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**CONFUCIANISM AND CAPITALIST DEVELOPMENT  
IN THE EAST ASIAN  
NEWLY INDUSTRIALISED SOCIETIES**

By

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A doctoral thesis  
submitted in partial fulfilment of the requirements  
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Reader in the sociology of culture

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*To my country and my people*

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## **Abstract**

The immediate concern of this thesis is to understand the role played by Confucianism in the capitalist development of the East Asian NISs. In pursuit of this aim, it focuses on the relationship between Confucian political philosophy and state intervention in economic activities, on Confucian family practice and its links to modern organisations, on the Confucian emphasis on frugality and hard work and the work ethic, and on the Confucian stress on knowledge and high level modern education. It contends that through these mechanisms contemporary Confucian values have helped to facilitate the development of capitalist order and economic growth in the East Asian NISs.

The thesis also explores the Confucian tradition and its modern transformations. It traces the historical evolution of Confucianism and shows how, more recently, it has changed in response to the challenge of capitalist development. It further identifies the contemporary forms of Confucian values and illustrates their variations across different East Asian societies. This line of enquiry is pursued empirically through an analysis of the development of Confucian themes in one of the principal spaces for public commentary and debate on economic, social and political issues - the popular press. The present analysis is one of the first to investigate the practical deployment of Confucian themes in everyday public discourse.

The thesis approaches the questions in a Weberian tradition, which takes culture as an explanatory variable in social change, and recognises the influence of socio-economic conditions on cultural change at the same time. It believes that change is an integrated process which involves all sectors of society. During this process cultural, social, political and economic forces compete and interact with each other within the specific contexts that conditioned the change.

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The capitalist development in the East Asian NISs is a process which involves the interaction between Confucianism and capitalism. Capitalism failed to develop in the Far East when it first emerged, due to the inhibitions of traditional Confucianism. But after it had triumphed in the West and been introduced to these societies by the colonisers, Confucianism could no longer resist the force of capitalist modernity, it had no choice but to adapt to the new situations. As a result, Confucian culture absorbed the idea of profit seeking, competition and rationalisation of economic activity, but retained its emphasis on collectiveness, family, and harmony. Combined with the continuing Confucian emphasis on education, merit, hard work, discipline and high achievement motivation, these values form a potent underpinning for economic growth. And this force has given rise to a special kind of capitalism in the East Asian NISs.

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## Introduction

In the early 1960s few economists noticed South Korea, Taiwan, Singapore and Hong Kong. They seemed to be trapped in poverty and unable to succeed in economic development. South Korea had been devastated by the Korean War; Taiwan appeared little more than a beleaguered outpost of a defeated government; Singapore was a small city state facing internal economic and ethnic problems and external hostilities; and Hong Kong was inundated with refugees.

Despite these unpromising starting points, and a range of constraints, these economies have grown faster than any other countries for the past three decades. They have sustained rates of economic growth at over 8%<sup>1</sup>, and they are still expanding at a considerable speed. What is more, rapid economic growth has been accompanied by superior educational performance, low crime rates, rising life expectancies, and relatively egalitarian patterns of income distribution. Increasingly, as a group of newly industrialising societies (NISs)<sup>2</sup>, South Korea, Taiwan, Singapore and Hong Kong have come to stand for a special kind of capitalism which combines rapid economic growth with social stability, and is characterised by extraordinary individual effort and persistent group support.

These societies share a number of similarities and common bonds. All are densely populated and deficient in natural resources. All have strong and authoritarian governments committed to economic growth. All have emphasised exports of manufacture products. All share an extraordinary enthusiasm for education. And all

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<sup>1</sup>When no specific reference is given, the sources are: World Development Report; International Financial Statistics; and Taiwan Statistical Data Book.

<sup>2</sup>This group of societies are commonly referred to as NICs - newly industrialising countries. This term is not used in the thesis because neither Hong Kong nor Taiwan can properly be called countries in the author's view.



were raised under the umbrella of Chinese cultural influence. These similarities have led to lively scholarly debates regarding the sources of economic growth. Most commentators have concentrated on identifying the 'right' economic policies and investigating the relations between the free market and strong government.

Economic policies and the lead provided by strong government are undoubtedly important factors contributing to the success of the East Asian NISs, but they are not enough. There are many other Third World countries which promoted the free market or adopted similar policies without producing sustained economic growth. There are also strong governments elsewhere, but they have generally devoted more to the personal interests of high-level officials than to their nations' economic development. In order to develop a satisfactory explanation we need to reach beyond the boundaries of economics and politics to explore the factor that has allowed the 'right' policies to work and has kept the worst abuses of strong government in check. This factor, as I will argue in this thesis, is Confucianism.

At first sight this may seem paradoxical, since the Confucian tradition was not oriented toward the development of wealth. In fact in his seminal comparative sociological study of religions, Max Weber identified Confucianism as the major barrier to the emergence of capitalism in imperial China. This thesis does not argue that Weber was wrong. On the contrary, he was right. He was right to acknowledge that Confucianism had an impact on capitalism in China, and to insist that religion as a cultural, symbolic form, is a relatively independent force capable of influencing economic activities. He was also right to recognise that the formation of a culture has its roots in socio-economic conditions. And he was right to be aware of the continually changing nature of historical contexts, a line of reasoning he pursued in his argument that the later development of capitalism in Europe no longer needed the support of Protestant Ethic.

Following Weber's general line of reasoning, I will argue that although Confucianism acted as a barrier to the rise of capitalism in imperial China, it has become an important support for the contemporary establishment of capitalism in the changed

circumstances of modern East Asia. Since the western powers forced the capitalist system on East Asia, the societies in this region have experienced great changes in their socio-economic conditions. As different sectors of society interact with and influence one another, these shifting conditions have led in turn, to transformations in Confucianism, so that it has been able to offer a cultural setting conducive to rapid capitalist development in post-war East Asian NISs. As we will see in our later analysis, Confucian values and institutions have fostered social attitudes that have encouraged people to work and study hard. They have nurtured political attitudes that have legitimated strong governments committed to economic development. And they have played an important role in promoting patterns of familial and social organisation that have helped to sustain key features of capitalist structures.

Confucianism however, is a very elastic notion, it can mean religion, ethical codes, social rituals, or political philosophy. Even so, the basic themes - the emphasis on filial piety, self-cultivation, and benevolent and moral government - emerge clearly. Historically there have been two distinct Confucian traditions: the so-called Great Tradition, a belief system held by scholar-officials and based on the classic texts; and the Little Tradition, a system of popular ethics with the accent on family, education, savings and hard work. In modern East Asia, the Confucian tradition has been active mainly in the second form, and has become a codeword for a set of widely-held values: loyalty to the family, subordination of the individual to the collective, commitment to education, and dependence on authority.

The immediate concern of this thesis is to understand the role played by Confucianism in the capitalist development of the East Asian NISs. In pursuit of this aim, it focuses on the relationship between Confucian political philosophy and state intervention in economic activities, on Confucian family practice and its links to modern organisations, on the Confucian emphasis on frugality and hard work and its influence on the work ethic, and on the Confucian stress on knowledge and high level modern education. It contends that through these mechanisms contemporary Confucian values have helped to facilitate the development of capitalist order and economic growth in the East Asian NISs.



The thesis also explores the Confucian tradition and its modern transformations. It traces the historical evolution of Confucianism and shows how, more recently, it has changed in response to the challenge of capitalist development. It further identifies the contemporary forms of Confucian values and illustrates their variations across different East Asian societies. This line of enquiry is pursued empirically through an analysis of the development of Confucian themes in one of the principal spaces for public commentary and debate on economic, social and political issues - the popular press.

In examining the interaction between the symbolic forms of Confucianism and the economic operations of modern capitalism, the thesis concentrates particularly on the impact of modern Confucianism on economic growth. But it should be noted that the transformation of Confucianism itself results from the changes in socio-economic conditions. Nor is this process of interaction complete. On the contrary, the rapid social changes brought by Confucian supported economic growth are likely to pose serious challenges to the cultural centrality of Confucianism in the near future. By deepening our understanding of the specific dynamics of the case analysed here, it is also hoped that this work will help to refine broader conclusions concerning the dialectical relationship between culture and economic development.

Recently a growing number of scholars and observers have acknowledged the role of Confucianism in the process of East Asian economic development. Understandably, few have agreed on the precise meaning of Confucianism, except that its modern version has transcended its historical and textual origins. However, since East Asian societies have experienced tremendous social and cultural changes and are still in transition today, the problem arises as to whether there is any justification for them as Confucian in any meaningful sense. In order to ground this assertion empirically, it needs to be demonstrated that the contemporary contents labelled as Confucianism continue to play a central role in public culture and enjoy some popular currency. To achieve this goal, this thesis investigates the practical deployment of Confucian

themes in everyday public discourse through a content analysis of two newspapers, one from Hong Kong and one from Taiwan.

Previous studies which have ventured into this area have tended to concentrate on officially sponsored or approved initiatives, such as the mobilisation of Confucian virtues in Taiwanese and Korean school textbooks (Meyer, 1988; Lee, 1993) or the moral campaigns launched by the government of Singapore (Kuah, 1990). Consequently, they have strengthened the position of writers who argue that in the context of contemporary East Asia, the Confucian emphasis on hierarchy, responsibility and duty, and the low priority given to individual rights, are weapons deployed by the powerful, designed to provide a 'fig leaf of legitimacy' to authoritarian political regimes (Chan, 1996: 43) and/or to exploitative relations of production (Palat, 1996). There is much force to this argument, but it ignores the presence of vernacular traditions with roots in common sense and everyday life. Contemporary Confucianism is a bottom-up as well as a top-down phenomenon. The variants of the 'dominant ideology thesis' deployed by critics such as Chan, miss the interplay between these levels.

The position taken here is closer to the notion of hegemony, which sees the reengineering of common sense as the key to securing consent. The press provides a particularly productive site on which to observe this process in action since its role in the orchestration of public culture rests precisely on its ability to knit together official discourses, grounded experiences, and vernacular expression. At the same time, the way it mediates between these cultural domains will depend crucially on the degree of government oversight and control it is subject to. The impact of these structural differences on representations of Confucianism is explored in detail in Chapter Six through the contrast between the two titles under analysis: the Hong Kong title is market oriented with minimal state intervention, and the Taiwanese title is owned by the ruling party and was subject to stringent control under Martial Law for the first twelve years of the period covered by the content analysis (January 1975 - August 1993). In this situation we might expect presentations of Confucian themes

in the Taiwanese case to be strongly oriented around official discourses and spokespeople and those in the Hong Kong case to be more open.

We would also expect press coverage of Confucianism to reflect the particular emphases of official economic policy and government views of political priorities. Here again, the contrast between Taiwan and Hong Kong offers an excellent opportunity to explore this question. In Taiwan, economic policy goals were constantly overshadowed by the need, firstly, to heal the breach between the Taiwanese and the mainlanders, and secondly, to address the ever-present perception of possible military attack from the mainland. We would therefore expect press mobilisations of Confucianism to lay particular emphasis on questions of patriotism, loyalty to the nation, and the legitimacy of government.

In Hong Kong, on the other hand, because its political system remained relatively closed under a colonial administration, public discourse focused more concertededly on the conditions for economic growth within a system in which family owned enterprises played a key role. We would therefore expect press deployment of Confucianism to place more emphasis on aspects related to family, personal morality, and business relations. This is no simple matter however. It requires two contradictory identities to be stitched together: the fixed identity mobilised by the 'imagined community' of the nation-state, and the fluid identity required by an economic order increasingly based around mobile investment, transnational enterprises and global consumption (Ong, 1997: 173). As we shall see in Chapter Five, one of the primary devices for linking these subjectivities is through romanticised biographies of successful businessmen who serve as ideal models of the reconciliation of the material to the spiritual, individual success and wealth to Confucian responsibilities and duties.

Although the sample newspapers mobilise and inflect Confucian themes differently, there are also strong continuities and commonalties. 'East Asian capitalism is different from its western counterparts in some important ways, but it is still



capitalism' (Xia, 1996: 120). It is based on property relations which generate structural inequalities and it involves various forms of exploitation. Governments in the NISs have addressed these dynamics by constructing a social contract. The government guarantees certain collective goods (such as housing) and intervenes to ameliorate income inequalities, while transferring much of the responsibility for welfare to families and firms. At one level, the resulting bonds between rulers and ruled, employers and workers, are thoroughly pragmatic. In accordance with Confucian definitions of good government, popular consent is conditional on the delivery of expected and promised benefits, and collective rights take precedence over individual rights. At the same time, these forms of personalised contract require continual ideological support. As we shall see, at the centre of this enterprise is the Confucian conception of the paternalistic family. This serves as a model for all relations of rule, in the home, in the workplace and within the nation state, and enables the core Confucian virtue of filial piety to be mobilised to secure compliance.

The deployment of Confucian themes is not confined simply to ideological constructions of relations within the nation-state however. They are also central to a strong and increasingly shared conception of East Asia's distinctiveness as a cultural region. This notion now enjoys increasing currency in the West, as commentators struggle to identify new global fault lines in a post Cold War world. A number have followed Samuel Huntington (1993) in identifying 'the clash' between Asian and Western 'civilisations' as the key ideological battleground. This conception is also widely shared in East Asia, where the rapid economic growth of the NISs and the increasing economic power of China since 1979, have revived a long standing tradition of Han ethnocentrism which presents Chinese culture as both superior and capable of serving as a world model. This ideological project has received additional impetus from the growing perception among East Asia political elites, that the increasing incursion of western emphases on individualism and personal rights poses escalating problems for paternalistic forms of authoritarianism.

Confucianism is central to East Asian attempts to define the distinctive qualities of the Chinese cultural formation, and as we shall see, provided the main context in which Confucian themes appeared in the press items sampled. This is not particularly surprising. Ethnic Chinese investment from Hong Kong and Taiwan has played a key role in the rapid industrial development of south China. At the same time, over the period covered by the content analysis, both societies had unresolved political business the mainland, which revolved around the terms of re-unification. Consequently, we would expect a negotiation of the links between the Confucian legacy and the nature of Chinese identity and culture, to be particularly salient in both countries.

Chapters One and Two introduce the discussion by briefly tracing the course of economic development in the four East Asian NISs and the socio-political backgrounds against which it has taken place. They also investigate the development strategies of these societies and their sources of growth.

Chapter Three discusses the general characteristics of East Asian economic development: the emphasis on export-oriented industrialisation; the leading role of the state; the high quality of the workforce; the orientation of corporate management practice; the high rate of savings; and the relatively equitable distribution of income.

Chapter Four looks at the major explanations of East Asian economic growth. After examining two dominant paradigms: the neo-classical approach that attributes the East Asian success to the free market and 'right' economic policies, and the statist approach which stresses the interventionist role of government, it introduces the literature which discusses the contribution of Confucianism to economic development.

Chapter Five attempts to chart the main lines of development within Confucianism and to discern its basic tenets. It analyses its transformations from the classic texts to the variants current in contemporary East Asia. This account is supported by detailed

analyses of typical newspaper stories selected from the sample constructed for the content analysis presented in the next chapter. This exercise in close reading confirms that Confucian values in contemporary East Asian NISs are much more than simple outgrowths of Confucian traditions. While some aspects of Confucianism cease to function today, many other elements have been reasserted and deployed in the process of modernisation and industrialisation.

Chapter Six presents the result of the quantitative content analysis. It attempts to establish a fuller picture of the concrete patterns of working Confucianism and to delineate the differing ways Confucianism has been mobilised in Hong Kong and Taiwan. By studying the everyday application of Confucianism to contemporary issues, it also seeks to examine how key elements of this cultural tradition enter into and help shape the ways that the process of transformation is understood and evaluated within contemporary East Asia.

Having looked at arguments around the range of possible factors contributing to the economic development process of the East Asian NISs and having paid particular attention to Confucian values and their possible influence, Chapter Seven returns to the general problem of explanation first posed by Max Weber. It begins by reviewing Weber's studies on both Protestantism and Confucianism, and their relationship with the emergence of Capitalism. It also explores the theory of culture and social change embedded in Weber's writings. Using this as a framework it then offers a general model of the relationship between Confucianism and modern capitalist development.



## **Chapter 1**

### **The Development Process in South Korea and Taiwan**

The development of South Korea and Taiwan since the 1960s has been celebrated as a 'miracle' worldwide. In material terms it is indeed miraculous. Within three decades, their GNP per capita have increased 50 times, and the relatively equitable distribution of income has ensured that everybody has benefited at least to some extent from their growth. Their economies have been transformed from ones based in agriculture to ones driven by industry, as their major products have changed from rice and sugar to automobiles and personal computers. While they had to depend on foreign aid in the 1950s, both have now graduated from the ranks of the World Bank's borrowers, and have in turn become lenders to developing countries. Nor is their achievement solely economic. The socio-economic transformation in South Korea and Taiwan has improved people's general quality of life in many ways. They are among the most educated people in the world. They enjoy comfortable housing with a full range of public facilities, convenient transportation networks, and ready access to comprehensive health care services. And since the 1980s they have gained increasing freedom to participate in political processes.

#### **1.1 Korea**

The rapid growth of the Korean economy can be fully understood only in the context of a long historical process which began in the late nineteenth century as a consequence of Japanese aggression. Although the actual annexation of Korea by Japan occurred in 1910, Japanese penetration into the Korean economy had been gathering momentum some time before. In 1876, Japan forcibly opened the door of

Korea to foreign trade under the Korean-Japanese treaty of commerce. The opening of the ports led to an expansion of foreign trade from a near zero base to 20% of the combination of domestic products and imports. This trade was dominated by Japanese immigrants. The Japanese also opened banks and built factories. The first bank was opened in 1878 and assumed the role of a central bank in 1905. In 1908 there were 79 incorporated Japanese manufacturing firms employing an average of 41 workers, compared with 6 owned by Koreans employing a total of 92 workers. By the time of annexation the Japanese had already established complete control over the Korean economy (McNamara, 1990).

Japan's ambition was not limited to Korea. Its ultimate aim was to control the Asian continent. The geographical position of Korea as the link between Japan and the Far East gave it a particular strategic importance as a base for territorial expansion. Not only could Korea serve as a convenient platform from which the Japanese could launch an armed campaign, its food and mineral resources also provided important basic resources for military expansion.

The Japanese did not expect to lose control of their colonies. Consequently, they made vigorous efforts to modernise Korea. They started by creating a powerful, intrusive state, unprecedented in Korean experience. Power was centralised in a large colonial bureaucracy backed by an impressive array of coercive force. The local administration system was expanded so that central control could penetrate to the lowest levels of Korean society. However, despite these substantial changes in structure, the Japanese did not disturb underlying cultural continuities. According to Jacobs (1985), although the Japanese authorities modernised the goal of government in Korea and made administrative control more effective, its essential character remained patrimonial.

In economic affairs the colonial state was growth-oriented and interventionist. The geographical proximity of Korea had made its economic growth closely related to the economic fortunes of Japan. In an effort to modernise the Korean economy, the Japanese reorganised the financial system and provided support to private



enterprises. Vast amounts of money were invested to provide the Korean peninsula with a substantial infrastructure. Telegraph and telephonic communication were greatly expanded; railways and roads were constructed to link the major cities; and harbours and hydroelectric plants were built.

But what was to have a more profound longrun effect on Korean society was the introduction of an universal public education system. The emphasis, however, was on primary education. Very few Koreans had any chance to go beyond this level. Even if they did, what they could obtain was mostly vocational training. The education system was designed to produce a literate labour force and above all, to educate Koreans in Japanese language and customs, as illustrated by the Educational Ordinance, which decreed that, 'Common education should pay special attention to the engendering of national (Japanese) characteristics and the spread of the national (Japanese) language; the essential principles of education in Chosen (Korea) shall be the making of loyal and good subjects ....' (quoted in Eckert, 1990:262).

The colonial education system in Korea was modelled on the lower level of the Meiji system in Japan, which placed strong emphasis on modern science and technology. But it also included a significant amount of instruction in East Asian cultural traditions, represented primarily by Confucianism. Confucian tenets such as benevolent rule, loyalty, hierarchical status relations and family morality were given particular attention. It was thought that presenting these values as a common heritage would help to secure the loyalty and co-operation of the Korean people.

The Japanese public schools expanded quickly, and the number of students attending full time education increased significantly. At the time of colonisation (1910), the primary school enrolment rate for boys was about 20%. By 1940, it had risen to 70%. The enrolment rate for girls increased less spectacularly, from almost nil to more than 20%. During this period, the number of students attending all schools increased from 110,800 to 1,776,078 (Jacobs, 1985). These students, most of them reaching their prime of life in the 1960s, would later become major players in South Korea's post-war push for economic growth.

The economic structure of the colony was designed to serve Japan's needs. During the first two decades of colonisation, Korea was developed as a major source of foodstuffs for Japan. The Japanese invested heavily to raise agricultural productivity, especially in the production of rice. As a result, new seeds and planting schedules were introduced; a measure of mechanisation achieved; and irrigation and flood control improved.

As Japanese war preparations and territorial expansion heightened in the 1930s, the emphasis on rice production in Korea was replaced by the promotion of manufacturing industries designed to provide for both the needs of Japan proper and of Japanese forces in East Asia. In 1931 Japan occupied the Manchuria province of China, a vast area rich in natural resources. This was followed by the overall invasion of China in 1937, the advancement into Vietnam in 1940, and finally the attacks throughout Southeast Asia at the end of 1941. As Japanese military power expanded, Korean mining and other extractive industries were stimulated by the demands of war-heated industrial production; the chemical and textile companies received inexhaustible orders from the Japanese armed forces; and sophisticated tool and machinery were built to meet the growing needs of the arms build-up.

The Japanese left in 1945 following their defeat in World War II. By then Korea had been equipped with the infrastructure necessary for a modern transformation of the economy. The transportation and communication networks were relatively well developed. The agriculture sector was modernised. And the manufacturing and mining industries grew at an annual rate of about 10%. Such development was remarkable in a colony. Although much of this infrastructure and industrial base was later lost to South Korea through the peninsula's partition and the Korean War, the remaining railways and textile industries provided a framework for later economic development.

Social change accompanied economic development during the colonial period. In spite of Japanese dominance in the colonial government and in industry, many

Koreans did gain substantial exposure to modern organisational structure and technologies. In the greatly expanded bureaucracy, they occupied most low ranking civil posts. In the industrial sector, while most factories were owned and managed by the Japanese, Koreans constituted most of the work force, including some in positions of managerial assistant and technician. Between 1910 and 1941, the urban population increased over threefold, from about 6% to 20% of the total population. In addition, many Korean peasants were mobilised by the war effort to work in Japan and Manchuria and many of these were also living in cities (Eckert et al, 1990).

Universal primary education increased literacy and helped to produce skilled workers, but because colonial policies offered few opportunities for Koreans to receive higher education, many of the ablest went to Japan to study modern science and technology and to receive military training. There they learned new ideas and saw a different way of life, which was to inspire their vision of a future Korea. Together, the educated Korean elite, the entire both blue- and white-collar workforce which had acquired knowledge and skills in Japanese controlled government and large-scale industries, and the few privileged Korean entrepreneurs able to conduct business in a Japanese dominated market, constituted South Korea's most valuable resource: human capital.

The period following the end of colonisation was marked by political instability and economic turmoil. Immediately after liberation, the Korean People's Republic (KPR), a national coalition led by the left, assumed control of the country. The United States and the Soviet Union, however, were anxious to ensure that whatever political form Korea ultimately took would be friendly to their respective security interests. A deal was struck between them to divide Korea into two occupation zones. This led to an enduring partition of the country by ideology, political and economic systems, and above all, foreign interests.

Things went relatively well in the North because the KPR's policies of industry nationalisation and redistribution of wealth were in line with the plan of the Soviets. In the South, however, the Americans met considerable resistance from the KPR and



its people's committees. In response, a formal United States Army Military Government in Korea was established. It set out to repress any social activities inspired by 'communists', using American troops. Many Korean nationalists who had fought the Japanese were imprisoned or killed.

Neither the North nor the South wanted to see Korea divided. Their ambition to bring the whole peninsula under their own rule led to the outbreak of the Korean War in 1950. The war started between North and South Koreans, but it was fought by the Americans and the Chinese. Their involvement meant that neither side could gain control of the whole Korean peninsula. Three years of fighting resulted in ruin to both halves of the country. In the South alone, the combined total of military and civilian casualties was about 1.3 million people. Nearly half of the industrial capacity and a third of the housing were destroyed along with much of the public infrastructure.

In 1948 the Americans handed over control of the South to a Korean government headed by Syngman Rhee. He had been one of the liberals advocating a popular elected national assembly at the end of the nineteenth century. However, when he came back to Korea after forty years' absence, his conception and practice of power seemed to have more in common with the Korean kings than with his American colleagues. Lacking an independent power base, Rhee resorted to intrigue, intimidation, patronage, and reliance on the infamous police who had collaborated with the Japanese, to consolidate his rule. He managed to amend the constitution by locking up the assemblymen, and eliminate a number of potential competitors through assassination. By the late 1950s Rhee had made the political system largely his own.

During Rhee's rule, the Korean people suffered from severe economic hardship and wide spread corruption. The lack of opportunities for ordinary people, especially the younger generation, added further frustration. The mounting discontent finally toppled Rhee's authoritarian government in 1960. Following his fall, relatively free and fair elections were held to elect National Assembly members and local governors. The Second Republic, though more democratic, was plagued by internal

factionalism, and was not prepared to institute the changes demanded by the public. Furthermore, even democracy itself appeared to many of the urban educated elite to pose a threat to the social order. They feel that the chaotic conditions in 1960-61 required strength and resolution from the government. But the government was too weak. In less than a year the Second Republic fell to a military coup which started the Park era, with little protest from the people.

The War and the ensuing political instability precluded any orderly movement toward economic development. During the period from 1948 to 1961, the economy was kept alive mainly by massive economic and military assistance from the United States. Post-war reconstruction, which began after the cease-fire in 1953, had left the economy stagnant at the subsistence level. Between 1953 and 1961 per capita GNP in real terms increased by no more than 1% on average each year, which meant that the Korean people had to struggle for food and clothing (Cho & Kim, 1991).

Nevertheless some of the groundwork for later economic development was laid down during this period. The literacy rate more than tripled in the 15 years after liberation. Education facilities of all kinds, especially those for higher education, mushroomed. Urbanisation continued at a rapid pace. By 1960, almost 30% of the population of South Korea were living in cities. The infrastructure destroyed by the War was rebuilt. But most important of all was the land reform which improved the life of peasants and eliminated the resistance to industrialisation from the landlords as a class.

Land reform was introduced by the Americans and completed by the Rhee government. He carried it through partly because it was a political necessity in view of the successful land reform taking place in the North, and partly because it helped to undermine his political opposition, which was based on the landlord class. Despite Rhee's intentions, land reform helped to bring about a more equitable distribution of assets and income. It also transformed the land-based traditional elite into a group of business leaders. They received money from the government for their land and they continued to retain the high level of education and the personal connections that have

always been important factors for success in Korean society. By the mid-1950s, not only was landlordism no longer an obstacle to economic growth, but the former landlords themselves were already well on their way to becoming entrepreneurs or professionals of one kind or another.

By the time General Park seized power in 1961, South Korea possessed many of the essential ingredients for rapid economic growth: international political support; access to foreign capital and technology; a moderately well developed infrastructural and industrial base; a small class of entrepreneurs; and hard-working and relatively well educated workforce. What had been lacking before was a government committed to economic growth and capable of mobilising these resources effectively in its pursuit.

From the beginning the Park government was wedded to a vision of national power through economic development. This was partly derived from Park's admiration of Meiji success which had been deeply imprinted in his mind when he was an officer in Japanese colonial army, and partly from the need to legitimate his rule in the absence of other credentials. Park's vision of a new Korea, however, did not have any space for democracy. For him, citizens were expected to tolerate the banishing of their political rights in exchange for prosperity. As he put it:

In order to ensure efforts to improve the living conditions of the people in Asia, even undemocratic emergency measures may be necessary... The people of Asia today fear starvation and poverty more than the oppressive duties thrust on them by totalitarianism... The Asian peoples want to obtain economic equality first and build a more equitable political machinery afterward (Park, 1971:112).

Park's central economic development strategy was to promote export-led growth. External pressure was an important factor accounting for this move. A new emphasis in the United States aid programme on achieving 'self-sufficiency' and reducing aid commitments pressed the Park government to look for new ways to acquire foreign exchange. Yet pressures from the Americans had been applied before. The transition



to an export-oriented development strategy under the Park government must therefore be understood in the context of the particular physical, economical and political conditions of South Korea in the early 1960s.

Physically the division of the Korean peninsula had left South Korea with few natural resources, and its population in the early 1960s was not big enough to provide a sufficient domestic market for rapid industrialisation. Economically the initial populist policy of expanding public works, granting pay increases and favouring import substitution had run into trouble. By 1963 high levels of public spending had led to rising inflation and the possibilities of import substitution in low-technology industries had been exhausted. In fact the production capacities of the textile industry had already surpassed the needs of domestic market. Exporting surplus manufacturing products seemed to be a viable alternative. Politically state power was concentrated in the hands of Park and a small group of technocrats. Coming from a military background, Park was relatively free from the influence of various business interest groups. Therefore a major policy reform such as shifting to exports was relatively easy to press through and implement quickly (Haggard, 1990).

The introduction of an outward-looking development strategy stimulated impressive export growth. Korean exports in 1962 valued only \$0.5 million, but reached \$150.6 million in 1979. Their share in GNP increased from 2.4% to 24.6% during the same period. The growth in exports led to accelerated economic growth during the Park era. The average growth rate of GNP was 8.4% between 1961 and 1970 and 9.8% between 1971 and 1979. GNP per capita grew from less than \$100 in 1961 to \$1,662 in 1979 (Kim, 1987; Hamilton 1983).

Economic growth was accompanied by a change in the industrial structure, which was illustrated in the composition of exports. In 1961 South Korea's top ten exports, constituting 62% of the total, were composed entirely of raw materials and agricultural goods. By 1970, 41% of South Korea's exports were composed of textiles and garments. By 1980, while textiles still remained important at 29%, electronic products, steel products and footwear together made up 27% of exports

and raw materials disappeared from the top ten (Sakong, 1993). When Park first started his industrialisation drive, agriculture was the main contributor to the national economy. By the end of his rule, the top contributors were the clothing, electronics and shipping industries. Within less than two decades, South Korea had been transformed from an underdeveloped agrarian society into a modestly industrialised society with the manufacturing sector as its economic backbone.

Despite the impressive figures, the economic development process under the Park regime did not proceed entirely smoothly. In the early 1970s economic recession in the major industrialised countries and the increasing protectionism in world trade generated a slowdown in South Korea's export growth. This coincided with the increasing influence of the opposition party and the partial withdraw of American troops. In response, Park initiated a push to develop the heavy and chemical industries. The plan was to upgrade Korea's industrial capability so as to give more depth and integration to the economic structure, and at the same time, to build up an industrial base for a self-sufficient defence industry. Since the transition from light to heavy industry involves a move from competing on the basis of cheap labour to competing on the basis of modern facilities and skills, the heavy and chemical industry (HCI) drive was designed to achieve import-substitution and export upgrading simultaneously.

To carry out the plan, some large and well-established business groups were encouraged to expand into the new industries in strategic areas such as petroleum, chemicals and iron and steel. State owned enterprises were also founded. Special economic policies such as tax subsidies, loans with negative real interest rates, and credit rationing were applied. Throughout the 1970s, colossal amounts of money were invested in heavy and chemical industries, and light industry was starved of capital. As a consequence, foreign debts multiplied, inflation accelerated, and income distribution worsened. When the world entered recession in the late 1970s, South Korea experienced severe economic difficulties. However, the HCI drive paid off handsomely in the mid-1980s. In 1970 heavy and chemical industrial exports amounted to only 12.8% of total exports; by 1985 their share was up to nearly 60%.



The promotion of heavy and chemical industries transformed South Korea's economic structure and provided a springboard for the renewed export offensive (Lee, 1991)<sup>1</sup>.

In the export expansion of 'Korea, Inc.', the state was the leader, businessmen the junior partner, and workers the effective instrument. The government owned and controlled all commercial banks. The officially set real interest rates were kept close to zero or even negative. These very low rates encouraged businessmen to borrow heavily from banks, creating a dependency relationship between government and business. By issuing business licences and extending the accompanying subsidies and protection to a limited number of selected enterprises, the government was able to decide what, when and how much to produce on a macro level (Park, 1991).

The exercise of discipline by the state over private enterprises was part and parcel of the vision that drove South Korea to industrialise. Many businessmen had originally been targets of the Park government because of their participation in corruption and the 'dishonest accumulation' of wealth. In order to realise his grand economic development plan, however, Park had reached an agreement with the business sector, that the government would extend support in exchange for their devotion to national development goals. To cement this bargain the state imposed performance standards on private firms. Poor performance would be penalised and good performance rewarded. The sternest discipline of all was exercised in relation to exports; 'The export targets agreed upon between the government and individual firms were taken by businessmen as equivalent to compulsory orders. Firms that failed to achieve their export targets without a plausible excuse ran the risk of heavy administrative sanctions from the government' (Song, 1990:91).

While control over the business sector was exercised mainly through incentives and policy instruments, control over labour operated mainly through oppression and

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<sup>1</sup> As a daring state-led industrial project, the HCI drive has given rise to a wealth of discussions, especially in relation to the effectiveness of government intervention in the market place. For detailed accounts and alternative views, please see Cheng (1990), Rhee (1994) and Stern, etc. (1995).

moral persuasion. Limiting labour demands was viewed as an integral component of the new industrial plan since low wages and worker efficiency were seen as essential to international competitiveness. The major instruments for keeping the working class under control were force and repression. Dissenters were subject to surveillance, interrogated and intimidated. Legal containment and moral persuasion were also applied. The restrictive terms contained in numerous labour laws and regulations curtailed union activities. In effect, they eliminated any possibility of a 'legal' strike. In addition, periodic ideological campaigns were waged to promote the traditional values of loyalty to family, firm, and country so that workers would 'work hard without being conscious of the closing hour of work' and 'behave toward employers as sons to their fathers' (Bello & Rosenfeld, 1992: 32).

Moral persuasion based on Confucian values was not applied only to workers however. Indeed, according to one view, it 'appears to be one of the most important policy instruments in Korea and other East Asian countries' (Song, 1990: 101). For Park, economic development had to be accompanied by a stable and harmonious social order. This was to be achieved by inculcating in the Korean populace the Confucian values of loyalty, filial piety, and harmony. One of his very first deeds as president was to place greater emphasis on traditional values. Efforts to promote exports were accompanied by slogans such as 'loyalty to the country through export'.

Once the goal of export-led industrialisation was set, it was left to the chaebols, the government sponsored major conglomerates, and their competitive work force, to realise it. The chaebols are modelled after the Zaibatsu, Japan's pre-war big business groups. They are highly centralised, most being owned and controlled by the founder and his heirs through a central holding company. A single person at the top exercises authority over all the firms in the group. The enormous size of the chaebols and their diversification into non related products have allowed them to realise substantial economies of the scale, to survive the hardship of international competition, and to penetrate the lower end of foreign markets. The chaebols were promoted by the government, by way of easy access to bank loans and substantial subsidies. The rationale behind the government's policy was to concentrate resources on

entrepreneurs with proven track records, to encourage economies of scale, and to narrow the span of administrative control (Amsden, 1989).

With South Korea's cutting edge in export competition based almost exclusively on low prices, labour was a critical factor in the development process. South Korean workers were hard working, cheap and relatively well-educated. They hold the world record for the longest working week. Even at the peak of Japan's rapid growth, the famous 'not-going-home-until-midnight' Japanese never worked more than 50 hours a week. During South Korea's rapid growth, the working week approached 60 hours. Even in the late 1980s it continued to average about 55 hours (Vogel, 1991). In addition, wages were prevented from rising rapidly by a mixture of forces: deliberate political repression, an unlimited labour supply at the onset of growth, and the lack of strong union leaders.

The Korean workforce was well-educated because of the high value placed on the acquisition of knowledge, a principle strongly underwritten in the Confucian meritocratic tradition. Korean society has invested heavily in education, from the primary level upwards but especially in higher education. Between 1953 and 1963 - prior to the turn to export-led growth - Korea's literacy rate rose from 30% to 80%, implying an effective commitment to rural as well as urban education. Primary and secondary education ensured that production workers were quick to command sophisticated modern technology. The efforts made both by the society and by individuals to obtain a higher and higher level of education meant that a large pool of salaried engineers were produced, capable of facilitating the modern management of enterprises and technology transfer. The sheer quantity also meant strong competition for the best jobs and fastest promotion, thereby driving up productivity.

Although Park achieved great success in the economy, his ruthless repression in the 1970s had alienated many of his supporters. As the economic difficulties resulting from the HCI drive were further worsened by the second oil shock in 1979, for the first time South Koreans started to question the government's ability in handling



economic activities. Park's authority was shaken. Political unrest grew and finally led to his assassination.

The Korean people hoped that a democratic government might replace Park, but another coup, a bloody one, put general Chun Doo Hwan in power. Chun's coup had involved not only an exchange of fire between soldiers, but also a murderous assault on civilians. In May 1980 the university students in Kwangju, the home city of the famous opposition leader Kim Dae Jung, gathered to demand Kim's release and an end to martial law. Paratroopers were sent into the city, bayoneting both demonstrators and spectators. Their brutality outraged Kwangju residents and led to a full-scale insurrection. A week later regular troops invaded the city and killed thousands of people. The Kwangju Incident and Chun's refusal to acknowledge any responsibility for it tarnished the image of his government and denied him the legitimacy he sought. The Kwangju Incident also marked the beginning of an era of radical student movements.

Like Park, Chun promised a new age of economic growth and used this incentive as a justification for authoritarian rule. He also carried out some minor changes to convey an impression of greater political liberation. But the social and economic situation of South Korea had changed tremendously from the time when Park first assumed power. People now took economic growth for granted, what they wanted was political freedom and greater equity. Industrialisation had generated a strata of middle class reformers demanding political change and actively participating in politics, with students as their most active representatives. The downfall of the Philippine dictator Marcos in early 1986 encouraged the opposition in South Korea to press their demands with greater determination. Throughout Chun's and his chosen successor, General Roh's, rule, especially in the second half of the 1980s, student protests and workers' strikes and their violent confrontations with the police became common in South Korea.

In January 1987 a Korean student was tortured to death at the hands of police interrogators. This incident provoked more people to participate in violent

demonstrations. On the 10th of June, the day Roh assumed the mantle of the ruling party, Seoul erupted in the worst street fighting since 1979-80, and it quickly spread to other cities throughout the country. In the face of extensive student demonstrations Roh finally declared a reform programme. It included an endorsement of direct presidential elections, restoration of civil rights for political prisoners, and a number of other political and social reforms. The South Korean democratisation process took a sharp turn. Since then South Korea has developed steadily and less violently towards democracy. In 1992, after 31 years of military rule, South Korea elected a civilian president, Kim Young Sam, in an orderly and fair election. In June 1995, for the first time since Park's coup, governors, mayors and county chiefs were elected.

At the economic level the development strategy of the Chun government was a continuation from the Park era, with more emphasis on economic stabilisation and to a certain extent, on liberalisation. Overall, the Korean economy did well in the 1980s, expanding at an average 8.3% every year. But it started the decade in some difficulty. Investments related to the HCI drive and the Middle East construction boom had put tremendous pressure on the economy by the end of the 1970s. The huge demand for skilled workers in the HCIs also resulted in substantial real wages increases which further eroded Korea's export competitiveness. On top of these developments, the economy was hit by the second oil shock of 1979 and by the political uncertainty following the death of Park. As a result, GNP growth in 1980 became negative for the first time since the 1950s, and the inflation rate soared to nearly 40%. Under these circumstances, the Korean government had to shift its emphasis from growth to stabilisation. Park announced the stabilising package in March 1979, and Chun carried out his unfinished plans.

Major stabilisation policies included restrictive fiscal and monetary policies supported by an informal income policy. Salaries of civil servants and public enterprise employees were held down in order to induce private sector wage restraint. Moral persuasion was again an important part of the plan. A campaign was waged to promote 'burden sharing', which urged workers to demand fewer wage increases, farmers to accept fewer subsidies, businesses to refrain from price hikes, and

households to spend less and save more. By 1982 the inflation rate was down to a single digit. By the mid-1980s the Korean economy was ready to take advantage of the favourable international economic conditions and advance at a rapid pace. Together with stabilisation efforts, various liberalising measures were introduced in response both to the American pressure and the government's inability to manage the increasing complex economy. The financial sector was liberalised, industrial policy rationalised, and the public sector privatised, but the Korean government still controlled and operated the economy with detailed regulations (Sakong, 1993).

In spite of the impressive growth rate, many problems appeared from the late 1980s. One of the most serious was the concentration of economic power in the hands of the chaebols. The Korean chaebols had grown into mega-conglomerates. The Fortune list of 500 international private non-oil-producing firms in 1986 included ten from Korea as against seven from all other developing countries combined. Under Park's rule the chaebol had played a subordinate role to the government. Under Chun's regime, however, the traditional relationship between the government and chaebol was perverted. 'While Park promised the chaebol rewards if they supported the policy of export-led growth, Chun apparently promised favours if the conglomerates contributed to his personal and political slush fund' (Bello & Rosenfeld, 1992: 72). With a virtual monopoly of South Korea's economy and no discipline from a corrupted government, the chaebol acquired huge amounts of wealth and gradually seemed willing to challenge traditional power holders. The bid for the presidency from former Hyundai Chairman, Chung Ju Yung, on the basis of Hyundai's economic might and organisational capabilities had alerted the Korean people to process whereby economic wealth could be transferred into political power.

Another serious problem was the conflict between a commitment to productivity and a concern for the rights and needs of the working class. Political reform in 1987 opened the door to a long-suppressed social conflict between labour and management. The demand to rectify the worsening distribution of income by militant labour movements secured a 60% rise in average wages between 1987 and 1990, and wages have continued to rise faster than productivity since (Bello & Rosenfeld,



1992). Although the wage rises of Korean workers do not compare to the increases in the chaebol's wealth, they have critically affected Korea's export competitiveness which was based largely on cheap labour. Clearly, if South Korea was to stick to the export-oriented development strategy, domestic industry would have to concentrate on more capital- and technology-intensive production. Given the need to develop the long-postponed social welfare system, to upgrade the public infrastructure and to meet the demands for higher incomes, no Korean government in the 1990s could continue to direct most of its investment to a few chosen chaebols as Park had done in building up the HCIs.

## **1.2 Taiwan**

The modernisation effort on Taiwan started with Qing China in the 1880s when Taiwan became increasingly important as the front line in its defence of the mainland. It was interrupted by the colonisation by Japan, starting in 1895. The colonial experience of Taiwan was very similar to that of Korea. After a harsh period of consolidating their colonial power, the Japanese went on to develop Taiwan as an agricultural appendage to their home country. This brought capital and new agricultural technology to farmers and increased the production of rice and sugar among smallholders. The Japanese also made a six-year term of elementary education compulsory in order to impart basic literacy and other skills and to indoctrinate the Taiwanese in loyalty to Japan. In the 1930s, however, Japan's policy on the economic development of Taiwan was changed due to its gradual war involvement in Asia. Taiwan, as the stepping stone to the South Seas, was developed into an industrial base that could process raw materials coming from Southeast Asia to serve the imperial war machine (Barclay, 1954).

As in Korea, the Japanese in Taiwan left behind extensive railways and roads, a modern telephone and communications grid, an effective administration system, a better-educated people, a small but growing manufacturing industry, and a highly developed agricultural sector. Although much of the infrastructure was destroyed by

bombing during the Second World War, the Taiwanese who had gained experience in Japanese developed industries or commercial markets were able to seize opportunities to set up their own business.

With Japan's defeat in the Second World War Taiwan was returned to China. At the time China was governed by the Nationalist party (the Kuomintang, or KMT), which was engaged in a civil war with the Chinese Communists. The KMT mobilised Taiwan's economy to support their battle on the mainland. It devastated Taiwan's economic base and caused soaring inflation. The Nationalist administration in Taiwan also treated local people arrogantly, as colonised people. The deteriorating conditions of life and the second-class treatment soon turned the original enthusiasm of the Taiwanese into resentment, and eventually resulted in the bloody riot of February 28, 1947. Thousands of people, many of them lawyers, teachers and students, were killed by KMT troops. The February incident had a profound effect on Taiwan's social character and subsequent development. On the one hand, it triggered the antagonism of the Taiwanese against mainlanders and the KMT regime. On the other hand, it weakened the force of the island's social elites and taught the locals how dangerous it would be to defy a brutal government.

In 1949 the KMT headed by Chiang Kai-shek was defeated by the Communists on the mainland. Chiang retreated to Taiwan, bringing with him the formal national-level party and government structures and two million refugees, predominantly soldiers and bureaucrats. At the time, the indigenous Taiwanese population numbered around 6 million, most of whom had immigrated from the mainland China over the past several hundred years. The mainlanders who arrived in the late 1940s occupied most of the civil and political positions and virtually imposed a one-party dictatorship on the people of Taiwan. The resulting political and social differences created an enormous gulf between the Taiwanese, descendants of the Chinese who had migrated to Taiwan before 1945, and the mainlanders, the Chinese who arrived in Taiwan after 1945.



The economic future of Taiwan in 1949 seemed bleak. It had few natural resources apart from harbours and cultivated farmlands. World War II and the civil war on the mainland had also exacted a heavy toll on the island. When Chiang arrived he faced a crumbling infrastructure, rampant inflation, and stagnant industrial and agricultural production. The problems became even more acute when two million new comers had somehow to be absorbed into the economy. But the KMT had an unusually dominant position in Taiwan. Politically Japanese colonial rule and the brutal repression of the February uprising had left the local population submissive and leaderless. Facing no internal opposition and having no social base within Taiwan, the transplanted Nationalist government had substantial scope for manoeuvre. Economically, it had inherited all the productive assets which used to be the monopolies of the Japanese. With financial and technical support from the United States, the KMT was able to proceed to create a self-sufficient economy.

The first stage was land reform. Apart from the pressing economic consideration of raising agricultural production to feed the suddenly enlarged population, land reform was important to the KMT ideologically and politically. The founder of the KMT, Dr. Sun Yat-sen, had envisaged a society with 'land to the tiller'. When the KMT was in control of the mainland it had been unable to initiate land reforms because the landlord class was its major basis of support. This had cost the KMT dearly. Since the Chinese population was overwhelmingly dominated by landless peasants, the Communists' concerted efforts to redistribute land had won widely spread popular support. On Taiwan, the KMT was anxious not to make the same mistake, and conditions there made it much easier to implement land reform. Coming from the mainland the KMT had very few links with the indigenous gentry, and they had no land to lose themselves.

Land reform extended farm leases, lowered farm rentals, sold public land to small farmers at cheap prices, and limited individual land holdings. Thirty-seven percent of total cultivated land, 320,000 hectares, was redistributed. Stimulated by these reforms, agricultural productivity increased dramatically. Land reform also created the conditions for a more equitable distribution of rural wealth, even though the

KMT had not carried it out with social justice in mind. Finally it produced a group of entrepreneurs. Many previous landlords, armed with collateral from government compensation, became small businessmen (Koo, A.Y.C, 1968; Yager, 1988).

Throughout the 1950s, while agriculture production was being consolidated, an import substitution strategy was also adopted. The agricultural surplus was directed to the industrialisation effort. Multiple exchange rates, tariffs and import quotas were used to protect new industries. It was a successful strategy: during this period Taiwan's economy grew by an annual average rate of 8.2%. By the end of the decade Taiwan had a canning and food-processing business, a textile industry and its own cement, plywood and glass factories (Lin, 1973).

By the end of the 1950s Taiwan faced a choice between upgrading import-substituting industrialisation and exporting surplus industrial goods. As in the Korean case, the United States played an important role in the decision making process. In the late 1950s, American officials made it clear that they intended to end economic aid but were prepared to support an industrial drive based on export growth. As the gains from agricultural exports were reaching a plateau and could not finance further industrial-substitution, it was essential to find alternative sources of foreign exchange. Under these circumstances, it seemed wise to follow the Americans' advice.

In Taiwan there were a number of factors conducive to economic growth by the early 1960s. The past decade's industrialisation had built a solid industrial base. The rural labour force released by the increased agriculture productivity had acquired important experiences in rapidly growing industries. The abundant labour force was better educated than that of most developing countries and cheaper than that of the developed world. The infrastructure left by the Japanese, though declining, was still able to sustain increased economic growth. And more importantly, Taiwan enjoyed political stability and a government committed to economic development.

Immediately after retreating to Taiwan the KMT's top priority was to retake the mainland. They had no intention of staying on, and thus made no long-term plan for Taiwan's development. By the early 1960s, however, it was clear that their ultimate goal could not be achieved in the near future. A series of clashes broke out between the mainland and Taiwan which demonstrated to the KMT that the security of Taiwan could only be guaranteed by backing from the United States. But the Americans also made it known that they were not prepared to support any KMT effort to recover the mainland. Thus the KMT's conception of Taiwan was transformed from a military base to the new homeland. Retaking the mainland moved down the list of priorities, and economic development was put at the top of the policy agenda. Developing a strong economy was also important for legitimating and consolidating the rule of the KMT. Like the Park regime in Korea, the KMT did not have much popular support in Taiwan. The promise and delivery of a better living seemed a viable way to achieve a firmer popular base.

It has been mentioned that the KMT government on Taiwan was strong. It was also capable and relatively free of corruption. After the devastating failure on the mainland, the KMT was determined to build a secure Taiwanese base. Corruption was curtailed by strict and detailed regulations which controlled government officials' interactions with local businessmen or any susceptible interest groups. It was easier for Chiang to regulate his officials because only his loyal allies had followed him to Taiwan, most of whom were the cream of his previous political and bureaucratic system on the mainland. The KMT government consciously presented an image of itself as a morally correct government, and in true Confucian fashion, promised prosperity in return for the Taiwanese people's obedience.

While the political leadership determined Taiwan's priorities and policies for national development, its economic transformation was managed by a group of officials. Most of them had a background in science or engineering rather than economics or business. Without fixed rules to follow, Taiwanese economic policy makers were relatively practical and flexible. They saw economic activities as scientific



experiments which could be adjusted in response to conditions and they believed in social engineering.

The major instrument deployed to regulate the economy was state control of the banking system and big enterprises. Beside the state-owned Central Bank of China, which has the power to set interest rates, the government controlled practically all the commercial banks. This ensured the dominant position of the state in the financial sector. In addition, the government engaged directly in economic activities through a relatively strong sector of state enterprises. When the KMT took over Taiwan, the enterprises belonging to the Japanese were turned into state owned businesses. Due to the fast growing private sector encouraged by the KMT government, the state enterprises' share in industrial production declined continuously. At the end of the phase of import-substitution industrialisation, state enterprises accounted for around 40% of industrial production. By the early 1980s, their output only made up about 20%. However, these figure do not convey the actual weight of the state sector. State enterprises dominate strategic sectors ranging from petroleum, steel, railways, power stations, to shipbuilding and telecommunications. They operate on a large scale and are the major suppliers of energy, raw materials and intermediate products in Taiwan. This has created a situation whereby private enterprises depend heavily on the public sector (Pang, 1992).

What made Taiwanese products competitive in the international market, however, was ultimately cheap labour. Land reform and improving agricultural productivity had released an abundant labour supply. Strict government regulations and the dispersal of labour in small businesses limited the bargaining power of Taiwanese labour, and thereby help to ensure continuing low wages. Even among the East Asian NISs, the wages of Taiwanese workers were the lowest. In 1972, skilled labour in Taiwan earned an average of US\$72 per month, compared with US\$102 in South Korea, US\$122 in Hong Kong, and US\$183 in Singapore (Chung, 1987).

This cheap labour force was also relatively well-educated. As noted earlier, extensive public education began during the Japanese colonial period. In 1943, for example,

70% of all school age children were enrolled in school. As in Korea, however, the Japanese did little to promote higher education. Later, the government of Chiang Kai-shek devoted a large part of its budget to education and emphasised equal opportunity through competitive exams. As a result, the adult literacy rate increased from 45% in 1946 to 92% in 1986. Even more important was the improvement in student enrolments in high schools or vocational schools, which increased from 28.3% of the relevant age group (15-17 years old) to 72% between 1966-86. The much improved high school education produced an abundant supply of skilled workers who were in great demand from the increasingly sophisticated industrial sector (Metraux, 1991).

Another important agent of economic development in Taiwan was the new stratum of entrepreneurs. Traditionally under the influence of Confucian thought, business was a profession to be looked down on. Every man's dream was to become an official or an intellectual. In Taiwan under the KMT, however, while academic opportunities were open to everyone, most of the civil posts were filled by mainlanders. Doing business therefore provided an attractive alternative route to upward mobility for the local Taiwanese. They were eager to respond to entrepreneurial opportunities. Since the 1960s, the government had consciously promoted private business. To this end, it limited foreign investment so that local firms could gain strength without being displaced by multinationals. The relatively open credit market and the high rate of savings made it easier to get started. The relatively high level of education also enabled Taiwanese entrepreneurs to learn the relevant skills quickly. And the support of family in finance and labour helped them to endure economic hardship. As a result, entrepreneurs have flourished in Taiwan.

Closely related to the rise of entrepreneurship was the proliferation of small-scale, export-oriented family business. Small businesses have played a major role in developing Taiwan's overall manufacturing capacity. In 1986 enterprises with fewer than ten workers made up nearly 70% of all businesses (Long, 1991). In part this represents an extension of the traditional dominance of the family into the economic life of the people. An individual would normally start his or her business by

borrowing money from family members and relatives and then call on the labour of the family or the help of relatives. As the business grew and opportunities expanded the successful one would in turn help his or her family members to set up their own businesses. The goal is not individual prosperity, but rather the prosperity of the family.

The presence of many small firms was also in part a consequence of government policies. Most typically, the government has induced the multinational companies to invest and establish large manufacturing plants in Taiwan, and at the same time requested them to use local suppliers by specifying this condition in the investment licence. These terms generated a market for a host of small-scale manufacturers as suppliers and sub-contractors. The predominance of small businesses was further encouraged by factors such as Taiwan's public ownership of monopoly-prone industries, relative ease of access to finance, and the fact that incentives given to start-ups disregarded size.

The advantages of having a large number of small private businesses are many. Small firms are more adaptable to changing conditions than big ones. From the government's point of view, the small size limited their bargaining power in economic policy making, which meant that they are more manageable. The large number of small businesses also help to keep the market competitive and the entrepreneurial spirit alive. Moreover, the profusion of small businesses in Taiwan played a significant role in reducing income inequality (Long, 1991).

The new economic policies in the 1960s sought vigorously to encourage private business and foreign investment for export promotion. Preferential interest rates were set up to generate high volume of private savings which came largely from the prospering peasantry. The money was then lent to local businessmen at subsidised rates to establish exporting industries. The government also provided them with tax incentives, subsidised cheap raw material and administrative assistance. In 1966 the first export-processing zone was set up to attract foreign investment. Firms in the zone enjoy all the privileges and tax incentives provided to export producers in



Taiwan but without the red tape. These policies have been successful in attracting a growing number of large-scale foreign-owned assembly plants and generating a pool of local small business to supply them.

During the 1960s Taiwan's economy grew at an average rate of 9.7% every year. There was an enormous upsurge in industrial output and in exports. Manufactured goods became the dominant component of exports, replacing agriculture products. Textiles overtook sugar as the most important export contributor in 1965, and electrical machinery and apparatus and plywood also became major contributors. This brought about a radical transformation in the economic structure of Taiwan. From a country that in 1960 prospered on agriculture, it had by 1970 become an economy that relied primarily on the industrial sector for economic growth.

But new problems arose in the early 1970s. Manufacturing industry had grown too fast for the island's infrastructure to support it adequately. Limitations on transportation and communication had put a serious break on industrial output. Rising labour costs had eroded the competitiveness of Taiwan in a world market where more and more new low-cost entrants had appeared. Also hit by stronger western protectionism, Taiwan's exports, the main contributor to economic growth, were under serious threat. These inherent structural problems were accentuated by the first oil price shock of 1973-74 and the following global recession, which effectively slashed the double figure growth rate in the earlier years to a mere 1.1% in 1974.

The situation was further worsened by diplomatic setbacks. In the early 1970s China ended its self-imposed isolation and sought to build wider diplomatic relations with the West. No country could ignore a vast potential market of one billion people for the sake of the island of Taiwan. Between 1971-72, Taiwan was expelled from the United Nations, President Nixon visited Beijing, and finally Japan undermined Taiwan by establishing relations with Communist China. Taiwan became more isolated and less secure.

Against this backdrop the Ten Major Development Projects were announced in November 1973 by Premier Chiang Ching-kuo, the son of Chiang Kai-shek. This initiative addressed the needs to tackle economic problems as well as to boost the morale of the people. Three of the projects aimed to develop capital- and technology-intensive industries by building a shipyard, an integrated steel mill and a petrochemical complex. The rest concentrated on building a new highway, railroad, harbour, airport and nuclear power station to improve Taiwan's infrastructure. The Projects comprised nearly 30% of Taiwan's total fixed capital formation in the mid- and late seventies. This huge government spending enabled Taiwan to weather the impact of severe world-wide recession and helped the economy make a quick and full recovery (Long, 1991).

Most of the projects were completed by 1979. They were counted so successful that the government immediately announced Twelve New Projects. Again, these projects emphasised communications, transport systems and power stations. Some of them were actually the second stage of the earlier set of projects. Since then more projects of a similar nature have been planned by the KMT government, and have accelerated the economic transformation and improved people's lives.

The KMT government undertook the task of upgrading the industrial structure directly through state-owned enterprises. The government played a major role as both investor and operator in creating some heavy industries like steel, upstream petrochemicals, and shipbuilding. These industries gradually began replacing foreign importers in intermediary and capital goods supplies. The upgrading policy also led to further industrial transformation: the agricultural processing industries declined in importance in favour of electronics, electrical goods, iron and steel, and petrochemicals.

In contrast to the HCI drive of South Korea, the expansion of heavy and petrochemical industries in Taiwan was carried out in a less aggressive and more incremental manner. Apart from expanding state enterprises, the government relied mainly on general incentives and the provision of infrastructure and institutional

supports to steer the private sector in the desired direction. This reflected the conservative nature of Taiwan's overall economic and fiscal policies, which was decided by its vulnerable position in international trade and the technocratic style of decision-making. The diplomatic isolation of Taiwan had exerted great pressures to maintain and foster international economic ties as a surrogate for political ones. This dependency on international trade and the small size of Taiwan made a 'big push' strategy more risky. Moreover, in contrast to the personal involvement of Park in South Korea, technocrats were the major economic policy makers. They did not enjoy the near absolute power of Park. Their rather distant relationship with private businessmen, which was designed to curtail the problem of corruption, also favoured an incremental approach (Li, 1988).

The establishment of heavy industries in Taiwan paid off well: its economy grew by an annual average of 8.9% in the 1970s. The industrial upgrading policy was carried on through the 1980s with the emphasis on more technology-intensive industries, and has been pursued into the 1990s with the aim of moving into high-tech industries. It seemed a natural response to the combined problems of the increasing protectionism of the trade partners, intensified competition from other less developed countries, and rising wages and more expensive land in Taiwan.

The second wave of industrial upgrading started from the late 1970s with greater emphasis on technological upgrading and the development of an indigenous scientific, engineering and research base. The second oil shock hastened the trend. As before, the government relied on a mixture of foreign investment promotion, direct involvement and incentives to the indigenous private sector to complete this transformation. The electronics and information industries were singled out as the main target. Specialised non-profit organisations were created by the government to conduct R&D and to assist in its dissemination to the private sector. And in 1980, another industrial park was established, which offers the usual package of incentives but is only open to science-based companies.



During the 1980s, despite the slower growth of world trade and world-wide protectionist sentiments, Taiwan was able to sustain remarkable economic growth at an average annual rate of 8.2%. Exports continued to grow with a range of upmarket products such as personal computers and scientific equipment and more diversified destinations. Taiwan began to run a string of large trade surpluses. By the end of the decade the official foreign exchange reserves ranked behind only Japan. The liberalisation of the economy has taken place since the mid-1980s, as a response to the pressure from trading partners and the growing complexity and openness of the economy. Import restrictions were lowered to a minimum, with the exception of agriculture, low tariff rates were adopted, and capital flows became freer.

Encouraged by previous successes, the KMT government launched ambitious new plans for the 1990s. The Six-Year National Development Plan was designed to upgrade Taiwan's outmoded infrastructure and generate growth momentum by a huge infusion of government expenditure. 'Ten newly emerging industries' and 'eight key technologies' were identified as the high-tech areas which manufacturers should shift to. Government expenditure on R&D increased sharply, foreign technologies were vigorously sought after, and again, low-cost loans, tax holidays and cheap public land were offered to high-tech industries.

This time, however, the KMT government has seen a different response from the export industry. Instead of moving upmarket, they have moved off-shore to the Chinese mainland and surrounding less developed countries. According to the Ministry of Economic Affairs, total investment on the mainland by Taiwan businesses was around \$10 billion in the 1989-93 period. Given the fact that many businessmen went to the mainland behind the government's back, the real figure could well be much higher. The Economist's estimation of Taiwanese investment on the mainland was US\$20 billion (The Economist, 10 October 1992). As a consequence, the government is now having great difficulties in steering the course of Taiwan's economic development. This is partly because the growing complexity of the economy has made it less manageable. But more importantly, the KMT

government is losing its capacities in regulating economic activities because of the rapid political development.

In the late 1980s a startling turn towards democracy occurred in Taiwan. It was brought about by the KMT itself under growing international pressure and escalating demands from a new middle class at home. Internationally, the economic reforms led by Deng Xiao-ping on the mainland had improved the image of the Communist China beyond recognition. Autocratic Taiwan could no longer present itself as a democratic heaven in contrast to a grimly totalitarian mainland. Just as importantly, US-backed dictatorships around the world were crumbling. The fall of Marcos in Philippines in particular, had provided a lesson that no regime could ignore popular demands indefinitely. At home, the KMT was rocked by a series of scandals. Meanwhile, rising living standards and exposure to American democratic values, prompted a younger generation, which had not experienced the bloody oppression of the late 1940's, to demand more political rights and freedom.

Chiang Ching-Kuo recognised the need to change and instituted political reform from above. His own prestige as the chairman of the KMT and president of its government was crucial to its success in the face of the resistance from the old guard. Starting from March 1986, Chiang formed a 12-member committee to discuss political reform and instructed the Party to open talks with the opposition. He then indicated that martial law would be lifted and new political parties allowed. The first opposition party was founded in September 1986, and many others followed. Although they were still technically illegal under martial law, the government actively sought a dialogue with the new parties and allowed them to compete with the ruling party on an equal basis. In July 1987, martial law was officially terminated. Constitutional rights such as freedom of assembly and association to the people, which had been suspended since 1949, were restored. Press freedom was extended in January 1988 when the newspapers were allowed to double in size to 24 pages each, and new publications permitted to establish themselves following the lifting the restriction on new launches originally introduced in 1951.

The political transformation was gathering momentum when Chiang died in January 1988. Despite attempts by the KMT's old guard to turn back a reforming tide, Chiang's hand-picked successor Lee Teng-hui, with the backing of the reformists who had been given high office by Chiang, was able to pursue reform with no less gusto than his predecessor. From 1988 Taiwanese people have been able to visit the Chinese mainland and trade and cultural exchange activities between the island and mainland have increased dramatically. Electoral reform was undertaken to make the parliament more representative. In 1991, for the first time ever, Taiwanese people had the opportunity to determine a majority of the National Assembly seats by casting a ballot. Since then more multiparty elections have been held, and the first direct presidential election by popular vote was held in 1996. The KMT also pledged to reform itself. At its 13th Congress in July 1988, the Central Committee was, for the first time, elected rather than nominated. At its 14th Congress in August 1993, the party chairman was, again for the first time, elected by a secret ballot rather than by the public and docile acceptance of the Party's decision.

It is noteworthy that the KMT garnered 71% of the popular vote for the Assembly, and captured 15 of the 23 contested mayoral and magistrate positions in the local election. Even under full democracy, the KMT continued to enjoy substantial political power and support. This suggests that most voters are pragmatic and concerned with stability and economic prosperity when it comes to choosing their leaders (Leng & Lin, 1993). However, even though the KMT holds a veto-proof majority in the government, they still have to face challenges from interest groups spawned by the new liberal political climate.

Local capitalists have started to exert more influence on economic policy-making because their wealth is sought after by wide spread interests in election campaigns. The growing middle class demand more political participation in politics and a higher quality of life. Workers want a greater share in the prosperity of Taiwan. The public sector has been especially badly hit by strikes, not only because public enterprises tend to be large, which encourages labour militancy, but also because it was hard for them to withstand worker demands by turning to illegal immigrants.



Environmentalists, who are gaining more and more weight, have forced the cancellation of a plan to build the fourth nuclear plant. Among these competing forces, the KMT government has more and more difficulty in designing and realising the future of Taiwan.

### **1.3 Concluding remarks**

The success of South Korea and Taiwan has not been achieved overnight. The foundations of the modern economy were laid during the colonisation period. Although the Japanese developed Taiwan and Korea for their own needs, the infrastructure, industries and better educated labour they promoted had the unintended effect of helping later economic development. The substantial inflow of American aid and technical assistance designed to build strong anti-communist bastions in East Asia was also an important factor boosting their economies.

But these external factors, though important are not a sufficient basis for explaining the rapidity of their recent economic growth. We need to look at the internal factors. One such factor was the strategy for stimulating growth through the creation of an export-oriented economy, which was designed and implemented by the governments of both South Korea and Taiwan. The development of education at all levels was also important. But the major player in the development process of both these economies was the government, which designed economic policies, provided investments and raw materials, and directly controlled the operations of key enterprises, the chaebols in the case of South Korea and the state-owned enterprises in the case of Taiwan. With the help of a diligent and highly educated labour force, the governments of both societies have staged an economic and social transformation with unprecedented speed.

## **Chapter 2**

### **The Development Process in Singapore and Hong Kong**

Of the four East Asian NISs, Singapore and Hong Kong are both small city-states that began as British colonies in the nineteenth century and owed their early prosperity to their role as regional entrepôts. Their economies have remained open and outward-looking ever since. The rapid economic development of these two societies, however, came with labour-intensive manufactures for the world market. Hong Kong was forced down this road in the early 1950s when its entrepot trade was closed off by embargoes. Singapore followed the example of Hong Kong in 1965 after its separation from Malaysia. From the 1970s both economies went through an export upgrading process. They also moved into the finance and service sector, with revived entrepot trade. Rapid economic growth has brought a dramatically improved standard of living. Real per capita income in both cities has risen by over 5% every year since the mid-1960s. They are now already better off than many EEC countries.

#### **2.1 Singapore**

Singapore is a multi-ethnic city state. Of its 2.7 million population, 76% are Chinese, with Malays making up the biggest minority group at 15%, and the rest being Indians 7% and others 2%. The modern history of Singapore began in 1819 when the British established control of the island then inhabited by about 120 Malays and 30 Chinese. But its real development started in the last quarter of the nineteenth century following the opening of Suez Canal and the extension of British control over the rich hinterland of the Malay states. Because of its ideal geographical position on the Malacca Straits trade route, the major waterway from Europe to the Far East,

Singapore prospered as the entrepot for South-East Asian raw materials and western manufactured goods. The trade also stimulated the growth of a preliminary processing industry, an infrastructure, communication system, together with commercial institutions and expertise. By 1941, Singapore had become one of the world's wealthiest and busiest ports.

Increasing economic prosperity attracted large numbers of Chinese immigrants in the early years of the Century. By the outbreak of World War I they constituted a little over three-quarters of Singapore's population and have maintained that proportion ever since. The Chinese were open to contact with European officials and quick to seize economic opportunities. They soon established a major presence in trade, shipping, banking and industry. The Malays found themselves submerged in a European-ruled Chinese city and faced strong competition from the Chinese in economic life (Parmer, 1983).

The Pacific War (1941-45) brought political oppression and the hardships of inflation and food shortages to the island, but it also weakened British control and led to gradual decolonization. In 1959 the first Singaporean government which took control over all domestic affairs from the British was established by the People's Action Party (PAP) after a resounding victory in a popular election. The PAP was led by Lee Kuan Yew, a charismatic English-educated lawyer who advocated a moderate nationalist platform that included the provision of social services, economic development, and merger with Malaya. Lee had gained wide support from the working-class through the strategic employment of strikes organised by the PAP's left wing.

In 1959 Singapore's economy was dependent upon international entrepot trade, with services to British military bases as a support. However, it had been badly disrupted by endless strikes and demonstrations, many of them organised by the PAP, and the rapid population growth resulting from immigrant inflow added another burden. The unemployment rate in 1959 was estimated at 13.5%. Given a population growth rate which averaged 4.5% during the 1950s, maintaining real incomes and employment



became a major political and economic challenge for Lee Kuan Yew (Turnbull, 1977).

The initial economic policies of the PAP government were centred on improving social services to fulfil its electoral promises, and preparing for merger with Malaya. Housing and education accounted for nearly 30% of public investment under the 1961-1964 State Development Plan. But integration with the Malaya peninsula was seen as the principle means to restructure the economy and alleviate unemployment. Because Singapore lacks natural resources and a sufficient domestic market, the merger would provide it with the opportunity to industrialise by manufacturing for a much larger market.

The merger finally took place in 1963. After almost 20 years separation, however, urban, commercial, socialist and Chinese-dominated Singapore was incompatible with rural, communal, conservative and anti-Chinese Malaya. Their economies, both industrialising, were competitive instead of co-operative. For Singapore, the merger accentuated the ethnic and religious tension between the Chinese and Malays. For the Malaysia federation, the merger had made the Chinese the largest single community in a united Singapore/Malaya. The economically aggressive and politically ambitious Chinese from Singapore seriously endangered the course of Malay nationalism. In 1965, Singapore was expelled from the Malaysia federation and became independent with full sovereignty over its territory.

Singapore's expulsion from Malaysia destroyed the basis on which Lee and his colleagues had considered the state viable. The prime minister publicly lamented in tears this 'moment of agony'. However, in spite of the failure in Malaysia, the PAP government was in a strong position at home. People were happy with a stable government after years of political turbulence. They also appreciated the government's efforts in providing housing and other public services. Furthermore, the crisis of survival had drawn Singaporeans into a more cohesive solidarity.

The first problem for the PAP was to create a feeling of nationhood. Because the Chinese majority and the other minorities differed in language, religion, and culture, the government sought to create a unique kind of Singaporean identity and sense of values which could transcend differences. To this end, discipline, hard work, propriety, self reliance, respect for worldly success and desire for material gains were promoted as the distinct features of the new Singaporean identity. However, since the Chinese made up the majority of the population and Lee himself is Chinese, it is not surprising that these 'Singaporean values' bore a strong resemblance to Chinese traditional values and more particularly to Confucian values (Turnbull, 1977).

Vital as the promotion of national identity was, the biggest problem facing the PAP government was the economy. Singapore was born in a series of political, economic and ethnic crises. Given its multi-ethnic societal structure and its very small size, economic prosperity was the only means to provide a certain degree of bargaining power in dealing with its big and unfriendly neighbours. The early years of independence fortunately coincided with a time of world prosperity; and its economy grew with the increase in international trade. But in the longrun the entrepot trade could not generate adequate employment for the increasing population. Therefore modernisation and economic development were the overriding priorities for modern Singapore.

Since the prospect of industrial integration with Malaysia was shattered by the separation, the government turned to the strategy of export-oriented industrialisation, the only practical alternative. To achieve this goal, the PAP set out to attract multinational companies. They seemed to be ideal because they would bring investment and technical expertise to Singapore, and provide direct access to overseas markets. Incentives were offered to attract foreign investment, but with little success in the beginning. Investors were sceptical about the active labour movement in Singapore and the PAP's ability to maintain political stability. It was not until the PAP subdued the labour movement and created a more favourable environment for business that the multinationals started to arrive.

In January 1968 the British decided to withdraw from their Singapore bases within three years. Britain's spending in Singapore accounted for 25% of its gross national product and had been vital to its economic growth. Thus, the British withdrawal would deal a double blow, to Singapore's security and to its economy. Citing the need to respond to the new crisis, an early election was called in April 1968. The result was a stunning success for the PAP. They won all of the legislative seats. Since then, the PAP have won all elections and have built in effect a one-party state.

The PAP did not hesitate to use its power to develop the economy. Its first move was to provide a predictable and stable pattern of industrial relations for investors by enforcing stricter labour discipline. Already, a legal framework for the orderly management of industrial conflict had been established in 1960; and the PAP controlled National Trades Union Congress (NTUC) was created in 1962 to replace the 'leftist' unions, Lee's erstwhile allies. In 1968 new labour laws were introduced, which reduced a whole range of workers' benefits, downgraded collective bargaining power and gave management full discretionary power over dismissal, promotion, transfer, and other vital issues in labour-management relations. As a consequence the potential for confrontational industrial relations was greatly reduced (Haggard, 1990).

The strict control over labour was based on the PAP's argument that the survival of Singapore had to be placed above all other considerations, that economic survival could not be separated from political survival, and that survival demanded individual self-sacrifice for the national interest (Rodan, 1989). In 1969 a labour modernisation seminar was organised to set up new goals for the labour movement under the NTUC. It was decided that collective bargaining was counter-productive in the new climate, and that confrontation had to be replaced by co-operation with management and government. What new-style trade unionists should do is to 'think out ways and means of how workers can get a greater share of the growing cake without slowing down the rate of development' (Rajaratnam, 1987: 277).



As a result, 1969 became the first strike-free year since the PAP came to office. Throughout the 1970s key positions in the NTUC were filled with members of the PAP. By the 1980s, Lee Kuan Yew had successfully created one of the world's most docile labour forces. The aura of stability projected by Lee's authoritarian regime has become the most important factor in its appeal to multinational corporations. As shown in a 1985 study of manufacturing firms, 69% of the 67 wholly owned foreign firms surveyed listed political stability as their main reason for investing in Singapore (Milne & Mauzy, 1990).

Apart from being compliant, Singapore's labour force was of a relatively high quality and low cost. Compared to the workers in most developing countries, Singaporean workers were better educated, and to a large extent English-speaking. At the same time their wages were much lower than those of any industrialised country. Government guidelines have kept the average wage in manufacturing the lowest of all occupational groups in Singapore - even below agriculture and fishing. When labour shortages appeared along with Singapore's rapid economic growth, the National Wages Council was established in 1971 to set up guidelines for wage increases at the national level. In principle its recommendations are only indicative, but they have been strictly followed by the public sector, and the private sector is also highly influenced by them (Fong & Seow, 1983). Although Singapore's labour costs have never been as competitive as those of Taiwan and South Korea, the combined advantage of a high ratio of quality to cost coupled with the predictability of industrial relations and wage determination proved very appealing for multinational investors.

The government also proceeded to provide an excellent infrastructure for manufacturing and business activities. Historically Singapore's port, airport, and telecommunications system were relatively well developed due to its roles as a major port, a military base, and a nodal point in maritime communications. Later improvements after the 1960s have had the port containerised, and telecommunications converted to optic fibre. Transportation on the island was also greatly improved with a rapid transit system. And well planned industrial sites

provided ready built factories which could adapt to the different requirements of different industries.

More financial incentives were offered to attract investment. While in South Korea and Taiwan the investment regime favoured local firms, in Singapore investment policy was biased in favour of foreign enterprises. For instance, the requirement that pioneer enterprises had to have investments of over \$1 million to be entitled to tax breaks automatically cuts out most private local firms since they cannot generally reach that level of capitalisation without help from the state. Some of Singapore's advantages, such as very low tariffs on imports and exports, free capital flow, unrestricted repatriation of profits and investments, and unlimited foreign equity participation, derived from its entrepot status. Further tax exemption and duty-free imports were offered to export-oriented companies. Above all, profits from the export of approved manufactures were to be taxed at only 4% instead of the usual 40% corporate tax (Castells et al, 1990).

In the new atmosphere of industrial peace and political stability, foreign investors began to pour into Singapore. By 1972 foreign or joint-venture companies accounted for nearly 70% of industrial production and 83% of direct exports. Since then the foreign capital has become a key source of Singapore's rapid industrialisation and extraordinary economic growth. As the figures for 1984 show, in the manufacturing sector, foreign owned companies generated 71% of gross output, 82% of direct exports, and 53% of employment (Chong, 1986).

Not only did the government provide a highly favourable business environment, it also directly engaged in economic activities through state and semi-state companies, many of them organised under three wholly-owned government holding companies. The government also started joint ventures with both foreign and domestic enterprises. Through these companies the Singapore government owns or participates in a large number of key industries and businesses in banking, transportation, communications, trading, shipbuilding and steel production, and other manufacturing activities. The state-owned enterprises had a total capital of S\$4.75 billion (including

holding companies) in 1985. Since the total paid-up capital of all Singapore-quoted stocks at the time was roughly S\$10-11 billion, the state sector dominated local business (FEER, 8 January 1987).

The PAP government and multinationals have together sustained a remarkable level of economic performance in Singapore. During the period between 1965 and 1973, real GDP grew at an average rate of 12.7%. The first oil shock of 1973 brought an end to this expansion however, and in 1975, Singapore registered near zero growth. But it did not take long to recover from the blow. While growth slowed considerably from its previous peak, it remained high by the standard of most countries, recording an 8.7% average rate for the period from 1973 to 1984 (Castells et al, 1990). Moreover, such growth was achieved with low inflation rates, the lowest in the capitalist economies of East Asia.

Economic growth was to a large extent based on the growth of manufacturing exports. In 1960 the manufacturing sector constituted 11.9% of GDP, by 1979 it had increased to 28.1%, and provided more than half of all merchandise exports. The change was also reflected in the employment structure, with the employment share for the manufacturing industry increasing from 20.7% in 1960 to 35.3% in 1979. During the same period, the composition of manufacturing industries also changed from a range of textiles, footwear and other leather products to one centred around electrical and electronic products and petroleum and petroleum products (Krause, 1987).

From the early 1970s, a concerted effort was made to diversify the economy and to upgrade the industrial structure in order to make it less vulnerable to international downturns. The infrastructure was improved to support Singapore's potential as an international business centre. State owned enterprises started to invest in higher-value-added and skill-intensive activities such as ship-repairing and speciality oil refining. New incentives were offered to foreign companies in specially selected fields such as electronics.



The most important move came in 1979, when the government decided that it was time to conduct the Second Industrial Revolution, aimed at transforming the island into a base for skill-intensive, high-tech, and higher-value-added economic activities, with the emphasis on advanced services rather than manufacturing. A number of policies were devised and implemented. Central to these was a substantial rise in wages, which was intended to push lower value-added, labour-intensive industries to upgrade operations. But the sharp rise in wages did not bring the expected technological upgrading of production processes. Instead, increasing labour costs undermined competitiveness with respect to other Asian NISs. Many foreign companies redirected their labour-intensive business to other countries without significant increases in skill- and technology-intensive production in Singapore.

The new policy led to a decline in profitability and a slower growth in exports. The world-wide recession of 1981-82 caused reduced demand for goods and services from Singapore. This was not reflected in Singapore's economy immediately however. The strong performance of the advanced services sector, especially the construction boom, kept the economy alive. However, when it became obvious that a major property glut had been created, Singapore's economy fell apart. In 1985, after twenty years of growth, the city-state's real GDP declined by 1.7%. The recession lasted well into 1986, and only recovered in 1987.

After the shock of the 1985-86 recession, the Singaporean government engaged in a new process of restructuring that picked up steam in 1987. Wages were again the focus, though this time the aim was to reduce labour costs. After two years of freeze in 1986 and 1987, further wage increases were linked to productivity on a company-by-company basis. The drive toward high-technology industries, which began in the early 1980s, was also intensified. R&D expenditures and government expenditures on higher education were increased. Moreover, immigration policy was reviewed to attract doctor's or master's degree holders from China and Hong Kong. More recently, the government is trying to urge both public and private sectors to 'go abroad', in search of alternative markets and niches. Since 1985 it has been allocating resources to help establish Singapore's 'second wing', a strategy which gained

momentum in 1993 as multinational companies relocated their businesses elsewhere (Elkan, 1995).

Due to these efforts, the economy has again grown at a respectable speed. Financial and business services, transport and communication, and construction have all grown at a faster speed than manufacturing. International investment continued to flow in, so that in 1990 71% of domestic exports were produced by the multinationals. The effort to move into hi-tech manufacturing also bore fruit. Singapore is now the world's largest manufacturer of disk drives, and is strong in computers, telecommunications and electronics. Nearly 90% of the value of the top ten export items are from the electronics field (FEER, 1993).

Singapore's economic success has been closely interrelated with its social initiatives. The engineering of a disciplined, orderly society has helped to create an attractive business environment. In return, economic success has empowered the government to regulate people's everyday life in considerate detail. The Singaporean government have not only provided housing and education for its citizens, they have also attempted, successfully to a certain extent, to inculcate particular values and patterns of behaviour through a combination of punishments, rewards and moral lessons.

Arguably Singapore has the most successful housing programme in the capitalist world. When Singapore attained self-rule, the new government inherited an urban housing crisis from the British colonial administration. The city was overcrowded with half of its urban population living in degenerated slums and squatter encampments. The Housing and Developing Board (HDB) was established in 1960 to provide low cost public housing and rebuild a planned city. Since then, the HDB has built 640,000 apartments and other residences as well as shops and industrial premises. By 1988, 86% of the population lived in government flats, more than two-thirds of which were owner occupied (Quah, 1983; Castells et al, 1990).

Already, by the late 1970s, the great majority of the population had been housed in government flats. The public programme began to play an important role in

encouraging desirable social values and internalising social control. Residents' Committees (RCs) based on public housing estates were launched in 1978. RCs organise activities and services for residents to promote cohesion between groups of different races and religions and to regulate dwellers' behaviour in accordance with government campaigns. For example, in a government drive against 'killer litter', objects being thrown or falling from high rise flats, RCs took an active part in channelling the message to residents on housing estates and in reporting any misdemeanours to the police and the HDB.

Public housing's role as an agent of social engineering was also evident in the promotion of the extended family as part of a national effort to restore desirable traditional Asian values. Since the late 1970s the HDB has introduced financial incentives and designed schemes to encourage married couples and their parents to live together or as neighbours<sup>1</sup>. Priorities were given to extended families in housing allocation. Special regulations were made for HDB lessees to exchange flats for the purpose of living near his or her parents or children. Incentives were given for parents and married children to live within the same dwelling unit; and in 1987 three hundred specially designed flats with an attached 'studio' flat for parents or grandparents were made available.

The PAP government's ability and determination in engineering the society is also shown in its family planning program. In the early 1960s the rapidly growing population threatened to absorb any possible economic growth. To control the rise in population, the government designed a policy of 'Two is enough', backed by cheap and easily available contraception and abortions, and fiscal disincentives for having more children. The program had been so successful that by 1987, the government had to change its slogan to 'three is better', in order to maintain the age balance of the population. This time families with three children were offered tax rebates, priority in children's school registration, and priority in obtaining larger government flats.

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<sup>1</sup> One recent incentive: a S\$50,000 grant from government to young couples buying HDB flats near their parents' home (FEER, 1 August 1996).



The control of the population was also about 'quality'. Lee Kuan Yew had strong views on the need for an elite 'talent pool' and on the importance of heredity in producing such talent. Unfortunately the birth-rate was lowest among educated women as indicated by the 1980 census. In an effort to redress this imbalance, the government has tried to encourage poorly educated, low-income couples to have less children by promising subsidies for education and housing if they limit themselves to two children. On the other hand, graduates and A-level females have been urged to marry and reproduce. The various incentive schemes have included giving better-educated mothers priority in registering their children for school, organising virtually free tours and parties for well-educated single men and women, so that they could meet, with a view to marriage. Although there have been few positive results, the government is still pursuing the matter.

While it is difficult to lead people onto the 'right' track, it is rather easier to prevent them from doing wrongs. The remarkable degree of conformity apparent in Singapore is to a large extent the result of a barrage of campaigns backed by sanctions. In one campaign, against the 'indiscriminate disposal of chewing gum', the HDB asked shop owners in some areas to stop selling gum and the government banned gum advertisements on TV. Tight regulations and deterrents are especially useful to stifle or incorporate the unorganised activities of youth. When breakdancing occurred and attracted large teenage crowds in Singapore, the police were used to disperse them and stop the dancing, on the grounds that 'things could get out of control'. A ban was quickly placed on 'impromptu dancing in busy areas', and teenagers were invited instead to dance under the auspices of the Peoples' Association (Wilkinson, 1988).

Some government campaigns were more directly related to the economy. As part of an effort to restructure the economy and increase productivity, for example, a comprehensive campaign was conducted to persuade Singaporeans of the close relation between team work and productivity and of the importance of genial worker-employer relationships. The media were important instruments in getting the message across, and for a considerable time newspapers, radio and television were

filled with exhortations to respect the 'spirit of team work'. More concrete methods were also adopted, the promotion of company welfarism being the most important. Under the new scheme the employer would take over part of the government's responsibility for providing welfare benefits for workers. It was reasoned that if workers had to look to their company's success for their own benefits, the performance of the company would become more important to them, and the bond between workers and employer stronger (Rodan, 1989).

An orderly society has been of special interest to the PAP in recent years because they perceive themselves as trying to defend and assert 'Asian values' against a rising tide of westernisation. Three decades of an open door policy and western education have resulted in an increasing number of westernised Singaporeans who are hedonistic, materialistic, and self-centred. In response the government has placed particular emphasis on an alternative set of values which can be used to strengthen a distinct Singaporean identity. To this end President Wee Kim Wee laid out a proposed set of common core values which included 'placing society above self, upholding the family as a basic building block of society, resolving major issues through consensus instead of contention and stressing religious tolerance and harmony' (quoted in Bellows, 1990: 201). The emphasis on group, family and consensus is unmistakably Confucian. Nor is this coincidence.

Confucian Ethics as a subject was introduced in schools in 1984, as one of the six options for the moral education programme. According to the text book, the perceived relevance to Confucianism in Singapore society is in that 'Confucian ethics has been introduced to Singapore in an attempt to check the powerful influence of materialistic and individualistic values on young Singaporeans. It is hoped that this moral persuasion will not only help build strong characters, but will also give our young people an understanding of their cultural roots. Moreover, the Confucian cultural tradition has much to contribute to Singapore's economic, social and political development' (quoted in Kuah, 1990: 375).

This recent celebration of Confucianism is somewhat ironic, since in the early years of independence the PAP government, which consisted largely of an English-educated Chinese elite, fought hard against threats from Chinese-educated political radicals, trade unionists and secret society leaders. Anything overtly Chinese was crushed on the grounds that it could threaten the harmony of a multi-racial, multi-cultural society. However, as the perceived threat to social order has shifted from Chinese-educated leftists to the western-inspired decadence, traditional Chinese values, and particularly Confucian ethics, have become increasingly useful to the government. Confucianism is seen as an important ideological tool for social engineering as well as an asset to promote economic development and modernisation. Its strategic promotion is manifest not only in the introduction of Confucian ethics as a 'moral education' option, but also in the 'Speak Mandarin' campaign.

The promotion of English as Singapore's common language has been government policy since 1965. This choice had three advantages: it was acceptable to all ethnic groups; it helped international businesses operating in Singapore; and it was politically effective in weakening the Chinese-educated opposition. As a result, the proportion of children enrolled in English-language elementary schools rose from 43% in 1965 to 69% in 1975 and 97% in 1985. English was intended to be the language of public discourse. But more and more people, especially the Chinese, who tended to be better educated, started to speak English at home. Worrying that desirable Confucian values might disappear along with its main medium, the government launched a 'speak Mandarin' campaign in 1979. In 1988, 87% of the population could speak Mandarin compared with 76% in 1981. By 1990, the number of primary schools teaching both English and Chinese as first languages had more than doubled (The Economist, 18 November, 1992).

In common with the other East Asian NISs the style of rule in Singapore is undoubtedly authoritarian. But it does have a form of democracy: a parliament modelled on Westminster and an electoral system. This might explain why its politics changes slowly whereas the politics in other NISs are punctuated by crisis



and sudden shifts. After opposition parties faded in the 1960s, the PAP government enjoyed a political monopoly until 1980, when the first opposition parliamentarian was elected. Since then popular support for the ruling party has gradually declined. In the 1991 election, the PAP only garnered 61% of valid votes, though they lost only four seats in the parliament thanks to the constituency representation system (Shee, 1992)<sup>2</sup>.

Singapore is now headed by a new generation of leaders. Lee Kuan Yew stepped aside in 1990 after 31 years in office, making way for Goh Chok Tong to take over as the country's second prime minister. But the emphasis was on continuity. As Goh himself put it, 'My mission is clear: to ensure that Singapore thrives and grows after Lee Kuan Yew; to find a new group of men and women to help me carry on where he and his colleagues left off; and to build a nation of character and grace where people live lives of dignity, fulfilment and care for one another' (quoted in Shee, 1991: 173). In 1993 the first president with wide veto powers in key areas of national life to act as a check on the cabinet, was elected. He was from the PAP. Although the opposition has grown in Singapore, effective political power is still firmly in the hands of the PAP. The popular protests on the streets, which became part of life in South Korea and Taiwan during the late 1980s, are yet to be seen in Singapore.

## **2.2 Hong Kong**

Among the four societies being studied, Hong Kong has the longest colonial history and is still a colony at the moment, though it will be returned to China in 1997. Its colonial history started with the rise of Britain as a leading European power and the decline of imperial China. The British began trading with China from the late eighteenth century. Initially they registered a huge trade deficit because they imported large amounts of silk and tea but could offer little in return. The situation

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<sup>2</sup> In the 1997 election, the PAP gained another resounding victory, winning all but two seats. The prime minister Goh said that the results had shown that voters had rejected western-style liberal democracy and freedom and the concept of putting individual rights over that of society (FEER, 16 Jan 1997).

changed when the British started exporting opium to China. Thousands of acres of farming land in India were forcibly converted to poppy cultivation, and the amount of opium entering China grew by leaps and bounds. Instead of silver pouring from the West into China, it now poured out of China to pay for opium.

The Chinese government tried to ban this dangerous narcotic and limit the opium trade. The British responded with gunboats which led to the First Opium War. The war produced the Treaty of Nanking, which ceded Hong Kong, a barren island but a useful naval base, to Britain. In a second war in 1860, British troops advanced as far as the capital, Peking, and hostilities ended with the addition of the Kowloon peninsula to the colony of Hong Kong. In June 1898 Britain further secured a 99-year lease on the New Territories, which comprise 946 square km of land north of Kowloon and 235 small islands. The New Territories make up the largest part of Hong Kong's overall territory. It is the end of this lease in 1997 that will eventually return Hong Kong's sovereignty to China.

Hong Kong rapidly developed as an entrepot, and handled some 40% of all China's foreign trade at the turn of the century. Although it later established trade with other Far Eastern and European countries, its prosperity was very much tied to China, relying on trade and immigrants from the mainland. Despite Hong Kong's dependence on the entrepot trade, appropriate services such as ship repairing, insurance and banking, had been developed. Hong Kong's population in 1900 stood at a quarter of a million with the majority population of Chinese immigrants ruled by a handful of British. The population subsequently fluctuated along with the situation on the Chinese mainland. The Japanese invasion of China in the 1930s resulted in mass immigration to Hong Kong. By the end of 1939 its population had reached 1.6 million. But after the Japanese occupied Hong Kong many Chinese moved back. The population in August 1945 was reduced to 600,000 (Cameron, 1978).

Hong Kong was occupied by the Japanese in December 1941. During the War trade faded into insignificance and Hong Kong deteriorated. When the Japanese finally ended their four years of military rule, they left behind a war-damaged pre-industrial

society with no evident future. The War had shattered the old social structure. During the Japanese occupation, while most Westerners fled, many Chinese stayed on under conditions of great hardship. Consequently, although Hong Kong was re-occupied by the British on the Japanese surrender, the dominant role that the Chinese had come to play in its economic and social life could not be reversed. The influx of new immigrants further strengthened the role of the Chinese. About a million Chinese refugees flooded into Hong Kong during the civil war in China, and more came after the Communist victory in 1949. By 1950 the population of Hong Kong had reached 2.3 million (Cameron, 1978).

Among the refugees were many industrialists, especially cotton mill owners from Shanghai, who brought with them capital, know-how, and initiative. They were also accompanied or followed by skilled workers. In 1947 the first spinning mill was set up in Hong Kong. Within three years, the Shanghai industrialists had transferred their textile and clothing industry from the mainland to Hong Kong. This new industry was equipped with brand new, highly modern machinery. It grew rapidly because Southeast Asia was hungry for textiles which could not be produced in sufficient quantity locally.

Despite the rapid development of the textile industry, manufacturing industry was still insignificant compared to the entrepot trade in 1950. Only about 10% of Hong Kong's exports by value were made in Hong Kong. As trade revived after the War, Hong Kong resumed its position as chief entrepot for European and American trade with the East. But its economic fortunes are deeply affected by the outbreak of the Korean War and the intensified Cold War. In 1951 first the United States imposed an embargo on imports from China, then the United Nations passed a resolution banning the export of strategic goods to China. Trade was drastically reduced and Hong Kong had to deal with a serious economic crisis.

In contrast to Singapore, there was no concerted effort from the government to save Hong Kong from this economic plight. Instead, Chinese immigrants led the new economic development process. The newly established textile industry increased its



imports of cotton from poor neighbours and exported the finished products to the United States, Britain and other rich countries. World demand in the 1950s was high, and Hong Kong benefited from preferential tariff treatment by Britain. The successful textile industry provided the basis for an even more dynamic clothing industry. Within one decade, its employment multiplied twenty-one fold. The growth of the textile and clothing industries together, more than compensated for the loss of entrepot trade. The 1950s saw Hong Kong's industrial take-off, with annual production growth reaching 20%. For the first time, in 1959, the value of industrial exports exceeded that of the entrepot trade (Youngson, 1982).

Hong Kong's success story did not stop there. Throughout the 1960s and the 1970s the textile and clothing industry continued to develop and dominate Hong Kong's overall economic development. By 1980 it accounted for 40% by value of visible exports made in Hong Kong. The road to success, however, was far from easy. The expansion of the textile and garment industries met with resistance from British home producers as early as 1957. The United States and other European countries soon followed suit, which meant that Hong Kong's textile and clothing items have since entered their export markets under quotas. But the industry responded by moving up-market as it expanded, thus enhancing the value and profits from exports while reducing their volume. The quality of cloth improved continuously, and the finished garments, with computer assisted design and production, gradually gained a stronghold in the world of fashion. In 1973 Hong Kong surpassed Italy to become the world's number one wearing apparel exporter (Peebles, 1988).

Following textiles and clothing, the electronics and electrical industries were the next export success. The first electronic plants in Hong Kong could only assemble simple radios for Japanese companies. After continuous upgrading efforts however, Hong Kong began designing simple integrated circuit in the early 1980s. A similar process occurred in the third largest export industry, the manufacture of toys and artificial flowers. It started with plastic flowers and toys made in lofts and backyards in the late 1950s. But in a short time more and more flowers were made of silk and toys became electronic.

Thanks to the conspicuous progress of manufacturing industry Hong Kong's economy grew at an annual rate of 10% for two decades in the 1960s and 1970s. This meant that Hong Kong people were getting richer, and their conditions of life were improving, at a rapid pace. The industrial expansion of Hong Kong was based almost solely on the growth of exports with 90% of its manufacturing production exported. Thus its economic performance was closely linked with the world economy. The first oil shock and the following world recession, brought Hong Kong's GDP down to 2% in 1974 and 1975. But it rebounded with such vigour that the GDP expanded by 18.8% in the next year. The fact that Hong Kong enterprises were quick to respond to changing conditions and to grasp and capitalise on opportunities was a major advantage.

Like the other East Asian NISs, Hong Kong's economic growth was led by manufacturing exports. But unlike the others Hong Kong never went through the import-substitution stage. The stress on exports was dictated more by the lack of viable options than the result of a well-designed policy. Apart from a fine harbour, Hong Kong does not have many natural resources. It has no raw materials, no fuel, and not even enough water. Given the size of Hong Kong the domestic market is not big enough to support indigenous industry. In addition, the long history of entrepot trade had made Hong Kong a free port with no trade restrictions and few tariff barriers, which has meant that there was no way to protect domestic industry. Under these circumstances Hong Kong had no choice but to trade its products.

Unlike Singapore, the major players in Hong Kong's export-led industrialisation have been local firms. In the early 1980s around 90% of manufacturing exports were originated by local companies. Most of them are small. Out of a total of 40,000 manufacturing establishments in 1980, over 90% employed fewer than 50 workers. The number of small businesses actually increased with the expansion of manufacturing industry; in 1961 the corresponding figure was 85% (Yip, 1986).

The emphasis on small-scale operation in Hong Kong is hardly surprising. As in Taiwan, most Hong Kong enterprises were family businesses owned by local Chinese. With the exception of the electronics industry, most factories were started in a small way with personal savings and money borrowed from family members or relatives. Many (about 40% in the late 1970s) were operated from domestic premises, taking advantage of cheap public housing and the government's implicit tolerance. The employees were very often relatives. The role of small businesses is even more important in Hong Kong than in Taiwan because the industrial structure of Hong Kong is almost exclusively concentrated on light industry, which does not depend too much on operational scale and capital formation.

The flexibility of small scale local enterprises has been at the core of Hong Kong's competitiveness in the world market. Very often small firms are considered disadvantaged because of their lack of capital, low technological skills, and few business connections. But these disadvantages were of less significance in Hong Kong due to the universal subcontracting practice. In 1977 about 75% of manufacturing exports were handled by import-export houses which were closely connected to the world market and were aware of the newest global trends. Trading houses provided successful designing and marketing services to small manufacturers, thus enabling them to integrate into the overall process of production. Furthermore, with an order from the purchaser small factories could negotiate loans to provide the working capital they need to carry the order out. While their disadvantages were compensated for by the merchants, the small firms have one important advantage over the larger ones, the ability to adapt to the ever-changing market situation. They could quickly change course to take advantage of an unexpected market situation or enter a newly discovered market with considerable speed. This gave Hong Kong enterprises a cutting-edge (Castells et al, 1990).

The large number of family businesses meant that the function of the family has been extended into business life. And this has greatly influenced the style of business management, as expressed by the Chairman of the Hong Kong Chinese Bank, Sir Chau:



The principles of family organisation were applied in the business unit. There were those who governed and there were those who were governed, each according to his ability but all having an equal interest in the success of the operation. Acceptance of the established order, as advocated by the Confucian school, made it possible for persons of diverse origins to fit into a family pattern (quoted in England & Rear, 1981: 54).

The relationship between employer and employee in a family-like business environment has gone beyond the wage-work exchange. Rather, the workplace is a community which provides social and emotional support to workers, and where both owners and workers work and play together. In the words of the proprietor of a medium-sized firm, 'our relationships with the craftsmen are highly personal. You can say that we are quite like one large family. I know many of the workers personally and we are quite familiar with their wants and problems' (Ann, 1977: 325).

Therefore, industrial relations in Hong Kong have stressed mutual co-operation and interdependence rather than conflict and cleavage. Many workers are disinclined to engage in confrontations with management because to the Chinese, harmonious relationships are valued highly. And since a rapidly expanding economy has made job hunting a rather easy task, it is often less stressful to change jobs than to have a dispute. Thus it is not surprising that the labour movement has been weak in Hong Kong. Few strikes take place and they are mostly on a small scale.

Peaceful industrial relations has been an important factor contributing to Hong Kong's economic growth. An equally, if not more important factor, is the high quality of its entrepreneurs and workers, the most strategic of the locally available resources. The level of education of small entrepreneurs was high for an industrialising country: 65% had secondary education, and an additional 8%, higher education. The general quality of labour was also high despite of influx of immigrants. In 1975 the adult literacy rate was 90% (Lee, 1991). Better education

generated better performances, especially in industries requiring skills. In addition to their relatively high level of education, Hong Kong people are also hard working. The Chinese are world famous for being industrious, and this is particularly true of Hong Kong. Most Hong Kong Chinese are immigrants seeking to compensate for denied opportunities. For them being able to work and achieve a better life through work is the greatest pleasure in life.

Throughout the period of rapid industrial expansion, wage increases for manufacturing workers in Hong Kong were kept well below productivity increases. Even so, the wages of Hong Kong workers were not particularly low compared to those in other developing countries. They were about twice those of Korean workers for example. But Hong Kong entered the world market at an earlier period. For instance, although textile and garments are major exports for both Hong Kong and South Korea, Hong Kong had already started to produce higher-value-added fashion products when Korea first entered the world market. In the process of moving upmarket, Hong Kong competed principally with industrialised countries where workers earned much more. In this competition the relatively low wages in Hong Kong were a substantial advantage.

It is true that the absence of active unions has limited the bargaining power of labour, but an equally important reason is that low wages were compensated for by the Hong Kong government through low taxation and large subsidies in services and goods. According to a study made by Schiffer (1983), in 1973/74, 50.2% of blue-collar household expenditure were provided by nonmarket forces, which came in the form of subsidised housing, health service, and education. The Hong Kong government also regulated the prices of transport, rice, and utilities; and imported foodstuffs and raw materials from China at a negotiated low price. A Hong Kong man working in the textile industry might earn less than his British counterpart, but his taxation was much lower, and he enjoyed subsidised housing and well-developed public transport. Although his flat may be less spacious, bus and train services less convenient, he could allocate more disposable income to his children's education, dining out, travel, and other personal consumption.

Cheap basic supplies provided by China have also played an important role in Hong Kong's economic development. With only 2% of the economically active population working in agriculture, Hong Kong's food supplies depend on imports. Through the 1960s and the 1970s, about 80% of them were imported from China, at prices negotiated between the governments of both sides. On a smaller but still significant scale was the importation of raw materials, basic manufactured goods, water and fuel. The Chinese interest in maintaining economic prosperity and political stability of Hong Kong has meant that strategic resources have been imported at prices lower than those in the world market, particularly during inflationary periods. Low and stable prices have helped the economic process in two ways: they lower the production costs, especially labour costs, and they create a stable business environment.

The provision of public housing, on a scale rarely seen in capitalist economies, also needs more discussion. Hong Kong's population rose from 1 million in 1948 to 5 million in 1980, mainly as the result of immigrant flows from China. This huge influx of people created an urgent demand for houses. Hong Kong's housing programme started at the end of 1953 after a disastrous fire blazed through a squatter settlement, making 50,000 people homeless overnight. The original resettlement programme was carried on and developed into a comprehensive public housing programme. In the beginning the accommodation offered by the government was only rudimentary. Since the 1970s however, substantial improvements have been made, both in terms of construction quality and provision of facilities. Most people are tenants. Although rents increased along with the quality of the accommodation, the average rent is only 20% of that of private accommodation with similar conditions. By 1980 about 40% of Hong Kong people lived in subsidised public housing. This figure is rising steadily. Today about half of Hong Kong's population live in public housing, paying an average of 7% of their income as rent (Castells et al, 1990; HKGIS, 1995).



Another contribution to the relatively attractive business environment provided by the Hong Kong government is political stability. Until the mid-1980s, the Hong Kong government operated on a traditional colonial pattern, which was undemocratic, unrepresentative and executive-led. Political activities were firmly discouraged, and any sign of political protest was fiercely suppressed. The local people had no say in either government organisation or the policy-making process. In a sense, there was no politics, thus no possibly destabilising confrontations between rival political parties.

But the Hong Kong government could not maintain its control without the acceptance of its people and the support of China. When Chinese immigrants came to Hong Kong they brought with them the Chinese political tradition which requires ordinary people to cede all the responsibilities of rule to the government and to defer to authority. Moreover, many of them fled to Hong Kong looking for a haven of stability. To be involved in political action was to court the kind of trouble they had sought to avoid. The Chinese government across the border has also had a strong interest in a stable Hong Kong because of its importance as a link to western technology and international trade practices. Nor did they wish to confront extensive and well embedded democratic structures when they regain sovereignty in 1997.

Hong Kong's economy continued to expand in the 1980s at a rate of 7.1% every year. The basis of its success remained the manufacturing sector. But at the same time it had increasingly moved towards a service-based economy. Since the 1970s, manufacturing's share of the work force has fallen, from nearly half of the total to only 24% in 1992, while the share accruing to tertiary services has grown from 40% to 60% over the same period (Segal, 1993). The main factors behind this shift have been the rise of Hong Kong as a financial centre and the massive relocation of manufacturing industry to China.

From the 1970s Hong Kong has gradually transformed itself into a major international financial centre. Today it is the fourth largest in the world, after New York, London and Tokyo. There are more than 400 financial institutions, including

75 international banks. Such spectacular development was attributable to its location and total flexibility. The rapid economic development of the East Asian region demanded an international financial centre in that time zone. Hong Kong happened to be in the zone, and its unregulated financial markets enabled financial institutions to process capital flows instantly and without control at the global level. Thus more and more international financial institutions have been attracted to Hong Kong.

While Hong Kong was becoming a financial and service centre, its manufacturing sector faced a whole set of problems. One was increasingly high production costs. Relative prosperity after years of rapid development and the property boom had resulted in relatively high wage levels and much higher land costs. Together these eroded Hong Kong's competitiveness in manufacturing exports. The squeeze also operated from the outside, with growing restrictions in many of Hong Kong's markets and stronger competitions from other NISs. Unlike Korea and Taiwan, little effort was made to diversify Hong Kong's manufacturing production and exports. Its industry was concentrated in sectors vulnerable to protection, particularly textiles and apparel. Furthermore, Hong Kong lagged behind the other NISs in technologically sophisticated product lines and R&D investment.

Having realised the seriousness of these problems, the Hong Kong government moved away from its stance of 'positive non-interventionism' and tried to steer industry through administrative measures. In 1977 an advisory commission for diversification was established, which produced a report in 1979 arguing that the government should take a more active role in providing the conditions for renewed competitiveness for the manufacturing industry and in supporting its development. Based on this report, industrial policy took a new direction from the early 1980s. Industrial estates were built for qualified firms at substantial discounts. Government facilities were hugely expanded to provide information and services to manufacturers, in order to help them upgrade the production process and increase productivity. Special attention was given to manpower training and R&D development. The government set up a number of industrial R&D centres and a new University of Science and Technology was created (Youngson, 1982).

Hong Kong's industrialists also set out to build a future for themselves. They bought new machinery and upgraded product quality. But more importantly, they relocated production in lower-cost locations, very much like their Taiwanese counterparts. The process of relocation started in the 1970s, with Southeast Asia as the main destination. But the massive movement came after China opened up in 1979. China, and especially Guangdong province just across the border with easy geographical access and a shared culture and dialect, became the favoured place to which Hong Kong manufacturers moved their producing operations. Wages there are between one-sixth to one-twelfth of Hong Kong's, depending on how far inland the plant is (Lui & Chiu, 1994).

The opening-up of China also led to the re-emergence of Hong Kong as an entrepot economy. Companies and capital from all over the world are pouring into China, in an attempt to position themselves to best advantage in this huge potential market. Most of this process takes place through Hong Kong. Equipped with expertise and contacts in dealing with China, Hong Kong provides an ideal base from which international companies can enter China or control their operations in China. Countries who have no official diplomatic relations with China but are willing to trade also find Hong Kong an ideal middleman. Many other economic activities such as financial services, tourism and money transfers have flourished because of the revival of entrepot trade. Together, they have reinforced the role of Hong Kong as an international financial and business service centre.

After the signing of the Sino-British Agreement in 1984 the colony entered a new stage of economic prosperity. But in June 1989, when Chinese troops opened fire on students in Tiananmen Square, Hong Kong began to slide into another crisis. Initially the crisis seemed to be more political than economic. Economic ties with China continued to flourish, and overseas investment in Hong Kong continued to rise. After the economy achieved 7% growth in 1988, it slid to a still-respectable rate of 5% in 1989.



However, the political uncertainty was bound to have some impacts on the Hong Kong economy. One was the investment diversification of British firms. Half the colony's 529 listed firms are now domiciled in Bermuda, following the lead of the British Conglomerate, Jardine Matheson, the biggest, most stylish and aristocratic company in Hong Kong. After moving its domicile to the Bahamas in 1984, it switched its main public listing to the London stock exchange in 1991. Jardine and its five blue-chip subsidiaries make up more than 10% of Hong Kong's local market capitalisation. Its retreat from Hong Kong dealt a severe blow to business confidence. Another move with no less an impact on Hong Kong's economy came from the Hong Kong and Shanghai Banking Corporation, the de facto central bank of Hong Kong. After taking over the Midland Bank of Britain, it has gradually transferred its assets to London with the intention that the bank in the future will be a UK-based international banking group (Mushkat, 1990; The Sunday Times, 25 June 1995).

The other major impact of the continuing political uncertainty surrounding the 1997 hand-over is the brain drain from Hong Kong. There has always been a steady stream of emigrants from Hong Kong, but it accelerated in the late 1980s. The figure for emigration rose steeply from 20,000 a year in the early 1980s to 60,000 in 1991. More than one third were professionals and experienced administrative personnel. Without the trained support staff of lawyers, accountants, doctors, computer specialists and engineers, the success of Hong Kong as a business centre will fade. Some emigrants, having fulfilled residence requirements in their adoptive country, have returned to Hong Kong to work and live, safe in the possession of a foreign passport. But as of now this is only a small portion (Baker, 1993)<sup>3</sup>.

In spite of the Tiananmen massacre and later problems over the issue of political reform, the Hong Kong economy has gained momentum through closer integration with the fast growing economy of the mainland. Hong Kong manufacturers have continued to move their businesses across the border to take advantage of cheap land and labour. An estimated five million people are employed in the Pearl River Delta by Hong Kong manufacturing enterprises. China has become the most important

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<sup>3</sup> The return rate of emigrants rose quickly in 1995 and 1996, to 20% to 30% (FEER, 1 May 1997).

trading partner of Hong Kong. According to the figures for 1992, China was the largest source of Hong Kong's imports with 37% of the total. It also had the second largest share of Hong Kong's domestic exports, and the largest share of re-exports (UNCTAD, 1994).

Cross investments between Hong Kong and the mainland have also proliferated. Hong Kong, as the number one foreign investor, has accounted for 64% of the direct foreign investment committed to China since 1979. China in turn has become the largest investor in Hong Kong, injecting an estimated US\$20 billion into the territory in 1992. To facilitate this trend, new regulations were passed in June 1993 permitting Chinese companies to be listed on the Hong Kong exchange. Now the Hang Seng Index reflects perceptions of risk in both China and Hong Kong. As the interdependence of the Hong Kong and Chinese economies has grown, entrepreneurs in the territory have sought to reduce investment risk and increase opportunities by allying themselves with government and party officials in China. Economically, Hong Kong is already a part of China (Walsh, 1994; RMRB, 25 January 1995).

Although business interests are pressing for closer ties with the mainland, the political development of Hong Kong has prompted more and more battles between the British (Hong Kong) and Chinese government. Until 1984 the constitutional position of Hong Kong had remained virtually the same as when it was created in 1843, mainly as a result of the intentions of both the Hong Kong authorities and the British government to keep tight control of the colony. But it was also in accordance with a significant section of public opinion which favoured maintaining the traditional system. Hong Kong was a place built by refugees who came to find a temporary shelter but were forced to stay by situations beyond their control. These people, either fleeing the tyranny of the Qing Dynasty, the civil war, or the harshness of life in Mao's China, chose Hong Kong with the clear knowledge of its authoritarian colonial rule. Their interests lay primarily in commercial opportunities, not in national pride or political freedom and democracy. They tolerated unrepresentative colonial rule as long as it allowed them to pursue their economic goals.

However, the economic prosperity brought about by the hard work of the refugees has produced a new group of people, the young middle class, who are the major internal force altering the course of Hong Kong politics. Being born in Hong Kong, they identify the territory as their 'home'. They are well-educated, having learned the ideals of democracy in university. As their number has increased and their power has strengthened, they have demanded more political participation.

Their demands developed into a concerted effort to press for democratisation in the 1980s due to the uncertainty surrounding Hong Kong's future brought about by the Sino-British talks. The prospect of the retrocession of Hong Kong endangered the interests of the new middle class who are trained in a British education system and gained their professional competence under British regulations. They felt a sense of urgency to push for democratic reforms so that a representative government would be firmly in place before the Communists assume control. Democratisation became a means to protect them from the interference of China in their daily affairs (So & Kwitko, 1990).

The democratic movement however, faced strong opposition from both Beijing and the business class in Hong Kong. Initially the new middle class also had difficulties in enlisting support from an apolitical general public. However, the Chinese student democratic movement and its tragic ending in June 1989 provided an unlooked for impetus. Since Hong Kong people believed that 'today's China is tomorrow's Hong Kong', two million of them attended street demonstrations in support of the mainland students. At the centre of the leadership were middle class political activists. The Tiananmen massacre shattered the Hong Kong people's hope for a more democratic China. While large numbers of people chose to leave, many others became more determined to press for political reforms and take the responsibility for Hong Kong's fate into their own hands (Hook, 1993).

After signing the Joint Declaration, the Hong Kong authorities also proceeded with a cautious gradualist expansion of democracy. Political reforms were introduced partly



in response to local pressure, but more important was the British assumption that a local government with its authority firmly rooted in Hong Kong would be the best way to safeguard British interests after 1997. Under the influence of both the British and Chinese government everything went smoothly, albeit at a slow pace, until 1992, when the new Governor, Chris Patten, announced proposals to speed up the process of democratisation. Patten's plan to extend the franchise in the 1994 and 1995 elections was in sharp contrast with the executive-led government conceived by the Chinese government, and led to a bitter conflict between China and Britain.

The response of the Hong Kong people was divided. In contrast to the stance of the new middle class, the business community seems to believe that avoidance of confrontation and the promotion of business are a better guarantee for the future than the promotion of democracy. For them, there is little perceived need to create a major crisis over political representation so long as Beijing remains committed to economic reforms. The Hong Kong elites have also followed a long line of modern capitalist elites in arguing that at the present stage of Hong Kong's political development, ordinary people who are inexperienced and not sufficiently educated can easily be manipulated by self-seeking politicians. Therefore, direct elections may not necessarily produce a fair and true representation of the opinions and interests (Wilson, 1990).

Certainly, there is evidence of considerable popular apathy towards the electoral process. In the three consecutive Urban Council and District Board elections in the 1980s, the electoral turnout wavered between 17.6% and 38%. Even in the first direct elections for the Legislative Council (Legco) in 1991, held against the background of the 1989 crisis, only 39% of registered voters participated. The low turnout seemed to signify political apathy and an unwillingness to confront China with a contentious issue. In a survey conducted in October 1993, 78.6% of respondents agreed that Hong Kong people needed to stand up for democracy. Yet in the same survey, 56.6% thought the governor should not implement the reforms in the absence of an agreement with China. Other polls conducted in the same period also indicated that a

better relationship with China was valued more than democracy or political reform (Burns, 1994).

### **2.3 Concluding Remarks**

Many factors have contributed to the rapid economic growth of Singapore and Hong Kong. The most important is the role of state. In Singapore the government has provided fiscal and financial incentives, established its own enterprises, and intervened extensively in the labour market. In Hong Kong, the government is not interventionist in the classic sense. But it has provided subsidised housing and regulated the prices of essential living materials. This has lowered wages, thus lowering production costs and increasing competitiveness. Another important factor is the people who have spearheaded growth. In Singapore they are the skilled English-speaking workers. In Hong Kong they are the entrepreneurs and workers who have worked extremely long hours under poor conditions. Unquestionably both Singapore and Hong Kong have adopted highly effective growth-inducing policies, but it is their engaged governments and hard-working people that have made those policies work.

## **Chapter 3**

### **The Distinctive Features of East Asian Capitalist Development**

#### **3.1 Situational Factors**

While the credit for East Asian economic development ultimately rests with the East Asians themselves, most observers argue that foreign powers have played an important role. It was the Japanese occupation of Korea and Taiwan and British colonialism in Singapore and Hong Kong that laid the foundations for their modern economies. As described in earlier chapters, the Japanese made heavy investments in Korean and Taiwanese agriculture in order to supply their home demands. This resulted in a relatively well-developed agricultural sector in each economy. To prepare for territorial expansion and war, they also made concerted efforts to industrialise the two economies. These efforts transformed overall structures, shifting them from a mainly agrarian to a moderately industrialised mode. In addition, the Japanese invested heavily in education and infrastructure, sections which were to become key building blocks for later economic take-off. Efficient central government organisation and Japanese styled corporations also provided influential models both for Korea's future government and for business owners, although the impact was less strong in Taiwan because its government was transplanted directly from the mainland.

While Korean and Taiwanese industrialisation really only gathered speed during the twentieth century, Singapore and Hong Kong developed rather earlier as a result of their role as important centres of entrepot trade under the British empire. Between 1871 and 1902, Singapore's trade grew six-fold, from an annual average of S\$ 67 million to S\$431 million. During the next 25 years, there was a further four-fold



increase comprised primarily of the trades in rubber, tin, petroleum, and other commodities and manufactured products (Milne & Mauzy, 1990). Similar developments occurred in Hong Kong, where the tax-free policy until the beginning of World War II helped to maintain the buoyancy of the economy. The first bank opened in 1845 and was soon joined by others, among them the Hongkong and Shanghai Banking Corporation in 1864. By 1898, 11,000 ships with a total tonnage of over 13 million cleared Hong Kong harbour, and the colony's total trade was in the region of five million pounds sterling. By the 1950s both Singapore and Hong Kong had already reached a relatively high standard of living (Endacott, 1964).

Since the end of World War II however, the dominant international player in East Asia has unquestionably been the United States. In an effort to prevent communist expansion in the region the US sought to establish its hegemony over the whole of East Asia, and South Korea and Taiwan in particular. In the process the US poured disproportionately large shares of its foreign aid budget into the two places: \$12.6 billion to South Korea, and \$5.6 billion to Taiwan between 1946 and 1976 (Woo, 1991). On a per capita basis, aid to Taiwan was the highest given to any country in the world. Arguably however, even more important than the financial aid was the influx of American experts who taught East Asians modern technology and management. It was the American advisers that pushed and backed Korea and Taiwan to adopt export oriented industrialisation strategies in the face of widespread pessimism that manufactured exports could be expanded only slowly.

Hong Kong and Singapore in contrast, received less direct American aid and had few American advisers. Nevertheless, they benefited from the stimulus their economies received from the demand for services to the allied troops during the Korean and Vietnam wars. Together with Korea and Taiwan, they also enjoyed an open American market for their cheap labour-intensive exports without the US demanding reciprocity. Since then the US has been the number one recipient of the East Asian NISs' exports.

### 3.2 The Export Orientation of the East Asian NISs

Perhaps the most discussed feature of East Asian development is the fact that their industrial expansion has been accompanied by a rapid growth of relatively labour-intensive manufactured exports. A common measure of an economy's export orientation is the share of exports in GDP. As shown in Table 3.1, by the late 1980s, nearly half of Korea's output was being exported while exports of goods and services accounted for less than 10% of its GDP in 1965. In the case of Taiwan, the share of exports in GDP more than tripled from 19% in 1965 to nearly 60% in 1987. The figures for Hong Kong and Singapore are much affected by the tradition of the entrepot trade. They already had high export-GDP ratios at the beginning of the period and the importation of inputs for processing to export even raised the ratio above 100%. Even so, they increased their exported output, though to a lesser extent. The performances of the East Asian NISs appear quite staggering compared with developing countries as an overall group.

Table 3.1 Exports of goods and services (% GDP).

	1965	1980	1990
Korea	9	34	32
Taiwan	19	53	46
Singapore	123	205	190
Hong Kong	71	88	137
Developing market economies	16 (1)	26	24

Sources: UNCTAD, various issues.

Note: (1) 1960 figure.

The East Asian NISs have also increased their collective share in world exports. With only 1.45% of the world's population, the four East Asian economies accounted for 7.6% of world exports in 1989, a very rapid rise from the meagre figure of 1.6% in 1965. This occurred despite the slowdown in world trade and the increases in the

protectionist barriers erected by developed countries. This suggests that the resilience of the East Asian NISs lies in their ability to exploit world markets and their capacity to increase the supply of exports. Internal factors, particularly the presence of political leaderships committed to growth, also appear to be important in affecting a country's external trade and economic growth.

The major sector in East Asian export expansion is manufacturing. This accounted for almost 90% of all East Asian NISs' exports in 1989. In terms of the total world manufacturing market, the four economies produced nearly 9% of all exports, which is over half of the total figure for developing countries as a whole. This is all the more remarkable given that the East Asian NISs began their export drive from a very moderate base. In 1960, primary goods, mainly agricultural commodities, accounted for 86% of Korea's exports and 73% of Taiwan's. The performance of Singapore is also quite remarkable since its share of manufactures in merchandise exports was only 26% in 1965. The role of manufactures in Hong Kong's merchandise exports, however, has declined recently. This trend is consistent with the mass relocation of manufacturing industry to mainland China.

Given the strong export orientation of these economies and the predominance of manufactured goods in exports, many scholars have labelled the growth pattern of East Asia as 'export-led industrialisation'. It has become commonplace to understand the economic growth of the East Asian NISs as export-driven. Neo-classical economists in particular present it as a perfect illustration of their case that a commitment to free trade is the central institutional ingredient which ensures economic success.

The expansion of manufactured exports has undoubtedly proved to be an essential part of successful industrialisation in East Asia. However, as noted in the previous chapters, none of the East Asian NISs chose to concentrate on exports because they felt that it was the most appropriate development strategy in the long-term. Rather, their economic policies have tended to be pragmatic and incremental, responding to immediate crises and short-term dilemmas rather than to long-range plans and



comprehensive schemes for change. Export-oriented policies were adopted because their domestic markets were not large enough to support an effective scale of industrial production and they suffered acute problems of foreign exchange shortage. Only later did these related incremental decisions become established as de facto longer-term development strategies.

Moreover, whether incremental or systematic, a commitment to exports is ultimately a political decision which presupposes the existence of a strong government with the ability to withstand pressures from domestic business groups, to channel limited resources into selected strategic industries, to maintain wages at competitive levels, and to implement stable and predictable macroeconomic policies.

### **3.3 The Role of the State**

In varying forms and to varying degrees, the East Asian NISs have all developed powerful states which have enjoyed an exceptional degree of relative autonomy from other major power holding sectors of society. In Korea, Park Chung Hee gained power through military coup, which enabled him to free his rule from entangling personal and economic connections with groups in civil society. In Taiwan, the fact that the whole government was transplanted from the mainland produced a high degree of independence from local pressure groups. In Singapore, Lee Kuan-yew emerged as a charismatic leader of the early anticolonial struggles and was therefore not beholden to the local business community. And in Hong Kong, colonial rule was not overly concerned with local opinion.

With the partial exception of Hong Kong, the respective governments of the East Asian NISs have all been genuinely committed to economic development and have intervened actively to promote and guide export-oriented industrial expansion. They have set the overall direction of their economies and encouraged the growth of some specifically chosen industries. To achieve their targets, they have controlled access to finance as a key source of both incentives and discipline, created elite bureaucracies

to insulate policy making from pressure groups, and contained labour demands to maintain competitive prices for exported products. Even in Hong Kong, the government has invested heavily in the public sector, particularly public housing, and regulated the prices of basic goods and services in order to keep wages low.

The principle instrument of governmental intervention in the East Asian NISs has been control over capital. By this means the governments are able to discriminate between industrial sectors, to discipline private enterprises, and to check the influence of transnational corporations. In Korea, the government created the chaebols by encouraging private companies to maximise economies of scale in order to compete with large companies in international markets. The chaebols depended heavily on bank credit for financing, and since the commercial banks and other financial institutions were owned by the government, it had the power to subsidise their growth or to check them. The Korean government, in addition, regulated foreign investment and trade, controlled access to raw materials, selectively provided infrastructural services to industries and strategic regions, and invested heavily in education and skill development.

Taiwan took on the attributes of an entrepreneurial state by setting up state-owned enterprises in strategic industries. The government owned one of the biggest public enterprise sectors in the non-communist world and monopolised it by severely limiting investment from foreign companies. Controls over the financial system also enabled it to direct private investment into selected industries through incentives and concessional credit. Moreover, the Taiwanese government used subsidies to encourage selected industries competing in the international market and protected nominated domestic industries from foreign competition by setting high tariffs.

In Singapore, the government invested heavily in social and physical infrastructure to create an attractive business environment. It provided numerous fiscal and monetary incentives and generous tax exemptions in preferred areas of production. More importantly, it engaged directly in economic activities to initiate and manage a host

of vital business enterprises. As mentioned in Chapter Two, state-owned enterprises are the major player among local businesses.

The other important area of government invention has been the control of labour. The East Asian NISs are poorly endowed with natural resources. The major development resource available to them is therefore their workforces, and the competitive advantage their exports enjoy on the international market is based on low labour costs. To maintain this advantage, their respective governments have intervened extensively to keep wage increases below increases in labour productivity. In Korea, labour laws which consistently favoured employers over workers have been rigorously enforced and backed by police coercion. In Taiwan, martial law and the comprehensive suppression of opposition silenced dissent in early years. Until recently trade unions in both societies had never been allowed into political parties, and strikes and other labour activities had been illegal.

In Singapore, the initially militant, communist-led unions were effectively incorporated into the state decision making process. By the 1960s labour had become responsive to state policy, leaving workers to respond individually to the changing market situation rather than through collective action. Singapore and Hong Kong could also manipulate the flow of immigrants from neighbouring countries as a means of countering rising wages. And both used public housing and welfare services to subsidise labour costs.

The states in the East Asian NISs have been able to play a positive role in economic development because they have enjoyed an unusually high degree of autonomy and have effectively used this autonomy. They have also been able to avoid the debilitating rent-seeking and other nondevelopmental state-economy relations typically found in other developing countries because the implicit bargain they have reached with their people is to develop their economies in return for political quiescence.



We have noted earlier that the new governments established after World War II in the East Asian NISs were less beholden to traditional elites. They were able to make policy decisions without entering into extensive bargaining with major interest groups. This was made easier by the fact that powerful rural based landed interests were largely absent in the initial period of industrial expansion and the capitalist class was relatively small and weak. In Hong Kong and Singapore traditional rural elites did not exist at all, and in Korea and Taiwan their power bases were severely undermined by land reform. Indigenous capitalist enterprises mostly started on a small scale, and were often family based, with the exception of the Korean chaebols, which were in a sense created and managed by the Park government.

Another important source of state autonomy in the East Asian NISs however, is their common culture, Confucianism. Both the Chinese and the Koreans have had a long history of being governed by a centralised bureaucracy which is essentially authoritarian in nature and is allowed to formulate policy goals independently of particular groups. The Confucian culture reveres hierarchy, accepting gradations of rank and merit as natural. Traditionally governments in East Asia were the unquestioned dominant institutions in the society. All segments of the society were expected to yield to the government as the guiding force of the collectivity. In modern East Asian societies Confucianism still provides powerful ideological support for their strong, authoritarian governments.

The same cultural factor also helps to explain why government did not fail in East Asia. People defer to the government not only because it is the legal authority, but also because in return for their allegiance, it is expected to be responsible for their livelihood and well-being. The strong ethical-moral basis of government within the Confucian tradition requires authority to act to ensure this outcome. Providing this bargain is kept, authoritarian practices are often accepted as appropriate by East Asians. However, if the government fails to provide an acceptable quality of life or appears weak and indecisive, the people have an ideological licence to protest and oppose. Therefore the necessity for the East Asian governments to ensure economic

prosperity is rooted in the morally binding power of the reciprocal relationship between the ruler and the ruled.

### 3.4 The Quality of Human Resources

East Asians are famous for being industrious and highly committed to work. These characteristics are clearly exemplified by the long working hours that characterise the 'dragon' economies (see Table 3.2). In recent years these have ranged from 54 hours to 45 hours per week. While people's attitudes towards work vary from place to place, the common underlying work ethic can be linked to prevailing cultural values. The Confucian ethic requires diligence and hard work not only as a desirable habit but as an essential quality leading to personal success.

Table 3.2 Hours of work per week in manufacturing.

	1980	1991
Korea	53.1	49.9
Taiwan	44.0	46.4
Singapore	48.0	48.7
Hong Kong	49.1	45.2
Germany	41.6	39.2
US	39.7	40.7

Sources: ILO; CEPD.

The strength of the work ethic in East Asia may be inferred from the maintenance of long hours of work despite growing affluence and rapidly rising real wages. Usually rising affluence is accompanied by a steady decline in working hours as the demand for leisure increases and unions are able to successfully negotiate a shorter working week. This inverse relationship between affluence and working hours is clearly absent in East Asia as Table 3.2 shows. This is more readily understandable if we

remember that the working hours shown in the table are not simply the hours negotiated between employers and employees, but include voluntary overtime. When people work hard because it is the 'right' thing to do, they do not stop when they become rich.

One important measurement of the quality of human resources is the level of education. It is widely accepted that an investment in education and human capital promotes economic growth through its contribution to the enhanced productivity of the labour force. Miller (1967) further argues that given a normal life expectancy of 60 years, investment in education is more durable than investment in other kinds of resources. The East Asian NISs have achieved a relatively high standard of education with full primary school registration and near 100% adult literacy rates. Compared to other countries with similar or even higher living standard, their workforces are unusually literate and well-trained. As can be seen from Table 3.3, improvements in secondary and tertiary education have been substantial, with Korea registering the most progress. As a whole, the NISs have higher enrolment rates than Brazil, another much analysed newly industrialising country. The difference in secondary education is particularly striking with the average figure double that of Brazil. Even so, Korea's performance stands out among the NISs. Its secondary enrolment ratio has risen from 27% to 94% while the relevant figure is below 80% for the other Asian NISs. In terms of enrolment ratios in higher education, Korea's achievement of 32% is again the best performance, compared to the lowest, 12%, in Singapore. Furthermore, while achievements in enrolment ratios in secondary and higher education in other East Asian NISs still lagged behind the UK, the oldest industrial society, Korea's record by 1985 was considerably better.



Table 3.3 Secondary and tertiary education enrolment ratios.

	Secondary		Tertiary	
	1960	1985	1960	1985
Korea	27	94	5	32
Taiwan	30	76	3	22
Singapore	32	71	6	12
Hong Kong	20	69	4	13
Brazil	11	36	2	11
UK	66	84	9	22

Sources: Chowdhury and Islam (1993: 152), Sakong (1993: 236).

It is clear that the NISs have done well in terms of education with Korea leading the way and Hong Kong and Singapore lagging somewhat behind. This general pattern of rapid expansion is not particularly surprising since an emphasis on education has been one of the most prominent features of Confucian culture, although in Singapore and Hong Kong, the British tradition of elite schooling has cut across the Confucian conception of meritocratic education, and has arguably contributed to their relatively poor performances among the East Asian NISs. Zeal for education comes not only from parents, teachers and students. Governments too have devoted considerable resources to the expansion of their education systems. Central government expenditure on education in all four East Asian NISs in 1990 was over 17% of total government expenditure, compared to a corresponding figure of 3.2% of Britain. In Taiwan, it is written into the constitution that government expenditure on education should not constitute less than 15% of total expenditure.

### 3.5 Peaceful Industrial Relations

Another much commented upon quality of labour forces in East Asia is their obedience. Before the democratisation movements of the mid-1980s, the number of

strikes was very low in both Hong Kong and Taiwan. Korea had more frequent and more militant strikes, but its record was still better than that of most other developing countries. For instance, the average number of strikes and lockouts per year during the 1960s was 18.4 for Korea and 99.3 for Mexico (ILO, various issues). The figure for the 1970s was 80.0 for Korea and 422.4 for Mexico. In Korea the major chaebols brought together large numbers of semiprotected male workers, inadvertently producing volatile conditions for labour militancy. In Singapore although worker days lost through strikes remained high during the period of the independence movement, the incidence of industrial stoppages has been negligible since the late 1960s. Indeed, the number of strikes and worker days lost actually reached zero in 1978 (Leggett, 1993).

Several factors have contributed to the relative industrial peace in the East Asian NISs. The most obvious is the presence of repressive labour legislation. All East Asian governments have tried to control the labour movement, but the Singaporean government has been the most successful. Because its development strategy emphasised foreign investment and international competitiveness, stable industrial relations had a special importance to Singapore. In 1967, strikes and lockouts in essential services were banned in the name of protecting the public interest. After a sweeping victory in 1968, the PAP proceeded to enforce even stricter labour discipline. The Industrial Relations (Amendment) Bill restricted the range of issues on which unions could negotiate and gave employers the right to decide the length of the working week, retrenchment, retirement, and other fringe benefits. In the same year, the Employment Act enshrined in legislation the principle that wage negotiations should be based on economic growth and efficiency, rather than on abstract notions of justice. This was consistent with the then current 'ideology of survival' which demanded the subordination of individual or class interests to a national interest identified with the ultimate goal of economic growth.

The management of compliance is an ongoing process in Singapore. After the militant labour movement was subdued, the government started to promote company loyalty, team spirit, and the 'will to productivity' in the workforce. In 1980, Lee Kuan

Yew identified the Japanese system of industrial relations, characterised by a close co-operative spirit between employer and employee, as a suitable model for Singapore to emulate. Following his speech, an intense campaign was waged to promote the close association between team work and productivity and the fundamental importance of developing worker/employer relations. At the same time, the NTUC proceeded to restructure affiliated unions and committed them more firmly to non-confrontational stances on industrial relations. In 1982, the Trade Unions (Amendment) Act defined the role of trade unions as being to promote good industrial relations between employees and employers, to improve working conditions, and to raise productivity for the mutual benefit of employees, employers, and the nation.

Another factor contributing to the relatively untroubled industrial relations in East Asia, which applies especially to Taiwan and Hong Kong, is the prevalence of small and medium-sized local businesses in the manufacturing industry. In 1980, more than 90% of companies in manufacturing sector belonged to this category in Taiwan and Hong Kong. Very often the owners of these firms are former employees who started their businesses with personal savings. And the hard core of the workers are family members. Therefore effective and direct communication between workers and owners is easily achieved. If there are labour disputes, they tend to be settled informally. Open confrontations are avoided. Also, because of the large number of establishments in any given industry and the small number of workers in a given establishment, strong union structures are difficult to develop and labour militancy finds it difficult to take root.

Finally it can be argued that industrial relations in contemporary East Asian societies are underpinned by the tradition of paternalist relations between employers and employees. In these societies the company exists as a social group and the workers have a strong sense of belonging. While the company devotes a considerable amount of time and money to the employees' social well-being, they, in turn, feel obligated to further the interest of the company. Many companies provide free or subsidised



meals, free transport to work, subsidised accommodation, free medical treatment, and various kinds of free entertainment. These firms are also less likely than the TNCs to release workers in recession, but more likely to give lower pay and ask workers to work long or irregular hours. When workers look to the company for their medical and welfare benefits and enjoy a certain job security, they see the success of the company as important. Therefore they are less likely to perceive conflicts between their interests and those of their employers.

In their study of industrial relations in Hong Kong, England and Rear quote a letter from the managing director of a large industrial concern which perfectly catches the ethos of industrial paternalism;

The relationship we have with our employees is rather paternal and we de-emphasise the subject of contracts and, as a rule, we offer financial assistance to employees of good standing if the need of such assistance is legitimate. As a whole, we find the labour relationship to be a happy one, and we certainly have not indulged in any collective bargaining and we hope there will not be any necessity for this in future (England & Rear, 1981: 90).

The company is often likened to the family. 'When asked about employee relations a frequent response from these employers is that there should be no conflict and that a firm is like a family where the head must look after the others' (England & Rear, 1981: 85). This belief is shared by the workers. In a survey which covered a sample of 1000 workers, 63% were found to believe that 'the employer of a firm should look after the interests of his workers like the head of a large family' (Turner et al., 1980: 198).

Janelli's study of corporate culture in a South Korean chaebol confirms this point. He found that the chaebol personnel were frequently represented as a family.

The conglomerate's chairman opened his New Year's address to a gathering of its directors by addressing them as 'Taesong family members'. An employee

contributing an essay to the company's magazine introduced himself by saying, 'I became a member of the Taesong family in 1975'. ... A managing director wrote in the chaebol's magazine that the proper management of subordinates was like the proper education of children (1993: 118).

Therefore, in many ways employer/employee relations in the East Asian companies follow the general Confucian view of appropriate authority relations based on the model of family.

### 3.6 The High Rate of Saving

One further distinctive feature of the East Asian NISs is their very high rate of domestic savings (Table 3.4). Growth and industrialisation require investment and the level of investment depends in large part on the availability of savings. Sufficient amounts of savings help to keep inflation low and to reduce the amount of foreign borrowing, thereby helping to overcome two of the common problems in developing countries.

Table 3.4 Gross domestic savings (% GDP).

	1960	1965	1970	1970s	1981-90
Korea	1	8	15	22.6	31.8
Taiwan	13	22	26	31.4	32.9
Singapore	-3	10	21	28.6	42.3
Hong Kong	6	29	25	19.2	30.5

Sources: Chowdhury and Islam (1993: Table 8.1); World Bank; Asian Development Bank

During their periods of rapid growth all four East Asian societies had above-average rates of investment which were, in turn, linked to their very high rate of domestic savings. In the 1950s both Korea and Taiwan financed well over half their

investment from foreign aid. This initial dynamic of aid-financed growth enabled them to finance later investment without aid. Beginning in the 1960s their levels of domestic savings increased dramatically. Although Korea continued to benefit from foreign capital, it financed about two-thirds of its investment out of domestic savings, the remainder being financed by capital imports. Taiwan eliminated its reliance on foreign capital altogether, and even became a major exporter of capital by 1984 (Papanek, 1988).

Throughout its recent history, Singapore has relied heavily on foreign capital, in the form of both investment and borrowing. But more importantly it has been able to mobilise domestic savings to finance investment. By combining an exceptional rate of domestic savings with an equally exceptional rate of foreign savings inflow, Singapore has been able to generate substantial and efficient capital investment for economic growth. In Hong Kong, the savings rate increased from 6% to 29% over the five years from 1960 to 1965. In the critical period of the economic take-off therefore, Hong Kong financed its investment largely from its own savings.

The widely accepted consensus in economic theory explains high savings as the consequence of economic growth. And high savings, in turn, provide a basis for high investment, which facilitates high growth, thereby creating a virtuous cycle. But this theory cannot explain why the East Asian NISs have had much higher rates of saving than other countries at similar levels of development.

Of the available explanations, the most often advanced are: (i) the insufficiency of social security benefits, which forces people to save for their old age; and (ii) the limited availability of consumer credit and mortgage loans, which renders it difficult for people without accumulated savings to purchase major items (Scitovsky, 1990). Government policies are also said to have played an important role. In Singapore particularly, about 64% of gross national savings came from the surpluses of the statutory boards and the government budget surplus in 1984. And this figure does not include compulsory savings in the form of the Central Provident Fund, which contributed a further 30% of gross national savings (Lim et al., 1988).



Apart from the case of Singapore however, household savings are the major component of domestic savings in the East Asian NISs. Scitovsky (1990) has studied the possible determinants of household savings in an effort to account for the economic performance of Taiwan and Korea. In addition to the inadequacy of social security benefits and the limited availability of consumer credit and mortgage loans, he cites the need for savings to establish independent businesses or to enlarge existing businesses, the existence of a bonus component in the wages system, and high real interest rates on deposits as among the possible reasons for high household savings rates.

But one factor that is often neglected by economists is the fact that the East Asian NISs are Confucian societies<sup>1</sup>. The Confucian ethic extols prudence and frugality, demands sacrifice for future enjoyment, and condemns parents who fail to provide for their offspring. The emphasis on prudence and frugality provides a strong moral basis for an accumulation of savings. By the same token, borrowing is disapproved of and often associated with the inability of someone to work and save by themselves. This is clearly shown in the style of setting up private businesses in the East Asian NISs, where people tend to start in a small way by using their savings, sometimes helped with money borrowed from relatives.

East Asian people are also willing to forego current spending on personal enjoyment in order to invest in the future of their children. To have successful children is one of the biggest achievements an East Asian can hope for. And to achieve this they have to save for their children's education. As mentioned before, the governments have already invested heavily on education. But education is so highly valued and the competition to enter university is so intense that parents will also buy their children numerous private lessons. If the children succeed, more money has to be saved to pay for their higher education.

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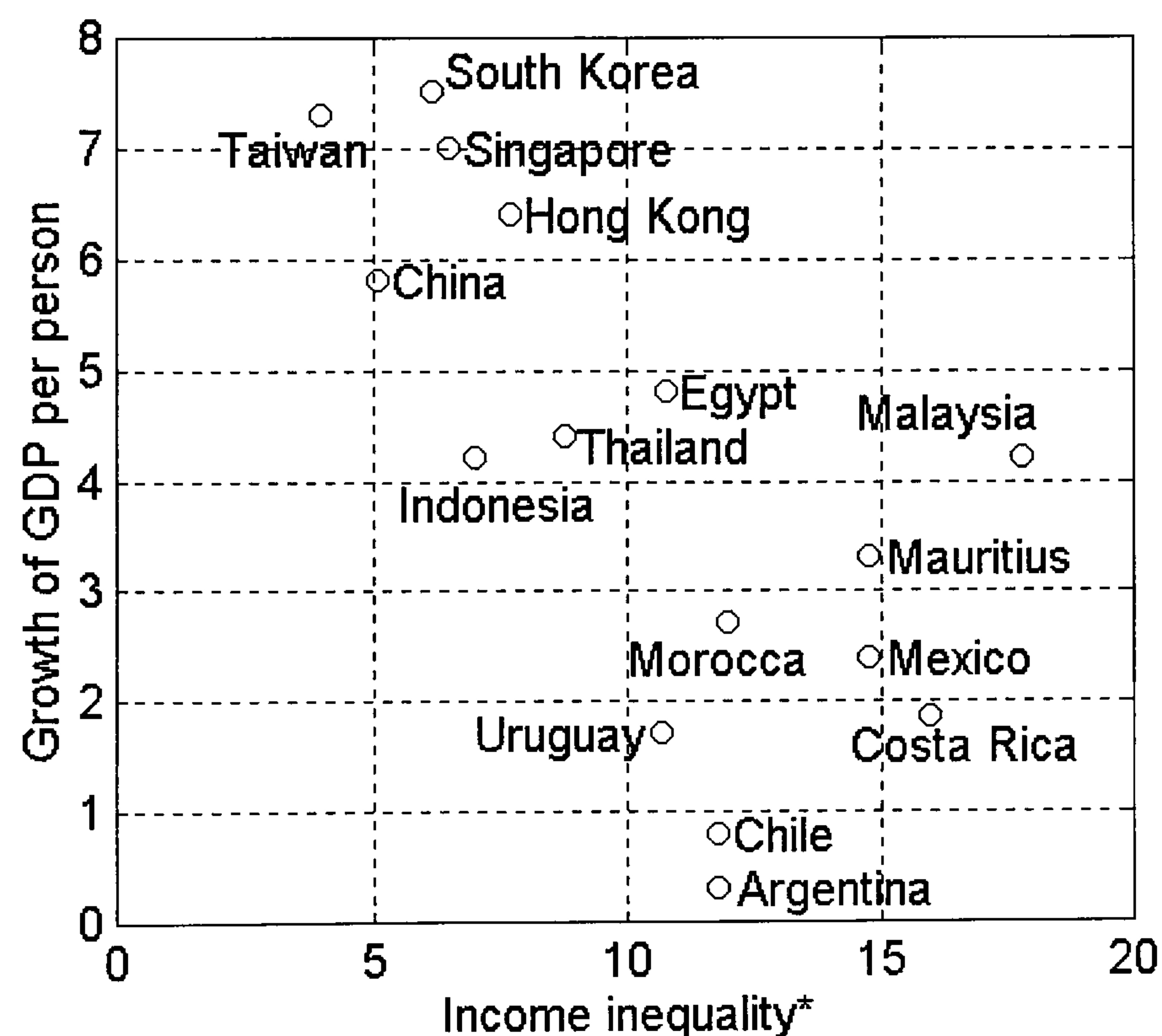
<sup>1</sup> Although there is no comprehensive study on the relationship between the Confucian ethic and the saving behaviour in the Far East, Horioka, in a literature survey, cites numerous analysts who propose that the Japanese people's tendency to save 'is due in large part to their Confucian heritage' (1990:56).

In western industrial societies people borrow. In Confucian societies people save. This disposition comes from deeply ingrained habits of frugality, and from the desire to save for the continuity of the family.

### 3.7 Income Distribution

The final important feature associated with the economic development of the East Asian NISs is the relatively equitable distribution of income. While their rates of economic growth are the highest among developing countries, their degree of income inequality is among the lowest (Figure 3.1). Moreover all four narrowed their income gap over most of the period of rapid economic development.

Figure 3.1 Income inequality and growth of GDP per capita, 1965-89



#Multiple of the income of the richest 20% to the income of the poorest 20%.

Source: The Economist, 16 November 1991.

According to Kuznets' U-curve hypothesis (1955), during the course of a nation's development, income distribution gets worse before it gets better. Table 3.5 shows income distribution in the East Asian NISs during the rapid development period. Contrary to his prediction, rapid growth in Taiwan is found to be accompanied by a sharp fall rather than a rise in inequality. To a lesser extent this is also the case in Hong Kong and Singapore. In Korea, in contrast, income distribution appears to have remained fairly constant despite very rapid growth.

As can be seen from the Table 3.5, Taiwan has outperformed the other three in reducing income inequality. In fact, the decline of Taiwan's Gini coefficient from 0.44 to 0.32 in only two decades is probably the largest decline in any non-socialist nation in modern history. Both Hong Kong and Singapore have been less successful in reducing income inequality and their Gini coefficients have been high after an initial decline in the early 1970s. Their governments, however, have carried out various social construction programmes to help low-income families raise their living standards. The most obvious is public housing, which redistributes social wealth by using government revenues to assist poorer families. If this is taken into account, the real gap in living standards between rich and poor is almost certainly smaller than that reflected by the Gini coefficient.



Table 3.5 Household income distribution, percentages

		lower 20%	upper 20%	Gini coefficient (1)
Korea	1965	5.9	41.8	0.344
	1970	7.3	41.6	0.332
	1976	5.7	45.3	0.391
	1980	5.1	45.4	0.389
	1985	6.1	42.7	0.345
Taiwan	1960	5.6	50.9	0.440(2)
	1964	7.7	41.1	0.360
	1970	8.4	38.7	0.321
	1974	8.8	38.6	0.319
	1980	8.8	36.8	0.303
	1985			0.317
Hong Kong	1965	5.3	57.7	0.467(3)
	1971	5.3	52.6	0.409
	1980	5.4	47.0	0.453(4)
Singapore	1966	(5)		0.498
	1975			0.448
	1982-83	5.5	48.9	0.443(4)

Sources: Sakong (1993: 17); Chowdhury & Islam (1993: 25); Haggard (1990: 226); Papanek (1988: 58); World Bank.

Notes: (1) The Gini coefficient is a measure of relative income distribution that theoretically can vary between zero (perfect equality of income) and one (all income accruing to one person or household). In reality Gini coefficients of 0.3 or below reflect low levels of inequality, those above 0.5 high inequality.

(2) 1961 figure

(3) 1966 figure

(4) 1981 figure

(5) The World Bank provides data on successive quintile shares of total disposable household income for seven of the East Asian countries. Singapore is not included.

Another measure of income distribution is the share of national income enjoyed by various income groups. Consistent with the remarkable decline in its Gini coefficient, the share of the poorest 20% in Taiwan rose from 5.6% in 1960 to 8.8% in 1980, far higher than in comparable countries. In Hong Kong the share of poorest 20% was relatively stable. But the share of the richest 20% declined sharply, thus producing gains for middle income groups. In Korea however, the share of the poorest 20% dropped and that of the richest 20% increased. This occurred at the time when Korea changed its economic strategy to place greater emphasis on capital- and skill-intensive industries.

It is important to note however, that the pattern of income distribution in the city states of Hong Kong and Singapore has been strongly affected by the influx of refugees and immigrants, which is why they have a relatively poor record within the group of East Asian NISs. Lin (1985) has noted that in Hong Kong the deterioration of overall inequality during 1976-81 coincided with a sudden influx of over 300,000 refugees. Given their uncertain residential status and lack of familiarity with and experience in the Hong Kong labour market, one would expect the majority of refugees to seek and find employment in the low income segment. This would stretch the lower tail of the income distribution curve and contribute to worsening inequality.

In the case of Singapore, Islam and Kirkpatrick (1986) have argued that the introduction of foreign workers contributed to worsening inequality between 1979 and 1983 through the segmentation of labour markets. According to government policy, low-skilled foreign workers are paid at a lower rate than comparable Singaporean workers. On the other hand, skilled professionals from abroad are offered salaries in line with those prevailing in comparable occupations in the industrialised countries. These two policies combined to produce a 'stretching' of the

wage structure at both the upper and lower end of the occupational scale, thereby exacerbating income inequality.

Regardless of the specific variations in income distribution in individual East Asian NISs, their development overall has been significantly more egalitarian than many other developing countries. Most scholars have attributed this feature to the asset redistribution which took place shortly after World War II and to the subsequent emphasis on labour-intensive manufactured exports.

In both South Korea and Taiwan, early land reforms played an important role in generating a relatively equitable distribution of income in the initial stages of rapid economic growth. The impact of land reforms was especially strong because the majority of their populations at that time were involved in agriculture. The magnitude of its effect can be illustrated by the share of income accruing to the poorest 20% in Taiwan, which jumped dramatically between 1953 and 1964, from 3.0% to 7.7%. As a result, both societies showed relatively egalitarian distributions of income by the 1960s.

However, while land reform in South Korea and Taiwan explains low income inequality in the early stages of their rapid economic growth, one has also to consider more durable factors in explaining long-term trends in income distribution. A widening gap in income and wealth can occur quite quickly, even with a distribution that is initially egalitarian.

One relevant factor is the large number of unskilled and semiskilled workers in the labour-intensive manufacturing sector. All four East Asian NISs are characterised by labour-intensive industrialisation fostered by an export-oriented development strategy. This has provided the opportunity to utilise the only resource that is in plentiful supply: semi-skilled and unskilled workers. Given that such workers are concentrated in poorer groups, their increased purchasing power has helped to reduce overall income inequality. A meritocratic education system is another factor



dampening income inequalities through expanded access to education, which equalises human capital resources and narrows wage differentials.

A final factor is the effort of governments to ensure a more equitable income distribution. As mentioned before, Confucian governments are expected to provide a 'good life' for their people in return for their obedience. While the criteria for a 'good life' obviously varies according to the individual, everybody feels that they deserve at least a share in the fruits of economic development. The governments of the East Asian NISs are therefore very conscious of the need to promote a reasonably equitable distribution of economic rewards in order not to break the unwritten cultural contract and alienate popular support. The high degree of state autonomy noted earlier enables them to influence income distribution with less concerted opposition than in other state structures. They have, for example, implemented land reform, subsidised the agricultural sector, provided social services to the poor, invested heavily in training and education, and set wage levels, all of which devices have had an impact on income distribution.

## **Chapter 4**

### **Contending Approaches to the East Asian Success**

The literature on the East Asian NISs is already voluminous and continues to grow at a rapid rate with regard to the sources of economic growth and the role of government in its promotion. Nevertheless, one can discern two major competing paradigms: the neo-classical approach, which interprets the East Asian economic 'miracle' as the outcome of market-oriented economic policies; and the statist perspective which draws attention to the central role of government in guiding economic development. In addition, some analysts attribute rapid economic growth to the cultural background common to these societies<sup>1</sup>.

#### **4.1 The Neo-classical Approach**

Within the existing body of literature, most writers to date have adopted some version of the neo-classical perspective which asserts that free markets, trade and minimal state intervention are the primary basis for rapid economic growth. More particularly, neo-classical economists have attributed a major share of the success of the East Asian NISs to outward-oriented policies in trade and industry which have actively promoted production for export and do not discriminate between the purchase of domestic goods and foreign goods. It is argued that full participation in international trade is beneficial because it promotes both allocative and dynamic

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<sup>1</sup>Some analyses fall outside of the major paradigms discussed in this chapter. For example, Ranis (1989) has emphasised the role of institutional/organisational changes; Gulati (1992) has argued that the fast pace of economic growth is the result of certain unique historical and geo-political factors; and Nolan (1990) has explained it as the result of a combination of favourable situational factors and a form of 'market socialism'.

efficiency. By concentrating on certain selected manufacturing products, resources are allocated according to the principle of comparative advantage so that maximum gains are attained from any given level of production capacity. The implementation of export-oriented policies, it is argued, also enables small-sized East Asian NISs to capture economies of scale by producing for a wider market. It is further claimed that the strategy generates higher savings which in turn provide an additional boost to economic growth. In addition, free international trade is seen to encourage competition, efficiency and technology transfer (see Balassa, 1981; Krueger, 1984; Lal & Rajapatirana, 1987; Linder, 1986; Little, 1981).

A number of empirical studies have been conducted by neo-classical proponents in an effort to substantiate their arguments. Among them Bela Balassa has carried out considerable research on trade regimes. He claims that: 'The evidence is quite conclusive: countries applying outward-oriented development strategies had a superior performance in terms of exports, economic growth, and employment, whereas countries with continued inward orientation encountered increasing economic difficulties' (Balassa, 1981: 16-17). Similarly, Little has concluded from his study of Asia's four NISs that: 'The major lesson is that labour-intensive, export-oriented policies, which amounted to almost free trade conditions for exporters, were the prime cause of an extremely rapid and labour-intensive industrialisation' (Little, 1981: 42)<sup>2</sup>.

For neo-classical economists outward orientation is taken to be more or less synonymous with free trade. They consider the adoption of an outward-looking strategy as a product of rational economic practices that conform to the requirements of markets. In line with this reasoning, they claim that the explanation for the dynamic economic growth of East Asian NISs lies primarily with their reliance on free markets. It is 'the free market environment' that 'provides the necessary mechanism to gear the economies towards their optimal points on the production possibilities frontier' (Chen, 1979: 185). Because they believe that the market

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<sup>2</sup>Their conclusions, however, are challenged by many scholars, both theoretically and empirically. For details, refer to Gereffi (1989).



provides the most efficient mechanism for allocating production factors, neo-classical economists tend to disapprove of government interventions in the marketplace. They point out that such interference often distort price signals and result in a suboptimal allocation of production resources. Therefore they argue that the East Asian NISs have been able to minimise government failure so common in other developing countries only by relying on the private sector and free trade.

Not all neo-classical economists have ignored the role of government, however. Bhagwati (1988), Das (1992) and Krause (1989), for example, have all recognised the positive role of extensive state intervention in their respective studies of the East Asian NISs. For Bhagwati, government intervention is tolerable if it is used to support an export promotion strategy. 'The Far Eastern economies (with the exception of Hong Kong) and others that have come close to the export promotion strategy have been characterised by considerable government activity in the economic system. In my judgement, such intervention can be of great value, and almost certainly has been so, in making the export promotion strategy work successfully' (Bhagwati, 1988: 33). Referring to the Singaporean case, Krause argued that, 'The purpose of this government activity is not to replace the market but to make the market work better and faster' (Krause, 1989: 112). Das came to a similar conclusion in his analysis of Korean state intervention. 'The end result was that it worked in a market-sustaining rather than a market-repressing manner' (Das, 1992: 158).

For these scholars, what the state has done is to create the structural conditions necessary for market-led economic growth. These include building physical and social infrastructures; correcting proven market failure through subsidies and incentives; promoting science and technology in industry; and providing a stable and predictable macroeconomic environment through the appropriate co-ordination of fiscal, monetary and exchange rate policies. The important point is that the state intervenes to 'get prices right', where 'right' means that domestic prices are in line with international prices, thereby facilitating economic activity without distorting the market.

During the Reagan-Bush era, when America was preaching liberalisation, deregulation and privatisation and the policies of the powerful international financial institutions celebrated the market determination of prices and market-driven growth, neo-classical theory established itself as a dominant paradigm in development economics. Against this background it is not surprising that it has been common place to explain the economic growth of the East Asian NISs according to this theory. This tendency is exemplified by a recent World Bank report entitled *The East Asian Miracle*<sup>3</sup>(1993). The report acknowledges that 'some selective interventions' by governments have contributed to growth but emphasises that the reasons for East Asia's phenomenal success are attributable to a combination of: a high level of savings; quality of the labour force; support for entrepreneurial efforts in a competitive setting; emphasis on exports; the willingness to import knowledge and technology; and relative macroeconomic stability. In a word, East Asia has succeeded because it has followed the logic of the market.

The neo-classical position explains the rapid growth of the East Asian NISs as the product of policies which depend on freely functioning markets to allocate resources efficiently, including the closer integration of domestic product markets into international markets. How and why such policies have been adopted is explained in terms of policy-makers exercising rational choices. However, this analysis plays down the social, political and historical factors which condition both the opportunities and the abilities of policy-makers to adopt certain strategies and measures.

In particular, it avoids the issue of the state's relationship to society and how that influences the government's policies and its ability to implement them. Even when state intervention is considered, the analysis focuses on economic intervention and fails to take into account those social and political functions performed by the state which have important economic effects. Consequently, although the neo-classical

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<sup>3</sup>Wade (1996) has looked in detail at the compilation of this report and has revealed how power politics had affected the factors that were eventually stressed.

approach can plausibly point to the rationality of the policies carried out by the governments of the East Asian NISs, it cannot tell us why they have chosen to adopt these policies or how they have been able to implement them effectively while governments elsewhere fail.

## **4.2 The Statist Approach**

In an effort to address the problems ignored by neo-classical economists a number of scholars have adopted a different perspective. This approach argues that the 'miracle' of the East Asian NISs is the result of state intervention in both the economy and the society. Supporters of this position have used a range of theories, from orthodox Marxism to the New Left perspective, on different aspects of the situation, from internal politics or labour relations to the international division of labour. But they have one thing in common, they all emphasise the developmental role of strong states in fostering and guiding rapid economic growth. At the centre of their models are powerful governmental agencies that intervene directly in economic affairs, guiding investment into priority industries, establishing direct ownership or control in strategic sectors, and using their political power in harnessing national and international forces to orchestrate an accelerated industrialisation (Amsden, 1979 and 1989; Castells et al, 1990; Deyo, 1989b; Gold, 1986; Johnson, 1982 and 1987; Haggard, 1988 and 1990; Rodan, 1989; Wade, 1990).

Chalmers Johnson (1982 and 1988) has sketched a model of the 'capitalist developmental state', based on the institutional arrangements in Japan and later applied to the high-growth East Asian capitalist countries. According to him, the developmental state assigns priority to promoting economic growth rather than providing welfare. It is committed to the market but at the same time guides it with instruments formulated by an elite economic bureaucracy staffed by the best managerial talent in the system. The bureaucracy is given sufficient scope to take policy initiatives, which are arrived at and implemented through close co-operation with the private sector. The power of the state results from a virtual monopoly of



political power and relative insulation from societal pressures. In a sense, Johnson's 'developmental state' is more of a description of government activities than an analytical account of their impact on economic development. But it provides a basis from which to study the role of government in the economic development process.

Robert Wade (1990) goes further, contending that the governments of the East Asian NISs have done more than guide the market. They actually govern it. He has identified several major policy initiatives that have contributed to the superiority of East Asian economic performance: very high levels of productive investment, making for the faster transfer of newer techniques into actual production; more investment in certain key industries than would have occurred in the absence of government intervention; and the exposure of many industries to international competition. The important point is that they are themselves the result of active government interventions. Using incentives, controls, and mechanisms to spread risk, the government is able to regulate market processes of resource allocation so as to produce different production and investment outcomes than would have occurred under free market conditions. Furthermore, government interventions have been permitted or supported by a particular kind of organised relation between the state and the private sector.

Alice Amsden (1989 and 1993) has coined the phrase 'late industrialisation' to describe the industrialisation process in Korea and Taiwan. Late industrialisation is different from the First or Second Industrial Revolutions in that it occurs on the basis of learning which involves borrowing, adapting, and improving upon foreign designs. Industrialisation was late in coming to some countries because they were too weak to mobilise the forces necessary to inaugurate economic development and to fend off the wave of foreign aggression begun in the second half of the nineteenth century. For them to catch up in the twentieth century has required even more direction from government because the gap between the developed and developing countries has been greater.

The inherent conflicts of the market apply to all users, but they are sharpest among the least well endowed. Countries with low productivity require low interest rates to stimulate investment, and high interest rates to induce people to save. They need undervalued exchange rates to boost exports, and overvalued exchange rates to minimise the cost of foreign debt repayment and of imports. They must protect their new industries from foreign competition, but they require free trade to meet their import needs. Under such disequilibrating conditions, the state has to intervene to address the needs of both savers and investors, and of both exporters and importers, by creating multiple prices.

Therefore, it is argued, in successful cases of late industrialisation, instead of market mechanisms allocating resources and guiding private entrepreneurship, the government makes most of the pivotal investment decisions. Instead of firms operating in a competitive market structure, they each operate with an extraordinary degree of market control, protected from foreign competition. Even more important, the economy operates with a set of 'wrong' prices deliberately set by the government in order to create profitable investment opportunities.

Thomas Gold (1986) has applied the triple alliance model of Brazilian dependent development and the concept of autonomous state to Taiwan's development. He asserts that it must be modified for the Taiwan case. While the triple alliance in Brazil is characterised by the dominant role of the multinationals and the weak position of the state, the state in Taiwan plays the dominant role. Hence, although the internationalisation of the market economy has provided opportunities for Taiwan because of its competitive capacity, such competitiveness largely stems from the deliberate strategy planned, engineered, and implemented by the state.

Garry Rodan (1989) has explored the economic success story of Singapore within both the international and national contexts. His main argument is that the socio-historical circumstances of Singapore have precipitated the formation of a powerful and development-oriented political state, which in turn has facilitated Singapore's successful incorporation into the new international division of labour. Rodan

maintains that the PAP government in Singapore has played a critical role in fostering the industrialisation process not only through subsidies and incentives, but also by creating extra-economic conditions favourable to the implementation of economic policies. In particular, the institutional control over organised labour and the general taming or elimination of political opponents have contributed to the creation of a disciplined labour force with reduced bargaining capacity. In this way, the state has contributed towards lower wage costs and the fullest exploitation of labour. Therefore the state has actually created Singapore's comparative advantage within the new international division of labour.

The institutionalised subordination and co-option of labour in the East Asian NISs is detailed by Frederic Deyo (1989b) and explained as a necessary condition for their success. It claims that rapid industrialisation in these societies has reflected the overwhelming priority given to economic expansion and the needs of capital, with a corresponding neglect of the redistributive and welfare demands of workers and farmers. At their economic take-off stage, the competitive international position of East Asian economies was predicated on the maintenance of low labour costs, industrial peace, and worker reliability and productivity was explicitly recognised in state planning. Authoritarian governments across all four East Asian NISs have powerfully constrained labour movements and their capacity to influence enterprise or governmental decision making. This tight control of labour has encouraged rapid capital accumulation and economic growth.

Stephan Haggard (1988 and 1990) has concentrated his analysis on the policy shifts from import substitution industrialisation to export-oriented industrialisation in the East Asian NISs. He has recognised the influence of international political conditions on their development process, especially the role of the United States in providing security and economic aid and in formulating a development strategy. But he believes that the state's role in providing the political prerequisites for export oriented industrialisation has been fundamental. Moreover, the state has been able to provide the political and economic conditions necessary for economic success because it enjoys a significant degree of relative autonomy from either domestic or international



forces. Economic policymaking is in all cases centralised in agencies with a strong 'technocratic' cast that can rely on relatively efficient, meritocratic bureaucracies for policy implementation. More importantly, policy decisions are given firm backing by political elites for whom economic performance is a central component of political legitimation. In contrast to the strength of the East Asian states, the political power and organisational resources of key social groups are weak. Labour movements have been controlled or repressed. The peasantry has been integrated into the system through land reform. And a relatively brief period of import-substitution has prevented the development of strong protectionist business interests. As a result, the economic policy-making process has been relatively insulated from direct political pressures and the need to compromise. The state could therefore shift policy from import substitution industrialisation to export-oriented industrialisation with relative ease.

Most of the analysts who point to the centrality of the state in the success of the new industrialisation consider Hong Kong an exception. Castells et al (1990), however, have proposed that it is also a case of state-led economic development. Basing their analysis on the state's role in public housing, and in the process of collective consumption, production and capital accumulation more generally, they argue that the Hong Kong government intervenes extensively in the economy and the society, though in a very subtle way. And these interventions provide the basis for some of the key elements underpinning the process of economic growth in Hong Kong.

The main arena of intervention is identified as collective consumption, with the centre being located in the public housing programme. Government-supported housing, health, education, transportation, and subsidies of foodstuffs and basic daily consumption items, have been crucial elements in ensuring a proper production and reproduction of labour, in making labour cheaper without lowering its quality, in providing a safety net that has enabled an entrepreneurial population to take risks by investing and creating businesses, and in providing the basis for social stability. Furthermore, selling land has generated key financial resources for the Hong Kong government, so that it can create the necessary infrastructure for growth without

having to resort to heavy direct taxation that would have undermined the business climate.

A. J. Youngson (1982) has also argued that Hong Kong has a mixed economy in which the government plays a decisive role. Apart from citing the role of the state in providing public education, housing, and land, he points to two other features. First, the government is the biggest employer of labour in Hong Kong which means that wage increases in the public sector are sometimes taken as setting the pace for wages throughout the territory. Secondly, and even more significantly, the government is the biggest investor in Hong Kong. Government investment plays a large and increasingly important part in determining the long term rate of economic growth.

The overall theme common to all these various studies is how the East Asian NIS states have facilitated economic growth. The argument is, in effect, that interventionist political states have been essential to their societies' success. In these economies, it is argued, the politically determined goals of national development have overridden the claims of specific interests, including those of big businesses<sup>4</sup>.

By focusing on the role of the state and its relationship to external political and social constraints, the statist approach seems more capable of explaining why the development of the East Asian NISs and other developing countries took place at different rates and in different forms. It is also likely to provide more valid explanations as to why the states of the East Asian NISs have been more effective than others in carrying out state intervention. However, this approach has largely ignored the cultural factors underlying market exchanges and institutional arrangements. It therefore throws little light on the question of how and why East Asian people have been mobilised to comply with various development policies. In order to understand the cultural-psychological forces behind development dynamism we have to turn to another group of scholars who have been trying to establish links between Confucianism and the economic performances of the East Asian NISs.

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<sup>4</sup>For a good summary of these studies and a detailed analysis of how the states have been able to override the claims of other interest groups, see Douglass (1994).

### 4.3 The Cultural Explanation

Herman Kahn is widely recognised as the first western scholar to speculate on the possible influence of Confucianism on economic development. He suggested that the key determinants of economic growth in East Asia are a set of cultural values, and that 'societies based upon the Confucian ethic may in many ways superior to the West in the pursuit of industrialisation, affluence, and modernisation' (Kahn, 1979: 121).

Among the early writings on Confucianism and economic development in modern East Asia, Roderick MacFarquhar's (1980) has been particularly influential. He coined the now widely used term 'post-Confucian' to describe societies which bear the obvious hallmarks of a Confucian legacy which has been significantly altered by the accretion of new elements. These post-Confucian characteristics have been identified as: self-confidence, social cohesion, subordination of the individual, education for action, bureaucratic tradition and moralising certitude. They are regarded as a particularly potent combination for development purposes. For instance, high educational attainment has produced the principal asset of the East Asian NISs, people, whilst Confucianism's strength as a 'social cement' has brought individuals together to work for a common goal, economic development. MacFarquhar claims that 'if western individualism was appropriate for the pioneering period of industrialisation, perhaps post-Confucian "collectivism" is better suited to the age of mass industrialisation' (MacFarquhar, 1980: 71).

It was not until the late 1980s, however, that scholars began to deal with the cultural forces behind the East Asian development dynamism more systematically and thoroughly. Hsin-Huang Michael Hsiao (1988), for example, believes that the economic dynamism of the East Asian NISs is based on a combination of favourable world system timing, a special geopolitical position, and culturally rooted social-behaviour patterns. He points out that the East Asian NISs entered the international



market at the time when the world system had been expanding and the capitalist countries enjoyed a great degree of overall economic growth. They were also in a better position to exploit this favourable timing because, in the era of post-war American hegemony East Asia was viewed as a bulwark against Soviet communism within the US containment strategy. Multifaceted economic and military support was therefore given and a certain degree of national autonomy, especially in the economic field, was tolerated in exchange for their anti-Communist stance.

In his analysis of cultural factors, however, instead of giving definite answers, Hsiao proposes a set of possible directions for further study. He suggests that some popularly practised cultural traits have helped the economic success of the East Asian NISs, and that the most relevant among them are Confucian-derived ethics and values toward work, family and organisational authority. These cultural factors should not be interpreted as individual traits. Rather they constitute a set of institutionalised cultural arrangements operating at the societal level. From this point of view, one can establish plausible links between national policymaking and cultural behaviour. For example, the explanation for the making and implementing of successful economic policies could well begin with an analysis of their resonance with common sense cultural understanding and practices. In general, Hsiao sees cultural factors as a 'comparative advantage', which has allowed the economy to take off at the right moment.

William J. O'Malley (1988) has tried to find a correlation between Confucian culture and the economic development pattern which he described as export-oriented, government-guided and corporation-led. He finds the evidence in the perfect fit between important aspects of Confucian culture and the style of institutional arrangements underlying the rapid economic progress of Japan, Taiwan and South Korea, in particular the functioning of governments and companies and the relationship between the two.

According to his analysis, governments in these societies constitute powerful and remote bureaucratic structures. They can formulate policy goals independently of

particular groups, change group or class behaviour, and even change the structure of society. Companies are important social as well as economic institutions. Ideally they are organised in community-like, almost family-like ways, with a strong emphasis on team spirit and mutual respect. The relationship between government and corporate interests, which has been a crucial element in these societies' economic success, is co-operative and reciprocal. It is based on the mutual realisation that the state needs the market and private enterprise needs the state.

Once these aspects of government and private enterprises, and the relation between them are highlighted and juxtaposed with the ideals and values embodied in important Confucian institutions, the fit is unmistakable. The concepts of service, respect, and mutual co-operation permeate both. Obedience towards authority and deference towards superiors are fostered by Confucianism and are intrinsic to the workings of the major institutions behind the economic success in those societies. A willingness to subordinate the interests of individuals to those of the group, a trait inculcated by Confucian teachings, has been at heart of the co-operative social effort that has supported this East Asian style of growth. Given this striking fit, O'Malley cautiously maintains that the possibility of some exercise of Confucian cultural influence on economic development exists.

Lucian Pye (1988) has approached the problem of Confucianism and economic development by studying the Confucian characteristic of East Asian political systems (excluding Hong Kong) and their influence on economic activities. For Pye, these systems are a particular combination of Confucianism and advanced capitalism, which can be dubbed paternalistic authoritarianism. They are authoritarian, but they also recognise merit, extol technocratic skills, encourage national development, and generally press for modernisation and egalitarian economic development.

Pye has traced the transformation of traditional East Asian Confucian states into their present capitalist authoritarian forms. The arrival of the more technologically advanced West forced the traditional Confucian group-oriented perspective to move beyond the family and the clan to include the nation. It gave rise to a powerful sense

of nationalism which took the form of a 'search for wealth and power' to counter the West. This served to shift the rationale of legitimacy away from the traditional Confucian view of rule by moral example to a more utilitarian obligation of the state to encourage economic development.

As the result, governments in East Asia were considering questions of economic development and nation-building at an early stage. They therefore had a substantial head start over the rest of the non-western world in striving for economic growth. But it was a second major shock that shattered the traditional Confucian sense of cultural superiority and made genuine learning from the outside world possible. For Taiwan it was the humiliating defeat of the KMT and for Korea the devastating civil war.

As to how the Confucian orientation of the East Asian governments have influenced their economic activities, Pye has argued that nationalism has produced an awareness of the boundary lines between 'us' and 'foreigners'. Therefore, 'Governments and citizens automatically agree that it is more honourable to sell abroad than to import. In these countries people do not have to be told to buy domestic products' (Pye, 1988: 90).

In Pye's account, paternalism is displayed in the forms of patronage involved in economic development. The government provide patronage and guidance to those in the private sector found to be worthy. The spirit of paternalism, when fuelled by anxieties about possible national failure, has made the East Asian governments ready to shelter businessmen from economic failures. They have nationalised risks and made entrepreneurs more dependent than is normal in a capitalist system.

Because the state has assumed the responsibility for making enterprises internationally competitive, government policies have been designed to insure harmonious industrial relations while keeping wages in check. In return for pressures on labour to keep wage demands low, governments have insisted that employers should provide paternalistic security for their workers. Relative social tranquillity has been achieved on the basis of traditional respect for hierarchy and deference to



authority coupled with pragmatic calculation. People choose to follow government policies in exchange for the economic improvement provided by authority. In the process, both entrepreneurs and labour are made dependent on the government. It is this sense of dependency, Pye argues, that makes the Confucian tradition of paternalistic authority so effective in working for the collective goal of national economic development.

Based on his studies of Hong Kong, Siu-lun Wong (1989) proposes that Chinese culture is more capable of assimilating industrial capitalism than others. He discerns four major Chinese cultural elements which facilitate the adoption of industrial capitalism - incorporative cosmology, high achievement motivation, pervasive familism, and utilitarian discipline. While Chinese culture is not identical to Confucianism, those major Chinese cultural elements discerned by Wong are unmistakably Confucian.

According to Wong, the inherent eclecticism of Chinese cosmology enables the Chinese to become adept borrowers of foreign practices. They can blend western elements with their own tradition with apparent ease. He also gave examples to show that most Hong Kong people hold flexible and positive views toward technological innovation. One such example was the words of a spinner:

In Hong Kong, we have a lot of information about new textile machines. We know their merits and drawbacks. So we choose the suitable parts and assemble them. But in our neighbouring countries, they usually order the complete set from one company, down to the last screw. That's why we are a step ahead of them (Wong, 1989: 171).

High achievement motivation is believed to derive from the Chinese philosophy that men are 'naturally equal'. Social inequalities and stratification appear because of differences in the efforts that individuals devote to their work and because of differences in education. No status is regarded as intrinsically beyond the reach of an individual. In modern Hong Kong ambitions for betterment have shown in that a

common goal among Chinese is self-employment, to be the owner of a company. This explains why entrepreneurs are in abundant supply in Hong Kong but are relatively scarce in other non-Chinese cultural areas.

Universal familism reflects itself in paternalistic management. Wong's research on the cotton spinners has shown that business leaders tend to be patriarchal. They confer welfare benefits on their employees as favours, take a personal interest in their subordinates' non-job related activities, and disapprove of trade union activities. Paternalism can be beneficial to economic development because it inhibits the growth of class consciousness through the formation of patron-client relations between owners (managers) and their staff. In Hong Kong group actions by employees, such as collective bargaining and confrontation, happen rarely. Conflicts are manifest mostly in individual actions.

One feature of Hong Kong enterprises which is directly related to universal familism is the pervasive family mode of ownership. Wong's survey suggests that nearly 60% of the small scale factories in 1978 were family owned. A much stronger measure of trust exists among family members than among unrelated business partners. Consensus is easier to attain. This enables family firms to be more adaptable in their operations. As a result, they are well-suited to survive and flourish in volatile situations such as Hong Kong.

Utilitarian discipline is used by Wong to denote a tendency among the Chinese to be keenly aware of cost and benefit calculations in both monetary and human investments. It derives from the fact that the fertility rates among Hong Kong people have shown a rapid decline since the 1960s, which has helped economic development. People with utilitarian discipline are prepared to adopt a long-term strategy to enhance the welfare of their families by deferring immediate gratification.

Wong does not believe that cultural factors alone can account for Hong Kong's economic performance. He asserts that several situational factors in Hong Kong society have pushed cultural values in the direction of economic growth. The first is

the large component of refugees in Hong Kong's post-war population. They have brought not just industrial experience and capital but also a refugee mentality suffused with deep anxiety parallel to that experienced by Weber's early Calvinists. Secondly, the colonial character of Hong Kong has created a pattern of social stratification different from that of traditional China. In the past, social status was determined more by office than by wealth. With the official route to social ascent blocked by the British colonial government, wealth has become the major marker of achievement and social honour for the Chinese. Two other situational factors derive from the physical condition of Hong Kong. Being urban 'by default' and without a hinterland, a feeling of solidarity and a common orientation toward economic achievement is easier to achieve. And its tiny size means that it is easier to manage.

Some of the studies mentioned above have raised the question of Confucianism's role in facilitating the East Asian NISs' economic development without providing sustained theoretical argument or mobilising detailed empirical support. Others have concentrated on specific issues such as particular aspects of Confucianism or have looked at Confucianism in certain societies. Ezra F. Vogel (1991), however, has analysed the economic development process of each East Asian NISs and the factors contributing to it and argued that their success has resulted from the combination of favourable situational factors and 'industrial neo-Confucianism' - Confucianism adapted to the needs of modern industrial societies.

The situational factors are: the massive amount of US aid, the destruction of the old order, a sense of political and economic urgency, an eager and plentiful labour force, and familiarity with the Japanese model of success. Together, it is argued, they give a powerful advantage to the East Asian societies. Although some other societies share some of these factors, none of them came close to East Asia in possessing so many.

This listing of situational factors does not provide an explanation however. Industrialisation requires high levels of co-ordination, precise timing, and predictability. As 'late comers', even higher levels of co-ordination and teamwork, deeper understanding of science, technology and management skills, and far greater



knowledge of world markets are required than in earlier eras. The ability of present generation East Asians to achieve the needed complex levels of organisation cannot be separated from the institutional practices and underlying attitudes that they absorbed in growing up in their culture.

Vogel has identified four sets of institutions and cultural practices which he believes contribute to the capacity of the East Asian NISs to industrialise. These are: the meritocratic elite, a competitive entrance examination system, the importance of the group, and self-cultivation. These he groups under the term of 'neo-Confucianism' because they are rooted in the Confucian tradition but have adapted to the needs of an industrial society.

In Confucian societies the bureaucrat is selected on the basis of merit. In modern East Asian societies, the basis of merit has shifted from the possession of good moral standards and knowledge of the classics to knowledge of modern science and technology and the ability to deliver economic gains. However, as in earlier times, modern bureaucrats still play a very important role in decision making, and have a sense of responsibility for the overall welfare of society. This bureaucratic system in its modern form has played a critical role in East Asian industrialisation. It provides well-trained personnel chosen from the ablest people, who are not only responsible for expertise and decision making but are also dedicated to overall public goals. Meritocratic selection of these functionaries gives a substantial measure of legitimacy to government.

Traditionally, entrance examinations were the gateway to officialdom. Nowadays the traditional content of examinations, Confucian teachings and stylised essays, has been replaced by knowledge of foreign languages, modern history, economics, science, and mathematics. The use of exams has also been expanded so that specific links are formed between good exam marks and good jobs. The extension of the exam system is crucial in overcoming feudal favouritism so that all members of the society have a chance to attain high positions. The examination system also encourages competition and habits of hard work.

The importance of the group over the individual has been central to Confucian teaching. While the group is still paramount, its definition has changed to incorporate companies, nations, even international communities. The responsiveness of people to group demands helps the economic organisation and social control system to work smoothly. The fact that the family and the local community have accepted substantial responsibility for the welfare of their members provides a safety net for individuals when government does not have sufficient money to fund a substantial national welfare system.

In the old days, self-cultivation was driven by a desire for more perfect control over one's emotions, and consequently it required study and reflection more than activism. Today it has taken an active purposive form, manifested in the effort to advance work-related skills. This helps create a well motivated and ambitious workforce.

Similarly, Hung-Chao Tai (1989) has proposed a hypothesis on the relationship between culture and economy in five East Asian societies: Japan, South Korea, Taiwan, Singapore and Hong Kong. According to him, there is an Oriental model of economic development that emphasises human emotional bonds, group orientation, and harmony. This stands as an alternative to the more established western model of development that stresses efficiency, individualism, and dynamism.

Tai has analysed the impact of Oriental culture in several key areas of the economy: business organisation, employee behaviour, the work ethic, and human resource development. According to him, the Oriental company functions not only as an economic enterprise but also as a social entity. The relationship between the employers and the employees, which operates both inside and outside the company, is paternalistic. It is built upon common familial activities such as marriages, birthdays and funerals. These activities are a vital part of the company's social investment and help to give the Oriental workforce its special characteristics of industriousness and compliance. These characteristics in turn provide East Asian societies with a significant advantage in competition with the West.

Employee behaviour, argues Tai, has been shaped and controlled through social means. The Oriental company actively encourages its employees to share their feelings, emotions, and concerns through company organised social activities. It considers loyalty and dependability rather than creativity and skill as the primary criteria by which employee performance is evaluated. The company also devotes a considerable amount of money and time to the employees' personal welfare. As a result, the Oriental company possesses a far greater capacity than its western counterparts to influence employee behaviour to achieve company objectives.

Tai has also identified personal traits such as diligence, frugality, and the tendency to save as important factors contributing to economic development in East Asia. These traits are considered logical consequences of East Asians' views toward the natural world and their concept of human life. Without a compulsion to conquer the natural world, they believe that they can make the best use of scarce natural resources by exerting their relatively abundant labour. Formerly, as they lived in a subsistence economy, they deemed diligence not only a desirable habit but an attitude essential to survival. This attitude persists today, and becomes the work habit. With their concerns focused on 'this world', East Asians consider that life finds its primary meaning in the continuity of the family. Therefore they must live frugally to assure their family members the necessary means to live on. Diligence in work and frugality in life lead to an accumulation of savings. Large domestic savings help restrain inflation and reduce the cost of capital borrowing, leading to an increase in business investment. The diligent and frugal behaviour of East Asians enabled them to launch successfully a labour-intensive industry in the early stage of industrialisation. Subsequently, with a large reservoir of savings, they were able to shift from a labour-intensive to a capital-intensive economy.

Tai believes that the emphasis on the development of human resources in contemporary East Asia is another important aspect of Confucian influence. Central to Confucian thinking is a belief in the perfectibility and educability of human beings. Aspiring individuals saw studying and learning as a major means for the few



to rise above the many. This Confucian tradition is today carried over to every East Asian society, considerably facilitating the process of economic modernisation.

For Tai, the Oriental model failed to initiate industrialism. But after borrowing technology from the West, and mating the technology with a human-centred culture, the Orient was able to achieve an almost unparalleled economic performance in the world. Therefore, Tai shares MacFarquhar's opinion that the Confucianism informed pattern of development is more suited to the age of mass industrialisation.

Not all analysts of the possible links between Confucianism and capitalist development in East Asia however, are convinced that they are either as strong or as central as some commentators have argued. One of the most influential sceptics is the Korean scholar, Kim Kyong-Dong (1988: 1994). His objections rest on three main points. Firstly, he argues that that since the legacy of Confucianism is far from 'pure', any influence it might have is inextricably bound up with other frameworks of thought and value. Secondly, working with a 'modified modernisation theory' he maintains that the present wave of capitalist development in East Asia originated as a response to the global push towards 'modernisation' initiated by the major western powers in the post-war period, by which time Confucianism had already ceased to play a central role in either official ideology or everyday life. Thirdly, he suggests that where elements of Confucianism did continue to exert some influence, they were as likely to inhibit as to advance capitalist development. Let us take these points in turn.

Kim's is correct to emphasise the 'impurity' of the Confucian tradition, but wrong to see this adulteration as springing mainly from East Asia's confrontation with other cultures at the beginning of the present century. The Confucian heritage has never been 'pure'. Indeed, arguably, it has survived precisely because it has been able to adapt to foreign environments, absorb and assimilate elements from other cultural systems, and co-exist with other value systems. Because it is a moral system not a religion there is no immutable definition of doxa. Differences of opinion over the interpretation of key texts and the application of core principles can be negotiated without producing the schisms generated by concepts of heresy. However, if we accept flexibility and permeability as basic features of Confucianism's career, doesn't this confirm Kim's argument that its supposed influence in the contemporary period is as much, and perhaps more, to do with other cultural and conjunctural factors. He offers the example of 'this-worldliness'. This is certainly central to Confucianism, but as he points out, it is also a prominent feature of several other belief systems with strong roots in East Asia, including, Taoism, Shintoism and Mahayana Buddhism. However, as the detailed analysis in Chapter Five shows, although any particular element may not be unique to Confucianism, the overall combination of elements is. We need to think of Confucianism not as a collection or list of discrete traits or values but as a working system of interactions and reinforcements.

At first sight, Kim seems to be on rather stronger ground when he argues that the choice of a model "of strong central government with an authoritarian principle of organisation" had less to do with the legacy of Confucianism and rather more to do

with the governments of the East Asian NISs pragmatic realisation that this was likely to be the most effective framework for a rapid push to nation-building and economic growth. However, even if we accept the assertion of pragmatism in its strongest form - that elements of Confucianism were mobilised by post-war East Asian governments in order to invest their actions with a degree of legitimacy - we still have to explain why so many of their citizens appear to have consented to this .

Both Kim and his opponents (who argue a strong case for the influence of Confucianism on capitalist development ) work with a view of Confucianism which is both schematic and abstract. They offer a generalised characterisation but fail to anchor it in everyday discourse. In order to pursue the argument as to Confucianism's influence (or lack of it) further, we need to look in detail at how it was represented and mobilised on a day-to-day basis , and at how official constructions intersected with grounded, vernacular, systems of thought and value. This thesis takes a first step in this direction by examining the representation and negotiation of Confucianism in one of the main arenas of public culture- the daily press. And by taking two societies- Taiwan and Hong Kong- with contrasted press-state relations, and by looking at shifting patterns through time, it explores the contextual variations in this process, as well as the continuities and commonalties.

This work also allows us to address Kim's strong assertion that Confucianism was "already defunct and inoperative in the contemporary context" (1994:99). If this was the case, we would expect to see very little coverage of Confucian tenets and themes in the press.



Kim however, is by no means consistent in his argument, since he concedes that some values inherited from the Confucian tradition have continued to exert an influence in the post-war period. For example, he argues that 'status orientation' has been "one of the most resilient and important factors motivating Korean people to achieve growth" (1994:102). He sees this orientation as strongly rooted in Confucianism's traditional emphasis on education as the principle channel for upward mobility.

At the same time, he points out that the high valuation of education might also have exerted a negative influence on capitalist development since it may have lead "many of the more able individuals to pursue non-business careers in the legal, medical and other professional fields" (1994:102). But contradictory outcomes do not , in themselves, undermine the case for seeing Confucianism as one of the central forces shaping the forms of economic development in the East Asian NICs. Unintended consequences are still consequences.

Kim is absolutely right however, to emphasise the need to explore the influence of Confucianism against the background of the specific histories and conjunctures that have shaped the development of particular societies. That is why we have opened this thesis with a basic resume of the recent histories of the four major East Asian NICs under analysis.

#### 4.4 Concluding Remarks

Most studies of the East Asian NISs favour one of two major starting points in explaining their economic success: the state or the market<sup>5</sup>. While some scholars have insisted on the pre-eminent role of either the market or the state, as we have seen, the majority emphasise the interplay between the two. The market needs the state and the state needs the market. The differences in their arguments revolve around which is regarded as the most important.

The neo-classical approach has made a substantial contribution to our understanding of the East Asian situation by identifying workable development strategies and economic policies. But it is not sufficient to explain why the East Asian NISs have chosen workable policies and have been able to implement them successfully while some other developing countries have either chosen the 'wrong' strategies or have been unable to make the right ones work. The statist approach, on the other hand, has studied the policy and political processes that underpin successful development strategies. In doing so it has exposed the partial and selective nature of the more strident and uncritical neo-classical interpretations of East Asian economic success.

Both approaches, however, have ignored the role of the East Asian people themselves in staging their unprecedented rapid economic growth. When the characteristics of the East Asian labour force - well-educated, hard-working, and compliant - are mentioned, they are treated as static human endowments rather than disposition that have to be continually reproduced and reinforced. While the state is depicted as powerful and developmental, it is left largely unexplained why a government relatively unconstrained by any other forces in society would still commit itself to overall public goals.

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<sup>5</sup> There are signs, however, that more and more studies are taking account of social and cultural factors when analysing the East Asian economic development process. For example, Campos and Root (1996), while emphasising the role of state, have further analysed the cultural specific systems for ensuring accountability and consensus building and East Asian leadership's commitment to shared growth.

Recognising these shortcomings, some scholars, as we have seen, have tried to pinpoint the role of culture, especially of Confucianism, in the East Asian NISs' economic development. Most have treated Confucianism as a dynamic force interactive with other historical, political and economic forces. These forces, it is argued, have modified Confucianism into 'post-Confucianism' or 'neo-Confucianism' which in turn has helped to shape the course of political and economic development. This reconstituted Confucianism works on two levels. At the individual level, cultural traits such as discipline, diligence, high motivation help form a work ethic which is highly functional for economic activities. At the societal level, institutionalised cultural arrangements based on Confucian values have moulded the nature and style of political, bureaucratic and corporate practices, and defined the governments' relationships to private enterprises and to the citizenry, enabling them relatively free to make or change policies and implement them smoothly.

Most writers on Confucianism and economic development in East Asia are concerned to avoid cultural determinism. Though they emphasise the important role of culture in economic development and try to specify how central cultural traits impact on economic performance, they also acknowledge the role of the market, the state and situational factors. By combining studies of markets, states, and culture, we might hopefully move towards a more complete picture of the East Asian NISs' economic achievement.



## Chapter 5

### Popular Confucianism: Traditions and Transitions

Confucianism is primarily concerned with the behaviour and attitudes of people in the context of their interactions within daily life. It is a sacred code of social behaviour with spiritual and political content. It was shaped and transmitted by a cultural elite but gained almost universal acceptance from ordinary people. It originated in China but gradually became a manifestation of East Asian spirituality more generally. As succinctly put by Tu, 'Confucianism is not a religion limited to a particular culture, race, or nationality. It is a dynamic force that flows, has different currents, and has the capacity to interact with other traditions in a pluralistic context' (Tu, 1992:10).

For over one thousand years, Confucianism has given enduring expression to many of the values that have animated East Asian culture, to the organisational principles underlying their governments, and to core traditions of social life. For a considerable time, however, Confucianism was equated with an obsolete past. Relentless global modernisation and westernisation seemed to be displacing more and more Confucian values and practices. While those aspects of Confucianism which were specifically rooted in the practices of feudal agricultural societies did cease to function in industrial societies, Confucianism as a general system of belief was not eradicated. Indeed, in the process of interaction with modern values some elements were reasserted and others were modified to produce a system that could be deployed to guide modernisation.

Due to the enormous change Confucianism has undergone in the past one hundred years or so, many scholars tend to address Confucianism in modern East Asia as neo-

Confucianism or post-Confucianism. But the word Confucianism itself embodies the dynamics of change and the ability to adapt. Even though today's change is more pronounced, our analysis shows that Confucianism still represents the dominant set of values and behaviour patterns in modern East Asia. Although many values and institutional characteristics such as diligence, family emphasis or paternalistic government are not unique to Confucianism, the simultaneous presence of them all, and the history of their coexistence are unmistakably Confucian.

Originally Confucianism was based on the classical texts, and was therefore mostly associated with the educated literati and the ruling elite. Later through literati-led preaching and state regulations, its values and practices, especially those related to the family and to social relations, spread widely among the population at large. This popularisation produced a Little Tradition alongside the Great Tradition. In modern East Asia officials and intellectuals no longer excel in the Confucian classics and these texts are no longer part of the core educational curriculum. While the support for the Great Tradition has long gone, the Little Tradition, the popular version of Confucianism, has remained the major source of the core social and cultural values, and has withstood the impact of western influence. It still structures people's behaviour today in a number of important ways.

### **5.1 The Confucian Tradition**

Confucianism grew out of the writings of Confucius, the Chinese philosopher and educator born in the 6th century BC. He was writing against a background of rapid social and economic change which also saw a steady growth of the whole Chinese cultural area. At this time, which was contemporary with the heyday of classical Greek philosophy and of Indian religious thought, many different schools of Chinese thought - Confucianism, Taoism, Legalism and the Hundred Flower School - blossomed. However, in sharp contrast to the emphasis on the divine and the other-worldly within other systems, Chinese philosophical interest centred primarily on this world, the world of man. Confucianism in particular focused on the living,

concrete human being embedded in the material and social worlds. Man is the focal point of Confucianism and the central measure of everything.

The original teachings of Confucius were reinterpreted and further developed by his followers, especially Mencius and Xun Zi. Confucian thought was also enriched by assimilating ideas from its rivals. By the 2nd century BC it had emerged as a major intellectual tradition, and had become predominant in China's social, political and cultural life. It also gradually entered three other cultural areas: Korea, Japan and Vietnam. Of these, Korea was the most Confucianised. During the Yi Dynasty, from the 14th century to the early 20th century, there was a conscious attempt by the political elite to Confucianise Korean society.

Confucianism developed and reached the peripheral countries at various stages of its development. The major development of Confucianism occurred in the Song dynasty (AD 960 - 1279) when leading Confucian scholars of the time called for a more accurate reading of the classics and for a reformulation of Confucian rituals to counter the growth of Buddhism. These neo-Confucianists were also concerned with extending Confucian practices beyond the elite. Unprecedented government efforts were devoted to regulating people's behaviour and shaping their ideas, through mass education, punishment and rewards. As a result, Confucianism took a strong hold among commoners. Although the specific contents changed in the process of development, its basic concerns with authority, family, service to society, harmonious human relationship, education, and individual self-cultivation persisted.

The essence of Confucianism is the belief in the Way, a great natural order which exists in its own right without design. Balance and harmony in the Way serve as a model for human society, which can reach perfection only when it functions in accordance with an order characterised by harmony, balance and tranquillity. Neither the natural nor the social order is conceived of as created by some divine power. Rather, the linkages between natural and human society make man and the world of man the centre of Confucianism.



Confucian society is characterised by explicit social hierarchies. The underlying justification for social stratification comes from the assumption that the ideal society has a natural order and that men, endowed with different capacities by nature, have different positions within that order. Its hierarchical foundations are expressed in terms of three main bonds: father-son, husband-wife, and ruler-ruled. On this basis the structural core of society was built around the 'five cardinal relations': relations between ruler and ruled; parents and children; husband and wife; brother and brother; and friend and friend.

Looking at the idea of a naturally hierarchic society from the western point of view, it is tempting to conclude that Confucianism assumes that all men are born unequal. However, social inequality in the Confucian sense reflects conformity to a natural order of things. Rather than holding that all men are of equal value, Confucianism stresses that all men are infinitely perfectible, since man can always adjust himself to the Way so as to reach the perfect state. Moreover, no matter how different people's social positions are, there is no necessary conflict of interests because they share the same goal - to conform to the natural harmonious order.

The most important institution in a Confucian society is the family. A great deal of Confucianism is concerned with proposing rational justifications or theoretical expressions for this core social institution. Hence Confucian society can be seen in many ways, as the extension of the family, and Confucian virtues as extensions of the familial virtues. Of the five cardinal relationships, three are determined directly by kinship, and the other two can also be conceived of in terms of family. Thus the relationship between ruler and ruled can be viewed as analogous to that between father and son, and that between friend and friend as similar to that between elder and younger brother.

Within the Confucian family, the father is the source of authority, and the elders are to be respected. Family relationships are governed by filial piety, which is considered the root of all Confucian virtues. It requires that children should obey and conform to the rules set by the father, showing reverence and respect to him, and be absolutely

submissive. However, far from being a one-way obligation, it is considered as a natural response to the father's love, concern and care, as manifest by his responsibility for his children's well-being and education. By the same rule, younger members of the family are required to pay loyalty and obedience to elder ones, and the wife to her husband.

The essence of the Confucian family system is its continuity. The maintenance of this genealogy rests on the belief that original relationships remain in force despite the death of a senior, hence the development of ancestor worship. This practice is confined to the kinship group and plays an indispensable role in reinforcing the cohesion of family and clan. Ancestor worship is conducted through rites (*Li*) which consist mainly of mourning observances and continuing sacrifices. These rites were originally wrapped around with superstition and mythology. For commoners, deceased seniors possessed even more spiritual power than they had enjoyed in life. By showing their continuing love and remembrance through the rites, they expected to receive blessings sent by the ancestors. But within revised interpretations of the Confucianists, these aspects were purged.

The explicit rationalising of the rites of the ancestral cult was the work especially of Xun Zi. This is illustrated in his discussion of sacrifice,

Sacrifice is the expression of man's emotions produced by affectionate longing. It represents the height of piety and faithfulness, of love and respect. It represents also the completion of propriety and refinement. ... The sage plainly understands it; the scholar and superior man accordingly perform it. It becomes the routine of the official; it becomes an established custom of the people. Among superior men it is considered to be human activity; among the common people it is considered to be serving the spirits (Xun Zi, Book 19).

Next to the family stands government. As the social institution charged with keeping harmony and order, it inevitably receives special attention in Confucian thought. Fundamental to the Confucian theory of government is the concept of the Mandate of

Heaven, which proposes that the emperor holds his office by virtue of a commission from Heaven, though not himself a divinity. This Mandate however is conditional and can be withdrawn from a ruler if he fails to live up to expectations. The ruler is the Son of Heaven, and just as there cannot be two suns in the sky, so there cannot be two Sons of Heaven on earth. Therefore all power comes from one supreme ruler who is both the natural focal point of loyalty and sole source of authority. In order not to lose his mandate the ruler must bring benefits to the people and guarantee them a secure livelihood. As formulated by Mencius: 'Heaven sees as the people see. Heaven hears as the people hear' (Mencius, Book 7). Thus the acquiescence of those who are governed legitimates the governing power. Conversely, Confucianism also provides a justification for overthrowing a ruler.

Because the Confucian ruler is seen as the co-ordinating link between nature and man, and the leader in man's effort to conform to the Way, his ascendancy is moral, not social. The expectations a ruler has to fulfil are summarised in the Confucian classic the *Doctrine of the Mean*:

Only the perfect sage in the world has quickness of apprehension, intelligence, insight, and wisdom, which enable him to embrace all men; vigour, strength, firmness, and resolution, which enable him to maintain a firm hold; orderliness, seriousness, adherence to the Mean, and correctness, which enable him to be reverent; pattern, order, refinement, and penetration, which enable him to exercise discrimination. All embracing and extensive, and deep and unceasingly springing, these virtues come forth at all times. All embracing and extensive as heaven and deep and unceasingly springing as an abyss! He appears and all people respect him, speaks and all people believe him, acts and all people are pleased with him. Consequently his fame spreads overflowing over the Middle Kingdom and extends to barbarous tribes. Wherever the heavens overshadow and the earth sustains, wherever the sun and moon shine, and wherever frosts and dew fall, all who have blood and breath honour and love him. Therefore we say that he is a counterpart of Heaven (Chan, 1963:98).



Thus the ruler is required to be the most learned, the most virtuous, and the one who conforms best to the Way. Even though the ruler has to deal with mundane policy issues, his main duty is to set a good example which people will wish to emulate. Similarly, government is made up of virtuous scholars, and its main task is to maintain the peace, unity and continuity required by the Way.

The Confucian belief in the perfectibility of man calls upon people's devotion and knowledge to achieve the fullest measure of their potential. Confucians however never assume that people can achieve perfection without effort; and effort means education. The Confucian theory of education is succinctly set forth in the *Doctrine of the Mean*: 'What Nature imparts to man is called human nature. To follow our nature is called the Way. Cultivating the Way is called education' (Chan, 1963:112). Education, in other words, is self-cultivation and self-realisation. The corollary is that the main task of education is the cultivation of moral character and the development of virtues, rather than the learning of specialised skills.

The desired result of self-cultivation is usually described in terms of certain virtues. Much space in Confucian texts is given to the five constant virtues: *Ren* (benevolence), *Yi* (righteousness), *Li* (propriety), *Zhi* (wisdom) and *Xin* (faithfulness). *Ren* means 'love with distinctions', that is, love graded outwards from the family and focused particularly on the virtuous. It is considered to be a universal cosmic virtue which in effect generates all the other virtues. *Yi* can be seen as a unifying and ordering principle and a standard for moral judgement. Simply stated, it is knowing what to do and what not to do. *Li* gives structure and concrete expression to *Ren*. *Zhi*, from a Confucian stand-point, is the only kind of knowledge worth possession. It is defined as knowledge of filial piety and fraternal submission, as a feeling of approving and disapproving, and as the ability to recognise human talent. *Xin*, good faith, is usually expressed in combination with other values such as loyalty, reciprocity and sincerity.

In Confucianism, *Li* conveys a broad range of ideas. It can mean rules of social conduct which regulate human behaviour in all social circumstances. It can also

mean ceremonies and rituals, extending from the most weighty religious observances to the trivialities of daily etiquette. In this sense, the *Li* provide refinement and purification to man's emotions and distinguish culture from nature. As a personal virtue, *Li* requires people to behave according to the *Li* or to observe the *Li* carefully. The *Li* were originally only applicable to the nobility. But with the ascendancy of Confucianism, much of the thinking around *Li* and the practice of the *Li* became accepted by commoners, and was further reinforced during the neo-Confucianism movement. The emphasis on the *Li* has made daily life in a Confucian society highly ceremonial and people's relationships full of formality.

From the above description we can generalise some basic characteristic of Confucianism. Firstly, although the Way is the ultimate order for Confucianism, its emphasis is on the human being. Attention is accordingly focused upon the real world, the world of men. Confucian problems are the problems of men living in society - not as social equals, but in hierarchical relationships. Confucius had stressed that the task of a man is to first discipline himself, after that to regulate his family, then to govern the state, and finally to lead the world into peace. Similarly, as a theory, Confucianism is about the self-cultivation of individuals, the ethics of the family, the rules of government, and the guidelines for a harmonious order of the world.

Secondly, even though it has been the dominant ideology for over a thousand years in the Far East, Confucianism has always coexisted with other ideas. Incorporating what it needed from its adversaries, or what it could not overcome, it became with time both richer and more accommodating. As a result of their mutual influence on each other, Confucianist, Taoist and Buddhist systems used more or less same kind of language, which became so pervasive that even the rhetoric of peasant rebellions throughout Chinese history has been informed by it.

Thirdly, because of the Confucian emphasis on human world, morality is considered more important than capability. Morality reflects the relationship between human beings, whilst capability reflects the relationship between human beings and the

material world. Since human relationships are the focus point of Confucianism, being moral is more highly valued than being capable. The essential mark of a superior person is therefore to be found in his or her moral excellence, regardless of birth or status. Thence, the primary obligation of every individual is to perfect oneself as a moral being within the human relationships that bind one to society.

## **5.2 The Modern Transformation of Confucianism**

Beginning with the Opium War in 1840, imperial China had a series of encounters with the western powers and suffered humiliating defeats. As a result, more and more people began to acknowledge western superiority and favoured the adoption of western ways in order to strengthen and modernise the nation. The May Fourth Movement in 1919 marked the fundamental renunciation of Confucianism in China. It called for a radical break from the past, replacing Confucian values with a commitment to 'science and democracy.' Almost simultaneously, Koreans also turned against Confucianism. Not only was it perceived as an obstacle to modern development, it was also viewed as an external tradition imposed by the Chinese and as such inconsistent with the mounting support for nationalism<sup>1</sup>.

Since then, East Asian societies have experienced dramatic social changes. And Confucianism, though retaining many of its essential attributes, has inevitably been altered and adapted. The transformation is manifest in almost every aspects of Confucianism. For example, although the primary responsibility of government is still seen as looking after the people, its basis of legitimacy is no longer grounded exclusively in the high moral standards of officials. Similarly, although the zeal for education remains, its contents are no longer Confucian teachings. We also see how the central rules governing family relations have extended to many other modern organisations while the size and the role of the family itself are gradually diminishing with the movement from extended to nuclear forms. But the biggest change is in

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<sup>1</sup> It is worth noting that during the same period the Japanese in Korea had been mobilising Confucianism in an effort to demonstrate that they and the Korean shared common cultural roots.



attitudes towards money, which was traditionally considered the source of evil. Nowadays it has become the universal standard of success, and an ambitious person is encouraged to aspire to material accumulation.

Traditionally, Confucian rulers had absolute power over people's lives. They had the Mandate of Heaven and held the high grounds of morality and knowledge. Prior to the democratisation movement and with the possible exception of Hong Kong, governments in the modern East Asian societies still held the unchallenged, supreme position, were staffed by highly educated bureaucrats, and regulated almost every aspects of people's lives. But things have changed. While the principle of meritocracy dominates, moral supremacy is no longer claimed in the same way. Instead, it is the extraordinary pace of economic progress that has maintained a broad pragmatic base of popular acquiescence. Furthermore, Mencius's warning to traditional rulers, that Heaven sees what people see and Heaven hears what people hear, is becoming a reality. Modern governments are no longer omnipotent. More than ever, their authority is based on the reciprocal ground, which requires them to deliver economic gains in exchange for political obedience.

In a Confucian family one is taught to subordinate one's own interests for the benefit of the family. In modern East Asia, this concept has been extended so that one is required to put public or national interests above personal goals. As the late President Park Chung-hee of South Korea argued:

Just as a home is a small collective body, so the state is a larger community.... One who does not maintain a wholesome family order cannot be expected to show strong devotion to his state.... A society that puts the national interest above the interests of the individual develops faster than one which does not. (quoted in MacFarquhar, 1980: 70)

Similar expressions are found in the newspaper stories discussed later in this chapter.

In East Asian societies decision-making is strongly centralised within the government. No group can exert the same degree of influence on policy-making process. Confucius urged every learned moral person to strive for a governing position so that people could benefit from his knowledge and morality. Today, government service has continued to be a prime goal for the educated elite. It is characterised by a strong executive whose officials are expected to decide what the people should have and to deliver it as their wisdom dictates. Since officials are assumed to know best, the concepts of loyal opposition and open debate on policy are not widely accepted by those in power. On the contrary, political opponents tend to be viewed as troublemakers and subversives.

These governments are also highly regulative. Apart from their involvement in the process of economic development, they define national goals and assume a central regulatory role in nearly every sphere of society. They also direct the education of the populace and guide social interaction. As we noted earlier, the most comprehensive manifestation of this impetus to moral regulation is in Singapore. Other East Asian societies, notable Taiwan, have also pursued it, though on a lesser scale.

Traditionally, the primary basis of legitimacy was the demonstration of high moral standards coupled with an extensive knowledge of Confucian classics. Today, the principle of meritocracy dominates, with government officials obtaining higher degrees in subjects of modern sciences. This is not surprising since no East Asian government has been able to lay plausible claim moral supremacy in the same way. The governments of both Taiwan and south Korea during the economic take-off period were headed by the military generals. Their only credentials were their ability to maintain political stability and to improve people's living standards<sup>2</sup>. In Hong Kong, people accept 'immoral' colonial rule for economic prosperity.

From the analysis in previous chapters, we see that the East Asian NIS governments are committed to economic development. They have pushed industrialists to move into certain designated industries while promising to protect them against

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<sup>2</sup> One evidence is that Park's rule of south Korea ended when his HCI initiative failed him.

competition or the risk of failure. They have also assumed responsibility for disciplining labour, in order to ensure smooth production. Furthermore, these governments have adopted various measures to ensure that the fruits of economic growth are relatively equally distributed. Not only have the East Asian NISs enjoyed relatively equitable distributions of income, but public housing, education, health and medical services, transportation, and basic food supplies are heavily subsidised, mostly to the benefit of lower-income groups. While handing out relatively small amounts of welfare payments themselves, governments have also urged companies to take responsibility for the welfare of their employees. As a result, most people have seen their quality of life improve along with the growth of economy.

The cardinal social institution in Confucian thought, the family, remains basic to the life of modern East Asians. In rural areas, the traditional extended family is still common, and many activities such as ancestor worship, weddings and funerals continue to be carried out inside the clan. In the cities, although the nuclear family is becoming the norm, family relationships and responsibilities are still important. One survey conducted by Lau and Kuan (1989:59), for example, revealed that filial piety still occupies an important position in the minds of the Hong Kong Chinese. 87.6% of respondents agreed with the statement that the first thing to do in order to build a good society was to have everyone practising filial piety. Support for this ideal as a social virtue even leads the Hong Kong Chinese to support legalisation making its non-observance a punishable 'crime'. 77.1% of respondents agreed or strongly agreed that the government should enact laws to punish children who failed to take care of their elderly parents. Evidence from Singapore shows that filial piety is not only a prevailing attitude, but also an everyday practice. As recently as the early 1980s, about 75% of old people who had children lived with them. Considering Singapore's physical constitution as a modern city, this percentage is high.

The family, therefore, has played an important role as the site of social welfare and service delivery. It has been argued that the 'East Asian social welfare regimes' are characterised by a system of family welfare that negates much of the need for state welfare. If we look at welfare expenditure as a percentage of GDP, East Asian



societies appear to spend much less than some of their Europe counterparts, about 50% of the UK level, 35% of the Swedish (Goodman & Peng, 1996). While these European 'welfare states' are encountering severe problems of escalating cost of pensions and social security, the relatively low amount of government spending in these areas in the East Asian NISs has freed up public money for more direct investment in mechanisms designed to achieve economic growth.

Within the family children are expected to respect and obey their parents who in turn, are supposed to know and want the best for them. This continues even when the children grow up. One example is marriage. Traditionally, marriages were arranged between the families of the prospective bride and groom with little or no regard for the couple's wishes. Nowadays, although young people can find partners on the basis of mutual emotional attachment, the approval of both families remains essential. Many marriages are still arranged by the family, but not without the young couple's consent. Moreover, the lavish wedding is often conducted at the expense of the parents.

However, while the size of family is becoming smaller and the practice of ancestor worship less popular, part of the influence the family formerly enjoyed has been projected onto other groupings based on common local origin, shared school experience, and the workplace. People within such groups have a strong sense of shared identity and mutual responsibility, which is not unlike the ties operating within the extended family. In a society where personal relationships take precedence over regulations, such groups are an essential source of sympathetic support in times of need.

But the most important new function of the family, especially in Taiwan and Hong Kong, is its extension into economic life. As documented in the previous chapters, the family constitutes the basic unit of productive organisation in Taiwan and Hong Kong. Businessmen participate in the market not as individuals, but as members of families. The goal is not individual advancement, but the prosperity of the family. Family savings help to finance new businesses and family members provide labour

willing to work for long, flexible hours in adverse conditions. Again, the survey conducted by Lau and Kuan (1989: 60-61) provides support. 74.6% of respondents agreed that they had a responsibility to help relatives in financial need, and 77.4% claimed that they would do so heartily. Also, when Hong Kong Chinese are in trouble, they tend to be more willing to accept help from relatives than from the government. 70.9% of respondents said they would opt for their families when in economic straits, only 6.3% selected the government.

While the family has transformed into the family business, the Confucian code governing the family still applies. The head is able to exercise a large amount of decision-making power without consultation as well as to direct the organisation toward change if need be, although as with a father, this power is accompanied by an obligation to show a benevolent concern for the welfare of subordinates. The other positions in the organisation are staffed by relatives and people who are loyal and obedient (Redding, 1996). Even in large corporations as in South Korea, heads tend to exercise 'Confucian patriarchal authority and privilege in their actual business management' (Kim, 1996). As we mentioned in Chapter 3, employees in response tend to identify themselves as members of a company family, such as the Hyundai family, the Samsung family, or the Daewoo family.

In a traditional Confucian culture knowledge was highly valued and educated people highly respected. Both the Confucian classics and Confucian practice established scholarship as the principal route to fame and fortune. This respect for education and knowledge has continued in modern East Asian NISs. As one 1990 survey in Taiwan shows, only 38% of respondents were satisfied with their own educational achievement, and 80% would like to increase their knowledge (Chu, 1994). While this may seem odd given the already high general educational attainment in Taiwan, it is readily understandable when one realises that education is the key to success in modern East Asian NISs. It brings both wealth and fame. Very often, good positions in government and business require a college degree from a prestigious university, which in turn requires students to pass rigorous exams as a condition of entry.

One indicator of the importance of the education is the high esteem accorded to the academic establishment. In South Korea, for example, many marriages are conducted by professors. Professors also frequently contribute to newspapers, often using their relatively unassailable position (compared to staff reporters) to snipe at government policies. In Hong Kong, as a recent opinion poll revealed, about a third of the young people polled felt that the votes of intellectuals should have more weight than others (Wilson, 1990).

One further fact strengthens the link between education and Confucian culture. In Singapore there is a considerable educational performance gap between the Chinese and the other major ethnic groups. Singapore has a streaming system in which the best students are directed into bilingual superschools that will help them rise to the top, and the rest are placed in monolingual, vocationally oriented schools geared to producing a skilled and competent work force. As the figures show, 20% of Indians drift into the lower streams, while the average percentage for the population as a whole is 12%. The performance of the Malays is even worse. They make up a disproportionately large proportion of the lower stream and suffer high exam failure rates. Although constituting 15% of the population, Malays account for only 1.5% of university graduates, despite provisions allowing qualified Malays a free university education (Milne & Mauzy, 1990).

While one can plausibly attribute the value placed on education in the East Asian NISs to Confucianism, the contents of curricula are determined more by the needs of technology oriented modern societies. Traditionally Confucian classics were the only knowledge deemed desirable. Nowadays degrees in engineering, business administration, economics, are sought after. Moreover, many people obtained their degrees from western universities. In South Korea, for instance, the alumni of American and Japanese universities have dominated the ministries and boardrooms. Half the chairmen of the top 30 business groups have been educated at American universities, and another quarter at Japanese ones (The Economist, 3 June 1995).



Finally, the transformation of Confucianism is manifested in interpersonal relationship and personal values. Many elements, such as the emphasis on hierarchical relationship, collective interests and harmony, remain unchanged. Some virtues such as diligence and frugality have been accentuated, and yet some others have been discarded. As mentioned earlier however, the most pronounced change of all, is in attitudes towards money. Long gone is the traditional view that wealth is irrelevant to a person's success.

Deriving from the family relationship, interpersonal relations outside the family are characterised by hierarchies. For centuries East Asians have been conditioned to accept a society divided into carefully prescribed ranks. This is still of vital importance today. High esteem remains closely related to authority, to age and to learning, but the possession of money has now been added to this list of criteria. Childhood training in a Confucian family produces personalities which are disciplined and dutiful<sup>3</sup>. The observation of one's role in a hierarchical family subordinates the individual to the group. Despite the infusion of western ideas, East Asians are still more comfortable identifying with collectives rather than individuality. Closely related to this disposition is the importance placed on harmonious relationships. Since a collective can function properly only when harmony is achieved, conflicts are solved through interpersonal accommodation and mutual adjustment. Confrontations are avoided. The modern business management in East Asia is based on the notion of harmony, as exemplified by the famous Japanese model.

Of all Confucian traits, the one that is most clearly displayed and strengthened, is perhaps diligence. During the economic take-off period the people in the East Asian NISs, both entrepreneurs and workers alike, worked incredible long hours under adverse working conditions. In Hong Kong, many people take two jobs, and working from 5 am in the morning till 11 pm at night is not unusual. Not only does Confucian teaching ask people to work hard, but hard work is also the most important way for

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<sup>3</sup> As shown in the 1990 Social Attitude-opinion Survey of Taiwan (Chu, 1994), only 25.5% of the respondents agree with the statement that 'sufficient freedom is good for development of children'.

immigrants from humble origin to achieve wealth and success. In South Korea, until mid-1980s, both employers and employees worked six days a week, 12 hours a day. The founder of the Daewoo industrial group, Kim Woo Choong, never took a day off until 1990 when his son was killed in a car accident (The Economist, 3 June, 1995).

To fully understand the ways Confucianism has adapted to the conditions in the modern East Asian NISs, one has to pay particular attention to the change of attitude towards money. In Hong Kong especially, people's unashamed attachment to money is probably without parallel in any other part of the world. As noted above, traditionally Confucianism concentrates on the moral-political dimensions of the society. Economic activities are secondary. At the individual level, aggressive money-making is considered ungentlemanly. However, a major section of Confucian societies is made up of peasants. The traditional Confucian expectation of them is fairly low: as long as they work hard to produce, serve their parents well, and support their wives, they are following the path to good (Mencius, book 3). Therefore, the major task of a peasant is to provide his family with a comfortable life.

In the case of Singapore and Hong Kong, the Chinese population is largely made up of either immigrants or the descendants of immigrants who come mainly from a peasant background with a mission of money-making. The emphasis on material values within the Chinese community is hardly surprising. The capitalist system has further enhanced the role of money. Nowadays personal wealth has become an important measure of social esteem, though not necessarily displacing traditional indicators of education, government service and family background. In Hong Kong, the love for money has been further reinforced by the restricted opportunities for political mobility. Unlike traditional or modern China, where political power is theoretically obtainable by everybody, the highest political offices have been beyond the grasp of the Hong Kong Chinese. Therefore they have turned more to economic activity for fulfilment.

In Taiwan and South Korea, however, the strong presence of a scholar-bureaucratic class made transition of in attitudes towards money-making a slightly different story.

On the one hand, the peasants-turned-workers in South Korea had little inhibition in pursuing money. For the Taiwanese entrepreneurs who were mostly descendants of early immigrants from the mainland, the accumulation of wealth doubled as both an essential activity to ensure the continuation of the family and the principal means to rise with a society under Japanese and the KMT rule. On the other hand, the leaders and literati who have inherited the high Confucianism had to proceed to build a strong nation through economic development. When economic development is designated as the highest value of society, all other values are relegated to a secondary position. Within this context, money is sanctioned and encouraged. Therefore, an individual's pursuit of money is justified for its contribution to nation building.

### **5.3 Popular Confucianism - Tales From Two Newspapers**

As we have argued, social and economic changes in modern East Asia have brought about an unprecedented transformation in Confucianism. Traditionally the carriers of Confucianism were the intellectual elite and state bureaucrats, and the major means of ensuring its continued ascendancy was through Confucian education and state regulation. Nowadays, however, East Asian governments are no longer staffed by intellectuals familiar with the Confucian classics, there are relatively few explicit state regulations designed to implement Confucianism, and Confucian teachings and values jostle for attention with a range of other thought systems in the school curriculum. The Confucianism at work in the current situation then is a popular form which has penetrated the lives of ordinary people, who might never have read a Confucian classic.

To understand how popular Confucianism functions in ordinary people's daily life, one needs to examine the ways Confucian ideas are communicated on a day-to-day basis in the major institutions of public culture. The press provides a particularly productive focus for such an exploration because it is a public space in which a range of speakers and discourses compete for attention and credibility. Market



considerations also mean that these discourses have to be ‘translated’ into popular forms in order to mobilise readerships with different interests and different levels of education. This section presents an analysis of some stories from two newspapers, *Zhong Yang Ri Bao* from Taiwan and *Ming Bao* from Hong Kong, in order to provide an illustration of contemporary Confucianism in action in everyday popular discourse in East Asian societies<sup>4</sup>.

Although logistical problems in assembling the sample dictated that the newspapers studied came from only two societies, they are selected to represent the two main groupings of East Asian NISs: Singapore and Hong Kong; and Taiwan and South Korea. Both Singapore and Hong Kong are city states made up of immigrants, predominantly Chinese. Because of their geographical position, both developed as entrepôts, with Singapore serving South-East Asia and Hong Kong China. Even though both societies have achieved great success in developing manufacture industries, trade continues to play an important role in their economies. They also serve as regional financial and service centres. Furthermore, they share a historical background as British colonies. While Singapore is ruled by British-educated officials under a parliamentary system copied from Britain, Hong Kong was still under the British rule at the time the present study was done. In the absence of a Confucian elite and government officials who could officially safeguard and promote Confucianism (until the mid-1980s in Singapore), Confucian culture was transmitted mainly through Chinese families and social customs. 98% of Hong Kong's population and 76% of Singapore's are Chinese, and all Chinese have inherited a Confucian legacy to some degree.

On the other hand, both Taiwan and Korea possess a decent size economy with a population more than most European countries. They both started the process of industrialisation with a sizeable agricultural sector and succeeded in transforming the economic structure into a manufacturing-based system. During this process, both governments protected their domestic industries, and directly intervened in economic

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<sup>4</sup> For a detailed explanation of content analysis design and the quantitative analysis, please refer to Chapter Six.

activities. They also share the legacy of being Japanese colonies. The Japanese not only left them with an improved infrastructure and better educated labour, but also provided them a model for economic development. In addition, both societies have a long history under Confucian influence, which is officially recognised as part of their heritage today. The birthdays of Confucius and other prominent Confucians are celebrated nation wide. There are also many government supported organisations devoted to the study and propagation of Confucianism, and its moral teachings are incorporated into every part of the curriculum from kindergarten to high school (Meyer, 1988).

Although Taiwan and Hong Kong share a similar basis for economic development, with a preponderance of small, mostly family-owned, firms, their political situations are very different. The implications of these differences for popular representations and uses of Confucianism will be explored in detail in the next chapter. The purpose of the present discussion is to see how core Confucian tenets and values shared in common by the East Asian NISs have been transformed and translated into public discourse. The emphasis therefore is on common elements.

### *The Stories*

Confucianism itself was a consistent and frequent topic of the stories, with most adopting a positive attitude towards it. One good example is a news story covering the inauguration ceremony of the Temple of Confucius. The story, which was on the front page of *Zhong Yang Ri Bao* (26 January 1975, hereafter ZYRB), devoted more than 70% of its space to a written speech by Chen, the president of The Institute of Confucianism in Taiwan. The story proclaimed that;

Confucianism, a part of Chinese culture, is the true path leading all the people in the world to coexist and develop peacefully. ...

(This is because) widely applied capitalism emphasises profits rather than morality, and destructive communism values materials rather than human beings. Both lead to an imbalance in people's life and chaos in society.

Chen was not the only one to assign a central role to Confucianism as the philosophical basis for a 'new world order'. A similar sentiment was expressed in an essay in which the author argued that there would soon be a global culture. As to what it might be, he went on to say,

Nowadays there are three major cultures in the world: the Hebrew culture represented by Christianity, Greek culture represented by scientific reasoning and Chinese culture represented by Confucianism. Which of them can incorporate the others to become the culture of the world? The 'Crusades'? Or 'nuclear power'? History has showed that the only choice is Confucianism. It has absorbed the thoughts of Taoism, Legalism and Buddhism and has become the leading current of thought which develops along with time. We Chinese must take the responsibility to assimilate foreign cultures in order to lead the world trend (19 May 1976, ZYRB).

This statement goes beyond pride in Confucianism to a degree of smugness, but it is entirely in line with traditional Confucian thinking that China is the centre of the world and that Confucianism is the pre-eminent world philosophy.

Not only Confucianists and columnists but also academics articulated the superiority of Confucianism. One long article written by a law professor analysed different theories of modern civil law and Confucius' sayings on law. He concluded that 'despite the two thousand years between them, they showed remarkable similarities, which demonstrated the long-standing greatness of Confucian thoughts' (18 January 1975, ZYRB). Another long article on economic activities and society started by saying, 'modern people constantly seek pleasure. This leads to profit centred business. While the desire for profits goes higher and higher, the methods used to gain them becomes more and more unscrupulous. Thus there are more and more crimes in the economic field.' The way to solve the problem, proposed the author, was to apply Confucian ethics to business, so that spiritual values and especially *Ren*



and *Yi* were sought after rather than money. Then 'the society would be peaceful and people happy' (7 October 1985, ZYRB).

Not all commentators looked on Confucianism with admiration however. One essay in *Ming Bao* (18 February 1992, hereafter MB) examined the economic performances of Hong Kong and the overseas Chinese and came to the conclusion that they were able to do well because they were free from the 'burden' of Confucianism. This conclusion conveniently assumed that there was no Confucian influence in Hong Kong and among overseas Chinese, and ignored other economically successful Confucian societies. Nevertheless, the essay made it very clear that in the writer's view Confucianism is harmful to economic development.

However, none of the items criticising Confucianism could compare with those promoting it in terms of the extent of their analysis, their frequent references to Confucius and Confucian classics, or their enthusiasm and assertiveness. Most were short, concentrating on a narrow point, and employing rather vague and general terms such as 'Chinese', 'tradition' or 'society'. The example below was one of the harshest criticism of Confucianism in the sample:

Individualism is popular in the West. Although it is not perfect, and extreme individualism can be bad, it has thousands of merits comparing to the no-individual Chinese tradition. ... The oppression (of the individual in Chinese society) has killed countless creative thinkers. Some people are simply destroyed by group pressure. I believe that if individuals could have some more freedom, our society will benefit from it in the end (14 February 1992, MB).

The interesting point to note about this argument is that the author's support for individualism was based on its supposed benefits to the society. Hence, we could argue that the importance of the collective interest, one of the core Confucian doctrines, was deeply embedded in his reasoning despite his overtly critical stance.

Another important focus of the stories sampled, the value of Chinese culture and tradition, have close connections with Confucianism. Though many articles went to great lengths to celebrate its virtues, the phrase 'Chinese culture' was never precisely defined. It could mean variously: Chinese art, literature, philosophy, custom, tradition, or simply, Confucianism. In their rhetoric and enthusiasm they were similar in many ways to those arguing the greatness of Confucianism. One article claimed that Chinese culture was the culture best suited to the creation of a better world. According to the author,

Chinese culture, the exemplar of oriental culture, is based on moral values. It promotes humanity, benevolence and compassion. Although there were many wars in Chinese history, in the end they could often turn hostility into friendship, bring about a mixture of different races, and reach great harmony under one rule. This eternal peace and harmony is also the ultimate goal of mankind. The more advanced a society is, the more glorious and paramount is this goal. Therefore Chinese culture, which leads human beings towards peace and harmony, should be enhanced and made known to the world (3 October 1985, ZYRB).

One well known intellectual, Yang Jinzhu, made the same point by arguing that Chinese culture is superior to western culture. According to him, the western value system is based on Christianity. From the birth of Darwinism to Nietzsche's declaration that 'God is dead', Christianity had suffered severe attacks from modern science and philosophy. The foundations of western culture have therefore been destroyed. The individual has lost himself and is unable to deal with his relationships with people and society. By comparison, the fundamental theme of Chinese culture is of people living with others in society. Life in this world is the source of ultimate happiness. This idea is valid and applicable to daily life as long as one has to deal with other people. Chinese culture is therefore an ideal counter to compensate for the declining morality in the West (8 February 1985, MB).

Since Chinese culture is defined as 'great', many writers urged its promotion to the world. Most items in this theme talked about the need to do this. A few also

considered how to do it. Among them were proposals for developing closer associations with the Americans. One article even set up some 'principles to propagate Chinese culture'. Firstly it argued that ordinary people rather than scholars should be targeted, and that the words should be simple, easy to understand, and touching, so as to reach the people and move them. Secondly the word 'tradition' should be avoided, because it is almost synonymous with 'old fashioned'. Thirdly Chinese culture needs to embrace innovation, such as using laser beams for acupuncture instead of needles or translating the Classics into computer language. (11 October 1985, ZYRB)

In accordance with the sense of pride in Chinese culture, there was also a sense of pride in being Chinese, as evidenced in the headline of a news item, 'Let the young generation be proud of being Chinese'. The story concerned the compilation of a text book for overseas Chinese. The major concern was to write it in such a way that 'overseas Chinese children can be influenced by Chinese culture through learning the Chinese language'.(7 January 1993, ZYRB). The effort involved in this could be justified by the words of an overseas Chinese mother from another article: 'the children who received Chinese education know filial piety, benevolence and kindness. The children who received foreign education only think of their own interests' (23 January 1985, ZYRB).

Themes referring to government and officials also featured frequently in the sample. Most of them appeared in *Zhong Yang Ri Bao*, especially around the time of the split in the KMT. In 1993 seven KMT members left the party to set up a new one. Although this kind of action may be normal in the West, it was unprecedented in Taiwan. When these members first announced their intention of establishing a new party, the attitude of the party leader was 'to try everything to talk them back'. President Li asked the party members to 'deal with their reckless action with generosity and benevolence. It is like a child who has left his home under an impulse. When it happens, the parents and the seniors should be patient and use kind words to tell him what is wrong and what is right. Criticism does not help much. Whatever



happens in the end we should not treat these party members as enemies' (8 August 1993, ZYRB).

After the new party was set up, however, criticisms were poured over them. One long front page editorial categorised their action as immoral. It argued that, 'Chinese people are educated under Confucianism. They behave according to the rules of loyalty, filial piety, and propriety. Disregarding their wrongs in political terms, their behaviour is unacceptable for true gentlemen. They are "brought up" by the KMT. Without the party they could not have today's fame and public support. Now they just desert it. This cannot be justified by any means'. At the end of the article, since the new party had already been set up, the author asked them to behave well from now on. 'Everyone who acknowledges the basic rules of human behaviour hopes that you will behave like good children of Chinese people, not ones forgetting the rules of filial piety. These are words from the bottom of our hearts, expressed by a painful pen. The good or bad things you do affect not just several people around you, they affect the whole of Taiwan and China. We hope that you have achieved what you wanted, but please remember, while seeking your happiness, do not bring damage to your colleagues and brothers' (12 August 1993, ZYRB).

The new party could not be tolerated because, to a certain extent, it destroyed the myth of a stable and peaceful environment, the dream for all Chinese rulers. Historically, stability was seen as the most important condition for a society's prosperity. The government in Taiwan was no exception in believing it. The prime minister had explained the ultimate aim of his government as 'a stable nation, wealthy people, and fair society' (3 Jan. 1993, ZYRB). More dramatically it appeared in the headline: 'The most important thing for a nation is stability! stability! and stability!' The headline introduced an interview with an experienced politician, Yu, in which he expressed the view that the basic and the most important task of a government is to serve its people, and that in order to achieve this it has to maintain a stable environment so that the people can enjoy their lives without being disturbed (12 January 1993, ZYRB).

In the political arena of Taiwan, democracy is a relatively new concept imported from the West. Since the political reforms, however, the government of Taiwan has constantly claimed that it is democratic. As to what democracy means in this context, President Li argued in a speech to the KMT that, 'Democracy is to allow everybody to express their opinions, and to be respected. But it is not saying whatever you want to say. That is anarchy. It does not work at all. What should be done is to unite different opinions into one under a certain mechanism. That is the meaning of democracy. It is true for a society and a party. ... Regulation and discipline are the life of a party' (24 August 1993, ZYRB).

There were not many articles dealing with politics in *Ming Bao*. Those that did mention rulers or leaders tended to focus either on historic figures or on the current leaders in China. One example was an essay about the late Chinese premier Zhou Enlai. Among Chinese Zhou is universally recognised as an example of a 'good official' because of his devotion to work and his care for people. The author wrote that Zhou 'is the product of the Chinese land, the Chinese people, and the Chinese culture. He knew how much he owed to China and sacrificed himself to serve China. For him there were only nation and people, not himself' (8 February 1976). Zhou was highly praised because he had displayed an essential quality of a good official, to work for the interest of the people. The essay also expressed the idea that individual interests are subordinate to those of the collective.

In Confucian thought, the individual exists as part of a whole and is a representative of that whole. This tenet is well illustrated by an article about the life of a Taiwanese student in the United States. The author talked about why she took care to dress herself properly every day. It was because, 'little things like this not only show the personality of an individual, they also affect the image of the race and the nation the individual represents' (6 January 1985, ZYRB). Similarly, in an article criticising noisy Taiwanese tourists, the author wrote, 'we should think of the honour of our nation in every circumstances and do everything to win credit for our motherland. We should never let foreigners look down upon us' (8 January 1985, ZYRB).

As to how much the collective can demand from the individual, it is well illustrated by a news item from *Zhong Yang Ri Bao*. The headline was in big bold characters: ‘Locally produced fresh milk is good and cheap, drink more to keep yourself healthy’. In the text, Xie, the party chairman of Taiwan province,

appealed to the public to eat less rice, more vegetables and fruits; more locally produced fresh milk, less imported milk powder. It helps the country save foreign exchange. He said, rice is in great demand in the international market. Our people normally eat too much rice, but not enough vegetables and fruits. From now on people might try to eat less rice but more vegetables and fruits which are cheaper and healthier. It is not only good for health, but also increases our foreign exchange reserves. ....

Chairman Xie said, we can produce plenty of fresh milk to meet domestic demands. Its quality surpasses imported milk powder. He hoped that the public would nurture the habit of drinking fresh milk. It will reduce the burden of importation and contribute to the economic development of Taiwan (7 January 1975, ZYRB).

Not long after this, another news story appeared advising people to drink more tea and less coffee. The rationale was the same, to save foreign exchange and contribute to economic development (17 January 1975, ZYRB).

The collective became less demanding in Taiwan when the economy became more successful and politics more liberal, especially in the 1990s. Often portrayed in *Zhong Yang Ri Bao*, President Li proclaimed that Taiwan is a society respecting the free will of individuals. But he never forgot to add that, ‘at the same time, we should not forget our nation and the collective interest. It would otherwise be individualism. Human beings cannot live without associating with others. Everyone should respect other people’s interests while pursuing his own. This is the ideal of the Taiwan citizen’ (4 August 1993).



President Li's words were echoed by many others. In an interview the winners of 'the outstanding business women of the year' award made statements like, 'First I want to thank is my country. If I were born in Ethiopia or some other countries in war and famine, I would not have succeeded. I would suffer like the people there.' or 'When I learned that I was given the award, my first thought was to thank God for being in a peaceful and stable society.' or 'There is no family without society, and there is no individual without family.' All in all, the point was succinctly put in the headline, 'Establish public opinion centred around the collective' (15 January 1993, ZYRB).

As noted earlier, the subordination of an individual to a group has its roots in the structure of the Confucian family. In modern East Asian societies the family is experiencing rapid changes. The traditional extended family is being replaced by the nuclear family, or even the single parent family. The divorcing rate is increasing and pre-marital or ex-marital sex is becoming common. As noted by the president of the Judicial Yuan of Taiwan, 'the function of the family, which includes bearing children, pursuing economic activities, educating, protecting, worshipping and entertaining, is shrinking because of the change of family structures' (31 August 1993, ZYRB).

But Confucian family ideals have not disappeared altogether. Indeed, the idea of the harmonious extended family was felt to be so attractive that it was even used to sell houses. One piece of news in *Zhong Yang Ri Bao* bore the title 'three generations under one roof enjoying family life', and the subtitle added that experts had suggested a special policy for selling council houses so as to facilitate Chinese ethics (14 January 1985). The full story, however, revealed that the proposal was motivated more by a desire to sell unwanted houses than a real concern for family ethics. Nevertheless it illustrates the belief of experts in the popular appeal of the Confucian ethic of family.

Stable marriage, which is essential to the Confucian family ideal, often seems unachievable or even undesirable in a modern society. The results of a survey appeared in *Ming Bao*, however, showed a different picture. Replying to the question, 'would you prefer an uninteresting but long lasting marriage or exciting but

short lived true love', twice as many respondents chose the former (19 February 1992, MB). This figure is especially intriguing because all the respondents were eighteen years old, the age of dreaming of love rather than planning a family.

In line with government efforts to promote Confucianism, stable marriage is officially promoted in Taiwan. One example was the 65th wedding anniversary of Mr. and Mrs. Lin, an ordinary country couple. Local officials and celebrities paid generous tributes to them. An article in *Zhong Yang Ri Bao*, accompanied by a photograph, gave a detailed account of the affectionate and happy life of the couple over the past sixty-five years. It also emphasised that because Mr. Lin managed his big family so well, he was highly respected in the village. 'The presence of Mr Lin can always turn a big problem into a small one and a small problem into nothing' (21 October 1985).

Another good example is the award given to the film, *The second spring of Lao Mo*. At the award ceremony, the organiser said,

Marriage has been important in China since ancient times. It is holy and protected by traditional morality and Confucian ethics. Now the social structure has changed. In modern life, both the marriage rate and the divorce rate are getting higher and higher. Material interests are valued more than spiritual wealth. *The second spring of Lao Mo* has exhibited the skill of film making. But its main merit is that it shows the value of the love of the family and the friendship of human beings. The natural and humorous story telling revealed that the impossibly unmatched marriage between an old man and a young girl reached almost perfect harmony and happiness (5 January 1985, ZYRB).

There were also awards for people who observed the rule of filial piety in Taiwan, with annual awards for filial children and model mothers sponsored by the government. In 1976 the provincial governor of Taiwan attended the award ceremony. He called for everybody to 'understand how much the parents have done

for the children. While the parents are still alive, children should fulfil the filial duty, and repay the debts they owe to the parents' (10 May 1976, ZYRB).

The award winners, who often sacrificed themselves to serve their parents, were introduced in long feature articles. Luo, a 26 years old part-time university student for example, had looked after his paralysed father for ten years, stayed next to him day and night, fed and bathed him. What is more, 'Luo nursed his father with love and affection. He never showed any weariness or dissatisfaction but a kind and pleasant countenance'. Another good son, Lin, was a policeman. He was brought up by his mother alone after his father died at an early age. Because of the sudden death of her other son, Lin's mother lost her memory, and later suffered from schizophrenia. In order to take care of his mother wholeheartedly, Lin left his girlfriend and devoted all his spare time to his mother (19 January. 1993, ZYRB). Taking care of bed-ridden parents for many years also featured frequently among the deeds of other award winners.

In Hong Kong, in contrast, models of conduct were often supplied by film stars and celebrities. Many stories could be found to show how they have respected and looked after their parents according to the rule of filial piety. One story about the actress Li, quoted her aunt's words, 'My brother is so lucky to have a famous and filial daughter. She always heeds what her parents say'. The author commented, 'All the parents in the world love their children and want the best for their children. The children should therefore understand and listen to the parents' opinion. Li has set up a good example for us' (8 February 1992, MB).

The story of another Li provides a particularly good illustration of the concept of family and marriage prevailing in Taiwan. Li was forced to serve in the Japanese army during the Second World War. After he was taken to Indonesia he fled into the uninhabited forests. After thirty years, in January 1975, he was found and sent back to Taiwan. In the sample of *Zhong Yang Ri Bao* from this period, articles about him were found in the news, editorial, essay, and other sections almost everyday. He was praised for his hatred of war and his ability to endure hardship in the forest. Above



all, what attracted many commentators' attention was that 'his first words were to express his wish to go home, and at the same time, he said the person he missed most is his mother. This is clear proof of the enduring culture identity of a Chinese. It has showed the superiority of a Chinese culture based on ethics' (7 January 1975).

Most stories, though, revolved around Li's family life. At the time he left home, he was married with a baby. When he came back, his wife was remarried to another man, Huang. Li was angry to hear the news and refused to meet his wife. The government officials and the media showed sympathy to Li and demanded that his wife come back to him. Their argument was that she had not fulfilled the responsibilities of a wife which require her to dedicate to her husband no matter what has happened to him. Her second marriage is understandable since Li could have died in those 'lost' years and it was very difficult for her to raise a child alone. But it was not morally right. Since Huang has children from a previous marriage and Li has nobody, Li's wife should go back to her first husband. But Li wanted to live with his son, not his wife. Then attention shifted from Li's wife to Li himself. He was blamed for not giving his wife a chance to compensate for her mistake and his son a chance to fulfil his filial duty to both of his parents. The public demanded that Li be reunited with his family. 'Li received many letters since he came back. About seventy percent of them expressed the wish to see him reconcile with his wife' (19 January 1975, ZYRB). Finally the wife moved out of her home of twenty years to join Li and observers expressed satisfaction that the Confucian way of family life had been observed.

During the whole process, nobody ever asked if Li and his wife still loved each other, or advocated leaving Li's family matters to himself. It was unimaginable to solve the problem by letting the wife choose which husband she preferred to live with. For both the public and officials, although it was a private matter of Li and his family, they had the responsibility to help and ensure that Li did the right thing as decided by the Confucian rule, that the bond of family cannot be broken.

The above story also throws light on the position of women in Confucian society. Traditionally women were confined to the house, being dependants of their husbands or sons. Any physical contact between men and women who were not married to each other was strictly prohibited. In the second half of the twentieth century, one would expect that women in Hong Kong and Taiwan would have acquired equal status with men and that both would be free to look for love. But as the analysis of the newspapers sample revealed, old customs die hard.

One news story in *Ming Bao* concerned a Taiwanese woman and her campaign to have a female lifeguard appointed at the county swimming pool. Her daughter had died in the pool because the male lifeguards did not dare to carry out the mouth to mouth artificial respiration necessary to save her life. 'They were afraid of being criticised by others'. It was also mentioned that the mayor of the county was very concerned about the matter and that a female lifeguard would soon be appointed (1 September 1976). Several hundred years ago, a girl would have had to commit suicide if she had been touched by a man rather than her husband. But this was 1976, a time when sex had become a kind of entertainment activity for many people, in many parts of the world. It seemed inconceivable that a lifeguard would not save somebody because of an old, and seemingly outmoded custom. Moreover, neither the woman who lost her daughter nor the author of the story questioned the behaviour of the lifeguards. They simply accepted that avoiding 'mouth to mouth' contact was a sufficient reason not to save lives.

This kind of story, with its uncritical acceptance of tradition, never appeared again in the sample. Over the time period covered by the sample, more women were educated and more worked outside the home. They could even kiss a man in public. At the same time, more criticisms on these 'unconventional behaviours' appeared in the press. One famous columnist argued in his column that it was a waste of public funds to give women higher education because most of them did not work. As to why women should not work, it was because 'in most of families, men are bread-winners. If a job is taken by a woman who does not have to support a family, the men who

have to take care of his wife and children will have less job opportunities' (12 February 1976, MB).

His ideal of responsible men and dependent women was exactly the one advocated by traditional Confucianism. Its echoes could be found scattered across other modern East Asian societies. For example the president of the Judicial Yuan of Taiwan government expressed a similar idea in a different disguise. According to him,

Nowadays women have acquired knowledge and skill they could not have before. They can earn their own money. Their social status has also increased. However, the equality between men and women is worse than Confucian inequality. Because of the emancipation of women, marriage has become unstable. It wrecks the life of the couple and children. ... Women should retain fine oriental virtues, so that the married couple will respect each other, and the family will be happy (31 August 1993, *Zhong Yang Ri Bao*).

One essential Confucian value for both men and women is hard work. Its importance was shown by the fact that it was the most frequently occurring single theme of all. In the sample there were many stories about how ordinary people had succeed through hard work. One featured Dr. Ou, who came from a poor family. All through his student life he had had to work part-time. Even when he gained a scholarship, he had to work to support his family. He also lived a very frugal life. The room he rented was so small that 'after putting in a single bed and a small desk, the door can hardly open. In summer it was unbearably hot and in winter cold wind kept him awake.' 'During the vacations when his friends went on holiday, he stayed in the library. His life consisted of the most basic food, very little sleep and lots of work. Everyday was like this. It may be simple and boring, but he was rich spiritually' (1 October 1985, ZYRB). Hard work rewarded Ou with a PhD degree and a good job in the government.

Hard work was also essential for the successful businessmen in Hong Kong. This was shown clearly in the mottoes: 'hard-work, honesty, and the ability to endure



hardship make somebody able to achieve what the others cannot' (Chen, 17 February 1992, MB); and, 'Diligence, perseverance, and stamina' (Jiang, 7 February 1992 MB). The publicised life stories of rich Hong Kong businessmen strongly resemble the career of Dr. Ou. One billionaire was born into a poor family. At the age of five, he got up at four o'clock in the morning to help his mother buy goods. And after school, he helped his mother to tend the stall. At the age of 17, he started his own business. Since then 'he never slept more than four hours in a day'. His hard work and determination brought him wealth and respect (5 February 1985, MB).

Hard work was valued because it was considered not only important to personal achievement but also to the success of society. A front page editorial titled 'Do not learn from the British', argued strongly that the British economy was declining because of its trade Unions. 'British workers do not want to work hard, but they ask for salary increases all the time. ... In Hong Kong we have a prosperous economy because all the Hong Kong people work hard. British politicians criticise our underdeveloped labour unions and ill treatment of workers. What they do not know is that we are catching up with them quickly. Although our life is not ideal at the moment, if we keep the momentum of the rapid development, our life will get better every year' (20 September 1976, MB).

But hard work was not the only element required for success. Another important factor was education, as already shown in the story of Dr. Ou. Many other stories underlined the lesson that knowledge can lead to wealth. One was set in a remote Taiwanese village where farmer Yang had worked for years and years 'from early morning when the sky was filled with stars until late night when the moon was high above'. Even so, he could barely support his family until his son graduated from high school. The young man, who 'knew that knowledge is power', 'bought all the books on agriculture technology available in the book store and read them thoroughly'. He then 'went to the city to ask for advice from the experts' and 'experimented with new ideas' on a small scale. Four years later, his now high-yielding crops brought his family a new house and his sister a handsome dowry (17 January 1975, ZYRB).

Similar stories featured frequently. One electrical appliance factory had filled the same order for a long time and one day found itself being pushed out of the market. In order to save the factory, the manager, Zhang, went to a university seeking co-operation in developing new products. 'He went there a thousand times. Finally the professors were moved by his determination and sincerity and agreed to help. ... Zhang and his best engineers lived in the university, and they worked at night after the professors went home.' Needless to say, a new product was successfully developed and the factory made profits. 'This experience has made Zhang realise how important it is to learn new technology. ... Since then he has established a solid co-operative relationship with the professors and regularly sent his staff back to university to master the new technologies' (19 October 1985, ZYRB).

Another often mentioned secret of business success is the maintenance of good relationships between employers and workers. *Ming Bao* (28 June 1992) carried a long story about Zeng Xianzi, the 'King of Ties' of Hong Kong. Zeng went to Hong Kong as an poor immigrant and built a huge business empire from scratch. In common with others, he worked hard. But more importantly, he had devoted workers working for him. He treated his workers 'not as employees but brothers'. When his business was still relatively small, he 'operated the sewing machine together with them' and 'knew everyone by their first names'. He also attended banquets for the babies born to his workers and the funerals of their seniors. When a rush order came in, 'he could always count on his workers to work day and night' for him because he would send some managerial staff to visit their families and make sure all the problems are taken care of. 'When his business grew so big that it was not possible for him to know every worker in person, he would require every manager to do so'.

Li, the chief executive of a state-owned cargo service station in Taiwan, displayed a similar style of paternalistic management (7 January 1985, ZYRB). The station was publicised because it handled three times more rail freight than other stations of its size. When asked about how they had achieved this, Li said, 'Because the managers help the workers with all their hearts, the workers work to the best of their abilities'. His 'guiding principle' was that 'the aim of management is not to restrict people, but

to liberate people, so that they take initiatives at work, and they are proud of a thriving station and ashamed of a declining one'. To translate Li's principle into action, the station had built apartments for its workers, hired their disabled children, bought health insurance, life insurance and household insurance for them, and organised sports tournaments and concerts.

While the above stories serve as vernacular illustrations of our previous analysis, the following example from an editorial in *Zhong Yang Ri Bao* (12 August 1993) succinctly summarises the Confucian elements in modern business operations. The article was titled 'Who is a "Confucian Merchant"?' It started by explaining that the phrase 'Confucian merchant' was relatively new and was fast becoming a popular self-label for business people. In a quest to define the term, the author identified three criteria of Confucianism as applied to modern business practice. The first was a 'people-centred' philosophy, because 'if all the employers and employees can communicate freely and work in harmony, the business will naturally become disciplined, co-operative and efficient'. The second was to have a goal of serving people. 'The modern businessmen should not think only in terms of profits. They should devote their lives and businesses to serving others. They can only serve their customers well when they sincerely serve the society'. The last was to have the virtue of 'thinking of morals when seeing profits', which means that although it is acceptable for people to love money and wealth, they should always make their fortune 'through moral ways'.

#### **5.4 Concluding Remarks**

Over more than two thousand years of development, Confucianism has functioned as a philosophy for intellectuals, a code of ethics for commoners, and a political ideology for officials. In order to understand the influence of Confucianism in modern East Asian societies, we have tried to sketch its basic ideas as a set of ethical rules intended to govern the functioning of society and regulate the behaviour of individuals. In this sense, a government in an ideal Confucian society would have



absolute power over both the public and private lives of people, which would be used to work for their welfare. In return, the people would give the government their full trust. In such a society, an individual's behaviour would be conditioned by his or her position in a strictly stratified social hierarchy. He or she would listen attentively to seniors and accept responsibility for guiding juniors. They would also work hard for their family and the whole society. Personal interests would be subordinated to those of the collective. The ultimate success for an individual would be to pass the examinations to become an official, because in that position they could best serve the society.

In the modern East Asian NISs, different aspects of the Confucian tradition are manifest to different degrees in different societies. The family is still the most important institution in society. In rural areas of South Korea and Taiwan, and to some extent in Singapore, the extended family and the clan still have considerable power to regulate individuals' behaviour. In the cities, however, the size of the family is shrinking and its functions are gradually being extended to other groups in society. The most significant component of this shift is the participation of the family in economic activities, a trend which is most pronounced in Taiwan and Hong Kong. In Hong Kong especially, where a colonial government does not fulfil the Confucian ideal, it is the family that has been the main carrier of Confucian precepts and practices.

In terms of government, all the East Asian NISs except Hong Kong, have authoritarian administrations which take leading roles in the political, economic and social arenas. But they are not Confucian governments in the full sense. The South Korean military government in particular suffered from a lack of moral legitimacy, and faced constant protests. The government of Taiwan could not claim omnipotence as a government-in-exile. In fact, in all the East Asian NISs, the legitimacy of rule is based on their government's commitment to economic development and their ability to deliver increasing living standards. In typical Confucian fashion, an unwritten reciprocal rule was established whereby people would comply with government

policies in exchange for the government's commitment to improve their living standards and quality of life.

Formal education is accorded high prestige in all East Asian NISs, in line with the long Confucian tradition. But its emphasis has changed from Confucian ethics to scientific knowledge. Many officials and managers hold advanced degrees from American or Japanese universities. Other Confucian traits, such as the emphasis on hierarchical and harmonious relationship, and the highly regarded virtues of filial piety, diligence and frugality, can still be observed. But the attitude towards money has changed entirely. While it was viewed as a source of evil in the past, it now elicits respect from virtually everyone in the East Asian NISs. The combination of a strong government committed to people's well-being, a family system that participates in economic activities as a team, and a well-educated, hard-working and co-operative workforce, are without doubt essential components in accounting for the pattern and pace of their economic development.

## Chapter 6

### Patterns of Popular Confucianism

It has been proposed in the previous chapter that Confucianism has undergone significant transformations in response to increasing western influence since the nineteenth century. It has also been argued that many of the basic tenets of Confucianism have retained their hold despite the scale of change, although they now operate mainly in the form of a popular ethical code. However, Confucianism from its inception has generated diverse versions in different societies (Kim, 1994). While the previous chapter has concentrated on the aspects of Confucianism common in all the Asian NISs, one has to bear in mind that degrees of variation exist among different societies. Hence while this chapter presents the findings of a quantitative content analysis of press coverage in order to establish the general pattern of popular Confucianism more systematically and in more detail, it also explores variations in the ways Confucianism has been mobilised in public discourse in two societies - Taiwan and Hong Kong.

Confucianism has developed through interaction with other cultural, political and economic forces. Among these, the one of central importance is the state. In the past the spread and enforcement of Confucianism had always been a process initiated at the top, by officially sanctioning Confucianism as the only thought system deemed worthy of learning and rewarding Confucian knowledge and practices with prestige and prosperity. In contemporary East Asia, although no state is truly Confucian and none has the power to influence individual behaviour as extensively as before, some have deployed Confucianism as a formal legitimating ideology<sup>1</sup>. The degree and

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<sup>1</sup> Please note that Confucianism as a political ideology is different from Confucianism as a cultural resource. For instance, Confucianism as a code of behaviour was brought to Singapore by the Chinese



direction of official sponsorship is important in shaping the specific way Confucianism is perceived and mobilised in public discourse. Accordingly, this chapter examines press reporting of Confucianism and Confucian themes in two societies with differing degrees of state intervention in the economic and cultural spheres - Taiwan and Hong Kong.

In Taiwan, Confucianism is officially supported, though not so vigorously promoted as in Singapore. Although the KMT government was driven out of the mainland by the communists, it has never given up its claim to be the 'legitimate' government of all China and the true heir of Chineseness. Hence, in deliberate opposition to the radical social and political changes and marginalisation of Confucianism on the mainland, it took upon itself the role of maintaining Chinese tradition, a task in which Confucianism was assigned a central role. In contrast, the British government in Hong Kong have adopted a largely *laissez faire* policy, neither attempting to employ Confucianism to its benefit nor intentionally rejecting anything Confucian. As a consequence, Confucianism in Hong Kong has been transmitted completely through popular and vernacular rather than official channels.

The newspapers selected for analysis also have different relations to the power structures in their societies. *Zhong Yang Ri Bao* is an official newspaper supported by the KMT government in Taiwan while *Ming Bao* is a standard commercial newspaper in Hong Kong with no special ties to the government. Given this, and the differences in the forms and degrees of state intervention in the two societies, we might expect the following:

1. That there would be more overall coverage of Confucianism and Confucian themes in *Zhong Yang Ri Bao*.
2. That in Taiwan more attention would be given to Confucian precepts relating to the role of the state, the nature of political rule, and the duties of citizenship.

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immigrants. But recently it was proclaimed as the official ideology of the Singaporean government, though this move can be seen more as a strategic political choice to validate and perpetuate its autocratic rule than as a revival of Confucian tradition.

3. That *Ming Bao* would give more emphasis to those elements of Confucianism that are most firmly embedded in popular culture, most resonant in peoples' everyday lives, and most closely related to personal behaviour and economic activities.

Furthermore, both Taiwan and Hong Kong experienced important shifts in their political situation in the 1980s . As Allen Chun (1996) points out, the effects these shifts have produced were in a way 'mirror images' on one another. The British announcement in 1984 that Hong Kong would be returned to China generated a resurgence of interests and debates around the notion of Chinese identity. Conversely, the democratisation of Taiwan , stimulated an upsurge of attention to the distinctiveness of Taiwanese identity. We would expect both of these movements to help account for the patterns of coverage over time, and for the specific coverage in the 1990s.

A systematic comparison between the two papers allows us to examine both the similarities and the differences in the aspects of Confucianism they emphasise and the way they present them. Since the similarities indicate the basic features of Confucianism common to all NISs, and the differences the variations in its applications under different circumstances, we are able to paint a more precise picture, which not only provides evidence of the continuing vitality of Confucianism as a generalised cultural system, but also points to the ways it has been mobilised as a cultural support for growth in contrasted political systems.

### **6.1 The Content Analysis Design**

*Ming Bao* is the 'most respected daily' (FEER, 5 September 1996) printed in Hong Kong, where the press 'has enjoyed a level of freedom in Asia second only to Japan', and is 'allowed to advocate opposing ideological doctrines as long as they do not undermine the legitimacy of British rule' (Chan et al, 1994: 241). As one of the most popular newspapers, *Ming Bao* is often collected by libraries around the world as the

prime representative of Hong Kong newspapers. Politically it maintains a neutral stance, which means that it is motivated mainly by commercial.

During the period covered by the analysis *Ming Bao* went through considerable changes. From the 1970s to the 1990s its maximum number of pages per issue was raised from 16 to 64. Over this time, the balance of content also shifted to incorporate more entertainment and economic features and to provide more advice and information. Taking a typical copy of *Ming Bao* from the year 1993 as an example, we find it divided into four sections. Each had roughly the same number of pages except for a leaner second section and a bulkier last one. The first section included the main news, both local and international, with the front page devoted to advertisements. The second contained mainly entertainment news and the four page supplement, the majority of which was taken up with essays from regular columnists. The subjects addressed varied from current affairs and social problems to history, culture, science and technology. The third section comprised horse racing news and classified advertisements, whilst the fourth section was largely devoted to the economy and to mainland China, with some additional coverage of entertainment and half a page of sports news. The location of advertisements was not restricted by the divisions between the different sections. They could be found on almost every page, from the first to the last, and accounted for more than half the paper's content. Items of local news could also be found in every section, with many being presented in the form of pictures. Consequently although it is counted as a serious newspaper in Hong Kong, *Ming Bao* bears a stronger resemblance to the tabloids rather than the quality newspapers in Britain. It is filled with advertisements, gossip about film stars and celebrities, and photographs.

*Zhong Yang Ri Bao* is published by the ruling party in Taiwan. It is thus famous for its respectful coverage of official policies. In Taiwan an official ban on the registration of new newspapers was in force between 1951 and 1988. During this period there were only 32 newspapers, and *Zhong Yang Ri Bao* was privileged among them because of its 'official' status. After the ban was lifted, however, the number of newspapers in Taiwan increased to more than 300 and *Zhong Yang Ri*



*Bao's* influence was progressively eroded. Due to severe problems of issue availability over the period covered by the analysis, the issues under consideration here are taken from the international edition, which is published for overseas Chinese and readers outside Taiwan<sup>2</sup>. This edition has two distinct features. It does not cover international news except for a very few events that have a direct influence on Taiwan. And it has a digest section reprinting articles originally published in other newspapers.

The maximum number of pages carried by *Zhong Yang Ri Bao* increased from 4 in the 1970s to 8 in the 1990s. At the same time the balance of contents remained nearly unchanged. A typical 8 page copy would consist of four and half news pages featuring a mixture of different kinds of news and comment and analysis; two 'light' pages representing alternatively sports, entertainment and fashion or society, education and technology; and one and a half page for the supplement. Unlike *Ming Bao*, however, the supplement frequently contained literary works of extended length and there were very few fixed columns. Advertisements occupy very little space, normally about a quarter of page on the 'light' pages. These are colourful, but the rest of the copy is normally tightly dovetailed by the black characters.

The masthead design of *Zhong Yang Ri Bao* stands out as an illustration of the continuing significance of Confucianism to a modern newspaper. On the right side is a small section entitled *words of wisdom*, made up of quotations from Confucian classics originally written in the ancient Chinese language. They appear in single sentences each day with translations in both English and modern Chinese. The themes of the quotations cover almost every aspect of Confucianism. Quite often they are specially selected to suit the issue of the time. For example, 'Let production be active but consumption sparing. Then wealth will always be sufficient.' was chosen when the government fought a campaign against ostentatious spending. This section is not included in the content analysis since our aim is to explore the ways in which Confucian themes are integrated into everyday news and commentary.

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<sup>2</sup>If not specified, *Zhong Yang Ri Bao* refers to the international edition in the rest of the chapter.

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Table 6.1 The selection of the press sample

	1970s	1980s	1990s
<i>Ming Bao</i>	Feb. 1976	Feb. 1985	Feb. 1992
	Sept. 1976	Apr. 1985	June 1992
<i>Zhong Yang Ri Bao</i>	Jan. 1975	Jan. 1985	Jan. 1993
	May 1976	Oct. 1985	Aug. 1993

The process of sample selection (Table 6.1) was a compromise born of the need to cover the whole period of recent economic development, to keep the data to a controllable size, and to negotiate the uneven availability of the material. Because no British library holds both titles over the entire period covered by the analysis, the data had to be collected from three different locations - London, Oxford and Leeds. In the end a total of six months' issues of *Ming Bao* and *Zhong Yang Ri Bao* was selected drawn from a period between the 1970s and 1990s. Two months were selected in the 1970s, 1980s and 1990s respectively. Within each decade, the year was randomly chosen. Of the two months, one was chosen randomly, and the other one around the time of Chinese New Year since this is the major traditional festival and Confucianism is part of that tradition. The samples drawn for the two newspapers do not necessarily come from the same month or the same year. The procedure was designed in this way partly because of the practical difficulty in matching the two titles. But more importantly, the primary purpose of the content analysis was to provide both an illustration of working Confucianism in contemporary East Asia and a comparison of patterns of Confucianism and shifts in public discourse over the period covered by the analysis. Therefore there was no intention to construct a point-by-point comparison between two newspapers at the same moments in time.

In the analysis process, all the contents of each issue were examined except for the advertisements, pictures, fiction and literature. Items which contained one or more Confucian themes were coded. These items may advocate Confucian ideas, use Confucian ideas to approach a problem or make judgements, or directly talk about



Confucius or Confucianism. A list of themes was designed to cover the major aspects of Confucian ideas. This was modified according to the results of a pilot study which analysed Confucian related items from one month's issues of *Zhong Yang Ri Bao*<sup>3</sup>.

## 6.2 Results

385 items were coded altogether, 207 from *Zhong Yang Ri Bao* and 178 from *Ming Bao*. This means that, over the sample period at least one item referring to Confucianism could be found everyday, a consistent appearance indicating its continuing influence. As expected, *Zhong Yang Ri Bao* had a higher proportion of Confucianism related items (1.14 per copy) than *Ming Bao* (1.06 per copy). This difference becomes more significant if one considers the wide disparity between the two titles in terms of the average number of pages per issue, up to 8 pages for *Zhong Yang Ri Bao* and 64 pages for *Ming Bao*. This confirms our assumption that *Zhong Yang Ri Bao*, supported by a government that consistently deployed Confucian themes in its official discourse, would give more coverage to Confucianism than *Ming Bao*, a popular newspaper with a stronger articulation to vernacular culture.

When the sample was originally devised, it was assumed that more items drawing on Confucianism would appear in the festive season since the associated ceremonies and rituals are strong expressions of tradition. This assumption, however, was proved unfounded. There were 186 items in January and February, and 199 at other times. The average daily coverage was the same (1.1 item per day) for both the festive season and ordinary days. Thus there would appear to be no direct relationship between the traditional festival and Confucian themes. This suggests that Confucianism has become widely incorporated into modern daily life and discourse rather than being something associated particularly with the 'old days'.

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<sup>3</sup> The coding schedule is reprinted as an appendix to this thesis.

Despite this ubiquity, commentators have frequently expressed concern that Confucianism has been declining in influence as a point of reference. Table 6.2 shows that for *Ming Bao* items relevant to Confucianism did decrease over the sample period (from the 1970s to the 1990s) despite the large increase in the number of pages per copy. This confirms the decline in the salience of Confucianism in Hong Kong. In the case of *Zhong Yang Ri Bao*, however, there was an upsurge of interest in the 1990s. This was due to the large number of articles discussing the Confucian art of governing stimulated by political reforms and the dispute between the president and the head of the Legislative Yuan. Prior to that however, there had been fewer items relating to Confucianism in the 1980s than in the 1970s, but the difference was relatively small. The influence of Confucianism might be weakening in Taiwan, but it was far from disappearing.

Table 6.2 Items relevant to Confucianism during different periods

	1970s	1980s	1990s
<i>Ming Bao</i>	69	57	52
<i>Zhong Yang Ri Bao</i>	61	55	91

The types of items containing Confucian themes and the sections where they appeared are revealing. The most frequent type of item was the short essay, which accounted for almost half of all cases analysed. Second, was news, and in third place, editorials (Table 6.3). In line with these findings, the supplements, where short essays are normally placed, carried almost half of all items coded (45.7%). The general news sections and front pages also carried substantial numbers of coded items (Table 6.4). Therefore, Confucian themes were most often located in supplements in the form of essays. This would suggest that Confucian ideas and ideals were mostly mobilised when people make comments or provide analysis or advance opinions.

Table 6.3 Types of items relevant to Confucianism

	<i>Ming Bao</i>		<i>Zhong Yang Ri Bao</i>		total sample	
news	20	11.2%	61	29.5%	81	21.0%
editorial	7	3.9%	26	12.6%	33	8.6%
feature article	13	7.3%	18	8.7%	31	8.1%
essay	105	59.0%	84	40.6%	189	49.1%
other	33	18.6%	18	8.7%	51	13.2%
total	178	100%	207	100%	385	100%

Table 6.4 Location of items relevant to Confucianism

	<i>Ming Bao</i>		<i>Zhong Yang Ri Bao</i>		total sample	
front page	7	3.9%	47	22.7%	54	14.0%
general news	18	10.1%	64	30.9%	82	21.3%
supplement	111	62.4%	65	31.4%	176	45.7%
mainland china	14	7.9%	10	4.8%	24	6.2%
economic/financial	4	2.2%	2	1.0%	6	1.6%
other	24	13.5%	19	9.2%	43	11.3%
total	178	100%	207	100%	385	100%

If we look at the two newspapers separately, however, different patterns are revealed. For *Ming Bao*, the essay was easily the predominant form in which Confucian items appeared (59.0%). Correspondingly, 62.4% of the items were placed in the supplement. In contrast, news accounted for only 11.2% of items and editorials a mere 3.9%. Similarly, only a small number of items were found in the general news section (10.1%) and very few on the front page (3.9%). In the case of *Zhong Yang Ri Bao*, however, although the essay remained the single largest type at 40.6%, it was outweighed by news related items, comprising news and editorials together at 42.1%. Furthermore, less than one third of the items appeared in the supplement section (31.4%), as against more than half in the general news section and front page.



These differences can be partly explained by the different structures of the two newspapers. The fact that *Ming Bao* often devoted the whole front page to advertisements, reduced the space available for front page items drawing on Confucian themes. Similarly, the fact that *Zhong Yang Ri Bao* carried a high proportion of news, increased the possibility of coded items appearing in the general news section. But these differences cannot be accounted for solely by variations in lay-out. One possible conclusion to be drawn is that Confucianism has enjoyed a stronger influence in Taiwan than in Hong Kong. The high percentage of Confucian related items on the front page in *Zhong Yang Ri Bao* can be read as an index of the importance accorded to Confucian themes. The high portion of mentions in news items indicates that Confucian themes have become integrated into observations on people's daily life. And the fairly large number of feature articles and editorials with Confucian themes suggest that they have risen above a threshold of significance and thus require discussion and review.

The analysis of actors is also revealing. Among all the actors identified in the items referring to Confucianism, the general public stood out as the most frequently mentioned (14.6%), followed by the head of state (10.3%), and two groups of actors with the same frequency of appearance (8.1%), high ranking officials and intellectuals. This pattern is entirely consistent with the traditional tripartite role of Confucianism as a political philosophy for officials, an intellectual resource for literati, and a code of behaviour for ordinary people.

In line with our hypotheses, *Ming Bao* and *Zhong Yang Ri Bao* displayed different patterns of coverage in terms of actors. *Ming Bao* featured a higher percentage of ordinary people, businessmen and historic figures, while *Zhong Yang Ri Bao* featured a much higher percentage of political parties, officials and politicians, and the head of state (see Table 6.5). Again, this reflects the official backing for Confucianism and its mobilisation as a support for government intervention in Taiwan as against its

‘popular’ status in Hong Kong<sup>4</sup>. To a certain extent, it also mirrors the social reality in the two societies under analysis. In Hong Kong, with the road to political prominence blocked by the British rule, people have turned to economic activities for fulfilment. As a result the Hong Kong people represented in the newspaper were mostly ordinary people or businessmen. It also explains the significance of historic figures in *Ming Bao*, which were often used to illustrate a key point when politics was the topic of discussion. On the other hand, both the government and the KMT are a formidable presence in Taiwan. Party, government, officials or politicians have always featured on the public agenda, either as the source of orders or as figures to be admired. Not surprisingly a KMT controlled public medium reflects this pattern.

Table 6.5 Differences between *Ming Bao* and *Zhong Yang Ri Bao* in the coverage of actors

	<i>Ming Bao</i>		<i>Zhong Yang Ri Bao</i>	
general public	30	18.8%	28	11.8%
party	0	0%	16	6.8%
head of state	10	6.3%	31	13.1%
officials & politicians	2	1.3%	30	12.7%
businessmen	13	8.1%	2	0.8%
historic figures	14	8.8%	2	0.8%
others <sup>5</sup>	91	56.8%	128	54.0%
total	160	100%	237	100%

As we have argued earlier, in the past, the Confucian classics were the only subject deemed worthy of study. Although they have long since lost this status, they are still viewed as the source of relevant 'words of wisdom'. It is therefore worthwhile to find out how they were used in the coded items. About one in three (32.5%) quoted from

<sup>4</sup> Saying Confucianism is ‘popular’ in Hong Kong does not mean that it is not also popular in Taiwan. As a reminder of our previous argument that outside the official realm Confucianism exists as a popular code of behaviour, please note that the prominence of the general public (11.8%) in *Zhong Yang Ri Bao* is close to that of the head of state (13.1%) and officials and politicians (12.7%).

<sup>5</sup>This category includes all other actors which received similar coverage in the two newspapers.

Confucian classics, and half of these actually quoted the words of Confucius. Moreover, this rate of occurrence remained almost the same from the 1970s to the 1990s (see Table 6.6). Since all the items dealt with in this study had Confucianism related themes, it is to be expected that they would carry quotations from Confucian classics. Even so, the relatively frequent and persistent appearance of direct quotations suggests that the traditional authority of Confucianism still retains considerable currency.

Table 6.6 Distribution of quotations over the sample period

1970s	54	31.8%
1980s	52	30.6%
1990s	64	37.6%

The differences between the two newspapers confirm our hypothesis. Whereas 34.9% of items from *Zhong Yang Ri Bao* employed quotations from Confucian classics only 24.7% of those from *Ming Bao* did so. In Hong Kong, though people recognise Confucianism as part of their cultural heritage, their knowledge of it comes mainly from the unwritten practices handed down from generation to generation. They receive a western style education which pays little or no explicit attention to Chinese classics. In Taiwan, on the other hand, Confucianism is incorporated into the curriculum in the form of moral education (Meyer, 1988). And knowing Confucianism is a sign of a ‘good education’. Given these differing contexts it is not surprising that the Taiwanese title would mobilise more quotations from Confucian classics.

The length of an item is another indicator of its importance. The length of a Chinese publication is normally counted not by the number of characters that appear in an item, but by the number of characters which can be put into the space occupied by the item. This method is practicable because all Chinese characters are of the same size. The normal total editorial space of a broadsheet newspaper is around 62,000 words. In this study the length of an item is classified either as short (under 800



characters), medium (between 800 and 1,500 characters) or long (over 1,500 characters).

Table 6.7 The length of items

	<i>Ming Bao</i>		<i>Zhong Yang Ri Bao</i>		total sample	
short	116	65.2%	76	36.7%	192	49.9%
medium	51	28.7%	67	32.4%	118	30.6%
long	11	6.2%	64	30.9%	75	19.5%
total	178	100%	207	100%	385	100%

Table 6.8 The relationship between the length and type of items

	short	medium	long	total
news	49	23	9	81
	60.5%	28.4%	11.1%	100%
editorial	2	18	13	33
	6.1%	54.5%	39.4%	100%
feature article	1	7	23	31
	3.2%	22.6%	74.2%	100%
essay	116	50	23	189
	61.4%	26.5%	12.2%	100%
letter	13	6	0	19
	68.4%	31.6%	0%	100%
other	11	14	7	32
	34.4%	43.7%	21.9%	100%

As shown in Table 6.7, about half of all the items coded were short, and only one in five was long. This might lead one to conclude that the majority of coded items were thus of little importance, but it should be noted that very few of the articles in the chosen newspapers were long. The distribution of Confucianism related items between different lengths roughly reflected the pattern of the two newspapers as a

whole, which means that although Confucian themes were not singled out for special attention, they were certainly not overlooked. Rather, they were treated as an integral part of daily life and public comment. This observation is further supported by the connection between the length and the type of an item. As we have already noted, most coded items were in the form of either essays or news (70%), and these are normally of short length (see Table 6.8). While very few news and essay items were long, even fewer editorials and feature articles were short.

Table 6.7 also reveals the difference between *Ming Bao* and *Zhong Yang Ri Bao*. In the former, 65.2% of items were short and only 6.2% long. Whereas in the latter, short, medium and long items each accounted for about one-third of the total coverage. Despite the difference of style, these findings again point to the higher profile of Confucian themes in *Zhong Yang Ri Bao*.

### **6.3 Themes**

Altogether 561 different themes were coded. Those concentrating on human relationships and society accounted for 40.4% of the total, and those addressing personal behaviour for 28.3%. There was also a significant proportion of themes dealing with government and officials, 14.4%.

Because of the variety of themes addressed throughout the analysis it is useful to group them under more synoptic headings for further analysis (Table 6.9). As a group of themes, those related to Chinese people, culture and tradition appeared most frequently. The second most prominent category includes all the themes which deal directly with Confucianism. They amounted to 17.3% of the total. Both Hong Kong and Taiwan have been modernising rapidly, and it is generally held that in this process traditional values would be gradually displaced. If this supposition was correct, it would be reasonable to assume that there would be relatively few items talking directly about the Confucian tradition. However, as the above figure shows,

Confucianism and its core values are still an important topic in both modern Hong Kong and Taiwan.

We have mentioned in the previous chapter that a Confucian's mission is to discipline himself, then to regulate his family, and lastly, to govern the nation. In our sample overall, this order was neatly reflected with the more difficult task receiving more attention. Items relating to government and officials accounted for 14.4% of the total, those relating to family and group, 12.3%, and those relating to proper behaviour, 9.4%. Hard work and frugality, two prominent Confucian qualities, were also strongly represented. However, not all aspects of Confucianism were given equal attention. The importance of virtues, for instance, received less coverage than might be expected given its significant place in traditional Confucian teaching. This pattern provides support for the argument that in the contemporary era some aspects of Confucianism have been accentuated while the others have been discarded, depending on their utility in the process of modernisation.

Table 6.9 Group themes relating to Confucianism

	<i>Ming Bao</i>		<i>Zhong Yang Ri Bao</i>		total sample	
Chinese people, culture & tradition	52	21.7%	63	19.6%	115	20.5%
Confucianism	51	21.2%	46	14.3%	97	17.3%
government and officials	21	8.8%	60	18.7%	81	14.4%
family and group	18	7.5%	51	15.9%	69	12.3%
proper behaviour	33	13.7%	20	6.2%	53	9.4%
work and money	30	12.5%	23	7.2%	53	9.4%
morality of society	12	5.0%	27	8.4%	39	7.0%
others	23	9.6%	31	9.7%	54	9.7%
total	240	100%	321	100%	561	100%



As might be expected from the results already presented, the two newspapers vary in the emphases they gave to various Confucian themes. In *Zhong Yang Ri Bao*, themes relating to government and officials and to family and group featured more prominently than those directly related to Confucianism. Moreover, the figure for family and group derived mainly from the high concentration of themes relating to group, which often means society at large. This suggests that *Zhong Yang Ri Bao* was not so much interested in Confucianism *per se* as in how it could be employed to promote stable government and patriotic sentiments. This would be entirely consistent with our previous argument that it would tend to represent an ‘official’ version of Confucianism.

*Ming Bao*, on the other hand, had a lower proportion of themes relating to the government and officials, and a higher proportion of themes relating to personal traits, including proper behaviour and work and money. Again, this is in line with our hypothesis that it would disseminate a version of Confucianism more closely associated with everyday life and with commercial activities. One more point worth noting was the relatively low concentration of themes referring to family and group, which is seemingly in contradiction with our previous analysis that the family is the central institution in Hong Kong. The explanation can be found in the fact that *Ming Bao* had a very low coverage of group which resulted in the overall low percentage<sup>6</sup>. Last but not the least, one has to note the relatively high concentration of themes talking directly about Confucianism, which suggests that it is a topic of discussion among Hong Kong people.

As we have seen, an analysis of item type can reveal how and to what extent Confucian themes were discussed. As shown in Table 6.10, items directly related to Confucianism were much more likely to be essays (68% compared to the average 49.8%). They also displayed a higher than average concentration among feature articles (14%). These findings suggest that Confucianism was often associated with detailed analysis, comments or argument. On the other hand, Confucian themes

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<sup>6</sup> More detailed discussion of this point is given later this chapter.

focusing on the family and group were much more likely to be found in news items (48.1% compared to 22.2% overall). Since news items normally cover the ongoing process of daily life, it could be inferred that in modern Hong Kong and Taiwan Confucian values still exert strong influence when it comes to families and people in groups. Themes relating to government and officials revealed yet another pattern of coverage. Although they were quite often (31.0%) the main topic of essays, they engaged even higher prominence in editorial coverage (33.3% compared to the average 8.0%). This indicates that stories about government and officials tended to be treated as important and requiring in-depth analysis. Again, although this reflects to some extent the high news value of political elites, it can also be read as an indicator of the continuing relevance of Confucianism in modern politics.

Quotations from Confucian classics are often used to give more weight to a given item. In our analysis such mentions can be interpreted as a tribute paid to the tradition since the classics form an important part of it. Overall, 24.4% of the items with a Confucian main theme had quotations (Table 6.11). However, two groups of items stood out as having a higher percentage, those with themes that related directly to Confucianism (39.0%) and those related to proper behaviour. The first case is easily explained in that Confucianism itself was the topic. In the second case, we can suggest that since the norms of 'proper behaviour' as defined by Confucianism (such as the avoidance of competition or conflict or the duty to respect seniors) are often in contradiction with modern or western values, support for their value is relatively easily found in the classic texts.

Table 6.10 Relationships between the focus and the type of items<sup>7</sup>

	news	editorial	feature	essay	letter	other	total
Chinese people, culture & tradition	16	0	2	31	7	4	60
	26.7%	0%	3.3%	51.7	11.7	6.7%	100
Confucianism	7	0	7	34	0	2	50
	14.0%	0%	14.0%	68.0	0%	4.0%	100
government and officials	10	14	4	13	0	1	42
	23.8%	33.3%	9.5%	31.0	0%	2.4%	100
family and group	13	2	1	10	0	1	27
	48.1%	7.4%	3.7%	37.0	0%	3.7%	100
proper behaviour	5	0	1	14	2	6	28
	17.9%	0%	3.6%	50.0	7.1%	21.4	100
work and money	5	3	2	11	0	1	22
	22.7%	13.6%	9.1%	50.0	0%	4.5%	100
morality of society	4	2	2	11	1	1	21
	19.0%	9.5%	9.5%	52.4	4.8%	4.8%	100
others	1	1	5	13	1	4	25
	4.0%	4.0%	20.0%	52.0	4.0%	16.0	100
total	61	22	24	137	11	20	275
	22.2%	8.0%	8.7%	49.8 %	4.0%	7.3%	100 %

<sup>7</sup>The 'focus' of an item is defined by the main theme.



Table 6.11 The relationship between the focus of items and quotations from Confucian classics

	with quotations	without	total
Chinese people, culture & tradition	11	109	120
	9.2%	90.8%	100%
Confucianism	39	61	100
	39.0%	61.0%	100%
government and officials	24	60	84
	28.6%	71.4%	100%
family and group	14	40	54
	25.9%	74.1%	100%
proper behaviour	19	37	56
	33.9%	66.1%	100%
work and money	7	37	44
	15.9%	84.1%	100%
morality of society	6	36	42
	14.3%	85.7%	100%
others	14	36	50
	28.0%	72.0%	100%
total	134	416	550
	24.4%	75.6%	100%

One other thing that needs to be explained, however, is that two groups of items, those focused on Chinese people, culture and tradition and those dealing with the morality of society, had low rates of quotations, 9.2% and 14.3% respectively. These findings were unexpected since themes relating to Chinese people, culture and tradition were the most prominent in the sample. One possible explanation could be that these themes often dealt with distinctively modern phenomena, and that consequently there were not many readily available quotations dealing with these

eventualities<sup>8</sup>. Similarly, almost half of the themes related to the morality of society are laments over its decline in modern society. Possible support from the Confucian classics were not felt necessary in order to make this point.

#### Chinese People, Culture and Tradition

This was the most prominent group of themes, both main and secondary, for both newspapers. These themes encompassed topics around the greatness of Chinese culture, pride in being Chinese, the importance of tradition, how to preserve culture and tradition and to advocate their greatness, and, a negative theme, the harm of being fettered by tradition. This reservation (4.1% of the total within the group), which featured exclusively in *Ming Bao*, was an exception. The overall attitude expressed towards Chinese culture and tradition was positive in Hong Kong and even more so in Taiwan.

Table 6.12 Types of items containing a main theme of Chinese people, culture and tradition

news	16	26.7%
editorial	0	0%
feature article	2	3.3%
essay	31	51.7%
letter	7	11.7%
other	4	6.6%
total	60	100%

The high frequency of appearance of the items with a main theme of Chinese people, culture and tradition suggests a high degree of importance. However, few of these pieces were long (6.7% compared to an average of 19.7%). These items also had the lowest proportion (9.2%) quoting from Confucian Classics. These figures suggest a

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<sup>8</sup>For example, as shown in the previous chapter, Chinese centric themes were frequently advanced by emphasising the advantages of Chinese culture over other world cultures, some of which has not developed by the time the classic texts were written.

low level of importance. To understand these conflicting results, we need to look at what kind of items focused on this group of themes. As shown in Table 6.12, the majority were essays and news items, which tend to be short. As a consequence whilst this group of Confucian themes were often mentioned, they were not discussed in detail.

Within this group tradition was the most prominent topic accounting for 43.3% of the total. It included both positive and negative themes. But the single most common theme within the category was the greatness of Chinese culture accounting for 24.7% of the total. This suggests that Chinese people are proud of their culture and tradition and that they have a strong sense of belonging to an imagined community that is distinctively Chinese.

#### Confucianism

This category covered mentions of social activities commemorating Confucians, discussions on Confucianism and the Confucian classics, the greatness of Confucianism, the relationship between Confucianism and Chinese culture and tradition, the role of Confucianism in modern society, its hindrance to modernity, and its negative influence on people and society. Since up to three themes could be identified in any one item and negative themes often went together in a single item, the proportion of items on this theme containing negative mentions was 21.8% (Table 6.13).

Although overall both newspapers presented a predominantly positive image of Confucianism, *Ming Bao* seemed to be more critical than *Zhong Yang Ri Bao*. In Taiwan, people are expected to follow the officially proclaimed ideology rather than to criticise it. In Hong Kong, on the other hand, the colonial government does not promote Confucianism, leaving it up to the individual to evaluate its worth. To a certain extent then the results reflected the contrasted political realities of the two societies.



Table 6.13 Items containing themes with positive or negative stances towards Confucianism

	<i>Ming Bao</i>		<i>Zhong Yang Ri Bao</i>		total sample	
positive	32	69.6%	36	87.8%	68	78.2%
negative	14	30.4%	5	12.2%	19	21.8%
total	46	100%	41	100%	87	100%

Table 6.14 Comparison between positive and negative themes on Confucianism

	Main theme	Secondary theme 1	Secondary theme 2	total
positive	42	21	12	75
	56.0%	28.0%	16.0%	100%
negative	8	5	9	22
	36.4%	22.7%	40.9%	100%

More than half of the positive mentions (56%) were identified as main themes, as against about one third (36.4%) negative mentions. Moreover high proportion of negative mentions were identified as the least important themes (secondary theme 2, see Table 6.14). This pattern indicates that themes referring to Confucianism positively were most often the main topic of items, whereas themes concentrating on its negative aspects were often second or third thoughts. This further reduces the salience of negative images of Confucianism in the newspapers. Similar conclusions can be drawn from an analysis of the length of items. As shown in Table 6.15, none of the items which had a main theme focusing on the negative aspects of Confucianism was long whereas two thirds of the items advancing the merits of Confucianism were.

Table 6.15 Length of items focusing on Confucianism

	short	medium	long	total
positive	15	13	14	42
	35.7%	31.0%	33.3%	100%
negative	6	2	0	8
	75.0%	25.0%	0%	100%

Looking at the themes individually, Confucianism, tradition and culture was the most frequently mentioned (26.8%), followed by Confucianism and modern society (14.4%), social activities referring to Confucians or Confucianism (10.3%), and the greatness of Confucianism (9.3%). Together these constituted 60.8% of all themes relevant to Confucianism. On this basis, it seems that what the newspapers were most concerned about in relation to Confucianism was firstly its relationship with tradition and culture and secondly its role in modern society. A sense of pride in Confucianism was also expressed.

It is interesting to note that this sense of pride was not equally expressed in *Ming Bao* and *Zhong Yang Ri Bao*. Most themes referring to the greatness of Confucianism (77.8%) and the need to change Confucianism in order to adapt to the modern world (75%) had their origins in *Zhong Yang Ri Bao*. Again this pattern reflects social realities in the two societies. In Taiwan, where the Nationalist government claims to be the true inheritor of the Confucian tradition, patriotic feelings towards Confucianism are frequently expressed and there is a conscious effort to change relevant aspects of Confucianism to make it into a working ideology. In Hong Kong, on the other hand, its existence is very much a matter of fact. Confucianism is accepted as part of tradition, great or not.

#### Government and officials

In line with our previous argument, most themes in this category (74.1%) were from *Zhong Yang Ri Bao*. Themes relating to government had an especially low prominence in *Ming Bao* (10.8%).

Table 6.16 Distribution of themes referring to government and officials

unite under one opinion	18	22.2%
good officials	16	19.8%
care and work for public	10	12.3%
Confucian officials	7	8.6%
virtuous officials	6	7.4%
keeping stability	5	6.2%
nation for people	5	6.2%
strong government	4	4.9%
knowledgeable officials	3	3.7%
govern with compassion	2	2.5%
others	5	6.2%
total	81	100%

In the Confucian ideal, government and officials can not be separated from each other since the source of authority is man rather than law. Ordinary people are expected to respect and obey rulers (officials). In return, the ruler is obliged to take care of their needs. The results of the press analysis showed a similar picture (see Table 6.16). Good officials (19.8%) look after ordinary people and work for the public interest (12.3%), and a strong government requests everybody to unite under one opinion (22.2%). In contrast other aspects of traditional Confucian teaching, such as governing with compassion (2.5%), officials being virtuous (7.4%) and knowledgeable (3.7%), received relatively low level of attention. These findings lend strong support to our second hypothesis.

#### Family and group

This section covered the themes of marriage, family, and the relationship between the individual and the group. Although it was a relatively large category, most of mentions appeared as second themes accompanying the major topic. Only 39.1%



were major focuses. However, when they did become the primary subject of an item, there was a higher than average possibility of the item being long.

Putting the interests of others before one's own was the most frequently mentioned theme (26.1%), though the items containing this theme were found exclusively in *Zhong Yang Ri Bao*. The second most prominent theme was filial piety (24.6%), which was given equal prominence in both newspapers. The least frequently mentioned theme was the need to take care of family members (1.4%). This seems odd at first sight since this obligation is an important part of the Confucian tradition. However, given the fact that the special attention paid to family members and relatives has been consistently criticised for generating favouritism and corruption, it is perhaps understandable that it would not be openly advocated in the press.

Themes relating to the family received slightly less coverage than those focusing on the group. But they had a much higher likelihood of being the main theme (53.3%) and they constituted a higher proportion of long items (31.3%). These figures underline the high degree of importance accorded to the family, and are entirely consonant with popular Confucianism which places the family at the centre of social life. The core of the Confucian family ethos, filial piety, was one of the commonest themes and was often discussed as a major issue (58.8%). Filial piety is both the basis of parental authority and the main principle governing conduct within the Confucian family. Its strong representation within the sample suggests that the central importance of this aspect of tradition remains relatively unchanged.

*Ming Bao* carried more themes on the family while *Zhong Yang Ri Bao* featured more on the group (see Table 6.17). This again supports our hypotheses. It also illustrates the differences between the two societies. As discussed above, in Hong Kong, people's social and economic activities are based around the family. It is therefore understandable that family related themes were accorded higher prominence. In Taiwan, on the other hand, a strong sense of nationalism, partly cultivated by the Nationalist government, has been an important element in public

culture. As its corollary, much attention has been paid to the unselfish individual and the importance of the group.

Table 6.17. Distribution of themes relating to the family and the group

	<i>Ming Bao</i>		<i>Zhong Yang Ri Bao</i>	
family	11	61.1%	19	37.3%
group	7	38.9%	32	62.7%
total	18	100%	51	100%

#### Proper behaviour

In this group the most prominent single theme was the need to behave in conformity with Confucian principles (30.2%). Harmonious relationships were also very salient (18.9%). The Confucian way was therefore presented as a main guideline for proper behaviour, and its principal rule, harmonious relationships, was duly observed. In contrast only three cases dealt with the theme of respecting seniors. This could imply that older people are now losing the special status they used to enjoy in traditional society.

Overall, *Ming Bao* contributed 62.3% of the themes in this group, which suggests that popular Confucianism in Hong Kong paid more attention to people and their everyday life, which is in line with our third hypothesis. The pattern of collection in the two newspapers was similar with the exception of two themes: that women should stay at home and that men and women should maintain a distance from one another. Ten cases were coded from *Ming Bao* and none from *Zhong Yang Ri Bao*. This suggests that Hong Kong may be more conservative with respect to women's rights, though the sample is too small to draw firm conclusions.

#### Work and Money

56.7% of themes in this category appeared in *Ming Bao* (Table 6.18), providing a relatively weak support for our hypothesis that the Hong Kong title would pay more attention to themes directly relating to economic activity. The need for hard work

was the most common theme (39.6%) in this section. It was also the third most frequently featured of all themes. Frugality was also an important theme, accounting for 35.8% of the themes within this group. These two together constituted 75.4% of the section, and received similar coverage in both papers. This is perhaps not surprising since both qualities have long been considered essential qualities in Confucian tradition. It is also possible to argue that their salience has been further strengthened by their consonance with the process of industrialisation in both Hong Kong and Taiwan.

Nowadays in both societies, money has become synonymous with success, fame and status. With this in mind, it is somewhat surprising to find that there were a number of items referring to the negative influence of money or urging people to work to advance the good life and the good society rather than simply for money. While the morally conscious *Zhong Yang Ri Bao* carried more content disclosing the evil nature of money, *Ming Bao* concentrated more on advising people to work for the public good. One possible explanation is that after several decades of seeking money and economic success there had been something of a reaction and traditional moral values were being revived. This conjecture is supported by the distribution of these themes over time: two in the 1970s, four in the 1980s, and six in the 1990s.

Table 6.18 Distribution of themes relating to work and money

	<i>Ming Bao</i>		<i>Zhong Yang Ri Bao</i>		total sample	
be frugal	10	33.3%	9	39.1%	19	35.8%
work hard	12	40%	9	39.1%	21	39.6%
money is bad	2	6.7%	4	17.4%	6	11.3%
work for good	6	20%	1	4.4%	7	13.2%
whole category	30	100%	23	100%	53	100%
	56.6%		43.4%		100%	



### The Morality of Society

This section included only three themes: the declining morality of modern times (46.1%), rebuilding a moral society (38.5%), and reinforcing the teaching of ethics (15.4%). Almost half (48.7%) of the themes coded came from items printed in the 1980s. This reflects the strong campaign to rebuild morality launched by the KMT government in Taiwan. Both societies lamented the decline of morality, but the reaction was different. Taiwan tried to combat the trend. Hong Kong was more laissez faire (Table 6.19).

Table 6.19 Distribution of themes relating to morality

	<i>Ming Bao</i>	<i>Zhong Yang Ri Bao</i>	total
declining morality	9	9	18
	50.0%	50.0%	100%
rebuilding morality	1	14	15
	6.7%	93.3%	100%
teaching ethics	2	4	6
	33.3%	66.7%	100%

### Education

Several additional single themes are worth noting. One was the importance of education, which constituted 2.0% of all themes coded. As noted earlier, the high standard of education in oriental societies has been widely seen as one of the engines of their recent economic development. The importance of education can be traced back to the prestige given to learned man by Confucius. At 2.0% of the sample total this theme was one of the frequently featured ones. It was also prominent, as shown by the following figures: 63.6% of all mentions were coded as the main theme, well above the average of 48.8%; 27.3% of the coverage related to this topic appeared in editorials or feature articles, compared to the average of 16.2%; and 50% of the cases which discussed the importance of education quoted Confucian classics, compared to

the average 32.5%. The fact the theme of education received more than average in-depth analysis, and was more often supported by citations from Confucian classics confirms its significance in public debate within these societies.

### Virtues

One further theme worth noting was praise of virtuous people, which constituted 3.0% of all the themes coded. Although its overall frequency of appearance is high for a single theme, most of the themes in this category were secondary (88.2%). This suggests that classical virtues were considered desirable in the contemporary world, but not perhaps essential. However, one particular virtue, being modest, featured rather more strongly. It made up 1.4% of all themes coded. This figure is notable because the traditional Confucian emphasis on modesty is in sharp contrast to the positive modern valuation of assertiveness and competitiveness. The fact that it had not been entirely displaced by these contemporary values can again be taken as an indicator of the continuing influence of Confucianism.

### The distribution of themes: 1970s - 1990s

As mentioned earlier, newspaper samples were selected at three points in time - the mid-seventies, mid-eighties and early nineties. The mid-seventies was a time of hard work and achievement for both Hong Kong and Taiwan. The economies were booming, but were still at an early stage of development. By the mid-eighties, they had surprised the world by the sustained speed of their economic development and the rapid improvement in living standards. It was a time of pride and problems, pride in the new wealth and the problems of adjusting economic policies to reach a higher stage and of dealing with the issues generated by the new wealth. In the early 1990s, movements for political reform swept most East Asian societies. Politics was high on the public agenda.

As shown in Table 6.20, the only group of themes featured consistently and prominently throughout the sample period were those relating directly to Confucianism, being the second most frequently mentioned group of themes of all times. Themes referring to Chinese people, culture and tradition are also prominent

as number one in the 1970s and the 1980s and number three in the 1990s. Apart from these two groups, themes relating to family and group and proper behaviour were leading groups in the 1970s. In the 1980s themes relating to work and money, and the morality of society received more attention than at other times, while politics, family and group were mentioned less often. The most common themes in the 1990s concerned government and officials. During the period between the eighties and nineties, the importance of previous leading themes on Chineseness decreased considerably. However, apart from this group of themes and the themes on proper behaviour, there was no sign of a steady decrease in themes relating to Confucianism in the analysed newspapers. This result supports our argument that Confucianism remained salient despite the rapid pace of change although the particular aspects that were emphasised varied with shifts in the political and economic systems.

Table 6.20 Distribution of themes at different times

	1970s		1980s		1990s	
Chinese people, culture & tradition	41	23.2%	43	26.5%	31	14.0%
Confucianism	29	16.4%	29	17.9%	39	17.6%
government & officials	21	11.8%	6	3.7%	54	24.3%
family & group	23	13.0%	14	8.6%	32	14.4%
proper behaviour	21	11.9%	18	11.1%	14	6.3%
work & money	13	7.3%	21	13.0%	19	8.6%
morality of society	9	5.1%	19	11.7%	11	4.9%
others	20	11.3%	12	7.5%	22	9.9%
total	177	100%	162	100%	222	100%

On closer analysis, we find that the overall amount of attention given to Confucianism increased over the sample period, and that the proportion of positive reference to Confucianism was higher in the 1980s, 93.9%, compared to 62.2% in the 1970s and 76.7% in 1990s. One explanation is that the economic achievements of the



1980s boosted people's confidence. They became more positive in their relation to the historical heritage of Confucianism. Another thing worth noting is the disappearance of themes arguing that women should stay at home and keep their distance from men. Under these headings 10 cases were coded altogether, 8 from the 1970s, 2 from the 1980s and none from the 1990s. Clearly, in this area Confucianism had lost its formal power to restrict women from participating in a man's world.

Not surprisingly, given the marked shifts in the political system, themes relating to the problems of governing a nation showed the greatest variation. Among 37 cases coded, 5 was from the 1970s, 1 from the 1980s, and the other 31 from the 1990s. Furthermore, of the 5 cases from the 1970s, 1 was focused around the theme of governing in the Confucian way, and the other 4 stressed the necessity of strong government. These two themes did not appear again in the later samples. The themes featured in the 1990s were more diversified, but the major emphasis was on the need for a united government or party (18 cases). The prominence of this theme was very much the result of the tensions that had arisen between the president and prime minister of the KMT government in Taiwan which gained intensive coverage in the 1992 sample of *Zhong Yang Ri Bao*.

Overall, the findings suggest an image of a 1970s' society where newspapers did not dare to comment on the government and the leading party apart from paying compliments to a strong government; and a more relaxed 1990s' society where the problems of government were more widely noted and debated. Arguably, the analysis reveals more about the changing political environment than the influence of Confucianism, though the fact that political ideals were expressed in accordance with Confucian sayings and precepts does indicate the continuing importance of Confucianism as a source of legitimating beliefs.

#### **6.4 Concluding Remarks**

All the cases coded in this study contained one or more themes either expressing core Confucian ideas or directly discussing Confucians or Confucianism. Most appeared

in the supplements in the form of short essays, but a substantial number were contained in news items, feature articles or editorials which were mostly put on the front page. These findings further support our argument that Confucianism is still alive and exerting considerable influence within the public cultures of modern Hong Kong and Taiwan. Moreover, the frequent association of Confucian themes with comment and analysis suggests that Confucian ideals are being used as a measure against which to make judgements, a status enjoyed by ideas or ideals widely held to be valid and worthwhile.

In theory, Confucianism believes that society functions through the interactions of different human relations. Harmonious human relations guarantee social harmony, a perfect state of society. But the Confucian model of society is also strongly hierarchical. People are expected to obey the ruler in return for his concern for their well being. The family is the pivotal institution. Filial piety, the most important guarantee of a family in harmony, is the root of all Confucian virtues. Confucianism also believes that human beings should work hard to be virtuous and knowledgeable so to reach a state of perfection.

The analysis of the themes showed that all these major aspects of Confucianism were present in the newspapers, though the degree of prominence varied. Human relations was significant by its frequent appearance (38.8%). Although the family received relatively low coverage in itself, together with its major extensions, the group and the nation, the general theme of collective cohesion amounted to 39.8% of all themes. It is likely that while the importance of the extended family is decreasing as a form of social organisation in modern East Asian societies, the Confucian rules which regulated people's behaviour in the family continue to be applied to other institutions and to the nation state. Personal virtues, on the other hand, were not prominently featured in the sample with a few exceptions, filial piety (3.0%), hard-work (3.7%) and frugality (3.2%). At a societal level, morality and especially its perceived decline, was also given a high profile.

This pattern of coverage places the emphasis more on groups but less on the family; more on hard work, frugality and education but less on propriety, more on a strong government and its commitment towards people but less on the virtues or knowledge of officials. As we have argued in the previous chapter, the interaction between Confucianism and capitalism has produced a selective variant of the tradition, in which the elements conducive to economic development have been strengthened and the parts judged obstructive to development jettisoned or downgraded. The results of the quantitative content analysis lend clear support to this general argument.

The results also revealed different patterns of coverage in *Ming Bao* and *Zhong Yang Ri Bao*. Although *Zhong Yang Ri Bao* had fewer pages per issue, it carried more items relevant to Confucianism, and featured a much higher proportion on the front page. The items from *Zhong Yang Ri Bao* also had more quotations from Confucian classics, and more themes from *Zhong Yang Ri Bao* were covered in the form of news, editorial and feature articles (42.1% compared to 22.4% for *Ming Bao*). Together these findings point to the higher profile given to Confucianism in *Zhong Yang Ri Bao*.

As to differences in emphases, *Zhong Yang Ri Bao* focused more on politics and society while *Ming Bao* concentrated more on personal traits. When Confucianism itself was the subject, the articles from *Zhong Yang Ri Bao* projected an entirely positive image, illustrated by a heavy concentration on themes such as the greatness of Confucianism. In contrast, a much more equivocal image of Confucianism was presented in *Ming Bao*, where both high praise and condemnation can be found. In addition, the urge to adapt Confucianism to modern situations and to rebuild social morality according to the Confucian ideal was expressed solely in *Zhong Yang Ri Bao*.

These differences can be taken as indicators of the variations in the way Confucianism has been mobilised in public discourse in East Asian societies with different structures, official policies and political priorities. These differences were determined firstly by the differing sponsorship and market situation of the two



newspapers, and secondly by the social and political situations in the two societies. *Zhong Yang Ri Bao*, being sponsored by the government, is obliged to promote the officially sanctioned version of Confucianism and to focus on those aspects which are particularly useful to the government in legitimating its rule and facilitating growth. *Ming Bao*'s viability, on the other hand, depends on popular support in the marketplace. Accordingly it emphasises Confucianism as an ethical code deigned to regulate people's personal behaviour and offers a more equivocal evaluation of the tradition, presenting it at times as undesirable and a barrier to modernisation. The results of the content analysis therefore, not only illustrate the basic themes of Confucianism common to the modern East Asian NISs, it also reveals the dynamism and flexibility of Confucianism as it adapts to the differing situations of the two societies.

## **Chapter 7**

### **Confucianism and Modern Capitalism: A Theoretical Inquiry**

Within discussions on the possible relationships between Confucian culture and economic development, Max Weber's work stands out as an essential starting point. In his extensive comparative studies of world religions, Weber argued that whereas ascetic Protestantism provided an essential cultural precondition for the rise of modern capitalism in Europe, Confucianism inhibited capitalist development in China. More recently, however, the rapid movement of the East Asian NISs towards capitalist forms of organisation has posed problems for this argument. How then can we explain the role played by contemporary Confucianism in the growth of capitalism in these societies? In order to answer this question, we need to look at two separate issues: the role of culture in the process of social change, and the relationship between Confucianism and modern capitalism.

#### **7.1 Culture and Social Change**

Until very recently, the study of culture has been peripheral to the core concerns of the major disciplines of contemporary social sciences. For both Marxists and functionalists, social structure has been the primary focus. If culture was studied, the emphasis was often on the structural influences on cultural beliefs. It is only since the 1980s that culture has become an increasingly central focus for social sciences. This is largely the result of a rethinking of the basic concept of 'culture' in response to contemporary developments in the cultural sphere. The word 'culture' contains a variety of alternative, overlapping meanings accreted over centuries. Classical

sociological theory and classical social anthropology both view culture mainly as a set of every day beliefs, values or orientations. Culture today, however, is expressed and negotiated increasingly through recorded media, in a variety of forms from print and film to computer networks.

Confucian culture in this thesis is understood more in terms of values and behavioural patterns. Anthropologists at the beginning of this century defined culture as the way of life of a people. It is what an individual needs to know in order to survive in a society, a stock of knowledge which could be learned and passed down generation by generation. Clifford Geertz, a distinguished anthropologist, usefully narrows this general conception down by defining it as 'an historically transmitted pattern of meanings embodied in symbols, a system of inherited conceptions expressed in symbolic forms by means of which men communicate, perpetuate, and develop their knowledge about and attitudes toward life' (1973: 89).

This definition conceives of culture as a pervasive symbolic force which is embedded and expressed in habits, manners, rules, values, ethics, rituals, and other cognitive or symbolic devices. It embodies the rules and values underlying the everyday activities of a society and the operation of its core institutions. Culture is plural. While in general it provides an established pattern of life which requires people to conform, it can be conceptualised and acted out by different people in very different ways.

As another influential contemporary anthropologist, Marshall Sahlins, has put it, 'In their practical projects and social arrangements, informed by the received meanings of persons and things, people submit ... cultural categories to empirical risks. To the extent that the symbolic is thus the pragmatic, the system is a synthesis in time of reproduction and variation ... in action meanings are always at risk' (Sahlins, 1985: ix). This dialectic between pre-existing structures and grounded action is particularly affected by encounters with other, external, systems. These meetings or collisions have the effect of relativising taken-for-granted verities, providing new points of comparison and evaluation and opportunities for new syntheses and incorporations.



As we noted earlier, Confucianism has been in precisely this situation as it has struggled to adapt firstly to the impact of East Asia's extended encounters with western technologies, values and notions of modernity in the nineteenth and early twentieth centuries, and secondly, to the processes set in motion by the rapid economic development of the last three decades. The result has been a highly selective deployment of an already flexible tradition, which has emphasised elements which resonate with unfolding economic and political dynamics, and jettisoned or downplayed those that no longer have a secure purchase on common sense thinking and everyday action. Contemporary Confucianism, as presented here then, is a thoroughly pragmatic response to late capitalism and high modernity. Because it is a moral rather than a religious system, and focuses on life in the here-and-now rather than the hereafter, it has not produced the fundamentalist reactions common to contemporary Islam, Hinduism, Christianity or Judaism.

The elasticity of Confucianism as a cultural resource poses particular problems for theories that propose general models of the relationship between cultural and social systems.

One influential tradition in explaining the role of cultural systems in social change is to treat them as a dependent on the social structure and on economic conditions. This is most evident in Marx's theory that the 'economic base' determines the 'superstructure'. But it is also found in Durkheim's view that changes in religion and other cultural systems are rooted in the increasing complexity of society.

The major alternative tradition has stressed the role of culture, and especially of ideas, as a relatively autonomous force in effecting change. Max Weber is the most important social theorist to propose this model. However, he never intended to supply a one-sided causal interpretation of culture and history. His insistence on the 'reciprocal relationship' between religious belief and economic action clearly accepts that cultural changes are determined in part by social-structural factors.

Max Weber wrote on a wide range of sociological issues. Although the question of social and historical change is central to his thought, he never systematically presented a theory of social change. Instead, studies on segments of universal history lie scattered across his works, especially those on antiquity, the famous *The Protestant Ethic and the Spirit of Capitalism* and his *Sociology of World Religions*. Because of this fragmentation of presentation, Weber's theory of social change has been subject to various contending reconstructions none of which has achieved the status of orthodoxy.

When Weber was first introduced to the English-speaking world through translation, he was either depicted as a founder of a historical sociology that rejects evolutionism, or as an evolutionist whose account is organised around the rationalisation of all forms of social interaction and the 'disenchantment' of all otherworldly values (see, for example, Bendix, 1966 and Parsons, 1937). Since the 1970s, however, he has been rediscovered, and his theory of social change reformulated.

Wolfgang Schluchter (1981) elucidates Weber's sociology 'as a developmental history of the West', a neo-evolutionary theory about the emergence of western rationalistic capitalism, with an emphasis on the role of material interests rather than religious ideas within this process. Friedrich Tenbruck (1980), on the other hand, reconstructs Weber's work in a neo-idealist manner. According to him, Weber's main interest is in the autonomous role of ideals or ideas in generating social changes. The world's history is, to certain extent, a history of rationalisation and disenchantment. Taking as evidence Weber's memorable sentences 'Not ideas, but material and ideal interests directly govern men's conduct. Yet very frequently the "world-images" that have been created by "ideas" have, like switchmen, determined the tracks along which action has been pushed by the dynamic of interest' (Weber, 1958: 280), Tenbruck further explains: 'Notwithstanding the fact that human action is motivated directly by interests, there occur periods of history whose direction in the long run is determined by ideas so that, in a way, men work themselves to death in the pursuit of their interests, and in the long run the water of history is conducted by the mill of ideas and men's actions remain under the influence of ideas' (1980: 335-6).

Wolfgang J. Mommsen (1989) has attempted to synthesise these 'material' and 'ideal' approaches to produce a 'two-dimensional' model. He points out that Weber deliberately emphasised the innovatory role of individuals oriented by otherworldly ideas, but at the same time repeatedly argued that the life-conduct of individuals is largely determined by social structures. Also referring to Weber's famous metaphor quoted above, Mommsen argues that 'ideal' interests drive one dimension of social change and 'material' interests the other. Ideal interests result in 'value-rational' or 'substantive rational' actions by individuals. As value-rational action is directed by the inner self of the acting person and therefore unrestricted by the material situation, it has the power to challenge social reality, and potentially it may induce innovation, and even revolutionary change on a social scale. On the other hand, material interests lead to 'instrumental-rational' or 'formal rational' forms of human action, which tends to conform to dominant world-views and existing social systems, thereby supporting on-going trends of social change.

To understand Weber's theory of social change in relation to religious systems of thought, it is necessary to study his *Protestant Ethic* (1930). Its aim, Weber himself declared, was 'to ascertain whether and to what extent religious forces have taken part in the qualitative formation and quantitative expansion of that spirit (of capitalism) over the world. ... At the same time we shall as far as possible clarify the manner and the general direction in which ... the religious movements have influenced the development of material culture' (1930: 91-92).

Weber opened his *Protestant Ethic* by presenting the evidence that significantly more Protestants than Catholics were involved in the ownership and leadership of capitalist enterprises and in the fields of higher educational training for science, technology and business. After examining some possible explanations, he argued that the explanation 'must be sought in the permanent intrinsic character of their religious beliefs' (1930: 40). In order to do this, Weber attempted to identify the relationship between a 'state of mind' or the 'spirit of capitalism' and the Protestant ethic.



According to Weber, modern capitalism was based upon the rational, endless pursuit of profits. Essential to this project was the spirit of capitalism, a set of values and attitudes characterised by the combination of devotion to earning money through legitimate economic activities and restraints on spending money for personal gratification. For Weber it was obvious that this 'spirit' could exist only when hard work was regarded as a duty, or 'calling toward which the individual feels himself to have an ethical obligation' (1930: 75). Therefore his next step was to discover where the idea of a calling had come from.

Weber located it in the Reformation and argued that the religious doctrine bearing the closest affinity to the spirit of capitalism was to be found in Protestantism. Protestantism took four principle forms: Calvinism, Methodism, Pietism, and the Baptist sects. Though it was treated as a whole in its connection with capitalistic economic activities, Weber singled out Calvinism for his analysis, because it 'gives the most consistent religious basis for the idea of calling ...' (1930: 155).

Calvinism rested on the foundation of predestination: the belief that only a small proportion of men are chosen for eternal grace. It was believed that the universe exists according to the purpose of God and that His decrees are beyond human comprehension. Consequently, Weber argued, a Calvinist was forced to follow his/her path alone to meet a destiny which had been determined by God. In addition, the believer suffered from uncertainty as to whether he or she was one of the Elect. The solution to this spiritual isolation and psychological discomfort was to be found in 'intense world activity'.

For Calvinists, belief in God meant that it was obligatory to consider oneself chosen. In order to prove that they were favoured by God, the Calvinists had to work harder and to produce more. During this process, Weber argued, they began to put more and more emphasis on the efficiency of work and how to maximise it. They began to calculate rationally. Another consequence of their devotion to hard work in a calling was that the pursuit of wealth became 'not only morally permissible, but actually enjoined' (1930: 163). Wealth came to man through God's grace. Thus the anxiety

and isolation experienced by the believers had 'far-reaching psychological consequences' (1930: 160): worldly activity and the pursuit of wealth came to be sanctioned in subsequent developments of Protestant doctrine. Weber also pointed out that although the acquisition of wealth was not in itself considered bad, the believer was not supposed to 'spend any of it for a purpose which does not serve the glory of God but only one's own enjoyment' (1930: 170).

This combination of hard work and limited consumption was what characterised the 'Protestant ethic' for Weber. He compared it with 'the spirit of capitalism' and found that their mutual congruence indicated a strong functional relationship beyond chance coincidence. He then went on to argue that 'One of the fundamental elements of the spirit of modern capitalism, and not only of that but of all modern culture: rational conduct on the basis of the idea of the calling, was born - that is what this discussion has sought to demonstrate - from the spirit of Christian asceticism' (1930: 180).

Weber devoted *The Protestant Ethic* to tracing the ultimate origins of modern capitalism, which he found in ascetic Protestantism. In the course of the discussion of this case he also demonstrated that a new set religious ideas could transform people's daily behaviour and thus help to initiate socio-economic change. It is worth noting, however, that Weber made a clear distinction between the 'qualitative formation' and 'quantitative expansion' of the social change process. The main focus of *The Protestant Ethic* was on the initial formation of capitalism and on the part played by religious ideas in the process.

Seeking further support for his hypothesis, Weber conducted a series of comparative studies of ancient Judaism and the religions of China and India, through which he sought to show how these belief systems could hinder the formulation of modern capitalism. Of these studies, his analysis of Confucianism offered the best counterexample to his Protestant ethic thesis.

Weber started his discussion of *The Religion of China* (1951) with an analysis of the economic, political, and social conditions of Chinese society, so to pay due attention to 'material' factors. He examined the monetary system, cities and guilds, the patrimonial state, kinship organisation and law. Within this mixture of material conditions, some were in opposition to the development of capitalism, some in support of it. In general, however, Weber concluded that the balance of favourable material conditions was sufficient for a genuine industrial capitalism to develop. Therefore he argued, the reason why modern capitalism failed to arise in China could only be found in 'ideal' factors, and Confucianism in particular.

Weber began by examining the literati as the key carriers of Confucianism. The Chinese literati were distinguished from their counterparts in other cultures by their strong involvement in officialdom, their high social prestige, their nonhereditary status acquired through examinations, and their secular nobility. The literati were traditionalistic in nature. They were more interested in maintaining order and continuity than in initiating changes into the society. The elements that had determined this worldview, Weber argued, were to be found in the core characteristics of Confucianism.

In his analysis, the centre of Confucianism was the belief in harmonious and immutable order underlying both the natural universe and human society. This pre-existing social and cosmic order required men to adjust and accommodate. The world on earth was presented by Confucianism as 'the best of all possible worlds'. Man was in principle capable of achieving unlimited perfection and fulfilling the moral law. Thus there was no need for the Confucian man to look to the kingdom of God for salvation and eternal happiness. The self-confidence of the Confucian belief in the possibility of perfection in this world made a sharp contrast to the psychological tension of the Puritan, enjoined to work hard in order to demonstrate a state of grace from the other world. This, Weber argued, accounted for Confucianism's fundamental contrast with Protestantism. 'Confucian rationalism meant rational adjustment to the world, Puritan rationalism meant rational mastery of the world' (1951: 248).



In Weber's view, the Confucian literati desired to be saved from no sin but 'the undignified barbarism of social rudeness'. This goal could be achieved by subjecting one's emotions and way of life to a strict code of 'propriety'. The discrete self-control and ceremonial conduct entailed in this meant that the literati were bound to a rational life style not unlike Puritans. For Weber, however, these acts were mere external conformity to an externally imposed way of life. Again, it provided a strong contrast to the Puritans' striving produced by an inward aspiration.

Weber concluded *The Religion of China* with a comparison between Confucianism and Puritanism. Both had attained a high level of formal rationality. But the content of Confucian rationalism and its consequent impact on social and economic life were very different from those of rational Puritanism. Whereas the Puritan ethic produced an intense enthusiasm for the mastery of the world, Confucianism centred upon the adjustment of the individual to a given order.

Completely absent in Confucian ethic was any tension between nature and deity, between ethical demand and human shortcoming, consciousness of sin and need for salvation, conduct on earth and compensation in the beyond, religious duty and socio-political reality. Hence, there was no leverage for influencing conduct through inner forces freed of tradition and convention (Weber, 1951: 235-6).

For Weber, therefore, the absence of this tension was the most important hindrance to the emergence of capitalism in China.

His studies of world religions enabled Weber to establish the mechanism of social change in its formative stages: ideas and ideals are potentially powerful forces in breaking tradition. Despite this concerted focus on the initiation of change, a few remarks can be found scattered across his writings on the expansion of the social change process. For example, on the later development of modern capitalism, he argued that, 'Since asceticism undertook to remodel the world and to work out its ideals in the world, material goods have gained an increasing and finally an

inexorable power over the lives of men as at no previous period in history. ... victorious capitalism, since it rests on mechanical foundations, needs its support no longer' (1930: 181-2). For Weber, therefore, there is a much reduced role for ideas and ideals in the expansion and further development of social change. Rather, it is technical and economic conditions that sustain its momentum.

The main concern of this study is the relationship between Confucianism and economic development in East Asia, that is, the expansion of capitalism beyond Europe. Weber once remarked, 'The Chinese in all probability would be quite capable ... of assimilating capitalism which has technically and economically been fully developed in the modern culture area' (1951: 248). But he did not explore this probability further because he was more interested in the emergence and development of modernity in the West. Nevertheless, his studies have provided a set of tools for us to understand capitalist development in non-western societies and the cultural change it has brought to these societies.

Firstly, in his analysis of world religions, Weber established culture as an analytically distinct aspect of social life to be analysed on its own level. He showed how cultural beliefs guided everyday practices and affected people's life. With its own autonomous dynamics, culture has track-laying, transformative effects at particular historical conjunctures. Despite the emphasis he gave to the power of culture, however, Weber did not claim it as the only cause of social change. On the contrary, he was at pains to emphasise that, 'No economic ethic has ever been determined by religion - it is only one of the determinants of the economic ethic' (quoted in Worseley, 1984: 37).

Secondly, instead of presenting a grand theory of a universal trend in the development of human society, Weber was careful to stress the importance of specific historical and cultural contexts and conjunctures. In his analysis of other religions, even though the emphasis was on their 'traditional' aspects as compared to the innovations of Protestantism, Weber recognised the dynamics of these cultures.

In his other studies he consciously stressed the specificity of European modernity as one particular period in historical development with a unique cultural expression.

Thirdly, Weber saw a dialectical relationship between culture and structure. In his effort to highlight what had been ignored by Marx, he emphasised or sometimes over-emphasised how ideas and ideals affected the material world. At the same time, he also recognised cultural change as the consequence of material forces. For example, he believed that the process of modernisation was determined mainly by the 'immanent dynamic' of institutions. In his comments on the origins of the Reformation, he further argued that changing social and economic conditions, especially the rise of the bourgeoisie as a class, were important factors (1978: 1197).

Based on the studies of Weber we can suggest a framework for the analysis of the role of Confucianism in the East Asian NISs' recent economic development. In this approach, culture is treated as an explanatory variable in social change, but not the only one. It works in conjunction with other structural variables. Cultural and structural factors interact and influence each other. Thus there exists a non-deterministic causal relationship between cultural and social change. The final direction is often determined by the specific contexts, processes, and mechanisms that conditioned the changes. In the words of Greenfeld, 'the arrow of causality may point both ways'. And, 'the very same phenomenon at one phase in its development may be a result, and at another - a primary factor in the social process' (1992: 20).

When we look at history, there are examples of both material and ideal forces as causes for social change. It was the use of ocean liners and firearms that enabled the West to expand and colonise other continents, which in turn changed the fate of the people of Asia, Africa and America, and shaped today's world. On the other hand, it would be impossible to imagine the existence of the Soviet Union or Communist China had it not been for the revolutionary theories of Marx and his successors. Mao's China was conceptualised and built according to the ideals of revolutionary socialism developed by Marxists.



As shown in these examples, both material and cultural factors can act as independent forces capable of affecting the process of social change. At a certain historical moment or in a certain social context one may be more important than the other. The two sets of factors have their own paths of development, but they also interact. Sometimes they are concordant and together produce a concentrated spurt of change. At other times they can be contradictory. In these situations the stronger factor will dictate the direction of social change though its speed and scale will be hindered by the resistance of the other.

Full-scale societal change can be triggered by either material or cultural forces, depending on the specific social and historical contexts. But once the process of change is underway, changes in one sector will inevitably lead to changes in another. Significant alterations in social structures may create contradictions between transformed socio-economic conditions and existing symbolic systems, which will result in changes in these systems. On the other hand, changes in the cultural sphere may release forces which can legitimate, stimulate or reinforce new directions of change and leave their marks on the other spheres of society. Hence, changes in social structures may lead to changes in the cultural sphere, or vice versa. The analysis of the relations between Confucianism and capitalism that follows will be made in accordance with this belief.

## **7.2 Confucianism and Capitalism**

In talking about Confucianism and capitalism, one is very soon confronted with a central historical question: why didn't capitalism develop in China? Many scholars have tried to answer this question, with replies that stress a variety of factors ranging from the Chinese mode of production to Confucian ideology. But to ask this question at all requires an underlying assumption that capitalist society is an inevitable stage in the development of China. This assumption is in accordance with the prevailing notion of the sociohistorical development of human society: evolutionary theory. Comte described social evolution in terms of an ineluctable sequence which lead to a

predestined end. Although contemporary scholars have rejected nineteenth century formulations of evolution and proposed different pathways, many still accept that the predestined end will take the form of a modern western society. The much publicised 'end of history' thesis is simply the latest expression of this belief, a belief made more plausible and attractive by the collapse of Soviet communism.

The dramatic economic development that has occurred in East Asia seems to confirm this view. But it is a product of external stimulus rather than indigenous development. It has been achieved under a capitalist system developed in the West. The issue in question is, therefore, how this capitalist system was incorporated by the East Asian societies. Instead of believing that capitalist development is a natural stage of development as indicated by a universal theory of evolution, this thesis proposes that a combination of Confucian beliefs and western capitalist structures has created a unique kind of capitalism in East Asia which has produced the economic miracle of a sustained high rate of growth.

In combining Confucianism and capitalism, the East Asian NISs have held them together in a viable though contradictory combination that has resulted in rapid economic development. They have adopted western capitalism, but not in its entirety. Rather, considerable selectivity has been exercised. Some aspects of western society have been accepted, but others have been ignored or rejected outright. Even the elements that have been borrowed may not necessarily have the same effects as they had in the West.

To say that Confucianism and capitalism can be combined entails two assumptions. One is that Confucianism, though born in an agricultural economy, can be separated from its origins and transformed to suit an industrial-based economy. As we have emphasised throughout this work, Confucianism has experienced considerable mutations in response to changing social conditions and has repeatedly absorbed ideas from other belief systems and religions. This ability to assimilate new ideas without losing its essence has arguably been the primary source of Confucianism's continuing vitality. When Confucianism was faced with the challenge of the modern

age, I want to argue that its response has been continuous with its long established pattern: strengthening itself by learning from others. In other words, the advancement of western science and technology in East Asia has introduced new patterns of social action and interaction which have in turn generated significant transformations in Confucianism.

The other assumption entailed in combining capitalism and Confucianism is that capitalism, though often treated as part and parcel of modernity in the West, can be separated from it and transplanted to non-western culture. When Weber maintained that the Chinese would be capable of assimilating capitalism, he also implied that the existence of mature capitalism did not require a universal set of cultural conditions.

Peter Berger has devoted a major book to disengaging capitalism as an economic system from western modernity. Recognising that the rise of capitalism was part of the great transformation that created the modern West, he argues that capitalism, once set free, develops into an autopoietic system. It reproduces itself from the elements it has already produced. Berger has also paid special attention to the East Asian NISs on the grounds that 'the successful capitalist societies of East Asia can no longer be seen as a mere extension of western capitalism' (1987: 11).

To separate capitalism from western modernity necessitates some analysis of the basic characteristics of both systems. The greatest contribution to the study of capitalism has been made by Marx, even though he himself never used the term. Marx viewed capitalism as a system of commodity production. The mode of production of this system was dominated by the deployment of capital, its private ownership, and its concentration in the hands of a capitalist class. Weber shared this basic conception of capitalism as a specific kind of economic system. In his definition, capitalism was a system in which the economic requirements of a society were predominantly met by economic activities that were oriented toward a market and geared to making a profit out of market exchanges.



Instead of seeking a definitive definition, capitalism in this thesis is viewed as an economic system comprised of inter-dependent attributes, the most important being free market mechanisms; production for profit; private ownership of the means of production; and free labour. Private ownership and free labour are the essential conditions for profit making in a free market. In a free market the rate of exchange or price fluctuates in response solely to perceived magnitudes in supply and demand. This is the most important attribute of capitalism, but is not confined to it. The free market is actually both ancient and widespread (Braudel, 1986: 227). Production for profit, on the other hand, is peculiar to capitalism. Traditionally production was to satisfy the immediate needs of people. Although people's needs are still catered for in a capitalist system, the ultimate end of production has been transformed into making money, or more precisely, making money for its own sake.

Making money for its own sake has never been a virtue in any culture. In the West, however, it is justified and legitimated by becoming part of the market mechanism. In the market the pursuit of profit is a rational action following the natural law of economy. The high value of rational action is closely related to the central belief of western modernity, that the world, be it social, cultural, or natural, can be transformed by conscious human activity and participation. Guided by this belief, activities are organised in ways that are considered to be as efficient and effective as possible, and the object world is seen primarily as means to achieve goals. They further lead to a particular emphasis on technological and economic development.

A central premise of western modernity is 'individualism', which values, 'in the first place, the individual human being: every man is, in principle, an embodiment of humanity at large, and as such he is equal to every other man, and free' (Dumont 1977: 4). This supreme and intrinsic value assigned to the individual is most succinctly expressed in the ideals of liberty and equality; that everyone possesses the same right to freedom, and each in turn can make the same use of this right. They manifest themselves in the political life as the principle of democracy, that every citizen has the right to participate in the processes of political rule. In the economic field, everyone has the right of access to the market. Accordingly it is not acceptable

for the state to grant undue privileges to certain people because it violates others' rights.

In Europe capitalism is linked to the vast transformations brought about in the material conditions of human life and to a stratification system based on class. At the same time, it is also linked to 'modern' representative political systems, and a culture characterised by an emphasis on the individual. All of these elements are intertwined within western capitalist society, often conceptualised as a totality or unity. So, can the economic processes of capitalism be lifted out of this complex, and incorporated into a society operating under a different set of rules?

Looking at the evidence from the East Asian NISs, the answer should be 'yes'. Capitalism is linked with some aspects of modern western society intrinsically. For instance, one can hardly imagine its existence without the free market and the rational organisation of economic activities. But these are not exclusive to modern western societies. The free market long antedates the rise of industrial capitalism. And the operation of traditional Chinese bureaucracy was based on a high level of rationality. Furthermore, many other attributes of modernity are linked with capitalism only extrinsically. Individualism, for instance, has been widely regarded as both a cause and a consequence of capitalist economies. But the empirical evidence from East Asia has proved that capitalist economies can blossom without the blessing of individualism.

If capitalism, in its essential features, can be lifted out of the complex of western modernity and bloom in a Confucian society, what is the mechanism of interaction between Confucianism and capitalism? When Weber analysed the relationship between the Protestant ethic and the emergence of capitalism, he focused on individual action. The Protestant ethic created a distinctive frame of mind which encouraged certain forms of economic behaviour. Weber's analysis of the religious ethic continues to be relevant to our discussion. But it must be seen not simply in relation to personal motivation but also as embodied in a wide range of institutions. Culture informs social institutions and structures, independently of individual

consciousness. Its impact cannot be reduced to the actions of individuals. The principal institutions in which Confucian values are embedded and reproduced are the family, the educational system, and the government.

The construction of capitalism in East Asia has involved a process of establishing its compatibility with Confucianism and this has involved, in turn, the transformation of both formations. The seeds of capitalism were first sown in East Asia by western colonialists, but the rapid development of a modern capitalist system happened a century later. Western colonialism brought deep humiliation and physical suffering to the people of East Asia. It made them dissatisfied with their traditional ways and anxious to prove themselves in modern terms. Thus the stage was set for a full-scale social change, and a transformation of Confucianism. In this process, the ideas of profit making, competition, the rationalisation of production and rational innovativeness were absorbed. Above all, the accumulation of personal wealth became a legitimate, if not the most important, goal of life for most people. At the same time, however, many essential features of traditional Confucianism such as filial piety, respect for hierarchy and authority, and the emphasis on education, remained.

When the East Asian NISs gained their independence and proceeded to industrialise, the transformed variant of Confucianism, which underlines the principles of major social institutions, became more functional. Under the influence of Confucianism, the East Asian people committed themselves to economic growth with great determination because they saw it as advancing the welfare of their families and nations. Growth has been achieved through collective efforts and the sacrifice of certain individual rights. Through the action of Confucian informed institutions and individuals, Confucianism has helped facilitate the growth of capitalism in East Asia and has given it some special characteristics in the process.

In Confucian teaching, the point is very often made that unless there is sufficient prosperity, it is not possible to develop a moral community. And the basic moral requirement of an ordinary man is to provide adequate living conditions for his



family. The emphasis on the importance of wealth is obvious, but never wealth for its own sake. Rather, classic Confucians believed that profit is an ignoble goal leading to contentiousness rather than harmony. As mentioned before, production for profit is the central feature of capitalist development. How then did it become acceptable for Confucian East Asians?

The attitude towards profit had already changed considerably in the late Song period (1127-1297) with the growth of an urban-centred commercial culture. Profit came to be seen as a good which is only likely to become evil if not properly controlled. Even so, profit-making was not viewed as a driving force in the constitution of social progress. In modern East Asia, the pursuit of profit is considered essential to success, but not as the ultimate goal of business operations. While in the West economic production is part of the larger effort to conquer nature, in 'modern' Confucian societies it is seen as a necessary condition for improving the living conditions of the people, and keeping the nation strong and independent. When the economic success of a particular firm is seen as for the good of the nation and people, naturally profit is not supposed to end up entirely in the pockets of the company's owners.

This emphasis on the proper distribution of economic gains is congruent with the spirit of social egalitarianism intrinsic to Confucianism. In the West, large gaps in income are tolerated because they are seen to be indicative of differences in individual effort and performance. In Confucian thinking, everyone has a certain role to play in a stratified social order. While what one is judged fit to perform determines a person's position and status in the social hierarchy, it does not determine his or her economic well-being. Just as it is the moral responsibility of a family to care about the welfare of its members, a Confucian government is morally obliged to decrease economic inequality in order to guarantee a decent living standard for every citizen. In East Asia, this Confucian thinking has resulted in an unusual characteristic for a capitalist society: relatively equal income distribution.

While the Confucian attitude towards making money had to be changed to suit the pursuit of capitalist development, many Confucian values and personal traits readily

support modern economic rationality. Among these are: a great capacity for delaying gratification, diligence, discipline, and frugality. Diligence and frugality have long been basic positive values in Confucian societies. Confucian culture was born in an agrarian society with limited natural resources. In agriculture life there can be no good harvest without hard work. And because of the distinctive four seasons in the Far East, the period between production and harvest is very long. People have to save during an extended period of waiting. For such a life diligence and frugality are not only desirable but essential to survival.

Not surprisingly these qualities are in abundant display among the East Asians. Stevan Harrell has listed a series of accounts of the Chinese people from a variety of observers ranging from travellers to scholars. They all document hard work and diligence among Chinese from all walks of life: 'an acceptance of work as a necessity, a willingness to do much, and an assumption that whatever is necessary for economic betterment of oneself or, more accurately, one's family, must be done and ordinarily will be done without complaint' (1985: 207). Although the observation is made about the Chinese, the qualities in question are essentially Confucian. Thus it can be seen as relevant to all people who have accepted Confucian values.

Harrell's interest, however, is in why the Chinese work so hard. The answer, he found, is that they 'exert enormous amounts of effort in search of familial improvements and security' (1985: 224). Indeed, in no Confucian society do individuals work primarily for personal benefit. Rather a person's identity is determined by his relationship with others. It is created through identification with a group. And the most important group of all is the family and kinship network. East Asians work hard to ensure that family members have the necessary means to live. They also live frugally to safeguard the future of their family.

East Asians are also taught the virtues of self-discipline and self-sacrifice in the interests of long-range gratification within the family. The hierarchical family structure places the individual in a strictly defined position and one has to behave accordingly. The complex rules, especially those of filial piety, demand discipline

and self-control. The priority of the family over the individual also demands that one must subordinate one's own preferences for the benefit of the family. It is often necessary for someone to forsake personal enjoyment for the sake of family. Discipline, self-control, and the ability to put off for the future are fostered within the family and institutionalised in society.

In the modern East Asian NISs the family is no longer the only group people identify with. Groups based on common local origin, common school experience, and common workplace also demand loyalty. Within these groups people have a strong sense of shared identity and mutual responsibility. They are expected to make a commitment to the group which is more exclusive and binding than in other societies. 'The emphasis on group loyalty, the responsiveness of people in organisations to group demands, and the predictability of individual behaviour in the group setting have been characteristics well suited to the needs of industrialisation, especially for the late developer, where centralised co-ordination has been so critical' (Vogel, 1991: 99).

The redirection of the traditional Confucian emphasis on the family to the workplace has created some of the distinctive features of the East Asian version of capitalism. In Taiwan and Hong Kong, the family is the basic unit of economic activity. The Confucian rules governing the function of family are therefore directly transferred into businesses organisations. In Korea where gigantic chaebols dominate the economy, the Confucian ethos relating to the family serves as a foundation for a special kind of management practice. This is characterised by long range planning horizons, the commitment of the firm to the welfare of employees, the readiness of employees to work hard without making great personal demands, and the low level of industrial disputes.

The strong sense of belonging to the group means that the employees in an East Asian company are more likely to equate their own interests with those of the company. They feel obligated to further the fortunes of the company by working hard and obeying rules set by management. With the loyalty of the employees a company



has the ability to make long-range plans and to adapt quickly to changing circumstances by redirecting labour and revising goals. Moreover, the voluntary compliance of the subordinate, together with the strong Confucian emphasis on harmonious relationships, helps to dampen protest movements that might otherwise disrupt industrial production. The relationship between the employee and the company is not one-way only however. On the contrary the Confucian principle of reciprocity lies at its heart. In exchange for obedience and hard work from employees, the company commits itself to high levels of investments in their development and personal welfare. Not only does a company subsidise employees' housing and other financial needs and give out gifts on festive occasions, it often guarantees lifetime employment.

Another distinctive feature of the East Asian capitalism, with the possible exception of Hong Kong, is that the government is the biggest player in the economy. The government provides credit, subsidies, financial incentives, housing, education, and sometimes engages in production directly, through public enterprises. The ability of the East Asian governments to engineer economic growth has been widely recognised and discussed. It is commonly attributed to their high degree of autonomy and the effective use of this capacity in planning economic development. But few scholars have explained why East Asian governments are relatively free from public pressures, why they are committed to the goal of economic growth even though they are not constrained by any other forces, and why their highly authoritarian type of governance is accepted by the people.

The explanation, I would argue, lies with the historical form of government in East Asia and the principle that had regulated its operations, that is, Confucianism. Traditionally Confucianism was upheld by scholar-officials, and government practice was the sphere where Confucian principles were most applicable. Although modernisation has brought great changes to government practice in East Asia, its political system is still far from identical with that in the West. According to Pye, a 'distinctive type of political system ... has emerged out of the uniting of Confucianism and advanced capitalism' (1988: 82).

Being authoritarian is the most pronounced characteristic of East Asian governments. Within the government, power is monopolised by a small number of bureaucratic elites. No challenge to their power and status is tolerated. Although an authoritarian government is by no means a necessary condition for economic development, the freedom of East Asian governments to construct institutions and to change them as required in response to the changing economic environment has been a clear advantage in their pursuit of capitalist development. Western governments in contrast, are more immediately responsive to public opinion. But their weaker bureaucratic organisation tends to create the potential for great volatility in short-term policies, even though the basic system remains well protected by constitutional guarantees.

Unlike other authoritarian regimes, the authority of the East Asian governments rests on their commitment to the well-being of the people. They seek to nurture legitimate social and economic activities. The government is the guardian of public goods, and the sponsor of private enterprises. The responsibility the East Asian governments have taken has an ideological base in Confucian teaching. As summarised by Mencius: 'There is a way to gain the Empire. It is to gain the people ... . There is a way to gain the people. Gain their sympathy. ... Share with them the accumulation of the things you wish for, and do not practice what goes against them' (Mencius, Book 7). This and many other similar paragraphs in the Confucian classics serve both as an enduring reminder of the responsibility of the ruler, and as a legitimation of popular opposition if the contract is broken.

In a Confucian society, the relationships between government and private enterprise and between government and citizenry are similar those one would find in the family. They are paternalistic and reciprocal. Governments in East Asia give extensive support to private businesses. In exchange, they hold private businesses accountable for achieving concrete performance standards. That is why government intervention can be effective. Relations between the government and individuals are based on a similar system of mutual obligations. While the government feels obliged to act in

the interests of the people, typical East Asian citizens tend to trust their governments and to look to authority for problem solving. These two basic systems of reciprocity help explain firstly why the East Asian governments are concerned with economic growth, and secondly why strong authority is tolerated by East Asians.

The East Asian NISs are also distinguished by their high levels of attainment in education. This is universally considered as an important instrument for enhancing technological development and the skills base which are of critical importance in a successful capitalist system. In East Asia, both society and individuals place particular emphasis on pursuing the highest possible education. Again, this zeal for education is deeply rooted in Confucianism. Traditionally, entry into government service was determined by examinations in knowledge of Confucian classics. In a society where the only path to upward mobility was entry into officialdom, education became the key to status and advancement.

In modern East Asia education remains a major route to prosperity and prestige. The extension of the entrance examination system into almost every profession means that high level of education is directly related to good jobs. The present education system exhibits a 'modern' form with a complete structure from pre-primary to tertiary levels. The character of the knowledge and skills one gains from education has also long since changed. Confucian classics are no longer part of the curriculum. The emphasis now is on scientific and technological knowledge. Such education systems have produced a large number of efficient bureaucrats, well-informed entrepreneurs, well-trained floor managers, and skilled workers who together have provided the knowledge base on which the economic miracles of East Asia have been built.

We have seen that Confucianism has undergone considerable changes in the process of becoming supportive of capitalist development. But there are still some aspects which have been applied without significant modification. Both the modern western mind and the Confucian worldview focus on life on earth in the human community. In contrast to the West, where Enlightenment thought had to struggle to displace



religion, the advancement of capitalism in East Asia has been supported by the basic secularism of Confucian thought (Tu, 1992: 30).

The other important continuity is the pragmatism inherent in the Confucian world view. Striving to live in harmony with nature and the ideals of synchronicity and adjustment have dominated the mode of thinking in East Asia. This gives rise to a generalised pragmatic attitude. Its best illustration is a famous dictum of Deng Xiao Ping, the architect of Chinese economic reform: 'No matter whether a cat is black or white, the one that catches mice is a good cat.' When this pragmatism is applied to economic activities, East Asians became adept borrowers of foreign practices.

In short, East Asian capitalism has been constructed and reconstructed through the continual interaction between symbolic and material forces. Although the East Asian NISs share an emphasis on economic and technological development with western capitalist societies, they differ greatly with respect to the meanings given to such development and the means to achieve it. In the East, economic development is connected with an emphasis on adaptation to the environment rather than the need to establish mastery over it. The state has played an active role in shaping the development process and in guaranteeing a relatively equitable income distribution following Eastern conceptions of authority, hierarchy, and equality. At the individual level, the Confucian virtues of diligence, frugality and self-cultivation have supported high productivity, high savings rates and high levels of education. In short, Confucianism has played a key role in establishing the special characteristics of the East Asian capitalism.

### 7.3 Concluding Remarks

Within the voluminous literature on economic development in East Asia, the impact of culture is often dismissed. But, as I have argued, it must be taken into account as an important force in the process of social change. Weber demonstrated the potential influence of culture as both a source of pressure for change and as a shaper of social action. At the same time, he acknowledged the reciprocal influence of economic forces on cultural change. Rejecting the language of determinism, this chapter has tried to continue this line of argument by presenting a dynamic and dialectic relationship between cultural and material forces structured by specific historical and social contexts. According to this conception, both culture and structure change through interaction with each other and either can be the decisive factor depending on the particular conjuncture. In the context of the East Asian NISs, this view emphasises the ways that Confucianism changed in response to the force of westernisation brought by the colonial powers in the nineteenth century, and how, during the recent economic take-off process this changed Confucianism has in turn facilitated and shaped the establishment of industrial capitalism.

Confucianism has survived and regained its strength by adjusting to the changing social and economic environment and selecting strategically from the menu of western tradition. The Confucian disdain for money-making behaviour has been discarded by modern East Asians. The traditional Confucian family has declined, but at the same time, family values have been extended to other social groups, especially, the firm. East Asian governments are still authoritarian in nature, but less emphasis is put on moral values. Rather, economic development has become their main priority, and the new basis for their legitimacy. The continuing Confucian enthusiasm for education has underwritten the modern education system's drive to equip East Asians with the scientific and technological knowledge necessary for industrialisation. Add to this the continued currency of personal traits such as diligence and discipline, and it is evident that a transformed and modernised version of Confucianism has not only been highly conducive to economic development but has helped to shape a specific type of capitalism in Asia.

## Conclusion

This thesis has explored the survival and transformation of Confucian values and their influence on the recent capitalist economic development of the contemporary East Asian NISs. It has studied Confucian institutions, particularly government practice, the family and education, and personal traits. It is obvious that Confucianism does not produce economic miracles by itself. But it is also clear that Confucian informed institutions and personal behaviour do constitute a 'thick' support network for economic growth.

It can be seen from the above analysis that the East Asian governments have played an important role in promoting economic development. They are able to do so because they have enjoyed an unusually high degree of autonomy and, more importantly, have effectively used it to shape the economic growth process. High state autonomy is a common feature of authoritarian governments which are not unusual in the developing world. What distinguish the East Asian NISs from the rest are the sources of state autonomy and the ways they have used it for economic growth.

Some socio-historical conditions, such as the absence of powerful landed interests and external threats from their immediate neighbours, have contributed to concentrations of power and nondemocratic practices in the East Asian NISs. In a more fundamental sense, however, the authoritarian nature of East Asian governments can be seen as a product of a political culture which finds its roots in Confucianism. Historically Confucianism had been the guiding ideology of government in China and Korea. In today's Chinese societies and in South Korea it still exerts a strong influence, despite the moves towards political modernisation.



In Confucian culture harmony and co-operation are preferred over disagreement and competition. High priority is given to the maintenance of order and respect for hierarchy. Hence there is little room for the idea of legitimate conflict. The western practices of modern democratic politics which are competitive and adversarial in nature find little favour. The political culture derived from Confucianism, however, not only contributes to the continued concentration of political power in the hands of East Asian governments, it also provides a check on the abuse of the power. The strong ethical-moral basis of government places limits on the purely pragmatic uses of power and demands that those in authority be concerned about the livelihood of the people. While traditionally the emphasis was more on the possession of Confucian virtues, today it has shifted to the ability to increase general living standards. In a word, the strong governments of East Asia are paternalist.

But as with all paternalistic systems, duties move in two directions. At the heart of effective rule in East Asia is a principle of reciprocity. The people respect hierarchy and follow government initiatives. In exchange the government is obliged to deliver a better life and provide support. The tendency of East Asian people to look to the government for guidance is combined with their high expectations. The autonomy of governments is accepted only on the condition that they are nurturing and supportive. Strong government does not guarantee economic development. What is needed is a government strong enough to guide the economy, and at the same time, committed to the development of the country and the well-being of the people. Confucianism has worked to make the East Asian NIS governments not only strong, but also socially responsive.

Another important focus of cohesion is the family. As the cardinal institution in Confucian societies, it has provided a model for government practice and business management, defined principles for social relations, and socialised individuals into a special set of Confucian values. After Confucian teachings ceased to be part of school curriculum, the family became the primary carrier of the Confucian tradition. It is within the family that people learn to subordinate personal interests for the collective

good, to work hard in order to glorify their ancestors, and accumulate wealth for their descendants.

In contemporary East Asia, especially in Taiwan and Hong Kong, the family has entered the industrial world as the basic unit of production. Family savings have provided investments, and the family members have supplied devoted workers. Associations based on family or clan also provide invaluable business contacts. The family is an enriching and nourishing support system for entrepreneurs.

The family has also provided a paternalistic style of business management in the East Asian NISs, which stresses harmonious relations, requires employees to give unconditional devotion to the firm, and disapproves of trade union activities. On the other hand, the management takes a personal interest in the workers' non-work related activities and provides a wide range of welfare benefits. In this way personalised ties are formed between employers and employees, which inhibit the growth of class consciousness and group action.

Another widely recognised Confucian heritage which has contributed to economic development in the East Asian NISs is education. Confucianism believes that human beings are in principle perfectible and that the way to reach perfection is through learning. This includes both self-cultivation in moral terms and the accumulation of knowledge. Based on this ideal, all Confucian societies have developed an entrance examination system to select the most learned men for official office. The system continues today, though the rewards of education have expanded to embrace a wide range of positions. In these societies, education is the principal channel of upward mobility open to everyone. Amongst this background, it is not difficult to understand the popular zeal for education or the high standards of attainment in the East Asian NISs.

There is no doubt that education has been considered increasingly important as an instrument for enhancing technological development and facilitating the modernisation process. Educational achievements' positive impact on income

distribution has often been mentioned too. In the East Asian NISs, however, a well developed meritocratic system has another important role to play, that is, to offset the nepotism which is often associated with paternalistic rule. In these societies where the rule of law is subordinate to the rule of man, recruitment according to examination results provides a useful balance to the tendency to give preferential treatment to one's kinsmen.

East Asian people who have grown up under strong Confucian influence display a set of personal traits which are also conducive to industrialisation. They live a relatively thrifty life with more emphasis on saving than spending; they work hard for the betterment of themselves and their families; they respect hierarchy and authority; they tend to avoid confrontations in the interests of maintaining harmonious relationships; and they are ready to sacrifice their own immediate interests for the collective good.

Many scholars have identified aspects of Confucianism which have had positive impact on economic development. They have also noticed the transformation of Confucianism in these rapidly changing societies. However, in characterising the meaning of Confucianism, most have relied on the classic texts. Even the recent notion of 'post-Confucianism' has been based more on general inference than on detailed investigation. In order to develop a more concrete understanding of Confucianism in modern East Asia and its popular expressions, this study has provided some empirical data derived from a content analysis of newspapers. It is hoped that this material will prompt further investigation of everyday Confucianism as it operates in the public sphere.

As we have seen in the thesis, although the influence of Confucianism has weakened over time, and the importance of the family has decreased, the central themes of Confucianism have proved remarkably resilient. Order is still strongly stressed; authority is respected; harmonious relationships are emphasised; group and society are placed above the individual; industriousness and frugality are associated with wealth and success; and filial piety is considered the most important virtue of all.



By analysing the contemporary variants of established Confucian institutions and tracing their origins in the past, the thesis has attempted to develop a dynamic and historical view of cultural and social change. This perspective takes change as an integrated process which involves all sectors of society. During this process cultural, social, political, and economic forces interact, causing each to adjust and adapt to the new course set by the dominant force.

The development of capitalism and its interaction with Confucianism provides an excellent case study of the value of this approach. Capitalism failed to develop in the Far East when it first emerged, due to the inhibitions of traditional Confucianism. But after it had triumphed in the West and been introduced to these societies by the colonisers, Confucianism could no longer resist the force of capitalist modernity, it had no choice but to adapt to the new situations. As a result, Confucian culture absorbed the idea of profit seeking, competition and rationalisation of economic activity, but retained its emphasis on collectiveness, family, and harmony. Combined with the continuing Confucian emphasis on education, merit, hard work, discipline and high achievement motivation, these values form a potent underpinning for economic growth. And this force has given rise to a special kind of capitalism in the East Asian NISs.

All the societies under discussion here have undergone, and are still undergoing, rapid and radical social change. As we have argued, change in one sphere leads to change in the others. Hence, as these societies pursue economic development, new values such as individual rights, political freedom and pleasure seeking, emerge in response to the altered environment brought by sustained growth. These new values are now straining the limits of a Confucian tradition that has survived and adapted for centuries. Moreover, the East Asian NISs, with their economies based largely on exports, have been particularly responsive to changing external conditions. In an era of increasing globalisation, they are securely tied to the outside world, especially the West, by trade, economic penetration, and international conflict. Inevitably, western culture is entering these societies and challenging the retention of the old ways. It is

unavoidable that people's attitudes and ideas would change in accordance with the rapid social change brought about by the process of modernisation.

The thesis has argued that Confucianism has played an important role in the process of post-war modernisation in East Asia. However, 'it is vitally important to note that the East Asian form of modernity is in a substantial way "western"' (Tu, 1996: 9). After more than thirty years of rapid development, these societies have now become both highly industrialised and highly commercialised. They are changing in the direction set by the West and Confucianism itself is under pressure to change into the same direction. So, will Confucianism continue to be conducive to capitalist economic development? In a more fundamental sense, will Confucianism still be relevant to East Asian people's life in the future? Although only time will provide definitive answers, what is happening now in the East Asian NISs and what has happened in the West can provide pointers to the likely future of Confucianism.

The answer to the question of Confucianism's continuing relevance to economic life could well be 'no'. For all the East Asian NISs, 'the era of labour-intensive, locally manufactured commodity production and trade has ended' (Clark & Kim, 1995: 277). After a period of rapid and centrally orchestrated development, the East Asian economies have grown into colossal complexes. The nature of economic management has changed greatly and government intervention had come to be seen as less desirable. To stimulate future growth, spending is now needed more than saving. Moreover, there are signs that the ethic of hard work and discipline is softening. Even the hard working Koreans have started to complain about long working hours. As a response to wide-spread demands, Samsung, one of the largest chaebols in Korea, has recently adopted a new policy of clearing offices by six o'clock in the evening.

As to the question of whether Confucianism will survive as a significant point of cultural reference in a more industrialised and commercialised society, the current democratisation movement can cast important light on the discussion. Since the late 1980s, the East Asian NISs have made a startling and near-simultaneous turn toward

western ideas of democracy. Taiwan and South Korea have democratised more fully. Both governments are now run by popularly elected civilian presidents, both hold free and fair elections regularly, both have freed thousands of political prisoners, and both allow opponents to criticise them openly and to run for office.

According to the dominant western conception of democracy, a political system is defined as democratic on the basis that 'its most powerful collective decision makers are selected through fair, honest, and periodic elections in which candidates freely compete for votes and in which virtually all the adult population is eligible to vote' (Huntington, 1991: 7). Implicit in these institutional structures is the idea of mass participation in the political process, which rests on one necessary condition, that the presence of a political opposition is constitutionally protected and is capable of providing an alternative government.

It is through a legalised political opposition operating within the framework of constitutionalism that different people and groups can compete to advance their different interests and needs. These processes are adversarial and competitive, and they determine the character of modern democratic political practice. However, we know from our previous analysis that Confucianism is non-democratic in nature because of its emphasis on harmony, the collective, and authority. When the Confucian emphasis on harmony is transferred into politics, consensus becomes the basis of the political system, and there is little room for the idea of institutionalised conflict. And in the name of group responsibilities, individual rights are sacrificed. But most importantly, within Confucianism, political power is viewed in moral terms. 'Conceived in this way, political power cannot be obtained through competition; it is not something to be contested or argued about' (Lawson, 1993: 22).

Given the seeming incompatibility between Confucianism and democracy, it is reasonable to ask if the present democratisation movement signals the end of Confucianism's cultural centrality. It has been argued that a distinctive kind of political system is emerging in East Asia, one that can meet all the formal



institutional requisites of a democracy but displays no real alternation of power or participation in office (Pye, 1985; Huntington, 1991).

However, the combination of western democratic practices and Confucian political values is a highly unstable entity. The political system of Japan has often been hailed as the prototype of East Asian politics: democratic in form but authoritarian in essence. But in 1993, after 38 years of one party rule, political power changed hands. Unquestionably, democratic political practices are able to undermine systems of authoritarian paternalism and to challenge the Confucian ideas of power and authority. This will, in turn, affect established views of social hierarchy and interpersonal relationship, shaking the foundations of one central premise of Confucianism.

Parallel with the political changes is the rise of a new consumer system. This challenges the foundations of Confucianism in a different way. The success of industrialisation in the East Asian NISs has created a world of consumer goods beyond anything that could have been imagined even thirty years ago. Steady increases in people's discretionary income and their accumulated savings have boosted their spending power. As goods and money become more available, patterns of consumption change. Take the example of food. While people used to buy fresh food every day from the market, now they go to supermarkets for artistically packaged and semi-processed foods bearing well advertised brand names. Their daily diet has incorporated more and more 'western styled' products such as milk and yogurt. Luxurious foods, such as exotic fruits and vacuum-packed beef jerky are also entering ordinary people's kitchens. In the public domain, the change is even greater with ever growing numbers of international fast food chains establishing outlets. While local restaurants are still generally preferred as the best milieu in which to enjoy good food and socialise, McDonald's and Burger King have increasingly become part of people's, especially young people's, daily life.

Similar changes are happening in almost every area of consumption. Electrical appliances and cars, which used to be the objects of dreams are now upgraded

regularly in many households. New forms of packaged experience such as travelling and Karaoke have mushroomed. Accompanying these trends is a change in the meaning of consumption. While it was previously seen as necessary but as something to be exercised with restraint, it is now increasingly considered as a way to promote the economy and express the self. As we have seen in the West, mass consumption and consumerism constitute the basis of both the industrial capitalist economic order and public culture. This has increasingly become the case of the East Asian NISs.

A mass consumerist culture challenges the culture of Confucianism. The shift in the meaning of consumption means that it is gradually coming to be seen as a primary social good. Frugality, one of the core Confucian virtues, has become less and less relevant to the new emerging life styles. This in turn, has ramifications for people's attitudes towards work and self. As we have mentioned before, East Asian people have traditionally worked hard and saved amply for the family's sake. When the importance of saving is replaced by the importance of spending, the established motivation for hard work disappears and the ties between individuals and the family are attenuated.

In a more fundamental sense, consumerism contradicts Confucianism's constitution of a sense of self. As we have argued, in a Confucian society the value of the individual is located primarily in the person's function in the society. Self identity derives mainly from personal relations and particularly from family relations. The emphasis on social relations has been so strong that until now it has negated the radical individualising effect of capitalism. Instances of this counter influence include the human-centred style of business management and the direct involvement of the family in economic production through small businesses.

However, there is a strong possibility that what capitalism has not been able to accomplish through the institutions of production will be achieved through the expansion of consumption. Consumption is essentially an individual action. With the wide range of goods and services on offer in the marketplace, individuals as consumers are presented with considerable choices, and are relatively free to choose

according to their own wills. As a way to define the self, consumption can either express differentiation and difference within the social context, thus emphasising individuality, or integration with the social context, thus emphasising uniformity. Either way, however, the symbolic meanings of goods are constructed according to pre-coded mass-produced messages (Belk & Shultz, 1994; Slater, 1997). In contrast to traditional sources of identity such as social hierarchy and family relations, more and more East Asian people are expressing themselves through consumption. As the role previously played by people is giving way to that of commodities, the central premises of Confucianism, which are based on human relations, are acutely threatened.

Finally, mass consumption has provided an effective channel for western culture to spread rapidly within the East Asian NISs. As Sklair has argued, consumerism is the master ideology of a global capitalist system. The cultural-ideological practices of mass consumption go hand in hand with the rationale for continuous capitalist accumulation (1995: 95). People not only buy goods, they also buy the vision of the good life associated with them. These visions are promoted by advertising, which is instrumental in changing the ways people think about consumption. Advertising not only appeals to people's pre-existing 'needs', it also creates new wants by presenting ideal or desirable life styles (Ewen, 1976). Although the degree of western domination of consumer products and advertising varies across the East Asia NISs, the life style promoted and the messages conveyed by the advertisements are inevitably western.

Rapid changes in the East Asian NISs have opened up a new world for many people. For those who have moved into a new social space without fixed patterns of appropriate taste or behaviour, advertising provides a guide on how to live a 'modern' life, and consumer goods supply essential materials to anchor this life. In this respect, advertising begins to play a more subtle role in changing habits than merely stimulating wants. Though at first the changes are primarily in manners, taste, and food habits, in time they will begin to affect more basic patterns such as the structure of authority in the family and the meanings of achievement in the society.



Therefore, one important outcome of the capitalist development in the East Asian NISs is the inexorable power of material goods. As we have argued, after its initial emergence, capitalism has proved capable of reproducing itself without the support of a universal set of values, which is the reason that it has been transplanted successfully to the Far East. But this very success is now undermining the symbolic order of Confucianism which has nurtured its growth. Instead, it is creating a new order resting on capitalist consumption.

In the course of its first encounter with capitalism, a system with economic growth as its primary concern, Confucianism was transformed. The combination of this revised Confucianism and state sponsored market relations produced fast-growing economies in the East Asian NISs. Now there are signs that this capitalist development has reached the stage where it no longer needs the cultural support of Confucianism. On the contrary, the process of democratisation and the increasing significance of consumption are undermining Confucian systems of authority and interpersonal relationships. Again Confucianism has to adapt. Maybe in the future we will see the withering away of Confucianism as an effective force within the private sphere. As a cultural heritage and marker of Chineseness however, it may continue to provide a public identity for people, but it will no longer have any real power to effect their everyday actions. In this light, the current reassertion of Confucianism as the core of a distinctive system of 'Asian values' appears as a rearguard and ultimately doomed attempt to defend a way of life whose conditions of existence are currently being undermined on a daily basis. With the benefits of hindsight, future historians may come to see the role played by contemporary Confucianism in providing a comprehensive cultural underpinning for the East Asian NISs' post-war take off to growth and their construction of a distinctive mode of late capitalism, as the peak of its influence in the modern world.

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## **Appendix: Coding Schedule**

### **1 Case Number**

Columns 1 - 3

### **2 Date**

Columns 4- 9

Date, month and year to be coded numerically using all six columns.

### **3 Newspaper Title**

Column 10

- 1 Ming Bao
- 2 Zhong Yang Ri Bao

### **4 Type of Article**

Column 11

- 1 News
- 2 Editorial / Leader
- 3 Feature article
- 4 Essay
- 5 Letter
- 6 Other

### **5 Page / Section**

Column 12



This is to be taken as the page / section on which the article begins.

- 1 Front page
- 2 General news page
- 3 Economic / Financial / Business section
- 4 Mainland China / Overseas Chinese section
- 5 Education / Society section
- 6 Supplement
- 7 Art / Entertainment section
- 8 Other

**6 Author**

Column 13

- 1 reporter
- 2 Guest writer
- 3 Letter writer
- 4 Other

**7 Size**

Column 14

- 1 Short (under 800 characters)
- 2 Medium (between 800 and 1,500 characters)
- 3 Long (over 1,500 characters)

**8 Themes**

Columns 15 - 23

Main theme

Secondary theme 1

Secondary theme 2

This section of the coding schedule assesses which of the many potential issues surrounding Confucianism are mentioned in the newspaper coverage, and which have been given the greatest prominence.

As many articles refer to more than one theme, it will often be necessary to code the main and marginal themes in every article. A maximum of three themes can be coded for each item. The main theme is the most prominent one dealt with in the article. The 'secondary theme 1' category is to be used to denote the second most prominent theme. And the 'secondary theme 2' the third most prominent theme. Sometimes not every secondary theme can be identified, and sometimes they may not be all related to Confucianism. If there are no secondary themes, or less than three, the remaining theme category is coded '000'. The theme unrelated to Confucianism is also coded '000'.

The themes are grouped under the following subtitles:

1 To Govern a nation or party

- 00 The right way according to the Confucian teaching
- 01 The government should be strong and determined
- 02 Top priority: keep stability of a society
- 03 A nation for people
- 04 Choosing officials by merits
- 05 Unite under one opinion
- 06 Govern with compassion
- 07 Govern a nation like a family

2 Government officials and politicians

- 01 What government officials and politicians (should) do according to Confucianism
- 02 - be morally right, honest and upright (nurture virtues)
- 03 - look after the lower people and treat them like family members
- 04 - be knowledgeable, especially in classics, literature and arts
- 05 - be capable of playing their professional roles

- 06 Good government officials and politicians (general)
- 07 - virtuous, honest and upright
- 08 - knowledgeable and capable
- 09 - a model to be emulate by others
- 10 work for public interests rather than his own
- 11 Bad government officials and politicians (general)
- 12 - possess no Confucian virtues
- 13 - incapable
- 14 - dissolute private life

### 3 Proper behaviours

- 00 Middle way, or the way of means and its application
- 01 Ethics, the way of Confucianism
- 02 Importance of harmonious relationship and good feelings between people
- 03 Men and women should not have close contact
- 04 Women's place is at home
- 05 Propriety
- 06 Respect teachers and knowledgeable people
- 07 Show respect to seniors
- 08 Respect to seniors
- 09 Respect and learn from the ancestors

### 4 Family and group

- 01 People (should) take care of their family members or relatives
- 02 - someone who comes from the same school (university), region, or country
- 03 Importance of group (nation and society)
- 04 Importance of family
- 05 - filial piety
- 06 - stable marriage
- 07 - people in the same group (should) help each other
- 08 One (should) put the interest of the family, company, or nation before his own



## 5 Chinese people, culture and tradition

- 01 Importance of one's roots, motherland
- 02 Tradition and its importance
- 03 Ethnic Chinese are forever Chinese and proud of it
- 04 To keep the Chinese culture, tradition and language
- 05 The greatness of Chinese culture
- 06 To advocate the greatness of Chinese culture
- 07 Shouldn't admire the West blindly
- 08 Declining of Chinese civilization
- 09 The organic combination of tradition and modernity
- 10 Wrong to forget tradition
- 11 People behave according to tradition
- 12 One should inherit tradition

## 6 Morality of society

- 01 Declining morality of modern society
- 02 To rebuild a society with morality and culture
- 03 More ethics education needed

## 7 Work and money

- 01 Be frugal, not ostentatious
- 02 Earn more, spend less
- 03 Importance of hard working and the ability of endure hardship
- 04 Negative aspects of money
- 05 Working for good cause is more important than working for money
- 06 Unchecked desires for material goods are harmful

## 8 Confucian tradition, positive or neutral

- 01 Social activities remembering Confucius and imminent Confucians
- 02 Confucianism, tradition and Chinese culture
- 03 Confucius, Confucians or Confucian Classics
- 04 Confucian or Confucianism and modern society

- 05 The greatness of Confucianism and the necessity to carry forward Confucianism
- 06 Confucianism basically good, but needs to change
- 07 Confucianism does not exist any more

#### 9 Confucianism, negative

- 01 Confucianism is out of date, a hindrance to modern world
- 02 Its negative influence on politics
- 03 - economy
- 04 - education
- 05 - culture
- 06 - society
- 07 - family
- 08 - individual
- 09 - Women's right

#### 11 Others

- 01 Conditions for success
- 02 Experience leads to success
- 03 Virtue leads to success
- 04 Virtuous people
- 05 Degenerate people have no virtue
- 06 Keep face
- 07 Be modest, unaggressive
- 08 Importance of education

#### **9 Actors**

Columns 24 - 28

Main actor            Marginal actor

'Actors' are those individuals or institutions whose actions or opinions constitute the subject matter of an article / item. Similarly to the themes, there is one main actor

and one marginal actor to be coded. If the actor cannot be identified, the relevant category should be coded '00'.

- 00 Cannot code
- 01 Taiwan (China) as a society
- 02 - Hong Kong
- 03 - China (mainland)
- 04 General public
- 05 Government, state owned organisation
- 06 Political party
- 07 Private organisation
- 08 Business / Financial company
- 09 Family
- 10 Other
- 11 President, head of state, or prime minister
- 12 Central government bureaucrat / Politician / high rank military official
- 13 Civil servant
- 14 Manager / Industrialist / Business man / Banker
- 15 Intellectual / Academician / Writer / Artist
- 16 Celebrity
- 17 Imminent Confucian / Philosopher / Religion founder
- 18 Confucius
- 19 Professional
- 20 Teacher
- 21 Student
- 22 Clergy of different religions
- 23 Housewife
- 24 Historic figures
- 28 Chinese
- 27 Overseas Chinese
- 25 Other



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## **10 Reference to Confucius**

Column 29

- 0 Not referred to
- 1 Direct quotation
- 2 Indirect quotation
- 3 Both 1 and 2

## **11 Reference to other Confucian classics**

Column 30

- 0 Not referred to
- 1 Direct quotation
- 2 Indirect quotation
- 3 Both 1 and 2