

# Introduction: What Politics Aids Booms?

Why have the development experiences of Taiwan, East China, Thailand, and the Philippines been so variant? If readers approach this book through its title, they may be surprised because they have never heard of a boom in the Philippines. “Boom” refers to a quick economic or political change that is welcomed by most citizens. Politics for these purposes is not just governmental. One of the main ideas to be developed here, even as regards the Philippine case, is that both the origins and results of quick economic growth or stasis depend on specifically political incentives among the most effective social elites. These are often the leaders of businesses, including small manufacturing and service enterprises that sell to domestic markets.

These leaders are local, not national. In the Philippines, regional leaders have usually been able to keep rivals from founding firms that might change the power structures in areas that one or a few families have long dominated.<sup>1</sup> In Taiwan, East China (meaning southern Jiangsu and Zhejiang), and Thailand, the most effective local leaders

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<sup>1</sup>There are bases for predicting that a future Philippine boom is possible as that country nears a level of GDP/cap at which others have expanded quickly. The 1950s moderate growth of the Philippines is discussed in chapter 5.

## 2 Political Booms

during periods of fast growth had political incentives to encourage entrepreneurship. In the Philippines, traditional politicians in most localities have often been able to prevent the arrival of new business elites. So the Philippine anomaly in the book's title, when taken together with evidence on the bases of booms in Taiwan, East China, and to some extent in Thailand, raises questions along several dualistic dimensions: to what extents were the origins and results of change political or economic? Local or national? Official or unofficial? Based on coercive sanctions or money? If money, land rents or business profits?

A single, unified political-economic framework can explain what has happened, and also what has not happened, in the four places under study. Several findings can be summarized, although the reader need not believe them separate from documentation later in this book:

- Both the origins and results of booms are more political, and less narrowly economic, than many writers have suggested.
- They are more parochial and less national (at least in these four places, if not others) than most reports say.
- They are more frequently nonstate-political, as distinct from official, than is suggested by cadres or by many scholars who must rely on national government sources.
- Booms are not just shaped by incentive policies that encourage change, but also by preventive policies (either national or local) aimed to avoid the competition that wealthy new elites would bring against previous systems of leaders. Booms occur when effective local elites want to be bosses in their own firms, rather than upholders of an *hidalgo* culture that actively disdains economic-political entrepreneurs as alien and uncultivated.<sup>2</sup>
- Monetary capital is a factor for growth, but violence and threats of physical coercion often substitute for the local effects of

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<sup>2</sup>An *hidalgo* was a lower Spanish nobleman, defined by ancestry. The word shortens *filho de algo*, "son of somebody." Family, not enterprise or wealth, was the referent for pride. In parts of the Philippines, such as Bikol, this existential identity is documentably strong.

money. Force trumps other political factors in developing East Asian localities more often than most English-speaking readers of this book may yet realize.

- It matters whether the money that goes into politics comes originally from land rents or instead from industrial-commercial profits. If it comes largely from land, the resulting politics tends to be fragmented according to those tracts. If it comes from factories, the resulting politics begin to normalize political cleavages along a modern policy division between workers and capitalists, regulations and markets, left and right.

Another theme here, related to each of these two-part dimensions, is a challenge from this liberal author to other liberals. Why are all the main parties in Taiwan or Thailand, and even China's ex-communist party, so business-oriented and relatively uninterested in workers? How can democratic theories, as constructed thus far, account for a polity like the Philippine one, which has had free competitive elections with very high turnouts for most of a century, since 1907, except for relatively short interruptions, but still lacks a government that can do much for the people? Philippine politics highlights the need for a better theory of democratic institutions that actually serve democratic values, rather than diserving them. Any advocate of voting must also think hard about Thailand under Thaksin Shinawatra, an enthusiastic democrat who had populist policies and who loved elections because he could use money from office to buy any poll that was held.<sup>3</sup> Neither a junta nor a Leninist party solves all problems, but these cases might show liberals that elections alone do not solve them either. Overly sharp distinctions between democracies and dictatorships, which enable quantitative studies of politics, ignore these issues.

Taiwan, China, Thailand, and the Philippines all have a great deal of money politics, regardless of their regime types. Many political scientists, especially Americanists, tend to suggest that all politics might be reducible to a matter of voting. Even in countries such as the U.S.,

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<sup>3</sup>Such thinking has begun. See Larry Diamond, "The Democratic Rollback: The Resurgence of the Predatory State," *Foreign Affairs* (March–April 2008), 36–48.

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however, half the news about elections is about candidates who have or lack rich campaign war chests. When liberals take more seriously the influence of money on all kinds of regimes — as they have scarcely begun to do — they may need to specify less flaccidly their ideas about the kinds of institutions that they expect to promote fair justice.

Neoclassical economic theories have also failed to predict long-term development. Several countries in East Asia have experienced record-breaking, pell-mell rates of economic growth, at first locally in some areas and then more broadly. Other countries have remained unexpectedly stagnant or have revealed unforeseen fluctuating results. Neoclassical approaches did not predict that Taiwan would turn in a world-class economic performance, especially during the 1960s. Apparently no major economist predicted that China would start to thrive in the 1970s — or would prosper in such a remarkably sustained fashion for so many decades thereafter. Economists have not shown why slow growth remained such a stubborn Philippine problem for so long until recently, or why Thailand's economy grew so fast for several decades before 1997 although its rate since then has varied. Development economists tend to explain economic development retrospectively. They point out that governments which “get the basics right” by intervening minimally, increasing saving rates, and encouraging exports over relatively short periods often enjoy spurts of development.<sup>4</sup> But they scarcely try to show why officials adopted those policies rather than others. Minimal central state intervention may not be a government policy so much as a counterpolicy of local economic elites to make their own decisions. Saving rates may reflect family traditions as much as official policies. Especially for large countries, domestic markets are also important in growth, even though export data are more available.

Political factors of economic development, as distinct from official policy factors, have often been neglected by development

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<sup>4</sup>W. Scott Thompson, “Observations on the Philippine Road to NIChood,” in *The Philippine Road to NIChood*, W. Scott Thompson and Wilfredo Villacorta, eds. (Manila: De la Salle University and Social Weather Stations, 1996), 54, quotes World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (New York: Oxford University Press, 1993), on “getting the basics right.”

economists. Theorizing with government-supplied data is easy, and many jobs for development economists are in officially funded institutions. So politics as economic factors deserve more attention, as do political results of booms. What are the interactions of quick economic growth and regime change both in nations and localities? Is there a link, for example, between Taiwan's boom and the island's later vibrant democracy? What caused Shanghai Delta industrial growth rates to begin rising very quickly in the early 1970s, especially from rural factories selling then to domestic markets, and what have been the effects on politics of this rampant expansion of suburban and rural industries? Did domestic, not just international, spurs for Thailand's growth from the late 1970s affect the 1990s' increasingly civilian (rather than military) dominance of that country's politics by Sino-Thai ex-businessmen? What has caused the Philippine problem with progress, and what is likely later to improve that performance?

The Philippine test place is important in this study, although none of the three places that have enjoyed more recent booms is identical with any of the others. The archipelago shortly after World War II had a per-capita income that was approximately double that of Thailand then. Half a century later, this relationship was reversed; Thais, on average, had become almost twice as rich as Filipinos. If the standard economic recommendations of foreign investment, technology, and linkage to institutions such as the World Bank was the golden key to development, why did so relatively little happen in the Philippine market economy?

Taiwan, just to the north, showed obvious contrasts. As late as 1959, per-capita income in the Philippines was higher than on Taiwan. In the 1960s, and at a somewhat reduced pace after the oil crisis of 1973, Taiwan's economy soared ahead. By century's end, the average wealth of a Taiwanese (measured in purchasing parity terms) was six times that of a Filipino.<sup>5</sup> What caused this divergence?

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<sup>5</sup>The "purchasing power parity" measurement of this relationship gives the poorer economy a better showing than other means of assessing it would. A United Nations Development Programme estimate of the Philippines PPP GDP/capita was US\$3,971, and a Taiwan government parallel estimate for the island (on which the UNDP does not report) was US\$22,186, both for the year 2000.

Most economists have no long-term response to such questions. They try to explain economic development over short time horizons, such as venture capitalists use when allocating funds — just a few years at the longest, certainly not the decades in which sustained economic change or stasis actually takes place. Most neoclassical economists are content to give, to any government, good general market advice. If an economy runs into problems, they can usually note that such advice was not taken. They do not inquire why the gospel was not received, or whether other factors caused or prevented growth over periods exceeding half a decade.

Labor prices have been relatively low by global standards during the periods of fastest growth in Taiwan, East China, and Thailand; but they have also been low in the Philippines. Filipinos have some obvious advantages that might aid development. Their domestic market is very large, now numbering between 90 and 100 million potential customers. By population, they have one of dozen largest nations on earth. Unlike the people of any other major country in East Asia, many of them converse easily in English, the most important single language of export markets. Yet scant foreign capital has arrived in the islands. For agriculture, which absorbs most Philippine labor, foreigners have sponsored the highest-profile technology research program in the world, the International Rice Research Institute (IRRI) at Los Baños on Luzon. Why has such aid not made more Philippine farmers richer, better educated, and more likely to set up as entrepreneurs in industry or commerce? Why have the higher rice yields not been sold as capital for industrial expansion?

Growth in the other three traditional rice economies under study here has come especially from small and medium-size enterprises (SMEs). These local firms were founded in Taiwan and China (but not Thailand) after agrarian reforms, whose trajectories national leaders lacked enough local information fully to monitor. Leaders of SMEs have, in the three places that have boomed recently, made many profits by evading controls designed by other local or national leaders who wanted no rivals on their turfs. Violence has been common in these political booms, along with money. Development has occurred

only when national or local leaders who could benefit from it were sufficiently strong to effect it. When they did not see potential gain or did not want it, growth was scant.

## LIBERAL MONEY POLITICS

Elections, where they are held, can become purchasable economic factors. They have contributed in democracies to problems of political corruption like those in authoritarian regimes, because elections are easier to acquire than elected ideologists in the West have interests in publicizing. The money to purchase them comes largely from government contracts that the elected representatives arrange after they get into office. This is a problem in most electoral democracies. It is especially salient in a political economy that enjoys an economic boom because labor is still priced near agricultural subsistence levels, while capital-managing elites can use modern production and marketing methods to reap a windfall from the sold value of the labor for which they paid little.

Boom periods are eras in which agriculture still provides a practically unlimited supply of labor willing to work at low wages.<sup>6</sup> Many of these laborers in either domestic or export jobs are female, and almost all are relatively poor ex-peasants. A crucial aspect of the growth of business power in Asia has been the flexible ease with which SME managers can lay workers off, when markets are slow.<sup>7</sup> Economies with these traits become very prosperous at great speed, when local and national elites cooperate to maximize the returns to labor.

Institutions to reduce corruption and coercion may foster fairness, but local and state leaders often lose profits by creating them.

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<sup>6</sup>This relies on W. Arthur Lewis, "Economic Development with Unlimited Supplies of Labour," *The Manchester School of Economic and Social Studies* (1954), 139–91.

<sup>7</sup>For more documentation and a related argument, see Hsiung Ping-Chun, *Living Rooms as Factories: Class, Gender, and the Satellite Factory System in Taiwan* (Philadelphia: Temple University Press, 1996), 32–34.

Voting can become a popular habit. Elections can legitimate kleptocrats, while also providing later means to remove them.<sup>8</sup> Juntas that overthrow democracies, citing corruption, often become vulnerable to the same charge. If wealth and education levels rise, elections become somewhat less manipulable. Taiwan, the richest of the four places under study here, has become an island of business politics. Proletarian resistance to this trend has been hard to express in a place where many people have security reasons to fear communism. So the Democratic Progressive Party has sought votes by trying to present its basically leftist side of the left-right cleavage, which is normal for an industrial society, in terms of a Taiwanese-mainlander cleavage instead.<sup>9</sup> Separations of power on Taiwan are now cleaning up money politics, which remain major issues in elections. Of the four places under study here, Taiwan has by far the most mature electoral system. In Thailand and East China, local businesses deeply influence politics in alliance with either soldiers or officials. The Philippines has just about the longest experience of free elections in the developing world — yet this voting has not done much over many decades for the quality of governance there.

Money is scarcely less crucial in Philippine politics than in the other three places, but election winners there tend to be local hegemons (often with their own militias). Democratically elected governments have met in Manila for about ten decades, except during the three-year Japanese occupation and the martial law period in the second half of Marcos's presidency. The U.S., running a colonial regime, had sponsored elections at every administrative level in the Philippines since the twentieth century's first decade. Most elections

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<sup>8</sup>Compare Bolivar Lamounier, "Authoritarian Brazil Revisited: The Impact of Elections on the Abertura," in *Democratizing Brazil: Problems of Transition and Consolidation*, Alfred Stepan, ed. (New York: Oxford University Press, 1989), 43–79.

<sup>9</sup>Election surveyors at National Cheng-chih University and elsewhere have shown that the main DPP constituency is workers, fisherfolk, and less-educated peasants. This analysis of the industrial cleavage does not deny the importance of "identity" issues on Taiwan or of north-south differences. But see David D. Yang, "Classing Ethnicity: Class, Ethnicity, and the Mass Politics of Taiwan's Democratization," *World Politics* 59:4 (July 2007), 503–38.

have been highly competitive. Citizens have enjoyed a choice of different candidates, both locally and nationally. Voter turnouts have often exceeded 80 percent — and have done so for years. Speech has been free (although speakers have not always been safe from unofficial violence). There is a keen national culture of care about cleanness in counting ballots — as Ferdinand Marcos discovered, when he failed to steal the 1986 presidential election from Corazon Aquino.<sup>10</sup> Yet Philippine democracy, despite the particularly enthusiastic cult of civil society in politics, does little for most people. Elections do not produce governments that have made them much richer, better educated, better housed, or healthier.

Political parties are supposed to be means that help voters express their views; yet Filipino parties are ephemeral and weak. Robert Dahl defines democracy as “a political system one of the characteristics of which is the quality of being completely or almost completely responsive to all its citizens.”<sup>11</sup> If so, many so-called democracies are far from this ideal. What factors can explain this pattern?

This book makes two suggestions. First, opportunities for political support by networks with effective power — sometimes mostly in the state, but often mostly in local business elites — cause economic growth or its lack. Second, such growth, if they can arrange it, strengthens those elites’ capacities as against rivals, in whatever type of regime they have.

## LOCAL NONSTATE AUTONOMIES IN FOUR RICE COUNTRIES

Japan was the first major Asian economy to develop. Even now, most studies of Asian politics concentrate on the formation of economic policies in the central state rather than in local nonstate firms, because that was an important Japanese pattern. It was followed with minor variation later in South Korea, where *chaebol* copied *zaibatsu* and links

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<sup>10</sup>The vote checkers, finding fraud, walked out on Marcos and thereby legitimated in public the decision of a close election that he had narrowly lost to Aquino.

<sup>11</sup>Robert Dahl, *Polyarchy* (New Haven: Yale University Press, 1971), 2.

of exporting combines with the state have also been close.<sup>12</sup> The explanandum of such studies is the effect of official economic policies as footnoted by government documents. The explanandum here is different, and it can best be understood by three ways to seek it:

- a search for “policies” based in intentions and situations at all sizes of collectivity that are causally effective (not just national governments, and not just conceived as hierarchal ‘levels’),
- a search for the histories of habits and institutions, over long (not short) lengths of time that are needed for factors to have lasting even if inconsistent cultural results, and
- a search for the effects of industrial-commercial change on politics (not just the effects of political structures on growth, although these processes are mutually interactive over time).

From this perspective, two factors in the prosperous places under study have been the most salient spurs to economic boom. First, the most effective political groups did not stymie opportunities to set up autonomous new firms, especially small factories and stores. Where these opportunities were taken, wealth and education spread to somewhat larger parts of the population. This syndrome was contagious; it moved among towns by demonstration effect. It created more middle-income people. They could, if their slowly changing cultural identities allowed this possibility, take up the option to become entrepreneurial.

Second, the previous existence of import-substituting industries aided the boom syndrome — if the managers were not so strong vis-à-vis the state that they could maintain high tariff walls against

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<sup>12</sup>Chalmers A. Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925–1975* (Stanford: Stanford University Press, 1982) offers an historical and political treatment of the evolution of economic guidance by government in Japan over a half century. This book does not neglect time or institutions — and for just that reason, it is not a general description of the ways in which all countries of Asia have developed even though some of them (especially South Korea) show patterns resembling Japan more than others do. On that point particularly, see Atul Kohli, *State-Directed Development: Political Power and Industrialization in the Global Periphery* (Cambridge: Cambridge University Press, 2004).

imports. Low tariffs were demanded by external markets (notably the U.S. and Europe) that received the exports.

Taiwan, East China, and Thailand have met these two conditions more fully than the Philippines. Both factors depended on the state being partly “autonomous” from other social organizations, while also being sufficiently “embedded” in them to gather information and resources.<sup>13</sup> The most important embedded autonomy was that of local managers, not bureaucrats. “All politics is local,” according to Speaker of the House Tip O’Neill. The top of any government is a small collectivity, which may or may not control others. A great variety of leaders make states rich or poor, and most policy is not national. Quick economic growth, at least in the East Asian places studied here, increases the portion of the economy that is outside the control of the central government.

Gillian Hart coined memorable acronyms for three explanations of Asian booms: CC, MM, and SS (‘Confucian culture,’ the ‘magic of the market,’ and the ‘strong state.’)<sup>14</sup> None of these alone is a sufficient account. Anthropologists have predictably stressed the cultural one that economists regularly reject in favor of the market one. Political scientists, again predictably, suggest that strong states create booms — but they might just as well look also at local power networks.

The main discourse on East Asian successes has covered different kinds of “developmental states” by Johnson, Gold, Amsden, Wade, Evans, Kohli, and others.<sup>15</sup> Various analysts, ranging widely from

<sup>13</sup>This expands on works by Peter Evans, including “Predatory, Developmental, and Other Apparatuses: A Comparative Political Economy Perspective on the Third World State,” *Sociological Forum* 4:4 (1989), 561–87.

<sup>14</sup>Reported as a personal communication from Hart in Ruth McVey, “The Materialization of the Southeast Asian Entrepreneur,” in *Southeast Asian Capitalists*, Ruth McVey, ed. (Ithaca: Southeast Asia Program, Cornell University, 1992), 9.

<sup>15</sup>See Johnson, *MITI and the Japanese Miracle*, Thomas Gold, *State and Society in the Taiwan Miracle* (Armonk: M.E. Sharpe, 1986), Alice H. Amsden, *Asia’s Next Giant: South Korea and Late Industrialization* (New York: Oxford, 1989) and Amsden, *The Rise of the Rest: Challenges to the West from Late-Industrializing Economies* (New York: Oxford, 2003), Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton: Princeton University Press, 1990), Peter Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton: Princeton University Press, 1995), and Kohli, *State-Directed Development*.

Paul Krugman to Yoshihara Kunio or Linda Grove, have suggested problems with this growth model.<sup>16</sup> These researchers do not all have the same theory. In general, however, many stress links between states and big businesses that trade internationally. Such institutions have received most of the credit for the economic booms in several Asian countries. In Japan and S. Korea, as well as most other countries after growth was well under way, much of that credit is deserved. Yet especially during the initiations of booms, small businesses and medium-sized domestic businesses have less often been studied as political networks. Some historians and Europeanists have noted their importance in the past and outside Asia, but developmental nonstate agents deserve more attention.<sup>17</sup>

The modern economic sectors in all four countries studied here are largely led by ethnic Chinese. Equivalents of Johnson's MITI or the overall guidance systems of other "tigers" are absent in Thailand, the Philippines, or most other Southeast Asian countries. As Danny Unger observes, "Most studies of Southeast Asia's political economies do not offer state-centered explanations."<sup>18</sup> Researchers who seek

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<sup>16</sup>See Paul Krugman, "The Myth of Asia's 'Miracle,'" *Foreign Affairs* (November–December 1994), 62–78. More attention to history is in Yoshihara Kunio, *Building a Prosperous Southeast Asia: From Ersatz to Echt Capitalism* (Richmond, Surrey: Curzon Press, 1999), and especially in Linda Grove, *A Chinese Economic Revolution: Rural Entrepreneurship in the Twentieth Century* (Lanham: Rowman and Littlefield, 2006), which shows that traditions among Chinese SMEs are linked to the contemporary boom.

<sup>17</sup>The main exceptions are about Japan rather than any place further south: Richard J. Samuels, *The Business of the Japanese State: Energy Markets in Comparative Perspective* (Ithaca: Cornell University Press, 1987), and Thomas C. Smith, *Native Sources of Japanese Industrialization, 1750–1920* (Berkeley: University of California Press, 1988). The most cited theoretical case for flexible SMEs as distinct from "Fordist" production is by Michael J. Piore and Charles F. Sabel, *The Second Industrial Divide: Possibilities for Prosperity* (New York: Basic Books, 1984). This is Western, as is David S. Landes, *The Unbound Prometheus: Technological Change and Industrial Development in Western Europe from 1750* (Cambridge: Cambridge University Press, 1969).

<sup>18</sup>Danny Unger, *Building Social Capital in Thailand: Fibers, Finance, and Infrastructure* (Cambridge: Cambridge University Press, 1998), 5.

strong states do not find what they want in these countries. The economic engines of growth in that part of the planet have received exceptionally odd labels: Yoshihara calls Southeast Asian capitalism “ersatz.”<sup>19</sup> Bernard and Ravenhill find prosperity there “derivative.”<sup>20</sup> Doner suggests that strong political guidance, even in market economies there, can fail to produce growth.<sup>21</sup> Krugman notes the lack of research and development that might sustain long-term development. Part of the Southeast Asian or Taiwanese or Chinese difference lies in analysts’ presumptions derived from tigers to the northeast.

Many writers, following Johnson’s seminal work on Japan, have offered state-institutional narratives on “miracle” growth. Some, such as Krugman, have argued that the miracle was mostly a “mirage”: good results, as long as they lasted, came from tendencies (whose roots still call for explanation) to have high savings rates and apply wise macro-economic policies. Both the miracle and mirage explanations tend to detach “cultural” factors from “structural” ones with more assertive confidence than this book does.<sup>22</sup> Fast growth has occurred in many East and Southeast Asian places where the Confucian heritage is important to a sizeable part of the population. This is true historically in Japan, as in Taiwan, Hong Kong, Singapore, Korea, and mainland China.<sup>23</sup> In Thailand too, most of the residents of Bangkok, and

<sup>19</sup>Yoshihara Kunio, *The Rise of Ersatz Capitalism in Southeast Asia* (Singapore: Oxford University Press, 1988).

<sup>20</sup>Mitchell Bernard and John Ravenhill, “Beyond Product Cycles and Flying Geese: Regionalization, Hierarchy, and the Industrialization of East Asia,” *World Politics* 47 (1995), 171–209.

<sup>21</sup>Richard Doner, “Politics and the Growth of Local Capital in Southeast Asia: Auto Industries in the Philippines and Thailand,” in *Southeast Asian Capitalists*, Ruth McVey, ed. (Ithaca: Southeast Asia Program, Cornell University, 1992), 191–218.

<sup>22</sup>An often-cited, nervous warning about this distinction is David Elkins and Richard Simeon, “A Cause in Search of its Effect, or What Does Political Culture Explain?” *Comparative Politics* 11 (January, 1979), 127–46; but Elkins and Simeon offer a crucial backtracking apology on 136, and it applies to more situations than most who cite them have suggested.

<sup>23</sup>On Japan, see Robert Bellah, *Tokugawa Religion* (New York: Free Press, 1957), which treats a very complex topic in this way.

notable pluralities in provincial capitals have paternal Chinese genealogies, although they are also loyal Thais.

In Southeast Asia, the portion of ancestral Chinese in national populations rank-correlates with growth performances: 77 percent in Singapore, 33 percent in Malaysia, 13 percent in Thailand, 3 percent in Indonesia, and only 1.5 percent in the Philippines.<sup>24</sup> A sample of five is too small to make any sure proof, and self-identification of Chinese with the local nation may be more important than patrilineal ancestry, but this match is at least suggestive. Ways can be found of finding institutional mechanisms in lineages that produce such a result. Local political hierarchies as small as families are important among these.

The problem with cultural explanations is analytic and epistemological; it is not practical. Specifiable cultural traits support high savings rates, hard work, and fiscal discipline that have aided growth — even though opposite traits of the same cultures sometimes support opposite behaviors. Any culture shapes the range of options that people socialized into it see as available. Individuals' intentions are affected, in a probabilistic way, by the collectives in which they grow up, and these norms are restricted, rather than just generic to all actors anywhere. Habits in people's heads shape behavior, even if they do not determine it monocausally. The main chance for understanding is not just to identify cultural factors, but to show the contexts of concurrent causes in which they are activated or not.

Variance among cultures comes in many forms, as Michèle Lamont's comparative research shows. Nations vary in their habitual proclivities, but so do classes, status groups, and localities.<sup>25</sup> Individuals naturally search among their various traditions to find the normative options that best serve them in situations of the moment. Often the available choices are diametrically opposite to each other. As many

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<sup>24</sup>These 1981 estimates are in Jamie Mackie, "Changing Patterns of Chinese Big Business in Southeast Asia," in *Southeast Asian Capitalists*, Ruth McVey, ed. (Ithaca: Southeast Asia Program, Cornell University, 1992), 163.

<sup>25</sup>Michèle Lamont, *Money, Morals, and Manners: The Culture of the French and the American Upper-Middle Class* (Chicago: University of Chicago Press, 1992).

social scientists emphasize, “culture” does not produce events in a fully deterministic way. Culture can be causal, but it acts as a co-factor with other catalysts in some situations, while it is latent or other aspects of it may act oppositely if those further non-cultural catalysts are not present. Clifford Geertz, for example, described Bali’s cockfight as being a symbol that echoes formally with Balinese cultural ideas about kinship, the material world, ritual, and varying depths of personal commitment — but then he also suggested he could just as easily have written another essay based on the Balinese brahmana ordination ceremony. This is just as “like Bali,” but it is quietistic rather than violent, unrelated to kin commitments, and in other ways a diametric opposite of the cockfight.<sup>26</sup> Any culture is a path-dependent sets of norms; and if it were completely coherent, it would not have been so useful to its adherents for so long.

Cultures constrain options that seem live to actors, without surely determining which will be chosen. Predictions about the causal constraints imposed by a culture can nonetheless be made, especially when it is taken as one co-cause (catalyst) among others. Weber, for example, thought that Chinese families tended to foster values of natural harmony and parochialism so strongly that they would inhibit Chinese economic growth — as arguably they did for centuries, before he died (in the early 1920s).<sup>27</sup> Now that these same Chinese family habits are combined with new technologies and opportunities for global market access, rural Chinese family firms in Taiwan, East China, and Thailand have used the same norms of small group solidarity to create organizations that exploit cheap labor brilliantly. Rejection of

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<sup>26</sup>Clifford Geertz, “Deep Play: Notes on the Balinese Cockfight,” in *The Interpretation of Cultures* (New York: Basic Books, 1973), 412–53.

<sup>27</sup>Max Weber, *The Religion of China: Confucianism and Taoism* (Glencoe: Free Press, 1951). The possibility of joint causation, and of causes becoming active or latent depending on the presence or absence of other causes, is as available in social affairs as in chemistry or physics. But essentially different epistemologies should not be needed for social and natural truths, except to note that social researchers are like their subjects. Physicists have the scientific disadvantage of being unable to get inside the “heads” of their atoms.

“culture” as causal is just rejection of the intellectually bothersome fact that events can have multiple concurrent causes.<sup>28</sup>

## RICE REFORMS

Paddy cultivation was for centuries the main economy in all four places this book compares.<sup>29</sup> This agriculture in most years produced high calorie yields per unit of land. It required intensive applications of labor, during the relatively short seasons of transplanting and harvesting. The high food yield supported large populations for such work. Man-made paddies required maintenance but were self-refertilizing. Algae on the water surface used solar energy to fix nitrogen from the air, very efficiently per unit of land, thus making nitrogenous compounds available to the rice plants. Soft paddy soil also made a standard, malleable, easy-to-weed, sustainable, and productive platform for rice agronomy.

At the times during the crop cycle that require intensive labor, especially the periods when rice seedlings are transplanted from nursery fields into large fields and the periods of harvest, almost everybody had to go work in the fields. If, in traditional China for example, there was insufficient local political solidarity or coercion

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<sup>28</sup>Peter M. Swire, “The Onslaught of Complexity: Information Technologies and Developments in Legal and Economic Thought” (Senior Thesis, Woodrow Wilson School, Princeton University, 1980) shows parallels between twentieth century intellectual trends in the statistics of multiply caused events, in courts that increasingly allowed no-fault verdicts, and in post-theoretical inductive econometrics. Positivist procedures, as in early rather than late Wittgenstein for example, resist such trends.

<sup>29</sup>This generalization is less true of peripheral areas than of flatlands. One reason why the Philippine examples in this book are seldom from Mindanao is the importance on that island of large-plantation agricultural exports other than rice, although some similar plantations are also on islands further north. Rice countries are studied here for the same reason that the logic of “case selection” is rejected here: The aim is to use insights from each of the four places (not cases) to see more about the others, and this is helped because they all grow rice. The aim is not to generalize over all of them — they differ in ways the main chapters stress — much less to find universal laws that would apply even to places that do not happen to grow wet rice.

to guarantee that this transplanting and harvesting were accomplished within relatively short time windows, there was less rice to eat. If that happened over many years running, there would be fewer people. So the highly artificial paddy environment that predominated in China or Taiwan tended to provide high harvests, dense populations, and a requirement of local coordination or tyranny. In much of Thailand, slash-and-burn (rather than paddy) agriculture fed more of the people, whose density was traditionally reduced by malaria.

Wet rice culture has traits that are unusual among economic sectors: paddy agriculture can absorb many workers with scant effect on productivity, allowing “agricultural involution.”<sup>30</sup> After flat rice fields and the canals to irrigate them have been dug, they use non-human factors more efficiently than labor. Traditional rice agriculture allows few economies of scale. It thus perpetuates small farms tended by humans and animals (rather than machines so long as the calorie yield per land unit remains traditionally high). The “green revolution” changed that, as did the crop commercialization that accompanied the adoption of costly chemical fertilizers and high-yield seeds. Results varied, however, in accord with the local distribution of political and economic capacity. Genetic engineering or hybridization of rice seeds, combined with government pressure for higher grain tax collections, changed traditional patterns. The effects of the new ways to grow rice depended not just on novel technologies and seeds, but also on local structures of power and enterprise.

The new agronomy had different effects in each of the four countries studied here. It was, in each case, crucial for later developments in their local political economies, despite these differences. Taiwan’s

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<sup>30</sup>Clifford Geertz, *Agricultural Involution: The Process of Ecological Change in Indonesia* (Berkeley: University of California Press, 1963), and Francesca Bray, *The Rice Economies: Technology and Development in Asian Societies* (Berkeley: University of California Press, 1986). These are the starting points in *Agrarian Transformations: Local Processes and the State in Southeast Asia*, Gillian Hart, et al., eds. (Berkeley: University of California Press, 1989), 1.

land reform, which the mainlander government initiated in order to garner some Taiwanese political support after KMT losses in 1947 and 1949, predated scientists' development of most new seeds. So Taiwanese farmers decided independently, and later, whether they would profit from planting them. In East China, the peak of the "Green Revolution" in the late 1960s and early 1970s deserves more study (it has been overshadowed by a 'Cultural Revolution' then). It combined with post-Great Leap alienations of rural power networks, and with Cultural Revolution decimations of the urban offices that had monitored the countryside earlier, to allow rural leaders in small collectivities new autonomies. These local bosses set up machine shops and then factories.

Thailand's experience was more like Taiwan's, but for a different reason: the Bangkok bureaucracy's ancient habit was to avoid meddling in Thai farmers' decisions about what to plant. High-end rice export markets also favored the tasty Thai varieties. So Thailand had no Green Revolution — but the selfsame bureaucratic reticence also allowed Sino-Thai businessmen the autonomy to found new enterprises easily. Marcos in the Philippines, by contrast, inadvertently proved that high-yield rice could become, for its tillers, an unprofitable crop. This was one of East Asia's oddest economic developments ever. As analysts on the political left have documented, the Green Revolution has bred inequality, at least in the Philippines.<sup>31</sup> Most economists suggest that Philippine relative poverty is instead the result of insufficient technology and insufficient reverence for neoclassical economic policies.<sup>32</sup> The influence

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<sup>31</sup>Brian Fegan, "Accumulation on the Basis of an Unprofitable Crop," in *Agrarian Transformations: Local Processes and the State in Southeast Asia*, Gillian Hart, et al., eds. (Berkeley: University of California Press, 1989), 159–78, parallels other work, especially based in central Luzon, by Ernest Feder, *Perverse Development* (Quezon City: Foundation for Nationalist Studies, 1983). Ingrid Palmer wrote about this problem early, in *The New Rice in Indonesia* (Geneva: UN Research Institute for Social Development, 1977).

<sup>32</sup>This is expanded in the editors' "Introduction" to *Agrarian Transformations*, 2 and passim.

of politics, especially local enterprise leadership, is an element that the economists miss.<sup>33</sup>

New technologies — agrarian, industrial, and commercial — are adopted only if their users profit directly (as they usually did in Taiwanese, East Chinese, and Thai industries) or are forced into them (as was the case with high-yield rice varieties in Marcos's time). Wise economic policies are always potentially available. They are not applied unless leaders at the politically relevant sizes of collectivity choose them.

There are two schools of thought about the Green Revolution: that it raises rural wealth on average, and that it further impoverishes poor peasants. These two schools argue with each other — but the bulk of evidence suggests they are both right. High yield varieties live up to their name in most years. They also produce, especially in years of bad typhoons, net losses of wealth for poor farmers.

“Top-down” agricultural programs give strong financial incentives (or orders) to farmers concerning the type of seeds and technology they use. “Bottom-up” approaches stress the need to see first what farmers want to do, and then to help them do it.<sup>34</sup> Later chapters will detail the political conditions under which autonomous rural networks emerged from either of these policies. Countries in which entrepreneurs could set up new factories and stores tended to boom. Under other political conditions, peasants were saddled with debts

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<sup>33</sup>Whole books by economists, when they bother to mention the country localities where most Filipinos live, spend all their effort analyzing rural poverty rather than rural industry. See *The Philippine Road to NIChood*, W. Scott Thompson and Wilfredo Villacorta, eds. (Manila: De la Salle University and Social Weather Stations, 1996), or two more recent publications with similar titles: *The Philippine Economy: Alternatives for the 21st Century*, Dante B. Canlas and Shigeaki Fujisaki, eds. (Diliman: University of the Philippines Press, 2001), and *The Philippine Economy: Development, Policies, and Challenges*, Arsenio Balisacan and Hal Hill, eds. (Manila: Ateneo De Manila University Press, 2003).

<sup>34</sup>See, for example, Prince of Songkla University, *Farming Systems Research and Development in Thailand* (Haad Yai: Thai-French Farming Systems Research Project, 1988), 5 ff., which argues that a “systems” approach can combine these two.

that confirmed their traditional patrons in local power and prevented independent entrepreneurship.

## FAMILY-LIKE SMEs

Small and medium firms, rather than large ones, initiated the economic booms in Taiwan, China, and Thailand — although Thai documentation of this fact is less than in the earlier cases. A relative lack of small and medium enterprises in the Philippines brought lackluster economic performance there for a long time. The development of small manufacturing in these countries went through several stages: a phase in which small factories with fewer than 20 workers displaced household manufacturing, a second stage in which those factories grew quickly, and a later phase in which medium-scale production tended to displace small-scale plants at least in those commodity lines, and economic growth continued at a slower pace.<sup>35</sup>

Very small firms, in the first stage, seldom exported directly. Cumulatively they might influence national politics if the system were electoral (in Taiwan or Thailand), because together they hired a great many workers who were also voters. They often formed patronage networks and small political machines, not just profit-making firms. In systems where the political economy was either monitored by Leninist cadres (as in China) or by well-established local gentry leaders (as in the Philippines), small firms had to deal with those local powerholders to run their businesses for the domestic market. But they had, and needed, no major influence over national policy.

Early household businesses often subcontract with larger companies that export. More important, some of them grow, becoming politically more important. Their emergence can surprise older elites, most of whom very actively dislike entrepreneurial *nouveaux riches*. Yet SMEs have been the most important wellsprings of growth

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<sup>35</sup>Otte Estler, *Der Beitrag kleiner und mittlerer Unternehmen zum Entwicklungsprozess Thailands* (The Contribution of SMEs to Thailand's Development) (Hamburg: Institut für Asienkunde, 1998), 194.

in several Asian “dragons.”<sup>36</sup> Larger corporations produce more data, but convenience of documentation does not correlate with economic performance.

Many small entrepreneurs begin by accumulating capital in retail trade. In Asia, this often meant rice trading and milling. Then they typically went into more diversified or wholesale commerce. After their assets expand further, they used the profits to set up factories.<sup>37</sup> Functional flexibility has been an essential ingredient of SMEs’ economic success. The kind of flexibility in which they have excelled has not relied much on their own searches for foreign markets or new technologies. Foreign partners or Overseas Chinese living in North America or Europe (or more experienced Hong Kong or Taiwan marketers) have been important in these roles. Nor has the kind of flexibility most prominent in East Asia depended heavily on their own new research and development. Innovation has come largely from overseas sources or from people educated on other continents. (This contrasts with the ‘permanent technological innovation’ and ‘craft-based flexibility’ described by Piore and Sabel for European SMEs that manufacture garments, purses, and luxury goods.) Instead, Asian SMEs tend to sell directly or indirectly to the Wal-Marts of the world. They are market-responsive in their immediate contexts because they can pay low wages and charge low prices. Their employees are seldom unionized and have minimal or no pension perks. Such firms attract workers who make even less in fields than in factories.

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<sup>36</sup>SMEs have also been extremely important for maintaining economic vibrancy in developed economies. Extensive data show that American laws and habits encourage the formation of small businesses better than do the laws and habits of highly developed economies in Europe. This difference has tended to make U.S. unemployment lower and long-term growth somewhat faster. See *Are Small Firms Important? Their Role and Impact*, Zoltan J. Acs, ed. (Boston/Dordrecht: Kluwer Academic, 1999).

<sup>37</sup>SMEs are defined variously by different governments and surveyors. So the only practical gambit for a book like this one about comparative politics is to note the substance of their conclusions about smaller and larger firms, but without any pretense that the term SME has been standardized. Further information is in Susan Greenhalgh, “De-Orientalizing the Chinese Family Firm,” *American Ethnologist* 21:4 (1994), 757.

SMEs not only absorb a great deal of labor; small factories are also important for developing the skills of ex-peasants who are taking their first industrial jobs. When such employees have scant formal education, as is usually the case, the SMEs are crucial schools in the styles of modern accurate work, accomplished to time schedules.<sup>38</sup> Large firms hire employees who are already better-educated than those in SMEs. The small firms thus contribute more to a nation's "social capital" accumulation. Ambitious and talented SME employees set up their own companies and become their own bosses, further strengthening market competition. SMEs can proliferate nimbly. Their workers in one place can move to another, bringing technology, know-how, and business connections. They do this when urban wages rise and managers of capital seek cheaper labor elsewhere, or when an experienced employee in an SME resigns to start a competitor firm.

Small firms are not spread evenly over the geographies of any of the four places studied in this book. As a study of Taiwan shows, they prosper best in diversified settings that have high population densities, including areas that were recently rural.<sup>39</sup> Because the high traditional yield of rice raised the value of paddy land, the economic and demographic border between urban and rural places in East Asia has not been as sharp as in the West.<sup>40</sup>

SMEs contribute to exports. The statistics that governments can gather often understate this, especially for countries like Thailand, where large combines have not yet established international brands, because major exporting companies outsource processes to small

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<sup>38</sup>See Otte Estler, *Der Beitrag kleiner und mittlerer Unternehmen*, 196, and for a comparative overview, Alex Inkeles and David Smith, *Becoming Modern: Individual Change in Six Developing Countries*, (London: Heinemann, 1974).

<sup>39</sup>Liu Li-Wei, *The Growth and Transformation of Small and Medium Enterprises in Taiwan: Reassessment and Analysis from a Spatial Perspective* (Ph.D. Dissertation, Cornell University, January 2000), 125.

<sup>40</sup>On the "green city," see Lynn White, "Shanghai-Suburb Relations, 1949–1966," in *Shanghai: Revolution and Development in an Asian Metropolis*, Christopher Howe, ed. (Cambridge: Cambridge University Press, 1981), 241–68.

firms. The relative value added by SMEs to exports is difficult to survey, because small factories generally compete in tighter markets than do large firms — and they hide their production from tax collectors far more efficiently. In China, it is estimated that 40 to 60 percent of the value of all exports come directly from SMEs. This is a large amount, although even the Chinese government is unsure of its extent.

In Taiwan similarly, 56 percent of exports in 2000 still came directly from SMEs (and in the island's economy, exports made up nearly half of total GDP). Thai data are less complete, but just one-tenth of exports were recorded as coming directly from SMEs — although in the mid-1990s, three-tenths of the total Thai GDP left the country.<sup>41</sup> According to the best available estimates, Thai SMEs contribute about 50 or 60 percent of the country's total product, and also roughly half of Thailand's exports. They employ 60 or 70 percent of industrial workers.<sup>42</sup> Comparable data for the Philippines have not been collected or found, but the importance of primary-sector crop and mineral exports (largely from Mindanao plantations and mines) would make such figures difficult to compare anyway. Philippine SMEs' proportional contributions to exports were much smaller than in Taiwan, East China, or Thailand.

## EXPLAINING CAUSES OF LOCAL DYNAMISM

Entrepreneurship was the basis of economic booms, whenever they occurred. Whence did this risk-taking come? It happened largely in firms that were run by ethnic Chinese families. Modern researchers have found clannish solidarity in many Chinese businesses. They also find a widespread personal norm that one should be one's own

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<sup>41</sup>Charles Harvie and Boon-Chye Lee, "East Asian SMEs: Contemporary Issues and Developments," in *The Role of SMEs in National Economies in East Asia*, Harvie and Lee, eds. (Cheltenham: Edward Elgar, 2002), 9.

<sup>42</sup>These estimates are by Frederic Deyo, reported in Peter Brimble, David Oldfield, and Manusavee Monsakul, "Policies for SME Recovery in Thailand," in *The Role of SMEs in National Economies in East Asia*, 205, quoted from Deyo.

“boss.”<sup>43</sup> Families are ideally solid, and underlings are supposed to follow the lineage head. Families are enduring collective actors in politics, national as well as local. They have readily identifiable names and permanence. They are like bureaucracies in this sense: action based on family loyalty is relatively predictable. They thus enjoy the political strengths of reliability that Max Weber attributed to modern bureaucracies, although family predictability is not based on legal-rational norms, and Weber could not see its use in markets when he wrote.<sup>44</sup>

Susan Greenhalgh treats the “Chinese family firm” as a politically constructed patriarchy. She argues that, “The Confucian thesis is a form of Orientalist economics that arose in the context of, and in turn supported, a very conservative politics. By simultaneously valorizing Chinese ‘collectivism’ and obfuscating gender, ethnic, and other inequalities [it] lent support to a new, flexible form of capitalist accumulation that is based on exploitation of gender and other social inequalities.”<sup>45</sup> This view accords with the proposition that a Confucian culture can provide a ready environment for economic construction. Nasty, unstately, violent aspects of “Asian values” do not gainsay their productivity.

Some writers claim that a clan’s support for “indolent” members discourages individualism, thereby reducing efficiency.<sup>46</sup> The cases for and against the economic value of Chinese familism have risen or fallen, respectively, along with the economies dominated by Chinese businesses. This chart-watching might seem too unintellectual a means to decide the question about the importance of norms that Chinese families tend to propagate. Yet no other data could offer more comprehensive evidence on it. Weber never claimed that

<sup>43</sup>See Shieh Gwo-shyong, *“Boss” Island: The Subcontracting Network and Micro-entrepreneurship in Taiwan’s Development* (New York: Lang, 1992), and also *The Economic Organization of East Asian Capitalism*, Marco Orrù, Nicole Woolsey Biggart, and Gary Hamilton, eds. (Thousand Oaks: Sage, 1997).

<sup>44</sup>See Reinhard Bendix, *Max Weber: An Intellectual Portrait* (New York: Doubleday, 1960).

<sup>45</sup>Susan Greenhalgh, “De-Orientalizing the Chinese Family Firm,” 746.

<sup>46</sup>Mario Ruten, *Rural Capitalists in Asia: A Comparative Analysis of India, Indonesia, and Malaysia* (New York: RoutledgeCurzon, 2003), 28.

ascetic Protestantism was the sole cause of modern economic success in the West, but only that it had an “elective affinity” with this modern result.<sup>47</sup> Many data in the following chapters demonstrate that firms started by ethnic Chinese families or family-like collectives had a similar affinity with economic success.

Linda Grove shows that traditional habits (these could be called cultural factors) in rural Chinese enterprises have persisted for many decades. Such customs of saving, organizing, and marketing go far to explain the dynamism of small firms in the recent booms of both Taiwan and China.<sup>48</sup> This family-business culture describes underlying endemic causes. Only spark factors are needed, in addition, to explain why the cultural organizations of this form got (or in the Philippines did not get) the autonomy to ignite the booms at particular times.<sup>49</sup>

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<sup>47</sup>“Elective affinity” has become, because of Reinhard Bendix’s scholarship, the standard but loose translation of the word Weber used, *Wahlverwandschaft*. This began as a term in chemistry, referring to substances that have a tendency for combination. Goethe chose it as the title of a novel that is broadly about the usual (but not sure) attraction of men and women for each other. “Elective affinity” refers not to causality but to a likelihood of connection between different factors (acids and bases, men and women, religious beliefs and business motives, or any different parts of a cultural complex that tend to go together — especially when they portend change). Weber’s epistemology is more subtle and more substantive than that of most social scientists. In contemporary terms, it is “postanalytic” rather than “analytic” — except that he wrote earlier.

<sup>48</sup>See Linda Grove, *A Chinese Economic Revolution*.

<sup>49</sup>Students of China or of other specific places are more aware than are abstract “analytic” epistemologists of the need to consider both endemic and spark causes of events. For example, to account for the 1949 change in China, Bianco and many others stress underlying social factors, while Johnson pioneered an account of the additional causes needed to explain timing. Other Chinese events, e.g. violence after 1965 or rural industrialization after 1971, require similarly multiple approaches (and an awareness of randomness in real processes, such as Esherick notes). The search for general laws in social science, supposed to be applicable without respect to geography or history, has hindered rather than helped the development of better epistemology. See Lucian Bianco, *The Origins of the Chinese Revolution, 1915–1949* (Stanford: Stanford University Press, 1971), Chalmers A. Johnson, *Peasant Nationalism and Communist Power: The Emergence of Revolutionary China, 1937–1945* (Stanford: Stanford University Press, 1962), and Joseph Esherick, “Ten Theses on the Chinese Revolution,” *Modern China* 21:1 (1995), 45–75.

Thai entrepreneurs are also mostly Thai-Chinese. The government owns the national airlines, the oil company, Siam Cement, and the Krung Thai Bank. But Sino-Thais own the Bangkok Bank (which is the richest financial institution by far), the Saha conglomerate (largely in textiles), and the Charoen Pokphang agrobusiness, as well as the Hongkong/Bangkok Karnchanapas conglomerate corporation in trading, real estate, and construction — and more important, a myriad smaller firms of the type from which these emerged.

Non-Chinese families in the Philippines, by contrast, control many of the large companies there. The Ayala family's holding company developed the Makati district of downtown Manila and controls the Bank of the Philippine Islands as well as a major life insurance company. The San Miguel corporation, founded by the Sorianos, makes and sells far more than beer. The Lopez clan controls a bank and a power company. The Concepcion family runs Republic Flour Mills and related industries. The Aboitiz are in transport and trade, and the Villanuevas are in engineering. The Elizaldes, Aranetas, de Leons, and Montelibanos are among the Filipino families that have made fortunes in sugar refining.<sup>50</sup> Some Chinese Filipinos are now involved in these enterprises, but the portion is lower than in other Southeast Asian countries partly for political reasons (offered in later chapters). Takeovers by Chinese Filipinos of firms established by families that make more claim to Philippine nativism have sometimes been highly conflictual, as when the Cojuangcos (the Co syllable in *pinyin* romanization is the surname Xu) fought the Sorianos for control of San Miguel.<sup>51</sup> Relatively few and large companies have been founded

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<sup>50</sup>Some of these families are partly of Chinese ancestry, and some of the sugar wealth (including that of the Cojuangcos) was made by families that included Chinese. This relies on Yoshihara Kunio, *The Nation and Economic Growth: The Philippines and Thailand* (Kuala Lumpur: Oxford University Press, 1994), 20–22.

<sup>51</sup>This is the largest combine in the country. See the excellent (anonymous) Wikipedia entry on the history of the San Miguel Corporation.

on that archipelago, and laws have been passed to hinder Chinese from setting up firms.

Any culture has incompatible elements from which valid but opposite conclusions may be drawn. It is circumspect to take a practical view of truth.<sup>52</sup> Usefulness trumps falsification as a virtue of any proposition, and eliminating errors is important only when it does more to aid than hinder long-term usefulness.<sup>53</sup> Newton admitted he could not explain gravity, but he had the wit to link an apple's fall with a planet's orbit. It is possible to distinguish the "'big question' of where norms and interests originate" from the "'little' questions of how they actually affect public and political life."<sup>54</sup> "Little" questions may be more practical and more researchable than "big" ones and may thus tell more truth. Neat or complete accounts are often less good than useful explanations. Chinese business success in Southeast Asia is robust enough to withstand any epistemology.

## NONSTATE LEADERS FOR CREATIVITY OR STABILITY?

There are two kinds of economic leaders: "specular" entrepreneurs who innovate and bring new talent into an elite, and "rentier" leaders who most value the consolidation and integrity of their own group. "Specular" entrepreneurs are the economic equivalent of political

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<sup>52</sup>Toward a "postanalytic" epistemology (and ethics), see pragmatists such as William James, *Essays in Radical Empiricism* (Lincoln: University of Nebraska Press, 2003 [1912]), or James, *The Meaning of Truth: A Sequel to 'Pragmatism'* (Amherst, NY: Prometheus Books, 1997 [1909]), or Rorty in Richard Rorty and Pascal Engel, *What's the Use of Truth?* (New York: Columbia University Press, 2007).

<sup>53</sup>"Error elimination" is as close to truth as Karl Popper allows, but his epistemology is too thin to explain why propositions, errors, or tests would be advanced in the first place. See Karl Popper, *The Logic of Scientific Discovery* (London: Routledge, 1959).

<sup>54</sup>David Leheny, *Think Global, Fear Local: Sex, Violence, and Anxiety in Contemporary Japan* (Ithaca: Cornell University Press, 2006), 14.

“foxes,” and economic “rentiers” are like political “lions.”<sup>55</sup> Chinese or any other people can be either entrepreneurial or rentier. In Taiwan’s and China’s Leninist parties, there have been conservative rentier lions aplenty. But when the KMT after c. 1947 and the CCP after c. 1969 lost their ability to prevent local “specular” SMEs to be founded, and when Sino-Thais met scant resistance establishing firms, the results were booms. In the Philippines, rentiers remained dominant.

An economic boom raises the local influence of autonomous managers, no matter whether they control private or collective property. They circulate into elites, as they have done conspicuously in Taiwan, East China, and Thailand. If a country’s habits are electoral during such a boom, as Taiwan’s and Thailand’s were, the power of these managers over ‘higher’ administrative levels of the state increases more quickly. But electoral procedures alone do not raise the representativeness of government, as the Philippine case makes clear; more mature industrialization is needed for that. Nor is allowance of markets alone, or of private as distinguished from socialized property, enough to increase the portion of the people whom elections may empower.

Pluralizations of politics can be explained more directly by booms than by regime types or property arrangements. In a period of quick economic and social development, autonomous actors create new wealth. Expanding SMEs need, for this purpose, connections with

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<sup>55</sup>The lion-or-fox (conservative-or-reformer) distinction originated in Machiavelli’s political rhetoric, and it was adapted by Pareto for his theory of the circulation of elites, including business leaders. Vilfredo Pareto, *The Rise and Fall of the Elites: An Application of Theoretical Sociology* (New York: Arno Press, 1979; orig. 1901), 6–9, also associates the specular/fox tendency with a dominant “residue” (a relatively invariant sentiment or habit) of “combination” (a ‘tendency to invent or embark on adventure’). The rentier/lion type is linked to the dominant residue of “preservation” (a ‘tendency to consolidate and make secure’). This is mainly a matter of elite socialization. Pareto’s words, and his reactionary politics, have distracted attention from a theory can be used to add structure to idea of “interest groups” in David B. Truman, *The Governmental Process: Political Interests and Public Opinion*, 2nd ed. (New York: Knopf, 1971 [1st ed., 1951]).

police and tax regulators. So they spend some of their money for new local power. SMEs differ in the extent to which they are involved in networks with other firms. A small independent shop that supplies a reliable auto part to a car assembly corporation in Taiwan is not the same as a small *sari-sari* general store in the Philippines, even though both might be classified as “SMEs.” Quick growth of industry and commerce has been a crucial factor for pluralization, but this process is not the same as substantive democratization. Commercial-industrialization nonetheless usually precedes stable structures of government that serve the people in many sizes of collectivity.

Businesses politick, either secretly or openly, if they want to influence politics. Their registered existence as institutions may be enough to ensure some private power, but this can be greatly strengthened if they organize together. Small businesses and large international corporations also politick, but the mechanisms through which small firms exert local influence are subject to even less public monitoring. Cumulatively, they do more to change the climate of decisions than to determine particular policies. Their power is considerable, even though it is more endemic than specific. As Richard Doner notes, the best approach to development “recognizes the utility of combining political support for local firms with pressure on them to conform to market forces.”<sup>56</sup> Actually, they often conform on their own initiatives if doing so brings profit advantages over rival (including government) firms. In other words, states can be developmentalist, but so can local firms. Policy is not a monopoly of large power networks only.

Latin Americanists such as Peter Evans have pointed out that international capitalists, state dirigiste capitalists, and nonstate local capitalists can all shape development.<sup>57</sup> These same categories of leaders also affected Taiwan, China, Thailand, and the Philippines.

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<sup>56</sup>Richard F. Doner, “Limits of State Strength: Toward an Institutionalist View of Economic Development,” *World Politics* 44 (April 1992), 401.

<sup>57</sup>Fernando Cardoso and Enzo Faletto, *Dependency and Development in Latin America* (Berkeley: University of California Press, 1979), and Peter Evans, *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil* (Princeton: Princeton University Press, 1979).

The crucial question, especially for political rather than economic evolution, is which of these types made the most self-sustaining decisions that led to booms and increases in their own legitimacy. A general answer, at least for Taiwan, China, and Thailand during their booms, is that local nonstate decision makers maintained themselves best.

Decentralized politics has an “elective affinity” with flexible production.<sup>58</sup> Economists have debated whether central state guidance aids allocative static efficiency within and between firms, but few would claim that government control increases the Schumpeterian “dynamic efficiency” of entrepreneurs.<sup>59</sup> Some business people are politically disadvantaged and restricted, by bureaucracies, from access to inputs and markets they could use to provide goods and jobs. They may be able to grow quickly only by illegal means. “Some forms of corruption may actually be market-rational attempts to circumvent or break down these disadvantages.”<sup>60</sup> Corrupt rent-seeking reduces market efficiency, but it may also increase chances for the risk-taking “dynamic efficiency” that can overwhelm the costs of lowered market-rational allocative efficiency.

This interaction is mostly missed by the neoclassical “convergence” interpretation of development, which regards the process as marketization. And to a lesser extent, it is also missed by the “experimentalist” school, which for example regards China’s “model” as an adaptation of profit incentives to the state’s insistence for harmonious stability.<sup>61</sup> A “heterarchy” of property and management arrangements

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<sup>58</sup>Richard Doner and Eric Hershberg, “Flexible Production and Political Decentralization in the Developing World: Elective Affinities in the Pursuit of Competitiveness,” *Studies in Comparative International Development* 34:1 (Spring 1999), 74.

<sup>59</sup>See Cui Zhiyuan, “Epilogue: A Schumpeterian Perspective and Beyond,” in *China: A Reformable Socialism*, Gan Yang and Cui Zhiyuan, eds. (New York: Oxford University Press, 1995), 145–68.

<sup>60</sup>Pasuk Phongpaichit, Sungsidh Piriyaarangsarn, and Nualnoi Theerat, *Guns, Girls, Gambling, and Ganja: Thailand’s Illegal Economy and Public Policy* (Chiangmai: Silkworm, 1998), 2. Mushtaq Khan is an economist who has made this Schumpeterian argument.

<sup>61</sup>See Woo Wing Thye, “The Real Reasons for China’s Growth,” *The China Journal* 41 (January 1999), 115–37, and other sources to which Woo refers.

encourages diverse organizing principles that are most likely to strike a balance between short-term adaptation and long-term adaptability.<sup>62</sup>

Business that is entrepreneurial to the point of corruption can in some cases be defended on grounds that it is Schumpeterian. It may disserve that business's market competitors or the government's tax collectors, while simultaneously serving a larger public's interest in commodities and jobs. If so, it is corrupt from the viewpoint of some, but clean from the viewpoint of others. No use of the word "corrupt" is possible without implying two identifiable and different groups.<sup>63</sup> This is not a blanket warrant for corruption, but it puts that concept in perspective. Every gift by a parent to a child, every airplane flight that pollutes the atmosphere, or every official act for welfare could be claimed as corrupt from the viewpoint of a group that did not take the action. Boom times amplify the difficulty of defining clean politics.

For their size, SMEs often require high bribes in order to begin operations. Their licenses and other legal permissions require expenses that are relatively large as portions of their revenues. Not only do they hire more voters per unit of capital, they also need to spend more for bureaucratic connections. Some economists imagine that SMEs have low market-entry costs, compared with the barriers to startup of larger firms; but a study of Thailand suggests exactly the opposite.<sup>64</sup> These investments tend to pay off, if they are made.

Peter Evans argues that, "As local economic groups grow and gain economic stature [money], the tutelage of the developmental state is less appreciated.... The increasing power and wider options of local

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<sup>62</sup>See David Stark, *Heterarchy: Asset Ambiguity, Organizational Innovation, and the Postsocialist Firm* (Ithaca: Cornell School of Industrial and Labor Relations Working Paper 96-21, 1996).

<sup>63</sup>See Lynn White, "Changing Concepts of Corruption in Communist China: Early 1950s vs. Early 1980s" in *Changes and Continuities in Chinese Communism*, Yu-ming Shaw, ed. (Boulder: Westview Press, 1988), 316-53, and the works by Benjamin Nelson and Max Weber to which this refers.

<sup>64</sup>Otte Estler, *Der Beitrag kleiner und mittlerer Unternehmen*, 195.

capital weaken business support for sustaining a Weberian bureaucracy and increase the likelihood that connectedness will degenerate into capture [of state agencies].... Some counterweight is needed to keep public-private networks oriented toward collective goods rather than particularistic rent seeking.”<sup>65</sup> Democratic elections do not provide that counterweight, and they can become means for seeking new rents when they can be bought.

As capitalists “embed” themselves in the state, they often weaken it either by buying elected politicians in democracies, or else by buying bureaucrats directly under any kind of regime. This is sometimes true of big capitalists who serve export markets, and it is true of small domestic capitalists who also effectively erode state-bureaucratic power. But the entrepreneurs do this slowly. At first, they may support the idea of elections so that (if they or their representatives win) they have access to official titles, allowing them to deal on a more equal basis with state bureaucrats. Their intentions, to the extent motives can be determined, are less democratic than profit-maximizing. Goals such as fairness to all people, reduction of violence in dispute resolution, or respect for individuals are seldom their priorities. The long-term unintended effect of these entrepreneurs’ success, however, is to broaden political participation beyond the set of civilian and military bureaucrats who traditionally ran the state.

Greedy capitalists may therefore over the long run be democrats in effect but not by design. In the economy, they provide new kinds of jobs; in the polity, they provide new infrastructure. A question is why new types of local political leaders are recruited in most countries as they develop, whereas in others (e.g., the Philippines) the types of local elites change slowly. One reason, applicable in Thailand, Taiwan, and East China is that any entrepreneurs who provide new jobs may have so much local public acceptance that rival local elites cannot ostracize them. Rural voters may be swayed not solely by money, but also by other traits in candidates (to the extent these can

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<sup>65</sup>Peter B. Evans, “State Structures, Government-Business Relations, and Economic Transformation,” in *Business and the State in Developing Countries*, Sylvia Maxfield and Ben Ross Schneider, eds. (Ithaca: Cornell University Press, 1997), 66–67.

be separated from wealth) that recent ex-peasants deem admirable.<sup>66</sup> This still does not ensure that leaders, once chosen, take actions to the long-term benefit of the electorate.

Bureaucracies develop more slowly than other parts of their political systems, and this is particularly true of mandarin bureaucracies. In Taiwan, where many parts of the government have changed radically since the 1950s, the ministries have changed less. In China, the Cultural Revolution swept over offices and closed them down for while, but the longstanding tradition of appointing bureaucrats on the basis of academic credentials was later restored. The main post-traditional change in the current PRC is only that education for rule is now technocratic, and officials are largely engineers.

In Thailand, the late-1980s bureaucracy was still “largely unreconstructed,” essentially similar to that of the 1950s.<sup>67</sup> Sarit Dhanarajata (or Thanarat), who was Thailand’s military premier for the half decade 1958–63, established free-market norms that have prevailed since then. Bangkok bureaucrats had to get along with Sino-Thai capitalists, who likewise profited from links to officials. Although Thailand had a nascent state sector, Sarit reigned over a mixed coalition of generals, bureaucrats associated with the court, and Sino-Thai merchants. He allowed provincial entrepreneurs (e.g. in the Northeast, with which he identified strongly) to found industries that the state did not control.

This implicit compact was like the one between mainlanders and Taiwanese that the KMT organized in its own political interest from the 1950s onward. It was also like the patterns that emerged in China after the depredations of the Great Leap Forward and the Cultural

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<sup>66</sup>Daniel Arghiros argues this way in *Democracy, Development, and Decentralisation in Provincial Thailand* (London: Curzon, 2001), 274; but the logic is even more cogent in a more fragmented country, as shown by Benedict J. Tria Kerkvliet in “Contested Meanings of Elections in the Philippines,” in *The Politics of Elections in Southeast Asia*, R.H. Taylor, ed. (Washington: Woodrow Wilson Center, 1996).

<sup>67</sup>Andrew Turton, “Local Powers and Rural Differentiation,” in *Agrarian Transformations*, 72.

Revolution separated local from national institutions.<sup>68</sup> None of these cleavages were institutionally consolidated at their first emergences. In each case, they provided some local balance to central power. State predations on local industrialization and on the creation of local wealth were kept at bay, and local economies flourished.

In the Philippines, however, the civilian bureaucracy has always been weak politically. Marcos's attempt to technocratize it was a centralizing effort, but that venture did not last because his technocrats also charged high informal rents. The state remained fragmented, and Marcos as a central warlord could not hold his ground against the cumulative powers of many local warlords, who handily reasserted themselves after his demise.<sup>69</sup> A more solid future Philippine development may emerge from changes of the links between national and local leaders, or of those between soldiers and business people, if they become willing to lift recent impediments to entrepreneurship.

Most economic politics, which can transform weak states, is outside state control. When local leaders have policies of their own to develop local wealth and power, they do so. When they lack enough autonomy to do this or lack the political need to do so (as in the Philippines), development stalls. Their decisions are not much affected by whether the national regime type is authoritarian or democratic. But developmental results are greatly affected by the two-way "embeddedness" of local and central networks, with each "penetrating" the other sufficiently to influence it but not sufficiently to stymie it.

## COMPARISONS WITH ALTERNATIVE VIEWS

This interpretation has both similarities and differences with claims by previous writers. Comparison requires referring to several of them

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<sup>68</sup>See Yang Dali, *Calamity and Reform in China* (Stanford: Stanford University Press, 1996), and Lynn White, *Unstately Power: Local Causes of China's Economic Reforms* (Armonk, NY: M.E. Sharpe, 1998).

<sup>69</sup>Marcos's situation was like Chiang Kai-shek's on the Chinese mainland before 1949. The title "president" is, in such situations, more grandiose than meaningful.

who have contributed major analyses to what political scientists generously call “the literature.” Some have modeled state-society relations in terms of “corporatism,” which has usually been *defined* as necessarily a top-down, state-organizes-society regime type. Analysts as sensitive as Ruth and David Collier, for example, look at corporatism in terms of actions initiated by the government. For them, it involves “(1) state structuring of groups that produces a system of *officially sanctioned*, non-competitive, compulsory interest associations, (2) *state subsidy* of these groups, and (3) *state-imposed* constraints on demand making, leadership, and internal governance.”<sup>70</sup>

Jean Oi in her early works also had a mostly top-down view of “communist” corporatism, although this view altered as China changed. Corporatism can actually be initiated by local cadres, not necessarily by central authorities. It can be called “local state corporatism,” in Oi’s phrase, to the extent that its controllers are cadres rather than entrepreneurs.<sup>71</sup> Yet the word “corporatism” has more classically been used to describe a national regime type. If corporatism is really local, can it be called “state”?

Philippe Schmitter puts the matter in perspective of other regime types. While describing “corporatist,” “syndicalist,” “pluralist,” and “monist” systems along several dimensions, he leaves open the question of whether the corporatist type is generated at state initiative, or instead at the behest of more local power networks.<sup>72</sup> In practice, small networks affect the state no less than vice-versa. Jürgen Habermas, too, sees modernization as a double process. The state

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<sup>70</sup>Ruth Berins Collier and David Collier, “Inducements vs. Constraints: Disaggregating ‘Corporatism,’” *American Political Science Review* 73 (1979), 968; italics in original. This definition has been widely quoted, for example by Shelley Rigger, “Mobilizational Authoritarianism and Political Opposition in Taiwan,” *Political Oppositions in Industrializing Asia*, Garry Rodan, ed. (London: Routledge, 1996), 302.

<sup>71</sup>Jean C. Oi, *Rural China Takes Off: Institutional Foundations of Economic Reform* (Berkeley: University of California Press, 1999), 12.

<sup>72</sup>See Philippe C. Schmitter, “Still the Century of Corporatism?,” *Review of Politics* 1 (January 1974), 98.

increasingly affects unofficial networks, while society increasingly penetrates the state.<sup>73</sup>

Peter Evans advocates “an extra effort to delve into the ideologically unpopular sequence in which the structure of the state helps the character of business in such a way as to enhance possibilities for transformation” and increased productivity. But he confesses that “starting with the structure of the business community may be equally fruitful” and finds that “corporate coherence plus dense ties” between the state and business “lies at the structural heart of economically successful ‘developmental states’.”<sup>74</sup> They are not just bureaucratic states; they are also politically networked societies. Evans calls this combination “embedded autonomy,” when a Weberian bureaucracy is in bed with a well-organized community of businesses. There is empirical evidence from many places that this spurs economic development.

Andrew Turton argues from Thai data “that it is not possible to consider local powers without some attempt, however provisional, to characterize the nature of the state, and indeed such a characterization would be incomplete without the local focus.”<sup>75</sup> Turton wants to treat the Thai state in “post-structuralist” and “neo-Gramscian” terms, referring both to classes and status groups. He says the Thai “ruling power bloc” changed during the boom from military dominance into dominance mainly by a “fractionalized bourgeoisie.” This transition affected both central and local regimes together. Various leaders only sometimes acted together as a unified ruling bloc.

The normal question about business participation in politics is: have entrepreneurs influenced policy at the national level? Yet this suggests an overly narrow view of politics, as something that takes place only in public space. If “politics” is present in any application of power, as it is, then much or most of politics takes place (for better or

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<sup>73</sup>Jürgen Habermas, *The Structural Transformation of the Public Sphere: An Inquiry into a Category of Bourgeois Society* (Cambridge: Polity Press, 1989).

<sup>74</sup>Peter B. Evans, “State Structures, Government-Business Relations, and Economic Transformation,” 64–65.

<sup>75</sup>Andrew Turton, “Local Powers and Rural Differentiation,” 74.

for worse) in private. Documentation is usually scanty, but there is enough circumstantial and direct evidence that political scientists can have hope of covering the majority of their proper subject.

## LOCAL PATH DEPENDENCE AND BRINGING ALL POLITICS “BACK IN”

State and nonstate power networks seldom openly conflict with each other, but they shape each other. One way of thinking about their relationship is to distinguish “formal” state politics from “informal” politics. The system of the government is often considered more “formal,” but in fact it is just more official. In China and many other countries, it is only somewhat less personalistic than local nonstate power networks. Informal politics may grow on the “trellis” of formal structures.<sup>76</sup> In many cases, though, the more solid trellis is increasingly nongovernmental.

Nonstate policies have been crucial for promoting development in Taiwan, East China, and Thailand. In the Philippines, they have mostly discouraged growth. In all four places, local policies largely, though not wholly, trumped policies coming from the capitals. SMEs and other local institutions such as families have typical policies that are not just reactions to state edicts. Many phenomena in East Asia elude understanding until this is recognized.

By no means are state agents the only powerholders with whom business owners (as well as regional gangsters and mob-affiliated political canvassers) make liaisons. They also link up with each other. The coherent state, even if it behaves as a single actor, is just one of the interlocutors for other networks in either a fair or coercive “civil” polity. Most small and large political institutions in ordinary times change slowly, especially as regards their strength. Colonial governments, if strong, often remain so after independence. If they were

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<sup>76</sup> Joseph Fewsmith, “Formal Structures, Informal Politics, and Political Change in China,” in *Informal Politics in East Asia*, Lowell Dittmer, Fukui Haruhiro, and Peter Lee, eds. (New York: Cambridge University Press), 142, and references there to work by Lowell Dittmer.

weak, they tend to remain weak. Atul Kohli has studied this phenomenon in a variety of states.<sup>77</sup> Structures that were established during colonial periods in countries as different as South Korea, India, Brazil, or Nigeria last for many years thereafter. This current book applies the same principle of “path dependence” (a.k.a. history) to smaller collectivities too. Nonstate power networks affect and are affected by growth.<sup>78</sup> Like governments, these networks aid or hinder economic growth with an effectiveness that is surprisingly constant over time, even if revolutions or wars or dictatorships interrupt them.<sup>79</sup>

The focus of this approach is not on any direct comparison of state and nonstate power, because that is not a zero-sum relation.<sup>80</sup> The main issue is not even whether “the state,” a lanky institution of many administrative levels, is strong or weak. Nor is the issue the strength or weakness of “civil society.” The focus here is simply on showing that booms create more pluralized forms of politics both inside the state and outside it. Booms, which are not just economic, make the sum of power and reasons for conflict grow in many socio-political organizations.

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<sup>77</sup>Atul Kohli, *State-Directed Development*, 8 and *passim*.

<sup>78</sup>This emphasis on nonstate, local institutions is the current book’s only complement to Kohli’s account, whose thesis that the “purposive” aim of industrialization is somewhat more likely to arise in centralized regimes such as South Korea under Park or Brazil during *Estado Novo* or the military dictatorship than in civically active democracies such as India — and growth is far less likely in patrimonial states, especially fragmented ones such as Nigeria. Among other authors with somewhat parallel theses, such as Amsden in *The Rise of the Rest*, development is mainly defined in terms of the growth of well-documented large firms; so SMEs are naturally neglected. It is possible to see the importance, in some late-developing economies, of SMEs without claiming that free market policies create growth separate from the national and local politics behind them.

<sup>79</sup>The most obvious examples in modern history are the post-war economic performances of Japan and Germany. Much that was industrial in those countries was bombed. The war impoverished many there down to “third world” levels, but they restored modern economies in a passion of “path dependence.”

<sup>80</sup>Many have argued this. See, for example, Alfred Stepan, “State Power and the Strength of Civil Society in the Southern Cone of Latin America,” in Peter B. Evans, *et al.*, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985), 317–43.

Modernization is a process in which local people reinvent their links to the state. Localities are important in redefining larger political environments during socioeconomic change. Political links are more difficult to quantify reliably than are many other aspects of change, as elites at many sizes of collectivity make decisions on how to resolve differences among themselves. These disputes are resolved by violence or by referring matters to dictators or monarchs who may be seen as legitimate, or perhaps by involving non-elites. Booms are a locally and nationally chosen context in which elites redefine the kinds of links among themselves, or between themselves and new local leaders.

“Bringing the state back” into discussions of development is an important aim, but *bringing local politics outside the state back in* is at least as important. In practice, calls to “bring the state back in” are American. Throughout East Asia, and much of the rest of the world too, it has scarcely occurred to most thinkers that the state might be “out,” even when it has actually been so.

## GROUP IDENTITIES IN BOOM TIMES

The nationality of entrepreneurs has been officially unproblematic, but politically a matter of some concern, in all four of this book’s cases. Taiwanese and mainlander business people have long been conscious of a distinction between these “ethnic” groups. During the period of the fastest growth on Taiwan, they knew that the government favored large industries in which the seven-eighths Taiwanese majority had somewhat less stake than in small firms — although by their sheer numbers, native islanders were prominent in both large and small enterprises.

In south Jiangsu and especially south Zhejiang, the emperor was far away in Beijing, speaking a different language rather than a Shanghainese tongue. Although these Wu-“dialect” speakers were loyal Chinese, their own “Jiangnan” regional self-esteem matches that of the famously proud citizens of the northern capital. Because of high tax rates that Shanghai and southern Jiangsu (Sunan) had long endured, these Yangzi delta entrepreneurs and officials have long

known that they were not the same as the Shandong and north Jiangsu cadres appointed to monitor them after 1949. The latter did not speak a Wu language natively, although their Third Field Army “liberated” East China and had high political and military prestige. Many non-Jiangnan cadres remained in high local Sunan and Zhejiang posts for three decades after 1949.<sup>81</sup>

In Thailand, despite exceptionally tolerant traditions of national assimilation, Thais who were Sino-Thai recognized their difference, which was paralleled by a difference of average wealth. Doner and Ramsay describe Thailand as having “a commercial class whose economic position made it critical to the Thai elite, but whose ethnic minority status made it politically subservient.”<sup>82</sup> This was the traditional situation. The boom changed it. In Thailand as in Taiwan, a subethnic division kept bureaucrats and businessmen wary of each other for many years — until the boom gave businesses the upper hand and eventually the politics of the division decreased. In Thailand, the king and generals still retained monitoring authority into the new millennium.

In the Philippines, with subethnic divisions aplenty, localism was even stronger. Many localities had a single dominant family; so control of access to markets was very political, albeit not national. Regional identifications have been extremely important in the Philippines. Before independence, the Spanish and then American authorities provided this archipelago of separated islands with nothing like the sense of unity or institutions of unity that were bequeathed by Chinese emperors, Japanese colonialists and Chiang Kai-shek, or Thai kings. Nationwide election to the Philippine Senate was originally proposed as a device to reverse strong local traditions in regions such

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<sup>81</sup>Tensions between Sunan (south Jiangsu, including Shanghai) and Subei (north Jiangsu) or Shandong groups are documented in Emily Honig, *Creating Chinese Ethnicity: Subei People in Shanghai, 1850–1980* (New Haven: Yale University Press, 1992).

<sup>82</sup>Richard F. Doner and Ansil Ramsay, “Competitive Clientelism and Economic Governance: The Case of Thailand,” in *Business and the State in Developing Countries*, Sylvia Maxfield and Ben Ross Schneider, eds., (Ithaca: Cornell University Press, 1997), 241.

as Ilocos, Pampanga, Bikol, Cebu, and elsewhere. But the plurality rule for senatorial election has meant that this centralizing effort, like others, has failed. The small Chinese mestizo minority among entrepreneurs also remained distinctive. Their wealth may have aided their assimilation, but Philippine laws did not.

## **GROWTH HAPPENS WHEN LEADERS OF THE EFFECTIVE SIZES OF COLLECTIVITY WANT IT**

A tenet of neoclassical economic theory is that sustained booms occur mainly because of increased efficiency, and this is supposed to require free markets, so that no competing firm can use coercion to determine its relative profits. In practice, however, increases of allocative efficiency in East Asia have arguably been less important than increases of entrepreneurship. Oligopolists, monopolists, and dictatorial local tycoons (often licensed by officials who have been bribed to prevent free market competition) have been prominent in the fastest periods of growth. As the Philippines show, a structure that allows profit-seeking habits alone does not sustain an economic boom. Bribes by themselves do not spur growth any more surely than free markets do.

Risk-taking entrepreneurs are the political agents of booms. High per-capita income is a cultural trait that correlates with the previous establishment of entrepreneurial institutions. Rising or peaking wealth-per-person correlates with the founding of such institutions, especially local SMEs. Booms have been particularly intense in some time periods, but the places where they occurred often prospered relatively well at earlier and later times, too. Data from those places are not restricted to the eras of fastest economic growth alone. Undynamic “presentist” explanations that try to capture all causal factors at a single moment of time fail to show processes. A movie is needed, not just a photo. Comparative historical analysis seeks trends over time, true stories rather than posited statements.<sup>83</sup>

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<sup>83</sup>Compare Dietrich Rueschemeyer, Evelyne Huber Stephens, and John D. Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992), 7, although the aim there is to explain democracy.

The growth rate of any economy may depend as much on its current level of GDP per capita as on the political factors this book discusses. That does not make politics irrelevant. Growth rates depend both on local political autonomies and on current levels of income, as much as on the factors that economists normally use to calculate production functions (i.e., the amounts and costs of capital or labor, or ‘technology’ that is usually folded into an error term). As the exceptional economist Yoshihara Kunio argues, and as many other scholars of development would not, “an economy is strongly influenced by what an economy has inherited from the past.... our choice is affected by the institutions we encounter and the culture under which we have grown up. It is about time to realize that the national economy is not driven by an ahistorical, amoral people.”<sup>84</sup>

When this author asked several neoclassical (mathematical) economists to describe the relationship between per-capita income and its change, they all immediately began to cite sources on a different question: “whether poor countries or regions tend to grow faster than rich ones.”<sup>85</sup> Authors such as Barro or Mankiw (refining previous work by Solow) have mainly inquired whether growth rates in wealthy countries tend to “converge” at higher incomes per capita. Solow related growth to increasing output per worker (rather than just to capital, as the Harrod-Domar model had done); and this rise of labor productivity was thought to depend on technology, which should in theory be globally available.

Practically all the economists’ articles start with beautifully consistent equations premised on diminishing marginal returns to capital as more money becomes available or labor productivity rises. Empirical data are used to test assumptions more than because they are inherently suggestive. (A aphorism about this approach is, ‘Never believe

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<sup>84</sup>Yoshihara Kunio, *Asia per Capita: Why National Incomes Differ in East Asia* (London: Curzon Press, 2000), vi.

<sup>85</sup>The quotation is from Robert J. Barro, and Xavier Sala-i-Martin, “Convergence,” *Journal of Political Economy* 100:2 (1992), 223; see also Gregory Mankiw, David Romer, and David Weil, “A Contribution to the Empirics of Economic Growth,” *Quarterly Journal of Economics* (May 1992), 407–37.

the facts until they are proven by theory.’) But it is difficult to find a linear relationship between per-capita income and its rate of growth, especially among poor countries. Also, labor productivity is subject to many factors that are hard to measure. This is true even after data are tweaked by adjustments that can be made by including other standard kinds of economic numbers. So this question, about the link between GDP/cap and growth rate, has been shortchanged by mathematical economists.

Trouble arises mainly because the facts are disorderly with respect to usual assumptions. Only “conditional convergence” of decreasing growth can be shown, on a logged per-capita income axis, for relatively high GDP/cap countries. If convergence of growth rates among rich countries is the original question (as it became for these analysts mainly because they started by wanting to find correlations), it applies only to wealthy economies. Other “conditions” such as investment rates and population growth adjust the data so that they can any kind of regular line somewhat less distantly. A “technology” X-factor (including as administrative ‘techniques’ all the state and nonstate politics this book considers, as well as everything else that cannot be easily expressed in standard quantitative measures) is really an error term in these equations, although many economists deny it is random because in principle it should have knowable generators.

So this neoclassical approach is to write a “production function” in which time figures mainly as a period for gathering data. Processes of sociopolitical change have not been seriously included. Capital and labor supplies are very important in these models, as surely they are in real economies, but the causes of long-term changes in these statistics are not considered within the model’s equations, which remain inapplicable abstractions until more is known about the changes. So development economists are honest to label their most usual framework an “exogenous growth model.” It provides guidance about what is likely to happen under specific quantitative assumptions (which often cannot be made except over short time periods and uncertainly) about savings rates, depreciation, population growth, and the mysterious technology-management-politics X factor. These are exogenous to the model. The equations themselves offer no clues

about these values, why they differ between economies, or how they change.

Entrepreneurship, which Joseph Schumpeter emphasized, is totally obfuscated in the “X-factor” term. It is taken as a matter about which disciplined thinking would be difficult, because it does not adapt itself easily to quantification and to the limited kinds of mathematics that economists normally use. Mainstream neoclassical economics might be useful for rich societies, but it is historically limited. It was conceived after the European and American periods of fastest growth and Depression, and it is dubious as an adequate economics of contemporary development. It scarcely covers the long periods of unlimited supplies of labor at near-subsistence wages, which Arthur Lewis’s classical (not neoclassical) macrotheory showed to be important in economies where modern technology allows major capitalist accumulation.

When these temporary opportunities to exploit labor are included, the question changes and becomes more relevant to development: it is not about convergence of growth rates among rich economies alone, but instead about growth differences in all political economies. Many writers have observed that both the poorest and the richest nations tend, in general, to grow more slowly than countries at low-middle levels of wealth. This relation between wealth and growth is broadly curvilinear — but especially variant at low levels of wealth. An ordinary correlation cannot catch it. A more fundamental problem is that the deductive search for general laws, normal though it has become in modern orthodox social science, reflects a basic misunderstanding of the meaning of truth, which comes originally from observation and induction.<sup>86</sup> Data, if not pre-digested, reveal at least as much as proofs of “laws” at probability.

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<sup>86</sup>Richard Rorty attempts to combine insights from James and Dewey, and apparently the later writings of Wittgenstein, in Rorty and Pascual Engel, *What’s the Use of Truth?* His view is radical, but general knowledge is not the only kind. It certainly is not the only useful or meaningful kind. Max Weber and Giovanni Sartori are cited to parallel effect elsewhere in this book.

Charles Jones offers a scatter diagram that relates GDP growth rates, 1960–90, to 1960 GDP per worker for many countries.<sup>87</sup> The general shape of the curve is suggestive, despite the impressive scatter. It rises sharply, with many nations off the curve, until roughly a US\$7000 wealth level is reached (by that measure). Then for richer countries, it decreases less sharply and with less variance. China or Thailand (with India just slightly behind them) are now near or approaching a medial “soft spot” in which many countries tend to grow most quickly. Taiwan, now mainly a “first world” economy, is now clearly lower (growing less fast) and to the right (richer) on the scattergram. The Philippines is lower, but to the left since it is poorer, although the archipelago is most unlikely to stay there forever. The islands’ nonstate political constraints on growth will predictably and politically erode, as this nation approaches the medium-low-income soft spot at which many other economies have expanded most quickly.<sup>88</sup>

There is nothing automatic about movement along this very diffuse curve, however. The reasons for the overall shape are not entirely clear (although Lewis and Schumpeter suggest them). State policies and especially nonstate local policies cause many countries, especially poor ones, to grow either faster or more slowly than their current wealth per person would predict. International trade and crises also vary national rates over time. To see this, readers are urged to visit an interactive website, <http://www.gapminder.org/world>,

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<sup>87</sup>Charles I. Jones, *Introduction to Economic Growth* (New York: W.W. Norton, 2002), 60, Fig. 3.8. An interesting aspect of this diagram is that the wealth axis is not logged. It might be hard to write an equation to cover the data even approximately; the shape is much like an apex, or a tilted sharp parabola, and variance off the curve is great for poor countries especially (although some middle-rich ones are also below the curve). The dates chosen, especially the 1960 starting date, and the fact that the horizontal is a measure of wealth at that time only, sharply affects the results — for example, Japan and S. Korea are on a finial off the top of the apex, and they would be located differently if different timings to calculate product or different starting and ending dates had been selected.

<sup>88</sup>Especially if more of the remittances by Overseas Filipino Workers went into commercial and industrial investment rather than consumption, that economy could grow more quickly. See the Philippine chapters for details.

selecting countries of interest and choosing GDP-per-capita growth on the vertical axis. Whatever provable reasons or theoretical premises underlie the pattern in data about past growth, economies tend to boom most at middle levels of wealth. This should, for example, encourage Taiwanese to be more content with their recently lowered economic performance. It could also encourage Filipinos to press for realization of the advantages into which their country may come, as it enters the low-middle level of wealth at which many other countries have prospered.

No such change is apolitical. Economies can boom and then stall. Historians are well aware (just to take one example) that Uruguay or Argentina once developed quickly but then lost momentum — for reasons that available theories scarcely begin to approach. Why? Why has China boomed for so long, while Thailand boomed and recovered at a lower rate? Why has Philippine take off been late? What made India's economy soar near the turn of the millennium, rather than earlier, or in the future?<sup>89</sup> The answers to these economic questions are partly political, but many economists have an ideology in the sense that professional interests cause them to advocate ideas whose narrowness they must sense.<sup>90</sup> The economists may later return to studying economies, rather than just economics.

## ELECTIONS AS ECONOMIC FACTORS AND RESULTS

Are elections always democratic? The conditions under which voting constrains governments to serve the substantive interests of many citizens are more dependent on the power of private monied networks than many liberals admit. The traditional democratic logic seems easy: hold an election to ask voters which candidates they prefer, then put their choices in charge of government. This logic works passably,

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<sup>89</sup>This question is partially answered in Ye Min, *Embedded State: Foreigners, Diasporas, and the Economic Transitions of China and India* (Ph.D. Dissertation, Politics Department, Princeton University, 2007).

<sup>90</sup>The classic on politically useful lapses of conscience is Karl Mannheim, *Ideology and Utopia: An Introduction to the Sociology of Knowledge* (London: Routledge, 1936).

though not perfectly, in modern societies where the preferences of many voters have been normalized by their statuses or occupations. But elections become dubiously democratic, over time hindering rather than advancing most people's interests, in politics where differences between the types of local networks that socialize people's preferences are indistinct or where most such networks are patronist. Elections do not assure any social policy differences between rival leaders' communities. Voting that legitimates a system to disallow policy choice would be hard to describe as democratic without evidence that the government helps most people anyway. In some cases, elections can serve anti-democratic ends.

Contemporary political scientists tend to reduce all politics to mechanisms of interest aggregation. They write as if all mediation of preferences occurs in public institutions such as states and parastatals (mostly parties). By simplifying their concepts of people's interests to generic notions of happiness that are not specified in ways that vary among normative cultures and work situations, they cannot explain democratic deficits. Socialization of interests, not just aggregation of interests, will receive more attention before we have an adequate political science of democracy.

Butler, Penniman, and Ranney nonetheless claim that, "the critical difference between democratic and non-democratic regimes is to be found in whether or not they hold elections, and, if they do, what kind."<sup>91</sup> This is a disputable account of democracy, unless it be understood as tautological and true by definition. Philippine experiences suggest that electoral procedures alone do not guarantee government for the people. The International Foundation for Election Systems, receives USAID and other donations to encourage democratic procedures worldwide. American elected politicians do not want to consider the undemocratic role of money in politics, because they spend so much time raising campaign funds. Minority interest groups (medical, pro-Likud, anti-Castro, pro-gun) spend lavishly to maintain policies

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<sup>91</sup>David Butler, Howard Penniman, and Austin Ranney, "Introduction," in *Democracy at the Polls*, Butler, Penniman, and Ranney, eds., (Washington: American Enterprise Institute, 1981), 1.

that arguably hurt the U.S. majority's interest — but the majority mobilizes less cash.<sup>92</sup> Dwight Eisenhower warned against policy distortions because of underpublicized power in the “military-industrial complex.”<sup>93</sup> Democrats in the West tend to equate liberalism with the electoral habit, rather than with separations of legitimate power between institutions for mutual monitoring, both state and nonstate.

Democrats in East Asia stress voting too. Some on Taiwan think unification with the mainland may become acceptable when China holds free elections; they neglect the chance that direct universal-franchise PRC elections could empower a patriotic demagogue (like Hitler, winner of Germany's 1933 election), whose top priority could become an attack on Taiwan.<sup>94</sup> In Thailand, soldiers in a junta have equated elections with the modernity of the Thai state, despite their disgust with corruption after the elections Thaksin bought. Filipinos

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<sup>92</sup>See Jacob S. Hacker and Paul Pierson, *Off Center: The Republican Revolution and the Erosion of American Democracy* (New Haven: Yale University Press, 2005), as well as many documented treatments of the other issues mentioned.

<sup>93</sup>This term was famously used by President/General Eisenhower in his 1961 “Farewell Address to the Nation.” Extensive evidence shows that more recent Republican and Democratic administrations have continued to be part of the “military-industrial complex” that has monetary reasons to be both unrepresentative and undemocratic. Contemporary Leninists develop similar “complexes” in their countries too.

<sup>94</sup>Chinese democrats, including many in Hong Kong who are frustrated with their local constitution, do not see the anti-liberal potential of direct PRC elections. Their rich “special administrative region” has separate powers (at least in the judiciary and press) so that HK elections would pose no such danger — unless they were taken by mainlanders as a sign that China as a whole could use the same procedure before the local Party branch monopoly of all appointments in each jurisdiction were curtailed. For more, see Lynn T. White III, “America at the Taiwan Strait: Five Scenarios,” *Asian Perspective*, 31:4 (2007). Also see reports on the advocacy of more direct PRC elections by senior PLA officers who also would like to maintain the current structure, through which the Army could start a war with civilian support only from one person (e.g., Hu Jintao, who has no military background): “influential thinker Lieutenant General Liu Yazhou... has publicly called for political reform in China, a move that would be dangerous for most senior Chinese officials” but might make the military more influential in foreign policy. David Lague, “One of Beijing's Mysteries: Who is Really in Charge?” *International Herald Tribune*, June 23–24, 2007, 4.

turn out in high portions to vote for leaders who do little for them, making a fiesta more surely than a government.

The presumed modern function of voting is to legitimate leaders for temporary fixed periods. As Weber suggested, normative legitimacy and situational force is the combination that creates power. But liberal political scientists have often defined power in a different way: it is evidenced when a follower is influenced by a leader to do something that the follower would not otherwise do.<sup>95</sup> This view of power is unrealistic, because it is just individualist. Weber more carefully defined “power” in a way that takes account both of its collective and individual aspects. He said power is “the chance of a man or of a number of men to realize their own will in a communal action even against the resistance of others who are participating in the action.”<sup>96</sup>

This may be applied to the factor of power, i.e., legitimacy, that elections are supposed to convey. People vote not just as individuals but in terms of networks that are meaningful to them. Many kinds of connections can affect people’s incentives to vote (or not to vote). Relatively well-educated networks in rich polities tend to be structured in a politically horizontal fashion, with basic equality between many local decision makers. Networks in less developed countries and less well-educated networks tend to be more communalist, with hierarchical structures.

Vote-buying in democracies takes many forms, some of which are direct, especially in low per-capita income countries. Others involve advertising to support ideologies that dissuade voters from casting ballots that would benefit themselves. Ballots can be bought in traditional societies not usually because electors who would have cast their votes otherwise can effectively be punished, nor because they consider the trade to be an ordinary economic exchange, but because the acceptance of money inspires a moral need to reciprocate.<sup>97</sup>

<sup>95</sup>Robert A. Dahl, *Modern Political Analysis* (Englewood Cliffs: Prentice-Hall, 1963).

<sup>96</sup>See *From Max Weber: Essays in Sociology*, H.H. Gerth and C. Wright Mills, eds. (New York: Oxford University Press, 1958), 180.

<sup>97</sup>For more, see Daniel Arghiros, *Democracy, Development, and Decentralisation*, 262–63.

Warm gifts are not like cold cash. Traditional help in politics implies a long-term link, not limited to a single commodity transaction. But modern vote-buying becomes a cash nexus bargain; after money is transferred and a ballot is cast, neither side has an obvious continuing obligation. The voting booth, a technology that allows secret balloting, separates elections from social relationships. The secret ballot (like ‘blind’ justice and other hopes of modern politics) seems unnatural to many traditionalists — whose leaders in various countries have been able to organize resistance to ballot reform.<sup>98</sup>

Elections or appointments provide the possibility of increasing local prestige through “becoming a mandarin” (*zuoguan* in either Taiwan or China). When a Filipino construction engineer was asked why he wanted to go into politics, he answered, “Because I cannot buy the title of Honorable (*Kagalanggalang*) in a supermarket.”<sup>99</sup> He could and did buy it in an election. Nonstate institutions, including feasts, commercial clubs, temples, churches, lineage coalitions, and other customary associations provide vehicles for expressions of political hierarchy and fellowship. Tertiary-educated intellectuals, in either China or the West, tend to assume that the main interests of local leaders of a democracy must be the same as their own, i.e., to shape or join the state. But few local politicians in Asia or elsewhere are ardent devotees of public policy. They mainly care how many people like them.

Village elections in China increase both “clan trust and clan suspicions; they temporarily moderate conflict within clans and intensify conflict between clans.”<sup>100</sup> Village voters tend to cast ballots for

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<sup>98</sup>Alain Garrigou draws on Foucault to make this point, according to Frederic Charles Schaffer, “Disciplinary Reactions: Alienation and the Reform of Vote Buying in the Philippines,” paper for the American Political Science Association Annual Meeting, 2002, 2–3. Schaffer also provides examples from South Africa of resistance to ID cards as proof of eligibility to vote.

<sup>99</sup>Kimura Masataka, *Elections and Politics, Philippine Style: A Case in Lipa* (Manila: De La Salle University Press, 1997), 91.

<sup>100</sup>Melanie Manion, “Democracy, Community, Trust: The Impact of Elections in Rural China,” *Comparative Political Studies* 39:3 (April 2006), 306, quoting Chinese sociologist Xiao Tangbiao.

candidates in their lineages. Among Filipino election winners, there is much local fluidity, and this randomness often appears in contests between leaders of segments in local two-faction patterns. Similar dualism has been found on Taiwan.<sup>101</sup>

Hinge leaders at various sizes of collectivity hold their networks together. These canvassers are the mechanics of local politics. In early modern systems, they have various names, and as a type they are more important for most citizens than are national leaders with more famous titles. Local Filipino *barangay* chiefs or *lidens* are substantially identical to Thai *huakhanaen* canvassers, as well as to Taiwanese *tiau-a-ka* who similarly organize local voting blocs. In China, which still lacks elections to offices that allocate any substantial resources, mobilization roles are nonetheless often performed by township heads, *xiangzhang*, or by economic entrepreneurs, *qiyezhe*, who have now replaced Maoist “responsible cadres” (*youzeren ganbu*) as crucial hinge leaders in the Chinese system. Pierre Landry shows the means by which that polity coheres together despite its pluralization. Each local leader, at any administrative level, can be promoted only by approval of a level high enough to assert authority yet low enough to monitor the loyalty of the relevant personnel. This is a scalar approach to governance in a huge nested system.<sup>102</sup> Recurring references, in each of these polities, to the local importance of hinge leaders show that any of these states would without them have no hope of linkage with most of the people.

## BOOMS AND GREED IN LOCAL POLITICS

“Civil” society in patronist contexts, such as are still frequent especially in rural parts of the three poorer countries under study, is often violently uncivil. Patrons have many sanctions against clients who displease them. They can deny loans that farmers or others need. They

<sup>101</sup>Joseph Bosco, “Taiwan Factions: *Guanxi*, Patronage, and the State in Local Politics,” in *The Other Taiwan: 1945 to the Present*, Murray Rubinstein, ed. (Armonk: Sharpe, 1994), 114–44.

<sup>102</sup>Pierre-François Landry, *Decentralized Authoritarianism in China: The Communist Party’s Control of Local Elites in the Post-Mao Era* (New York: Cambridge University Press, 2008).

can offer loans only at exorbitant rates of interest — with documents that do not distinguish principal from interest repayments, so that evidence of illegality is hard to show. Landlords often can deny water or tractors, or can make sure that agricultural inputs are sold to unruly retainers at special high prices. They can often forbid the use of estate roads, vegetable plots, or places to gather bamboo or firewood. A local boss may also try to harm physically the family members of a farmer he dislikes, perhaps using connections with institutions such as clinics, brokers, government offices, secret societies, the national army, or hired goons. A landlord can also, according to Fegan,

arrange in his capacity as a politician or through allies for the harassment of a tenant... harass, burn haystacks, run off or release or impound livestock, chop down trees, destroy fences, lavatories, and animal pens, run a tractor through crops, put a road through fields, etc.... take out fake mortgages so that the tenant has no clear landowner to deal with.... owners [use] the law itself as a weapon.... The purpose of most of this intimidation is to persuade the tenant to go to the owner and personally beg [*bumingi* is the Tagalog word] a negotiated lease rent, rather than the legally calculated one. The landowner is then in the powerful favorable bargaining position of one who is granting a favor.<sup>103</sup>

When small cities and towns grow, they link modern technologies and markets with subsistence wage labor in places that previously lacked factories or large stores. This all happens in democracies and non-democracies.<sup>104</sup> When elections are held and bought, business people naturally expect value for money. Risk-taking in enterprises matches risk-taking in politics. Elections are often excellent investments or purchases of operating capital, but bribes can be offered even in countries where no important officials are broadly elected.

Booms provide the money for this. A political scientist of Thailand writes that, “the benefits of democratic decentralization at the

<sup>103</sup>Fegan, “Accumulation on the Basis of an Unprofitable Crop,” 118–19.

<sup>104</sup>Examples in a non-democratic context are provided by Fei Xiaotong, *Fei Xiaotong lun xiao chengzhen jianshe* (Fei Xiaotong on the Construction of Small Cities and Towns) (Beijing: Qunyan Chuban She, 2000).

community and provincial levels tend to be captured by local capitalists.”<sup>105</sup> The theorist Pierre Bourdieu explores ways to convert different forms of social capital (wealth, power, and prestige) into each other. These resources may be financial (money), physical (e.g., equipment or land), human (training that increases productivity), cultural (training in valued styles), or social (trust from others that comes from being part of a network). Within any culture and context, individuals make these conversions as profitably as they can, increasing the stores of capital to help them take the actions that most interest them.<sup>106</sup> Since businesses typically have money, they spend financial capital for other kinds that usually help them, in later transactions acquire yet more money. Politics depends on social capital and trust. These assets are also affected in practice by resources that causes others to comply out of fear, which can be called coercive capital. With time lags and conversion costs, money can buy political reputation.

A boom of wealth sometimes creates a positive interest in elections among middle-high income people, especially if authoritarians whom they previously supported fail to maintain their status. Purchasable elections are very good news for the rich. Liberal separations of power do not guarantee government in the public interest if judges, reporters, and other state and nonstate actors may also be up for sale. The most democratic solution in boom times is to have multiple restraints, especially on businesses as nonstate power networks. Unsurprisingly, they resist such controls. As a group of writers has argued, “democracy requires governments that are not only accountable to their citizens but also subject to restraint and oversight by other public agencies. In addition to being restrained from below, the state must subject itself to multiple forms of *self*-restraint.”<sup>107</sup>

Constructing politics to benefit majorities on a long-term basis requires simultaneous solutions to many problems. Some issues arise

<sup>105</sup>Daniel Argheos, *Democracy, Development, and Decentralisation*, 5 and 7.

<sup>106</sup>Pierre Bourdieu, *The Logic of Practice* (Cambridge: Cambridge University Press, 1992).

<sup>107</sup>*The Self-Restraining State: Power and Accountability in New Democracies*, Andreas Schedler, Larry Diamond, and Marc F. Plattner, eds. (Boulder: Lynne Rienner, 1999), introduction by the editors, 1.

because people easily make mistakes about ways to realize their own happiness. It is presumptuous of any theorist to be overconfident in telling citizens what to do. Majority rule, legitimated by elections, can be a crucial and useful constraint on modern leaders. But elections are most effective when the legitimacy they confer is moderated by other constraints that are functional (judicial independence, academic freedom, and especially safety for journalists). By those means, well-informed specialist leaders as well as popular leaders are put in charge.

Political scientists generally argue that elections strengthen legitimate order only if they are introduced *after* conflict has already been normalized among different elites. Mass participation is deemed safe for liberalism only if it is preceded by legitimate elite contest. The relationship is not just one of time sequence, however. Elections are constraints on government that can interact most effectively with other constraints, which are based in non-resolvable but potentially peaceable social interests in nonstate power networks. Checks on abuse of power are outside the state, not just in it. The reason why democrats, including this author, like elections is not just that competition for votes makes exciting struggles to watch from a distance that is usually safe. More important, elections can eventually remove bad governors, unless the tyrants can use elections to legitimate repression without being checked by other socially recognized institutions first. If elections are compared with other reins on abuses of power, such as judiciaries or opposition legislators or reporters who can publicize government corruptions, mass voting is a relatively slow constraint. Even if elections are instituted after other constitutional separations of power, they seldom fix systemic problems quickly.

Good government has the consent of the governed, but majority support is not the only basis for popular rule. Economic wealth, especially in boom times, gives rich minorities funds to promote public laws that protect private exploitation. Booms often finance ideologies that keep the majority of voters from imagining their own democratic effectiveness. The separation-of-powers emphasis in Madison's *Federalist 51* can be combined with much that the past century has taught

about nonstate economic power and violent patriotic demagoguery. Both electoral and functional legitimacies, at many sizes of political network, are the modern formula for justice. The four places studied in this book are, in their own time, slowly developing such legitimacies.

## METHODS

Concern for methodology, which has overshadowed attention to substance in many contemporary social sciences, has led to somewhat less inaccurate treatments of Western places than of Asian locales. But 61 percent of this world's people live in Asia. China and India alone approach half of us all. For too long, studies of Asian places (though not of the U.S.) have been deemed mere "country studies." But Taiwan-watching, China-watching, Thailand-watching, or Philippines-watching is a theoretical enterprise. Current theories, especially the most systematic ones in economics, have patently failed to predict what has happened in these countries. The problem is not just that mainstream social science has been too deductive and insufficiently inductive. Instead, the problem is that the inductions have come from too few places. Until social scientists realize that various kinds of Asians differ in crucial ways from different kinds of Westerners and from each other even when the Asians wear suits and neckties, truly comparative politics will not yet exist.

On the first page of *The Social Origins of Dictatorship and Democracy*, Barrington Moore says that the germ of his interest was his belief that "adequate theoretical comprehension of political systems had to come to terms with Asian institutions and history."<sup>108</sup> Yet *theoretical* movement toward understanding Asia has been at least snail-like, perhaps even regressive, in the decades since he wrote, because the methods required to dig up new empirical data that can challenge faulty old theories have become unfaddish in political

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<sup>108</sup>Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon, 1966), xi.

science. It is unfashionable to define methods professionally in terms of eras or geography, at least foreign geography.<sup>109</sup>

That is now the most common mistake in thinking about methods. If the only boon of this book were that it treats Asia, this could be noted as a contribution, because mainstream views of social science especially in the United States have tended to militate against thinking seriously about other places, especially countries that have unfamiliar customs and languages. An important and rightly famous book about *Capitalist Development And Democracy* scarcely mentions East Asia (using just one-third of a page, among 300 pages, to say that in the early 1990s the working class in S. Korea seemed stronger than that in Taiwan).<sup>110</sup> Asian languages have scared away too many comparativists, to the serious detriment of comparative theories. Latin American or African countries, whose politics are documented in European languages, have received more theoretical attention. The upside of this professional lacuna is that many questions about political development remain open. Comparisons of China and Southeast Asia could in the future yield rich fruits.

Southeast Asianists (Benedict Anderson, Clifford Geertz, James Scott, William Skinner, and others) have been able to make major

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<sup>109</sup>This author once asked Ben Bernanke, then Chair of Economics at Princeton, why his large department contained no active professor who knew the languages of either the fastest-growing or the second-largest economies on the planet at that time (i.e., Chinese or Japanese). The explanation was, “We teach the general principles of economics.” Bernanke was a faithful representative; it is unlikely that any voting member of his department would have disagreed. Such responses would come also from most Americanists and many others in political science, and also from most other social scientists (even some anthropologists, although their epistemological faith contrasts with that of the economists). Asia is particularly shortchanged by these professional ideologies, in part because some of its languages are hard to learn and students are supposed to concentrate on learning other methods. A related fad concerns time rather than space: the notion that the insignificance of historical eras can be shown by applying contemporary methods of “narrative” analysis to any time. The implication (which an intellectual historian can easily disprove) is that these methods are timeless.

<sup>110</sup>A seminal book on the role of workers in democratization (whose ideas have aided this author’s thinking) is Dietrich Rueschemeyer, *et al.*, *Capitalist Development and Democracy*, n.b. the top of page 294. Barbados, however, receives much attention.

theoretical contributions to social science, even though the number of scholars studying this region is relatively small. Southeast Asia is not more homogeneous than any other part of the world, but too few researchers who write about other continents have paid attention to the states and markets there. Many or all who have done so betray their obvious attraction to the particularities of the Southeast Asian places they study.<sup>111</sup>

We need to get over the notion that all interesting knowledge is general knowledge. Often the most interesting knowledge is local, and general knowledge (even if true) is of dubious use, hard to prove, or both. The usual passion in contemporary social science is to search for correlations that can be described as linear and that apply everywhere. Yet “off the line” cases are just as important for understanding (either practical or theoretical, although there is in principle no difference between these types). The Philippines, for example, are included in this book because they illustrate what Lijphart calls a “deviant” case “to uncover relevant additional variables that were not considered previously, or to refine the (operational) definitions of some or all of the variables. In this way, deviant case studies can have great theoretical value.”<sup>112</sup> Actually, no place need be called deviant, albeit some are unusual. A country is not inherently a case. A place becomes a case only to the extent that a question asked about it imposes that restrictive frame.

This book’s method is to compare the political origins of growth and the results of quick growth on local politics in four places. If other researchers find similarities or differences between the processes in these places at these times, on one hand, and contexts further afield (for example in Latin America or Africa), that will be interesting, but also they may attempt more generalization than is needed. Max Weber wrote that,

The most general laws, because they are most devoid of content, are also the least valuable. The more comprehensive the validity — or scope — of

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<sup>111</sup>See various views in *Southeast Asia in Political Science: Theory, Region, and Qualitative Analysis*, Erik Martínez Kuhonta, Dan Slater, and Tuong Vu, eds. (Stanford: Stanford University Press, 2008).

<sup>112</sup>Arend Lijphart, “Comparative Politics and the Comparative Method,” *American Political Science Review* 65:3 (September 1971), 692.

a term, the more it leads away from the richness of reality, since in order to include the common elements of the largest number of phenomena, it must necessarily be as abstract as possible and hence devoid of content.<sup>113</sup>

Weber allowed studies of socialization, but the individualist economist Friedrich Hayek made a similar point in his Nobel acceptance speech: “I confess I prefer true but imperfect knowledge, even if it leaves much indetermined and unpredictable, to a pretence of exact knowledge that is likely to be false.”<sup>114</sup> Composing a mosaic about Taiwan, East China, Thailand, and the Philippines, centered on the ways politics affects and is affected by booms, provides a basis for conjectures (but not proofs) in more general political science.

The main such suggestions here are that industrial-commercial booms create new local power networks outside formal political institutions such as governments and parties, and that neither the origins nor the results of economic performance can be understood without looking at the political power of those local networks. This kind of statement can be read only as a generalization from the evidence presented here. If other scholars wish to treat such evidence as “cases” rather than places, suggesting “laws” useful for understanding other places, that is of interest only insofar as they can make similar inductions from new evidence — which may turn out to be different.

A standard question in contemporary social science is about “case selection.” Why does this book consider the four places it does, rather than others? A preliminary response might be that all four places grow rice; some arguments here pay attention to the agrarian origins of industrialization as a political process. But a more important answer is: this book is not about cases. It attributes economic booms

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<sup>113</sup>Quoted by the editors in *Alexis de Tocqueville on Democracy, Revolution, and Society*, John Stone and Stephen Mennell, eds. (Chicago: University of Chicago Press, 1980), 27.

<sup>114</sup>Friedrich August von Hayek, “The Pretence of Knowledge,” at [http://nobel-prize.org/nobel\\_prizes/economics/](http://nobel-prize.org/nobel_prizes/economics/).

(and the Philippines' non-boom) to local political leaderships especially in SMEs, and it finds similar patterns in the political effects of money. It makes no claim that such patterns prevail everywhere. In the Far East, for example, the causes of booms in Japan and South Korea were somewhat different than those in Taiwan, East China, and Thailand — and evidence from these four is also somewhat multi-form. If other “laws” govern other places, that does not gainsay what has happened in these four, which are important enough to compare and contrast as regards their own traits.

“Comparative analysis is no substitute for detailed investigation of specific cases,” as Barrington Moore wrote.<sup>115</sup> Exceptional cases are as interesting as normal ones.<sup>116</sup> The design of this book may be deemed inadequate by some analysts who know that four cases would be insufficient to prove any generalization about causal links between economic booms and changes of local politics, or vice-versa. Complaints may also be raised about selection bias. But they would be based on a misunderstanding of the purpose of this project, which is to compare evidence of elective affinities rather than causations in a variety of countries. The aim here is to explore linkages between growth and changes of structures in four East Asian locations, not to prove a general law that the relationships seen there might obtain worldwide. A larger number of cases would have diluted the investigation of the specific mechanisms in these four. Nauru, Russia, and Switzerland could have been added. This

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<sup>115</sup>Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy*, xiv.

<sup>116</sup>Compare Evan S. Lieberman, “Nested Analysis as a Mixed-Method Strategy for Comparative Research,” *American Political Science Review* 99:3 (August 2005), 435–52. But Lieberman is also exceptionally interested in “off the line” cases (e.g., in Africa, where Uganda or South Africa have had better or worse records controlling HIV/AIDS than comparisons would have predicted, involving factors that led to such control in larger numbers of nations), because the study of unusual cases is particularly useful. See references in notes above and below to various kinds of pragmatists (James, Dewey, Rorty) and their good ideas about truth as used. They see truth as meaningless separate from its discovery in action.

would have increased the statistical  $N$ . It would not have improved the meaning.<sup>117</sup>

This book treats its four places not as four data points but as platforms where complex processes involving comparable aspects occur over time. So the  $N$ , if needed, is actually much larger than four. That apology would be true but would also miss the more important fact that these are not four cases of any general principle. Studying one of them, or a single aspect of one of them, would be legitimate. They are interesting for themselves, irrespective of any generalities they may or may not exemplify. Even “laws” have jurisdictions and limits of applicability. Correlations do not establish causation anyway. Only process tracing can begin to get at causal mechanisms. A political scientist of Thailand, attending a conference long ago at which his paper about the kingdom was presented alongside others about other Southeast Asian nations, became frustrated by his colleagues’ comments. In an offhand moment he blurted out, “What’s wrong with this damn country? You can’t compare it to anything!”

That kind of objection is always partly true — and is no ultimate objection to studying or comparing places. The good tradition of trying to “see things together” has been honored by social scientists in attempts to model candidate laws of behavior. Most humanists have honored it in a different way, when they try to look at things widely in order to reach understandings that can lead to practical judgement or

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<sup>117</sup>Overwrought fears about selection bias have caused statistical authors to frame research that compares arguable incomparables, whenever the latter seem to produce enough tentatively reliable numbers that can be crunched. But see *Rethinking Social Inquiry: Diverse Tools, Shared Standards*, Henry E. Brady and David Collier, eds. (Lanham: Rowman and Littlefield, 2004), e.g., chap. 12 by Collier, Brady, and Jason Seawright about “Critiques, Responses, and Trade-Offs: Drawing Together the Debate.” These barely begin to free studies of politics from the false premise that all truth is general. Some researchers in fact lump the Nauruan, Russian, and Swiss polities together with others. Correlations are often deemed the golden key to social truth. That is a possible path, providing some views; but it is not the road taken here.

overall wisdom about the situations they study.<sup>118</sup> The aim here is not final truth but better understanding. Because that is the goal, there should be no need to apologize for circumspect or eclectic method. The only need is to restate the value of looking around, because many professionals have developed interests in arguments against it.

An overemphasis on deductive approaches to the understanding of political change has fostered analytic clarity, but it has reduced the reach of understanding that the opposite logical procedure (synthesis) can achieve. Too much stress on deduction and insufficient use of induction has prevented political science from treating many relations of actual politics. Searching among facts even before they have been “proven by theories” is a legitimate way to think. Hobbes’s love of the clear definitions and proofs of geometry has inspired many of his followers to see only some aspects of government as people really practice it. Economists are so overdependent on deduction, some have the humor to admit that narrowness — and others have the pride to call it professional.<sup>119</sup>

Students of politics should become more willing to try the usefulness of categories that do not start in concepts that they understand clearly because they have constructed them in their own heads but, instead, start in minimally structured observations of political behavior. The flaws of the orthodox analytic approach are especially obvious in studies of quasi-democratic polities. Perhaps it is natural that American analysts in particular, who may want to identify as democrats and liberals, have let their hopes affect their ideas prematurely. Too few of their researches find common faults in liberal systems.

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<sup>118</sup>See Louis O. Mink, “The Autonomy of Historical Understanding,” *History and Theory* 5 (1965), 24–47.

<sup>119</sup>See Albert Hirschman, “The Search for Paradigms as a Hindrance to Understanding,” in *A Bias for Hope*, Hirschman, ed. (New Haven: Yale University Press, 1971), 342–60, and Paul Krugman, “The Rise and Fall of Development Economics,” from *Rethinking the Development Experience: Essays Provoked by the Work of Albert O. Hirschman*, Lloyd Rodwin and Donald A. Schön, eds. (Washington: Brookings Institution, 1994), 39–58.

Less constrained logics and rhetorics of presentation are required to bring these to light — but doing would better serve serious democratic norms. The solely-analytic-never-synthetic bias hides useful science, *scientia*, in the sense of useful knowledge. It would be wise for most liberals at this point to fasten their seat belts. Not all of this ride through Taiwan, East China, Thailand, and the Philippines will be bumpy, but democrats can expect potholes.