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Casino Capitalism and Its Legitimacy Impact on the Politico-administrative State in Macau Sonny Lo

Abstract: Casino capitalism has its dialectical tendencies in Macau. On the one hand, it stimulates economic growth, provides employment, and strengthens the post-colonial state in Macau during the period of economic boom. On the other hand, casino capitalism can widen the income gap between the rich and the poor, generate addictive gambling, and de-legitimize the post-colonial state in Macau during the global and regional economic downturn. The weaknesses of the politico-administrative state in Macau, including the absence of institutional checks and balances, the frail civil society and the relatively docile mass media, have magnified the negative impacts of casino capitalism on Macau. In response to the negative ramifications, the Macau government has taken measures to be more interventionist, to enhance social welfare, and to prepare contingency plans that would tackle the sudden bankruptcy of any casinos. The central government in Beijing also displays contradictory considerations when it deals with Macau's casino development, supporting the casino industry while simultaneously encouraging the Macau government to diversify its economy. Overall, casino capitalism not only has contradictory impacts on the Macau city-state but also reveals the inherent contradictions of Beijing's policy toward the territory's over-dependence on the casino economy.

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Keywords: Macau, China, casino politics, casino capitalism, legitimacy, the post-colonial state

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Introduction

Since the return of its administrative right to the People's Republic of China (PRC) on December 20, 1999, the Macau Special Administrative Region (MSAR) has been relying on the rapid expansion of casinos to maintain and consolidate its capitalist economy. "Casino capitalism", which is a term used by Susan Strange to describe the Western financial system (Strange 1986), can be defined here as the process of stimulating economic growth through the proliferation of casinos. Traditionally, Macau's casino capitalism has been driven by the privately owned and managed casinos with the full support of the government. Both the colonial and post-colonial governments in Macau have been adopting a relatively non-interventionist policy toward casino management while at the same time holding the power to grant, oversee, and renew the casino franchise. Since the December 1999 retrocession, casino capitalism has prompted the transformation and modernization of Macau's "politico-administrative state", which is defined here as a powerful bureaucracy led by political leaders without sufficient checks and balances from the legislature, political parties, interest groups, citizens, and the mass media. This article will show that casino capitalism actually legitimized the Macau politico-administrative state during the economic boom from 2004 to mid-2008, and that it has delegitimizing impacts on the regime immediately after the global and regional financial tsunami in late 2008. The dialectical impact of casino capitalism - legitimization and delegitimization - is prominent in the case study of Macau (on capitalism's legitimating effects see Berger 1987: 205-209).

Under Portuguese rule, Macau was arguably a politico-administrative state in which appointed politicians from Portugal headed the executive branch and where the friends and followers of the Governors staffed both the positions of undersecretaries and the bureaucracy (Lam 1991). This merging of politics and administration was far more prominent in Macau under Portuguese rule than the relatively separated politics-administration dichotomy in Hong Kong under British rule (Cheek-Milby 1989: 219-234). The British Governors

States that are not "politico-administrative" include the democratic and authoritarian ones. The democratic states embrace the elected political leaders, a relatively neutral bureaucracy and substantial checks and balances from the legislature, political parties, interest groups, citizens, and the mass media. The authoritarian states may include elected political leaders who however are far less accountable to the public than their counterparts in democratic states. The authoritarian states also lack checks and balances from the legislature, political parties, interest groups, citizens, and the mass media. The "politico-administrative" states are located somewhere between the democratic states and authoritarian ones.

governed Hong Kong with not only a small batch of his appointed lieutenants but also the senior expatriate civil servants who were recruited and promoted more on the basis of merit than patron-client networks, which were comparably serious in Portuguese Macau. After Macau's return to the PRC, the Portuguese patron-client networks have been turned into a Chinese *guanxi* (personal connections) machinery in which the friends and followers of Chief Executive Edmund Ho have been occupying the key positions in the top policy-making Executive Council and other statutory as well as advisory bodies (*The New Macao* 2007b). From a Marxist perspective, the post-colonial capitalist state in the MSAR is occupied by a ruling class, whose vested interest is to pursue capital accumulation through various pro-capitalist policies, particularly the proliferation of casinos.

Prior to the global financial crisis in late 2008, casino capitalism was viewed as a sine qua non of Macau's economic growth and prosperity. Taking advantage of the prevailing ideology of casino capitalism, the dominant capitalist class was able to lobby the Macau government for granting various land and construction projects so that more casinos could be built. Yet, casino capitalism has its dialectical tendencies. On the one hand, it perpetuated the powerful influence of the casino capitalists, both local and foreign, on Macau's politico-administrative state. The corrupt case of the ex-Secretary for Transport and Public Works Ao Man Long, which will be discussed below, demonstrated the detrimental impact of casino capitalism on the integrity of Ao as a politically appointed official. This did not mean that the Ao scandal was solely due to casino capitalism, for Ao himself was under the temptation of misappropriating public money. But through the process of rapid casino growth and the related land construction projects, this dynamic of capitalist accumulation sowed the seeds of moral decay among corrupt officials like Ao. Arguably, Ao was affected by the ideology of casino capital-ism in which a gambler can get rich quickly by taking risks - a psychology shown in Ao's greedy attempts at swallowing public money.

On the other hand, casino capitalism has generated societal contradictions, widening the income gap between the rich and the poor, exacerbating the distrust between the capitalists and the unemployed / underemployed workers, and indirectly or directly triggering social protests that culminated in the labour-police confrontations on May 1, 2007.² Arguably, casino capitalism

² On July 2, 2000, there was a mass rally against labour importation by some 2,000 protestors who overturned police barricades and unleashed bamboo poles against the Macau police forces, which then responded with the use of tear gas and water cannon. This episode could be seen not only as an intensified escalation from the May 1, 2000 Labour Day demonstration but also as a forerunner to the May Day protests in 2006 and 2007 on a similar scale (2,000 plus protestors), which witnessed even more violent

has both legitimizing and de-legitimizing impacts on Macau's politicoadministrative state. This article focuses on the pivotal role played by casino capitalism in fostering a dialectical process of legitimation and de-legitimation in the MSAR during its first decade of retrocession to the PRC.

Legitimacy and the Politico-administrative State in Macau

The concept of "administrative state" originated from American scholars who studied the separation between politics and administration (Henry 1992: 21-25). Woodrow Wilson opined that administration "is a field of business [...] removed from the hurry and strife of politics" (Wilson 1887: 18). Frank Goodnow saw politics as "the policies and expressions of the state will" and administration as "the execution of these policies" (Goodnow 1900: 25). In reality, a pure administrative state was considered a rarity (Harris 1988: 72). While the concept of administrative state had not been used by scholars to study Macau, it had been utilized by Hong Kong specialists. Peter Harris used the Hong Kong example in the 1980s to prove the validity of the administrative state, which to him is one in which "administrators are vested with 'legitimacy" (Harris 1988: 73). He noted a number of features of Hong Kong's administrative state, such as the absence of political figures, the outcome of a rapidly developing economy, the relative stability of the regime, some degree of pluralistic competition within the administrative state, and the powerful bureaucracy that might exploit public ignorance (Harris 1988: 73-76).

Harris did not elaborate on how the capitalist economy impacted on the legitimacy of Hong Kong's administrative state, but Ian Scott adopted a critical perspective to depict the "crisis of legitimacy" of the Hong Kong government in the 1980s when the British government dictated the future of Hong Kong with the PRC regime without sufficiently consulting the opinion of local residents (Scott 1990). Scott attributed the politico-economic origin of Hong Kong's legitimacy crisis in the 1980s to the local capitalist class, which was influential in shaping the colonial government's policies.

The legitimacy of Macau's politico-administrative state under Portuguese rule remained relatively weak. Procedurally speaking, the Portuguese government appointed the Macau Governors, who were not elected by the

clashes between the protestors and the police. While the May/July 2000 protestors demanded an end to the import of labour, many of the 2007 May Day demonstrators carried "Down with Edmund Ho" signboards calling for Edmund Ho's resignation. This reflected the adverse fallout impact from the Ao Man Long scandal. I thank one of the three reviewers for this insight.

people of Macau. Unlike most Hong Kong British Governors who adopted the principle of "good government" to govern Hong Kong (Lee 1967), the Macau Governors usually brought with them their own friends and followers from Lisbon to staff the top politico-administrative posts in Macau and they collectively created an undesirable public image of enriching themselves economically without an impressive performance in governing the territory (Lo 1995). With the exception of such Portuguese Governors as José Eduardo Garcia Leandro (1974-1979) and Vasco de Almeida e Costa (1981-1986) who both accelerated infrastructure development, the majority of Macau Governors did not perform impressively in the eyes of most Macau Chinese residents. The performance deficit of most Macau Governors and their lieutenants was exacerbated by a huge communication gap between the rulers and the ruled. The ruling class in the civil service was dominated by the Portuguese expatriates and the racially-mixed Macanese, whereas the local Chinese were occupying the lower rungs of the bureaucracy until the late 1980s when the localization of civil service began. Although the Macanese served as the middlemen between the rulers and the ruled, many local Chinese saw them as a privileged ethnic group detached from public opinions at the grassroots level. The proliferation of casinos in Portuguese Macau and its related tourist industry in the early half of the 1990s provided the crucial sources of performance legitimacy because of their revenues brought to the government and society. Still, overall the Portuguese legitimacy in the territory remained weak, especially in the final years of colonial rule in 1998-1999 when triad wars affected law and order and were depicted by the regional and international media in a very unfavourable manner.

Nor did the Portuguese colonizers separate politics from administration so skillfully as compared to the British counterparts in Hong Kong. The British expatriates in Hong Kong, especially those District Officers in the New Territories, were fluent in Cantonese and could communicate with the local Chinese comfortably and effectively. Yet, the Portuguese expatriates were handicapped by language barriers and had to rely on the Macanese as the special intermediary class between the rulers and the ruled. Even worse, some Portuguese expatriate rulers were perceived by the local Chinese critics as greedy colonizers channeling some of the governmental revenues in Macau to subsidize their political parties in Portugal. Although Hong Kong from the 1950s to the establishment of the Independent Commission Against Corruption (ICAC) in 1974 was characterized by widespread bureaucratic corruption (Lethbridge 1985), the birth of the ICAC had not only altered the governing culture but also entrenched the foundation of a good colonial government. Macau's anti-corruption body, the High Commission Against Corruption and Maladministration, was set up in 1991, but it was relatively

powerless and its work encountered the strong resistance from the private and public sectors (Lo 1993: 32-58). Overall, the Portuguese "bequeathed an inefficient, incompetent and many would say corrupted bureaucracy to the Special Administrative Region (SAR) government" (Yee 2001: 37). The lack of departmental coordination and patron-client networks in some govern-ment agencies, which were commonplace in Macau under Portuguese rule, are persisting in the new administration of the Macau SAR (Yee 2001: 37; Yu 2007). Chief Executive Edmund Ho was determined to curb bureaucratism and inject an ingredient of internal supervision through the work of the Audit Commissioner and the Commission Against Corruption, thus attempting to maintain a certain degree of legitimacy of the Macau government (Lo 2008).

The Development of Macau's Casino Capitalism

The Macau casino industry evolved from a single monopoly in the past to multiple local and foreign franchises at the present. During the sixteenth century, gambling in Macau was popular among the working class, including construction workers from mainland China, domestic helpers and habor coolies. In 1930, businessman Fok Chi Ting's Hou Heng Company won the monopoly concession for operating all forms of endorsed casino games (GICB no year a). In 1937, the Macau government granted the monopoly to Tai Heng Company headed by Fu Tak Iong and Kou Ho Neng. When the franchise expired in late December 1961, the Macau government liberalized the operation of games of fortune for public bidding. A company established by businessmen Ip Hon, Terry Ip Tak Lei, Stanley Ho and Henry Fok won the bidding and their company was registered as Sociedade de Turismo e Diversões de Macau (STDM) in 1962. As the monopoly of STDM expired in late 2002, the Macau government decided to grant three franchises among 21 bidders. On February 2, 2002, the franchises were Sociedade de Jogos de Macau (SJM, a subsidiary of STDM), Galaxy Casino and Wynn Resorts. In December 2002, the Macau government allowed Galaxy to have a subconcession relationship with the Venetian Macau (ibid.). The SJM and the Wynn Resorts later signed a sub-concesssion with the MGM Grand Paradise and the Melco PBL Jogos in April 2005 and September 2006 respectively. In 2007, Macau's gross gaming receipts reached 83.8 billion MOP (nearly 10.5 billion USD), surpassing the total intake of Las Vegas.

Casino Capitalism and Its Impact on Economy and Labour Politics

The legitimacy deficit of the final years of Portuguese rule turned out to be a legitimacy asset at the onset of the new SAR government. Little research has been conducted on how the rapid casino-driven economic development has impacted on Macau's regime legitimacy. Immediately after Macau's return to the motherland, Chief Executive Edmund Ho was keen to build up his own legitimacy by focusing on economic growth rather than on political reform (Lo and Yee 2005). When the Macau government enacted the new gaming industry framework, Law No. 16/2001, it required the successful bidding companies granted with the casino franchise to pay 35 per cent casino tax on gross gaming revenues and not less that 2 per cent to a public foundation for the promotion of cultural, social, economic, educational, scientific, academic and charity projects (McCartney 2006: 49).

The idea is to inject a considerable portion of casino revenues into societal welfare, although gambling itself can have detrimental impacts on the society such as addictive gambling and attracting many young Macau people to work in the casino industry rather than pursuing academic studies and the teaching profession. All casino operators attempt to improve their public image of supporting social welfare by reaching out generously to the community. For example, the Venetian donated 160,000 MOP to the Macau University of Science and Technology for scholarships and assistantship that would be beneficial to students (*Macan Daily News* 2008b). In table 1, one can see that a sizable portion of Macau's government revenues have come from gaming – a reflection on the heavy dependency on casino-driven capitalist development. The implication is that any drastic and sudden decline in Macau's casino industry would have ripple effects on the gaming tax and the government revenues.

Table 1: Government Revenues and Gaming Tax

	2005	2006	2007
Total public revenue (million MOP)	28,200.8	37,188.5	40,694.1
Gaming tax involved	17,218.6	20,747.6	30,948
Gaming tax in revenue (%)	61.4	55.79	76

Source: Macau Government no year.

A closer look at the casino-related statistics also demonstrates that the casino industry has been employing a large segment of the Macau workforce. Table 2

shows that gaming employed 13 per cent of the employed population in 2005, 16 per cent in 2006, and 19.5 per cent in 2007. The growth of casino capitalism stimulated the business of other related economic sectors, such as hotels, restaurants, communications, real estate, finance, renting and construction. The chain effects of casino capitalism in the MSAR reached various economic sectors, making the casino/ gaming industry a locomotive in the territory's process of increasing all of its productive forces.

Table 2: Distribution of Employed Population by Industry (in percentage)

	2005	2006	2007
Manufacturing	14.9	11.1	8.0
Construction	9.7	11.7	12.9
Wholesale, retail, repair, hotels, and restaurants	25.4	25.0	24.4
Transport, storage, and communications	6.2	6.3	5.4
Financial intermediation, real estate, renting, and business activities	8.8	8.7	9.3
Public administration, community, social and personal services	21.3	20.3	19.9
Gaming	13.0	16.1	19.5
Others	0.8	0.6	0.5

Source: DSEC 2008b.

Furthermore, the number of casinos increased from 11 in 2003 to a total of 31 in the third quarter of 2008 (table 3). The number of gaming tables, according to the Gaming Inspection and Coordination Bureau, expanded from only 424 in 2003 to 1,092 in 2004, 1,388 in 2005, 2,762 in 2006, 4,375 in 2007, and then declined a bit to 4,312 in the third quarter of 2008. The retrenchment in the number of gaming tables in 2008 just prior to the inception of the global financial crisis reflected fierce competition among the existing casinos.

The problem of whether casinos would be overgrown was not considered seriously by the MSAR leadership from 2003 to 2007 until mid-2008 when the central government in Beijing applied its brake on the number of individual mainland visitors who can visit Macau frequently. In May 2008, the Guangdong provincial government restricted the number of visits per individual mainlander to Macau from two visits to only once per month. In July 2008, it tightened the restrictions to one visit to Macau in every two months (*Ming Pao* 2008a). As early as May 2008, Chief Executive Edmund Ho publicly announced that new casinos would not be built in newly developed

and reclaimed land. He stressed that this policy was a directive from the central government, trying to ward off any political lobbying by the rivalling casino capitalists for more casinos in the overgrown casino industry. In Macau's capitalist casino state, the Chief Executive often had to maintain a certain degree of autonomy vis-à-vis the influential casino capitalist class, both local and foreign. In the mainland, there were rumours saying that Beijing controlled the number of mainland visitors going to gamble in Macau partly because some cadres and officials had gambled heavily (Hong Kong Economic Journal 2009), and partly because the Chinese leaders were reluctant to witness the continuous outflow of mainland capital to the foreign casinos in Macau. Regardless of whether these rumours were accurately reflecting the reality, the central government appeared to be apprehensive of Macau's overgrown casino industry without the diversification of its economy. Casino capitalism, from Beijing's perspective, had developed into Macau's over-dependency on gambling, siphoning off mainland capital into the pockets of some foreignowned casinos.

Table 3: Number of Casinos in Macau from 2003 to 2008

Concessionaires	2003	2004	2005	2006	2007	2008**
SJM	11	13	15	17	18	19
Galaxy Casino	_	1	1	5	5	5
Venetian Macao	_	1	1	1	2	3
Wynn Resorts	_	-	_	1	1	1
Melco Crown*	_	-	_	_	1	2
MGM Grand Paradise	-	-	-	-	1	1
Total	11	15	17	24	28	31

Note: * Melco Crown is a new name effective from June 2008 onwards. Formerly it was called Melco PBL Jogos.

** The third quarter. Source: GIBC no year b.

Casino Capitalism, Labour Protests, and Legitimacy Crisis

During economic downturn, casino capitalism in Macau directly or indirectly triggers labour protests, which in turn endangers the legitimacy of the politico-administrative state. The danger of an overdeveloped casino industry was felt in late June 2008 when Galaxy had to dismiss 270 local casino workers, including

some dealers (Ming Pao 2008b). The local dealers took their complaints to the government, revealing that some foreign workers were secretly employed as dealers although the local law forbids casinos from hiring any foreign labourers as dealers. The government mediated in the labour dispute, secured the agreement of Galaxy to compensate for the monetary loss of the dismissed local workers and demanded all casino operators to strictly observe a localization plan in which local Macau people are protected for their jobs in various casinos. This was easier said than done, because each casino concessionaire had its own managerial practices and pattern of employer-employee relations. Unless the government intervenes in overseeing the plans of promotion and recruitment of each casino operator, the loopholes of using foreign and mainland employees to work as dealers in Macau's casinos will likely persist.

The row in Galaxy over employer-employee relations reflects a deeper problem in Macau's casino capitalism: the persistent class contradictions between the casino capitalists and the local working class. It can be argued that the American and Australian casino capitalists see Macau as a lucrative place for their investment not only because of the large number of mainland gamblers but also the existence of weak trade unions in the MSAR. Although the pro-Beijing Federation of Trade Unions (FTU) has participated in the four-party talks (the government, the employer, the employee, and the FTU), the absence of strong unions and collective bargaining in Macau has rendered the influence of the local workers relatively weak. The FTU is also hamstrung by its pro-government stance, thus forcing some Macau workers to resort to the assistance of other newly developing independent and pro-democracy labour unions (Lo 2008: 65-74).

At the beginning of the global financial crisis in late 2008, casino capitalism was curbed and the result might directly or indirectly weaken the legitimacy of the Macau government. The Venetian Macao reduced the salaries of its casino staff by 13 per cent after employees had complained about the originally planned 16 per cent cut without consultation with them (Sing Tao Daily 2008). In November 2008, Las Vegas Sands suspended construction of some of its mega hotels and malls on the reclaimed land known as the Cotai Strip (Fan 2008: A14; Wassener 2008). About 10,000 construction workers were out of work, including 4,000 from Hong Kong, 4,000 from the mainland, and 2,000 from Macau. While those workers from Hong Kong returned to the Hong Kong Special Administrative Region, some mainland workers might overstay in Macau. In response to the possible growing underground population, the Macau government formulated a contingency plan that would arrest and repatriate the mainland overstayers back to the mainland. The Macau government also planned to take over any casino which would perhaps become bankrupt. The relatively swift response from the Macau government

and its contingency plan showed that the Edmund Ho regime was keen to maintain its regime legitimacy.

Table 4 shows that Macau's unemployment rate persisted for six years from the Asian financial crisis in 1997-1998 to 2003. Although the unemployment level declined from 2003 to 2007, it rose to 3.3 per cent by the end of 2008. The inflation rate also increased gradually from 2.6 percent in December 2004, to 5.6 in December 2005, 4.6 in December 2006, 7.1 in December 2007, and 7.5 in November 2008 (see DSEC 2008a). The relatively have-nots saw the haves jealously as those who could climb up the socio-economic ladder easily while they themselves were the neglected proletariat with low wages and inadequate skills to live from hands to mouth. The outbreak of the Ao scandal was a watershed that reinforced their perception of senior government officials as not simply corrupt but also cultivating a notoriously network of "official-business collaboration" (The New Macao 2007b, 2008). All the progovernment interest groups, such as the FTU, the Women Federation, the Federation of Kaifong (Neighbourhood) Association, and the Federation of Macau Chinese Students Associations received huge sums of subsidies from the government and other related funds (ibid.) In turn, these clientelist groups used the subsidies to organize various social activities, such as elderly services, youth programs and welfare events that aim at preparing for the next Legislative Council elections in 2009.

Although the Macau Audit Commission and the Commission Against Corruption (CCAC) appear to be keen to check any misuse of government subsidies by various departments and autonomous agencies, including the Macau Foundation whose criteria of giving financial support to groups were criticized for lacking transparency, the clientelist interest groups in the MSAR remain powerful and their funding support and monetary use are not really under vigorous scrutiny by both the Audit Commission and the CCAC (for the details on the powers of the CCAC see CCAC.org., for Audit Commission see Macau Government Audit Commission). Under the circumstances in which the politico-administrative remains powerful without sufficient internal checks and balances, many disgruntled citizens and lower-class members must perceive the MSAR regime as harbouring bias in favour of its friends and followers, especially the casino capitalists and business people.

Local Macau workers confronted the MSAR police for the first time in May 2000 when 500 of them clashed with the latter publicly (*Sing Pao* 2007). The most significant labour protests took place on May 1, 2007, five months after the eruption of the Ao Man Long scandal. Ao, the ex-Secretary for Transport and Public Works, was arrested in December 2006 by the CCAC for his illicit activities in receiving bribes and laundering money in Hong Kong and other places, such as the United Kingdom and the Virgin Island. Although

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the Macau Court of Final Appeal in late January found Ao guilty of 40 counts and sentenced him to 27 years of imprisonment (*The Sun* 2008), the scandal plunged the MSAR regime into an unprecedented crisis of legitimacy. Although Ao's scandalous behaviour did not stem from casino capitalism, the rapid casino growth and its related construction boom provided a fertile ground for him to enrich himself by illicit means. Moreover, Ao's integrity problem discredited to some extent the politico-administrative state, which found it difficult to secure the trust of citizens, some of whom viewed Edmund Ho's political appointees in a cynical manner.

Table 4: Labour Participation and Unemployment Rate in Macau

	Labour participation rate	Unemployment rate
1997	66.1	3.2
1998	66.0	4.6
1999	65.5	6.3
2000	64.3	6.8
2001	65.0	6.4
2002	62.6	6.3
2003	61.2	6.0
2004	62.2	4.9
2005	63.4	4.1
2006	65.9	3.8
2007	69.2	3.1

Source: Macau Government 2008a.

As a matter of fact, many Macau citizens saw Ao and even the top-level political elites as the "fat cats" enriching themselves at the expense of public interests. Rumours were rife that at least two well-known members of the top policy-making Executive Council had already been suspected of harbouring serious conflicts of interests, especially in the Science and Technology Development Fund's executive committee which granted a huge sum of money to the Macau University of Science and Technology (*The New Macao* 2007a). Some citizens had already seen the Executive Council as a tool of the rich and powerful elites to enrich themselves. The Ao scandal sparked a deep public distrust of the government. As a citizen wrote even prior to the scandal's revelations, the Chief Executive tolerated Ao to sell precious land to developers at cheap prices and the so-called accountability system in Macau

was hollow (*Macao Labour News* 2007). After the Ao case was unveiled, citizens who protested on May 1, 2007 carried placards denouncing the Ho regime and its related "fat cats". From a Marxist perspective, the dominant capitalist elites in the MSAR were not simply "manipulative" but also "deeply believe in, and also serve the crucial purpose of self-legitimation" (Miliband 1994: 17). While a few Executive Council members were suspected of mobilizing the government's financial resources to benefit themselves and their clients, other capitalists and construction businesspeople sought to bribe Ao Man Long for the sake of acquiring government projects smoothly and easily. Hence, by fostering a web of patron-client network (Kwong 2005), casino capitalism actually exposed the post-colonial state and its leading officials to the temptation of being corrupt.

This real danger had already been anticipated by Chief Executive Edmund Ho, who told the author in 2003 that he was concerned about the likelihood that "black gold politics" would emerge in the territory sooner or later (interview 2003). What he meant by "black gold politics" was not equivalent to the type of triad-politicians relationships as commonly found in Taiwan, but it refers to the possibility that some people "take advantage of the government by bidding for various land projects" (ibid.). With the benefit of hindsight, Ho's fear turned out to be an accurate one. He also expressed his concern that the executive-legislative branches would collaborate in a way that would "pre-empt the Chief Executive" (ibid.). This worry did not materialize, for the legislature remained dominated by the pro-government capitalist class without the need to usurp Ho's power. Rather, from the scandals of Ao and the Macau University of Science and Technology, Ho himself was actually bypassed by his own clients in the Executive Council, for they were publicly accused of abusing their power, rewarding their own sub-clients and undermining the image and legitimacy of both the MSAR regime and the Chief Executive.

Edmund Ho himself was keen to maintain a certain degree of distance from the casino capitalists and other powerful business elites. The best example was (and still is) his relationship with the Macau casino tycoon, Stanley Ho Hung-sun. When the Macau government intended to open up the casino industry to foreign investors, Stanley Ho expressed his displeasure and reservations (Lo 2005). Nevertheless, Stanley Ho eventually had to adapt to the imminent cessation of his previous casino monopoly possessed by the Sociedade de Turismo e Diversões de Macau (STDM). Even after the participation of American casino capitalists such as Steve Wynn and Sheldon Adelson in Macau, Edmund Ho remained cautious in maintaining his government's relative autonomy vis-à-vis all the casino magnets, although it was eventually revealed in an American court case that Sheldon Adelson made

use of a Hong Kong Chinese businessman as an intermediary to lobby the top PRC leaders for granting him a casino franchise (Stutz 2008; Hiltzik and Powers 2008).

In a capitalist city-state like Macau where the capitalist class enjoys political preponderance over the working class, the proletariat is bound to be politically and economically alienated. Prior to the global financial crisis in late 2008, the Macau government policy of importing foreign and mainland workers had long infuriated the local workers, who complained that the black market of construction workers was composed of foreigners, mainlanders and even Hong Kong workers (The Sun 2007). On the other hand, the Macau construction companies were lured by relatively cheap wages to hire illegal workers. In particular, the Hong Kong workers who were unemployed possess much better skills than their Macau counterparts in the construction industry. Compounding the problem was the lack of governmental supervision on the construction companies that hire workers in Macau. Even though Edmund Ho tried to maintain his regime autonomy from the capitalist class, the reality was that the structural conditions of Macau had been developing unfavourably to the local unemployed workers, whose training and skills failed to match the rapidly changing and competitive circumstances. Hence, the protests launched by the dealers, who were dismissed by Galaxy in mid-2008, to demand that the government should impose further control on the import of foreign and mainland workers were natural and understandable.

Problems of the Politico-administrative State

The rapidly changing economic conditions demand that the MSAR government has to adapt and take measures accordingly so that its bureaucratic capacity can be maintained and that any legitimacy crisis can be pre-empted. However, the Macau politico-administrative state has displayed a number of weaknesses that impinge on its legitimacy. Casino capitalism has exposed these weaknesses, especially during Macau's economic downturn which has increased unemployment in the casino sector.

First and foremost, the police force in the MSAR remains relatively weak and its capacity is challenged by various social protests. The best example is the police mishandling of the May 1, 2007 protests in which a nervous police officer fired three warning shots into the air and inadvertently injured a motorcyclist (*Macao Daily News* 2007; *Jornal Va Kio* 2007). The incident sparked public criticisms of the way in which the police coped with the peaceful protests even though a minority of demonstrators violated the law by using bamboo sticks to attack the police. The problems in riot control, protest routes designation and crisis management were fully exposed. In fact, it was

rumoured that the Zhuhai police were sent to observe the citizens' protests even on May 1, 2006 – much before the violent confrontation on the same day in the following year (interview 2007). In December 2007, riot police were intentionally or unintentionally deployed to deal with unarmed but disgruntled mainland tourists who publicly complained and protested about their exploitation by the Macau tour guides (*Sing Tao Daily* 2007). The police spokesman tried to repair the public relations damage by maintaining that the police who went to the scene and who were armed with anti-riot shields were coincidentally undergoing a training exercise. But the whole saga was a public relations disaster in which the professional skills and the clumsiness of police were unveiled. The oscillation of casino capitalism from boom to decline has elevated the importance of police capability in handling social protests and possible riots.

The weakness of police in handling social protests reflects a wider problem of Macau's politico-administrative state. Traditionally, civil service unions have been far more interested in fighting for their own benefits such as pensions and better salaries. This phenomenon has persisted in the MSAR. Nonetheless, the crux of the problem is that amidst the frequent restructuring of salaries and benefits, civil service unions have basically failed to be a critic of their own bureaucratic performance. An administrative roadmap was published by the MSAR government in 2007 to improve the capacity and performance of the bureaucracy, thus aiming at enhancing the regime legitimacy (Macau Government 2007). By mid-2008 the MSAR government issued a report on its administrative reform progress. Other reforms of the civil service included an increase in the salaries of the disciplinary forces, especially the police, the introduction and deepening of e-government, an alteration of establishment grades and ranking, and a new emphasis on the need for civil servants to upgrade themselves through on-the-job training and part-time studies. All these reforms appeared to be accelerated after the outbreak of the Ao Man Long crisis so that any time bomb of social protests against the MSAR government could be hopefully defused.

Another weakness of Macau's politico-administrative state is that checks and balances on its performance remain weak, resulting in "administrative tyranny", to borrow the term from Guy Peters (Peters 1989: 51). Political parties are formally formed before the legislative elections and dismantled afterwards. Casino-based political groups that grasped five out of ten directly-elected seats in the 2005 Legislative Assembly elections have shown their interest more in gaming matters than in checking the power of the MSAR

government (Kwong and Yu 2006; Kwong 2005: 455-476).³ Although some casino interest groups, such as SJM, and their legislative representatives articulate the wider public interest by holding various social activities and urging the government to improve the welfare of the masses, they are basically pro-establishment without the boldness to scrutinize the problem of granting land and construction projects to the business sector without public tenders prior to the Ao scandal. After the Ao case broke out, the casino interest groups in the legislature began to take the government to task for not being transparent enough. Their double standard in the legislative chamber fully signified political opportunism.

Strictly speaking, the New Democratic Macau led Ng Kuok Cheong and Au Kam Sun and the pro-civil servants/ pro-Macanese (people of mixed Chinese and Portuguese ancestry) assemblyman José Pereira Coutinho are the lonely pro-democracy legislators critical of the regime. The democrats are hampered by the lack of financial resources and an unfavourable political environment. Au Kam Sun, for example, has often been verbally attacked by other pro-regime legislators whenever he championed issues of social justice and implicitly or explicitly pointed to the ruling unholy alliance between the big business and the ruling elite. Occasionally, a few appointed legislators joins the chorus of checking the administrative state's power. Still, coupled with a traditionally strong pro-Beijing and pro-regime Chinese mass media, the civil society of Macau remains weak vis-à-vis the slowly reforming politico-administrative state.

Nor do the Macau youth constitute a hopeful pro-reform force in the capitalist society. Under casino capitalism, many Macau young people have become dedicatedly materialistic. Attempting to climb up the social ladder through a job in the booming casino industry has remained their ambition. For those young people who are more interested in socio-political issues, they have been extensively co-opted by Beijing's united front tactics in Macau. The New Macau Youth Association, for instance, has become an umbrella organization for Beijing to win the hearts and minds of the already relatively patriotic Macau students. The Association has been offered generous subsidies by the government and the PRC central Government Liaison Office in Macau so as to organize various socio-political activities to train the young people, preparing for their future political careers in the MSAR politico-administrative state. Since many of these Macau young people are nurtured under a patron-clientelist network, their relatively uncritical stance toward the government is

³ Two additional casino bosses were elected to the legislature through indirect elections composed of social, community, charity and sports groups (Kwong 2005).

by no means conducive to the development of a strong civil society independent of the post-colonial state.

Perhaps fortunately, educational development in Macau, where young children are receiving 15 years of free education, is slowly engendering and promoting a more mature civil society where the middle class will increasingly demand the government that bureaucratic operation should be more transparent and the regime should be more accountable (Yee and Lui 2007). However, although public participation in elections, voting and protests has increased considerably since Macau's return to the PRC, almost 58 per cent of the 546 respondents in a survey conducted in 2006 regarded democracy as meaning that the government should listen to the views of the citizens and take care of their interest (ibid.: 308). Moreover, 28 per cent of the respondents said that democracy referred to the fact that citizens have freedom of speech; and 32 per cent saw democracy as clean government; 27 per cent viewed it as a government being elected by the citizens; and only 10 per cent defined it as entailing checks and balances as well as the separation of powers. The survey results demonstrate that many Macau citizens have a traditional Chinese conception of democracy, and that Macau's democratizing process is likely to be gradual and limited.

Given the slowly transformed political landscape, Macau's politicoadministrative state remains relatively dominant compared to the strength of the civil society. Yet, the politico-administrative state has appeared to respond to crises and challenges slowly and incrementally. Critics of the Macau government, including a few pro-government legislators, have pointed to the frequent publications of various consultative documents without giving sufficient time for the public to digest the reform proposals. In January 2009, the government legislation on Article 23 of the Basic Law that outlaws subversion, sedition, secession and treason was easily approved in principle by 25 legislators, except for Ng Kuok Cheong and Au Kam Sun who voted against it (Macao Daily News 2009). An overwhelming majority of legislators believed that the Article 23 legislation was moderate, reasonable and conforming to the need to protect the mainland Chinese sovereignty over Macau. They also said that the government made concessions by wiping out ambiguous terms like "preparatory behaviour" in some provisions. But the lonely democrats argued that the time for consultation lasted for only forty days and that it was inadequate to consult public opinion. Moreover, some young Macau citizens were afraid of criticizing and confronting the government over the Article 23 legislation for fear of possible retaliation from

the authorities and of any detrimental impact on their career development.⁴ Lacking sufficient political socialization and critical thinking, many Macau citizens have accepted the reality that the legislative approval of the Article 23 legislation is perhaps a natural outcome of a traditional Chinese state which confers upon the individuals and groups various kinds of rights, including the freedom of speech, of press, of assembly and of associations (for the Chinese state and its relations with individuals and groups, see Nathan 1986).

The relatively weak checks and balances on the politico-administrative state could be seen. Prior to the global financial crisis in late 2008, taxis were often insufficient in the MSAR; nevertheless, the government always vielded to the pressure of the taxi owners and business interest, failing to issue more taxi licenses so as to alleviate the transportation problems. An embarrassing issue to the Macau government was its curious decision to allow two towers to be built in front of the Guia Lighthouse, one of the sites designated as UNESCO World Heritage (Pina 2006). The incident triggered public condemnation and criticisms, prompting the UNESCO to express its concern. Critics pointed to the absence of organizational coordination within the MSAR government (Yu 2007). The embarrassing event illustrated the internal miscommunication among government departments concerned and the lack of leadership on the part of MSAR politico-administrative state. One possible solution to the lack of coordination among government agencies is to adjust the role of the current Secretary for Administration and Justice. The portfolio of the current Secretary for Administration and Justice can be separated into two, one dealing with administration including departmental coordination issues and the other solely responsible for justice.

Partly because of the widening income gap between the rich and the poor, and partly due to the imperative of pre-empting public protests and consolidating the regime legitimacy, the Ho administration decided in May 2008 to hand out an amount between 3,000 MOP and 5,000 MOP to all those who are Macau's permanent residents. The sudden policy of "distributing candies" to all Macau residents prompted more people, including some Macau people living in Hong Kong, to apply for Macau's permanent residency status (Hong Kong Commercial Daily 2008b). This policy also triggered the Dongguan local government in Guangdong province to adopt a similar policy rewarding the residents, while the Hong Kong government elites also expressed their interest in the MSAR policy generosity. Despite the fact that the MSAR policy of "distributing candies" to citizens was generally well received, it will be unrealistic to expect annual policy reward dispensed to the public in the future.

⁴ I thank Albert Wong, a young democrat, for sharing his insight with me (interview 2009a).

Still, from an objective standpoint, the Ho administration attempted to be a "welfare" administrative state in which all members of the public could enjoy the fruits of rapid casino capitalistic development. In July 2008, the MSAR regime lowered the age requirement for receiving old age pensions from 65 to 60 – another social policy safety net that aimed at legitimizing the MSAR regime (Macao Daily News 2008a). According to a survey conducted by two Hong Kong-based sociologists, the poor and the needy in Macau have developed a very pessimistic politico-economic outlook on their families, government and the future (Cheng and Wong 2007). The social policy reform undertaken by the MSAR politico-administrative state could address the problems of poverty at least temporarily and of de-legitimizing impacts that result from the rapid development of casino capitalism.

Beijing and Macau's Casino Capitalism

Since Macau's return to its motherland, Beijing has been playing the role of a legitimizing agent in the territory's fast-growing casino capitalism. The triad wars in 1998-1999 prompted Beijing to support Edmund Ho's policy of breaking the monopoly of Stanley Ho's old casino empire so that checks and balances would be instituted in Macau's casino politics. The American and Australian investment in Macau's casino industry could not have taken place if there was no final approval from the central government in Beijing. Nevertheless, the decision of Beijing and Edmund Ho to embrace foreign investment in Macau's casino industry raised the eyebrows of a minority of Macau Chinese, who thought that the internationalization policy opened the door to neo-imperialism. An overwhelming majority of local Macau Chinese do not share this sentiment, for they see foreign investment in Macau's casino industry as having trickle-down impacts beneficial to the society. The local opposition to foreign investment in Macau's casinos remains relatively very weak in the face of Beijing's endorsement. Yet, after the global financial crisis in late 2008, some casino elites, such as Ambrose So of the SIM, argued that Macau should have its "cultural identity" in that the casino sector should favour the local people rather than the foreigners (CCTV Channel 9 2009). Stanley Ho also remarked during the PRC Vice-President Xi Jinping's visit to Macau in January 2009 that Beijing should be aware of the fact that foreign casinos enjoyed special treatment. Moreover, Ho believed that the authorities should provide more assistance to the local casinos. His comments unveiled the conflicting interest between the local casinos and foreign counterparts. In the midst of the global financial crisis, casino capitalism in Macau revealed its internal contradictions in which the local casino elites express their ■■■ 38 Sonny Lo ■■■

dissatisfaction with the government's and Beijing's policy preference toward the foreign casino capitalists from 2002 to 2008.

In practice, there are reports saying that, in the mind of Beijing's officials responsible for Macau matters, the mainland visitors "gave their cash away to foreign companies without investing in Macau itself" (Fan 2008: A14). No Chinese official in Beijing has openly made such comment, but it is likely that certain sectors of the Beijing leadership and especially the Macau elite sensed the unequal and privileged treatment given to the foreign casinos with American and Australian participation. A degree of anti-foreignism is latent in the rapid development of casino capitalism. When Beijing decided to allow the Macau government to liberalize the casino industry, it did not really anticipate the possible problem of tremendously benefiting the American and Australian casino investors. Beijing at that time was concerned about how to maintain law and order in Macau through the liberalization and modernization of its casino sector. By mid-2008, however, Beijing began to realize that its power relations with the United States of America were of paramount importance, and that its leverage vis-à-vis the foreign casino capitalists in Macau would increase if more control on mainland visitors and gamblers to Macau were exerted 5

Beijing's policy of controlling the visits of mainlanders to Macau in mid-2008 had significant political and policy implications. First and foremost, Beijing was not hesitant to use macro-economic means to intervene in the degree of economic prosperity in Macau's casino industry. It is a common practice for the central government to apply its macro-economic leverage over the mainland's provinces. Macau is no exception to this rule. Beijing's policy toward mainland visitors was controlled as it did not wish to see tremendous outflow of mainland capital into foreign casinos, but it can be relaxed whenever the central government is determined to revive Macau's casino sector.

Second, the policy of initiating a slight retrenchment in Macau's casino growth was, from Beijing's perspective, necessary. An overgrown casino industry would multiply the risks encountered by Macau's dependent and lopsided economy. Beijing wished to propel the Macau government to seriously consider various strategies of economic diversification, which remains talks without concrete action under the Edmund Ho administration. The Beijing reservation about over-dependence on casinos could be seen when Xi Jinping visited Macau in January 2009, when he did not utter a single word on "casino" during his first day of the visit while stressing Macau's need

⁵ I thank Professor Beatrice Leung for this insightful point (interview 2009b).

to diversify its economy on the second and last day of his inspection (*Ming Pao* 2009).

Indeed, it can be argued that Macau's small economy cannot afford to diversify to other sectors easily. The establishment of more convention centres and family entertainment spots has been attributable to the expansion of new casinos along the Las Vegas model (Pretorius 2005). But given the recent Hong Kong government's move to lure Iilin province's automobile industry to cooperate with the electronics sector in Hong Kong (Hong Kong Commercial Daily 2008a), it is not impossible for Macau to slightly diversify its economy by forging closer partnership with the mainland's impressively growing automobile sector. The production of small cars and mini-vans can arguably be feasible areas of economic diversification for Macau as their markets embrace not only Macau but also many other Asian nation-states. Unfortunately, the talk about economic diversification in Macau remains empty without any action since its return to the motherland. Beijing's direct intervention in restraining the number of mainland tourists to Macau sends a strong message to the Macau government on the imperative of economic diversification – a stance confirmed by Xi's remarks during his January 2009 visit to Macau.

It is noteworthy that the publication of the PRC State Council's plan of developing the Pearl River Delta and Guangdong from 2008 to 2020, including Macau and Hong Kong, was in conformity with a grandiose scheme of full and faster economic and perhaps territorial integration in South China in the coming decades (National Development and Reform Commission 2009). The plan is comprehensive and embraces various dimensions such as transport, science, education, environmental protection, economic competitiveness, security and the development of the mainland automobile industry. The plan's publication in January 2009 matched Xi's visit to Macau, thus projecting a strong message from Beijing that Macau would have to cooperate closely with its neighbours, including Guangdong and Hong Kong so that its economy will diversify.

Third, Beijing's policy of controlling the number of mainland gamblers in Macau has a united front objective that ultimately targets Taiwan. The Republic of China (ROC) on Taiwan under the new Kuomintang President Ma Yingjeou has cemented its relationships with mainland China. With the relaxation of mainland tourists who can now visit Taiwan, the island is keen to develop a new casino in Kinmen to attract mainland gamblers (interview 2008a). The Macau Polytechnic is training some Taiwan students on casino operation and management (ibid.) In January 2009, the Taiwan Legislative Yuan approved a bill that would legalize the establishment of casinos in Penghu Island (*The Sun* 2009; *Sing Tao Daily* 2009). While Macau has already

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been politically and socially absorbed into the mainland, Taiwan has not yet been integrated into the PRC orbit. Consequently, Taiwan has tremendous value in the minds of Beijing's united front tactics (interview 2008b).⁶ To win the hearts and minds of the people of Taiwan, more mainland visitors and money flow have to be pumped into the island. As a result, those mainlanders who have flocked to gamble in Macau would ideally have to be channeled to visit Taiwan, which is a far more politically significant destination than Macau.

Fourth, Beijing's retrenchment policy toward Macau's casino industry is merely temporary and would not undermine its foundation at all, while simultaneously preventing the casino sector from being over-heated and becoming a politico-social time-bomb. Even without much mainland tourists, Macau can rely on the Hong Kong gamblers who visit its casinos on a daily basis. The temporary brake applied by Beijing on the number of mainland tourists in Macau can plug the loopholes, especially the money-laundering activities of mainland cadres, the swelling of an underground population in Macau, and the pressure imposed on the six casino operators to contract their business expansion amid an impending global and regional economic downturn.

Fifth, Beijing's policy of restricting the number of mainland tourists to visit Macau could also be interpreted as a sign of preparing for the double post-Edmund Ho and post-Stanley Ho era. The new Chief Executive who will succeed Edmund Ho may not command the latter's charisma and capacity. In the same vein, a post-Stanley Ho era would generate doubts about whether his new empire headed by daughter Pansy Ho would remain internally united. If internal discord has marked Stanley Ho's family feud with his sister Winnie Ho, it remains to be seen whether the SIM after the Stanley Ho era would be as strong as the current arrangement. Indeed, Stanley Ho himself has long prepared for his absent or retirement scenario; both daughter Pansy Ho and son Lawrence Ho have been cooperating with foreign investors in rejuvenating Stanley Ho's casino empire. Beijing's officials have remained tight-lipped on the scenarios of the post-Stanley Ho era, but the central government's policy adjustment toward Macau's casino industry could be seen as a precautionary measure of warning the existing casino operators that casino prosperity is by no means a linear development without any future risks.

Finally, rumours are rife that Beijing and some patriotic elites in Macau have been worrying about the likelihood that the American casino capitalists would interfere with Macau's politics through their support of Macau candidates running in the legislative elections. Although the American

⁶ Both Professor Yee and Professor Kwong shared the same view.

business people promised to the Macau authorities that they would not interfere with Macau's local politics (interview 2006), the reality is that once the American and the Australian casino capitalists are allowed to operate in Macau, they will sooner or later engage in lobbying activities protective of their franchises and interest, especially as their casino franchise would expire in the long run. It is understandable for Beijing officials and Macau's patriotic elites to expect minimal or negligible political activities on the part of foreign casino capitalists. But the reality is likely an inevitable political lobby initiated by them, particularly if the foreign casino interests are affected in the near future. It seems that those who are concerned about political interference from foreigners are imbued with a relatively narrow definition of politics. If politics refer to who gets what, when and how, the American and Australian participation in local Macau politics, either through elected representatives or lobbying action, will only be a matter of degree.

Overall, Beijing is playing the role of a facilitator, legitimizing agent and restraining actor in Macau's casino capitalism. Critics may question whether Beijing's intervention in Macau's casino industry violates the "one country, two systems". But in reality, Beijing's intervention is natural, helpful to Macau's development and such intervention is a matter of degree.

Conclusion

The rapid metamorphosis and deepening of casino-driven capitalist economy in Macau has entailed both legitimizing and de-legitimizing impacts on the post-colonial state. Positively, it has raised the general living standard of the Macau people, improved their income level, stimulated the growth of other related economic sectors, such as hotel, restaurant and construction, and facilitated the rise of Macau as a casino magnet in South China. Casino capitalism carries the obligation of all casino operators to contribute parts of their revenues to social welfare and to reach out to the community in a charitable manner.

Yet, the benefits of casino capitalism are accompanied by its detrimental repercussions on the society. Negatively, casino capitalism has propelled the mainland Chinese to gamble heavily in Macau, triggered addictive gambling, facilitated mainland money laundering, dampened the interest of young people in their tertiary studies, exacerbated the widening income gap between the haves and the have-nots, directly or indirectly sparked social protests, and plunged the politico-administrative state in post-colonial Macau into a crisis of legitimacy. In response, the politico-administrative state has been forced to adopt social policy measures so as to pacify public anger, frustrations and discontent. The Ao Man Long scandal represents a turning point in the MSAR

development as it provided the ammunition for labour groups to demonstrate against the unholy coalition between the government and the capitalist class. The labour-police clash on May 1, 2007 reached an apex in the class contradictions between the ruling class and the working class. Although the Ao scandal was not directly caused by casino capitalism, it was arguably a byproduct of rapid casino and construction development and an outcome of a gambling-type of psychology. In response to the legitimacy crisis resulting from both the Ao scandal and the negative impacts of casino capitalism, the Edmund Ho administration had little choice but to formulate contingency plans while acting as a "welfarist" state distributing "candies" to the poor and the needy.

In the wake of the police-labour confrontations in May 2007, the MSAR politico-administrative state accelerated civil service reforms, adopted new social policy measures, and vowed to enhance the power of the anticorruption agency to cover the private sector. The intentions of the politico-administrative state were obvious: social protests would have to be minimized and the legitimacy crisis of the Ho administration had to be resolved. After May 1, 2007, the MSAR regime bounced back from its political nadir until late 2008 when the global financial tsunami plunged Macau's casino capitalism into an unprecedented crisis. The reduction of the salaries of casino staff and the exacerbated unemployment figures sank the postcolonial state deeper into a crisis of governance, calling for governmental intervention and necessitating Beijing's support as shown in Xi's visit to Macau in January 2009.

As long as Macau remains a capitalist city-state whose growth is propelled by casino development, the crisis of legitimacy remains latent and hidden. The post-Edmund Ho regime will face the challenges of implementing vigorous politico-social and bureaucratic reforms so that public protests would be preempted and the legitimacy of the MSAR government would be consolidated. The Chinese patron-client networks at the top level of Macau's politico-administrative state will have to be controlled by the new Chief Executive after 2009, with the help and checks from the Audit Commission and the CCAC. Otherwise, the nexus of friends and followers and their related conflicts of interests will likely continue to haunt the legitimacy of the MSAR regime in the years to come.

In the final analysis, Beijing is playing the role of a facilitator who supports Macau's casino capitalism, a mentor who reminds Macau of the need to diversify its economy rather than over-relying on casinos, a national security protector who does not want to envisage a continuous outflow of mainland capital into the pockets of foreign casino investors, a legitimizing agent who determines the way and degree of foreign investment, a restraining actor who does not hesitate to give subtle warnings to Macau and its casino operators,

and a united front organizer who perhaps deliberately prepares the channelling of mainland's money flow from Macau to Taiwan. Beijing's contradictory considerations are marked by its willingness to welcome foreign investment in Macau's casino industry on the one hand but also its reluctance to see foreign casino capitalists swallowing a large proportion of mainland gaming money on the other. The central government's dilemma carries the ingredients of opendoor policy toward foreign investment in Macau's casinos and of a certain degree of anti-foreignism. Ideologically, the PRC remains a socialist state that cannot excessively endorse a pro-casino developmental strategy to the extent of undermining the "purity" of socialism and the Chinese Communist Party. Hence, Beijing's role in Macau's casino capitalism is multidimensional, complicated, contradictory, functional and political. Its intervention in Macau's casino capitalism is merely a matter of degree. Beijing's most prominent role is to confer legitimacy upon Macau's politico-administrative state during the entire process of rapidly developing casino capitalism.

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