

The New Rich in Asia

Mobile phones, McDonald's and
middle-class revolution

Edited by

**Richard Robison and
David S. G. Goodman**

The New Rich in Asia Series

The New Rich in Asia

In recent years dramatic changes in Asia's social and economic systems have seen the burgeoning of a substantial middle class. This has captured the imagination of the West, in large part because the new middle class represents massive new markets for Western-style products. But what are the other implications of the emergence of Asia's 'new rich'? Will they bring with them the institutions of liberalism, democracy, rule of law and new institutional freedoms? Or are Asia's new rich quite different?

The New Rich in Asia: Mobile phones, McDonald's and middle-class revolution introduces a new series examining the social, political and economic construction of the new rich in East and Southeast Asia. It raises central issues about the nature of the new rich, including their social, economic and political impact on the region.

The contributors are acknowledged experts on the social and political systems they dissect. Each study, based on detailed research, combines theoretical and empirical material. This volume provides a valuable insight into the composition and global economic impact of these newly emerging classes and highlights a common inheritance of rapid economic growth.

Richard Robison is Director of the Asia Research Centre at Murdoch University. **David S. G. Goodman** is Director of the Institute of International Studies, University of Technology, Sydney.

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Preface

The Asia Research Centre on Social, Political and Economic Change was established at Murdoch University, Western Australia, as a special research centre by the Australian Research Council in 1991. Its major focus is the analysis of the newly emerging classes of East and Southeast Asia – the new rich – and not only their impact on their own societies and the region, but also the consequences for Australia. These perspectives have resulted in three kinds of research: studies of social and political change in the countries and societies of East and Southeast Asia; examination of relationships between Australia on the one hand, and East and Southeast Asia on the other; and the discussion of more theoretical and comparative questions about the processes of social change.

The New Rich in Asia is a series of six volumes presenting the comparative work undertaken and organised by the Asia Research Centre into the processes of social, political and economic change currently under way in East and Southeast Asia. Its focus is ‘the new rich’ not because of a belief in the absolute wealth of the region – although some undoubtedly have a cargo-cult mentality towards these economically developing societies – but because of the concern with those classes and social forces newly enriched in the processes of modernisation in this part of the world. Nor for that matter are the new rich necessarily the same as ‘the middle class’ or ‘classes’, although they are often interpreted in that way. The extent of that identification is precisely one of the key questions at the heart of this endeavour.

This volume is the first of a planned six-volume analysis of *The New Rich in Asia*. Its chapters seek to identify the new rich of East and Southeast Asia historically, politically, economically and socially, but do not proceed from the assumption that the new rich are liberal middle classes, or that wealth results in liberal democracy. Instead, they are concerned first to identify the different component elements of the new rich and to assess the

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consequences of their emergence in a variety of areas: politics, ideology and culture, the organisation of social power, gender and the household, the relationship between state and economy, and, not least, perspectives of region, nation and world.

The series editors would like to acknowledge the support provided by Murdoch University and the Australian Research Council to this project, as well as to all their colleagues who have participated willingly and with enthusiasm.

Richard Robison
David S. G. Goodman

1 The new rich in Asia

Economic development, social status and political consciousness

Richard Robison and David S. G. Goodman

In recent years the imagination of the West, and indeed, of the East as well, has been captured by the dramatic emergence in East and Southeast Asia of a new middle class and a new bourgeoisie. On the television screens and in the press of Western countries, the images formerly associated with affluence, power and privilege in Asia – the generals, the princes and the party apparatchiks – however outmoded in reality, are being increasingly replaced by more recognisable symbols of modernity. Western viewers are now familiar with images of frustrated commuters in Bangkok and Hong Kong traffic jams, Chinese and Indonesian capitalist entrepreneurs signing deals with Western companies; white-coated Malaysian or Taiwanese computer programmers and other technical experts at work in electronics plants; and, above all, crowds of Asian consumers at McDonalds or with the ubiquitous mobile phone in hand.

It is as consumers that the new rich of Asia have attracted an interest of almost cargo-cult proportions in the West. They constitute the new markets for Western products: processed foods, computer software, educational services and films and television soaps. They are the new tourists, bringing foreign exchange in hard times. What has helped such an enthusiastic embrace of the Asian new rich is that they are emerging at a time when prolonged recession and low growth rates have depressed home markets in the West.

However, there are more subtle reasons that the new rich of Asia are looked at with such hope and expectation in the West. They are increasingly regarded as the economic dynamisers of the twenty-first century at a time when the old industrial economies of the West appear to be in decline. In this view it is they who can revitalise the world economy: they are the joint venture partners, the investors, the financiers, the fixers and facilitators whom Western companies increasingly need. They are also models of hard work and sacrifice juxtaposed by Western conservatives and the world of business to what they see as a process of decline in their own countries. For

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these observers they are the antidote to the march of the welfare state, the indolence of modern youth, the disintegration of society and its values, the rising costs of labour and the power of unions and special interest groups. In other words, they constitute a new mythology for some sections of society in the West, recapturing the capitalist frontier and its lost values.

But the new rich of Asia mean all things to all people. For Western liberals, there is an expectation that the rise of the 'new rich' in Asia will be, in cultural terms, a process of convergence. The burgeoning middle classes and entrepreneurs are seen as embodying universal interests which will create an Asia more like the liberal stereotypes: more rational, individualistic, democratic, secular and concerned with human rights, the environment and rule of law. There is certainly a range of evidence that something of the kind is happening. Middle classes and sections of business have played an important, some would say decisive, role in the political transformations that have recently taken place in South Korea, Taiwan and Thailand.¹ Middle-class students were seen to be at the heart of the Tiananmen Square protests in 1989. In cultural life too there is an increasing vigour. Chinese film-makers are producing films that compete with the world's best at international festivals. Elements of the region's press and media exhibit a vitality and incisiveness that is far from the stereotype of submission and avoidance of conflict.

In other words, for those who look for it there is plenty of evidence that the rise of the new rich in Asia is involving important challenges to the world of hierarchy and elitism. Traditional notions of honour, dignity and status and presumptions of virtue and self-righteousness are being confronted with a culture of law, merit, the rights of citizenship and private property.

However, there are also puzzling contradictions. In several instances, where elements of the middle class and the bourgeoisie have played a central role in the overthrow of dictators – in Indonesia in 1966, Thailand in 1973 and the Philippines in 1986 – they have been unable to construct democratic regimes in the place of authoritarianism and have been overtaken by military dictatorships or forms of oligarchic authoritarianism. There is, therefore, some question about the capacity of Asia's new rich to carry out a genuine democratic revolution and, indeed, the depth of its commitment to such reforms. That is why all eyes are now on Korea, Taiwan and Thailand and the process of succession in Indonesia.

At the same time the rise of industrial capitalism has hardly been accompanied by the encouragement of free markets. Protectionism, tariffs, dumping, corruption and cartels have been central elements in this process and quite contrary to the liberal mythology of free competition within strictly defined common laws.

Nor, it seems, can the new entrepreneurial classes of Asia be entirely regarded as the bearers of a bourgeois culture of rationality and secularism. One impact of the rise of the new rich in China, Taiwan and parts of Southeast Asia has been the rapid increase in the demand for such products as tiger penis and rhinoceros horn. Wealth, in these instances, has simply enabled peasant dreams to be fulfilled and brought the endangered species of the world closer to extinction. In Japan, the spectacle of well-dressed businessmen, on their way home in the underground, reading, not the financial press or even the sporting press, but pornographic comics, appears incongruous to Western observers.

What the West sees, therefore, is a set of mixed signals. The new rich in Asia appear as likely to embrace authoritarian rule, xenophobic nationalism, religious fundamentalism and *dirigisme* as to support democracy, internationalism, secularism and free markets.

Some Asian leaders, notably Singapore's Lee Kuan Yew and Malaysia's Mahathir, seek to explain the apparent contradictions of modernisation by claiming that Asian societies are travelling a different path. In their view there is no universal secular culture inherent in the new rich of industrial capitalist societies. Instead, national cultures are seen to transcend the processes of social and economic change. Secularism and liberalism are not, in their view, the cultures of industrial societies but the cultures of the West. They have mounted public campaigns exhorting their citizens to resist the decadence of Western culture, to look to the Confucian heritage or simply to 'look East'.

However, the apparent contradictions of contemporary Asian modernisation might also be explained by a fatal flaw in the mythology through which, at least, liberals in the West approach the question of convergence. This mythology applies not least to its own history: it is, after all, difficult to reconcile the rise of the great robber barons of US and British capitalism in the nineteenth and early twentieth centuries with notions of rational secularism, rule of law or a concern for human rights. Indeed, it is extremely difficult to understand the US and Australian corporate carpet-baggers of the 1980s in the context of that liberal mythology.

A key feature of the arguments presented here about the new rich, and one that helps explain many of these contradictions of modernisation, is that they are far from homogeneous in any respect. The middle classes and bourgeoisie may be lumped together in one monolithic category as the bearers of 'modernity' by contemporary Western observers of Asia and by many scholars, but they are in fact a diverse and fractured social force. It has been a concern for social philosophers from Mill and de Tocqueville to Schumpeter and Veblen that those same elements that carry the dynamism

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and creativity of bourgeois society, its entrepreneurial capitalists, at the same time embody its unself-reflective and potentially destructive nature. This is in contrast to the middle classes or the professional and managerial bourgeoisie whom the same philosophers regarded as both the civilising influence upon unrestrained capitalism and the element that blunts its dynamism by imposing regulation and control.²

A first task for the contributors to this volume is therefore to disaggregate and unravel the new rich. The fact may well be that there is not one convergence but several. What offends and surprises Western liberal observers is what delights Western conservatives. Capitalist society has several cultures. Pressures for the ascendancy of the unrestrained interest of the individual over society manifest in *laissez-faire* forms of capitalism contend with other models aimed at achieving the common interests of all capital through rule of law. Different elements of the new rich in the one society may favour different forms of social and economic organisation: oligarchy, corporatist authoritarianism, or liberal democracy.

The precise configuration of social power and ideological predisposition in capitalist societies and the nature of political and economic regimes depends upon the specific historical circumstances in which they were formed. Just as there were many variations and models in the European processes of transition to capitalism, so there are in Asia.

If it is possible to identify a common theme in the Asian transition it is that the state has generally played a central role. The new rich in Asia, particularly East Asia, emerge, not from societies where the tradition of the urban burgher and merchant and trade guilds were strong, even in earlier, more traditional eras of rule, but from agrarian pre-capitalist and colonial bureaucracies and sometimes from communist party rule. Civil society has been traditionally weak. The state may be compared more with the absolutism of Germany and France that produced the Bonapartist and Bismarckian paths to industrial capitalism than with the liberal transition of England.

In the first European transitions the development of capitalist society was predicated upon a rolling back of feudal absolutism, to secure the rights of property, citizenship and the individual against the state.³ In Asia, as was the case in Germany and Eastern Europe, it has tended to be the state that has acted as the midwife of capitalism. It has not been in the freedom of *laissez-faire* but in the incubator of *dirigiste* regimes that the *chaebols* and *zaibatsu* and their equivalents have flourished. Where *laissez-faire* capitalism is now emerging after a period of *dirigisme*, it is the state that has provided the political conditions for this to take place.

The timings of the transition are also critical. Whereas in Britain the pace of industrialisation was relatively slow and proceeded incrementally

upon the basis of technologies that could be produced in small workshops, the rate of change in Asia today compresses what took centuries in Britain into mere decades. The era of an industrialisation based upon low-wage labour lasted only fifty years in Korea and Taiwan. Industrialisation in the late twentieth century requires large capital investments, high technologies, international joint ventures, and access to international financial networks and markets.

The analysis of the impact and significance of the new rich in Asia thus extends well beyond the boundaries of any single country to address some very large comparative and historical questions. These questions examine not only how we live in industrial societies at the end of the twentieth century, but also how we conceptualise those processes and that existence. The most important is probably the extent to which there is a universal process of modernisation and a role for the new rich which it engenders. Concepts such as the middle class, the bourgeoisie and capitalism certainly seem to embody universal factors, and have real meaning, if only and not inconsiderably as motivational ideas. At the same time each example of the process of modernisation has certain unique characteristics derived from historically specific conjunctures.

THE NEW RICH

The term 'new rich' is a starting point for examination, and by no means a precise analytical tool. It is used as a broad brushstroke to encompass those new wealthy social groups that have emerged from industrial change in Asia, particularly during the past two decades. The common basis of their social power and position is increasingly capital, credentials and expertise rather than rent or position in the state apparatus or a feudal hierarchy, although state power and capital ownership are often not as clearly differentiated as they are assumed to be in the cases of Europe and North America.

As with all broad brushstrokes, a term like 'the new rich' includes within it elements that are quite different. A most important distinction is that between the bourgeoisie and the professional middle classes, between owners of capital and the possessors of managerial and technical skills.

Other distinctions are also critical. There is a vast difference in interest between the family directors of the corporate conglomerates of the region and the small regional or local traders or retailers. As in the West, the populism of the petty bourgeoisie is in sharp contrast to the secular world views of many of the larger, urban corporate bourgeoisie. Similarly, the middle classes range from highly paid professionals and managers to the village school teacher and postal clerk.

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Because the new rich is neither a cohesive category, nor one that springs from a common historical experience, its impact may differ from one country to another and be the consequence of different sets of conflicts of interest, not least within the new rich itself. There may be one pattern, or more likely several, to the way that the emergence of the new rich has influenced the cultural, social, economic and political life of the societies of East and Southeast Asia. However, this is not to say that anything can happen. There are certain basic common and non-negotiable interests that must be met and expressed within the political, ideological and social arrangements that the new rich constructs for itself. These non-negotiables derive from the need to protect the new bases of their social and economic position: capital, contracts, property, rule of law.

The words 'new' and 'rich' are perhaps most appropriate to the new social strata of wealth emerging in those command economies, such as China and Vietnam, now in transition to market systems of economic organisation. In those societies, where economic power has long been embodied within bureaucratic hierarchies of the state apparatus, the emergence of individuals with private control of investment capital, and often unprecedented amounts of private disposable wealth, has had a dramatic impact. The most publicised of such developments has been the emergence of private entrepreneurs. These range from the new capitalist farmers and private sector traders to much larger-scale industrial capitalists, often entering into partnerships with foreign investors. Less obvious but perhaps more important in the development of capitalism are the new kinds of managers who control the entry of huge state enterprises into the market. However, even where these new rich emerge from within the state and remain officially part of it, their increasing independence from the central structures of the command economy and the increasingly market-based calculations upon which they operate marks them out as a major departure from the previous order.

While corporate capitalists and the middle class have been part of the social fabric of the capitalist economies of East and Southeast Asia for several decades, there are interesting and important parallels with the unfolding of events in China and Vietnam. Apart from the Philippines, industrial capitalism emerged in those countries within the framework of political authoritarianism and interventionist states.⁴ The political, ideological and economic agendas were set largely by generals, party bosses or bureaucrats operating from within the state apparatus or state parties rather than by capitalists and the middle classes. Capitalist industrialisation has taken place outside the liberal pluralist political paradigm. Indeed, there have been important resemblances to Bismarckian industrialisation as

understood by both Marx and Weber; to Gerschenkron's 'late industrialisation', and to Barrington Moore's concept of 'revolution from above'.

State technocrats and state managers have played a strategically critical role in the economy, and the consequent patterns of economic development bear the strong imprint of state orchestration. Social and political life is heavily influenced by views that the national interest should assume priority over vested interests, with the state naturally constituting the guardian of the former. Although these states have been characterised as primarily anti-communist, anti-liberalism is a much neglected characteristic. Necessarily this picture varies, with Indonesia perhaps most closely resembling the archetypal centralised, state-driven command economies, and Thailand closest to liberal pluralist models. None the less, on balance these are generally capitalist societies where civil society has been subordinated to the state.

During the past decade there have been fundamental challenges to the role of the state in capitalist East and Southeast Asia as in the communist societies. The explosion of an elite culture of materialism, individualism and conspicuous consumption based on the growth of private disposable wealth is in sharp contrast to the culture of the state and the official. A growing middle class based on educational qualification and expertise confronts old networks of patronage and loyalty. Corporate enterprise sits within an uneasy relationship of state and market in which neo-patrimonial and mercantilist tendencies vie with pressures for a more regularised role for the state.

These new conflicts might be characterised as the consequence of the emergence of the new rich, given that they bring to bear new forms of wealth generated through new systems of accumulation. However, any simple juxtaposition of the new rich and the state as inherently hostile is an inadequate basis for analysis. The new rich do not constitute a monolithic and homogeneous category, and cannot automatically be assumed to have a vested interest in subordinating the state to society and making accountable its officials. They are both new allies and new enemies for old power centres. Nor is liberalism – be it liberal parliamentary democracy or *laissez-faire* capitalism – the only logical consequence that attends the emergence of the new rich. Authoritarianism and *dirigisme* may coexist quite profitably with capitalist industrialisation and its resultant new rich.

THE MIDDLE CLASS

The middle class has achieved a degree of prominence in the politics of Asia in recent years. In May 1992 the street battles between the military and

the demonstrators in Thailand were widely characterised as a middle-class revolt, and the resulting fall of the military leader Suchinda as the triumph of democracy.⁵ This incident was reminiscent of the street battles against Marcos in the Philippines in 1985, and those that precipitated the fall of Chun Doo-hwan in 1987 in South Korea. In both cases the middle class appeared to play a prominent role in its calls for democratic reform. Similarly, the Tiananmen Square student revolt of 1989 was widely considered to be a manifestation of middle-class ambitions.

Yet in the case of the Philippines and Korea the fall of the dictators of the time did not usher in an era of liberal democracy. In the Philippines a revival of oligarchic democracy based on the power of landed families has occurred, while in Korea the new democratic forms appear to mask the old system of state power. Historically, middle-class interventions have also frequently resulted in what are simply transitions to new dictatorships rather than liberal watersheds. The fall of Syngman Rhee in 1961 (in Korea) and that of Thanom in 1973 (in Thailand), for example, were also related to middle-class street demonstrations.

The lessons for the political role of the middle class are far from clear. It may signify that the middle class is congenitally unable to hold real power in its own right, and is forced to rely on alliances or coincidences of interest with other social groups. Alternatively, it may be that the middle class, in situations where it still fears mass radical movements or social chaos, is interested only in reforming authoritarianism.

A large part of the answer to these questions lies in the inadequacy of the term 'the middle class' to identify a category of social interest and action. The debate over what constitutes the middle class is extremely complex, and can only be partly addressed here. Liberal pluralists tend to regard the middle class as primarily a cultural entity defined by values of individualism and rationality, as well as by other Weberian indicators of status, occupation and income. Hence there is usually no distinction between the middle class and the bourgeoisie, and no means of distinguishing between the sort of social power that derives from property, on the one hand, and salaries and qualifications, on the other. Consequently, there is no real guide to the political identity of the middle class other than its modernity and interest in the legal protection of property.

At the same time, there are neo-Weberians who make clear distinctions between the capitalist and middle classes. For Mills, the new middle class is the result of the demise of entrepreneurial capitalism and the rise of corporate capitalism with its army of managers, technocrats, marketers and financiers. The middle class is therefore the skilled workforce of capitalism and expands with it. Giddens differentiates the middle class from the

bourgeoisie on the basis of market capacity: ownership of property versus possession of qualifications.⁶

A central problem for analysis has been the internal division of the middle class, and the tendency for different components to play quite different political and ideological roles. It is far from clear that the middle class is a coherent category. An interesting neo-Weberian attempt to overcome this problem was undertaken by Roberts, Cook, Clark and Semeonoff, who differentiated between strata – aggregates of individuals located at particular points of inequalities, defined in terms of such objective factors as wealth and income – and class – defined as a subjective entity within which individuals identified themselves in a hierarchical order.⁷ At one level, they see the middle class as a subjective category, defined by the consciousness of its members. At another, they identify four major factions defined by objective social position, and embodying specific political propensities. These are the self-employed, politically a mixture of right-wing conservatism and radicalism (assumed to include such historical forces as fascism, Poujadism and varieties of populism); the middle core, conservative and anti-union (including professional and managerial elements); the white-collar proletariat, on low wages and with a working-class outlook (perhaps teachers and clerks would be representative of this category); and liberal and intellectual radicals.

Although there are serious conceptual problems with the relationship between the subjective notion of class and the objective notion of strata, the recognition that the middle class has significant internal divisions is important and useful. The question then is whether the middle class has a coherent identity of its own at any level, or whether it is simply a residual category whose constituent parts have quite divergent interests and agendas, and which acts only in alliance with fractions of capital or labour.

Marxists have not fared any better in their attempts to conceptualise this difficult social category. Marx himself not only referred at different times to the middle class, but in *Theories of Surplus Value* even predicted that eventually only one-third of the population would take a direct part in material production.⁸ On this basis Nicolaus has argued that the labour theory of value is effectively the law of the surplus class or the 'law of the tendential rise of the middle class'.⁹ Marx never pursued his theoretical analysis of the middle class and left those who followed to reconcile the notion of middle class with a general theory of class conflict. The primary puzzle was the apparent disjuncture between the objective class position of the middle class, and its political and ideological identity.

Various commentators – notably Poulantzas, Wright, Carchedi, Mills and the Ehrenreichs¹⁰ – have drawn on the Weberian notion of class arising

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from the uneven distribution and acquisition of market rewards and placed this in the context of class analysis. To the idea of class domination they have added a notion of class conflict where the classes result from the technical division of labour: there are supervisors and the supervised, the possessors of knowledge and the semi-skilled. Table 1.1 summarises their various classifications.¹¹ Although such approaches do allow explanation of the political and cultural roles of the middle classes, they retain the uneasy, and possibly contradictory integration of class and strata.

In all cases, the routine mental workers and the relatively unskilled clerical levels are separated from the middle class and included with the proletariat. For some of these commentators, even professional and technical workers are to be regarded as part of the proletariat. In general, the dividing line between the middle class and any 'lower' class appears to be related to the control and supervisory, capacity exerted over labour.

The central principle to emerge is that most Marxists regard the middle class as being clearly divided in terms of its potential impact on the political, ideological and economic structures of modern capitalism. In the words of Val Burris, it is argued

Table 1.1 Models of class division among salaried workers

<i>Detailed class fractions</i>	<i>Poulantzas</i>	<i>Mills</i>	<i>Ehrenreichs</i>	<i>Carchedi</i>	<i>Wright</i>
Managers and supervisors		New middle class	Professional–managerial class	New middle class	Managers and supervisors
Professional and technical workers	New petty bourgeoisie			Proletariat	Semi-autonomous (credentialed) employees
Routine mental workers		Proletariat	Proletariat		Proletariat
Unproductive manual workers					
Productive manual workers	Proletariat				

that an adequate model of the class structure of contemporary capitalist society must come to terms with the fact that the major political cleavage in such societies is one that cuts through the middle of the white collar ranks. There are any number of possible class models consistent with this finding: lower white collar employees might be classified as working class and upper white collars as middle class; both might be classified as a heterogenous intermediate stratum. . . . What is not consistent with the empirical evidence is any theory that treats all white collar employees as members of a single cohesive class – whether as part of the working class or a separate new middle class.¹²

Given these profound analytical and conceptual problems one must look elsewhere for an explanation of the popularity of the ‘middle class’ as a term in social analysis. Clearly the middle classes represent a new set of social interests that regimes must take into account. What now becomes critical for these new social interests are living standards that include high levels of consumption and a greater emphasis on leisure; a greater concern for education as a central mechanism for securing position and wealth; a desire for predictability and certainty of laws; and access to information and analysis. As the skills and, indeed, the purchasing power of the new middle classes become more essential to industrial capitalism, the state and capital are increasingly driven to accommodate this social force, whether it be within a conservatism that offers stability and protection, or a liberalism that offers more direct participation in the process of government.

THE BOURGEOISIE

One of the major developments in capitalist Asia has been the emergence of a bourgeoisie. While in many cases initially fragile and dependent upon the state, and in other cases emerging from the state itself, the economic and social power of a vigorous bourgeoisie is now entrenched in many countries and well on the way in others. Like the middle classes, the bourgeoisie possess a variety of internal fractions that may hold contending interests and play different political roles, although they may hold a core of universal common interests. The internal fractions are potentially numerous: declining petty traders and producers, monopoly holders in trade, exporters of low-wage manufactures and those in upstream capital and intermediate goods production, bankers and mining companies, and so on. All of these may hold differing positions on a range of policy issues from trade protection to the provision of infrastructure and exchange rate policy.

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Perhaps a key issue has been that of the relationship between the bourgeoisie and the state over questions of rent-seeking and policies of industrial mercantilism; in other words, the question of whether the bourgeoisie ultimately seeks a role for the state in which it provides and manages a regulatory framework in which the market may effectively operate.

Weber and Marx both drew attention to the fundamental contradictions between mercantilist or patrimonial political regimes, and a capitalist class whose business activities were increasingly dependent upon predictability, the rule of law and institutions that guaranteed the general interests of capital. Nigel Harris has recently outlined the conflicts between state and capital that emerge during a period of 'national capitalism'. During such periods, he proposed, authoritarian states preside over a form of mercantile or patrimonial industrialism similar to that which existed in Korea during the rule of Park and Chun. However, Harris argues:

What was set up to speed development becomes an inhibition to growth as capital develops, as output diversifies, as businessmen are increasingly drawn to participate in the world economy, and as the need for the psychological participation of a skilled labour force supersedes the dependence upon masses of unskilled labour: capitalism 'matures'. The old state must be reformed or overthrown, to establish the common conditions for all capital: a rule of law, accountability of public officials and expenditure, a competitive labour market and, above all, measures to ensure the common interests of capital can shape the important policies of the state. Thus the enemy of capitalism is not feudalism but the state, whether this is the corrupt, particularist state, state capitalism, or, as is more often the case, a combination of these.¹³

This does not mean that the bourgeoisie is naturally attracted to liberal democracy. All it implies is that there is pressure for the state to provide a general environment in which capital may thrive, and an institutional structure that allows capital to shape the main policy decisions: a capitalist republic rather than a pluralist democracy.

At the same time, there is by no means a simple dynamic to the relationship between the state and capital. In the Philippines, the opposition of business to Marcos was based partly on the fact that his policies were bankrupting the nation, and partly on the resentment of some elements of capital to the channelling of resources to cronies. However, after Marcos's fall they acquiesced in a return to the corrupt patrimonialism of oligarchic democracy. This was clearly no revolt of 'mature capitalism' against national and mercantilist industrialism.

To a large extent the Philippines is an exception within East and South-east Asia because of the very direct and open nature of business involvement in the fall of the regime. Elements of business publicly demanded the removal of Marcos and openly financed the opposition movement. In Korea, it could be argued that the fundamental changes described by Harris were made in the period of transition from Park Chung-hee to Chun Doo-hwan, between 1979 and 1981, when the way was opened for a metamorphosis from mercantilist industrialisation to a more market-oriented and internationalised industrialism. The involvement of business in those changes, and in the political changes that followed the departure of Chun in 1987, was less direct and more structural. Its interests were influential because the economic consequences of ignoring them were potentially catastrophic for the government.

Nevertheless, it is the case that strong bourgeoisie continue to flourish within economic regimes that by liberal standards are clearly mercantilist and involve the intervention of the state both to 'create' comparative advantages and still contain important elements of rent-seeking.¹⁴ Attempts to reorganise the relationships between state and capital – to move towards deregulated, market-oriented economic systems – inevitably involve bitter conflict within the business community. Increasingly, the smaller capitalists and the petty bourgeoisie have resisted the internationalisation of their economies and are prepared to support governments that take a nationalist and populist line. Large corporate conglomerates, on the other hand, are increasingly welcoming international integration although this is often sought with the state defining, as far as possible, the terms on which it occurs. Even within these larger corporations, as the case of Indonesia illustrates, there remains an important dependence on state protection and favour among those reliant on trade and other monopolies. This is a dependence not shared by those involved in export-oriented manufacture. One quite important observation in the case of Asia is that the liberalism of the Manchester capitalists in nineteenth-century England has not been replicated. The age of *laissez-faire* capitalism has clearly passed.

TIMING AND RELATIONSHIPS

Kurth has drawn attention to the various roles that the different classes, the bourgeoisie and the middle classes, and the state play at various stages of the industrialisation process. Why was it, for example, that liberalism was driven by manufacturers in nineteenth-century England but by middle-class intellectuals in Eastern Europe, including Prussia? Why is it the middle classes rather than the bourgeoisie, according to Cheng, that have been at

the heart of liberal reform in Taiwan? In part, the English experience is a result of the manufacturing bourgeoisie's interest in free trade and freedom from mercantilist restrictions imposed by feudal absolutism. Liberal reform of politics was a necessary part of the solution. In Eastern Europe, and, indeed, in Northeast Asia, the bourgeoisie was nurtured in the protective incubator of authoritarian states and protected economic regimes. The middle class were not confronted with either a developed and organised bourgeoisie or working class although they have to deal with a highly sophisticated state apparatus. The different situations suggest different possibilities for alliances.

Consequently, sorting out relationships within and between classes is critical to the analysis of the impact of the new rich on the processes of change, as is plotting the factors that may change the wider environment. Such factors include changing relationships between nation-states and the international economy illustrated in policy shifts from import substitution manufacture to export-oriented manufacture. However, the impact of the new rich on economic and political life is not to be measured or observed only in terms of organised political activity or the carriage of ideas and values.

WHERE TO GO FROM HERE?

The case studies in this volume are intended to place the new rich of each of the countries and territories under study in their specific historical contexts. The essential task is to identify the new rich and disaggregate its various component elements. These structures differ from one society to another because of the different historical pathways which have led to industrial capitalism. The relative importance of the state and state capital, big bourgeoisie and the petty bourgeoisie, rural and industrial capital, exporters and importers, and the middle class, varies from one case to another. Integral to this task is the analysis of the relationships among the constituent elements of the new rich and those between the new rich and its other social and political forces. It is these relationships that set the constraints and shape the options for political and social action, including the possibilities for social and political alliances.

For example, in the Philippines, US colonial rule was an effective incubator for the emergence of a bourgeoisie, based on rural capital, with an effective class ideology and organisation. It was these landed and bourgeois families that established their hegemony partly through control of the state and partly through effective alliances with US capital. Such a situation differs markedly from that in Korea and Taiwan, for example, where the state played the central role in the formation of a bourgeoisie and

where corporate capital and the state have formed a cohesive political alliance. A strong state was also critical in Indonesia where colonialism left a weak and fragmented bourgeoisie and middle class which proved unable to secure either social or political dominance. The difference in the Indonesian case is that the authority and power of the state was successfully appropriated by a strata of officials with a discrete set of interests and a strong ideological framework for their identity and role. Strong states also existed in both Thailand and Singapore. Thailand can be seen to resemble Indonesia to some degree, the difference being that the balance of power between the state and its officials on the one hand and, on the other, the bourgeoisie and middle classes has always been tilted more heavily in the latter's favour. In the case of Singapore it could be argued that the state has represented an alliance of state power and the middle classes.

These are all cases of the development of a new rich in the context of a self-evidently capitalist transition. In the case of China, however, a centralised communist state has provided the framework for industrialisation and today it is this same communist party apparatus that provides the incubator for the capitalist revolution. The new rich emerge from the state itself in a process that blurs notions of public and private, state and market.

It is these structures and relationships that provide a framework for the influence that the new rich bring to bear on intellectual and political life. Middle classes in the Philippines must deal with a highly organised and politically dominant bourgeoisie. For the middle classes in Korea and Taiwan, it is the alliance of the state and the larger elements of corporate capital that dominate. In Indonesia, the potential of the bourgeoisie to establish itself as a ruling class is limited because it is dominated by Chinese Indonesians whose public political and social role is constrained.

As already indicated, this is the first of a six-volume series that seeks to identify and analyse the new rich of East and Southeast Asia. Questions of structure and relationship are a basis to understanding further aspects of the role of the new rich in Asia, and will be considered in further studies in this series which will include the new rich and the question of political opposition; new forms of social wealth and the question of gender; the ideologies of the new rich; and the transregional new rich.

NOTES

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- 2 An excellent consideration of these issues is to be found in Dennis Smith, *Capitalist Democracy on Trial: The Transatlantic Debate from Tocqueville to the Present*, London and New York: Routledge, 1990.
 - 3 James Kurth, 'Industrial Change and Political Change', in David Collier, *The New Authoritarianism in Latin America*, Princeton: Princeton University Press, 1979, 319–362.
 - 4 The literature on this is extensive and ranges from the more conservative analysis, such as that of Chalmers Johnson in 'Political Institutions and Economic Performance: The Government–Business Relationship in Japan, South Korea and Taiwan', in Frederic Deyo (ed.) *The Political Economy of the New Asian Industrialism*, Ithaca: Cornell University Press, 1987, to that of neo-Weberian statist approaches. For a review of some of the latter, see Robert Wade, 'East Asia's Economic Success', *World Politics*, 44, 1992.
 - 5 See, for example, *Far Eastern Economic Review*, 21 May and 28 May 1992.
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 - 8 The following discussion draws on G. Rodan, 'The Growth of Singapore's Middle Classes and its Political Significance', unpublished mimeograph, Murdoch University, November 1991.
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 - 11 This table is taken from Val Burris, 'Class Structure and Political Ideology', *Insurgent Sociologist*, 14(2), 1987, 33.
 - 12 V. Burris, 'The Discovery of the New Middle Class', *Theory and Society*, 15, 1986, 344–345.
 - 13 Nigel Harris, 'New Bourgeoisies', *The Journal of Development Studies*, 24(2), 1988, 247.
 - 14 Robert Wade, 'East Asia's Economic Success: Conflicting Perspectives, Partial Insights, Shaky Evidence', *World Politics*, 44 (January 1992), 270–320.

Singapore

GENERAL

Land area	616 sq. km
Population (mid 1992)	2.8 million people
Nominal GDP (1992)	US\$46,025 million
share of agriculture	0%
share of industry	38%
share of manufacturing	28%
share of services	62%
Average annual GDP growth rate (1980–1992)	6.7%
GDP per capita (1992)	US\$16,438
GNP per capita (1992)	US\$15,730
Monetisation level (broad money [M2] as % of GDP; 1992)	129.0%
Average annual growth rate of M2 (1980–1992)	13.6%
Central government budget surplus or deficit as % of GNP (1992)	+ 9.2%
Current account surplus or deficit (after official transfers; 1992)	+ US\$2,929 million
Merchandise trade surplus or deficit (1992)	– US\$8,681 million
Gross domestic savings as % of GDP (1992)	47%
Gross domestic investment as % of GDP (1992)	41%
Tax revenue as % of GNP (1991)	16%
Total external debt	–
Percentage of population of working age (15–64; 1990)	71.1%
Number of students in higher and university education (1993)	0.1 million

INDICATORS OF RELATIVE WELFARE

Real GDP per capita (purchasing-power-parity adjusted; 1991)	US\$14,734
Ratio of population with the highest 20% income or expenditure share to the lowest 20% (1983)*	9.6

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Percentage of urban population (1992)	100%
Total employment (1992)	1.6 million
of which professional, technical workers	19.5%
of which administrative, managerial workers	10.0%
of which clerical, sales, services workers	28.1%
of which agriculture, production, transport workers and equipment operators	42.4%
Gross tertiary enrolment ratio**	—
Life expectancy at birth (1992)	74.2 years
Population with access to safe water (1988)	100%
Total consumer expenditure (1992)†	US\$19,821 million
share of food, drink and tobacco	26.3%
share of clothing and footwear	8.3%
share of housing and fuels	12.0%
share of household goods and services	10.4%
share of health	5.4%
share of leisure and education	17.0%
Per capita energy use (oil equivalent; 1992)	4,399 kg
People per telephone (1988)	2.2
People per TV (1990)	2.6
People per doctor (1991)	730.4
Per capita consumption of beef (1991)	6.2 kg
Per capita consumption of poultry (1991)	4.3 kg
Per capita consumption of fish	—
Per capita consumption of soft drinks (1992)	59.5 litres
Book titles published (1983)	1,927

Notes:

* Data refer to income shares by fractiles of households, ranked by household income.

** The number of students enrolled in the tertiary level of education, regardless of their age, as a ratio to the number of people in the relevant age group.

† The percentage figures for consumer expenditure are on selected consumer items only.

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