances within countries on the "periphery". Instead of assuming contact between the core and periphery would lead to more rapid development, the dependency school feels that external linkage produces retrogression in the Third World. In other words, ties with developed nations are the problem, not the solution. For this and other reasons, the path followed by the developed nations could not be followed by the developing nations. Having climbed the ladder of industrialization and developed strong state aparatuses, the First World is now in the position to exploit and prevent the Third World to rise in a similar way. It is argued that the principle obstacle to change at the local level is not irrational attachment to traditional values, but the very rational attempts by local elites and their foreign allies to defend their own interests.

Theoretically, the dependency theorists built their thesis around historical case studies that included an integrated examination of local and international actors. At both local and international levels, the emphasis is on interests (wealth, power, prestige) rather than values and norms, economic and political institutions rather than cultural patterns. As a result, the dependency school highlighted the value of comparative historical studies which, as a reorientation of scholarship, helped to lay the ground work for the world-system perspective.

The world-system perspective has a theoretical perspective that is different from the modernization and dependency schools. Instead of the tradition-modern or core-periphery structure, Wallerstein's capitalist world-system has three layers: the core (Western industrial nations), the periphery (non-industrial Third World nations) and the semi-periphery, those nations in between the core and the periphery and exhibit characteristics of both.

The semi-periphery can only be defined relationally. To the core, it may be just a periphery; but to a periphery, the semi-periphery acts like a core and exercises domination over it. The formulation of the
semi-periphery concept is a theoretical breakthrough because it enables researchers to examine the complexity and changing nature of the capitalist world-system. This three-tier model allows us to entertain the possibilities of upward mobility as well as downward mobility. With this model, the world-system perspective is thus capable of studying the changing locations of the state in relation to the contradictions and crises that are built into the working of the capitalist world-system. Therefore, Wallerstein's three-tiered model is able to avoid the deterministic statement of the dependency school: a periphery is bound to have underdevelopment and that countries in the core cannot fall from grace short of armed struggle. The world-system perspective no longer needs to define away the path of "genuine development" in Third World peripheries. Instead, it can help ask interesting questions such as why a few East Asian nations are able to transcend their peripheral status and successfully industrialize in the late twentieth-century.

In addition, Wallerstein's perspective specifies the historical dynamics of the capitalist world-economy which is seen as self-developing through secular trends of incorporation, commercialisation of agriculture, industrialization, and proletarianization. Incorporation refers to the process of outward expansion of the capitalist world-system such that new geographical areas are gradually added to it. As soon as a particular area is incorporated, the process of intensification of capitalist relations begins by transforming its countryside into cash-crop agriculture, by processing raw materials into semi-finished products for the core states, and by propelling the direct producers to sell their labor for livelihood.

Alongside these secular trends, the capitalist world-economy develops cyclical rhythms of expansion and stagnation as a result of the imbalance between world effective demand and supply of goods. When supply outpaces demand, factories have to be closed and the workers layed off. The world economy is then turned into the B-phase of economic stagnation. During this downward phase, the core has weakened its controls over the periphery, giving the periphery a chance to have autonomous and catch up with the core. The B-phase, therefore, serves as a period of redistribution of world surplus from the core to the periphery. However, after a period of recession, core production revives as a result of increasing demand from the developing periphery and technological advancement. When world demand outstrips supply, this would start another upward A-phase of
economic expansion. During the economic boom, the core tries to regain its power and tighten its controls over the periphery in order to dominate the world market. However, the economic boom cannot last forever and will finally lead to over-production. What Wallerstein calls the A-phase of expansion and the B-phase of stagnation seem to have occurred in cycles of 40-55 years. At every occurrence of this upward and downward phase in the world-economy, it provides an opportunity for the periphery to catch up or for the core to fall behind, thus raising the world-economy to a new phase of development. This is a dynamic model, since nation-states are always in the process of transforming to either the core or the periphery at the next state of cyclical development.

In passing, it may be noted that the modernization in the 1950s tended to narrowly focus on the A-phase of expansion, thus optimistically predicting that the world-economy would get better and better. On the other hand, the dependency school in the late 1960s seemed to concentrate on the study of the B-phase of stagnation, predicting that the world economy would get worse and worse. The reality, however, is the existence of both expansion and stagnation, occurring cyclically as the capitalist world-economy developed. The key is to examine the various turning points in which nation-states have a greater opportunity to shift their positions.

For the modernization school, the solution to Third World Problems is to develop more linkages between the modernized Western nations and the traditional Third World nations. The dependency school points out that close linkages with the core is the cause of peripheral underdevelopment. As a result, core linkages should be weakened or eliminated before the Third World nations can attain autonomous development. To be rid of core linkages, there needs a socialist revolution which promotes the self-reliance model.

For the world-system perspective, however, there is no fixed generalized solution to Third World development. There is no prescribed doses because participation in the capitalist world-economy has both beneficial and harmful consequences for Third World nations. Each nation has a chance to climb upward to the core status, and each has a possibility to move downward to the peripheral status. Since there is no fixed pattern, the world-system perspective calls for concrete study of the history of each specific case and comparative analysis before making any high-level generalization. In this light, the world-system perspective is only a perspective, a way of asking new research questions and looking into
new research agenda, rather than a theory in which there is well-formulated hypotheses and tested generalizations. As such, what are some of the research steps in conducting a world-system analysis?

First, we need to examine the nature of world-system dynamics in the historical period under study. Is this period the upward or the downward phase of the capitalist world-economy? Is there a hegemonic superpower in which one single core state dominates the other core states such as U.S. in the 1950s and 1960s? Or are there multiple core states competing with each other for hegemonic domination such as U.S., Soviet Union and Japan in the 1980s? Are there not one but several peripheral nations competing with one another to attract foreign investment and foreign aid? While core competitions may provide more bargaining power for a periphery to develop, periphery competitions on the other hand serve to enhance the control of the core states. These world-system dynamics are very important in examining the issues of Third World development as well as the continuing change in the "developed" nations, although they are usually neglected by both the modernization and dependency schools.

Since these world-system dynamics only help to define the external constructural constraints on development, the specific path of development for any particular nation-state depends very much on reactions from the domestic class and state relationships. It is the people, the social classes and other groups (ethnic, religious) and the nation-state that attempt to modify or transcend these world-system constraints. And it is through the process of doing so that history is made and the path of national development paved.

Therefore, another research step for the world-system analysis is to examine the constant interaction among the major institutions in a nation-state - classes, status groups, households and the states - with the world-system dynamics. Going beyond the conventional Marxists who see class analysis as the primary force of history, the world-system perspective views these major institutions being dependent and coterminous existences; far from being segregated and separable, they are often intertwined in complex and perhaps contradictory ways. To take the institution of the states, for example, Wallerstein points out that "classes, ethnic/national groups, and households are defined by the state, through the state, in relation to the state, and in turn create the state, and transform the state. It is a structured maelstrom of constant movement, whose parameters are measurable through repetitive regularities, while the detailed constellations are always unique".
The dynamic historical approach enables the conceptualization of social class in the process of perpetual re-creation and therefore of constant change in form and composition in the capitalist world-economy. In other words, classes do not have permanent reality. Rather, they are formed, they consolidate themselves, they disintegrate or disaggregate, and they are re-formed: it is a process of constant movement. An example from the Taiwan case illustrates the processual concept of class which may be applicable to other national groups. The Taiwan farmers suddenly became very nationalistic in 1988. This was because the Taiwan farmers experienced problems in selling their products after the Taiwan state had allowed the cheap American grains into the local market. Consequently, the Taiwanese farmers not only blame their state for opening the domestic market, they also blame the Americans for selling their products in Taiwan. This anti-Americanism served to unite the Taiwan farmers, leading to a public protest. Violence broke out as the Government tried to stop the anti-American demonstration by the farmers. In this example, we can see that class conflict (between farmers in Taiwan and in the U.S.) can easily be channelled into national conflict (anti-Americanism) and state conflict (farmers against the state in Taiwan).

Two of the criticisms of the world-system perspective concern the issue of class analysis and the issue of passive periphery. Some critics say that class relations are not placed within the context of exploitation at the point of production but rather in the total flow of surplus in the world market. The purpose of class struggle is not the elimination of exploitation but is conceptualized as an effort by each class to capture a greater portion of world surplus, and such an approach betrays the essential Marxist conception of social classes. While admitting the need to strengthen class analysis in the world-system approach, we should mention again one major source of disagreement that lies in the different conceptions of social class. For Wallerstein, social class is not an attribute but is always a set of changing relations with other classes in certain historical context, and thus cannot be defined narrowly in the production sphere. In other words, the theoretical critics tend to take a strict political economy approach to social class which are economic relationships defined at the production level with respect to surplus appropriation. Although this conceptualization is to a certain extent correct, the argument can also be made that it does not include the multi-facets of class relations in the capitalistic world-system,
which sees class also as a social and cultural formation, arising from processes that can only be studied as they work themselves out over a considerable historical period.

Then there is the criticism that the world-system approach exaggerates the power of the capitalist world-system to such an extent that the world-system dynamics can determine the pattern of local development regardless of domestic class relations. Consequently, we may develop a picture of a world so determined by capitalism, particularly by those who control the core capitalist states, that it leads to fatalism since it is difficult to see how any part of such a tightly-knit system can possibly break away.

It is true that the world-system theorists sometimes over-emphasize the impacts of the capitalist world-system on local development. Therefore, if we want to strengthen the world-system perspective, we need to recognize that, given the same world-system dynamics, there are indeed many different forms of capitalist penetration into many different pre-existing class structures and they may appear on the national-local scenes with different shapes and intensities. Consequently, there may well be a variety of forms and paths of national-local styles of development. The question is not whether world-system dynamics are more important than local forces or vice versa; obviously both are important. Rather, it is more fruitful to ask how these two forces interact with each and lead to a particular pattern of national-local development. In this way, we may better understand the process of social change and development more comprehensively. In the following section, we shall briefly illustrate how world-system dynamics interact with domestic institutions and the state to produce a path or style of development in the case of Japan and China.

III. JAPAN AND CHINA FROM WORLD-SYSTEM PERSPECTIVE

It has often been pointed out that there is a "Japanese miracle". From the 1960s to the early 1970s, the annual growth rate of Japan's GNP was consistently 10 per cent or more. By the late 1970s, many Japanese industries such as steel, automobile and electronics were already more advanced than their American counterparts. In the mid-1980s, Japan has become the second highest per capita GNP of the world, and may well overtake U.S. in a decade or two.
Japan. In his well-known study entitled Japan as the Number 1, Vogel stresses three major factors in explaining the economic miracle of Japan, all of which are from the modernization perspective. First, Vogel points to the role of Japanese state. Unlike the U.S. state managers who cannot develop far-sighted economic policies because of electoral pressures, the Japanese state has instituted a stable and capable Ministry of International Trade and Industry (MITI). Staffed by the most qualified economic planners and shielded from electoral politics, the MITI is instrumental in formulating many long-range developmental strategies that have moved Japan into a developed nation in the "core".

The second factor is the Zaibatsu - the giant Japanese corporations which interlock with one another. Zaibatsu associations represent big business and are moved by broader goals than simply the interest of big business; it works closely with the MITI in developing long-range planning for the Japanese economy. This harmonious business-state relationship in Japan is again different from that in the U.S., which has anti-trust laws working against America's giant corporations.

The third factor is the well-known company loyalty among the Japanese workers. Unlike the American workers who are occupationally mobile, the Japanese workers have developed a strong company loyalty, are highly committed to their work, and usually intend to work for their Zaibatsu for life. In turn, the Zaibatsu has developed a paternalistic management style which takes care of the workers in terms of job security, decent wages and excellent fringe benefits, and the promotion of management - labor harmony. Paternalistic management extends from the workplace to the community, therefore the company takes care of subsidized housing, supports neighbourhood schools, and promotes the social life of the workers' families. Since workers have job security, the unions seldom object to the introduction of new technology. Without labor problems, the Zaibatsu can fully concentrate on technological innovation, in capturing new markets and in enhancing organizational efficiency. The productively of the Japanese labor is well-known.

In short, Vogel argues that the autonomous Japanese state, the harmonious Zaibatsu - MITI relationship, and the ethic of company loyalty explain the rise of Japan as number one in the world. These explanations are within the confines of the modernization school because the causal factors are basically "internal" to the nation. From the world-system perspective, such explanations are valid but insufficient. We may go
further and ask why these factors have appeared in Japan in the first place. Why is the Japanese state autonomous and actively promoting the economy? Why is there a harmonious relationship between the Japanese state and the Zaibatsu? And why has the Zaibatsu adopted paternalism towards the Japanese workers? To put it differently, if we want to explain the origins of Japan's rapid development, we should examine the history of Japan in the context of the capitalist world-economy and study the interaction between the Japanese state/classes and the world-economy. In this light, it can be argued that Japan has gone through two different phases of development: before and after World War II.

In the early nineteenth-century, Japan adopted a closed door policy. Isolated from the rest of the world, Japan was an "external area" of the capitalist world-economy. Japan was also a feudal society at that time, with the emperor at the top, followed by daimyo, samurai, peasant and artisan; and the merchant was at the bottom of the social ladder. In order to ensure stability, there was a strict caste system and the society was stratified with minimum social mobility.

However, the threat of colonialism appeared in the mid nineteenth-century. After the Industrial Revolution in Western Europe, the core nations turned their attention to East Asia for raw materials, market, and labor. When the Europeans first arrived in East Asia in the 1930s, they were much more interested in China than in Japan which was small and possessed little resources. Consequently, the Europeans concentrated on opening China. After Great Britain took the lead in starting the Opium War in the late 1830s, other nations soon followed in imposing unequal treaties on China.

What happened to China had a profound impact on Japan in terms of negative demonstration effect. A sense of urgency quickly spread in the Japanese society: Japan must modernize as quickly as possible, or she would be doomed to follow the path of China. Many Japanese saw the late nineteenth-century as the last opportunity to modernize so as to escape the fate of colonialism. This sense of urgency helps to explain the fast transition from feudalism to monopoly capitalism in Japan in that a keener sense of nationalism quickly developed. The Japanese state simply took over the task of economic modernization during the Meiji Restoration.

Instead of waiting for a long time for the industrial bourgeois class to mature, the Japanese state managers acted as if they were the bourgeoisie. The state taxed the peasantry heavily in order to secure resources for
indigenous capital formation; it engaged in long-term economic planning and started a series of large-scale projects to build up the infrastructure; it imported advanced technology from abroad and set up trade protections to shelter the new industries, and the state actively promoted key textile, silk and defense industries. The state managers frequently ventured into new industries. When the factories become profitable later on, the state would sell them at low cost to wealthy businessmen. In this way, it was the state which subsidized business by engaging in risky capital accumulation.

The active state promotion helps to explain not only why Japan could quickly be turned into an industrial nation in a few decades, but also why Japan could skip the phase of competitive capitalism and jump right into monopoly capitalism. The large-scale factory production in Japan had its origin not in small industries but in state-subsidized enterprises. The private sector simply took over from the state large-scale enterprises and formed the Zaibatsu. In this respect, Japanese big business had developed a cordial relationship with the state from the very beginning.

This "quick transition" also explains the carry-over of old feudal values such as hierarchy, loyalty and submissiveness into industrial capitalism. As the cultural lag theory points out, it may take a few generations before old cultural values are completely wiped out. Since Japan had industrialized so rapidly, its feudal values had not yet been largely displaced by Western values such as individualism, impersonality and self-orientation. The Japanese Zaibatsu simply made the best use of the old values and blended them with the new industrial institutions. It was often a matter of transferring groups of peasants used to cooperation in rice cultivation into factories where they learn to cooperate in a new environment. Instead of invoking loyalty to the community, the Zaibatsu asked the factory workers to be loyal to the companies and rewarded them in return.4

With the development of national industries, Japan felt the constraints of its small territory, tiny international market and poor resources. Further industrialization drove Japan to turn to its weak neighbors for territorial expansion. Consequently, Taiwan, Korea and Manchuria became Japan's colonies which further speeded up the rate of Japanese industrialization since Manchuria offered minerals, Taiwan contributed agricultural products, and Korea provided cheap labor. Starting in the early twentieth-century, Japan began to allocate its industries to the new colonies in order to fully utilize their manpower and resources.
The possession of new colonies had also facilitated the development of paternalistic, corporate model in Japan in the following ways. First, the large profits earned in the colonies had greatly enriched the Zaibatsu. The Zaibatsu was so wealthy that it could afford to pay high wages to pacify the workers. Secondly, colonial production and colonial markets had also stimulated Japanese industrialization, leading to a labor shortage. Therefore, the Zaibatsu gave out high wages and fringe benefits, developed the practice of life-long employment, and used the feudal value of loyalty to cultivate worker's commitment to the company.

Moreover, the "lateness" in the modernization process gave the Zaibatsu a chance to witness the harmful consequences of capital and labor class struggle in Western Europe. Since workers' protest could disrupt production and workers' alienation could lower productivity, the Zaibatsu wanted to avoid the intensification of class struggle in Japan. On one hand, the Zaibatsu suppressed labor agitation through pre-emption and police repression. On the other hand, the Zaibatsu established a paternalistic model of management emphasizing workers' welfare. In addition, only Japanese workers received paternalistic treatments from the Zaibatsu but not other nationals. In fact, the Zaibatsu had developed an ethnic division of labor: the more skillful jobs were reserved for Japanese workers.

The urge of territorial expansion led to militarism and World War II. Japan emerged from the War greatly weakened: its economy paralyzed and a large part of its cities destroyed. The next interesting question is why Japan was able to get back on its feet and in the short period of three decades has become an industrial giant challenging the U.S.

The history of post-war Japan was very much influenced by U.S. policy. As a victor nation, the U.S. at first had formulated the following policies to control Japan. First, the U.S. wanted to disband the Japanese military and put it under American supervision. Secondly, the U.S. tried to set up a pluralistic, democratic government in Japan, partly to prevent the revival of militarism. Third, the U.S. wanted to alter the power structure in Rural Japan. America was afraid of the large landlords who strongly supported the policy of military expansion. Consequently, the U.S. had imposed a land reform by redistributing land ownership from the hands of the landlords to the small peasants. This land reform policy was highly successful, leading to rising agricultural productivity and
releasing surplus countryside labor to cities. Fourth, hoping to get rid of Zaibatsu power, the U.S. planned to dissolve the giant corporations into smaller ones. Finally, the U.S. wanted to take advantage of the developing Japanese market.

These were the policies that the U.S. government intended to implement in the late 1940s. But the political events in East Asia rather suddenly made the U.S. alter its strategy. The communist revolution in China in 1949 quickly spread to Korea, leading to the Korean War in the early 1950s. The Japanese labor, too, had become restless and rose up in strikes and demonstrations. If this trend had continued, the communist movement could have spread to other nations in East Asia. Therefore, the U.S. reckoned that there must be a strong state in East Asia to deter the spread of communism.

Thereafter, the U.S. had reversed its policy toward Japan. Instead of a weak Japan, the U.S. wanted to build a strong Japanese state and a robust economy so as to tie Japan into its East Asian strategy. This American relationship had served to define the Japanese path of development in the capitalist world-economy since the 1950s.

Based on the foregoing considerations, the U.S. had instituted the following new policies in the late 1950s. First, the U.S. concentrated less on promoting democracy and popular participation than on building a strong, autonomous, bureaucratic state in Japan. The U.S. wanted a strong Japanese state that could get the economy back on its feet, repress labor unrest, and hold back the spread of communism in East Asia.

Second, the U.S. decided not to break up the Zaibatsu. Instead, there was an effort to strengthen the Zaibatsu and the right wing conservative forces in such a way that they could effectively suppress labor unrest in Japan. Also the U.S. encouraged the revival of a corporate structure that could accommodate and legitimate labor through company loyalty.

Third, instead of anti-industry, the U.S. actively promoted the industrialization of Japan, including allowing Japan to gain access to the latest Western technology in favorable terms. Between 1950 and 1978, the U.S. and Japan signed some 32,000 technology-export contracts, which greatly strengthened the material and economic base of Japan. Moreover, the U.S. military procurement policy during the Korean War also helped to stimulate the Japanese economy. Overnight Japan became the arsenal of the U.S. Far Eastern machine, and its Toyota company was selling a large number of jeeps and trucks to the American military. As a result
of this interlocking of the U.S. Defense Department and the Japanese Zaibatsu, there was a rapid expansion of heavy and chemical industries, forming a huge network of industrial complex around Tokyo, Osaka, and Nagoya.

Fourth, the U.S. wanted to turn Japan into a market of U.S. agricultural products. This was because Japan did not have food self-sufficiency and must rely on outside imports. The U.S. strategy was to export agricultural products to Japan while allowing Japanese imports into the U.S. market. There was an arrangement of unequal exchange, as the higher-priced Japanese manufactured products were used to exchange with the relatively lower-priced American agricultural products. Consequently, over the past two decades Japan had developed a trade surplus with the U.S.

Once Japan started an export industrialization drive, the efficient Zaibatsu aimed not just to capture a good share of the US consumer market, but also the European market, the Asian market, as well as other markets in the world-economy. Since the 1970s, the Japanese Zaibatsu has advanced from heavy industries such as steel and automobiles to high-tech, knowledge intensive industries, excelling in computer chips, semi-conductor, and integrated circuits production. The Japanese television, stereo and camera products have become superior to similar U.S. products. As such, Japan has quickly become the number one export nation of the world.

With expanding overseas markets and increasing productivity, real wages for the Japanese workers are also on the rise. The Japanese consumers, with a size of over 110 million, have formed a huge domestic market for Japanese industries. But the Japanese market has been restrictive to foreign imports. Tight import controls until recently had prevented foreign corporations from penetrating the Japanese distribution and retailing sector, leaving space for development of a large number of small and medium domestic enterprises.

Japan's next stage of economic expansion was one of capital export. What is the use of earning huge trade surpluses from industrial exports if it is not used for capital investment? The Zaibatsu therefore started overseas investments since the late 1960s in Southeast Asia in order to secure control of raw materials, minerals, and gas. In the 1970s, the Zaibatsu was heavily involved in promoting large-scale financial projects in East Asia, such as constructing a metro-rail subway in Hong Kong. In the 1980s, the Japanese overseas investments have gone beyond East Asia.
The Zaibatsu is buying out hotel chains, luxurious homes, office complexes, and bonds in the U.S., Canada, and Australia. For example, in 1987 Japan had a trade surplus of $96 billion and its net purchases of foreign securities amounted to $88 billion, up from $4 billion in 1980. The largest portion of the outflow used to go into U.S. treasury securities, but increasingly the Japanese are buying other foreign stocks and bonds.

What we see in the 1980s is the core competition between Japan and the U.S. Competition in the world economy is like a long-distance race, in which U.S. has remained out front for three decades but has other countries gaining on it. This core competition can be observed in both the political and the economic arena.

Militarily, Japan is a junior partner of the U.S. The U.S. has a military base in Japan and Japan is "protected" by the U.S. under the Security Treaty. Japan's foreign policy is still considerably influenced by that of the U.S. However, as Japan becomes more involved in global affairs in the late 1980s, there is evidence that Japan has emerged as a superpower. For example, Japan unveiled a $50 billion foreign aid package to Third World nations in 1988, thus making Japan the world's largest donor. Moreover, Japan is more and more active on the political front, lifting its self-imposed limit of spending of no more than one per cent of its GNP on defense, offering to mediate a Vietnamese withdrawal from Kampuchea, becoming a member of the UN peacekeeping operation in Afghanistan, and heading the World Health Organization.

Economically, the competition between Japan and U.S. has led to greater tension and conflict. This can be seen through the trade friction of the two countries. By 1986, the U.S. trade deficit with Japan rose to $58 billion, more than six times the U.S. trade deficit in 1980, for an average increase of 35 per cent a year. Since many American industries can no longer compete with Japan, it set up trade barriers such as increased tariffs and quotas as well as pressuring Japan to open its domestic market more liberally to American products. In response to U.S. pressure and its own long-term interest, Japan has steadily changed its economic policy in the late 1980s, advocating for more market opening, increased imports, continuing financial liberalization, and expanded domestic consumption which already has a significant impact on the Japanese life style.
Since the U.S. wants to protect its own market on one hand and open the Japanese market on the other, it is difficult for these two policies to succeed at the same time. The compromise development is that the Japanese Zaibatsu is encouraged to invest its manufacturing industries in the U.S.; this will generate more employment for the American workers while the Japanese goods produced in the U.S. can avoid import restrictions. Many major Zaibatsus such as Honda, Sanyo, Mazda, and Hitachi have found this arrangement attractive and thus invested in the U.S. accordingly. Japan's MITI estimates that the Japanese companies has employed 250,000 workers in the U.S. in 1988, and Japanese investment will create another 840,000 jobs over the next decade.

At the risk of over-simplification, the above discussion attempts to illustrate that the world-system perspective helps to explain the pattern of Japan's development over the past two centuries. We tried to show that it was the external threat of colonialism that propelled a quick transition from feudalism to Zaibatsu monopoly, and that it was the communist revolution in China that influenced the U.S. promotion of a strong Japanese State and a robust economy in the post-World War II era. In so doing, we briefly described the interaction between the institutions of economy, polity, and a part of the traditional value system of Japan in its unique path of modernization or style of development. Since the emphasis here is on the application of the world-system, we have not extended our discussion to the changing life styles of the Japanese although the broad outlines of which is familiar. This is where micro-level studies of social change is valuable to analyze the internal dynamics.

China. In a review article, Anthony Jones points out that there are three general types of models of socialist development. The first is the "political economy model", which postulates that while socialist states have public ownership of productive property, their state bureaucracies have become parasitic and have developed interests which are opposite that of the working class. Emphasizing the role of bureaucracy, this model tends to characterize socialist states as bureaucratic state capitalism, bureaucratic state socialism, or degenerate worker's state. The second type is called the "political model", which concentrates solely on the political system rather than on the relationship between the political and the economic institutions. This model characterizes socialist states as totalitarian states, possessing general features such as exclusive
official ideology, the use of terror, and one-party dictatorship. The third type has been described by Jones as the "industrial society model", which stresses the industrial base of socialist states. Due to scientific and technological improvements, the advanced socialist states have experienced industrial and social developments which are quite similar to the advanced capitalist states.

These models are based on the assumption that socialist states have a great deal of independence to make their own idealized policies. In other words, the models assume that socialist states are highly autonomous and their political economy can be examined in isolation from other states. From a world-system perspective, such an assumption is problematic. This is because a socialist state is just a unit in the world-system; its activities are constrained by the inter-state system of the capitalist world-economy. Therefore the interaction between socialist states and the capitalist world-economy is important in shaping the development path of socialist states to a more or less degree, and in one way or another.

Again taking the world-system perspective as a frame of reference, we propose to show how the changes of the social class structure in China are related to the different patterns of Chinese linkages to the capitalist world-economy. In so doing, we shall examine China's recent style of development in two phases: the withdrawal from the world-economy from the 1950s to the mid-1970s, and the reintegration into the world-economy from the late 1970s to the present. In both phases, attention will be given to the impact on class structure.

In the early 1940s, the Chinese Communist Party (CCP) adopted a set of moderate policies which focused as much on anti-colonial populist movement as on class revolution. During World War II, the CCP formed a united front with the ruling Kuomintang (KMT) and wanted to include as broad a mass base as possible to resist Japanese invasion. Externally, the CCP expressed a desire to establish friendly relationship with the U.S. At the end of the War, the U.S. had in fact arranged a peace negotiation between the CCP and KMT which turned out to be unsuccessful.

The result of the Chinese civil war was that the KMT was driven out of the mainland at the end of the 1940s. Not wanting to see the rise of the Red Star in East Asia, the capitalist core states, with U.S. in the lead, tried to destroy the new socialist regime in China by measures such as keeping it out of the UN, undertaking an embargo on Chinese goods, and so on. The U.S. fleet was sent to patrol the Taiwan strait and the
U.S. troops were engaged in combat with Chinese soldiers in Korea. This was the period of the cold war, where socialist states were portrayed in the west as ruled by massive terror; and the capitalist core states would use military means to stop the spread of communism.

Confronted with increasing hostility from the capitalist core states, China had little choice but to withdraw itself from the capitalist world-economy. Diplomatic relationships with the West was cut; China stopped trading with the Western nations except with Hong Kong; and China could not rely on foreign capitalist investment since most had left by the time of the Korean War.

In order to strengthen the state's power, it was necessary for the CCP to consolidate her social bases for support. Externally, the CCP turned to Soviet Union for help. Internally, the CCP relied on the support from peasants and workers. But how to arouse mass enthusiasm after the communist revolution? The answer may help to explain why the CCP suddenly shifted from the moderate united front policy in the 1940s to the radical socialist policy of uninterrupted mass mobilization in the 1950s.

Land reform in China was greatly accelerated at the height of the Korean War in order to consolidate support from the peasantry. During the reform movement, peasants were encouraged to voice their past grievances and to take land ownership directly from the hands of the landlords. Through sometimes violent confrontations, the poor peasants gradually acquired political and class consciousness. The land reform was claimed to be a great success. Not only did it satisfy the land hunger of the peasants, it also promoted active political mobilization at the grass-root level. The CCP had consolidated her power in the countryside.

However, giving land to the peasants was not a sufficient means to bring social equality to the countryside. While each peasant family had a piece of land to farm, larger families were allowed more resources and many had become much richer than small peasant families. By the mid-1950s the CCP observed rapid rural social differentiation in the countryside. Rich peasants were emerging in massive scale and poor ones were falling behind in socio-economic status. In response, the CCP put forward the collectivization and communization policies. Private land ownership was abolished; land and farm instruments were now collectively owned; and peasants worked collectively in a production team for the commune.
Rewards were no longer based on ownership of land but were distributed according to labor contributions to the production team. This collectivization policy was aimed to eliminate the rich peasant strata so that the homogeneous peasantry in the countryside could be consolidated and mobilized as a class.

Meanwhile in the cities, the CCP began the nationalization of industries. One aim of nationalization is to eliminate the capitalists as a class, although compensations were paid and many were hired as managers to run the factory. Central planning came after nationalization to avoid inflation and guarantee full employment, both of which help to consolidate support from the urban workers.

Once the capitalist class was gone, the next target was the intellectuals. In the early 1950s the intellectuals were fairly well treated by the CCP. However, after their revolutionary fervor had died down and having no improvement in their living standard, the intellectuals who had been exposed to the idea of Western democracy and individualism became more critical of CCP's socialist policies. Consequently, when the intellectuals spoke up during the Hundred Flower Campaign in 1957, the CCP quickly silenced them with various kinds of restrictions. Facing the core hostility, the CCP could not afford to tolerate a dissent group to challenge its authority.

After the departure of Soviet interests in the late 1950s due to disagreement between the two nations, China had no other major nation to depend on but itself. As a result, the CCP developed an indigenous self-reliance model of development and tried to maintain near complete autonomy in economic and other fields.

At the height of core hostility during the Vietnam War in the mid-1960s, the CCP had further radicalized her policy to mobilize the support from the masses. By then almost all of the old classes (foreign capitalists, landlords, rich peasantry, bourgeois, intellectuals) had been destroyed or weakened. The maoists in the Cultural Revolution found that the bureaucrats had emerged as a new exploiting class in China. In order to intensify the support from the masses, bureaucratic abuses were exposed and the bureaucrats were removed and sent to the countryside to be re-educated by peasants and workers. On the other hand, peasants and workers were massively recruited into the Party and the state bureaucracy; their children were also actively recruited into colleges and universities.
In short, we emphasize that core hostility and withdrawal from the capitalist world-economy had helped to lead China to pursue a radical mobilization policy. In order to arouse uninterrupted mass enthusiasm, the CCP put forward a de-stratification policy of equalitarianism, eliminating the interests of all the other classes except those of the peasants and workers. At the height of the Cultural Revolution, for example, Party recruitment was based on social class origin and political commitment. The bureaucrats were chosen from the masses to serve the masses. It is hard to find another state that is more committed to equalitarianism and mass mobilization than China was during the Cultural Revolution.

What then explains China's desire to re-enter the capitalist world-economy in the late 1970s? In order to answer this question, we need to examine the political and economic conditions in the core states as well as the conditions in socialist China.

In the late 1970s, the core states gradually lowered their hostility toward socialist China. After many years of trying, they began to realize that it was futile to try to overthrow the socialist regime. Moreover, it was to the core states' advantage to lure China back to the capitalist world-economy which had reached a downward phase. In this respect, China can play an important role to stimulate the core's economy by providing cheap labor force, ample investment opportunities, as well as a huge potential market for the core products.

It was also to China's economic advantage to be re-integrated into the capitalist world-economy. China's economy suffered from nearly three decade's absence from the world-economy while insufficient attention was paid to efficiency. The stagnant Chinese economy looked worse when it was compared with the prosperity of Taiwan, South Korea, Hong Kong, not to mention Japan. In order to increase productivity and to break through the stagnation, China needs the investment and the advanced science and technology from the core states. With the re-entry into the world-economy, the political ideology of China also undergoes some adjustment.

Therefore, starting in the late 1970s, the economic reformers have adopted a new open-door policy in China. As Premier Zhao pointed out: "In future we should enter the world economic arena more boldly, decide on correct strategies for export and import and for the use of foreign funds, and expand trade and our economic and technological cooperation with other countries,... we should make vigorous efforts to develop export-oriented industries and products that are competitive and can bring back quick and high economic returns... Priority should be given
to the import of advanced technology and key equipment,.... it is
necessary to consolidate and develop the pattern of opening to the
outside world that has begun to take shape, with the open policy
extending progressively from the special economic zones to coastal
cities, then to coastal economic regions and finally to interior areas." Through this open-door policy, the interests of foreign capitalists have
gradually re-emerged in socialist China. This means that Western goods
are coming into China and compete with Chinese products, which in turn
means that the Chinese enterprises are pressed to produce better quality
goods with competitive prices to retain their market share.

In the 1980s, major economic restructuring has been taking place.
In the countryside, the policies of collectivization and communization
have been abandoned. Instead, there is a new self-responsibility system
in which the peasant family is given a plot of land to cultivate and is
responsible for its gains or losses. The aim of this policy is to
encourage the peasantry to be more productive and to market demands and
prices. Under this policy, social differentiation will again emerge in
the countryside such as a new class of "ten thousand dollar" rich peasants
whose annual income is about twenty times or more than their poor
neighbor's earnings.

In the cities, economic reform includes invigorating the aging
industrial enterprises. The reformers argue that the state had over-
regulated the economy in the past, with enterprises blindly fulfilling
the state quota and giving little regard to productivity. This kind of
inefficiency created by bureaucratic central planning had led to frequent
bankruptcy of industrial enterprises. Therefore, a reduction of control
through central planning is in order. In the late 1980s, it is estimated
that only 305 of the Chinese economy will remain under central planning;
the rest will probably be guided through market forces. In addition,
there is a separation of state ownership from economic management so as
to give enterprises real power of management. Similar to a peasant family,
an urban industrial enterprise is now an independent unit of production
and accounting. Individual effort of economic entrepreneurship is not
only accepted but strongly encouraged. The policy serves to re-create
a "bourgeois" class of Chinese style whose sole aim of production is to
attain profit maximization for the enterprise.

In order to push forward economic development through advances in
science and technology, the Chinese reformers give first priority to the
expansion of scientific technological, and educational undertakings.
College education is expanding rapidly; elite universities are ranked hierarchically, and there is a national competitive examination to recruit the brightest students to elite universities. Intellectuals now have prestige, good income and working conditions; some have even become important party officials and state administrators. It is possible that the intellectual class may make its influence felt in politics in the future.

All these and other economic reforms require change in the political structure. The latest political reform is the separation of Party from the Government. The previous practice of Party officials concurrently holding many government posts is discouraged, and Party officials are warned not to interfere with government administrators. The reformers want government administrators to have a command of professional knowledge so that they can perform efficiently. There is also a trend towards bureaucratization. For posts in public administration, people will have to pass a statutory examination in open competition. Their promotion, demotion, reward and punishment will be based mainly on their work results. These reforms help to stabilize the authority of professional bureaucrats whose legitimacy is now based more on technical expertise and bureaucratic rules than on ideological loyalty to socialism.

The foregoing discussion shows that the re-integration into the capitalist world-economy is producing a new set of class relations in socialist China. The open door policy, with its special economic zones and joint ventures, brings back the foreign capitalists. De-collectivization and the self-responsibility system produces a rich peasantry. Urban reforms which reintroduce the market, separation of state and economy, and the company self-responsibility system, contributes to the growth of the bourgeois class. Elite education which also regards intellectuals as workers, produces the prestigious intellectual group. Finally, the separation of party and state, professionalization and bureaucratization are generating class of techno-bureaucrats. On the other hand, the two social classes that have received less attention of late are the poor peasants and the less skilled workers. In the withdrawal phase, these two classes formed the main supporting group of the CCP, and they were mobilized to attack the other classes. With the change from core hostility to co-operation the masses have been de-politized to some extent. Instead, they are encouraged to pursue their private life styles and to strive for social mobility rather than to engage in class politics. In the 1980s, the masses in China no longer form a unified class and express themselves in class action.
In recapitulation, it must be emphasized again that world-system dynamics such as colonialism, core hostility, world-market competition, while important, are certainly not the only factors in shaping national development, socialist or otherwise. The world-system dynamics generally work themselves through the specific societal or national context in conjunction with other factors. The contribution of the world-system perspective is to help with greater in-depth understanding of the complexity and diversity of the social change process while continuing to aspire to generalizable explanations.

IV. IS THERE AN EAST ASIAN DEVELOPMENT MODEL?

Since the 1970's, the development experiences of East Asia have become increasingly a focus of attention in both the social science circles and among those who are interested in development planning. More and more attention has been given to the delineation of the success story not only of Japan but also the other four newly industrialized countries and territories: Korea, Taiwan, Hong Kong, and Singapore, also known as the "four little dragons". Some policy makers and planners elsewhere are particularly anxious to find out what components constitute the dynamism of the success of these nations and subsequently, their transferability. From the social sciences' point of view, the experiences of these cases are sufficiently distinct, particularly in a cultural context, that we may begin to think of them as a "second case" of capitalistic modernity, something apart from the well-known Western model.

There is no need to statistically elaborate the outstanding consequences of East Asian economic development experiences which have been rapid, sustained, and comparatively equitable from a very low base of per capita income at the end of World War II. However, these characteristics define success but do not explain it. What we would ideally like to see is not a descriptive but an explanatory model which clearly identifies the major economic, political, and socio-cultural variables and their multiple causation effects. In this direction, we are far away from providing a satisfactory answer to the question of an East Asian development model; a great deal more studies remain to be done. In this section of the paper, we shall briefly review some of the evidence and arguments and in so doing, identify a scope of further research.
The Economic Dimension. There are some who argue that the relevance of the East Asian development experience depends crucially on whether there is an identifiable economic model which largely explains its economic success. This school of thought is opposite of those who believe that the explanation lies essentially in the cultural realm which includes values, institutional structures, and social relations. This largely economic model is also known as the "Korean model" because Japan is already developed while Taiwan, Hong Kong and Singapore are said to be atypical in their own ways.

One popular but inadequate explanation points to the fact that all of these East Asian nations or territories are poor in natural resources and therefore have to work hard, save much and be innovative or entrepreneurial if they are to develop. The problem with this explanation is that there are many nations poor in natural resources that have not developed. Another popular explanation is that these countries follow a capitalist strategy. This explanation has the same flaw as the earlier one: there are many other nations, especially Latin America, that can be characterized as private-enterprise systems but have experienced little growth and rising inequality. Moreover, with the exception of Hong Kong it is stretching the definition of capitalism quite a bit to argue that the other four have minimal government intervention. At least in both Japan and Korea, government and business are closely involved with each other.

During their periods of rapid growth all five East Asian countries had above-average rates of investment, and some had among the highest rates in the world. However, underlying the higher investment rates are three variables whose contributions have not been uniform for the five nations: the rate of domestic savings, foreign aid, and foreign private investment. Japan has had an unusually high rate of savings since World War II which has been adequate not only to finance domestic investment but also to finance investment abroad more recently. Nevertheless, it was sometimes overlooked that Japan, too, drew heavily on foreign resources in its early stage of economic growth after the War. Similarly, both Korea and Taiwan financed well over half their investment with foreign aid in the 1950s. Throughout its recent history, Singapore has also relied heavily on foreign capital, both in the form of investment and borrowing. In any event, it is important to realize that all five nations induced private savers to finance a high rate of investment since mid-1960s at least, despite risks and uncertainties associated with each at different points of time.
There are three factors which help to explain their ability to generate a high rate of investment. First, they all profited from a beneficent cycle: high growth facilitates high savings and investment which in turn generates high growth. Second, all five countries accepted or even encouraged a high rate of return for private investors. The economic policies adopted made it possible for some people to get rich quickly without fear of nationalization or other risks which would arbitrarily deprive investors of their profits. Third, all were, at least at one time, austere societies where status was given to businessmen for expanding their operations, not for conspicuous consumption.

It has been hypothesize that effective economic management has played an important role in the achievement of high growth rate which reinforce high rate of investment and vice versa. The essence of underdevelopment is a shortage of physical capital and human skills in modern industry while resource in unskilled labor is in abundant supply, some of which must be absorbed in the industrial sector. Therefore, an efficient development strategy involves policies that encourage the growth of labor-intensive manufactured exports together with import-substitution. Business and industry will use the cheap labor extensively while conserving the more expensive factors. Since price distortions are likely to arise, the four Asian governments with the exception of Hong Kong have adopted policies to compensate for the weaknesses of the private enterprise system.

Many governments in the Third World have made foreign exchange cheap. The result has been to encourage imports and discourage exports. At the same time they raised the cost of exporting industries. None of the five Asian governments under discussion impose these handicaps. Instead of impeding export, most of them deliberately use the exchange rate and a system of mostly hidden subsidies to encourage exports and discourage imports. The implicit subsidy for manufactured and other non-traditional exports compensated for the external cost of breaking into the world market, and by subsidizing labor-intensive goods the governments indirectly subsidized the unskilled labor going into it.

With the exception of Hong Kong and Singapore which probably had no choice, the other three governments did exercise infant industry protection. However, these governments did not continue to raise the level of protection once the infant industries developed a sound footing. This means that the
matured firms had to compete in terms of price and quality with the best that the world had to offer, and the distinction between public and large, private firms were more limited in these cases than elsewhere. The result was that competitive pressure increased efficiency, unlike some Third World governments which shielded their publicly owned enterprises almost completely from competition.

In addition, the four governments other than Hong Kong also invested heavily in education, vocational training and adaptive research to compensate for the externality facing pioneer investors in learning by doing. Finally, all had a medium to long term strategy for industrial development. Government decided what industrial investment was desirable in the near future and then provided various incentives or hidden subsidies while compensating for the weakness in the private sector.

Consequently, the leading sector in all five cases was the production of manufactured exports. Not only did industrial growth dominate the national income, it was also crucial in providing the foreign exchange required for development. The composition of exports is another crucial point. As surplus labor was absorbed and wages rose and as education, training, and high savings rates increased the supply of skilled personnel and capital, the countries shifted to manufacturing of capital- and skill-intensive goods. The composition of the exports became increasingly differentiated and specialized. The nature of specialization depends in part on where an industry began and in part on direction of economic development. Japan and Korea, for example, are in the best position to develop the automotive industry because of their larger internal markets while Hong Kong and Singapore take advantage of their location to develop service industries. Of course, there have been mistakes along the way too: Korea probably shifted too soon to capital- and energy-intensive industries in the 1970s and Singapore shifted too quickly into capital-intensive industries in the 1980s, resulting in a recession lasting three years.

Papaneck, an economist, has identified three broad areas which can influence economic performance and which are more or less subject to conspicuous policy manipulation. The relative importance of these areas will largely determine the extent to which the successful East Asian experience can be transferred. These broad areas are:

1. government economic policies, which are readily subject to change;
2. elements of the economy and society which can be changed through
government policy in the long term, such as education and participation of women in the labor force; and (3) aspects of culture broadly defined, which are difficult to influence at best by deliberate government policy, at least in the medium term.

It is Papaneck's argument that the principle element in economic success of the East Asian countries was the strategy adopted which can be reproduced elsewhere. Major components of the strategy are:

1. a set of incentives which made it profitable to invest in labor-intensive activities while conserving scarce capital and skilled labor;
2. extensive government intervention in the economy which compensates for distortions that may exist in the market economy; (3) wide scope for competitive pressures, largely by providing incentives for industry to compete in the world market and therefore foster efficiency; and
4. high rates of return to investors and a political-administrative environment where arbitrary, personalistic decisions are limited.

At the same time, governments should play a strong role in the promotion of education and female labor force participation although policy effects may not be apparent in the short term. The East Asian government invested massively in education from the 1950s. Not only that, the educational systems of these societies seem more appropriate to the needs of the economy as a whole partly because of market pressures and partly because of the more authoritarian approach by the governments. In this light, the role of manpower planning by the governments cannot be over-emphasized.

The differences in attitude toward female education, not only in the society as a whole but also government policy, resulted in greater women's participation in the industrial labor force. By the 1980s, female industrial labor force participation in East Asia was roughly triple what it was in India and seven times what it was in Pakistan. This means that East Asian countries have a much larger labor force to draw on and are lower paid. Moreover, there is no additional cost to the urban infrastructure since most of the women would already be a member of a resident urban family.

However, there is no claim that other countries adopting a similar strategy will achieve the same growth rates or the same degree of equity since there are other factors and the circumstances will differ. Also, Papaneck does make some allowance for the role of non-economic factors such as historical forces pressuring the governments to perform a sinistic or Chinese-based culture. While calling for analysis of cultural characteristics unfavorable as well as favorable to rapid
economic growth, three reasons are given for the proposition that the non-economic factors explain only a small part of the success. First, there is a good, coherent economic rationale. Second, the success occurred only after the countries changed their economic strategy. Culture was invariant, and economic performance changed after the change in strategy. Third, there are other countries with quite different cultures which were also successful in achieving growth and equity when they followed a similar strategy. Finally, there does not seem to be any satisfactory way for clearly distinguishing the effect on the growth rate of cultural as against economic policy variables.

The Political Dimension. It is easier to classify the East Asian nations under discussion into one economic category than politically. The evolution of the political system in Japan, Korea, and Taiwan differs significantly, not to mention that of Singapore and the colony of Hong Kong. There is also considerable variation in the ways by which each government manages its own economy. Certainly Japan's MITI (Ministry of International Trade and Industry) has a style of influencing Japanese economy that is different from the way the Seoul government directs the large Korean industrial corporations and the way that the Taiwan Finance Ministry treats the smaller but more numerous enterprises. The Hong Kong government makes very limited interventions while the Singapore authorities exercise strong guidance over the commercial and industrial developments of the island state.

Nevertheless, there is increasing interest elsewhere in exploring the relevance of the role of the state in export-led growth in the East Asian experience, particularly that of Japan and Korea but with the exception of Hong Kong. Despite the heterogeneity of their political economy, the question is to seek some common political features which underlie economic growth. In this direction, Pye has proposed two political factors that the four East Asian governments have in common: (1) they all share a Confucian cultural tradition and (2) they are all closely involved with the U.S. in terms of direct U.S. intervention in economic and military aid and/or dependence on access to U.S. market. Of these two, the Confucian character of the four political systems deserve further elaboration, and Pye has provided a descriptive model as follows.

I. Benevolent paternalism where authority is expected to combine both elitism and nurturing concern. Hierarchy is revered but the rulers are expected to care about all segments of the society, which in turn are expected to yield to the government as the guiding force of the society.
II. The Confucian ideal of rule by an educated elite has given way to rule by technocrats who are educated, knowledgeable and interested in all segments of the society. They must also be differential to the political leaders.

III. A key expression of benevolent paternalism is the protection of domestic industries against foreign competition, promoting exports in a vigorously nationalistic fashion, and supporting a spirit of national concensus, including labor and management.

IV. Governments feel that they should have the right to limit real dissent in order to nurture a corporatist spirit throughout the society. Adversary relationships are muted and critics are taught the benefits of conformity. Authority can play favorites, but blatant corruption is no longer acceptable.

V. Political leadership involves setting national goals and priorities, mobilizing resources and public attention for collective tasks. The government sees itself as the embodiment of the national destiny, and therefore has the obligation to tell everyone what needs to be done and censor divisive ideas and initiatives.

VI. Except in Japan, political leadership means rule by a dominant figure, an ultimate authority on all problems. Consequently, the issue of succession may be dangerous to the stability of the entire system.

VII. In contrast to traditional Confucianism which despised the market-place, political legitimacy in East Asia has become increasingly dependent upon continued national economic progress. The more insecure the government, the greater the pressures on industry to expand; any prolonged period of stagnation may cause a crisis of government.

VIII. The paternalism of East Asian authority is complemented by a psychology of dependency among the people, which seems to make some apparently authoritarian practices acceptable as long as welfare is nurtured. But if authority should falter, explosive anger could result.

IX. The predictability necessary for economic prosperity lies less in a system of laws and more in the political leadership's commitment to its professed policies and principles. The adversarial spirit of Western legal practices is seen as whimsical when compared with consistency in judgement of officials with long terms of office.

X. In Korea and Taiwan, the military is recognized as a powerful institution although there is profound ambivalence about what its future role should be because it is not clear whether the armies are a drain or
a support for national economic growth. The military establishments have in the past served as a ladder to political leadership, but direct military rule is no longer acceptable.

From the foregoing descriptions it can be seen that there appears to be considerable Confucian influence on the political system in East Asia. However, this influence is adaptive in several ways and the consequences are not classical Confucianism but are what has been described as neo-Confucianism both in the political and other socio-economic spheres. There are several significant adaptive features central to the evolution of the East Asian polity. The first is that the traditional Confucian group-oriented, rather than individual oriented, outlook has been extended to go beyond kinship to include the nation. The power sense of nationalism stems from the traditional emphasis on the group which became the nation after Western impact. This Western impact means the arrival of a technologically advanced West, with its stress on the importance of the nation-state as the basic political unit. The Chinese, Japanese and subsequently Koreans all responded in the same way: they sought to distinguish between their fundamental cultural values and "mere" technology which is regarded as a lesser aspect of culture. The strategy that followed this distinction is that it would be alright to utilize Western technology to further economic growth but the traditional values must be protected. The Japanese slogan of "wakon yosai" (Japanese spirit, Western technology) became the call for national mobilization during the Meiji era. The early version of this East Asian nationalism with Confucian roots took the form of searching for wealth and power. In Japan, the slogan was "fukoku Kyohei" (rich nation, strong army) and in China it was "fu-min ch'iang Kuo" (rich people, strong nation).

But then there is a paradox which requires explanation since East Asian nationalism emphasizes economic growth while classical Confucianism was scornful of merchants and materialistic acquisition. One reason is that the ethical-moral basis of government in the Confucian tradition requires the pragmatic use of power to improve people's condition. The traditional emphasis on pure scholarship at one time was detrimental to economic growth but it is no longer the case now that government officials realize the political importance of improving standards of living and acquire some technical knowledge to promote economic growth. Moreover, traditional Confucianism was ambivalent on the criterion for status in the hierarchy in terms of "virtuocracy" vs "meritocracy". The former was more important in earlier times but meritocracy assumes much greater prominence later
when it becomes clear technocracy is central to economic growth.

The reasoning is quite clear: education produces meritorious technocrats who contribute to economic growth and are virtuous or at least non-corrupt. There is another Confucian element that is relevant: the stress on harmony. The political application of this result is a demand for consensus and conformity. The value of harmony also means scorn for those who would disrupt the social order by dissent. At the same time, the emphasis on group cohesion implies the belief that individualism is a manifestation of vulgar selfishness. Therefore, the value of harmony in the political culture becomes an obstacle in the demand for change against the status quo.

Another adaptation of the traditional Confucian ethic is that paternalism becomes patronage. It was Japanese paternalism which first came across the solution of using government power for economic development in the use of patronage. The commonly cited example which was discussed earlier in this paper is the emergence of Zaibatsu. What needs to be emphasized again is the supportive role of the government in helping worthy but dependent private enterprises is quite consistent with the Confucian ideal.

One very important feature that emerged from the patronage process has been the readiness of the governments to assume much of the risks usually taken by the private sector in the capitalist system. The spirit of paternalism in the promotion of nationalism also implies the fear of failure. Therefore, in Korea, Taiwan and Singapore the government has proded industries to move into higher levels of technology. The strong sense of nationalism also provided an awareness of the boundary between foreigners and compatriots. Indeed, the feelings of a deep divide between "us" and "foreigners" in East Asian cultures has made mercantilism second nature. This sentiment of "us" or national cohesion is strengthened when harmony exists between labor, industry, and government, resulting in a kind of unique national corporatism.

Looking both backward and forward in the East Asian development process, it is also important to point out that the general model is not without challenges and problems, some of which are not unique. First, strong sovereignty has been accompanied by weak establishment, as can be seen in Korea and Taiwan until recently. The centralization of power in one strong man or the office of the President creates its own vulnerability because it also centralizes complaint and clashes directly with the Western style of democratic government. However, recent developments have shown that the cult of personality and centralization of authority
have decreased in the nations under discussion. As succession becomes more institutionalised, to what extent this process creates political instability is difficult to say. Japan has been spared the crisis of transition for at least two reasons. One is the American-crafted constitution imposed on her after World War II. The other reason is that the ruling politicians have established solid relationships with the people in their respective constituencies. Although Japan lost the legitimacy associated with their god-emperor, they have found an equally powerful source of justification for the government's authority by combining a foreign-imposed system with indigenous innovations of their own.

Another issue about the future of East Asian political paternalism is whether these governments in time will feel obliged to protect their people's livelihood to the point of providing social services equal to that of the Western welfare state where the tradition of a more individualistic ethic form some restraints. The substantial expansion of pension, health care and other social service costs in Japan, Korea, and Taiwan has already taken place together with rapid economic growth. The Singapore government has anticipated this problem in advance and therefore has policies to shift at least some of the welfare cost back to the private sector. In any event, there may be a problem if increasing demand for the Government to provide a higher level of social services comes before an expansion of political pluralism, in which case the state is likely to try even harder to achieve consensus because East Asian Paternalism generally assumes that dependency should produce conformity in a properly socialized citizenry. In other words, this spirit of traditional dependency on the state can become an explosive force when the ruling authority fails to provide the expected increase in benefits. A conceivable solution may be the one fashioned by the Japanese: mutual respect and binding ties between paternalistic leaders and dependent but articulate constituents. But is this possible in a non-Japanese context even assuming that it is desirable? At the same time, are there discernable trends that the Japanese political institutions are changing themselves?

The Socio-Cultural Dimension. One of the most exciting and difficult but least studied areas of the East Asian success has to do with the proper identification of the cultural factors in the process of capitalist development. So far there have been some interesting and illuminating discussions on the subject which are essential in general and theoretical terms. Although there is literature which focuses on
the Japanese corporate culture and its impact on management behavior, very few studies actually relate the cultural issue to macro economic dynamism at the empirical level. In fact, we could not find any such study in our literature review.

On the other hand, it would be inconceivable to reject altogether the role of cultural factors in East Asia's economic development. Cultural factors with a Confucian base such as work ethics, thrift, diligence, respect for educational achievement, avoidance of overt conflict in social relations, loyalty to hierarchy, stress on order and harmony, should have significant bearing on the dynamic economic activities. At the same time, it would be equally unwise to maintain that cultural factors are the only causes of the success. As we have said earlier, it has been difficult to concisely delineate the impact of specific cultural elements while sorting out the effect of the non-cultural elements. In other words, the question is no longer one of the "policy thesis" vs "cultural thesis", but rather how the two merged. In this direction, our discussion of the political dimension needs some explanation on the interaction between political and economic institutions on one side and the Confucian tradition on the other.

Of course, the basis of cultural tradition in each of our cases is not homogeneous and classical Confucianism is but one component of a much larger cultural base which may include Buddhism, Shintoism, folk religion, and even Christianity. In addition, it is not really meaningful to say that culture in a broad sense should have something to do with economic development; what is important is to delineate specific East Asian cultural elements that could provide a "comparative advantage" in the economic development process. Unfortunately, it is probably true that specific cultural roots of modern Asian Capitalism are yet to be uncovered.

In thinking about the guarded "cultural thesis as part of the complex interrelationship between culture, polity and economics, the cultural factors should not be interpreted purely as individual social behavior in everyday life per se but rather as a set of orderly, institutionalized arrangements at the societal level". It is at this level that we can relate cultural behaviour to macro-economic activities. Even so, the role of cultural factors probably have a "trigger function" in the sense that they could not act alone without a specific set of political and economic conditions. Another important issue is the linkage between micro cultural behavior and macro (national) policy making. For example, during recent
decades state policies for economic growth have been presented to the people, especially the entrepreneurial class, as probable and reasonable opportunities which were accepted as such. One may argue that the state policy makers did not have much choice given the external and internal conditions; but then one may also argue that without the collective compliance of the people, it is possible that the policy would not have been "right". The fact that the people would be willing to follow state policies might have been due to cultural factors mentioned earlier. But can we be sure about this?

Two of the many ways to observe Confucian ethics and values have been manifested in East Asia's development are to focus on the work and family organization: two key institutions in the social structure. In this light, we may illustrate how institutional or structural factors and cultural factors affect entrepreneurism in East and Southeast Asia in the case of empirical study. This will be followed by a discussion of entrepreneurial familism.

It is necessary to first clarify the role of entrepreneur which means a new combination of the means of production and has five components: the introduction of a new good, the introduction of a new method of production, the opening of a new market, the discovery of a new source of supply, and the carrying out of a new organization of any industry. In other words, entrepreneurship includes the perception of a new economic activity (product, production process or market), evaluation of profitability, gaining command of financial resources, supervision, recruiting and training personnel, and dealing with government, suppliers and clients. An entrepreneur need not do any or all of these; his role is to ensure that they are all done. An entrepreneur is one who initiates a new economic activity while a manager keeps the ongoing activities functioning. Of course, an entrepreneur usually exercises some central management functions. Therefore, it is useful to divide the entrepreneurial function into two main parts: initiating and coordination.

The significance of entrepreneurship in economic growth is not so much initiation but coordination. Ideally, what has to be explained is not how entrepreneurs are found but how existing firms grow. In other words, the more critical question is not entry or quantity but expansion and quality; not inventiveness but organizing ability.

In a study of causal factors associated with entrepreneurship in East and Southeast Asia based on limited data, it was found that both institutional and cultural factors facilitate both its main features
of initiation and coordination in the cases of Korea and Japan.

In Korea, the capacity for growth of organization has been attributed to two main forces which were in evidence since the 1960s. First, government dedication to economic growth fostered the opportunity to learn by doing. Second, there was a differentiation of the entrepreneur functions into different parts which were increasingly handled by employees, professional specialists, government, and the market. This increase in the quality of entrepreneurship is therefore systematic and the entrepreneur himself fell into place as a partial contributor to the total. The most important skill appears to lie in the managerial process of coordination.

There is evidence indicating that the Japan case is similar to that of Korea. In the process of the postwar economic growth, large firms grew through introducing innovations of large-scale technology which enabled them to enjoy the advantages of mass production and marketing. This process of rapid growth was accompanied by changes in the industrial structure and diversified consumer demands which help to create great many opportunities for different kinds of goods to be produced in small lots and by small firms. Such opportunities created favorable conditions for the growth and development of firms of various sizes, including the small ones.

The Overseas Chinese category comprising Singapore, Taiwan, Hong Kong, and the Chinese communities in Indonesia, Malaysia and Philippines form a very important economic group in its respective national context and can be taken together as one because of their highly consistent business behavior across the region. The conclusion of the study is that Chinese have traditional family values which facilitate the initiating phase of entrepreneurship but impede the higher levels of coordination necessary for the growth of the individual firm to a large scale. This will be elaborated in the next section of this paper. However, some compensation for this is achieved with a hybrid form of coordination where individual firm size remains small while networks are formed with other firms based on close relationships. Institutional factors in the Overseas Chinese case are difficult to generalize because of the variety of political and economic environments. Nevertheless, we may speculate that, at least at this time, the environments are generally conducive both to the initiation and coordination in Singapore, Taiwan and Hong Kong whereas the situation in Indonesia, Malaysia and Philippines is less clear-cut.

There have been a number of studies on entrepreneurship of the indigenous population in Indonesia, Malaysia, and Philippines. The general conclusion is that the socio-cultural values act as barriers to the crucial
first stage of initiation while the effects of institutional factors on the coordination function are more mixed.\textsuperscript{14}

In recapitulation, we may advance the tentative hypothesis that causation essentially flows one way from a set of cultural values (risk, achievement, wealth, business ownership) into the process of initiation which interacts with the institutional factors. Cultural factors (trust, cooperation, familism, professionalism) also seem to provide one-way influence on the coordination function which again interacts with a larger number of institutional forces. Consequently, this pattern of interaction determines the economic performance of the entrepreneurship, which can be simply illustrated in the following diagram.

\begin{center}
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\end{center}

\textbf{Entrepreneurial Familism.} The prevalence of Overseas Chinese family business firms deserve additional comment because of their theoretical significance in social science theory of development and their economic significance in national development. It is well known that Max Weber stipulated long ago that traditional Chinese familism, which emphasizes value of the kinship relationship practically above all else, and economic development are incompatible. The rationale is essentially that traditional family and clan provide a benevolent and paternalistic system which provides welfare for all its members regardless of their individual contributions. Working family members are expected to contribute their earnings for the benefit of everyone and individual saving is discouraged. Family loyalty and obligations take precedence over all other loyalties and obligations. Therefore, the extended family tends to dilute individual incentives for work, savings and investment.
Therefore, the Confucianistic familism is a highly "particularistic" structure which impedes industrialization in at least two ways. First is employment where nepotism is based on status ascription rather than on achievement. The second is maintaining effective relations with non-kin groups, an important requirement for social organization in an industrial society.

From the development planning perspective, factors such as widely-shared negative analysis undoubtedly had an influence on the modernizing Chinese elites regardless of their political ideology. As early as 1931, a major aim of the Civil code was to loosen the excessive grip of the family tie over its individual members. Two decades later, the government of the People's Republic of China promulgated a new Marriage Law to abolish gerontocracy and inequality between the sexes. It was also clear that the Chinese government was bent on building an industrial society based on socialist principles and was aware of the incompatibility between such a society and a kinship oriented structure.

The foregoing comments indicate that the traditional Chinese family values should either be discarded or neutralized for the sake of economic development. The purpose of our discussion here is to show that this prescription has apparently not been adopted in the overseas Chinese communities in a capitalistic environment. Is it possible that the negative economic effects of traditional family values have been exaggerated? Is it possible that we have overlooked the adaptability of traditional values in different political economies? Looking at the very substantial economic growth of Taiwan, Singapore, and Hong Kong (all de facto Chinese societies) as well as the comparatively superior economic position of the Chinese community in capitalistic Southeast Asia, it may be instructive to examine the nature of entrepreneurial familism more closely.

In an empirical study of Chinese business firms with a family base in Hong Kong, a number of conclusions have been reached. First, kinship does not play an important role in regulating the external business transactions. There is no evidence that honesty and trust are found only within the kin group while sharp practices reign without. This non-kin solidarity in the inter-firm economic order is easy to explain since business alliance through marriage is hardly practicable and intensive kinship reciprocity reduces economic options. Also, kinship bonds are intrinsically restrictive and not easily extended. In the Chinese business conduct the distinction is not that of kin or non-kin,
but personal and impersonal. The Chinese, probably not alone among Asians, tend to personalize their relationships. Shared characteristics such as kinship, regional origin, education background often provide bases for cooperation to be initiated.

Second, the influence of the family is much stronger in the internal organization of the enterprise than in their external dealings. Manifestations of such influence appear in different combinations of paternalistic managerial ideology and practice, nepotistic employment, and family ownership. Authoritarianism is found to be a strong trait among virtually all Hong Kong employers. Such a managerial approach is conditioned by both cultural and economic forces. The metaphor of the family provides a ready-made cultural rationale to legitimize managerial authority. Patron-client relationships are further cultivated to cope with the problem of loyalty and to contain the tendency of subordinates to set out on their own and become rival competitors. Economically, benevolent paternalism is one of the ways to maintain a stable work force which we also see in the Japanese experience.

Third, it has been estimated that nepotism, the preferential employment of one's relatives, can be found in half of the Hong Kong Chinese firms. However, this generalization requires some qualifications. Relatives as employees make up a very small fraction of the personnel in nepotistic companies unless they are very small. Such relatives are predominantly immediate members of the employer's family rather than the wider kin group. This is known as "passive" nepotism because most Chinese will only ask their kinsmen for job as a last resort. In Hong Kong at least, a Chinese has few specific economic claims on his kinsmen. Owners of large firms put their sons in responsible positions mainly to prevent the dissipation of family property and the loss of business profits to outsiders. There is some tentative evidence to suggest that the inclusion of family members in management probably has little detrimental effect on the performance of the company. The major reason seems to be that Hong Kong Chinese industrialists usually equip their family members for responsible positions through formal education and on-the-job training. In other words, there is evidence to show that growth rate of the enterprise and nepotism are not to be correlated.

It is also important to know the ways in which the Chinese firms are formed and evolved. One feature is the principle of patrilineal descent so that relatively more enduring kinship units can be constituted
for the management of economic resources. Another is the rule of equal inheritance among male heirs, and a third is the process of family division which occurs in several stages. For the division of utilization and transferral of the family property, sons usually have to wait until the retirement or death of the family-corporate head. When the property takes form of industrial assets which involve economies of scale, teamwork, and financial borrowings, it is often in the interest of the heirs to defer fragmentation of the family-corporate estate.

In sum, there are theoretic grounds to argue that family values as found in post World War II Hong Kong are not incompatable with economic development. On the contrary, in Hong Kong and Chinese communities elsewhere there seem to be an economically dynamic ethos of "entrepreneurial familism". This ethos involves the family as a basic unit of economic competition. The family provides the impetus for innovation and support for risk taking. Entrepreneurial familism also cuts across class lines and permeates the whole society or community. Where there is little capital to be deployed, heads of families still marshall the limited resources and try to cultivate human capital for collective advancement. In a study of middle and working-class families in Hong Kong, it was found that all of the working children contributed the major portions of their income to the budgets of the family. Once the families have acquired the basic material necessities, more resources are invariably channeled into the education of younger children.

Chinese entrepreneurial familism has its own competitive strengths as well as weaknesses, and has three distinguishing characteristics. The first is a high degree of centralization of authority accompanied by a low level of formalization of organization structure. The second feature is the existence of an internal centrifugal force. For owners and workers alike, autonomy is valued and self-employment is preferred. The common ideal is to become one's own boss. The last characteristic is the fluidity of the economic hierarchy: family firms often do not endure. Enterprises are unlikely to join in collusion because entrepreneurial independence is jealously guarded. Consequently, family fortunes can rise and fall in quick succession. In this light, we may even argue that the problem with Chinese entrepreneurial familism is not economic inertia; it may well be the danger of excessive competition. In a broader vein, some previous scholars might have drawn too sharp a distinction between "universalism" in the industrial society and "particularism" in familistic society. There is no doubt that certain
core values of traditional familism such as family solidarity, ancestor worship and filial piety have continued in the Overseas Chinese communities which have shown remarkable economic development. Our thesis is that the Chinese family, as a socio-cultural institution, can be and is an economically active force. How this cultural force expresses itself depends on external constraints, including what happened in China itself. With economic liberalization and reform, we may indeed see the emergence of entrepreneurial familism in China, in both urban and rural areas.

**A Balanced Perspective.** The purpose of our discussion is to caution against reductionist, mono-causation explanation of the influence of Confucian values in the development of several Asian states. Although not possible to get into details, we are quite clear that three major interaction factors must be taken into consideration in order to satisfactorily explain social change and development in any nation, including those under discussion in this paper. These three major factors are (1) the global political-economic context, (2) the role of the state in government – people relationships, and (3) the socio-cultural elements – all seen in the context of historical dynamics of each country or region.

Again, the capitalist world-system discussed earlier is relevant to the issue of East Asian development model as an explanatory construct. There is agreement that the world economy had its own dynamics from 1960s onwards. Therefore, the *timing* of the Asian Newly Developed Countries' (NICs) entry into the world market must be seen as a crucial factor. This is because the entry took place at a time when the world economy (particularly the U.S. economy) enjoyed a high degree of economic growth. The fact that the U.S. emerged as a unicenter core of the capitalist world-system after World War II could be considered as a unique historical event which greatly influenced the development of the NICs, given their position in the geo-politics at the time.

At the initial stage of development, the ruling elites in East Asia had little choice but to view the global economy as a challenge, given their vulnerable security situation, poor resources and growing population. They also realized that they could take advantage of U.S. economic and military support. Once the external linkages were established, a kind of exchange process was then underway which worked to the economic benefit of the peripheral states.
This brings us to the role of the state as the second major factor. Most people would agree that external dependence has not weakened the state autonomy; if anything, the opposite appeared to be the case. In this connection, the Confucian moral definition of the state has helped to emphasize the benevolent conduct of the governments. The governments accepted limits imposed by the external realities and took advantage of some of these to mobilize resources for economic growth, such as the open U.S. market. Without favorable world market and the U.S. support, it is doubtful whether the governments could have enjoyed the high level of support from the people whose first interest was income improvement. On the other hand, credit must be given to the governments for instituting a set of effective economic policies.

There is no question that culture has played an important role in East Asian development; the real issue is the "how" in multiple contexts. Theoretical arguments notwithstanding, the fact remains that we have precious little empirical study of this complex phenomenon, much of which is not subject to meaningful quantitative measurement and statistical analysis. Given the general argument that the practice of Confucian ethics in everyday life in the contemporary settings may not be the same as that in the classical tradition, there has not been much systematic research on the effect of these and other cultural factors such as religion.

The complexity of understanding the East Asian development experience goes beyond what may be described as the "structural" (institutional) school vs the "cultural" school. This body of experiences may be unique if we consider the three interacting factors of capitalist world-system's timing, geo-political considerations and cultural elements. The "comparative advantage" that the NICs once enjoyed are changing together with the changes in the world economy. The rise of Japan into the core concomitant with economic decline of the U.S. and the changes in development philosophy of China and Soviet Union may result in a new configuration in the world-system. At the same time, the political institutions of some NICs are also moving towards a more liberal stance. Finally, we recognize that cultural elements are not static invariants but have their own dynamics which may be spontaneous adjustments to the larger environment or may be subject to deliberate intervention by government policy.
V. DEMOCRACY AND CAPITALISM: THE CASE OF THAILAND

Capitalism is an economic system where production is defined by profit and exchange and is based on free market principles. A free market is a social mechanism for the distribution of goods without central planning, as in socialism. Theoretically, in a free market system everyone is in possession of his own means of production and therefore enters the market as a buyer-seller on an equal basis.

In addition to a free market economy, capitalism involves wage labor and profit. This means that some people do not possess their own means of production and therefore have nothing to sell but their own labor power. Consequently, these people have to engage in wage labor for those who own the means of production. In a capitalist economy, labor too becomes a commodity which is bought and sold on the market.

Workers therefore compete with each other for jobs and with the owners of capital for higher wages. The owners of capital in turn compete with each other for profits. In short, under the capitalist system all groups (buyers, sellers, producers and workers) compete with one another.

The process of competition may be more or less peaceful. Sometimes there is open conflict, and some other times the competition is managed more peacefully or forcefully. How the competition is resolved depends on the specific, historical circumstances.

As distinct from capitalism, democracy is a political system associated with provision of civil liberties and the direct rule by those who are governed. More specifically, democracy means that each individual in society has an equal voice in determining political decisions. In large societies where direct political participation is not feasible, there is a need for some form of representative democracy. As long as representatives stand for a segment of the population with similar interests and as long as there is proportionality between population size and the number of representatives, the principle of democracy can be upheld.

The relationship between capitalism and democracy can be an ambivalent one. On one hand, democracy in the Western developed nations has a historical concomitant of capitalism. In fact, democracy was the ideological tool that the emergent capitalist class used to press its interest against the entrenched feudal aristocracy. On the other hand, there are both empirical cases and theoretical arguments for dissociating democracy from capitalism. There are some essentially capitalist countries
that exhibit high levels of political repression. Theoretically, it has been argued that since capitalism concentrates wealth in the hands of minority at the expense of the majority, and if democracy is allowed to endure, the majority will eventually vote to abolish capitalism.

The counter argument to this view is that a more even income distribution will minimize the chance of this occurrence. However, in some developing nations we have witnessed just the opposite: the minority who are in power have acted to undermine democracy.

In any event, the relationship between capitalism and democracy in many developing countries is complicated by the fact that neither capitalism nor democracy developed indigenously. Instead, each was imported or imposed from outside by the more developed countries. Therefore, it is important to emphasize the difference in the historical relationship between capitalism and democracy in the context of Western developed countries and non-Western developing countries. More specifically, democratic ideology has not generally been used by the indigenous capitalist class to further their political interests. In many developing nations, however, it has been the middle class (including the intellectuals), the peasants and the working class that have appealed to the democratic ideology to press their political interests. Since these classes have tended toward socialistic agendas, the tension between capitalism and democracy can be more overt.

The peripheral location of the developing nations in the capitalist world-system can further accentuate the tension between capitalism and democracy. Because the developing nations are poorer than the developed nations, comparable concentrations of wealth in the developing nations place the lower classes in a more disadvantaged position. It has also been argued that, because of their lower level of technology, industries in the developing nations are at a competitive disadvantage in the world capitalist-system which compels them to compensate by withholding benefits from the workers.

For many, the ideal modernization or development process is a democratic form of government coupled with a capitalist economy. It is apparent that such a developmental model is derived from the Western historical pattern and therefore has a Western-bias. However, by looking at the empirical process of development and social change in the developing nations, significant questions can be raised on both the feasibility and desirability of using the Western approach as a global
development model for other nation-states. Countries in Asia, Africa and Latin America have all been through a variety of experimentation with democracy and have exhibited a similarly wide range of results which define the particular style of change or development of each. All this shows that democracy cannot spring up in a vacuum; it has to have the political infrastructure conducive to its growth. Of course, the reality of each nation is that the actual form of political infrastructure for democracy is determined by its economic and social structure as well as ties to the world capital-system. Indeed, the transplantation of democracy can run into strong opposing elements such as the traditional elite, landed aristocrats, certain types of bureaucrats, as well as the apolitical and uneducated masses.

Moreover, the failure of democracy resulting from political instability can have a negative impact on the economy. Consequently, there are a number of alternative political systems to boost economic development such as types of socialist regimes, military dictatorship, or some hybrid system characterized by a strong or soft-authoritarian regime with a market or capitalistic economy which may be growing at different rates. Indeed, some Third World nations have so far foregone a participatory political system through a centralized political power structure which aims to foster political stability, arguably a condition for sustained economic growth. In the case of Thailand, such a pattern of development appears to be the case up to now. In the following section, we shall briefly sketch the process of political development in Thailand and its socio-economic implications, resulting in what may be described as a semi-democracy coupled with a semi-peripheral, capitalistic economy. The purpose of the discussion is to call attention to the variety of empirical development styles in the Third World. In so doing, we also implicitly raise the question on whether there are indeed other desirable models of development besides the Western one, given the different historical and cultural context of the non-Western nations.

Benevolent Paternalism. For a period of approximately 40 years (1932-73), the political institution in Thailand is best characterized by a military dominated government rather than a democracy. The important phase began in 1957 when Marshal Sarit Thanarat assumed power through a coup d'etat. Consequently, he and his successors were able to develop a style of national development which laid the groundwork for subsequent transitions. It was very likely that Sarit viewed democracy as an
inappropriate system for the Thai society at that time. What he had in mind was a three-tiered political structure: the government, the bureaucracy, and the people. Sarit also believed that the immediate need of the country is law and order, discipline, political stability, and a strong government with a strong executive. All these were to serve as the foundation for economic development and social improvement. Therefore, Sarit launched a national development program with both economic and social emphasis. In the economic sphere, the National Economic Development Board and the Ministry of National Development were established to develop the necessary infrastructures. The planning bureaucracies were strengthened by the employment of technocrats and competent academicians who produced medium-term (5-6 year) plans. In the social sphere, the education and vocational training system was substantially improved while attention was also given to crime and vice. Some attempts were made to spread the fruits of development beyond the capital city of Bangkok. To be sure, some of the plans were not implemented, others were carried out in haste and were ill-advised. There was also a measure of overlapping of development activities and waste of resources.

Mention should be made that the national development programs in Thailand were reinforced by foreign financial support, particularly that from the U.S. and Japan. The Vietnam War enable the U.S. aid to modernize the Thai armed forces and some major physical infrastructures while other spending led to the boom of construction and service industries. In addition, there have been a number of measures to attract foreign investment such as in textiles and car assembly. In any event, the Sarit political system brought about significant social and economic changes which characterize the first phase of Thailand's modernization.

Rapid population growth, urbanization and industrialization produced predictable structural changes in the Thai society. Rice production declined in proportion to other cash crops. Exports of manufactured goods increased steadily. The increase in the economically active population in the non-agricultural sector out-paced by far the increase in agricultural labor force. Between 1960 and 1970, the increase in the administrative, executive and managerial sectors rose by nearly tenfold. Per capita income also rose steadily although the income distribution pattern became increasingly problematic.
The improvement and change of the economy resulted in further
differentiation of the class structure in Thailand. The new social
formations include three groups that are central to the development
dynamics. First is the middle business class. The growth of the
economy and the inflow of U.S. spending during the intensified Vietnam
War period created a new middle class, the nouveau riche, and also
reinforced the financial position of the established business. At the
same time, the alliance between the political elite and the business
elite was also strengthened. This alliance provided a case of merging
wealth and power, and therefore status.

The second social class was composed of factory workers and those
in the service industry. The active promotion of industry under the
national development plan together with rapid urbanization resulted in
the emergence of a larger and larger urban working class. Finally,
there was a very large group of unemployed students and migrants from
the rural areas who could not be absorbed by the urban economy. While
traditionally the bureaucracy was able to employ the "educated few",
this was not enough during the period of rapid expansion of the education
system. The emergence of these three groups, taken together, intensified
the urban class differentiation.

While the Sarit political system has generated recognizable
achievements in economic and social spheres, the inherent defect
generated by the military regime has in due course produced a formidable
outcome: the imbalance between socio-economic changes and political
development. This is because the Sarit system favored a forced political
stability, thus freezing the process of political change while social and
economic restructuring of the society took place rapidly. The restructuring
process resulted in social mobilization due to education, urbanization,
 improved communication and transportation, wider circulation of the media,
and the growth of the professional middle class. Consequently, there has
been a rise in political consciousness which in turn led to greater
demands made upon the political system for social justice and greater
participation in the political process. Yet, the military dominated,
authoritarian regime was ill-prepared to meet the demands of the new
social forces. The regime's self-defense mechanism was further weakened
by internal political strife. Finally, the military regime was overthrown
in October, 1973, by student-led mass demonstrations.17
In recapitulation, the foregoing discussion shows that economic growth and some social development can take place under a strong, authoritarian regime in the case of Thailand—and elsewhere such as Korea. However, we also attempt to show that the social forces generated from progress in economic and social spheres can in turn undermine the authoritarian regime, therefore becoming the killers of their creator. The Sarit system should have made the adjustment in loosening up the control to meet the demands from social mobilization brought about by the regime's development policy.

Semi-democracy. If October, 1973, indicated the end of a military regime of the Sarit type, it also served as the beginning of the end of a full democratic form of government which lasted about three years, until October, 1976. During this period, there were four elected governments and one semi-democratic government. During this time, the Thai society witnessed turmoil in modern Thai political history: a great deal of political violence including assassination. In this situation, even the most optimistic observers would conclude that the days of open politics were numbered. There was further polarization of political ideology between the left and the right. The Huntingtonian argument of "political development and political decay" may be appropriate in this phase of the Thai development process. There was political modernization in the sense of higher level of political consciousness and political participation; on the other hand, there was insufficient "political development" in the form of institutions and processes to regulate the participation. Therefore, the imbalance between "modernization" and "development" resulted in the "decay".

Another bloody coup took place in October, 1976, which was in fact a backlash of the political turmoil preceding it. This coup brought back the military into Thai politics. Despite the fact that the new government was headed by a civilian, it was in essence a civilian backed by the military. This "oyster government" (with the military as the shell and the government inside) lasted less than a year and was replaced by another military coup. These developments show that the military has been and still is a central element in Thai politics and it has to be accommodated. Consequently, a new political system emerged which accommodates both the military's role in the political process and the demands pressed by the new social forces. This compromise pattern has been described as half-way democracy and may continue to function on the Thai society from some time into the future.
Half-way democracy, Thai style, has several characteristics. At the time of the promulgation of the new constitution the government, by design, could continue to stay in power for as long as possible. First, there is the constitutional provision that the prime minister does not have to run for election as long as he has the support from the Parliament, which comprises an elected House of Representatives and an appointed Senate. Second, the constitution allows permanent civil servants to hold career positions and political posts concurrently. This provision would last for four years after which the constitution would come closer to a complete democracy. Permanent civil servants and military officers would not be allowed to hold bureaucratic positions and political posts at the same time. The power of the senate would be greatly reduced. Although a number of attempts to amend the constitution have failed a number of times, this exclusion from holding two different posts remains a political issue.

Half-way democracy is reflective of a realistic approach to Thai institution building by serving as a fusion of the old and new elements. Despite all the changes that have taken place, the power structure and the social institutions have remained largely intact. This is especially true of the military and civil bureaucracies. One reason for the stability is that Thailand has never been colonized to interfere with the continuity of the power elite. Another reason is that Thailand has never experienced any major societal revolution which uproots the traditional social structure and destroys the elite. Also, Thailand was not greatly affected by World War II; there was not enough physical and institutional damage to warrant any concern. Because of these reasons, the Thai power structure and the elite have endured for a long time. These represent the old elements in the political system that have to be accommodated. On the other hand, there is the newly enlarged group of professional and business middle class as well as the intelligentsia. In addition, there are the recently emerged unionized industrial workers who have been increasingly vocal in making their demands. The present arrangement allows for a democratically elected House of Representatives and at the same time a large number of appointed senators are military officers. So far, the prime ministers have been military men, and this fits with the Thai traditional political culture by having strong men in power who assume the position by invitation.
Several more recent trends are discernable since the beginning of
the Prem Tinasulanonda government that have implications for the future of Thai politics. First, the composition of the business class has changed from one of mainly family-owned enterprises to one with many big firms with very large assets. Many of these big corporations are joint ventures with foreign capitalists. Understandably, these corporations have developed a working relationship with the existing government and do not welcome change which affects political stability. The participation of business in politics is therefore to ensure of its own survival.

In addition to the traditional patron-client relationship, business people are more directly participating in politics by joining political parties, running for elections and even assuming cabinet positions, thus forming a new class of political elite.

Second, the days of the coup d'etat may be over. The many coups in the recent past, especially that of 1973 and 1976, may have awaken the Thais to the realization that the social fabrics can no longer stand for this kind of sudden political upheavals. Furthermore, the fragmentation within the military and the intervention at times of crisis by the traditional institution to defuse them have made the success of any coup politically difficult if not impossible. The fear of failure of a coup has helped foster political stability, illusive though it may be.

Third, the overall Thai political culture and process have become more "mature". There are compromises among all the parties concerned. Methods of protest have become more sophisticated and peaceful. Politicians generally avoid antagonizing the military. On the other hand, there may well have been a change in the attitude of the military, many of whom see a democratic form of government as a system to be promoted in Thailand. Finally, the weakening of the communist insurgency movement with the surrender of many cadres added a feeling of peace and national unity.

Political development or modernization can be defined in a number of ways. Some refer to it as a process of institutionalization while others focus on the aspects of political change toward a desirable direction with the system of the West as the desirable model. Still others argue that the Western system in total is not appropriate in the context of each nation's own unique historical and cultural circumstances and therefore some modified version of democracy should be developed. Such notions as equality, structural differentiation, functional specificity and the capacity of the political system under
what has been called the "development syndrome" form one of the core concepts of political development.\textsuperscript{20}

We may say that political development begins with the coming together of communities made up of people of different classes, ethnicities, religions and cultures to form one large unit called the nation-state. This first step in the nation building process calls for an effort to unify the territories and peoples into a coherent whole with an acceptable or enforceable and unified central power. The course undertaken by King Chulalongkorn of Thailand in turning the traditional kingdom into a more modern nation-state patterned after the Western model is a case in point.

However, there are two more challenging steps in the continuing political development process after national unification: accommodation and participation. Accommodation refers to the capacity of the political system to meet the demands of the society. The most important and discernable demands are the basic needs such as food and shelter. But material needs are relative. While many Third World nations are confronted with the more immediate task of reduction in the level of absolute poverty, it is quite clear that economic growth creates aspirations for higher standards of living and better quality of life which have no end. Also, the idea of relative deprivation among various classes of a nation generate further demands for accommodation. In this light, political development can be defined as the degree to which a government can accommodate the demands of the various groups.

But the demands go beyond the materialistic aspects of life because there is also the more abstract dimension which includes a sense of citizenry, guarantee of civil liberties, and the right to participate in the decision-making process. Such political elements of rights and freedom are also part of the demands that a government has to accommodate. Ironically, economic progress and increasing political demands appear to go hand-in-hand with some nations such as Korea: the more successful a political system's capacity to meet the materialistic needs of the people, the more vulnerable it becomes.

Abstract demands are directly related to participation, the other element in political development. Regardless of the form or the mechanism, the essence is to allow the people to have a role in electing their representatives through whom they can, or believe they can, have some say in the process of resource allocation. To be sure, there is
no system which produces perfect participation. But in relative terms, those political systems which are more open will be those which can cater more to the issue of participation.

The Thai case illustrates a compromise through blending of the old and new political systems and a combination of the need for economic growth and political participation. This type of development to date represents a political economy which is characterized by semi-democracy and peripheral capitalism. The half-way democracy embracing the military, the bureaucrats and the new middle class has been functioning for the past eight years. Some have argued that the middle path of Buddhism, the religious heritage of the Thais, has a positive influence on this compromise pattern.

However, the basic issues of accommodation and participation in their dynamic interaction will continue to press for change in the existing compromise pattern. Economically, the problem of uneven income distribution between urban and rural areas and between the primate city of Bangkok and the rest of the nation may intensify the social class structure. This situation may be further aggravated by the recent upturn of the Thai economy as it becomes more integrated into the capitalist world-system. Politically, there seems to be increasing fragmentation within the Parliament which may undermine existing political stability. In addition, the issues of the direct election of the premier and a clearer separation between the legislative and executive branches of government remain controversial. Consequently, there are those who call for further improvements in both accommodation and participation. Only time will tell whether Thailand can continue to have its cake and eat it too. While the nation's success in blending the traditional and the new elements in political development has been moderate, the next stage of transition will be determined by the nation's dynamic position in the world economy and in the regional (Southeast Asia) political harmony as these factors interact with domestic developments.
VI. AN INTERNAL VISION OF DEVELOPMENT: THE PHILIPPINES

In 1985, a large group of professionals from both the public and private sectors in the Philippines came together to promote a thorough review of the on-going crisis with the hope of redefining a comprehensive national development framework which can serve as a guide for further analysis, planning and implementation. Another related goal of the project is to facilitate wide-ranging discussion by all sectors in the society on a national ideology. This is somewhat similar to the Panchasila in Indonesia and Rukum Negara in Malaysia as well as articulating national ideology in Singapore; unlike the three other countries where discussion is government sponsored, the Philippines exercise is based in the private sector. The purpose of our discussion here is to synthesize some salient features from the initial report on the on-going project and relate them to some fundamental issues in development studies and planning.

In a way, this "Vision for a nation" project took off from a 1980 pioneering study on social indicators which suggested the need to go beyond the traditional economic measurements for evaluating development. However, the present project does not intend to come out with indicators but rather to suggest a conceptual approach to comprehensive development. The hope is to link desired goals to a desired ideology, as well as macro institutions to micro level variables such as family life and individual behavioural patterns. The proposed analytical framework suggests a value-oriented, evolutionary approach which harmonizes needs, goals, orientations and values in order to achieve a balanced social order. Moreover, the framework is to be based on pluralism and subsidiarity where the government is to play the role of a catalyst by providing the opportunity for private initiative.

The Development Crisis. The project begins with an analysis of the multi-dimensional crisis in the context of the social history of the Philippines. One socio-cultural concern is the need to integrate the modern or elite subculture with the more traditional mass subculture. While it is not completely clear just how this is to be achieved, there is the recognition that linking mechanisms have to go beyond the basic institutions of the family, school, and church. The growing imbalance between the two subcultures is manifested in the concomitant appearance of rising expectations and rising frustrations. This dualistic social structure raises questions on the negative aspects of modernization:
Western economic influences, Western media, and the life styles of the educated elite may be antithetical to "authentic development". Other social concerns include widespread graft and corruption in both public and private sectors, the steady rise in crime and violence, the prevalence of drug abuse, flouting of marriage laws, flagrant pornography, and the growth of the sex industry.

The economic problems of the Philippines are well-known. These include a staggering external debt which is almost the size of the gross national product, the widening balance of payments deficit, and a steady depreciation of the currency. The people's purchasing power has been steadily eroded, and unemployment as well as underemployment levels are very high. All these occur on top of a highly skewed distribution of wealth and income. There is also concern with socio-cultural factors that impede productivity and the need to balance between investment for industrial growth and investment to sustain traditional subsistence sectors.

The project is concerned with political instability in general and that associated with the Marcos regime in particular. Growing popular dissent is manifested through "parliament in the streets" and the emergence of mass-based, cause-oriented organizations. Then there is growing militarization and the long-lasting threat of insurgency. Government bureaucracies are perceived as incompetent and corrupt while human rights abuses are common. With the advent of the Aquino government, political stability and government legitimacy have improved, but other areas of concern remain. In addition, there is worry about dependence on, and relationships with, the outside world which have implications on the sense of national sovereignty.

The style of development in the Philippines is seen as the growing needs and wants of the population vs the low response of the state and society. The economic modernization strategy stipulates that the gap could be closed by economic aid, investment and transfer of Western innovations. However, the recipients of the benefits of modernization are largely the elites in urban areas, many of whom also have large land holdings in the countryside. Meanwhile, the main change in the subsistence sectors has been rapid population growth. Access to agricultural modernization was not provided due to the dualistic social structure and the remoteness from entry points of Western innovations as well as the absence of real land reform. The problems are further
aggravated by the lack of cultural homogeneity; the lack of historical experience with higher social orders beyond the family and clan; weak national control in economic, educational, and media policies; relaxed work ethics which were originally not challenged by the rich natural environment; and subservient attitudes of the large subsistence sectors. Therefore, the project considers the belief that production factors (men, resources, and capital) alone could make Philippines develop is a fallacy; there is underdevelopment because the social, economic, political, and cultural systems have not worked together effectively. After all, there are countries with less resources such as Japan and Korea which have been much more successful in developing themselves within a relatively shorter period.

The diagram on the next page summarizes the perspective on the societal crisis from the project's initial point of view, overly simplistic though it may be. The argument is that the rapid "modernization" of the elite partially uprooted an unprepared population and led to large-scale migration to the cities where the urban economy has been unable to absorb the rapidly expanding labor force. Many workers were kept at the lowest levels of education and training in order to justify the official low wage policy; such practices are detrimental to proper industrialization which needs a well-structured and qualified urban labor force at all ranks. Therefore, low productivity results from poor work attitudes, lack of training and very low pay — all of which are also likely to create labor unrest.

Such policies and practices inevitably led to a widening of the class structure. The poor become even poorer as they often lose connections with the countryside where they had been able to survive. On the other hand, power elite intermingles with elements of the economic elite, resulting in monopolies and further concentration of wealth in small circles. Conspicuous consumption becomes a status symbol, and the media presents this life style to the rest of the population which in turn entertains rising expectations and frustrations at the same time.

The state's development efforts are characterized by lopsided planning, weak implementation, patronage, and the lack of financial accountability. For the subsistence population and the urban poor, the contradiction among glamorous projections of the media, the colorful promises of the politicians, and the little change they see in their lives have caused considerable frustration. The tolerant, peaceful
The Philippines at the Crossroads

**This Happened:**

- Western economic + technical innovations at the elite levels
- Fast modernization of elite
- Cultural alienation
- Growing social gap
- Growing population facing livelihood problems

**Today:**

- Economic enrichment
- Abuse of state for economic monopolies
- Outstretched luxury
- Westernized media misleading people
- Deceptive development programs
- Subsistence sector facing livelihood problems
- Migration to cities
- Frustration
- Growing poverty

**The Future?**

- Isolation of power elite
- Military suppression
- Harder distribution struggle
- Radicalization
- Deterioration of peace and order

- Balanced development by serious crisis awakening the elites for real reforms?
- Political revolution = exchange of elites?
- Irrational revolution by charismatic leaders against modernization (nationalists, fundamentalists)?
nature and traditional capacity for suffering among Filipinos are challenged by the media which continuously present brutality and violence as solutions to problems. Consequently, the project expresses deep concern over the consequences of all of these imbalances which could lead to several drastically different development paths of "development" as shown in the diagram, some of which have taken place elsewhere.

Development Assumptions and Concerns. Recognizing that the conventional economic modernization strategy has failed to provide the basic needs of the deprived masses and to help each sector of the society to develop a unique culture-based strategy in responding to change, the project has identified a number of assumptions and concerns which are seen as central to societal or "authentic" development. The key assumptions are as follows: (1) Societal goals must be related to cultural conditions. (2) Societal structures and processes should be manifested in institutional and individual behavior. (3) There is a general morality (collective conscience) which is directed toward both societal and individual welfare. This morality is based on the concept of "common good" which can be defined in terms of "solidarity" (cooperation) and "subsidiarity" (the strong helping the weak). (4) There is a need for a set of integrative cultural values which can be developed as a national ideology. The major values in this national ideology are social justice and cultural integrity, both of which are considered instrumental in improving societal cooperation. Social justice and national or cultural integrity are expressed in intermediate and developmental concerns such as balance, participation, cooperation, self-reliance, access, pluralism, appropriate technology and productivity.

It has been proposed that the analytical framework to evaluate the proposed assumptions and concerns must include the "basic needs approach" which means the preferential options for the poor, socio-economic dualities, and an evolutionary approach in the transformation of social institutions which impede growth. In addition, emphasis is to be given to socio-cultural consequences of change besides economic impact and sensitivity to cultural invasions, especially that of technology transfer, learning systems and information dissemination.

Five general development concerns have been identified by the project. The first is self-reliance. This means mobilization of the people without over-reliance on the state or foreign assistance. Self-reliance should be complemented by societal cooperation and a just social order.
The second is integration, which refers to the harmonious collective interlocking of functions directed towards common social goals. Integration also refers to a unity of goals such as that found among various cultural groups and classes bounded by nationalistic sentiments. The third concern is social justice, the most fundamental element of social development. This means equitable sharing of the fruits of production among the people as well as the means of production. In politics, social justice means sharing of power, while in terms of the moral order it means recognition of the dignity of man or human rights. Moreover, social justice is egalitarian in the sense that it requires some degree of reverse discrimination based on need rather than merit, therefore connotes a bias towards the disadvantaged. The fourth concern is participation, which is seen both as a goal involving equitable distribution of national income and equality of opportunity, and as a means for development in the form of broad-based popular involvement in the decision-making process. Finally, there is the issue of equity in the quality of life in both quantitative and qualitative aspects.

A Vision for the Future. Taking the above principles into account and favoring an evolution instead of revolution approach to the next phase of the Philippine's development, the project produced a tentative scheme of social order and development. The general social order is compartmentalized into government, institutions, and population (both modernizing and traditional sectors). Cutting across each of these categories are the political, economic, social, and environmental goals.

Politically, the overall vision is one of representative democracy, with a power balance between the presidency and the parliament. There should also be a goal-oriented administration, with central political institutions coordinating with local authorities to produce a two-way service. The elites are to offer equitable and participative measures and the traditional sectors have to develop growing awareness of institutional or national level of development.

Economically, the overall vision is one of growth of market economy with social partnership. The government's responsibility is to set up the institutional and legal provisions for such social partnership in production, distribution, and consumption. The elites can help with economic balance between export orientation and domestic market growth. Productivity in the traditional sectors must increase to enhance linkages with the modern sector.
Socially, a stronger and more cohesive national identity is the overall priority. In this direction, the government has to facilitate a balanced social change acceptable to various segments of the population and at the same time provide education for youth and the public on development goals based on socio-cultural realities. The elites could help to accelerate the growth of the middle class as they diversify their economic activities. Improved quality of life and self-perception are important in the traditional sector to reduce excessive urban migration.

Environmentally, the objective is the more efficient use of natural resources and the protection of ecological balance. The government has to provide the framework for equitable land use through effective regional planning and control. Both the elites and the traditional sectors can improve the use of natural resources to strengthen self-reliance.

To students of development, the foregoing summary of general development concerns are familiar in their abstract form. To the decision-makers and planners, they are important but do not lend themselves readily to implementation. To the concerned critics, the very first question rests on who is responsible for comprehensive assessment of societal development before any kind of policies can be implemented. After all, the politicians are perceived to be preoccupied with power and short-term interests. The public administrators are not compensated enough to enable them to have a long-lasting commitment to professional performance. The business sector is profit-oriented and largely lacking in social conscience. The academicians are experts in their fields but feel uneasy when their ideas are exposed to complex realities and concrete challenges to decision-making. Last but not least, the mass population is too busy with their bare survival and too uneducated to even articulate their interests and grievances. A common answer to this question is the government. But under the best of circumstances a government can only be a facilitator for most nations; the task is too complex and therefore the participation of many sectors is necessary. Moreover, without the benefit of cultural homogeneity but a multi-layered colonial heritage together with the "misled" consequences of development, it appears to be very difficult to find a critical public for the task in the Philippines.

But all is not lost. The "Vision for the Nation" project did not fade away after its inception but actually gained some momentum after the Aquino government assumed power. Undoubtedly, the exercise of the
"people power" which helped to bring about a change of government demonstrated a sense of unity from many sectors thereby giving the mood of the rebirth of the nation. Sponsored by the journal Solidarity, eleven widely attended seminars on the future of the Philippines were held from March 1986 to February 1987, cumulating in a report entitled A Filippino Agenda for the 21st Century. Crucial concepts from the "Vision" report form the core of the "Agenda" which includes a comprehensive range of topics from culture, language, and communication to agrarian reform, the military and national security, the civil service, the judicial system, environmental futures, and the Pacific millennium. Unlike the "Vision" report, the Agenda has produced sets of guidelines for action by public and private sectors. While it is too early to tell what concrete results this government-people partnership will bring for societal development, it does appear that a critical mass has emerged to search for national identity and balanced growth. From a development planning perspective, painful lessons have been learned about the limitations of a monistic, economic-modernization approach and therefore the indispensibility of "socio-cultural development". Examples of such lessons can be found all over the world. The problem with the next step is not the "what" at least in principle, but the "how".

Toward An Integrated Development? We should distinguish between the "real style of development" which refers to what is actually happening in a national society, from the "preferred style of development", which refers to what some significant societal actors want or expect to happen. In the Philippines and elsewhere, the identification of preferred development with economic growth is by now too discredited to call for extensive refutation, however much influence on this conception may still exert in political discourse. The identification of development with "industrialization" or with "modernization" has also come under justified criticism in recent times. The former identification focuses on one requisite, which cannot meaningfully be considered developmental when it is accorded an overriding and indiscriminate priority.

The conventional conceptions of "modernization" have ethnocentric overtones that have become increasingly unacceptable once recognized. Therefore, in recent years increasing attention has been directed to the "integrated" or "unified" approach to development analysis and planning. Using the Philippines case as a point of departure, we shall highlight some consensus on what is meant by the "unified approach" in order to aid understanding and analysis of development.
An integrated or unified approach means an effort to identify and understand the interrelationships of all significant components of a national development system. This understanding is seen as a requirement for formulating policies and strategies through which interventions can become more effective to realize nationally and internationally accepted values.

A unified approach needs to make use of two complementary ways of looking at development: (1) development as a perceived advancement toward specified ends based on societal values; and (2) development as the system of interrelated societal changes that underlies and influences the feasibility of the advance. The first view assumes that a society has the right and ability to make choices and enforce sacrifice through general consensus. The second view assumes that development is a phenomenon susceptible to diagnosis and to objective propositions concerning interrelations of factors and the wider consequences of change on major components of the system.

From this point of view, "development" is not a single, uniform process or dimension of change, and it cannot mean the transformation of the nations labelled "developing" into replicas of countries now labelled "developed". All national societies are developing in some ways, and at the same time all are trying to cope with contradictions and disbenefits that arise from their own social change process. There is no reason to expect their efforts to lead to uniform futures, and there is no reason to expect that "future", defined in whatever way, is a stable condition.

One view is that a major development problem is to strike a satisfactory balance between allocations to economic objectives and allocations to social objectives. This perspective may be too simplistic or even misleading in some ways because it diverts attention from the real determinants and characteristics of allocations. The competition for allocation between economic and social ends may be less evident than the competition between these two ends taken together and the allocations motivated neither by growth nor welfare - excessive armaments, imposing public buildings, subsidization of powerful interest groups, for example. Moreover, allocations are means to ends; in reality the ultimate contribution of the allocations to their supposed purposes is sometimes questionable.
Convincing cases can be found where a nation runs into difficulties through over-emphasis on the "economic" allocations and therefore heightens unrest and inequalities. We may also find other instances where a nation overly stresses the "social" sectors and thereby undermines economic growth. In both instances, the correct diagnosis may not be that there is too much emphasis on one or the other but the wrong kind of emphasis. In one case, production is treated as an end in itself without sufficient regard to market mechanisms. In another case, attention is focused on what people receive through services and subsidies rather than what they do. An example of this can be cited from the "Vision" report on the alienating education system which has led to overacademization and excessive outward orientation and brain drain without providing sufficient linkages for endogenous development and the employment system.

An integrated approach does not mean that there can be a detailed, universal set of specifications for development. However, there may be generally accepted minimum criteria for assessment of styles of development. The central consideration is the extent to which a style of development enables a society to function in the long run for the well being of all its members. The criteria for the assessment of the developmental style are recognized in the cited Philippines case which include (1) national autonomy, (2) participation, (3) production, (4) distribution, (5) consumption, (6) environment, and (7) human relationships contributing to solidarity, security, self-realization, and freedom. There is, of course, a range of variations in the nature and extent of each criterion, and they are interdependent in a very complex way specific to each case. It is these intricate interrelationships that challenge a sound development analysis, where choices will have to be made in planning. Based on these criteria of assessment, certain styles of development may be viable but not acceptable to the society, and others may be acceptable but not viable. In other words, if these dimensions are mutually contradictory beyond a certain point, the style will not be viable. On the other hand, if choices are made in isolation from one another, there is the probability that they may be mutually contradictory to a dangerous level.

The capacity to choose an autonomous style of development influences the possibility of making choices in all other spheres. If a nation accepts its place in the existing international order, under unfavorable circumstances experience a kind of dependent development over an extended period where decisions on production and consumption will be largely out
of its hands. Moreover, it may be unable to tolerate forms of participation which threatens the established lines of production and consumption. One recognized problem of the Philippines is the passive dependent development style which raises questions on the future of the nation in the long run. On the other hand, no nation can realistically choose complete autonomy; it has to manoeuvre on the basis of its real situation within the international order.

An overly ideal model of preferred development is one which combines a high degree of autonomy, a high degree of reliance on external economic aid, and a high degree of openness to external cultural and consumption patterns - a style that is probably not viable.

Participation is one of the most complex and basic areas of choice. It raises very hard questions for political decision-makers and planners on who is doing the choosing, how the choices are enforced, and whether participation is mainly as a means or as an end. When participation is willed from above, it becomes mobilization. When it arises from below, it usually focuses on distribution. Authentic participation is a process which increases the participants' awareness of values, issues, and the possibility of making choices, influencing the content of development, generating new ways of doing things, and also safeguarding the participants' right to an equitable share in the fruits of development.

This process remains has so far remained as an elusive aspiration in the Philippines and elsewhere. But the conversion of this aspiration may well in the end prove the central requirement for an acceptable style of development.

Levels of production in the Philippines and many other parts of the Third World are too low to be acceptable in a preferred style of development. This means that production has to be directed much more systematically to meeting the basic human needs and at the same time minimize environmental degradation and waste of natural resources. However, to raise production levels it may be necessary to effect structural changes in the society that cannot be easily accomplished. Choices in production imply a need for compatible choices for distribution and consumption, something that have been far from coherent and equitable in past experiences. Again, redistribution meeting the basic needs of the masses has proved incompatible with the character of the goods and services being produced together with the distribution of power. The contradictions have appeared more acutely in industrially-produced consumer goods, in housing, and in education.
It is conceivable that choices aimed at preserving a "traditional" way of life, assumed to be in harmony with nature and social integration, may be in reality neither practicable nor justified in light of rapid change of the societal environment. In this context, much empirical analysis is necessary to identify what is to be preserved and why before the how. As the "Vision" project has emphasized, some aspects of the traditional culture are dysfunctional to the preferred style of development and social transformation.

VII. SOME CONCLUDING OBSERVATIONS

The successful attainment of a more acceptable pattern of pace of development calls for two things. In the first place, it requires a wider conception of the development process itself as an interrelated system of societal chance in which a whole complex of forces - social and political, no less than economic, interact upon each other. In this direction, this discussion paper calls attention to the usefulness of the capitalistic world-system perspective which takes into account the interaction between the internal dynamics of the nation-state and the external dynamics of the international order as an additional, though partial, explanation of the actual style of development. This world-system focus is illustrated in a brief analysis of the development paths of Japan and China. In our discussion on the East Asian development model, we attempt to take a more balanced view on the role of culture in development by pointing out that there are indeed complex relationships between the global political-economic context, institutional factors or state-society relationships, and cultural traditions in the form of neo-Confucianism. The examination of the recent historical development of political economy in Thailand shows how East meets West in producing a transitional, hybrid combination of democracy and capitalism. We use the case of the Philippines' real and preferred style of development to briefly illustrate some basic issues in the quest for integrated or unified approach to development analysis.

In the second place, a more thorough awareness of the nature of the development process may lead to a more rational pursuit of policies and strategies which aims at a pattern where a complex of objectives is satisfied. These objectives, above all, reflect the overriding need to translate the fruits of growth and development into a better life for the masses of the people. The essential challenges facing an integrated
approach is how to weave a multiplicity of goals into a pattern of
development in which these goals (and means) support and reinforce
rather than stand in conflict with each other.

Our last comment has to do with two prevailing and complementary
to development views on development. The first view takes "development" as a process
of inter-related growth and change in societies, delimited by the
boundaries of nation-states and highly interdependent on the
international order. This process may have produced uniformities and
predictable consequences, but also has unique characteristics in each
nation which are derived from historical patterns, cultural traits
and values, resource endowment, internal class structure and power
relationships, as well as the nation's place in the international order.
The political capacity to make choices at any given time may or may not
be compatible with the real developmental alternatives that are available,
and both the capacity to choose and the range of options are continually
changing. Development in this sense is inescapably societal developmental;
for analytical purposes economic, political, and socio-cultural aspects
are increasingly seen as an inter-woven whole.

The second view of "development" expresses an aspiration towards
a better society. In this sense, it implies choices derived from value
judgements concerning the form and content of a better society. It also
implies value judgements concerning the right of the existing society,
through general consensus, to make such choices and implement them
through policies and strategies. This assumes that the envisaged choices
are more or less feasible rather than utopian; they must fall within the
limits set by the development capabilities and processes as described in
the first sense.

Combining these two points of view and from an international
perspective, we may conclude that different national styles of
development are legitimate, possible, and indeed inevitable. All nations
face a certain range of choices of style, but the range of feasible
choices varies from nation to nation. In terms of internationally
accepted values, whatever style is chosen should be compatible with the
minimum assessment criteria discussed earlier. Therefore, each nation
faces a challenge to evolve a style of development responding to these
criteria through increasingly realistic and informed explorations of
the choices available. The emphasis on increasing rationality in
development analysis and decision-making does not imply a complete
harmonious technocratic style of development. Choice will always
be a political process; debate and conflict over choices have a legitimate place in any acceptable style of development. The outcome may be a coherent style imposed by a single dominant group, or a semi-coherent style emerging from compromise among groups with basically compatible objectives, or even an impasse where no group is able to dominate and the positions are too far apart from a developmentally viable compromise.
NOTES

1. There is a growing body of literature by Immanuel Wallerstein and others. See, for example, I. Wallerstein, The Capitalist World-Economy, Cambridge University Press, 1979 and The Politics of the Capitalist World-Economy, Cambridge University Press, 1984

2. There is also a body of literature on dependency theory. See, for example, James Petras, Critical Perspective on Imperialism and Social Class in the Third World, New York: Monthly Review, 1978

3. Ezra Vogel, Japan as Number One: Lessons for America, Cambridge University Press, 1979


12. A representative work is seen in Herman Kahn, Economic Development, 1979 and Beyond, Croom Helm, 1979, especially Ch. 3 and 6


15. Siu-In Wang, "The Application of Asian Family Values to other Socio-cultural Settings", in Peter Berger, op. cit.; S.N. Chan, "Family Management in Hong Kong", Hong Kong Manager, No. 6 (1970); and S.K. Lau, "Employment Relations in Hong Kong: Traditional or Modern?" in T. Liu, et.al. (eds.), Hong Kong: Economic, Social and Political Studies in Development, M.E. Sharpe, 1979


20. Samuel Huntington, Political Order in Changing Societies, Yale University Press, 1975


22. The following discussion summarizes some features from the 1,000-page initial report of the project. See Bernado Villegas, et.al. (eds.), The Philippines at the Crossroads: Some Visions for the Nation, Manila: Center for Research and Communication, 1986

23. Bernado Villegas, et.al., op. cit., p.17


25. For an elaboration of the unified approach, see UNRISD, The Quest for a Unified Approach to Development, 1980. Also relevant to this discussion is Marshall Wolfe, Elusive Development, UNRISD and ECLA, 1981