

Conclusion

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By the end of the 1990s, East and Southeast Asia were sharply divided between those countries which had experienced a major political change and had moved, in some cases repeatedly, from authoritarianism to liberal democracy, and those which had experienced no change and had been for a period – often a long one – partly democratic and partly authoritarian. There was little ground for suggesting that change was about to occur in this second group of countries, except perhaps in Indonesia, though there was also little expectation that changes which have begun to occur in that country would quickly bring about a genuine form of liberal democracy.

To this extent, the countries of the region were providing only limited evidence for the prevailing view in the political science literature according to which socio-economic well-being was highly likely to be connected with political liberalization. This relative “exceptionalism” of East and Southeast Asia has perhaps not been given the attention which it deserves, although exploration of the roots of this state of affairs could well provide an indication as to what tends to occur at the border of the area in which liberal democracy is strongly and even permanently associated with socio-economic well-being.

However important such a problem may be, another was felt to be more pressing, given the strength of political opinion on the subject, in some quarters at least: namely whether liberal democracy, achieved by whatever means and in particular independently or not from socio-

economic development, was likely to impede further “progress” in the direction of economic well-being. There was a clear need to explore the validity of the very strong claim made by a number of leaders of the region that the Asian “miracle” was due to “Asian values” and that these values did not coincide at all with liberal democracy. Indeed, these claims were echoed to an extent, if perhaps with more subtlety as well as a degree of ambiguity, by a substantial number of Western scholars working on the region: it was often regarded as axiomatic that certain characteristics of the work ethic and perhaps of the family structure were in part responsible for the success of the economies of the region, following that of Japan. It was also regarded as axiomatic that this success was due in part to the strength of the civil service, with the corollary that such strength was dependent, on the one hand, on the level of education of the citizens, but also, on the other, on the propensity of these citizens to “accept” what was suggested to them by authority. Views of this kind were adhered to widely, perhaps even universally, in the West, indeed typically with a tinge of envy: this envy surely explains in part the degree of condescension of many comments made about the region’s plight in 1997 and later.

It is therefore perhaps not too much of a caricature to summarize the commonplace notion of the relationship between the politics and economics of the area in the following way. By and large, citizens of East and Southeast Asia do not seem to be “inherently” and “naturally” as disposed as those of the West to adopt liberal democratic formulas; to an extent, this characteristic accounts for or at least contributes to the extraordinary speed at which the Pacific fringe of Asia developed economically in the second half of the twentieth century. Thus it is not only because some leaders of the area have emphatically stated that “Asian values” were antinomic to liberal democracy that the question of the impact of liberal democracy on economic development needs to be explored: this is also because variations on this theme were found to be expressed in many quarters.

Yet the underlying hypothesis was rarely explored, let alone tested. This was in part, as was pointed out in the introductory chapter, because it was difficult to undertake such a test, although efforts were made in this direction, in particular by Feng;¹ but these efforts were focused primarily on other regions, Latin America in particular, since outside Europe and North America, only in Latin America was it possible, up to the 1980s, to find a sufficient number of countries which had been liberal democratic for a period: East and Southeast Asia were naturally ruled out, as only from the second half of that decade did liberal democracy begin to spread, Japan having previously been the only country of the area belonging to that category. However, given that the characteristics with

which Latin America was typically associated in respect to its socio-economic values were vastly different for those of East and Southeast Asia, it seemed difficult to believe that what might be true of the former would also be true of the latter. Moreover, since the tests which had been applied to the Latin American case were contradictory or inconclusive, it seemed pointless to extrapolate to East and Southeast Asia what could be concluded about Latin America.

Given this situation, the only way to begin to make some progress in assessing the possible impact of liberal democracy on economic performance in East and Southeast Asia was to examine what had indeed been happening in that region once liberal democracy had begun to spread beyond Japan from the mid-1980s – for the first time in Taiwan, for almost the first time in Korea and Thailand, and after over a decade of dictatorship in the Philippines, while Malaysia, Singapore, and Indonesia maintained their traditional political characteristics.

An enquiry of this kind was littered with difficulties, however. First, the number of countries was obviously too small for statistical tests to be applied: the case-study method had to be used, with the consequence that there was never any question of “proving” what the impact of liberal democracy on economic development might be. Second, this small number of countries was strongly divided economically into two groups. Two countries, Korea and Taiwan, had been part of the first flock of “geese” to follow Japan; the other were part of the second flock, indeed to a large extent because Japan had been instrumental in their economic progress. Third, this division into two groups was underlined by the fact that the two groups differed rather strongly with respect to what was usually regarded as the key intermediate variable, namely the strength and capacity of the bureaucracy. What was clear was that the countries of East and Southeast Asia benefited from bureaucracies which were markedly more efficient and markedly more penetrating than those in the rest of Asia including China, in Latin America, or in Africa; but what was also clear was that the bureaucracy displayed more of these qualities in East Asia than in Southeast Asia. If the bureaucracy was the intermediate variable and if, perhaps, the characteristics of the bureaucracy, including the characteristic relationships between people and bureaucracy, accounted for the “miracle” which the region underwent, there should then be some differences between East and Southeast Asia. Thus the very nature of the impact of liberal democracy on economic development, as diffracted by the bureaucracy, was rendered more difficult to assess and even to identify.

As if the question were not already sufficiently complex, matters were made more problematic by the outbreak of the economic crisis of 1997. At one level, the crisis could be regarded as being somewhat irrelevant to

the problem under investigation, first because it was manifestly a second-order problem which did not affect the fundamental point that the region had developed markedly more quickly than any other part of the world since the end of World War II, and second because the crisis affected both "rather authoritarian no-change" countries (Indonesia, Malaysia) and countries which had become liberal democratic (Korea, Thailand). Yet even if democratization was not to be viewed as the "cause" of the crisis, the crisis could not be regarded as irrelevant, both because of its major impact on the economies of the countries concerned and because the methods adopted to move out of the crisis might differ depending on whether the countries were or were not liberal democracies. It could of course be argued that this last point was beneficial for the study, since it could provide a further means of assessing whether liberal democracy was more or less favourable to economic development than authoritarianism; but the hope of being able to use such a characteristic was limited by the fact that the freedom of action of all the countries of the area was markedly restrained by decisions of international bodies, the IMF and the World Bank in particular, by Western governments, and by Japan, as well as by private banks. All the countries would therefore be likely to follow a similar path, whether or not they had become liberal democracies.

There was nonetheless no other way but to undertake case studies of the countries of the region if some conclusions, albeit tentative, were to be drawn about the problem at hand. The eight case studies which have been presented here indicate what was clear from the start, namely that the evidence which could be provided did not lead to straightforward conclusions. Yet by the same token this evidence does lead to the conclusion that moves towards liberal democracy have "caused" neither the end of the process of economic development nor even its slowing down. Moreover, the case studies did more than provide such a negative, if basic, conclusion: they provided a rich set of insights into the nature of liberal democratic changes where they were taking place, as well as about the nature of the political process where authoritarianism continued to prevail. Similarly, the case studies provided important insights into the characteristics of the bureaucracy and into the nature of the relationship between the political authorities (as they had been all along or as they had become) and the bureaucracy. The case studies therefore constitute important sources: they make it possible to describe more accurately both the political and the politico-administrative processes of the countries of the region. Moreover, since the eight countries have been examined on the basis of the same general framework, they provide a more solid basis than hitherto for a truly comparative analysis.

The aim of this conclusion is therefore in the first instance to bring together and reflect on the political and politico-administrative charac-

teristics of the countries concerned. Then, on the basis of the examination of these characteristics, as well by assessing how far the economic crisis of 1997 can be handled differently in a liberal democratic and in an authoritarian context, reflections will be made about possible future trends, in particular about the extent to which liberal democracy is likely to be consolidated in the region; and, if so, about the effect that such a development may have on the region's economic well-being.

Political and politico-administrative processes

The political process and the role of parties

On the political plane, as was pointed out in chapter 2, the emphasis of the present inquiry has been on drawing a concrete picture of the political process in the countries of the region. This has meant first and foremost describing how parties function. Whatever may be said about their limitations, parties justifiably occupy not merely a key position but the key position in the political life of all types of modern societies.² On the one hand, they help to maintain (for a long while at least) authoritarian and even totalitarian governments, as has been demonstrated by Communist regimes; on the other hand, they help to maintain, indeed constitute the only way of maintaining, liberal democracies. Yet, as was pointed out in some detail in chapter 2, parties may vary from being internally very divided and even almost inchoate, to being united and well structured. If the first type of situation obtains, their capacity to link the people to the government is limited: in such cases, most of the power is at the level of local cadres or notables; the relationship between these notables and the electors is clientelistic while the link between the notables and the national organization is loose. Influence does not therefore move freely between the bottom (the voters) and the top (the national party elite). The national policy-making process of these parties is almost non-existent; indeed the national organization is so weak that the party itself is unlikely to remain in existence unscathed for more than short periods.

The maintenance or at least the healthy development of liberal democracy does therefore hinge on the characteristics of the parties: parties are inchoate and dominated by local bosses when no national social cleavages prevail in the polity or when these social cleavages are weak. Where, on the contrary, class, religion, or even ethnic differences cement party members and party supporters together, the party system becomes national and clientelism ceases to prevail. These opposing characteristics are naturally more or less marked according to the distance of the two types of parties from the polar extremes of the continuum. Moreover, the

problem is particularly serious as a country moves towards liberal democracy, for these characteristics are crucial at the beginning of the process. If the faith of citizens in a given party has once been firm, its effect will continue to be felt even after it has ceased to be so intense. This has been true of supporters of socialist, Christian Democrat, conservative, agrarian, and Muslim parties who have at one time (or whose parents have at one time) truly identified with the party in question.

Given this premise, the main question to be examined in relation to East and Southeast Asia is how far, both in the countries which have become liberal democratic and in those which have remained authoritarian or semi-authoritarian, parties can be said to be well implanted because of the strength of the social cleavages from which they originated. In this respect, the eight studies which have been conducted provide substantial, if rather worrying, information. For in only two of the countries of the area is there evidence that the parties are well implanted, while in at least five of the others the implantation is weak and in the sixth there is only a scant hope that the parties will be strong in the future.

The two countries in which parties can be said not to be inchoate, because they have strong roots in the social structure, are Malaysia and Taiwan. It may seem surprising that these countries should belong to the same category since Malaysia is generally regarded as being semi-authoritarian if also rather consociational. Its authoritarianism is shown by the fact that there is no likelihood that the opposition will be able to replace the coalition in power in the short or medium term. The same can of course be said of Switzerland or could have been said of Austria in the 1950s; in the Netherlands, one and the same party was a "pivot" of coalitions between 1945 and 1994, and in Belgium continuously since 1945 to the present, except for one four-year period. The permanence of a party in government takes place in a democratic context, however, only if electoral practices give equal chances to governmental and opposition parties, if the campaign is not unduly short, if the opposition's rights are not curtailed, and if the media are not slanted in favour of the government. None of these characteristics obtains in Malaysia, while they all obtain in the European consociational countries. Yet the main parties of the Malaysian governmental coalition are rooted in the social structure: class may not play much of a part, but ethnicity does, together with religion. This is shown by the large membership of the parties as well as by the close links which at least a substantial proportion of the population has with the parties. Malaysian parties are unquestionably lively organizations.

The same can be said of Taiwan parties, despite the fact that the development of parties occurred since the late 1980s only, at least with

respect to the second party. The end of the single-party system did not result in a variety of rather inchoate political groupings emerging in the society: it resulted, on the contrary, in the growth of a major party, the Democratic Progressive Party, which rapidly gained ground and, unlike the opposition in Malaysia, has appeared poised to win power at the centre, as it already did at the local level in the late 1990s. Taiwan politics has come to be "adversarial" rather than consociational. This adversarial system may not be a "pure" two-party system, but few two-party systems are pure: they tend to be often of a "two-and-a-quarter" variety, as in Britain, New Zealand, or Australia.

What rendered the Taiwan party system strong and consolidated has been, in an analogous manner to that of Malaysia, the existence of a cleavage between the indigenous Taiwanese part of the population and the part of the population whose roots are on the mainland. As in Malaysia, the main cleavage is not based on class, and in Taiwan it is not even based on religion: instead, it has an ethnic or pseudo-ethnic character. As in Malaysia, too, this cleavage is sufficiently profound to lead to a genuine sense of difference, and this sense is likely to be long-lasting. However, in part because the general political framework is freer than in Malaysia, the basic political cleavage which characterizes Taiwan has led to the emergence of two blocs: as in Britain and other "two-party adversarial countries," the battle is fought on the lines of "ins" and "outs," with the bulk of the population being associated with one or the other camp. For a polity which lived under a single-party system with strong military undertones as late as the early 1980s to have been able to move rapidly and peacefully towards a lively competitive party system is almost as "miraculous" as the economic development of that country has been "miraculous."

This "miracle" contrasts with the markedly more limited progress of party development in three of the other six countries, and with the lack of any progress at all in at least two of the remaining three. The countries which have made limited progress are those in which liberal democracy has been introduced or restored in the mid-1980s, Korea, the Philippines, and Thailand. The countries where there has been no or almost no progress in the strengthening of the bases of the party system are Indonesia and Singapore, and also Hong Kong, where the party development which had begun to occur came to be in question when the area ceased to be a British colony.

In Korea, the Philippines, and Thailand, the installation or restoration of liberal democracy has not been accompanied by the development of a well-structured party system as in Taiwan. What has emerged or re-emerged, on the contrary, has been a number of inchoate bodies, as the

chapters relating to these countries clearly show. Parties are tied to the support of presidential candidates in Korea, and this support is neatly circumscribed geographically; parties in Thailand and the Philippines lack even minimal permanency. Clientelism prevails, in the absence of any national social cleavage broad enough to override localism. The parties of all three countries have more in common with French parties before the advent of the Fifth Republic in 1958 than with parties in other Western countries; they have even little in common with Japanese parties, as the parties of that country, despite their divisions, are national in character. This was not the case in France, at least among parties of the Right and Centre before World War II and even to an extent before 1958. The lack of a national party system in the three countries, as indeed in pre-1958 France, should not be regarded as being due to the absence of a feeling of national identity, however. As a matter of fact, Korea is a highly homogeneous country; Thailand and the Philippines are less homogeneous, but the feeling of national identity of both of these countries dates back for centuries. Yet this is associated in all three cases with a high degree of local or parochial "patriotism" which determines the patterns of political allegiance.

Thus liberal democracy cannot be said to be consolidated in these three countries; nor can it be even said that it is undergoing a process of consolidation. The political game is open, but it takes the form of a drama in which there are many minor parts, but no major ones; indeed, those who have the minor parts replace each other rapidly and in an obviously unpredictable manner. Thus these countries are not consociational in the true sense, despite efforts in this direction which have sometimes been made, as in the case of the "growth coalition" which emerged in the Philippines in the middle of the 1990s and lasted about a year. But politics in these countries is not adversarial either, as there are no party alignments analogous to those of Taiwan. The structuring which parties could provide being non-existent or almost non-existent in these three countries, the form which politics takes is likely to oscillate sharply depending on circumstances.

The lack of national party structuring suggests that liberal democratic life in the three countries has not found a "natural" equilibrium: many of its characteristics – and perhaps its very maintenance – depend on accidents, such as the emergence of a strong leader. This is what may render a presidential or semi-presidential system appropriate, as was suggested in chapter 4. That system is indeed better able than the parliamentary system to provide both leadership and policy consistency where both would otherwise be lacking as a result of the weakness of the parties. The contrast between Korea and the Philippines, on the one hand, and Thailand, on the other, is illuminating in this respect. Ostensibly at least, pol-

itics has been more coherent in the first two countries than in the third, while the only partial remedy for the absence of strong leadership in parliamentary Thailand is the fact that the monarch can and indeed does play a part in situations of real emergency; but this remedy is more in the nature of a medicine designed to lower the temperature than one that eliminates the causes of that temperature.

Yet the presidential system provides a temporary solution only: in both Korea and the Philippines it buttresses liberal democracy somewhat artificially. Whether the presidential system will give these countries a breathing space during which a well-implanted party system will emerge is doubtful. Parties in the Philippines have not shown any noticeable tendency to become more solid, quite the contrary; and parties in Korea seem to continue to be appendages of presidential candidates. The consequences of such a situation may well be serious. In the 1990s, the global political environment has been broadly unfavourable to coups and to authoritarian rule in general, but if this were to change, parties might not be sufficiently consolidated in Korea, the Philippines, and Thailand to prevent a return to authoritarianism.

Meanwhile, parties are so superimposed on the political system in the last three countries, Indonesia, Singapore, and Hong Kong, that it is difficult to regard them as being more than marginal and symbolic elements, as the chapters relating to these countries indicate. Of the three, Hong Kong is the closest to being a pure "administrative state," but an administrative state in which the bureaucracy is rather low-key, as we shall see shortly. Singapore is in all but name an administrative state as well, and a strong one at that, and the dominant party is little more than a mechanism aiming at formally legitimizing what the administration does, without in fact having the authority to provide real legitimacy. Parties are a little more alive in Indonesia, in part because they are officialized and include an opposition whose (tiny) role is formally recognized. Yet the apparently solid structure of the main party is so artificial and its capacity to hold the nation together is so problematic that that party has to be regarded as little more than a symbolic superstructure which, like its counterpart in Singapore, though in a different manner, formally but not really legitimizes the regime. Following the collapse of the Suharto regime, parties have now proliferated in Indonesia. The political outlook remains uncertain. Indonesia is likely to encounter major political difficulties if only because of its size, as the Soviet Union did. Meanwhile, Hong Kong might have gradually acquired a well-implanted party system on the model of Taiwan, based on the distinction between the indigenous population and the population coming from China proper. But the end of the colonial period stopped this development and made an administrative state formula the only practical solution.

Bureaucracies and politico-administrative structures

The eight country studies survey economic governance, the roles and effectiveness of the bureaucracy in this area, and the institutions through which policies are devised, co-ordinated, and implemented. These data allow patterns of economic governance in the countries concerned to be evaluated and compared. The picture that emerges is extremely varied and, as a result of the financial crisis of 1997, extremely volatile, particularly in the affected states of Korea, Indonesia, Thailand, and Malaysia.

The first contrast between the eight states concerns the scope of economic, industry, and technology policy. Economic policy covers the role of the state in fiscal, monetary, and trade policy; industry policy the degree to which the state attempts to manage industrial structure outcomes; and technology policy its programs to foster productivity and the progressive development from wage cost-based industrialization, through catch-up, to innovation. At least three factors influence the experience of individual states: their expressed economic ambitions; the duration of their experience of rapid growth; and the relative roles of domestic and foreign capital in the initiation and maintenance of growth. The first factor affects the overall complexity of bureaucratic policy-making and implementation tasks; the second affects the precise nature of these tasks; and the third affects technology strategy and business-government relations.

In terms of these three variables, the eight states fall into three broad groups. The first is constituted by Korea, Taiwan, Hong Kong, and Singapore. These countries progressively entered the world production system from roughly the 1960s. With the exception of Hong Kong, they have all attempted to influence industrial structure outcomes. The state conceived and initiated a growth strategy and mobilized, at least initially, the resources – capital, human, and technological – to implement that strategy. This initial role coloured the subsequent development of economic governance. The state has continued to aspire to a catalytic role in relation to markets. While Singapore and Hong Kong have drawn heavily on DFI, Taiwan and Korea, but Korea up to the 1990s only, have relied primarily on domestic capital mobilization.

The challenge for these states has been to adapt to their changing external and domestic contexts. Externally, they have become progressively more implicated in global production, and save for Taiwan, in global financial systems. Domestically, they have had to integrate at least business and labour interests and to move from catch-up technology strategies towards innovation. For example, the crisis in Korea reflected, among a number of factors, the progressive weakening of that state's ability to manage the integration of labour, to curb the power of the chaebols, and to progressively augment catch-up technology strategies

with innovation. By contrast, Taiwan and Singapore are perceived to have succeeded in all these tasks – albeit by varying means.

Three of the states of Southeast Asia – Indonesia, Thailand and Malaysia – constitute a second group. These states experienced rapid industrialization from the late 1980s as they became more integrated in Japanese and other MNC production systems. Thailand has never sought to manage structural outcomes, whereas Malaysia and to a lesser degree Indonesia have both augmented macroeconomic management with plans to develop particular sectors or capacities. The declared aim, at least in part, has been to build local technological capacity and to progressively boost productivity, thus permitting advance from low wage-based industrialization. Further, these latter two countries have deliberately sought to protect national sovereignty by building a local entrepreneurial class to partner foreign investors and to stimulate indigenous managerial capacity. Some interpret these efforts in a less public-spirited light: they see state patronage primarily as a device to consolidate the power of authoritarian regimes.

The Philippines occupies a third category since its economic expansion did not commence until the early 1990s. This state broadly exhibits the same characteristics as its Southeast Asian neighbours – except that here economic governance is being practised at an earlier developmental stage. The state has sought to establish a basic “market-friendly” framework and to influence, indirectly, productivity gain.

Another point of contrast concerns the degree of bureaucratic autonomy. This refers to the ability of the state’s professional managers to formulate and implement chosen policies. Taiwan provides the most developed example of persisting autonomy. The state’s ambitions to guide structural development continue; but business and labour interests have both acquired more independence as the process of economic development has advanced. Democratic consolidation has here worked to reinforce bureaucratic autonomy. The KMT has played a larger role in integrating business interests while the state has developed arrangements to integrate labour. In other words, the state’s directing and facilitating role has become progressively embedded in more collaborative structures. How these arrangements would fare if the opposition DPP gains power remains to be determined.

In Korea’s case, by contrast, a shallower democratic consolidation had opposite effects. The concentration of economic power in the chaebol progressively insulated them from state influence, a process that was reinforced by their internationalization and by the weakness of the parties which rendered them unable to integrate interests; nor was labour integrated either. Yet democratization enhanced the veto power of both groups. The autonomy of the elite bureaucratic agencies was thus pro-

gressively reduced as democratization has stopped short of bringing about a genuine party development.

In Singapore's case, the state's co-opting powers have not changed and bureaucratic autonomy has been preserved. Hong Kong has progressively moved towards a more elaborated industrial policy but there has been no attempt to influence industrial structure outcomes.

In the case of Indonesia, Thailand, Malaysia, and the Philippines, bureaucratic autonomy has hitherto resulted from the reputation and roles of the limited number of elite agencies which basically managed fiscal and monetary policy. The insulation of these agencies from the political system was the key to their strength. In the first three, this insulation has been eroded and the political system has progressively emerged as a major constraint. In Indonesia, the focus of authority on the president, the adoption of dirigiste approaches by particular ministers and/or in particular sectors, and the allocation of production licenses to members of President Suharto's family and other favoured citizens has qualified the autonomy of the elite agencies. In MacIntyre's judgement, "the existing framework is very fragile because it is so sensitive to the behaviour of the occupant of the presidency." The political and economic aftermath of the Suharto resignation is unclear – but the outlook remains grim. In Malaysia, bureaucratic autonomy has been compromised by the progressive expansion of the influence of the prime minister and by the extension of patronage through the majority party: the bureaucracy has mostly been a secondary actor in these processes. In Thailand, corruption has penetrated the hitherto insulated elite economic policy-making institutions: for example, the reputation of the Bank of Thailand for impartial action was severely compromised by the scandals in 1996. Only in the Philippines does there appear to have been a positive relationship between the political and administrative system. Here the short-lived but critical "growth coalition" of the mid-1990s was the occasion for significant structural change. This strengthened the position of elite bureaucrats in national economic management.

The evidence on bureaucratic quality also points to variation between states. Korea, Taiwan, Singapore, and Hong Kong all recruit extensively from elite universities. Their bureaucracies generally retain their high reputations. In Southeast Asia, only the elite agencies enjoy a reputation for high-calibre staffing. This has been compromised in Thailand's case by scandals and other allegations of corruption in prudential and supervisory agencies.

The crisis of 1997 resulted in a special focus on the quality of economic governance of the financial sector in affected states and on the appropriate state roles in this sector. The practices of individual states had varied in relation to the openness of their financial sectors to international par-

ticipation, their prudential requirements and monitoring practices, and their general requirements in relation to the transparency of corporate activity. Progressive liberalization of this latter sector in Korea has been said to be one of the causes of the crisis in that country: prior to liberalization the state oversaw the level of chaebol borrowing. Taiwan has retained tight controls, and this has insulated that country from the constraints that economic globalization otherwise imposes on domestic freedom of manoeuvre. By contrast, the city-states of Singapore and Hong Kong have managed their financial sectors with a degree of transparency and with prudential and supervisory arrangements sufficient to satisfy the global financial community. Such arrangements have been absent in Thailand, Indonesia, and Malaysia: their absence and the resulting excesses are held to have contributed to the crisis of 1997. The Philippines has adopted relatively more stringent monitoring policies. To be noted in passing is that the presence of such arrangements is not associated with the absence of crises, as is shown by the U.S. savings and loans episode and by the British abandonment of the EMS. Perhaps the best that might be claimed is that such arrangements help to confine such crises to the financial sector.

In sum, only Taiwan and Singapore broadly retained in the late 1990s the framework of classic developmental states; democratization, in the first case, is also leading to a reconfiguration of the institutional context. The institutional forms remain in Korea, but the capacity to influence, directly or indirectly, industrial structure outcomes has been undermined: to an extent at least, this has been due to political developments. Malaysia and Indonesia, in very different contexts, adopted limited programmes to shape the industrial structure; but this policy was pursued through special-purpose agencies and through direct political linkages rather than through a coherent state apparatus. Hong Kong has also introduced policies designed to encourage technology development in the electronics and information technology sectors, but as an augmentation of existing "followership" policy, not through the reshaping of the industrial structure. The Philippines and Thailand have not generally sought to influence industrial structure outcomes; in the latter case the reputation of the elite bureaucracy has also been compromised by bribery scandals.

Finally, the consequences for economic governance of the financial crisis of 1997 should be noted. This crisis, and the subsequent interventions of the IMF and the World Bank in affected states, put a number of facets of economic governance under the spotlight. They demonstrate the limitations on economic governance, at least in the financial sector, and perhaps more generally, that are imposed by substantial reliance on international capital. The OECD move to introduce an investment code reflects the same pressures in production sectors. The crisis has given

fresh impetus to arguments concerning the desirability, from the perspective of national sovereignty, of financial liberalization, and of other international regulatory codes framed in accordance with Western norms. The financial crisis has also stimulated debate about the value of the remedies routinely sponsored by the IMF and the World Bank and about the potential for more elaborated regional co-operation to insulate states better from international investor sentiment, such as the setting up of a regional monitoring authority or of a regional yen bloc. In sum, the events of 1997 and their aftermath, no less than democratization in Taiwan, Korea, and Thailand, have meant that economic governance in individual states is subject to an array of volatile pressures.

Liberal democracy and economic performance in East and Southeast Asia

It is possible at this point to attempt to summarize the evidence which has been collected in the course of this volume about the possible impact of liberal democracy on economic performance. To do so, it is best first to locate the eight countries analyzed in this volume in the matrix derived from Shefter and described in chapter 4 (see figure 13.1, and compare figures 4.1 and 4.2). The evidence suggests that, whereas no Western state falls in the right-hand column of "weak and internally divided" parties, three of the countries examined here, Korea, Thailand, and the Philippines, are located in that column; furthermore, a fourth column covering "countries without a freely developed party system" has to be introduced on the right of the matrix to accommodate Singapore, Hong Kong, and Indonesia. Only Taiwan and Malaysia are to be located in the middle column of party strength. With respect to administrative structures, Taiwan and Singapore are located in the top row as their bureaucracy is strong, while the other six countries are located in the middle row as their bureaucracy is intermediate in strength; however, some change may be occurring since Hong Kong may be in the process of moving up while Indonesia may be in the process of moving down, and Korea has already moved from being characterized by a strong bureaucracy to being characterised by a bureaucracy of intermediate strength. Only Taiwan and Malaysia have party and administrative characteristics which render them comparable to Western countries, as they have both relatively strong parties and strong bureaucracies, the Taiwan bureaucracy being the stronger of the two.

On the basis of the way in which countries of East and Southeast Asia are located on the matrix, a set of conclusions can be drawn about some aspects of the impact of liberal democracy on economic development.

STRONG

= embeddedness + state steering (e.g. focus on industrial structure outcomes: technology policy; co-ordinate investment; monitor borrowing; business-labour inclusion).

INTERMEDIATE

(e.g. central bank independence; open financial system; neutral fiscal and monetary policy; liberal trade regime; limited collaboration with business and/or labour)

WEAK

(= implementation difficult)

Political Parties

STRONG
= Programmatic

INTERMEDIATE
= Representative

WEAK
= Internally divided

Party formation highly constrained

		<u>TAIWAN</u> Japan(?) France	<u>KOREA</u>	<u>SINGAPORE</u>
Britain Sweden	Most continental European United States <u>MALAYSIA</u>	↓	↓ <u>PHILIPPINES</u> <u>THAILAND</u>	<u>HONG KONG</u> <u>INDONESIA</u> ↓ Many Latin American

Figure 13.1 Political parties and economic governance in East and Southeast Asia

The question is better examined successively in two ways, however, as this impact can be expected to be different, to a degree at least, when there is an economic crisis of the magnitude of that which hit the region in 1997, than when economic development takes place without major national or international impediments.

Liberal democracy and economic performance in general

Although the impact of liberal democracy on economic performance in the context of East and Southeast Asia, even outside economic crises, clearly cannot be strictly speaking “measured,” a number of conclusions can be drawn from the evidence of developments which took place from the mid-1980s to the mid-1990s. The first and most immediate piece of evidence is constituted by the fact that during these ten years, there was no sign of a decline in rates of economic growth in any of the countries which became liberal democratic at the time, Korea, Taiwan, the Philippines, and Thailand. The “economic miracle” continued in these countries as it did in those in which there was no break in authoritarian rule. It may be, admittedly, that this state of affairs simply results from the fact that there can be a substantial lag for the effect of a change of political regime to be felt: it manifestly takes time for the attitudes of the actors concerned, entrepreneurs, employees, and members of the bureaucracy, to be modified. But it is surely fair to conclude that the installation of liberal democracy has not immediately and directly destroyed economic performance.

The analysis needs to go further, however. Three types of considerations, which have been highlighted in the course of this volume, both in the general and in the country chapters, need to be taken into account. First, is there a direct and concrete effect of the installation of a liberal democratic regime on the part which the bureaucracy is able to play in a country? Do administrators continue to be able to initiate policies and to follow these through on the scale to which they were accustomed in an authoritarian regime? Second, is there a consensus among all relevant parties and politicians on continuing with a policy of economic growth, or are there divisions among these parties and politicians with respect to the fundamentals of economic policy-making? Third, conversely, do bureaucrats recognize that parties and politicians have a part to play in the development of the nation, including in its economic development? Do they feel deficient in “legitimacy capital,” so to speak, and do they need to rely on the legitimacy of parties and politicians to achieve their own goals, or do they, on the contrary, consider that parties and politicians (or at least some of them) prevent them from achieving these goals?

The last two aspects of this problem form part of a kind of trade-off

between the two sides. Parties and politicians may have to accept to exercise a degree of self-restraint in terms of their own involvement in economic policy-making if a high level of economic performance is to be maintained; bureaucrats may have to agree to involve parties and politicians in policy-making, and indeed to bow to the desires of these parties and politicians, in order to reap the benefits of the legitimizing umbrella which parties and politicians can open above them.

1. On the first point, a mixed answer can be given for East and South-east Asia. The role of the bureaucracy remained unchanged in two of the four countries which moved towards liberal democracy, Taiwan and Thailand, while some changes occurred in Korea and the Philippines. The differences between Taiwan and Thailand, in the involvement of administrators in policy-making, pre-dated liberal democracy: in Taiwan, the involvement of administrators in sectoral economic management continued; the fact that the bureaucracy was only basically concerned with macroeconomics in Thailand is a reflection, not of the change in the political regime in the country, but of the fact that the civil service never was deeply involved in microeconomic initiatives, perhaps because of its more limited capacity.

In the Philippines the involvement of the bureaucracy in microeconomic management which characterized the second period of the Marcos dictatorship was markedly reduced when liberal democracy was restored and a policy of privatizations and economic liberalization was adopted; but that change followed a period during which the economy had ceased to grow and had even gone into decline. Moreover, the policy of microeconomic management which had been introduced by Marcos during the second phase of his dictatorial rule was more designed to enable the president and his close business associates to exploit the economy than to give the bureaucracy a key role in the management of the economy. Thus the failure of the policy was perhaps due, in part at least, to the predatory aims of the Philippine power elite, although it may also have been the case that, as in the rest of Southeast Asia except Singapore, the bureaucracy did not have the required technical competence to undertake successfully a detailed supervision of the different sectors as its opposite numbers in Korea or Taiwan had been able to do. Thus the Marcos policy of sectoral intervention had analogous characteristics to that of Suharto in Indonesia: in both cases, it is difficult to dissociate the microeconomic aims from the desire to provide benefits to the immediate entourage of the leader. The change of policy after the return to democracy is not therefore an indication that the role of the bureaucracy was being "ideologically" reduced.

However, while democratization may not be regarded as having "caused" a decrease in the involvement of the bureaucracy in three of the

four countries of the area which did democratize, the same does not appear to be the case in Korea. Admittedly, the strengthening of some of the non-state economic actors, businesses in particular, was not due to democratization, but to the increase in the power of the chaebols. Yet the loss of influence which the bureaucracy suffered as a result was not compensated by an increase in the ability of parties to channel demands coming from these bodies; nor did demands from employees and in particular from manual workers come to be channelled by the parties either. The rather limited extent to which the presidency can compensate for the inability of parties to play a part in the polity is thus manifest in the Korean case. Korea constitutes therefore an instance in East and South-east Asia where democratization may have contributed to a reduction in economic performance, while this cannot be deemed to have been the case for the other three countries of the area which became liberal democracies.

2. Second, there appears to be a consensus on the part of parties and politicians in the countries in which liberal democracy was installed or restored about the need to pursue policies of economic growth. As a matter of fact, in the specific case of the Philippines, as we just saw, the authoritarian regime of Marcos proved increasingly unable to bring about economic growth. Thus, in this respect at least, liberal democracy did influence economic development positively. Moreover, in all the four countries which installed or restored liberal democracy, a consensus has existed among parties and politicians on maintaining the policy of economic growth. This has been particularly manifest in the Philippines, where a "growth coalition" brought together most parties in the mid-1990s; and in Korea, where successive presidents, including the president elected in 1997, have been at pains to state and prove that they believed in continuing existing economic policies. However, in both countries, as well as in Thailand, the weakness of parties means that a commitment to growth on their part has little significance. As parties in these countries count for very little, it cannot be claimed that these would have been in any real sense in a position to affect the impact of the bureaucracy on policy-making even if they had wanted to. But as we noted in the Korean case, the weakness of parties may indirectly have contributed to a reduction of the general role of the state in supervising economic actors.

The only one of the democratizing countries of the region where the position of parties on the question of economic growth could be said to have a real relevance is Taiwan, since it is the only one in which the parties have acquired genuine strength: on coming to power, the DPP might be able to introduce different policies, if it wished to do so. Yet this does not seem likely, not merely because the views of the DPP on economic policy do not appear to differ markedly from those of the KMT,

but also because the DPP has begun to represent to a substantial extent the interests of the large group of small businessmen on which the economic performance of Taiwan has been based. Admittedly, it might be that the coming to power of the DPP would have such consequences for foreign policy developments that the economic performance of the country would be adversely affected, but this means going beyond the economic area proper and therefore outside the parameters of this study.

Overall, there is thus consensus among parties and politicians in the region on the need to pursue a policy of strong economic growth, but except for Taiwan, there remains some doubt as to whether parties are sufficiently alive to be regarded as reliable agents in this respect. It may therefore be that, if parties were to become stronger, or if new and stronger parties were to emerge and be successful, a challenge to the policy of economic growth would also emerge and the consensus would be broken. All that can be said is that there are no signs that any party is about to take such a line, as there are no signs that any party (except in Taiwan) will be in a position to adopt, let alone maintain, a definite and coherent policy line.

3. If it is unclear whether parties might emerge which might challenge the policy of economic growth, it is even more unclear whether bureaucrats will develop attitudes which would be antagonistic to liberal democratic parties and politicians: for what needs to be determined to give definite answers to such a question is evidence about what the reactions of civil servants might be if confronted with situations in which the economic performance of their countries was impaired under a liberal democratic regime. To an extent, the crisis of 1997 constitutes an instance of such a situation, and its potential consequences in terms of the impact of liberal democracy on the economy will shortly be examined; but there could be other circumstances in which the problem might arise since there could be many situations leading civil servants to mistrust liberal democratic parties and politicians and to favour a return to authoritarian rule.

In the absence of detailed studies of these potential attitudes of civil servants in each country, the points which can be made have to be general. Three of these appear to be particularly important. First, if what is feared by civil servants is undue manipulation of economic policy by the political masters, it is not clear that there is less of this kind of manipulation under authoritarian rule than under liberal democratic rule. The cases of Marcos in the Philippines and Suharto in Indonesia have already been mentioned; in Singapore, Lee Kuan Yew has more than occasionally acted over and above his civil servants; the part played by Malaysian political leaders, above all Mahathir, in economic policy-making has been very significant. In contrast, liberal democratic leaders are likely to be

anxious to avoid giving too often the impression of intervening, for instance, to please their constituents: civil servants may even be able to resist these interventions more effectively in a liberal democracy than in an authoritarian regime.

Second, however, such restraint on the part of liberal democratic leaders may be felt to be temporary and to result from the desire to appear morally superior to authoritarian rulers: liberal democratic leaders may be more disposed to look after their interests and those whom they wish to help when their rule becomes better established. Indeed, civil servants may worry about the potential meddling of liberal democratic politicians regardless of its actual extent, and be therefore somewhat uncommitted to liberal democratic rule. Furthermore, bureaucrats may be only temporarily restrained in their desire to bring about more "order" in society, so long as the view prevails in the world at large that liberal democracy is to be preferred. Such a view may not prevail indefinitely: by the end of the 1990s its strength had already somewhat diminished. This may affect the commitment of civil servants to liberal democratic politics in the longer term.

Yet, third, the problem may gradually take a different shape as co-operation between the two sides comes to be regarded as normal. Civil servants in the area may be impressed by the fact that, in the West and in Japan, a working relationship does exist between politicians and bureaucrats. They may also come to note that such a relationship has the advantage of taking away from civil servants the burden of having to justify what is done on the economic front, including of having to defend any mistakes which may be made. Moreover, if bureaucrats accept liberal democratic rule as given, they cease to have to ask themselves difficult questions about the costs and uncertainties connected with regime change.

At this stage, it can at least be concluded that the impact of liberal democracy on economic performance is not necessarily negative. More specifically, while more needs to be done to examine in detail how economic policies are being affected by democratization, it seems that in the particular case of East and Southeast Asia, that impact has proved to be at least neutral in the short term. The future is not as clear, however, given the problems posed by the consequences of the economic crisis of 1997.

Liberal democracy and economic crises

Independently from its importance for the region as a whole and indeed for the world, the financial crisis of 1997 constitutes a test case of the relationship between politicians and civil servants in both a liberal demo-

cratic and an authoritarian context. This crisis has constituted a major upheaval for East and Southeast Asian countries, though the extent of the upheaval has been different from country to country; the different origins of the crisis in each country may account in part for its different effects. The problem has arisen in Korea primarily because of the extent of borrowing by the major companies, and in Southeast Asia, because of an internal collapse of major banking institutions and the lack of regulation of the financial system: this means that, as was pointed out at the beginning of this chapter, whatever the extent of the consequences of the crisis, the cause of the trouble cannot be attributed – or at least, not directly attributed – to moves towards liberal democracy. Indeed, a country such as Indonesia has been affected as much as, if not more than, any liberal democratic country of the area.

What does remain in question is whether a liberal democratic framework is likely to help or hamper the management of the crisis. The crisis renders more acute the dilemmas of both politicians and civil servants regarding the extent to which they should respect each other's domain. On the one hand, the bureaucracy needs to enjoy considerable autonomy in order to be able to play its full part in the policy-making process; but it also needs to be buttressed, on the other hand, by politically authoritative institutions – primarily parties, or failing these, by institutional devices such as the presidency. There has to be a good mix of or trade-off between administrative involvement and political support, as political support must not be overshadowed by administrative involvement if crisis management is to proceed smoothly. Let us therefore return to the positions occupied by the various countries of the area on the matrix derived from Shefter as shown in modified form in figure 13.1.

If we consider the location of the countries of East and Southeast Asia in the matrix, these are exposed to two types of risks. Politics in the two right-hand columns would appear likely to suffer because of the lack of strength of their political institutions; politics in the lower part of the matrix are also in danger because of the weakness of their administrative apparatus. Thus countries in the bottom right-hand corner, such as Latin American countries outside the area, have tended to be particularly at risk.

None of the countries of East and Southeast Asia is in the same box as the Latin American countries, but Indonesia comes close to that position: the ability of its political institutions to relate to the people via the parties and even the presidency is almost non-existent; the ability of the bureaucracy to manage the economy and the society is the weakest of the countries of the region and its performance is in question. Admittedly, this is in part due to the difficulty of administering a vast country in which there is considerable ethnic diversity; but problems have been com-

pounded by the fact that the autonomy of the bureaucracy had come to be somewhat hampered by the actions of Suharto in favour of his business associates. As a result, the Indonesian presidency had ceased to provide help to the politico-administrative system and had come to be a handicap. Indonesia appears therefore to be the polity of the area least likely to surmount the crisis.

In the other countries, the risk represented by the crisis would in theory seem to be greater as a result of legitimacy being low than as a result of the weaknesses of the administrative apparatus, since, in East and Southeast Asia, the administration is always at least able to see its decisions implemented relatively efficiently. Thus the countries in which parties display intermediate strength (Taiwan and Malaysia) would appear more likely to control the effects of the crisis than the countries in which parties are weak (Korea, Thailand, and the Philippines) or almost non-existent (Singapore and Hong Kong).

Two points modify this conclusion, however. First, in relation to a crisis, the "accidental" coming to power of a president has the effect of increasing, albeit perhaps only temporarily, the capacity of the political system to resolve the crisis or at least reduce its impact, since a crisis, financial, economic, or otherwise, is itself an event or a situation of an "accidental" character which is by its very nature "abnormal." The reasoning which can be made in this context is analogous to Max Weber's reasoning about charismatic leadership:³ in a crisis, if a truly popular leader happens to come to power, the society may be able to overcome the problem and return to "normalcy." This means, in practice, that not only should Taiwan be able to surmount the crisis – as it might in any case be able to do given that its party system is relatively strong – but that Korea and the Philippines may also be able to do so, if and so long as these countries are ruled by a strong and popular president who is willing to support the bureaucracy and protect it if it comes under attack because of the severity of the measures which are taken. We noted earlier that there was some doubt in this respect in the case of Korea; yet the country most at risk in the group of those which have become liberal democratic seems to be Thailand, as parties in that country are inchoate and the parliamentary system does not provide "artificially" and automatically mechanisms through which to build as strong a leadership as the presidential system.

Second, while Singapore and Hong Kong would appear to be politically weak because they lack the legitimizing impact of parties, the special characteristics of these two polities renders them appreciably less vulnerable. They may be both almost pure administrative states, but they appear nonetheless able to surmount without great difficulty any crisis which they will have to face, as, in sharp contrast with Indonesia, they

operate within the narrow geographical compass of city-states with relatively small populations.

Parties may play an important part in city-states; but the limited size of these polities and the fact that they are wholly urban mean that relationships between people and government are facilitated, whether parties exist or not. These two factors also make it possible for the government to control citizens more adequately. Moreover, the two Southeast Asian city-states, probably like all city-states, are threatened by neighbours which are larger in size and in population; and in societies at risk the government can more easily use the argument of patriotism to ensure that its decisions are obeyed and that dissent is restricted. It may seem paradoxical to come to this conclusion, in view of what Rousseau once stated, but a city-state is perhaps less likely to be or remain a liberal democracy in the context of a crisis than a larger polity.⁴

As a result, first, an authoritarian state such as Indonesia is less likely to manage effectively a major crisis than the states which became liberal democracies in the 1980s. Second, the two relatively authoritarian city-states of the region are likely to surmount the crisis better than those which became liberal democracies, except that Taiwan, too, as a consolidated liberal democracy with a strong bureaucracy, is also likely to come out of the crisis without having suffered major damage. The three liberal democracies which are not consolidated, and are perhaps not even in the process of being consolidated, are between these two groups. Among them, those in which liberal democracy, despite the absence of lively parties, has been accidentally and probably temporarily "saved" by a popular president (Korea and the Philippines) are more likely to surmount the crisis than Thailand where the absence of effective parties is not compensated in this way, in part at least. That country would therefore seem to be, after Indonesia, the one in which liberal democracy is least likely to be able to control the crisis.

The question of the possible impact of liberal democracy on economic performance, whether in East and Southeast Asia or elsewhere, poses such complex problems that it may not be surprising that some leaders should have peremptorily affirmed, more or less honestly but clearly conveniently for themselves, that liberal democracy is detrimental to the economic well-being of citizens. A definitive answer to this question may never be given. It is clearly unrealistic to attempt to give such an answer at this early stage in the examination of the role of liberal democracy in economic life, let alone one that is valid for all times and all regions, given cultural differences and differences in living standards. It may not be as unrealistic to attempt to give an answer for a particular region at a particular point in time, however: indeed, an effort has to be made to give

such an answer within the circumscribed context of East and Southeast Asia, as “answers” have been offered frequently by politicians and observers of political life in the region.

The most straightforward point to make is that there is no manifest evidence that liberal democratic rule is directly and obviously detrimental to economic well-being. There is at least enough support for the view that economic performance has flourished under liberal democratic regimes in East and Southeast Asia that the overall verdict must be the same as that given for Latin America on the basis of systematic statistical analyses relating to the 1960s and 1970s: that democracy can help economic growth, even if authoritarian rule can also do so.⁵

Beyond this general point, detailed case studies provide more specific insights into the nature of the variations in the impact which liberal democracy may have on economic performance. The extent to which parties are strong or weak is an important factor, since the coherence of policies pursued by governments under liberal democratic rule is heavily dependent on parties being well structured: in the absence of such parties, the presence or absence of a strong presidency may constitute a partial and somewhat temporary substitute. Case studies make it possible to assess whether parties and/or presidents are in tune with the bureaucracy on economic goals, and thus help to determine whether or not there are grounds for doubting the positive or at least neutral effect of liberal democratic rule on economic performance. Case studies also offer evidence about the extent to which the bureaucracy is able to steer the economy, although more thorough analyses of the attitudes of civil servants are needed if one is to discover whether these are likely to recognize that parties and politicians provide legitimacy to their actions. The debate about the impact of liberal democracy on economic performance does remain open; but the parameters within which the problem is to be addressed have become more definite and more precise. This, in turn, will help to throw light on whether East and Southeast Asia are likely to remain economically buoyant while also being one of the areas of the world where liberal democracy has become firmly established.

Notes

1. See Yi Feng, “Democracy, Political Stability and Economic Growth,” *British Journal of Political Science* 1997; 27: 391–418.
2. For references on the role of parties see chapter 2.
3. Max Weber, *The Theory of Social and Economic Organization* (New York: Free Press, 1947).
4. Jean-Jacques Rousseau, *The Social Contract* (London: Penguin, 1974).
5. See Feng, “Democracy, Political Stability and Economic Growth.”